



Ministry of Agriculture, Fisheries and Food
Whitehall Place London SW1A 2HH

cc: B1

From the Minister's Private Office

C D Powell Esq
10 Downing Street
LONDON

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Prime Minister

You may like to see this
fuller account of ⁵ December 1988
what we are doing on

the agricultural side with
the Russians.

Dear Mr Powell,

CDP/xii

GORBACHEV VISIT - BILATERAL RELATIONS

file with CDP

In your letter of 29 November, you recorded that the Prime Minister had commented that the proposals on agriculture contained in Stephen Wall's letter the previous day looked disappointingly thin, and that she hoped it would be possible to work up some substantial and newsworthy projects in this area. In view of this, it might be helpful if I were to expand a little upon the earlier, somewhat cryptic, references.

As the Prime Minister has suggested, there is a considerable potential for British commercial involvement in Soviet plans for modernisation and development of their agriculture, and there is in fact a great deal already going on. This is illustrated in the attached Annex of highlights of the Programme of Co-operation for 1989 agreed as recently as last week in the Anglo-Soviet Working Group for the agro-industrial sector, and the 40 or so UK companies involved are keen to expand their current activities.

However, progress does very much depend on Soviet partners being persuaded to implement agreements, to provide their share of currency and resources, and to see that bureaucratic and administrative barriers on the Soviet side are removed. For example, major companies such as ICI and Shell, who have put a great deal of investment into co-operation with the USSR in recent years, have yet to see a return, and have had the additional frustration that, even where they agreed to accept payment in goods ("counter trade"), when it came to the point, the goods agreed upon, or any acceptable substitute for them, were simply not available.

It is also the case that those large contracts which had reached anything like a sufficient degree of maturity were signed by the Minister of Trade and the Chairman of major British companies and their Soviet counterparts at the latest meeting of the Anglo-Soviet Joint Commission last month. As a result, there is little by way

/of significant newsworthy ...

of significant newsworthy addition that could be made during Mr Gorbachev's visit. Indeed, some of the businessmen have told us that their Soviet counterparts may be waiting for official approval perhaps related to the outcome of the visit before signing contracts for ventures already agreed in principle. In the circumstances, it may be that we should aim for a statement of approval and intent by Mr Gorbachev, echoed on our side by the Prime Minister, which might enable a number of pending contracts to be signed.

I should also say that, in addition to increased activity in the commercial sector, we believe that there would be value in expanding the existing programme of official co-operation, if new resources could be found. Many aspects of our increasing co-operation with the Soviets are appropriate to, and will be funded by, the commercial sector but there does seem to be a case for increasing the provision of managerial training for Soviet agricultural and food executives in the UK. This Department has only a very small co-operation budget, but it may be that the British Council would be able to make a contribution.

I am copying this letter to recipients of yours.

*Yours sincerely,
Stephen Lambert*

STEPHEN LAMBERT
PRIVATE SECRETARY

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PROGRAMME OF ANGLO-SOVIET CO-OPERATION IN THE AGRO-INDUSTRIAL SECTOR FOR 1989

INTRODUCTION

At meetings between the British side of the Anglo-Soviet Working Group and its Soviet partners in Moscow and the Republics between 21 and 25 November 1988, the following programme of co-operation, specifically related to stated Soviet priorities for modernisation and expansion of its food and agricultural sectors, was agreed upon.

JOINT VENTURE INITIATIVES

Were agreed in respect of

i) livestock improvement - on 28 November the British Livestock Company signed an Agreement for the formation of a Anglo-Soviet joint enterprise for cattle embryo transfer. During 1989 BLC will supply UK Holstein heifers to form the basis of a donor herd, to be supplemented by further consignments over a 4 year period, together with specialist laboratory equipment, frozen semen and technical advice to increase Soviet dairy production via genetically superior dairy cattle. This initial project will be based in Estonia and negotiations continue in the Ukraine and elsewhere.

ii) The Pig Improvement Company is in discussion with 2 Republics for the development of a pig hybridisation programme.

iii) JCB are negotiating a joint manufacturing or assembly plant in Estonia to produce earth moving equipment, loaders and similar equipment.

iv) Cow and Gate Ltd have made proposals for a factory for joint manufacture of milk based infant foods.

v) Allied Lyons is seeking to set up a joint trading firm to produce beer, wine and vodka and is engaged in other negotiations about the use of Soviet fruit concentrates.

vi) APV is negotiating with the Soviet Ministry of Grain Products for a joint bakery equipment production project.

vii) The Micronising Company has already supplied equipment to the USSR for the preparation of animal and human foods and is currently negotiating a contract for joint manufacturing facilities.

OTHER FORMS OF CO-OPERATION

A wide range of prospects is being pursued by other key UK companies in a variety of suggested forms of co-operation with Gosagroprom including:-

i) Booker Seeds and Nickerson Seeds are pursuing possibilities for seed production and improvement, variety testing and specific agreements on speciality crops.

ii) FMC Corporation (UK) has already had success in the supply of its pea and bean harvesters and is exploring new possibilities for food processing machinery.

iii) ICI and Shell are already involved in large scale experiments to improve crop yields by more efficient management. They are pursuing specific opportunities in respect of the production of maize and other crops, and in the control and use of agricultural chemicals.

iv) RDS Technology are negotiating to supply electronic control equipment for agricultural and horticultural use.

CONSTRUCTION AND SUPPLY OF EQUIPMENT

Discussions are currently in train for the construction of manufacturing plants, or the supply of specific equipment by

i) Simon Group for oil seed processing plants and aids to potato crop improvement, storage and processing (the Group are also discussing hotel construction)

ii) Micronising are pursuing large contracts for the supply of new equipment for the cocoa industry and the introduction of breakfast cereal processing facilities.

iii) Union International Consultants are involved in the modernisation of the supply of meat in the USSR, and specifically in the design of 4 abattoirs, a meat supermarket, as well as supplying consultancy and management services to existing facilities.

v) Taylor Woodrow International (in association with UIC) have made proposals for the refurbishment of existing fruit and vegetable plants, the design and supply of new ones, and facilities for potato storage and processing.

OTHER METHODS OF CO-OPERATION

In addition to these continuing commercial contacts and visits in both directions the recent meetings in Moscow agreed on a series of exchanges by experts, seminars and symposia as background and support to these opportunities. These include work on:-

a) a symposium on post-harvest technology for potatoes and horticultural produce

b) Quality control in food industry

c) Exposition of British methods of training for farmers and farm managers and its application to the USSR (the Agricultural Training Board has been invited to discuss this in greater detail with the Moscow Agricultural Academy)

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cc PC
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10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

29 November 1988

Dear Stephen,

GORBACHEV VISIT: BILATERAL RELATIONS

Thank you for your letter of 28 November about the various bilateral matters which might be discussed during President Gorbachev's visit. The Prime Minister has noted this and has commented only that what is proposed on agriculture looks disappointingly thin. She hopes that we shall be able to work up some substantial and newsworthy projects in this area.

I am copying this letter to Trevor Woolley (Cabinet Office), Roger Bright (Department of the Environment), Neil Thornton (Department of Trade and Industry), Shirley Stagg (Ministry of Agriculture, Fisheries and Food), Alex Allan (H.M. Treasury), Brian Hawtin (Ministry of Defence), Peter Smith (Chancellor of the Duchy of Lancaster's Office) and Tom Jeffery (Department of Education and Science).

Yours sincerely,
Charles Powell
(CHARLES POWELL)

J.S. Wall, Esq.,
Foreign and Commonwealth Office.

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