

PRIME MINISTER

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HANSON INDUSTRIES: SOVIET UNION

Sir Gordon White may raise with you this evening the proposals in his letter of 5 January on how Hanson Industries might help the Soviet Union.

The four proposals are:

We are ready to receive Russians, both at Hanson headquarters and at our factories, in order to show them how our systems work, e.g. financial control, motivation, production, distribution.

We are ready to take Russians on secondment to our operations - top managers, middle managers, young achievers - and to send our own people out to them on an exchange basis.

We could form a team from our operational people to go out there to look at a particular project - perhaps in one of the industry sectors where we have special expertise, for example brick production. We could point them at others here with specific knowledge.

One area in which they will certainly need help is that of investment know-how in their manufacturing sector; perhaps this is something also on which we could help?

Points which you might make are:

- the first proposal is probably the most practicable. The Russians are quite keen on such visits.
- the second is less practicable. The Russians are not yet ready to accept western managers in their plants. Whether Hanson really want Russian managers in their factories (and what it would do to their profits!) is

for them.

- the third proposal could be useful, provided it was in a priority sector for the Russians such as food or household goods. Bricks may not be very high priority.
- the fourth proposal is rather longer term.
- but you would be prepared to mention Hanson's readiness to help to Gorbachev.
- they might also consider the 'open sector' and 'special zone' ideas.

Charles Powell

9 January 1989

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10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

6 January 1988

I enclose an exert from a letter to the Prime Minister from a leading industrialist suggesting a way in which his company could help with reform of the Soviet economy. I have removed references to the name of the company, which is not particularly relevant.

*Lyn telephoned
CDP 9.1.88*

Could the Department give me a very quick view on the practicality of these suggestions and the idea that the Prime Minister might mention them to Mr Gorbachev when they meet. The Prime Minister is seeing the industrialist concerned on Monday, and it would be helpful to have a reply by then.

C. D. POWELL

Lyn Parker, Esq.
Foreign and Commonwealth Office

Exert as sent to fco

Mr. G. has a mighty problem. In their society where they can 'decree' excellence - in space, in medicine, in Olympic sports. They can 'command' the top talents and motivate them with honours and rewards. But they especially fail at the simple, human things and their system is increasingly seen - from within as well as from without - as moribund and a failure.

It is immensely to Mr. G's credit that he has the guts to start on what could be a lifetime's task of engineering massive cultural change. It is in the Western world's interest that his labours should succeed - even if the process is slow and painful. What therefore can Britain do to help?

All Western countries will want to get in the act, but perhaps with lightly disguised commercial self-interest. The U.K. is, I believe, in a special position to help. You get on with Mr. G.; he respects your world leadership. But more than this, the U.K. is the only Western country in which the need for root and branch cultural change has been recognised, where the socialist system has been challenged and steadfastly confronted by you and, while it has taken nearly 10 years so far, success has been demonstrated.

Government will have many ways of offering help. I have been considering how British business - but in particular how we in - can help in one of the Soviet's tasks - how to reach a situation, say, of achieving one of the first needs, consumer choice in the shops.

have concentrated on the U.K. and U.S.A., but our methodology - how to obtain efficient production and distribution and to maximise results, particularly in a wide range of consumer goods manufacturing and distribution - could be very useful to Mr. G.

I hear you saying "get to the point" and so follows a series of practical proposals which I hope may be of some value in your forthcoming discussions with Mr. G.

- .We are ready to receive Russians, both at headquarters and at our factories, in order to show them how our systems work, e.g. financial control, motivation, production, distribution.
- .We are ready to take Russians on secondment to our operations - top managers, middle managers, young achievers - and to send our own people out to them on an exchange basis.
- .We could form a team from our operational people to go out there to look at a particular project - perhaps in one of the industry sectors where we have special expertise, for example brick production. We could point them at others here with specific knowledge.
- .One area in which they will certainly need help is that of investment know-how in their manufacturing sector; perhaps this is something also on which we could help?

I hope that these proposals will be useful. Our forte is the regeneration of organizations which have lost their way and the freeing of individuals to make their maximum contribution - something the Russians seem greatly to need.