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PREM 19/3492



The Rt. Hon. Peter Lilley
Secretary of State for Trade and Industry

7/1/91
2 files

cc/PU

Pa

Andrew Turnbull Esq
Principal Private Secretary to the
Prime Minister
10 Downing Street
LONDON
SW1A 2AA

**Department of
Trade and Industry**

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London SW1E 6RB

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071-215 4440

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071-215 5000

6 December 1991

Pa

MAXWELL: DTI POWERS AND RESPONSIBILITIES

I attach a short briefing note, as requested by Cabinet yesterday.

2 I am copying this to Private Secretaries to Cabinet Ministers and to the Private Secretaries to the Attorney General and Sir Robin Butler.

Yan

MARTIN STANLEY
Principal Private Secretary

JW12069

MAXWELL: DTI POWERS AND RESPONSIBILITIES

The Department is responsible for the framework of company law within which business operates. It has powers to investigate the affairs of companies, to publish reports of inspectors and to take action against offences uncovered by those investigations. Similar powers were introduced in 1986 under the Financial Services Act in relation to companies carrying on investment business.

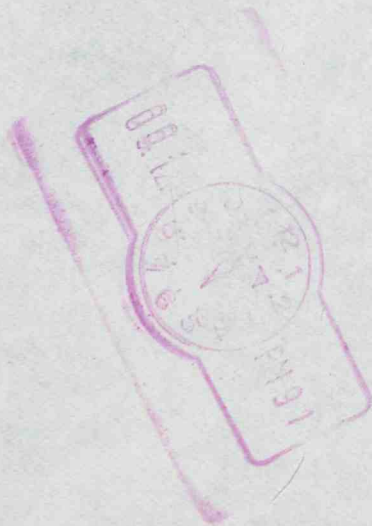
In 1971 Departmental Inspectors investigated the affairs of Pergamon Press of which Mr Maxwell was Chairman and Managing Director. They concluded that he was not a person who could be relied on to exercise proper stewardship of a publicly quoted company. Although the findings in the report were considered at the time, it was decided that there was no basis on which to bring proceedings against Mr Maxwell. There were no powers akin to those that exist in the 1986 Company Director Disqualifications Act under which the Secretary of State can apply to the Courts to disqualify someone criticised in an inspectors report for a maximum of 15 years. The inspectors' findings therefore remained their own opinion. Mr Maxwell challenged them vigorously in the Courts; but the Courts decided that the inspectors had not acted unfairly.

The Department works closely with other regulatory and enforcement authorities, some of whom have their own powers of investigation. When another body is investigating a company, as the SFO now is in the case of Maxwell, the Department would not want to take action which would cut across the other body's investigation. The Department would stay in close consultation however to see whether there were areas of investigation which could more conveniently be undertaken under its powers.

The Department has taken a number of steps to improve the general standard of financial reporting and auditing. Directors may now have to remedy defective accounts at their expense. New machinery has been established for the setting and enforcing of accounting standards under the aegis of the Financial Reporting Council. The Companies Act 1989 provides that only persons who are properly supervised and appropriately qualified are appropriate company auditors. The supervisory bodies for auditors have to satisfy the Secretary of State on such matters as integrity, independence, technical standards, and fair and effective disciplinary arrangements. Under the Financial Services Act auditors shall not be regarded as being in breach of any duty if they make a report to the relevant regulator.

The Financial Services Act 1986 made the carrying on of investment business in the UK subject to authorisation and monitoring. Investment business includes investment management. Where the management of the assets of an occupational pension scheme is carried on by an external manager on behalf of the trustees (as happens in the majority of cases) the external manager's conduct is therefore regulated under the Act (primarily by the Investment Management Regulatory Organisation). A specific provision was included (s191) to put the trustees of internally managed schemes on the same footing. Trustees do not however need to be authorised where day to day decisions are in the hands of an external manager authorised by IMRO.

The 1986 Act does not however make provision for the regulation of pension funds as such (for example their constitution and investment and borrowing powers). To the extent there are regulations, this falls within DSS oversight.





