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LONDON SW1A 2AA

From the Private Secretary

23 July 1990

Thank you for your letter of 14 June about the possibility of establishing an organisation to give aid to political parties abroad. I have discussed this with the Prime Minister whose views can be summarised as:

- She agrees that a Trust would be preferable to a Government Fund;
- she thinks that the amount should be more modest: £7m over five years;
- she agrees that the Trust should not be funded from the Aid Programme.

The Prime Minister would be content for discussions to proceed with the Treasury on this basis and for a discussion paper to be circulated to other parties in the House of Commons. I should be grateful if you would let me see the paper before it issues.

I am copying this letter to John Gieve (HM Treasury).

CHARLES POWELL

J S Wall Esq LVO
Foreign and Commonwealth Office



Foreign and Commonwealth Office

London SW1A 2AH

PERSONAL

23 July 1990

Dear Charles,

Political Aid

Thank you for your letter of 18 July confirming that the Prime Minister is content for discussions to proceed with the Treasury on the establishment of a Political Aid Trust of £7 million over five years.

There is one small procedural difficulty: although Stephen Wall's letter of 14 June covering a discussion paper on political aid was copied to the Treasury, the subsequent correspondence (your letters of 15 June and 18 July and Simon Gass' of 16 July) has not been seen by them. Rather than retrospectively reveal this correspondence, I wonder if you would be able to record the Prime Minister's views on political aid in a separate letter to me, copied to the Treasury.

I enclose a possible draft.

Yours ever

(R H T Gozney)
Private Secretary

C D Powell Esq
10 Downing Street

PERSONAL

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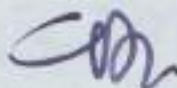
DRAFT LETTER FROM CHARLES POWELL

TO STEPHEN WALL ESQ, FCO

Thank you for your letter of 14 June about the possibility of establishing an organisation to give aid to political parties abroad. I have discussed this with the Prime Minister whose views can be summarised as:

- She agrees that a Trust would be preferable to a Government Fund;
- she thinks that the amount should be more modest: £7 million over five years
- she agrees that the Trust should not be funded from the Aid Programme.

The Prime Minister would be content for discussions to proceed with the Treasury on this basis and for a discussion paper to be circulated to other parties in the House of Commons. I should be grateful if you would let me see the paper before it issues.



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MP
c: Political

10 DOWNING STREET

LONDON SW1A 2AA

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From the Private Secretary

18 July 1990

POLITICAL AID

Thank you for your letter of 16 July about the proposal for a political aid Trust. The Prime Minister would be content for discussions to proceed with the Treasury on the basis set out in your letter: that is a fund of £7m. over five years, which would be separate from the aid programme.

I should be grateful if you could let me see the paper to be circulated to parties in the House of Commons before it issues.

Charles Powell

Simon Gass Esq
Foreign and Commonwealth Office

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Foreign and Commonwealth Office

London SW1A 2AH

16 July 1990

Dear Charles,

Yes

Prime Minister
Agree that discussion
should go ahead on
this basis?

Political Aid

CAP 16/7

Your letter of ¹⁵ June recorded the Prime Minister's positive reaction to the proposal for a political aid Trust.

As far as the level of funding is concerned we originally suggested £9 million for the first five years of the operation of the Trust. This is a small sum compared with that spent by others such as the Germans. It could be reduced to £7 million over five years; below that overheads would take an undue proportion of the money.

The Foreign Secretary has considered your second point carefully (the possibility of funding the Trust through the ODA budget). In his view this would have some serious drawbacks :

- One of the advantages of a political aid Trust as opposed to a government fund will be its ability to operate at arms-length from the Government. So use of the Aid Programme, directly or indirectly, to finance the Trust would reduce the Trust's credibility.
- There could be international and domestic criticism for using aid monies for political ends and accusations of government interference in the internal political affairs of recipient countries, which could make it more difficult to achieve other aid objectives including economic policy reforms.

The Foreign Secretary therefore believes that the most effective way to fund a programme would be by a grant in aid from the Treasury, as is the case for the International Parliamentary Union and other similar organisations.

/If the



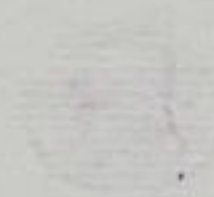
If the Prime Minister is content we will discuss with the Treasury, with a view to Mr Waldegrave circulating a paper to parties in the House of Commons. This would describe in more detail the possible shape of a political aid Trust.

*Yours ever,
S L Gass*

(S L Gass)
Private Secretary

C D Powell Esq
10 Downing Street

For Pol. Govt/Inst + Pte





MEM

10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

12 July 1990

ASSISTANCE TO EASTERN EUROPE

The Prime Minister was very grateful for your Secretary of State's full report of his series of visits to Eastern Europe, which she read with interest.

DOMINIC MORRIS

Martyn Waring, Esq.,
Department of Employment



Secretary of State
for Employment

CCPC

Prime Minister 2
(see especially x on
page 4)
Jm

PRIME MINISTER

ASSISTANCE TO EASTERN EUROPE

As you will be aware I have been undertaking a series of visits to Eastern Europe to explore what assistance we might offer in the labour market area. I visited Czechoslovakia from 13-15 May, Hungary from 3-5 June and Poland from 23-26 June. In all three countries I was able to reach agreements with the Governments for a programme of assistance to be supported by the Know How Fund. I am writing now to let you know of my conclusions on my visits.

Czechoslovakia

As you will know from your own meetings with President Havel in March, Czechoslovakia had not immediately followed the example of Poland with its rapid pace of reform. Nevertheless, it was clear from my talks with Ministers that the Government now wants to make rapid strides towards achieving a market economy, with international competition, convertibility of currency, a significant reduction in state ownership, the removal of price controls and the elimination of subsidies. However there was concern from all parties that such reforms and the inevitable industrial restructuring would lead to a rise in unemployment.

Before my visit my officials had discussions, both here and in Czechoslovakia, with the Federal Ministry of Labour and Social Affairs about British labour market policy and the institutional framework within which it operates. The Ministry identified three

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Secretary of State
for Employment

particular areas where it was looking to Britain for assistance. First, the Czechoslovaks need as a priority systems for training and retraining their adult workforce - I myself visited a factory and training institution in Brno which was making the transition from the armaments industry to civil industrial production. Secondly, they need to develop employment services now that they are faced for the first time with the problem of people out of work. Thirdly, they need to manage large scale structural changes within industry and were therefore attracted by the British success in the promotion of enterprise and the development of small firms.

I was therefore able to agree with my opposite number, Mr Petr Miller, a programme of assistance to be supported by the Know How Fund, and I signed an agreement of co-operation between the United Kingdom and Czechoslovakia for immediate assistance in these three areas, as follows:

- The establishment of arrangements for the training and re-training of adults

Very shortly a small team of officials will visit Britain to study our training arrangements, both through discussions with my Department and on short term attachments to outside organisations. I intend that such discussions should lead to the development of a menu of training and enterprise assistance projects. I have in mind, for example, projects for the Czechoslovaks to analyse skill needs, for the training of trainers or the development of distance learning techniques and systems.

