

Prime Minister

COP
19/2

mt

PRIME MINISTER

OUR RELATIONS WITH THE RUSSIANS

... I thought you should see the attached minute from Alan Clark. It brings out the extraordinary state of confusion in the Soviet camp but I believe it can also be taken to indicate the opportunities for us both politically and commercially.

2. Kamentsev himself provided more sweetness than light and I am not sure whether we advanced the cause of many British companies or projects. Nonetheless he did seem to invite commercial proposals of a more daring nature than we have hitherto considered practical politics and my officials are taking steps to ensure that you will be able to raise two or three with Gorbachev without too much risk of upsetting him when he arrives in April.

3. Turning to the political side, the main economic reason for fearing for Perestroika seems to be the mismatch between the immediate need for more consumer goods in Soviet shops and the two or three years that it will take Gorbachev to get production from his proposed investment in machinery to make these goods, coupled with his determination not to borrow to fill the gap.

4. While I doubt if we ought to persuade him to borrow unless we can see a good chance of his avoiding a repeat of the Polish

dti

the department for Enterprise

[But what?]
fiasco on a more serious scale, I do think the time has come for us to push more radical proposals for increasing the USSR's hard-currency income.

I am copying this minute to Geoffrey Howe.



D Y

16 February 1989

Department of Trade and Industry

To:

Secretary of State

cc Chancellor of the Duchy of
Lancaster

From:

Minister for Trade

13 February 1989

Jain

mt

You should have a note of my meetings in the last week with three senior, though second-tier members of East European Governments. At the Lancaster House dinner last week for Kamentsev

I had Bespalov the Soviet Minister for the Chemical Industry on my right hand. After a somewhat taciturn beginning he suddenly asked me why the DTI existed at all (!): 'What is the role of the Department when all industrial decisions and contracts are undertaken by the private sector?'

Temporarily Retained

THIS IS A COPY. THE ORIGINAL IS
RETAINED UNDER SECTION 3 (4)
OF THE PUBLIC RECORDS ACT

After some moments of general discussion on these lines, he confided that his own position was 'quite impossible'. He no longer had directive powers; individual managers were making their own decisions about production programmes, tending always to opt for what was easiest.

"But what about the market? If they were satisfying a demand well and good, surely?" No, they didn't have to bother about that. They were making things for which there was no demand '...because it was more convenient'.

"Sack them". He had no powers.

"Put them under arrest" (I tried to coax out any latent Stalinism). That could only be done in wartime.

Bespalov lamented what sounded very like the Russian equivalent of the Employment Protection Act: 'it is against the law to dismiss anyone other than for a criminal offence'. There was a conspiracy between managers, who came in late and left early, and workers who 'also liked to stay in bed'. (Shades of Devonport Dockyard!).

I should emphasise that Bespalov struck me as being an intelligent, liberal minded human being. But he is deeply gloomy about Perestroika, said things had been done in the wrong order - political reforms had come 'at random' before the economy was strong enough to support them. As Perestroika developed Gorbachov had been obliged to make concessions 'to different groups'. The reforms were completely out of balance.

Emboldened, I gave the advice which I offered to the Central Praesidium in October 1987 when I was Chairing the Joint Commission. "Privatise agriculture and road haulage, and everything else will fall into place". He, as they did then, received this in complete silence.

Our conversation was long and intense. I won't delay you by repeating it all but I find it astonishing that a senior member of (any) Government should express himself with such reckless candour about the policy of the administration of which he is a member, to a complete stranger who holds Ministerial office in another country, and that country not even an ally.

Then today I hosted a lunch for Obzina, Deputy Prime Minister of Czechoslovakia. He is a heavy Stalinist of the old school - Military Technical Academy, Army role in the 1968 uprising, etc. But with a certain brutal geniality. In Prague last year I had baited him with the fact that in 1939 Czechoslovakia was the fourth richest country in Europe; now after 50 years of socialism it was the 17th. He remembers this. Anyhow, in my speech at the end of the meal I referred to the Joint Socialist Market, said something diplomatic about how this showed things were '...on the move in the Comecon countries politically and economically'. Blandish stuff. In our conversation he had made contemptuous references to 'fashionable reforms' but to my amazement in his response he said, on his feet to the whole room:

'On the move? To move one has first to be upright. But we have been brought to our knees, indeed you could say we were lying on our back.'