THE FOLLOWING IS A FACSIMILE MESSAGE

British Consulate
Las Palmas

TO: IMMEDIATE CONSULAR DEPARTMENT, FCO, LONDON SW1

FM: R. C. LIVINGSTONE, BRITISH VICE CONSUL

Edificio Cataluna
C/Luis Morete 6 - Third Floor
35007 - Las Palmas
(P.O. Box 2020), Grand Canary

Telephone: 262508

Telex: 95276 ca/b 95276 BRTLP E

Facsimile: 26 77 74

CONSISTS OF THREE PAGE(S)
INCLUDING THIS LEADER

PS/Nº 10

by fax to UKDEL, ROME

for PS/S-PS
and PS/Nº 10

W.R. P. H. S.
7/ki

6 November 1991

FAX MESSAGE Nº 96/91

ROBERT MAXWELL DECEASED

UPDATE

(Paragraphs 1 and 2 for news release at your discretion)

1. After listening to preliminary verbal report from forensic professionals, Judge announced to assembled media representatives that provisional cause of death could be described as natural causes due to heart failure. He made no further comments about medical condition to press and at the request of the forensic doctors reserved his final decision to release the remains of Mr Maxwell until the same forensic doctors had the opportunity to review their initial findings away from the scene of the autopsy itself. He hoped that this review would be completed sometime this evening when he would give instructions for the release.

2. We have confirmed that local officials are prepared to attend our request to work outside normal hours to facilitate speedy despatch of the necessary documentation. There is of course a limit to their cooperation given the possible timing of the Judge's release order but we must remain hopeful that some part of the procedure can be achieved tonight. That way the remainder of the paperwork could be completed sometime tomorrow.

(The following is for your information only)

3. As further background to our earlier fax messages we can say that at the Court House this morning during the taking of statements, the Judge asked a series of questions connected with reports and rumours of Mr Maxwell's alleged connections. Mrs Maxwell was quite emphatic that any such reports were ludicrous and would only have appealed to his fighting spirit. Phillip Maxwell wished to make it perfectly clear to the Judge that he personally felt that his father would have been saddened by the allegations but that he agreed that it would not affect his state of mind. When asked whether the possibility of foul play had been considered by the family Mrs Maxwell said that as a public figure she accepted that her late husband would have had some enemies but that it did not seem plausible to consider such an option. Phillip Maxwell in turn agreed that all kinds of possibilities had passed through his mind but that he too had come to the conclusion that it was much more likely that his father's death was due to an accident or natural causes. He did, however, dwell at length with the Judge on his father's age, lack of physical fitness and heavy workload. The taking of medication was another point dealt with by the Judge. Mrs

CONT/ FAX MESSAGE 96/91



FROM LAS PALMAS

Maxwell repeated her statements of the previous night to the forensic doctor in which she mentioned that her late husband occasionally took medication but only proprietary brands of sleeping tablets, paracetamol and antacids. She was quick to point out that an examination of his tablets aboard the yacht upon their return last night had revealed that there were no sleeping tablets missing. The Judge at that moment concluded his taking of the statements and commented that there was nothing that aroused his suspicions. He stated that he would await the outcome of the autopsy examination but believed he could complete his contribution to the overall examination which is centred on the island of Tenerife as soon as the autopsy was complete. He then left the room leaving the family, the lawyer and myself to discuss their intentions and plans for the transfer of Mr Maxwell's remains. It was at this moment that Mrs Maxwell alerted us to their intention to airlift the remains to Israel which she pointed out would have to be undertaken to arrive before 1400 hours on Friday 8 November since at that moment the Sabbath would commence and permission to land would not be given until sundown on Saturday 9 November. She stated that quote the Israeli Government unquote had promised to cooperate in every way to allow the remains of the late Mr Maxwell to be buried in Israel but that for their own wishes for his funeral to take place on Sunday 10 November it was imperative that their private jet collect and transfer the remains directly from Las Palmas to Israel before the Friday deadline mentioned above. She said that she wished no one outside of the immediate family to comment on the proposed destination. At all times therefore during the course of the day I have emphasised that Mrs Maxwell stated that she wished to await the Judge's permission to release her late husband's remains and consult her other sons before deciding the eventual destination for same. Mrs Maxwell stated that she wished no interference from any source outside of those that she personally appointed scotching the rumours of pathologists, hospitals and funeral directors in the UK being engaged to act on the family's behalf. NB Even at this late stage she is thought to be irritated by the disclosure of their intended funeral arrangements and mention of UK medical interest.

