

HMA

cc: Mr Powell
Mr Galsworthy

ARRANGEMENTS FOR THE OPENING OF THE BRITISH SOVIET CHAMBER OFFICE
AT 1200 HRS ON TUESDAY 31 MARCH 1987

1. The arrangements for the opening of the BSCC office will be divided into two parts. It will begin with a visit to the British Soviet Chamber of Commerce office on the 19th floor of Sovincentr, which is on the same floor as British Airways. The Prime Ministerial party including Mr Kamentsev, will be met by Mr French, the Chairman of the British Soviet Chamber of Commerce, Mr Pitovranov; the President of the USSR Chamber of Commerce and Industry; Mr Kratchko, Director General of Sovincentr and the Commercial Counsellor. Mr Kratchko will present the Prime Minister with a bouquet on arrival.

2. The party will then proceed to the lifts and go up to the 19th floor. At the entrance to the BSCC office, the Prime Minister will cut a ribbon and move into the office reception area. There she will meet the following British and Soviet officials:

Dr Wooding	-	Vice President of BSCC (Deputy Chairman, Courtaulds)
Mr Bruce	-	Chairman, BSCC Moscow office (John Brown International Marketing Director)
Mr Sutherland	-	Manager of BSCC Moscow office
Mr Ivanov	-	Vice President of BSCC (Head of USSR Trade Delegation in London)
Mr Pletnyov	-	Deputy Chairman of the USSR Chamber of Commerce
Mr Biryukov	-	Deputy Manager of BSCC Moscow office

3. The Prime Minister will then walk through the office into the conference room, where she will meet the following further British and Soviet officials:

Mr Wilson	-	Executive Director of BSCC
Lord Jellicoe	-	Chairman of the East European Trade Council (Chairman, Davy Corporation)
Mr Selho	-	Finnish contractor responsible for the BSCC office construction.
Mr Gormly	-	Managing Director, John Brown
Mr Burgess	-	Managing Director, Simon Carves
Mr Aristov	-	Minister of Foreign Trade
Mr Komarov	-	First Deputy Minister of Foreign Trade
Mr Pavlov	-	Deputy Minister of Foreign Trade
Mr Malov	-	Deputy Head of the Trade Delegation in London
Mr Uspenskiy	-	Head of Second European Department, Ministry of Foreign Affairs
Mr Zamyattin	-	USSR Ambassador to the UK.

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The Prime Minister will then unveil the plaque commemorating the opening. The main speeches will be reserved for the ceremony downstairs and only a few words will be said at the unveiling of the plaque.

4. The party will then return to the lift, passing the BA office. The Prime Minister may wish to look in at the BA office for a couple of minutes on her way to the lift. From the lift the party will then proceed to the main Congress Hall of Sovincentr where there will be speeches to mark the opening of the office. Mr French will speak and then the Prime Minister. After the speeches, a number of letters of intent and contracts may be signed depending on the outcome of current negotiations. The Prime Minister and party will then have a few minutes to mingle with the leading British businessmen and Soviet personalities, who will be assembled to witness this ceremony.

5. After the departure of the Prime Ministerial party the BSCC will be holding a press conference and a reception to mark the occasion.

29 March 1987

R J Chase

Filing

Mr Galsworthy

cc: Mr Powell
HMA

RESUME OF CURRENT STATE OF MAJOR PROJECTS

1. The negotiations on the three major projects involving John Brown, Davy and Courtaulds continued over the weekend. The companies are facing very strong competition and the Soviet side are arguing in every case that their prices are too high. The companies have made great efforts to pare down their prices and have now reached their bottom line. It is therefore desirable that in the course of the Prime Minister's conversations with Mr Gorbachev and Mr Ryzhkov that the Soviet side be reminded of the target set by Mr Gorbachev of the 40 - 50% increase in trade. This target will not be met, unless the British win a reasonable number of substantial contracts. In the case of both John Brown and Davy, if they do not win these contracts there is a strong possibility that they will reduce their efforts in this market. Furthermore, if the Courtaulds contract and at least one of the major petrochemical contracts is not signed on Tuesday, the ceremony for the opening of the BSCC office will have less import, as there will only be about £32 million-worth of contracts to be signed along with the letter of intent for Yerevan. I very much hope therefore that the opportunity will be taken to raise this in the course of the talks with both Ryzhkov and Mr Gorbachev. It is particularly important that the Yerevan project for the GEM 80 logic process controller factory should be mentioned given the significance that the Premier of Armenia attached to this point.