- Support for the development of small firms

We are drawing up proposals for promoting and supporting the development of small firms in Czechoslovakia. Areas which are being considered include the production of training

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Secretary of State
for Employment

materials and the development of local counselling and advisory services for those setting up in business. I met in Prague the newly formed Association of Entrepreneurs, and its leaders clearly recognised the need for such an approach.

- The development of employment services

A small team of officials will come to Britain to make a study of the Employment Service Agency. This should be followed by our providing preliminary training for Czechoslovak managers in the establishment of systems to advise unemployed people and help them back into work, and systems to pay unemployment benefit.

A further specific area of study which the Czechoslovaks want to undertake in the longer term is the handling of the restructuring of Britain's coal, steel and heavy engineering industries. The problem of major changes in these industries, in particular localities which depend exclusively on these sectors for employment, was a concern expressed by everyone I met. I am sure that much can be learned by the Czechoslovaks from the experience, for example, of British Steel at Corby, and I agreed that this was a further area which should be developed.

In addition I agreed in Prague that my Department should second a senior member of staff (at Grade 5 level) to the Federal Prime Minister's office to provide direct advice to him as the Government introduces its economic reforms. I think this would be a very fitting mark of our wish to provide concrete and immediate assistance to Czechoslovakia under the Know How Fund. The arrangements are now advanced and I hope that the official chosen will be in Prague by September. Czechoslovak officials will also come to Britain in September to study British training and employment programmes.

Throughout my visit to Czechoslovakia I was met with enormous good

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for Employment

X | will which I am sure you will discover in your visit later in the year. Petr Miller, the Minister of Labour, emphasised at the final press conference of the visit that although there had been a number of visits from other countries in recent months, this was the first firm offer of practical help which they had received. Following the elections last month Petr Miller has retained his place in the Government, and I am confident that the secure links, established with him and his Ministry, will be maintained.

Hungary

My visit to Hungary came at the time when the newly elected Government was settling into office. This may partly explain an apparent lack of urgency and clear vision on the part of the Ministers I met about tackling the decaying and inefficient state industrial sector and moving rapidly into a market economy. The significant burden of foreign debt and a grave lack of domestic capital for investment were presented as significant obstacles to a rapid privatisation programme. Although everyone I met was frank about the mistakes in the past there seemed to be a lack of awareness of the possible extent of the imminent unemployment problem and a lack of commitment to take hard decisions. The uncertainty was equally apparent in the workplace. I visited the Csepel Ironworks, which exemplified many of the problems of overmanning and inefficient production. In talking to the workforce there I found little excitement at democratic change but rather concern about jobs and wage prospects.

The new Labour Minister, Sandor Gyorivanyi, holds one of the two Ministerial posts secured by the Smallholders Party in the coalition. Although it was still unclear how much weight he could command in the Government, he and his Ministry were very receptive to the advice I had to offer.

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Secretary of State
for Employment

The agreement I signed in Budapest contained essentially similar elements to that in Czechoslovakia, focusing on plans for training, distance learning systems and careers guidance; advice on the creation of a counselling service for unemployed people and the opening of pilot Jobclubs; and help in the development of a small firms sector.

In this third area we shall be developing proposals which are likely to include enterprise education pilots in schools, initial support for small business advisory services and the production of practical information and advisory material. During the Royal visit to Hungary in May, the Prince of Wales, in his position as President of Business in the Community (BITC), brought together a Business Leaders Forum to act as a focal point within the Hungarian private sector for enterprise development. We shall be working with BITC to take forward the initiatives developed during the Prince of Wales' visit.

Poland

Of the three countries I have visited, the Polish Government's programme contained the boldest moves to rid the country of central planning and to liberalise markets. The wide scale abandonment of subsidies, the relaxation of most price controls and effective wage cuts have already had significant side effects in the labour market, hitting employment hard. When my officials visited Poland in April unemployment had already risen rapidly in the year to over 250,000, but by the time of my visit the figures had reached 511,000; and conservative estimates were that more than a million would be out of work by the end of the year.

The Government is looking to keep a tight rein on inflation, but this brings with it the risk of conflict with organised labour, the very power that inspired the democratic changes. The Minister charged with the tasks of presenting economic realities to the workforce and with fashioning employment and training measures to

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Secretary of State
for Employment

cope with the changes is the remarkable Jacek Kuron - himself a Solidarity activist who spent much time in prison during Communist rule. I had already met Mr Kuron in Brussels and at the International Labour Organisation in Geneva. He is certainly a man of considerable capacity and determination, but the difficulties he faces are formidable. The differences which have arisen within the Solidarity movement are clearly likely to aggravate them further.

I was however encouraged by my conversations with the workforce at WZT-Elemis, a company manufacturing televisions in Warsaw. Working under the guidance of an executive from the National Freight Corporation in Britain, the firm had anticipated state moves to bring in a Privatisation Bill by taking the first steps to pass up to 25% of the ownership of the firm to its workers. Those I spoke to in the factory, including union members, all looked forward to a period of improved productivity and more responsibility in the privatised concern.

Once again the Polish Ministry had identified with my officials in the earlier mission the specific areas of training, employment services and small firms support as key to their needs for assistance in the labour market. In addition the Poles saw the reform of health and safety law and practice and their factory inspectorate as an important element in their industrial restructuring and were looking at the British examples in this area. I signed an agreement with Mr Kuron that we would provide practical assistance in these areas, once again funded under the Know How Fund.

Action to take forward this agreement will take place quickly. Polish officials will travel to Britain this month to study in more detail our training measures for unemployed young people. Officials from the Employment Service and the Health and Safety Executive will also spend time in Poland in the autumn advising

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Secretary of State
for Employment

the authorities on setting up pilot employment offices and a factory inspectorate service.

In all three countries I found a ready audience for advice based on the British experience. I was struck by the significant parallels drawn between our own labour market problems of the 70s and the challenges Eastern Europe now faces: substantial hidden unemployment; a reliance on inefficient state subsidised heavy industry; and the need to break a culture of dependency on the State. Although other countries, including several within the EC, are offering assistance in similar areas, I think the British success, particularly in the contribution of small firms to the economy, gives our advice special relevance.

In developing the programmes we have had close cooperation with the Joint Assistance Unit at the Foreign Office and I am grateful for their support. I know that William Waldegrave considers the labour market area an important one for Know How Fund support and I am sure that we can continue to work together to deliver on time the promises that we have made under the agreements which I have reached with the three Governments.

I am copying this minute to members of the Cabinet, William Waldegrave, Sir Robin Butler and to HM Ambassadors in Prague, Budapest, and Warsaw.

M. H.

M H

9th July 1990

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FROM PRIVATE SECRETARY
PART ONE OF TWO PARTS
MEETING OF THE FOUR FOREIGN MINISTERS: 6 JULY
SUMMARY

1. The Foreign Ministers of the Four met for an hour this morning. The main points were:
Albania: the Germans and French wanted a statement from the Summit calling on the Albanians to let their people go. Poland: Genscher said the Polish wish to keep 4-power rights and responsibilities until the border treaty was ratified was unacceptable. Dumas suggested possible compromise. Continuing concern expressed about lack of Soviet compromise in 2+4. Recognition that Paris Summit will be crucial if they are to be shifted. Baker explained inhibitions on US aid to the Soviet Union. Dumas said political support for Gorbachev must be backed by economic aid. Baker described other Houston Summit priorities and thinking behind the US Latin America debt initiative. US in dialogue with new Israeli government.