4. Fuller information on autopsy described by the three forensic doctors directly to Judge in my presence mentioned factors such as congestion on the lungs, damage to the pancreas and other minor ailments which could have contributed to his heart failure. They discounted the slight abrasions to his head and body as consistent with his fall and more importantly probably caused by the rescue operation when his body was hoisted into the helicopter. They will be sending samples of his organs to the National Toxicology Institute at Seville and possibly to an expert in the digestive tract at Santiago de Compostela. They queried the comparatively under-exposed condition of his body given the supposed time in the water and will be asking for a litre of water from the same area to be collected by the

CONT/ FAX MESSAGE 96/91



FROM LAS PALMAS

rescue team for analysis. This was the only point which led to some doubt among the forensic team.

R C Livingstone

Copied to:

10 Downing Street,)
Foreign Secretary,)
New Department, FCO)

Consular Department, please pass

R Osborne, British Embassy, Madrid
British Consulate General, Madrid

dti

the department for Enterprise

CONFIDENTIAL AND PERSONAL

The Rt. Hon. Nicholas Ridley MP
Secretary of State for Trade and Industry

Charles Powell Esq
Private Secretary to the
Prime Minister
10 Downing Street
LONDON
SW1A 2AA

Ric Austin
Hard-headed but
surely right

Department of
Trade and Industry

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Our ref JW1ALK

Your ref

Date 3 April 1990

Dear Charles

Thank you for your letter of 22 March. My Secretary of State was interested but far from persuaded by the points that Mr Maxwell made to the Prime Minister.

Neither we nor the FCO have evidence to suggest that the USSR is desperately short of food or that it lacks the wherewithal to pay for it if it becomes so. Mr Maxwell mentions sales to chemicals, fertilisers and coal but the USSR also has reserves of gold, platinum and diamonds.

The quickest and most obvious source of hard currency of up to about £100 million would seem to be to advance Project Marathon. For larger sums I think we would have to point President Gorbachev towards asset sales but I see no reason to make any such suggestion now. As you know senior officials in the Treasury and FCO (the "Sherpas") are making preliminary studies of ways of helping the Soviet economy by way of consultancy, but I imagine that this route would only provide benefits in 3 or 5 years time.

My Secretary of State certainly sees no reason for us to get involved in an aircraft deal with the USSR, particularly when it looks so commercially unattractive.

As to export promotion in Eastern Europe Mr Maxwell seems to belong to the school of thought prevalent in the FRG which believes that it will be possible to recover any short term losses from long term gains. But it is for business itself to decide whether this is true. My Secretary of State believes that the Prime Minister is well aware of the efforts that we



Recycled Paper

dti

the department for Enterprise

and other Departments are making to alert British industry to the opportunities as well as the pitfalls of business in Central and Eastern Europe.

*Yours sincerely
M.S.*

MARTIN STANLEY
Private Secretary

CONSERVATION



Cite PM

SUBJECT cc MASTER



cc PC

10 DOWNING STREET

LONDON SW1A 2AA

From the Private Secretary

22 March 1990

Dear Martin.

SOVIET UNION AND EASTERN EUROPE

The Prime Minister saw Robert Maxwell briefly this evening at his request. He had told us that he had an urgent matter affecting Mr. Gorbachev to raise.