2. It may also be appropriate in the course of the speech at the opening of the BSCC Moscow office for the Prime Minister to express satisfaction at the fact that an agreement was signed today, which will enable both British Airways and British Caledonian to fly direct from London to Tokyo on the Trans-Siberian route non-stop twice a week and once a week with a stop at Moscow from 31 May 1987.

3. The following are the latest reports on the status of each individual project:

i) Yerevan Project

The technical negotiations on this project have now been completed. Discussions are continuing on the contractual conditions and the commercial negotiations on price are due to begin in the first week of April. It has been agreed that a letter of intent should be signed after the opening of the BSCC office on 31 March. The Prime Minister of Armenia would appreciate it if the Prime Minister could mention her interest in this project to Mr Gorbachev and Mr Ryzhkov.

/ii)

ii) Budyonnovsk Polypropylene Project

After prolonged negotiations with Techmashimport, John Brown have been compelled to reduce their bid for the polypropylene plant project at Budyonnovsk from US\$192 million to US\$155.6 million. Prime Minister Ryzhkov indicated to HMA that project will be allocated to John Brown, subject to a final price reduction of a further "10 million" (we assume US Dollars). John Brown face tough Japanese competition and have already reduced their price as far as they can. Techmashimport are expecting final response from the company by 2pm USSR local time tomorrow, Monday 30 March. In order for John Brown to win contract, we judge that they will have to reduce price by further US\$5 million and this they cannot do without assistance from HMG.

iii) Davy Bid for Polyester Plant, Blagoveshchensk

Negotiations are not quite so far advanced as in the case of the Budyonnovsk project. Soviet authorities clearly favour the ICI/Davy technological offer, but the company are finding it very difficult to get their prices within range of the competition. The initial Soviet disposition to award the contract to Davy appears to have diminished because of these price problems. It may require very major cost trimmings for the company to have a real chance, but they are continuing their efforts to find savings and match the Japanese. Lord Jellicoe has proposed that Techmashimport might sign a letter of intent early this week, given that signing of any contract does not appear to be imminent.

iv) Courtaulds

Courtaulds have had confirmation that the necessary authority has been given for the signing of the Saratov textile plant refurbishment project (value £20m), but negotiations are still under way. This is the first of a series of refurbishment projects total value £150m.

v) Taylor Woodrow

They have successfully concluded contracts worth £20m for the refurbishment of 3 textile mills and these now await signature.

vi) Rieter Scragg

The contract for textile refurbishment worth now £10.5 million is ready for signature.

vii) Freight Rover

The prospects for an eventual project to set up the parallel production of a new generation light van for the 1990s are good. The Ministry of the Automobile Industry are enthusiastic and there is a strong consortium on the British side of Babcocks, Freight Rover and the bankers B P Trade. The project will not be ready for final decision until mid-year. There are further meetings planned for early April.

viii) Vicelcom and Tampax Ltd

Vicelcom are negotiating on behalf of the Havant plant of Tampax Ltd (UK), the supply of equipment valued at £150m for a new factory to supply tampons for the female population of Moscow. The project apparently enjoys the support of the Chairman of the Soviet Womens Committee, Mrs Pukhova and is apparently on a short list of 15 projects for possible discussion with the Prime Minister. The new project has the backing of the Minister of Health, Mr Chazov.