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DETAIL

2. The Foreign Ministers of the Four met at 1 Carlton Gardens for an hour this morning.

ALBANIA

3. Before the arrival of Baker (who was delayed briefing the President), Genscher raised Albania. There were 1200 people in or around the German Embassy. Dumas said there were around 200 in the French Embassy. Genscher did not know to what extent the Albanian authorities were stirring up the problem but they were certainly allowing the influx to happen. The situation was an impossible one and increasingly dangerous. Heads of Government should issue a statement from the NATO Summit calling on the Albanian government to allow their people the freedom to leave. Genscher said he was also in touch with the UN Secretary General to ask him to do everything in his power to help resolve the situation. The three Foreign Ministers present agreed that a NATO Summit declaration would be a good idea.

POLAND

4. Genscher said we would have seen Skubiszewski's latest letter creating a link between ratification of the Poland/German border treaty and termination of 4-power rights and responsibilities. This was unacceptable. The termination of 4-power rights was between Germany and the 4 powers and could not be put in the hands of the Polish government and parliament. If the Poles did not ratify the border treaty, then 4-power rights would remain. Germany could not accept that.

5. In the course of the discussion (which Baker joined half way) Weston pointed out that the Poles now seemed to recognise that they had made a mistake in trying to introduce wider issues of Polish/German relations into the border treaty. If the treaty could be focused more narrowly on the border issue, that would ease the problem. Genscher agreed. The Poles were asking for things that would require changes in German law and that was

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not something the Germans were prepared to contemplate at Polish behest. The signature and ratification of the treaty could take months rather than weeks, during which time, if the Poles had their way, 4-power rights would remain. To satisfy the Poles, he would be happy to see the border issue mentioned in the final settlement document.

6. Dumas said the key to a solution was to establish what the Poles wanted, namely a guarantee that there would be an effective treaty on the borders which would be implemented by the signatories. Once the border treaty was ratified by the German Parliament, that would give the Poles all the guarantee they needed and 4-power rights could then be lifted, ie it should not be necessary to wait until Polish ratification procedures had gone through. Germany's problem did not lie with the treaty but over the question of sovereignty. Lifting 4-power rights and responsibilities once the Germans had ratified the border treaty would not impose delay. GEMU had shown how quickly the parliaments of the FRG and the GDR could work. It should be made clear in the final settlement document that ratification of the border treaty by Germany would be sufficient for the 4 powers to lift their rights and responsibilities. Genscher did not reject this idea. He said, however, that the treaty could only be ratified when both parties had signed and evidently feared delay in signature on the Polish side. The Secretary of State said that the issue would have to be settled in Paris but we needed to find the answer before then. We must find a way of showing the Poles that the issue was not being sidelined and that the 4 powers would maintain a continuing interest in the problem.

7. Weston pointed out that we might anyway face a problem over 4-power rights and responsibilities because of the overall Russian position. If, because of Soviet intransigence, we had to opt for the indefinite suspension of 4-power rights rather

than their immediate termination, then that could, incidentally, help to deal with the Polish question.

8. The Secretary of State concluded that Political Directors should be asked to find a formulation based on urging the Poles to reduce their demands to the immediate problem of the border and working out a timetable which would retain some kind of 4-power benevolent interest.

SOVIET UNION

9. Genscher confirmed that he and Kohl would be visiting Moscow on 15/16 July. The Secretary of State said he imagined that they would draw the Russians' attention to the outcome of the NATO Summit and to the German position on the size of the Bundeswehr and stationing of forces. Kohl and Genscher should be able to say to the Russians that we had given them satisfaction and we now looked to them to say, in Paris, that they were willing to join with the Western allies in giving up 4-power rights and responsibilities. Genscher agreed that this would be his line.

10. Baker said that he was looking at the first week of October for the Washington meeting of the 2+4. The Moscow meeting in September should not be too close to that. The Paris meeting would be very important, coming after the Soviet Party Congress.

The Soviet Union should welcome what NATO was doing but their internal situation was so bad that it was impossible to tell. He doubted whether the Russians would lift their objections in 2+4 until they were satisfied on force numbers, which of course the Germans were willing to discuss. It was worth recalling that at Copenhagen Shevardnadze had said that there should be no need to maintain 4-power rights for a transitional period once the question of force levels was settled. He hoped we could get back to that position and away from all the detailed demands which the Russians had put forward in Berlin. Weston commented that Political Directors had drawn up a list of 20 or so items

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needing resolution. On most of these, the Russians had maintained the position taken by Shevardnadze in Berlin. Baker said this seemed to show that the Russians had not come off any of the demands they had made in Berlin. The Secretary of State doubted if we would make progress step by step. It would required a big heave to which today's NATO Declaration would be an important contribution.

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LIMITED

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PS/MR WALDEGRAVE

PS/MR MAUDE

PS/PUS

MR WESTON

MR BROOMFIELD

MR BAYNE

MR TOMKYS

MR GOULDEN

MR TAIT

MR KERR

MR GREENSTOCK

MR BEAMISH

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FROM PRIVATE SECRETARY
MIPT: MEETING OF FOUR FOREIGN MINISTERS
PART TWO OF TWO PARTS

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ECONOMIC AID TO THE SOVIET UNION

11. Genscher said that economic help to the Soviet Union would be an important part of his visit to Moscow. Baker said that the United States had real difficulty, even in allowing the Soviet Union access to the New York financial markets, because of their domestic legislation. Economic help to the USSR would require them to change their legislation and Congressional and public support for that was not sufficient. There were a number of irritants as far as the US was concerned, such as Russia's relationship with Cuba, the 18-25% of her GNP which she continued to spend on defence and the problem - unique to the US - of the strategic nuclear balance and the question of targeting. So the US was not in the business of offering concessionary finance even though they would not stand in the way of others. He knew the British felt similarly. The

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Japanese Japanese also would have problems. This would be a major issue for discussion at Houston but it might not lead to a uniform approach unless it was an agreement to study the feasibility of providing help. The United States was not prepared to put money down the tubes as they had in Poland in the 70s. They already had technical cooperation programmes with the Soviet Union but these had made no real headway. Baker alluded to a letter from Gorbachev to the President setting out the Soviet Union's economic needs. These included technical cooperation and help with management training, ie a number of areas where help was already forthcoming and more help could be provided.

12. Dumas said we must be consistent with our own logic. Here we had a man, Gorbachev, who was trying to transform his country. It could not be done overnight. We had agreed in NATO that the changes in the Soviet Union were sufficient for us to send out a clear message to the Soviet Union and the Warsaw Pact supporting political reform. Now Gorbachev was drawing our attention to his economic difficulties. His success in dealing with them would determine whether or not his political changes worked. At Houston, we must respond and it was inconceivable that we should say yes to Gorbachev in London and Dublin and no in Houston.

