

PRIME MINISTER

MEETING WITH MRS. ALEKSANDRA BIRYUKOVA

You are to see Mrs. Biryukova tomorrow afternoon. She is a Soviet Deputy Prime Minister, a candidate member of the Politburo, and Chairman of the State Commission for Social Development, which makes her the top woman in the Soviet Union. Like many other Soviet leaders, she was given a tough time - seventeen and a half hours of questioning by the Supreme Soviet - before her nomination was accepted.

The main significance of the meeting is the fact of it taking place, further evidence that everything is now back to normal at the highest level following the expulsions. Mrs. Biryukova's particular task is to try to produce more short-term benefits from perestroika in the form of better supplies of clothing and household goods. She is here to discuss proposals for British-Soviet cooperation through joint ventures and joint production, and wishes in particular to discuss how to convert factories from the production of defence equipment to consumer goods.

I think you will want to take the conversation in two parts. The first will be a general discussion of political developments in the Soviet Union, much on the lines of your talk with General Yazov today, emphasising your continued strong support for what Mr. Gorbachev is trying to achieve. It would be helpful if you could also mention the invitation to Mr. Ryzhkov. You might also say that you hope Mrs. Biryukova will visit the "Britain in Kiev" Exhibition in June next year, which will be accompanied by a Trade Fair.

On the more down to earth level, you will want to give a puff to some of our major companies who are participating in her programme, and who are pursuing important projects in the Soviet Union. They include:

Courtaulds, who are engaged in modernising acrylic fibre plants.

Taylor Woodrow, who have a contract to modernise artificial fur factories (she will have come direct from a meeting with them).

Coats Viyella, who are discussing a project to make cotton thread.

Illingworth Morris, who supply overcoats.

Pharmaceutical companies such as Glaxo and Beechams, who have a great deal of experience in the Soviet Union.

The consortium of seven British companies which has been formed to cooperate with the Soviet Union in food production.

You will want to commend these companies to her and generally encourage her to look to the United Kingdom for help. This is one way to meet the target for increased trade on which you and Mr. Gorbachev agreed.

A fuller brief is in the folder.

CDP

25 July, 1989.

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cc backup
Foreign and Commonwealth Office

London SW1A 2AH

24 July 1989

Dear Charles,

Call by Mrs Biryukova

The DTI are writing to you about commercial and economic questions which the Prime Minister may like to raise with Mrs Biryukova. You may find it helpful to have some suggestions about political questions.

Mrs Biryukova's visit, and that of the Defence Minister Yazov, will be the first to London by senior members of the Soviet leadership since Mr Gorbachev's visit in April and the 19 May expulsions. The Prime Minister may like to reaffirm the Government's support for the Soviet reform programme and her firm commitment to the further strengthening of relations with the Soviet Union.

The key development since late May has been the inaugural session of the Congress of People's Deputies and the Supreme Soviet. The debate in both has frequently been sharp, focussing on sensitive questions such as the leadership, privileges, the KGB and the Army. The Supreme Soviet has (despite its predominantly traditionalist composition) rejected ten ministerial nominations, including that of Mrs Biryukova's former colleague Deputy Prime Minister Kamentsev.

The Prime Minister will wish to congratulate Mrs Biryukova on her own confirmation in office by the Supreme Soviet. She might express admiration for the moderating role played by Mr Gorbachev as Chairman of the Supreme Soviet, and the extent to which his international standing has been enhanced by the widely recognised skill with which he has guided debate.

The Prime Minister may also like to mention our satisfaction that one (and possibly two) delegations of members of the Supreme Soviet will be visiting Britain later in the year, one at the invitation of the IPU.

Finally the Prime Minister may like to mention the invitation to Prime Minister Ryzhkov to visit the UK. She may also wish to encourage Mrs Biryukova to visit "Britain in Kiev" in June 1990. This will include a major exhibition on the British way of life, our freedom of choice and the

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working of the day-to-day economy in Britain. It will be accompanied by a DTI sponsored trade fair (with the emphasis on the food industry and agriculture). The main cultural event will be a visit by the English National Opera.

The Foreign Secretary hopes that the Prime Minister's discussion with both visitors will help to dispel any lingering Soviet suspicions that we are blowing cold on relations with the Soviet Union and on the prospects for perestroika. There is no suggestion that the Prime Minister should play down the challenges facing Gorbachev, but rather that she should send a clear signal of political support and understanding of the pressures which he is confronting.

I am copying this letter to Ben Slocock (DTI).

