

dti

the department for Enterprise

Mr Poysh (29)
[Signature]

This is covered in your supplementary briefing for Ryzhkov. You may wish to be aware that Lord Trefgarne has written thus.

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The Rt. Hon. Lord Trefgarne PC
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4 June 1990

Mr Bryant OT3
Mr George OT3/5
Mr Gavin OT3/5c
(on file)
Mr Spindler, MOSCOW

Dear Mr Ohanian,

I have been asked to reply to your letter of 9 May to Nicholas Ridley concerning your Femtech joint venture in the USSR.

I am of course well aware of Femtech, not least because it is so widely regarded as a shining example of successful British-Soviet economic co-operation. Indeed, Soviet Prime Minister Ryzkhov himself has referred to it as a textbook joint venture.

We were, therefore, all the more concerned to hear that the planned exports of bleached cotton were still being held up by Soviet Customs despite clearance being given by the Ministry for Foreign Economic Relations on 11 May. As you will know, Kester George, DTI Director for Eastern Europe, held a meeting about this on 25 May with David Shortt and Grigory Karasin, Counsellor at the Soviet Embassy in London. Mr Karasin was left in no doubt whatsoever about the importance which the government attach to a speedy and satisfactory resolution to the problem - to the extent that the Prime Minister was being briefed to raise it during her forthcoming visit. He promised that the Embassy would lend its support and said that Femtech could be optimistic about the outcome. We, for our part, will continue to give you whatever help is necessary.

The difficulties which you have been facing are symptomatic of what can only be regarded as the Soviets' ill-conceived application of legislation on joint ventures and foreign economic activity more generally. They have said that



C B Ohanian Esq

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umbrella legislation covering all aspects of foreign economic activity is being drafted for 1991. The Government believe that Western companies will benefit most from Soviet legislation which is fully transparent, which does not allow exceptions and which rules out the retrospective application of decrees. I have to say, therefore, that while I share your view that the Soviets need to introduce a legislative system which inspires more confidence in potential investors, I do not support your proposal to seek special treatment. To do so would compromise our campaign for transparency.

In view of the difficulties you have had, I am particularly encouraged by your plans to increase your investment in the soviet market. It clearly holds tremendous potential for you, despite the headaches.

Yours sincerely
Trefgarne

LORD TREFGARNE