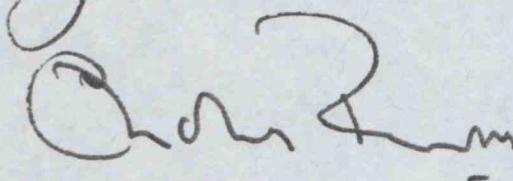
Mr. Maxwell said that he had recently met Mr. Yakovlev, Mr. Gorbachev's closest adviser. It was quite clear that perestroika was in far worse trouble even than we had imagined. At times of great crisis, the Russians tended to turn to outsiders for advice: Lenin had turned to Ford, Stalin to Harriman, Brezhnev to Hammer and Gorbachev (wait for it) to Maxwell. The most urgent need was for short and medium term credit of up to US \$20 billion for the purchase of food, consumer goods, equipment and supplies. Without this, there was no way that Mr. Gorbachev could get through. In return, the Soviet Union could supply commodities, such as chemicals, fertilisers and coal. There was also a particular project to sell wide bodied Soviet jets, with US engines and Israeli avionics, to the West. This proposal was known to President Bush and was being discussed between a small number of industrialists in the United States and Israel with Soviet officials. He wanted the Prime Minister to be informed of all this.

The Prime Minister said she was grateful to be kept in the picture and would discuss it with the Trade and Industry Secretary, who had himself just returned from the Soviet Union. In her view, Mr. Gorbachev had still not really grasped what needed to be done to overcome the problems of the Soviet economy. Only with fundamental change in the way they ran the economy would they succeed. Mr. Maxwell said that he would be returning to the Soviet Union sometime after the end of March for further meetings with Mr. Yakovlev and probably Mr. Gorbachev too. Meanwhile, he would be grateful if the Prime Minister would hold knowledge of his contacts and of the wide bodied jets plan very closely (although he had discussed the latter with Lord King and Professor Roland Smith).

Mr. Maxwell also said that the Government should do more to persuade British industry to take the opportunities which existed in the Eastern European markets. The Eastern European countries would need to modernise their industries and this presented huge opportunities. There was a lack of co-operation between Government and industry in Britain. Small firms needed much more assistance getting into the market. The Government should try to create a focus like the very successful 1992 Campaign. There also needed to be much more exchange of information between Government and industry, as happened in Germany. Another essential step would be to extend credit to Eastern Europe. The Prime Minister said that we were actually already doing a very great deal in these fields. But she did not think it made sense to lend more to the East Europeans. Again she would discuss Mr. Maxwell's ideas with the Trade and Industry Secretary.

Finally, Mr. Maxwell said that the Bulgarians were very keen to get on better terms with the United Kingdom. They felt at the moment they were being treated as though they were Romania. Actually they deserved better.

I am copying this letter to Stephen Wall (Foreign and Commonwealth Office). I should be grateful if it could be given a very limited distribution only. We will be making arrangements for your Secretary of State to come in for an early talk with the Prime Minister.

Yours sincerely,


C. D. POWELL

Martin Stanley, Esq.,
Department of Trade and Industry.

Malcolm Stephens
Chief Executive

ECGD

22 March 1990

Charles Powell Esq
PS/Prime Minister

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Export House
50 Ludgate Hill
London EC4M 7AY
Fax 01-382 7649
Telex 883601 ECGD HQ G
Telephone 01 382 7000

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MR ROBERT MAXWELL

I understand that Mr Maxwell is having a private meeting with the Prime Minister this evening.

I believe that he may raise the question of ECGD cover for Eastern Europe. ECGD cover can take two forms. First export credit insurance for goods and services and second investment insurance.

ECGD is currently reviewing cover for many countries - not least since it is essential to look at the countries individually.

The present position on Export Credit Cover and Investment Insurance is set out in the attached note.

If he has any queries on particular countries or individual contracts it would perhaps be best if he could discuss these with me.

Malcolm Stephens

MALCOLM STEPHENS
Chief Executive
ECGD
01 382 7004

cc PS/Secretary of State
PS/Minister for Trade

ECGD POSITION ON INVESTMENT INSURANCE FOR EASTERN EUROPE

ALBANIA

No cover available.

BULGARIA

Requests for cover will be considered.

CZECHOSLOVAKIA

Requests for cover will be considered.

GDR

No cover available but situation being kept under review.

HUNGARY

Cover is available.

POLAND

Cover is available.

ROMANIA

Requests for cover will be considered.

USSR

Cover is available.