13. Baker did not think there was a significant disagreement. There were a number of points in Gorbachev's letter, such as technical cooperation, where we could provide help. If people wanted to go further at Houston and come up with guidelines and principles to govern Western help to the Soviet Union, the United States would join in, though some of the US concerns might be different from those of others. It might not concern the Europeans, for example, that the Soviet Union were continuing to supply MIG 29s for Cuba and that Castro was fomenting trouble in the American hemisphere. But that was a

source of real concern to the American people.

14. Genscher thought it would be possible to say at Houston that the West was supporting Gorbachev's economic reform policy and were ready to provide practical help. Some countries would make that help dependent on further steps. Others, like France and Germany, would not. The Secretary of State thought that we could give a positive response to Gorbachev. We had not given 100 per cent support in Dublin. We would not say no to him at Houston. Genscher hoped that Houston could say more than had been possible in the G24 earlier in the week. Baker attached importance to involving the expertise of the IMF and others. The Secretary of State drew attention to the World Bank and IMF concerns about rushing in to support the Soviet Union without proper assessment.

15. It was noted that Sherpas were already trying to work on language for Houston and it was agreed that their attention should be drawn to this discussion.

OTHER HOUSTON ISSUES

16. Baker said that aid to the Soviet Union, the environment and trade (notably the Uruguay Round) would be the big issues for Houston. He had talked to the Commission at the G24 meeting. It was important to make progress on agriculture. He wondered if the de Zeeuw report provided a vehicle for progress.

17. Neither Baker nor any of the other Foreign Ministers saw any difficulty with the Political Declaration. Baker thought the Summit would need to address loan policy to China. The Japanese would be willing to see some consolidated restraint maintained in the international financial institutions but they would wish to go ahead with their own bilateral loan. Recent events had shown that the Chinese could be influenced by a coordinated international approach. That was one reason why Fang Lizhi had been released. Maintaining some restraint on multilateral lending would also be important if the renewal of

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MFN status for China was not to be put at risk in the US Congress.

LATIN AMERICAN DEBT RELIEF

18. Baker described the President's recent proposal. It was limited to Latin America though it would prompt others, eg Poland and Egypt, to ask for similar treatment. The US had not felt able to go beyond Latin America in bilateral arrangements, though they might join in a multinational effort for Poland. Canada had indicated that debt relief for Poland would be very costly for them. In Latin America, the US Government would be offering to forgive between 20-80% of official US debt for countries which undertook meaningful reform. This was in part designed to match the effort which commercial banks were being asked to make in the Brady Plan. Zoellick said the plan would involve a total of US\$7 billion of US official debt. The countries concerned would be asked to make payments of principal only. Interest would be paid at a low rate in local currency and used for environmental projects.

19. Baker referred to the Toronto initiative on debt in Sub-Saharan Africa. He thought that countries like Bangladesh and Togo had a fair point in arguing that those arrangements should be extended to them.

MIDDLE EAST

20. Baker said that Shamir's response to the US had not been black and white. There was some daylight as well as a lot of dark. The Administration had responded to Shamir that they were willing to explore the potential for daylight but would not take part in an illusory process. He did not know whether it would be possible to work with this new Israeli Government.

HURD

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UNCLASSIFIED

cell

(2)



John Hines

Treasury Chambers, Parliament Street, SW1P 3AG

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2/7

Charles Powell Esq
Private Secretary
10 Downing Street
London
SW1

ms

2 July 1990

Dear Charles

1

POLITICAL AID

Acop

The Chief Secretary has seen the discussion paper circulated under cover of Stephen Wall's letter of 14 June.

2. He has asked me to say that he remains sceptical about both the political attractiveness and the cost effectiveness of an initiative on these lines, whichever institutional model were adopted. He very much hopes that, as Stephen Wall suggested in his letter, these issues can be discussed further among Ministers before any further contacts are made with the House Authorities or with the Political Parties.

3. I am copying this letter to Stephen Wall (FCO) and to Diana Goldsworthy (Lord President's Office), Paul Stockton (Lord Chancellor's Office) and Douglas Slater (Government Whips' Office).

Yours

Carrie E

MISS C EVANS
Private Secretary

for Pol : East / West Relations
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OF 210920Z JUNE 90
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UKDEL TELNO 273: NATO/WARSAW PACT DECLARATION

SUMMARY

1. NAC ADDRESSES NATO/WARSAW PACT DECLARATION. MIXED VIEWS. FRG ARGUES STRONGLY IN FAVOUR, WITH LENGTHY PRESENTATION ON SUBSTANCE. U S CAUTIOUS. FRANCE HOSTILE AND ITALY, BELGIUM AND NETHERLANDS RESERVED. OTHERS SUPPORT THE PRINCIPLE, VOICING AGREEMENT WITH UK ON FORM AND SUBSTANCE.

DETAIL

2. AS AGREED (TUR), THE COUNCIL ADDRESSED THIS QUESTION ON 20 JUNE ON THE BASIS OF SHEVARDNADZE'S RECENT LETTER TO BAKER (FAXED TO THE DEPARTMENT). SEVERAL PERMREPS WERE WITHOUT INSTRUCTIONS.

3. VON PLOETZ (FRG) SAID THAT THE FUTURE SHAPE OF RELATIONS BETWEEN THE ALLIANCES WAS IMPORTANT AND RELEVANT TO THE TWO PLUS FOUR PROCESS. SECRETARY BAKER AND OTHERS HAD RAISED THE QUESTION AT TURNBERRY. WE NOW HAD SOVIET IDEAS ON THE SUBJECT, WHICH WERE CLEARLY NOT THE LAST WORD. THE SEQUENCE OF IDEAS PUT FORWARD AT BREST, THEN IN LETTERS TO NATIONS INDIVIDUALLY, THEN IN THE LETTER TO BAKER, SHOWED AN EVOLUTION OF SOVIET THINKING ON SUBSTANCE. THE REACTION OF THE NSWP COUNTRIES MUST BE TAKEN INTO ACCOUNT: GERMAN EMBASSIES HAD BEEN ASKED TO REPORT. CLEARLY THESE COUNTRIES WANTED CONSTRUCTIVE COOPERATION WITH NATO (OF THE PCC DECLARATION). SHEVARDNADZE'S IDEAS CONTAINED A NUMBER OF POSITIVE ELEMENTS: SOME WHICH NEEDED AMENDMENT: AND SOME WHICH WERE UNACCEPTABLE. SOME KEY POINTS WERE MISSING. THE IDEA OF A DECLARATION AT 23 MUST NOT DAMAGE THE FUTURE OF CSCE, WHICH REMAINED THE MAIN FRAMEWORK FOR SECURITY CONSIDERATIONS RELATING TO ALL OF EUROPE. IT WAS THUS WELCOME THAT SHEVARDNADZE ENVISAGED OTHER CSCE STATES JOINING IN. SOME SORT OF DECLARATION COULD BE CONSIDERED: IT SHOULD BE BETWEEN MEMBERS OF THE ALLIANCES, NOT BETWEEN THE ALLIANCES AS SUCH.