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29 March 1987

R J Chase

PROJECTS IN WHICH UK COMPANIES HAVE AN INTEREST

UK COMPANY	USSR ORGANISATION	PROJECT	LOCATION
Babcock/ Freight Rover	Ministry of Automobile Industry	Plant to produce 1.5 tonne light van	Kirovobad (Azerbaijan)
Babcock/ Bacol	Ministry of Ferrous Metallurgy & Avtopromimport	Plant to produce steel cylinders	Dnepropetrovsk (Ukraine)
Babcock	Ministry of Chemical Industry (Polotsk) Ministry of Building Materials Industry (Saratov) Techmashimport (both projects)	Two glass fibre plants	Polotsk (Belorussia) Saratov (SE European Russian)
Bechtel (UK)/ Celltech/Amersham International/ Whatmain	Techmashimport	'Biolar' Biotechnological plant	Riga (Latvia)
Brown & Root Vickers	Machinoimport	Two railcar testing machines	Moscow Leningrad
Courtaulds	Ministry of Chemical Industry and Techmashimport	Refurbishment of two acrylic fibre plants	Navoi (Uzbekistan) Novopolotsk (Belorussia)
Davy McKee	Tyazhpromexport	Subcontract for hot strip mill Soviet company Tyazhpromexport main contractor	Eisenhuttenstadt (E Germany)
Davy McKee	Ministry of Ferrous Metallurgy	Modernisation of Soviet steel mills	Throughout USSR
International Management & Engineering Group (IMEG)	Machinoimport	Gas condensate complex	Karachaganak (Kazakhstan)
John Brown	Ministry of Chemical Industry and Techmashimport	Refurbishment of two polyethylene plants	Budyennovsk (N Caucasus) Kazan (Tatar Region)

UK COMPANY	USSR ORGANISATION	PROJECT	LOCATION
PPG Industries (UK) Ltd	Soyuzkhimexport & Aviaexport	Paint for Aeroflot civil aircraft	-
Rank Xerox	Ministry of Instrumentation and Automation	Photocopier plant	Yerevan (Armenia)
Retail Logistics Consortium	Mossoviet	Refurbishment of State Department Store (GUM) and Childrens World (Detski Mir)	Moscow
Rolls Royce	Machinoimport	Turbines for gas condensate complex	Karachaganak (Kazakhstan)
Seaforth Maritime	Ministry of Gas Industry	Hyperbaric Centre	Leningrad
Simon Carves	Ministry of Chemical Industry and Techmashimport	Refurbishment of chlorine/caustic soda plant	Volgograd
Tambrands	State Committee for Science and Technology	Sanitary product plant	N/K
Wimpy	Mossoviet	Fast food retail outlets	Moscow
Avimar	Ministry of Merchant Marine	Marine Radar & Navigation Simulators	-
Cleco	Ministry of Tractors and Agricultural Engineering	Materials handling equipment	-

PROJECTS IN WHICH UK COMPANIES HAVE AN INTEREST

UK COMPANY	USSR ORGANISATION	PROJECT	LOCATION	UK VALUE	COMMENT
Babcock/ Freight Rover	Ministry of Automobile Industry	Plant to produce 1.5 tonne light van	Kirovobad (Azerbaijan)	£100m	Believed to have high priority. FR would design new Soviet van and supply equipment. Engine to be provided by USSR. Companies say that contract needs to be signed by Sept 87 if production to start in 1990 as required. Possible competition from Volkswagen.
Babcock/ Bacol	Ministry of Ferrous Metallurgy & Avtopromimport	Plant to produce steel cylinders	Dnepropetrovsk (Ukraine)	£50m	Steel cylinders for containing natural gas for use in motor vehicles. Some doubts as to whether USSR can produce steel plate of required quality. Italian competition.
Babcock	Ministry of Chemical Industry (Polotsk) Ministry of Building Materials Industry (Saratov) Techmashimport (both projects)	Two glass fibre plants	Polotsk (Belorussia)	£35	Company are hoping to extend plant it has recently built at polotsk and provide a new one at Saratov. Competition is W German.
			Saratov (SE European Russian)	£20m	
Bechtel (UK)/ Celltech/Amersham International/ Whatmain	Techmashimport	'Biolar' Biotechnological plant	Riga (Latvia)	£60m	Consortium bid for turnkey biotechnology plant. Contract award likely end 1987. Competition from France, Finland and W Germany.
Brown & Root Vickers	Machinoimport	Two railcar testing machines	Moscow Leningrad	£10m	Machines to test underground railcars and electrical and mechanical systems under computer control. Contract award likely to be May/June 87. Competition believed to be W German and Japanese.