Yours ever,

Richard Sney

(R H T Gozney)
Private Secretary

C D Powell Esq
PS/10 Downing Street

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the department for Enterprise

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Backup

BF
The Rt. Hon. Lord Young of Graffham
Secretary of State for Trade and Industry

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

Department of
Trade and Industry

1-19 Victoria Street
London SW1H 0ET

Switchboard
01-215 7877

Telex 8811074/5 DTHQ G
Fax 01-222 2629

Direct line
Our ref
Your ref
Date

215 5422
PB2BJM

19 July 1989

See Charles

MRS BIRYUKOVA'S VISIT

FAP.

I am writing, as requested in your letter of 14 June, with briefing for the Prime Minister's meeting at 15.00 on 26 July with Mrs Aleksandra Biryukova, Soviet Deputy Prime Minister, Chairman of the State Commission for Social Development and candidate member of the Politburo. The brief has been cleared with the FCO.

Mrs Biryukova is visiting the UK at the invitation of the CBI, as requested by the Soviet Ambassador, but with the full support of my Secretary of State, who met her during his recent visit to the Soviet Union, and with whom she will have discussions in the morning on 26 July. It will be her first visit abroad since her gruelling 17.5 hours defence before the Supreme Soviet of her nomination for the social development portfolio. The Prime Minister could comment initially on the recent Congress of People's Deputies and on the democratic process by which Soviet Ministers are being elected. She could express disappointment in the failure of Mr Vladimir Kamentsev, who accompanied Mr Gorbachev in April, to secure reappointment as Chairman of the State Foreign Economic Commission.

Mrs Biryukova's remit is to improve social wellbeing in the Soviet Union by improving the availability of consumer goods. Her responsibilities therefore go to the heart of perestroika: it is her job to bring tangible benefits, in the form of better supplies of clothing and household goods, to the ordinary Soviet citizen and thereby convince them that perestroika is worth supporting.

Her aims in visiting the UK are to see production processes for making fibres, threads and fabrics, the manufacture of textile machinery, and the production of basic over-the-counter pharmaceuticals and to discuss proposals for British/Soviet co-operation, through joint ventures and joint production. She also wishes to discuss Soviet plans to convert factories from production of defence equipment to consumer goods. In the time available she will have to leave some items to the junior ministers accompanying her but her programme should meet many of her objectives.

The Prime Minister could commend the efforts of the following companies who are participating in her UK programme in their pursuit of projects in the Soviet Union:

- Courtaulds, a company of long experience of the Soviet Union, who are negotiating contracts to modernise acrylic fibre plants at Navoi and Novopolotsk (and have a letter of intent from the Ministry for the Chemical Industry) and a textile factory at Tallinn in Estonia (in discussion with the Ministry for Light Industry); Mrs Biryukova recently met Mr Gordon Campbell, who accompanied my Secretary of State to the USSR;
- Taylor Woodrow, who also have a great deal of experience of the Soviet Union and who recently won a contract to modernise six Soviet artificial fur factories (and who, subject to confirmation of the programme, will have given Mrs Biryukova a presentation just prior to this meeting on their expertise in project managing factory conversions in many different sectors of industry); Mrs Biryukova met Mr Walter Hogbin, who also accompanied my Secretary of State to the USSR;
- Coats Viyella, who are in negotiation with the Kirov Kombinat in Leningrad for a project to make cotton thread;
- Illingworth Morris, whose subsidiary Crombie, in Aberdeen, manufacture both fabric for overcoats and overcoats themselves, which they have supplied to the Kremlin.

She could also mention pharmaceutical companies such as Wellcome Foundation, Glaxo, Beechams and Sterling Winthrop, all of whom manufacture household pharmaceutical products and who have a great deal of experience of the Soviet Union.



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One of the recurring problems in trade with the Soviet Union is the shortage of hard currency. Partly for this reason, the Soviets have been actively seeking joint ventures and other forms of co-operation as a way of obtaining technology from the West without having to pay for it in hard currency. They hope that Western companies will help them to export joint venture products to third countries and thereby earn convertible currency profits which will pay for Western investments. Western companies have been cautious in their response, and most joint ventures have been in the service, rather than manufacturing, sector. There are now 34 UK/USSR joint ventures.

An alternative is countertrade. The acrylic fibre projects which Courtaulds are negotiating involve an element of this, in that their contract will require them to take back a certain amount of Soviet chemical fibre. But the opportunities for countertrade in textiles and clothing are limited by the restrictions which the European Community applies to imports from both MFA (Multi-Fibre Arrangement) countries and from non-MFA countries such as the USSR.