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4. VON PLOETZ THEN ADDRESSED SHEVARDNADZE'S IDEAS SERIATIM:

- ALLIANCES DID NOT SEE EACH OTHER AS ADVERSARIES, AND THERE SHOULD BE OVERARCHING STRUCTURES: THIS IDEA WAS NOT A PROBLEM IF CORRECTLY FORMULATED.
- BORDERS/NO TERRITORIAL CLAIMS: THE FINAL ACT HAD SUITABLE LANGAUGE.
- RENUNCIATION OF FORCE, NO NUCLEAR FIRST USE: THE FIRST POINT WAS COVERED IN THE HELSINKI/STOCKHOLM DOCUMENTS. NOFUN WAS NOT ACCEPTABLE, BUT THE IDEA COULD BE BROADENED TO EXCLUDE FIRST USE OF ANY KIND OF FORCE. PERHAPS A JOINT FORMULA COULD BE DEvised DESCRIBING THE WAR-PREVENTING ROLE OF AN ADEQUATE MIX OF WEAPONS AT MINIMUM LEVEL.
- CONSULATION MECHANISMS, INCLUDING CONFLICT RESOLUTION: THE PRINCIPLE OF INSTITUTIONALISED, CONSULTATIONS WAS ACCEPTED BOTH AT 23 AND AT 35. THE EMPHASIS SHOULD BE ON MECHANISMS AT 35.
- COMMITMENT TO ARMS CONTROL: THE CONTINUATION OF CFE WAS ACCEPTABLE, ALTHOUGH THE STATED GOAL NEEDED AMENDMENT.
- REDUCTIONS OF ALL STATIONED FORCES: THIS WOULD NEED CAREFUL CONSIDERATION. THERE SHOULD BE NO PARALLELISM BETWEEN SOVIET AND WESTERN STATIONED FORCES.
- SNF: NATO HAD AN AGREED POSITION BASED ON THE BUSH PROPOSAL.
- ZONAL PROPOSALS: GERMANY DID NOT LIKE THE IDEA OF ZONES WITH SPECIAL STATUS, WHETHER CONVENTIONAL OR NUCLEAR, EXCEPT AS APPROPRIATE WITHIN THE FRAMEWORK OF AN OVERALL AGREEMENT (AS IN CFE).
- COOPERATION IN VARIOUS FIELDS (PEACE-KEEPING, ETC): THESE IDEAS NEEDED CAREFUL STUDY: SOME WERE UNACCEPTABLE.
- CONVERSION OF EQUIPMENT: THE WEST DID NOT FACE THE SAME PROBLEM AS THE SOVIET UNION.

VON PLOETZ SAID THAT AMONG MISSING ITEMS WAS ANY MENTION OF THE RIGHT OF A STATE TO CHOOSE TO BELONG TO AN ALLIANCE.

5. FULCI (ITALY) SAID THAT NATO SHOULD NOT PROP UP THE WARSAW PACT AGAINST THE WILL OF ITS MEMBERS. MANY OF THE SOVIET POINTS WERE UNACCEPTABLE. CAJAL (SPAIN) SAW SOME POSITIVE ELEMENTS: NATO SHOULD RESPOND IN ITS SUMMIT DECLARATION TO THE EVIDENT DESIRE FOR COOPERATION. THUYSBAERT (BELGIUM) SAID THAT IF THE PACT WAS GOING TO DISAPPEAR, NATO WOULD SUFFER BY ANY ATTACHMENT TO IT. THE SOVIET UNION WAS WITHDRAWING TO WITHIN ITS OWN BORDERS: TO ACKNOWLEDGE THE PACT COULD INHIBIT THIS PROCESS. ANY APPROACH TO A DECLARATION, OR TO BROADER COOPERATION WITH THE EAST, SHOULD TAKE PLACE WITHIN CSCE.

6. JACOBVITS (NETHERLANDS) ARGUED FOR A CAUTIOUS APPROACH. IT APPEARED THAT THE TEXT RECEIVED IN THE HAGUE WAS DIFFERENT FROM THAT SENT TO BAKER. WERE APPROACHES TO INDIVIDUAL ALLIES ON DIFFERING BASES A TACTICAL DEVICE? WE NEEDED EARLY REACTIONS FROM THE NSWP. THE RUSSIANS WERE TRYING TO GIVE THE PACT A NEW LEASE OF LIFE BY LINKING IT TO NATO. IT WAS PREFERABLE TO CONSULT AT 35 RATHER THAN AT 23.

7. ROBIN (FRANCE) SAID THAT THERE WERE THREE OBJECTIONS TO A PROPOSAL FOR AN AGREEMENT AT 23: IT SUGGESTED THAT THE PACT WAS HERE TO SAY (EVEN IF WE NEGOTIATED WITH ITS INDIVIDUAL MEMBERS): TO TAKE UP THE SOVIET IDEAS WOULD HAVE THE EFFECT OF RENDERING NATO USELESS, SINCE IT WOULD NO LONGER HAVE A PURPOSE: AND THE IDEA WAS CONTRARY TO THE CSCE PROCESS (WHY BUILD AT 23 WHAT WE WISHED TO ACHIEVE AT 35?) THE ACCEPTABLE PARTS OF THE SOVIET PROPOSAL COULD BE ACHIEVED AT 35.

8. SMITH (CANADA) AGREED WITH VON PLOETZ. HE SUPPORTED A DECLARATION AT 23: THIS COULD BE LINKED TO THE CFE AGREEMENT. IT WAS A GOOD IDEA THAT OTHERS COULD SIGN UP IF THEY WISHED. BEFORE THE LONDON SUMMIT THE COUNCIL SHOULD LIST THE ELEMENTS WHICH IT WAS WILLING TO SEE INCLUDED.

9. TAFT (U S) SAID THAT SHEVARDNADZE'S LETTER, DELIVERED ON 14 JUNE, WAS A RESPONSE TO BAKER'S REQUEST FOR AN ELABORATION OF THE IDEAS PUT FORWARD IN COPENHAGEN. BAKER HAD FELT THE IDEA OF A DECLARATION SHOULD NOT (NOT) BE REJECTED OUT OF HAND. WASHINGTON WAS STILL STUDYING SHEVARDNADZE'S TEXT: BUT IT SEEMED A STEP BACK COMPARED WITH EARLIER SOVIET PRESENTATIONS. THE SUBSTANCE OF SHEVARDNADZE'S LETTER WAS DISAPPOINTING. IT AIMED AT THE ABOLITION OF NATO, AND HAD MANY OTHER UNACCEPTABLE FEATURES. THE ACCEPTABLE ELEMENTS ALREADY FEATURED IN EXISTING INTERNATIONAL DOCUMENTS. THE U S STILL DID NOT REJECT THE IDEA OF A DECLARATION: BUT THE LATEST SOVIET PROPOSAL WAS NOT A BASIS FOR ONE. NATO SHOULD DEAL WITH THE PACT MEMBER STATES, NOT WITH THE PACT AS SUCH.