UK COMPANY	USSR ORGANISATION	PROJECT	LOCATION	UK VALUE	COMMENT
Courtaulds	Ministry of Chemical Industry and Techmashimport	Refurbishment of two acrylic fibre plants	Navoi	£20-25m	Company currently in Moscow. Agreement believed to be close on Navoi. Value of Novopolotsk depends on whether Soviets opt for machinery supply only or complete refurbishment. Competition on last from Italy and Japan.
			(Uzbekistan)		
Davy McKee	Tyazhpromexport	Subcontract for hot strip mill	Eisenhuttenstadt	£65m	Soviet company (Tyazhpromexport) have won main contract for mill. Final decision on subcontract expected to be taken at highest political level in GDR within next month. Soviet contractor thought to have significant influence on decision. Strong Japanese and W German competition.
			(E Germany)		
		Soviet company Tyazhpromexport main contractor			
Davy McKee	Ministry of Ferrous Metallurgy	Modernisation of Soviet steel mills	Throughout USSR		Over 100 iron and steel mills are believed to require modernisation.
International Management & Engineering Group (IMEG)	Machinoimport	Gas condensate complex	Karachaganak (Kazakhstan)		Originally offered to Western companies as a £1 billion turnkey project. Soviets have now said they will use only their own technology and equipment. Company has offered countertrade deal to try to maintain Soviet interest.
John Brown	Ministry of Chemical Industry and Techmashimport	Refurbishment of two polyethylene plants	Budyennovsk (N Caucasus) Kazan (Tatar Region)	£25m each	Both plants originally built by company. Are priority projects which company is expected to win. Contract award likely in 1987.

UK COMPANY	USSR ORGANISATION	PROJECT	LOCATION	UK VALUE	COMMENT
PPG Industries (UK) Ltd	Soyuzkhimexport & Aviaexport	Paint for Aeroflot civil aircraft	-	£17m	Competition from Holland (who have supplied to Aeroflot in past)
Rank Xerox	Ministry of Instrumentation and Automation	Photocopier plant	Yerevan (Armenia)	£90m	
Retail Logistics Consortium	Mossoviet	Refurbishment of State Department Store (GUM) and Childrens World (Detski Mir)	Moscow	£50m	Competition from Finland.
Rolls Royce	Machinoimport	Turbines for gas condensate complex	Karachaganak (Kazakhstan)	£40m	Comments as for IMEG. Countertrade deal offered to try to maintain interest.
Seaforth Maritime	Ministry of Gas Industry	Hyperbaric Centre	Leningrad	£20m	Would involve supply of deep sea diving systems. Contract award unlikely before 1988.
Simon Carves	Ministry of Chemical Industry and Technashimport	Refurbishment of chlorine/caustic soda plant	Volgograd	£65m	Soviet decision expected soon. UK company not thought to be front runner. Competition from W Germany and USA.
Tambrands	State Committee for Science and Technology	Sanitary product plant	N/K	£150m	Still at early stages

UK COMPANY	USSR ORGANISATION	PROJECT	LOCATION	UK VALUE	COMMENT
Wimpy	Mossoviet	Fast food retail outlets	MOSCOW	N/K	Have just signed contract to open up to 20 restaurants in Bulgaria. Hopes this will improve its prospects in USSR. Needs to know right contacts.
Avinar	Ministry of Merchant Marine	Marine Radar & Navigation Simulators	-	£1.2m	Small company from Sussex who have already supplied a river radar navigation simulator to Kiev.
Cleco	Ministry of Tractors and Agricultural Engineering	Materials handling equipment	-	£3m	Small company from Market Harborough who have supplied in past and recently received new enquiry.



Mr Powell

Alls well test

cc: HMA

ends well

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1. John Brown have been called in again to see Techmashimport with regard to the polypropylene project. It appears that they are still US\$5 million above the price that Techmashimport are insisting upon. The company would very much appreciate it if the Prime Minister would take any opportunity that may be offered to raise this subject with Mr Gorbachev at the dinner this evening. It would also be very helpful if that point could be raised in the course of the trip to Tbilisi with Deputy Prime Minister Kamentsev who is the overall Supremo for foreign trade. It might be pointed out that John Brown have already reduced their price by 22.4%. They now have nothing more to give. They are offering a technology which provides a far better range of product than their competitors. They are also offering a very attractive joint venture package for the refurbishment of the polyethylene plant which they built at Budyonovsk which would involve no cost for the Soviet Union in terms of foreign currency. John Brown would finance the refurbishment costs and Union Carbide would then buy the product. We know that Prime Minister Ryzhkov is extremely enthusiastic about this proposal and is thinking of extending it also for the refurbishment of the polyethylene plant at Kazan. We are in touch with both ECGD and the DTI, but there is little prospect of any further Government assistance. The company are already very grateful for the assistance that they have received, but they are very anxious that their cause should be pressed home at the highest level.