AGREED POSITION ON EXPORT CREDIT FOR EASTERN EUROPE

ALBANIA

Short term cover is available. Under Albania law it is illegal to accept foreign credit and therefore no medium term cover is available.

BULGARIA

Short term cover is available. Medium term cover is available until existing lines of credit expire. The taking on of new medium term commitments has been suspended because of Bulgaria's high external debts.

CZECHOSLOVAKIA

Both short term and medium term cover are available.

GDR

Both short term and medium term cover are available.

HUNGARY

Short term cover is available. Medium term cover is available under a line of credit and future cover is currently under review.

POLAND

Some limited short term cover is available and this may shortly be extended. Medium term cover is not currently available but is being reviewed following Mr Ridley's recent visit to Poland.

ROMANIA

Some limited short term cover is available. Medium term cover is currently not available.

USSR

Both short term and medium term cover are available.

YUGOSLAVIA

Short term cover is available. Medium term cover is not available due to Yugoslavia's debts to ECGD, but the situation is being kept under review.

CJ24D.T3

Malcolm Stephens
Executive

Handwritten initials: ECGD

22 March 1990

Charles Powell
PS/Prime Minister

MR ROBERT M... ..

I understand that you are
Prime Minister's...

I believe that you are
Eastern European
credit insurance
insurance.

ECGD is... ..
since it is...

The present
Insurance...

If he has any
contracts... ..
me.

Handwritten signature: Malcolm Stephens

MALCOLM STEPHENS
Chief Executive
ECGD
01 332 7904

cc PS... ..
PS... ..

ECGD POSITION ON INVESTMENT INSURANCE PROGRAMS

ALBANIA

No cover available

BULGARIA

Requests for cover w

CZECHOSLOVAKIA

Requests for cover

GDR

No cover available

HUNGARY

Cover is available.

POLAND

Cover is available.

ROMANIA

Requests for cover

USSR

Cover is available.

AGREED POSITION ON EXPORT CREDITS FOR EASTERN EUROPE

ALBANIA

Short term cover is needed
to accept foreign credit
available.

BULGARIA

Short term cover is needed
until existing
medium term
Bulgaria's situation

CZECHOSLOVAKIA

Both short and medium

GDR

Both short and medium

HUNGARY

Short term cover
under a 12 month
review.

POLAND

Some limited cover
be extended
is being reviewed.

ROMANIA

Some limited short term contracts for employment
is currently not available.

USSR

Both short term and long term contracts for employment

YUGOSLAVIA

Short term contracts for employment
available but the number of contracts
is being kept at a minimum



10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

Prime Minister

Robert Maxwell

As agreed, I have arranged
for Mr. Maxwell to come in
at 5 p.m. tomorrow. He
says that he has important
information for you on

Gorbachev.

CDD
21/3



Foreign and Commonwealth Office

London SW1A 2AH

20 November 1987

Dear Charles,

Franco-British Youth Exchanges *W. P. H.*

Thank you for your letter of 19 November about Mr Maxwell's discussion with the Prime Minister of Franco-British youth exchanges.

Our present bilateral programme is administered by the Youth Exchange Centre (YEC), which was set up in 1985 and is financed by the British Council (80%) and the Department of Education and Science (20%). In 1985/86, the YEC supported exchanges with France involving some 4,400 individuals and costing nearly £91,000. Last year these figures fell to 1,940 and £52,400 respectively, mainly because of re-organisation of the YEC. We hope soon to return to the 1985/86 level, but this does highlight an organisational mismatch. The YEC is demand-led and decentralised. Its French counterpart tends to direct exchanges from the centre. We are working in annual bilateral meetings and other contacts to overcome this.

For comparison, the Franco-German youth exchanges are organised by a special bilateral office, set up under the Elysee Treaty with a budget of £10 million per year. They involve over a quarter of a million young people from the two countries every year.

Between Britain and France, there is a large but unknown quantity of visits and exchanges arranged directly at local level without YEC involvement. We have however long thought that it would be desirable to increase the YEC's bilateral programmes with both France and Germany - our two top priority countries in Europe - but we have been constrained by shortage of resources.