10. BEATTIE (UK) SAID THAT COUNCIL WOULD RECALL THAT THIS ISSUE HAD BEEN RAISED BY GORBACHEV DURING THE PRIME MINISTER'S RECENT VISIT TO THE USSR. THE PRIME MINISTER HAD AGREED THAT THE MATTER SHOULD BE PURSUED FURTHER, BUT HAD GIVEN NO OTHER COMMITMENT. OUR INITIAL VIEW WAS THAT THE IDEA OF A DECLARATION OFFERED POSSIBILITIES. THE PRIMARY AIM WOULD BE TO HELP THE RUSSIANS ACCEPT A UNITED GERMANY IN NATO. BUT ANY SUCH DECLARATION SHOULD NOT PREJUDICE OUR OWN SECURITY INTERESTS, NOR ARTIFICIALLY STRENGTHEN THE WARSAW PACT. AS STRESSED

IN COUNCIL ON 19 JUNE (TUR) FULL ACCOUNT SHOULD BE TAKEN OF THE VIEWS OF THE NSWP, WHO SHOULD BE CONSULTED AT AN EARLY STAGE. ON FORMAT, WE ENDORSED THE GERMAN VIEW THAT ANY DECLARATION SHOULD BE BETWEEN THE INDIVIDUAL MEMBER STATES OF THE ALLIANCES. WE SHOULD AVOID IMPLYING ANY EQUIVALENCE BETWEEN NATO AND THE PACT OR ANY INDICATION THAT WE EXPECTED THE PACT TO CONTINUE IN BEING. ON SUBSTANCE, THE SOVIET PROPOSAL CONTAINED MANY UNACCEPTABLE ELEMENTS, BUT WE COULD AGREE TO OTHERS. (I LISTED THE MAIN ELEMENTS IN PARA 3 OF FCO TELNO 1061 TO WASHINGTON). THE TACTICS OF PRESENTATION OF ANY PROPOSALS WOULD NEED VERY CAREFUL THOUGHT. WE WOULD NEED TO STRESS THAT WE WERE ONLY WILLING TO CONCLUDE A DECLARATION AS PART OF AN OVERALL ARRANGEMENT, INCLUDING FULL GERMAN MEMBERSHIP OF NATO. WE MIGHT WELL WISH TO REFER TO OUR WILLINGNESS IN PRINCIPLE FOR A JOINT DECLARATION IN THE NATO SUMMIT COMMUNIQUE. BUT THE ISSUE WOULD REQUIRE MUCH FURTHER CAREFUL CONSIDERATION.

11. BIERRING (DENMARK) SUPPORTED THE PRINCIPLE OF A DECLARATION IF IT HELPED THE RUSSIANS ON GERMANY/NATO, AND PROVIDED IT WAS BETWEEN MEMBER STATES AND THE NSWP AGREED. BUT THE ALLIES SHOULD BE CAUTIOUS ON SUBSTANCE. MANY OF THE SOVIET IDEAS WENT TO FAR, SOME WERE UNACCEPTABLE AND OTHER IMPORTANT ELEMENTS WERE MISSING. BUT HE AGREED WITH THE UK THAT A GOOD DEAL COULD BE DISTILLED FROM SOVIET IDEAS. MOST OPERATIONAL MECHANISMS ENVISAGED WERE MORE APPROPRIATE FOR THE CSCE.

12. BREMER (LUXEMBOURG) SAID HIS MINISTER WAS NOT OPPOSED IN PRINCIPLE. BUT THE RELATIONSHIP WITH CSCE WOULD NEED CLARIFICATION. MOST OF WHAT WAS ACCEPTABLE IN SHEVARDNADZE'S PROPOSALS WAS FOR CSCE. NATO SHOULD REACT POSITIVELY, BUT AVOID BUTTRESSING THE PACT. HE WAS DOUBTFUL WHETHER THE LONDON SUMMIT SHOULD REACT. IF SO, THIS SHOULD BE IN VERY GENERAL TERMS ONLY.

13. FARIA (PORTUGAL) SAID ANY DECLARATION WOULD NEED TO BE DRAFTED IN THE BROADEST POSSIBLE TERMS. THE ALLIES SHOULD FIRST CONSIDER WHERE THEIR OWN INTERESTS LAY, AND WHAT CONCEPTS THEY COULD SIGN UP TO. ONLY THEN SHOULD SOVIET AND EAST EUROPEAN VIEWS BE TAKEN INTO ACCOUNT.

14. FOSTERVOLL (NORWAY) SAID HIS MINISTER WELCOMED THE IDEA. NATO SHOULD BUILD ON THE USEABLE ELEMENTS IN SHEVARDNADZE'S PROPOSALS. NSWP VIEWS SHOULD BE SOUGHT URGENTLY. THERE SHOULD BE A REFERENCE IN THE NATO SUMMIT DECLARATION: THE ISSUE WAS TOPICAL AND EYE-CATCHING.

15. ZAFIROPOULOS (GREECE) SUPPORTED PREVIOUS SPEAKERS. HIS

AUTHORITIES WELCOMED THE IDEA IF THIS WOULD HELP GERMAN UNIFICATION, BUT WERE CAUTIOUS ON THE OPERATIONAL ASPECTS. THE MATTER SHOULD BE REFLECTED IN THE NATO SUMMIT DECLARATION.

16. THE SECRETARY GENERAL CONCLUDED THAT FURTHER CONSIDERATION OF THIS QUESTION WOULD BE IMPORTANT IN THE CONTEXT OF PREPARATION FOR THE LONDON SUMMIT, BUT DID NOT ATTEMPT TO SUM UP.

17. AT THE PERMREPS LUNCH IT WAS AGREED THAT THE POLITICAL COMMITTEE SHOULD COMPARE AND ANALYSE THE VARIOUS (AND SLIGHTLY DIFFERING) SOVIET TEXTS RECEIVED IN CAPTIALS.

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FROM UKREP BRUSSELS

FOREIGN AFFAIRS COUNCIL, 18 JUNE:
GENSCHER-SHEVARDNADZE EXCHANGES

SUMMARY

1. GENSCHER OPTIMISTIC IN REPORT ON TALKS WITH SHEVARDNADZE WHICH REVEALED SIGNIFICANT ELEMENTS OF AGREEMENT. MAJOR SOVIET CONCERN APPARENTLY TO AVOID ISOLATION. GENSCHER FIRM ON NEED FOR WESTERN HELP TO SOVIET UNION. FURTHER BRIEFING TO NATO TOMORROW.

DETAIL

2. IN THE MARGINS OF TODAY'S COUNCIL, GENSCHER REPORTED TO A MINISTERS-ONLY SESSION ON HIS MEETING WITH SHEVARDNADZE IN MUNSTER. HE WOULD BE BRIEFING NATO OVER LUNCH TOMORROW, AND PLANNED ANOTHER MEETING WITH SHEVARDNADZE BEFORE THE JULY TWO-PLUS-FOUR MINISTERIAL IN PARIS. GENSCHER CONCLUDED THAT THERE WERE STILL SOME THORNY PROBLEMS TO RESOLVE BUT HE WAS BASICALLY OPTIMISTIC. HIS MAIN IMPRESSION WAS OF SOVIET ANXIETY NOT TO BE ISOLATED FROM THE REST OF THE WORLD. HE ALSO TOOK THE OPPORTUNITY TO URGE THE NEED FOR IMMEDIATE WESTERN HELP TO THE SOVIET UNION.