The Prime Minister could commend the flexibility of British companies in finding ways of co-operating with Soviet light industry. She could also mention the 14 joint working groups which UK companies and Soviet organisations have established to co-operate in various industrial sectors (eg agriculture, chemicals, instrumentation, medical products, energy, machine tools), which between them cover many aspects of light industry.

She could also mention the consortium of seven British companies (Allied Lyons, APV, Booker Tate, Morgan Grenfell, Taylor Woodrow, Union International Consultants and United Biscuits) which has been formed to co-operate with the Soviet Union in food production projects, where there are very good prospects.

UK exports to the USSR have picked up in recent months, from an average of £35m per month to nearer £55m. But the UK still runs a deficit with the USSR. A short table of statistics is enclosed as background.

Yours ever

BEN SLOCOCK



UK/USSR TRADE

TRADE FIGURES (all figures are in £ m)

	1986	1987	1988	Jan-May 1988	Jan-May 1989
Exports to USSR	543	492	511	235	263
Imports from USSR	702	875	732	244	330
Total trade	1245	1367	1243	479	593
Trade balance	-160	-384	-222	-9	-67

1987 Top 5 Imports into UK

Petroleum & its prods	426
Wood	140
Inorganic chemicals	51
Road vehicles	46
Hides, furskins, etc	40

1988 Top 5 Imports into UK

Petroleum & its prods	314
Wood	137
Road vehicles	67
Inorganic chemicals	36
Wood manufactures	25

1987 Top 5 Exports from UK

Cereals & prepar'ns	97
Inorganic chemicals	57
Chemical materials & products	44
Iron and steel	42
Scientific instruments	31

1988 Top 5 Exports from UK

Scientific instruments	60
Cereals and prepar'ns	49
Iron and steel	46
Inorganic chemicals	38
Chemical materials and products	31

Trade figures: Soviet basis (millions of roubles)

	1986	1987	1988
Imports from UK	515	524	623
Exports to UK	1276	1586	1794
Total trade	1791	2110	2417
Trade balance	-761	-1062	-1171

Soviet Union Sept '83

Visit of Soviet Del PM.

19 JUL 1989



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bc : PC

10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

14 June 1989

BFU
Thank you for your letter of 12 June about the visit of Mrs Biryukova in late July. The Prime Minister could see Mrs Biryukova at 1500 on Wednesday 26 July.

I should be grateful for briefing in good time.

I am copying this letter to Stephen Wall (Foreign and Commonwealth Office).

C. D. POWELL

Ben Slocock, Esq.
Department of Trade and Industry

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10 DOWNING STREET

~~Amesbury~~

Can I have a
time please

C

Charles

1500 on
Wednesday
26 July.

AP
14/6

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The Rt. Hon. Lord Young of Graffham
Secretary of State for Trade and Industry

C D Powell Esq
Private Secretary to the
Prime Minister
10 Downing Street
LONDON
SW1

Prime Minister
Agree to see
her?

CDD
12/6

**Department of
Trade and Industry**

1-19 Victoria Street
London SW1H 0ET

Switchboard
01-215 7877

Telex 8811074/5 DTHQ G
Fax 01-222 2629

Direct line 215 5422

Our ref NP5AAH

Your ref

Date 12 June 1989

See Charles

Yeo mt

I am writing to ask if the Prime Minister would be willing to meet Mrs Aleksandra Biryukova, a Soviet Deputy Prime Minister and Chairman of the Commission for Soviet Development, when she visits the UK during the week of 24 July.

Mrs Biryukova is visiting the UK at the invitation of Sir Trevor Holdsworth. A previous invitation in December 1989 (declined in the event) was also made by the private sector and the Soviets have requested a CBI invitation this time. My Secretary of State will also be meeting Mrs Biryukova and will host a dinner in her honour on Wednesday 26 July; he hopes to meet Mrs Biryukova during his visit to Moscow at the end of this month.

Mrs Biryukova has particular responsibility for light industry, distribution of consumer goods and the retail sector. She is also a Candidate Member of the Politburo and therefore ranks senior to Mr Kamentsev, chairman of the State Foreign Economic Commission. She is the most senior female Soviet politician.

During his meeting with businessmen in April, President Gorbachev emphasised the particular importance he attaches to improving the organisation and performance of Soviet light industry. Increasing the availability and quality of consumer goods in the Soviet Union is essential to the



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success of perestroika. During Mrs Biryukova's visit to the UK she will meet a number of British companies working with Soviet light industry and will be shown how consumer goods are distributed and sold in this country.

Our request has the full support of the FCO, and I am copying this letter to Stephen Wall.

Yours etc

B. Slocock

BEN SLOCOCK
Private Secretary