A new complication is a Commission proposal, arising from the People's Europe Report, for a Community youth exchange programme, Youth for Europe (YFE). The proposed budget is 30 mecu (£21 million) over three years. Although we have secured major improvements in the text, the programme is designed in part to encourage exchanges with the poorer Southern Member States. It would not, therefore, be possible simply to incorporate our existing bilateral

/exchanges



exchanges in YFE. Indeed, even if we could secure agreement to a 6 mecu (£4.2 million) programme, which will almost certainly be unacceptable to other Member States, we would need additional resources if we were to avoid reducing our bilateral programmes.

Although YFE requires unanimity for adoption, it is very likely that even if we blocked it the Commission would still be able to secure substantial funds for youth exchanges through the budgetary process. Until the outcome of the current negotiations is known, it will not, therefore, be possible to assess the implications for our bilateral programmes.

Against this background, any proposal to increase Franco-British youth exchanges would have to be considered carefully by the Departments concerned, particularly for its expenditure implications. If therefore M. Chirac raises this with the Prime Minister on 22 November, the Foreign Secretary recommends that she express general interest and a willingness to study any proposal but avoid any firm commitment.

I am copying this letter to Alex Allan (HM Treasury), Tom Jeffrey (Department of Education and Science) and Trevor Woolley (Cabinet Office).

rows over,

L. Parker
a

(L Parker)
Private Secretary

C D Powell Esq
10 Downing Street

FRANCE: Anglo French Relations p. 1





6 pm.

Tuesday 19 Nov.

10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

Prime Minister

Robert Maxwell has been in touch to ask whether he could see you briefly later this week on two points:

- (a) he has just seen Chirc. He wants to suggest to you a possible Anglo-French initiative which you may like to launch (subject unspecified);
- (b) he has recently ~~to~~ seen



Yakovlev in the Soviet Union &
 thinks you will be interested
 in what he has to say.

Agree to see him
 briefly on Friday afternoon?
 or Yes no

Prefer to send me down
 to his office to hear what he
 has to say? The 'Prize' wants
 to be seen here!

CDF
 16/xi

RESTRICTED

JOB BEU

file

bc. P.C.



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ON FRANCE:
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10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

19 November, 1987.

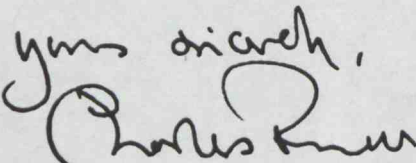
Dear Lyn,

FRANCO-BRITISH YOUTH EXCHANGES

Mr. Robert Maxwell came to see the Prime Minister this evening. In the course of their discussion Mr. Maxwell said that he had recently seen Monsieur Chirac, and found that he was anxious for some initiative which would give impetus to Franco-British relations. He compared the constant institutional advances in Franco-German relations with the absence of anything similar in France's relations with the United Kingdom. In the course of their talk, M. Chirac had said that he would propose to the Prime Minister, when they meet next Sunday, that there should be an expanded programme of Franco-British youth exchanges. Mr. Maxwell said that he hoped that the Prime Minister would feel able to respond positively to this.

The Prime Minister is quite open to the idea in the abstract, but has not considered the implications of the proposal either in terms of organisation or expenditure. I should be grateful if you could let me have, for the purposes of Sunday's meeting, a brief note setting out what already exists in the field of youth exchanges with France, and suggesting how the Prime Minister might best respond to a proposal for expanding them. I ✓ it's here

I am sending copies of this letter to Alex Allan (HM Treasury) and Martin Dinham (Overseas Development Administration).

yours sincerely,

C.D. Powell

Lyn Parker, Esq.,
Foreign and Commonwealth Office.

RESTRICTED

PRIME MINISTER

MEETING WITH MR. ROBERT MAXWELL

You have agreed to a brief meeting with Mr. Maxwell at his request. He has two matters to raise:

- a possible initiative in Anglo-French relations. He has recently seen M. Chirac;
- his impressions of what is happening in Moscow, following a recent visit there.

C.D.P.

(C. D. POWELL)

18 November 1987

Grey Scale #13



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