3. GENSCHER SAID THAT SHEVARDNADZE HAD ASKED ABOUT THE SPEED OF UNIFICATION WHICH GIVEN THE VOKLSKAMMER RESOLUTION HE HAD CONFIRMED WOULD BE LIKELY TO HAPPEN IN 1990. SHEVARDNADZE DESCRIBED ARTICLE 23 AS A PURELY GERMAN MATTER, NOT A SOVIET AFFAIR. GENSCHER DESCRIBED THIS IN TURN AS A RADICAL SHIFT IN THE SOVIET POSITION - EARLIER THEY HAD DESCRIBED IT AS A FORM OF ANNEXATION.

4. GENSCHER HAD TOLD SHEVARDNADZE THAT THERE WERE FOUR CRUCIAL FACTORS WHICH APPLIED TO FUTURE GERMAN MEMBERSHIP OF NATO: THE CSCE ELEMENT, RELATIONS BETWEEN ALLIANCES, CONVENTIONAL DISARMAMENT, AND

THE BORDER QUESTION. SHEVARDNADZE HAD TAKEN NOTE THAT TWO PARLIAMENTARY RESOLUTIONS WOULD BE TABLED TOMORROW ON THE LAST POINT.

5. ON CSCE GENSCHER HAD EXPLAINED THE REASONS FOR HOLDING THE SUMMIT IN NOVEMBER, WITH WHICH SHEVARDNADZE HAD AGREED. HE HAD ALSO AGREED WITH GENSCHER'S ARGUMENT THAT THE EXTERNAL ASPECTS OF GERMAN UNIFICATION SHOULD NOT LAG BEHIND THE INTERNAL (IE THERE SHOULD BE NO DE-COUPPING). GENSCHER HAD ALSO REHEARSED HIS OWN IDEAS ON THE NEED FOR INSTITUTIONS IN CSCE TO PROMOTE DEMOCRACY, FREE ELECTIONS AND RIGHTS OF MINORITIES.

6. GENSCHER HAD GIVEN AN INITIAL REACTION TO THE SHEVARDNADZE LETTER ON CSCE, ARGUING THAT THE POINT AT ISSUE WAS RELATIONS BETWEEN MEMBER STATES, NOT ALLIANCES, THAT EVERYONE HAD THE RIGHT TO JOIN AN ALLIANCE IF IT EXISTED, THAT GERMANY HAD RENOUNCED ALL TERRITORIAL CLAIMS AND RECOGNISED EXISTING BORDERS, AND HAD RENOUNCED THE USE OF FORCE (THOUGH NOT THE FIRST USE OF NUCLEAR WEAPONS). THERE SHOULD BE, HE HAD CONTINUED, NO DIFFERENTIATION IN THE DEGREE OF SECURITY BETWEEN DIFFERENT ZONES, AND CONTACTS BETWEEN THE NORTH ATLANTIC ASSEMBLY AND WARSAW PACT PARLIAMENTARIANS.

7. SHEVARDNADZE HAD ASKED ABOUT FUTURE GERMAN FORCE LEVELS, TO WHICH GENSCHER HAD RESPONDED THAT THIS WAS A MATTER FOR THE VIENNA TALKS. SHEVARDNADZE HAD INSISTED THAT THE SUBJECT BE DISCUSSED IN THE TWO-PLUS-FOUR CONTEXT, BUT GENSCHER DID NOT BELIEVE THIS WOULD BE A GREAT PROBLEM.

8. SHEVARDNADZE HAD SAID THAT GMU WAS ALREADY CAUSING PROBLEMS FOR SOVIET TROOPS IN THE GDR. (GENSCHER NOTED THAT HE HAD NOT REALISED SO MANY SOVIET WIVES THERE HAD JOBS, THAT ONLY THE OFFICERS HAD A CONVERTIBLE ELEMENT IN THEIR PAY, AND THAT THE STANDARD OF LIVING AMONG SOVIET FORCES WAS ALREADY DROPPING FAST).

9. SHEVARDNADZE HAD TRIED TO DRAW A PARALLEL BETWEEN SOVIET TROOPS IN THE GDR AND ALLIED FORCES IN THE FRG. GENSCHER HAD REFUTED THIS, IN THE FACE OF SHEVARDNADZE'S PLEA FOR NO DISCRIMINATION. THERE WAS CLEARLY NO SYMMETRY BETWEEN THE TWO ALLIANCES.

10. GENSCHER HAD ALSO ARGUED THAT THE ISSUE OF QUADRI-PARTITE RIGHTS AND RESPONSIBILITIES (QPR) MUST BE SETTLED BEFORE THE CSCE SUMMIT. THERE COULD BE NO TRANSITIONAL PERIOD AFTER UNIFICATION. SHEVARDNADZE HAD SAID THERE WAS AS YET NO FINAL SOVIET VIEW ON THIS.

11. FINALLY, SHEVARDNADZE HAD ASKED FOR REASSURANCE ON ASPECTS OF SOVIET-GERMAN RELATIONS. GENSCHER HAD MADE IT CLEAR THAT ARTICLE 5 AND 6 OF THE NATO TREATY APPLIED TO THE ENTIRETY OF GERMAN TERRITORY.

12. THERE WERE NO COMMENTS OF SUBSTANCE FROM OTHER EC MINISTERS.

13. IN PRIVATE, YOU WARNED GENSCHER THAT THERE WAS ALREADY A GOOD DEAL OF INTEREST AND EXCITEMENT ABOUT MASSIVE WESTERN ASSISTANCE TO THE SOVIET UNION. HE REPORTED THAT KOHL HAD WRITTEN TO COLLEAGUES TODAY, NOTING THE SEVERE FINANCIAL FLIGHT OF THE SOVIET UNION AND THE NEED TO CONSIDER ASSISTANCE TO IT. GENSCHER SEEMED UNFAZED BY THE ARGUMENT THAT THE WEST SHOULD NOT POUR MONEY DOWN THE SOVIET DRAIN, ESPECIALLY WHEN THEY WERE NOT MEMBERS OF THE IMF AND NO CONDITIONALITY APPLIED TO THEM. HE APPEARED READY TO COUNTENANCE SUBSTANTIAL FINANCIAL ASSISTANCE, PROVIDED THAT THE SOVIET UNION ACCEPTED GERMAN MEMBERSHIP IN NATO.

14. ALTHOUGH GENSCHER HD BEEN ADVERTISED EARLIER IN THE COUNCIL AS WISHING TO RAISE EC/US INSTITUTIONAL RELATIONS, HE DID NOT IN THE EVENT MENTION THE SUBJECT AT ALL.,

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NATO/WARSAW PACT DECLARATION: SOVIET PROPOSALS *ms*

SUMMARY

1. SOVIET EMBASSY HAND OVER MAIN ELEMENTS OF MESSAGE FROM SHEVARNADZE TO BAKER GIVING SOVIET PROPOSALS ON A NATO/WARSAW PACT 'ACCORD'. THESE COVER MUCH OF THE SAME GROUND AS POINTS MADE BY SHEVARNADZE TO GENSCHER ON 11 JUNE (BONN TELNO 726). EMBASSY MAKE CLEAR THIS IS ONLY AN OPENING BID AND PROPOSE AN EXPERTS GROUP TO FOLLOW UP.