R. J. Chase

31 March 1987

R J Chase



COMMERCIAL-IN
CONFIDENCE

Export Credits Guarantee Department
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Export House
50 Ludgate Hill
London EC4M 7AY

From: D H Twyford
Director,
Chairman, Project Group Board

Charles Powell Esq
Private Secretary
to the Prime Minister
10 Downing Street
London SW1A 2AA

27 March 1987

Sean Powell

PRIME MINISTER'S VISIT TO MOSCOW - COMMERCIAL NEGOTIATIONS

I attach a message just received from John Brown regarding the state of their negotiations in Moscow. It now seems there is a reasonable prospect of something being signed during the visit and you may wish to attach to the briefing that has been prepared on trade.

Yours sincerely
D. H. Twyford

D H TWYFORD

cc PS/SOS FCO
Mr Llewellyn-Smith FCO
Mr Hunter OT3, DTI

17-27-3

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27 MAR 1987
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U R G E N T A N D C O N F I D E N T I A L

TO:- ECGD, LONDON
ATTN:- MR D H TWYFORD, DIRECTOR

SUBJECT:- POLYPROPYLENE PROJECT, USSR

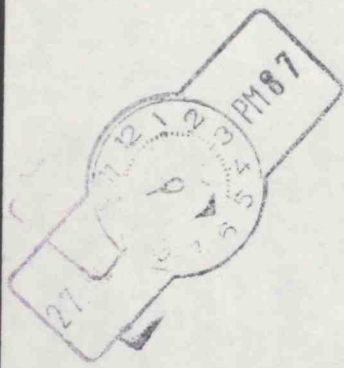
MESSAGE RECEIVED FROM MR A G GORMLY, MANAGING DIRECTOR, JOHN BROWN, WHO IS NOW IN MOSCOW. IT READS -

1. ALL OF DOUBTS EXPRESSED RE JOHN BROWN TECHNOLOGY TOTALLY REMOVED. IN FACT HAVE HAD INFORMATION DIRECTLY FROM MR KOMAROV THAT THE TECHNOLOGY WE ARE OFFERING IS RECOMMENDED.
2. WE BELIEVE OUR PRICE IS EXTREMELY COMPETITIVE AT LEAST AS COMPETITIVE AS THE JAPANESE WHO APPEAR TO BE THE MAIN THREAT.
3. NEGOTIATIONS ARE FAR ENOUGH ADVANCED THAT THE RUSSIANS COULD SIGN A MEANINGFUL DOCUMENT DURING THE PM'S VISIT IF THEY WISHED TO DO SO.
4. JOHN BROWN BELIEVES ITS PROPOSAL IS STRONG ENOUGH TO WIN ON ITS MERITS. THE RUSSIANS COULD WITH HONOUR AWARD US THE CONTRACT AND THEREBY ACKNOWLEDGE THE STAND THAT HMG AND JOHN BROWN TOOK OVER THE PIPELINE.
5. PLEASE KEEP MAXIMUM PRESSURE ON RUSSIANS.

87 MR 27
14 55

REGARDS,
D W ALLEN
JOHN BROWN PLC. LONDON.

8950033JBPLC G*
883601 ECGDHQ G♦♦





Mr Powell ✓

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cc: HMA
Mr Galsworthy

SOVIET PROPOSAL REGARDING SALE OF TEXTILES

1. Ambassador Zamyatin caused some surprise at this morning's meeting with Prime Minister Ryzhkov when he raised Mr Channon's rejection of a Soviet textile deal. I have subsequently rung the Department of Trade and Industry and discovered the following facts. The Soviet proposal involved the export to the UK of £50 million-worth of textiles, which are currently banned under EC regulations. In return the Soviet Union was proposing to use the money generated for the purchase of jeans from Hong Kong. It was not therefore a deal which had any attractions at all for the Department of Trade and Industry.

R. J. Channon

R J Channon

31 March 1987