

ce ST PPS?



DEPARTMENT OF TRADE AND INDUSTRY
1-19 VICTORIA STREET
LONDON SW1H 0ET
TELEPHONE DIRECT LINE 01-215 5422
SWITCHBOARD 01-215 7877

PS/
Secretary of State for Trade and Industry

4 April 1985

Charles Powell Esq
Private Secretary to the
Prime Minister
10 Downing Street
London SW1

Dear Charles,

LETTER FROM MR MICHAEL NIGHTINGALE, CHAIRMAN OF THE
ANGLO-INDONESIAN CORPORATION TO THE PRIME MINISTER

Mr Nightingale seeks the Prime Minister's help, during her visit to Indonesia, to resolve a problem they have with the Indonesian authorities in obtaining land on which to develop a plantation in Sumatra.

2 The history, very briefly, is that in 1971 AIC were granted a concession of virgin forest land in Northern Sumatra as part of the compensation for estates in Java seized by the Indonesian authorities during 'confrontation' in the mid-60s. For one reason or another AIC did not seek to develop it until 1979. In the interval, the rules on land tenure had been changed. Rising nationalisation had brought forth legislation permitting only Indonesians to hold the title to land. AIC were forced to find a suitable Indonesian partner. There were long drawn-out negotiations about the precise location and parcels of land which should form AIC's concessions at Riau. These negotiations are still continuing. The political sensitivities for the Indonesian authorities are considerable but other British organisations (notably CDC and Harrisons and Crosfield) have resolved similar difficulties amicably. AIC have a good case but it is widely thought that their abrasive, confrontational style of negotiating and their insistence on discussions only with top level Indonesians has contributed a great deal to the difficulties and delays. We understand that the latest position, however, is that AIC are considering two alternative areas which appear to have been offered by the Indonesians.

3 Meanwhile two other ventures with which AIC are concerned, a tea plantation in Java and the Tasik oil-palm estate mentioned in Mr Nightingale's letter, which have both had more than their share of problems in the past, appear to be going well.

JHICER



4 Given the long and sensitive history of the Riau case it would seem inappropriate for the Prime Minister to raise it with Indonesian Ministers. Chris Benjamin of PEP Division here will, however, be briefed on it and if a suitable opportunity arises he might mention it as a case which, unless settled quickly, could discourage other UK investors from putting money into Indonesia.

Yours sincerely,

Maureen Dodsworth

MAUREEN DODSWORTH
Private Secretary

JH1CER



SH/MS
to note

10 DOWNING STREET

From the Private Secretary

2 April, 1985.

The Prime Minister has asked me to thank you for your letter of 29 March with which you sent her the draft prospectus for Anglo-Eastern Plantations Plc. The Prime Minister's visit is a very short one, and the time for detailed discussion limited. But I will make sure the point raised in your letter is covered in her briefing.

(C.D. Powell)

Michael Nightingale, Esq. O.B.E.