

CONFIDENTIAL

GRS 200

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FM DELHI 281000Z MAY 80

TO IMMEDIATE FCO

TELEGRAM NUMBER 421 OF 28 MAY.

INFO IMMEDIATE MODUK (FOR DIA AND SALES 4)

INFO ROUTINE WASHINGTON, MOSCOW AND UKDEL NATO

Prime Minister

MA 2/4

*Why should we
give them aid
when they spend
money like this?
no.*

INDO-SOVIET ARMS DEAL: MY TELNO 160730Z MAY TO MODUK

1. BOTH THE BBC WORLD SERVICE AND TODAY'S LOCAL PRESS HAVE GIVEN PROMINENT COVERAGE TO A NEW INDO-SOVIET AGREEMENT PROVIDING FOR THE SUPPLY OF 13 BILLION RUPEES (ABOUT £700 MILLION) WORTH OF MILITARY EQUIPMENT TO INDIA. THE AGREEMENT, INITIALED AT THE END OF THE SIDDHU TEAM'S VISIT TO THE SOVIET UNION, IS SAID TO PROVIDE FOR REPAYMENT OVER 17 YEARS AT 2-1/2%.

2. ACCORDING TO PRESS ACCOUNTS, THE DEAL COVERS THE SUPPLY OF MISSILE-EQUIPPED PATROL BOATS, AIR TO AIR AND SURFACE TO SURFACE MISSILES, ROCKETS, ANTI-TANK WEAPONS AND ELECTRONIC EQUIPMENT. HOWEVER ONLY A LIMITED NUMBER OF T72 TANKS ARE SAID TO HAVE BEEN PURCHASED. THIS CONTRASTS WITH EXPECTATIONS WHEN SIDDHU WENT TO MOSCOW ON 19 MAY.

3. NEITHER THE AGREEMENT ITSELF NOR ITS TERMS ARE UNEXPECTED. A MAJOR INDO-SOVIET ARMS DEAL HAS BEEN IN PROSPECT FOR SOME TIME (SEE POSTSCRIPT TO MANNING'S LETTER OF 17 MARCH 1979 TO PEARCE SAD). IF ANYTHING, IT IS SURPRISING THAT IT HAS TAKEN MRS GANDHI'S GOVERNMENT NEARLY 5 MONTHS TO CONCLUDE IT (SEE FOR INSTANCE PARA 2(D) OF MY TELNO 203 OF 13 FEBRUARY).

4. WE ARE FOLLOWING UP WITH OUR CONTACTS AND WILL REPORT FURTHER AS APPROPRIATE.

EWANS

FILES

SAD

DEF. D

EESD

PUSD

OII

IPD

NEWS D

PS

PS/LPS

PS/MR BLAKER

PS/PUS

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MR P. H. MOBERLY

MR FERUSSON

CABINET OFFICE.

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