Then this evening I had a meeting with Jastrzebski, the Polish Minister for External Economic Relations. His misgivings showed from yet another angle. In recommending the reforms, he said, significantly, they had now got enough momentum and would survive, one way or another, 'possible political changes'.

"Changes?"

'Of direction. Returns' (sic) .

You will appreciate the significance that all three of my interlocutors , politicians with different responsibilities, in different countries, should have expressed their anxieties so recklessly. Even allowing for the fact that my own somewhat uninhibited style invites indiscretion I found this surprising, and ominous.

My own view, for what it is worth, is that Gorbachov will survive. Not only is he tough and clear-headed but he has worked his way up from the very bottom of the system. It is not as if he were some intellectual like Kerensky imposed from outside as window-dressing; or some Pahlevi autocrat who got it by inheritance. He must know every rock and gully on the approach march where he might suffer an ambush, or could entrap his enemies.

But these encounters, coming so close and being so consistent in tone, do not augur well for his prospects.

A handwritten signature in black ink, consisting of a stylized 'A' with a horizontal line through it, and a long, sweeping underline that extends to the right.

ALAN CLARK



Hanson Industries

410 Park Avenue, New York, N.Y. 10022
Telephone (212) 759-8477 Telex 961775
Fax (212) 838-2163

②
Richard

copy
2/4

Sir Gordon White K.B.E.
Chairman

R 30/13

27th March 1989

Dear Charles,

I thought that the Prime Minister might be interested to see this article following our conversation about how we could help Soviet industry to improve.

With kind regards,

Yours age
Gordon

Charles D. Powell, Esq.
Private Secretary Foreign Affairs
Prime Minister's Office
10 Downing Street
London SW1



PETER MORENUS/The Post-Standard

Local dignitaries and a group of Soviet business people look over the shoulder of a Smith Corona worker.

Soviets Tour Smith Corona Plant

Business Delegation Becomes Acquainted With U.S. Products

By JOHN S. TONELLO

CORTLANDVILLE — Smith Corona workers looked up from their assembly lines with curiosity Tuesday afternoon as a delegation of four Soviet Union business people and several other dignitaries were escorted through the Route 13 plant.

The visit was to acquaint the Soviets with the typewriter factory's production, products and people, a Smith Corona official said. All four are representatives of Vneshtorgizdat, the 65-year-old Soviet company that in December entered into an agreement with Smith Corona to distribute electronic typewriters and word processors in the Soviet Union.

Vneshtorgizdat — Russian for Foreign Book Publisher — is the largest company of its kind in the Soviet Union.

Today, the company's representatives are expected to be briefed on the detailed technical aspects of the Smith Corona products, said Jim Tucker, Smith Corona vice president.

"We held a training session with them (Vneshtorgizdat officials) in Moscow the first week of December and received an excellent response."

— Jim Tucker,
vice president

"We held a training session with them (Vneshtorgizdat officials) in Moscow the first week of December and received an excellent response," Tucker said.

The Soviet representatives included Vladimir Prokopov, director general of Vneshtorgizdat, Maxim V. Vasilenko, Leonid A. Zhestkov and Katarina Khoroshilova. The group, along with an American lawyer working in Moscow, arrived in the U.S. Sunday. All speak English.

"It's interesting," Khoroshilova said of the manufacturing process during the walking tour of the Smith Corona plant. She admitted jovially, however, that she and her col-

leagues were suffering from some of the effects of jet lag.

U.S. Rep. Sherwood L. Boehlert, R-Utica, and Smith Corona President G. Lee Thompson from company headquarters in New Canaan, Conn., were among the dignitaries posing for pictures and touring the Cortlandville facility with the Soviets Tuesday.

Smith Corona and Vneshtorgizdat officials will combine their efforts in designing the equipment expected to be marketed in the Soviet Union, Tucker said. The typewriters will have keys and print in Cyrillic — the Russian alphabet. Word processors will give user commands in Russian.

No prototypes have been built yet, Tucker said.

Smith Corona, which employs about 2,150 workers at its 450,000-square-foot local facility and 700 at its Singapore location, is the world leader in the portable electronic typewriter market. It recently has begun to expand into portable word-processing technology and already has established European markets.

Vneshtorgizdat began exhibiting and demonstrating Smith Corona products in major cities throughout the Soviet Union in mid-December, but David P. Verostko, director of Employee Relations at Smith Corona, said Tuesday it was too early to say whether the Soviet trade agreement would mean more jobs at the Cortlandville facility.