DETAIL

2. IVANOV OF THE SOVIET EMBASSY CALLED ON INSTRUCTIONS ON WESTON ON 15 JUNE. IVANOV SAID THAT HE HAD BEEN INSTRUCTED TO CONVEY THE CONTENTS OF A MESSAGE OF 13 JUNE FROM SHEVARNADZE TO BAKER SETTING OUT SOVIET IDEAS ON A 'TREATY BASIS' FOR RELATIONS BETWEEN NATO AND THE WARSAW PACT AND THEIR MEMBER STATES. THE SOVIET UNION PROCEEDED FROM THE ASSUMPTION THAT THE TWO ALLIANCES SHOULD NOT STAND ASIDE FROM THE PROCESS OF DEVELOPING NEW SECURITY STRUCTURES IN EUROPE. THE SOVIET UNION HAD TAKEN NOTE OF THE POSITIVE ELEMENTS FROM THE TURNBERRY COMMUNIQUE. THE ALLIANCES SHOULD BECOME A MOTOR FOR DEVELOPING NEW SECURITY STRUCTURES, AND SHOULD INVITE OTHER CSCE STATES TO JOIN THEM.
3. IVANOV THEN HANDED OVER A NOTE OF THE MAIN ELEMENTS FROM SHEVARNADZE'S MESSAGE TO BAKER (TEXT IN MIFT). IN DEVELOPING THESE IDEAS, THE SOVIET UNION HAD TRIED TO TAKE ACCOUNT OF THE VIEWS OF ALL SIDES, INCLUDING THOSE EXPRESSED BY THE PRIME MINISTER IN MOSCOW. THEY WOULD WELCOME OUR CONSIDERED COMMENTS.
4. IVANOV NOTED THAT THE NATO SUMMIT IN LONDON WOULD BE OF GREAT IMPORTANCE IN THIS CONTEXT. IT WOULD BE WORTH CONSIDERING SOON THE PRACTICAL ARRANGEMENTS FOR ELABORATING AN AGREEMENT BETWEEN THE TWO ALLIANCES. THE SOVIET UNION SUGGESTED A GROUP OF EXPERTS OR SOME OTHER FORUM. THEY WERE INTERESTED IN DEVELOPING COOPERATION AMONG ALL CSCE PARTICIPANTS. THE PRESENT PROPOSALS WERE A BASIS FOR DISCUSSION, NOT A FINAL OFFER.
5. WESTON THANKED IVANOV FOR THESE COMMENTS AND UNDERTOOK TO

CONVEY THE SUBSTANCE PROMPTLY TO ME. HE QUERIED IVANOV'S REFERENCES TO A 'TREATY BASIS'. THE SOVIET NOTE REFERRED TO A 'ACCORD'. THE PRIME MINISTER IN MOSCOW HAD SPOKEN OF A 'DECLARATION'. WE CERTAINLY HAD AN OPEN MIND ABOUT A DECLARATION AND SAW THIS AS ONE TO WHICH THE MEMBER STATES OF BOTH ALLIANCES WOULD SUBSCRIBE. WE ALSO NOTED THE SOVIET REFERENCES TO THE POSSIBILITY OF OTHER CSCE MEMBERS SUBSCRIBING IN SOME WAY TO A DECLARATION. WE WOULD CONSIDER THE SOVIET ELEMENTS CAREFULLY. AT A FIRST READING, SOME OF THEM COULD FIND THEIR PLACE IN A DECLARATION. OTHERS WERE MORE PROBLEMATIC, SUCH AS NOFUN. WE AGREED THAT A DECLARATION COULD NOT BE WORKED OUT BILATERALLY. WE WOULD NEED TO COMPARE NOTES WITH OUR ALLIES. WE WERE AWARE OF THE IMPORTANCE WHICH THE SOVIET UNION ATTACHED TO THE OUTCOME OF THE NATO SUMMIT IN LONDON.

6. IVANOV RECALLED THAT THE PRIME MINISTER HAD SAID IN THE HOUSE ON 12 JUNE THAT THE IDEA OF A DECLARATION SHOULD BE PURSUED FURTHER BETWEEN FOREIGN MINISTERS. DID WE ENVISAGE DISCUSSION TAKING PLACE AT THAT LEVEL? WESTON SAID THAT THE PRIME MINISTER'S COMMENTS CERTAINLY DID NOT PRECLUDE PREPARATION AT WORKING LEVEL. IN CONSIDERING AT WHAT TIME MINISTERIAL DISCUSSION WOULD BE APPROPRIATE, WE WOULD NEED TO FORM A VIEW ON WHEN A DECLARATION MIGHT BE MADE AND WORK BACKWARDS FROM THAT. FOR EXAMPLE, IT MIGHT BE THAT THE CSCE SUMMIT WOULD BE THE RIGHT OCCASION ON WHICH TO MAKE A DECLARATION.

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MIPT: NATO/WARSAW PACT DECLARATION

1. FOLLOWING IS TEXT OF NOTE LEFT WITH WESTON BY THE SOVIET EMBASSY ON 15 JUNE.

BEGINS

- THE WARSAW PACT ORGANISATION (WPO) AND NATO, THEIR MEMBER-STATES DO NOT ANY LONGER CONSIDER EACH OTHER AS ADVERSARIES. THEY ARE READY TO TURN TO RELATIONS OF INTERACTION AND COOPERATION ON A WIDE RANGE OF ISSUES, INCLUDING CREATION OF SUPRABLOCK STRUCTURES OF SECURITY AND STABILITY.
- WPO AND NATO STATE THEIR READINESS TO ACTIVELY CONTRIBUTE TO THE DEVELOPMENT OF THE HELSINKI PROCESS IN ALL DIMENSIONS, INCLUDING A MILITARY ONE.
- THE RIGHT OF EACH MEMBER-STATE OF WPO AND NATO AND OTHERS - NEUTRAL AND NON-ALIGNED STATES OF EUROPE - IS CONFIRMED TO BE OR NOT TO BE (IN ACCORDANCE WITH THE HELSINKI FINAL ACT) PARTICIPANT TO BILATERAL OR MULTILATERAL TREATIES, INCLUDING ALLIANCES, OR TO BE NEUTRAL. MEMBERSHIP OF ONE ALLIANCE SHOULD NO LONGER BE AN OBSTACLE FOR MEMBERSHIP IN ANOTHER ALLIANCE.
- COUNTRIES OF WPO AND NATO STATE THEIR TOTAL RENUNCIATION OF ANY TERRITORIAL CLAIMS AND CONFIRM INVIOABILITY OF EXISTING FRONTIERS IN EUROPE.
- THEY UNDERTAKE NOT TO USE FORCE IN ANY FORM OR TO THREATEN ITS USE EITHER AGAINST ONE ANOTHER, OR AGAINST ANY OTHER STATE OR ALLIANCE. THEY CAN USE FORCE ONLY IN THOSE CASES, WHEN IT IS NECESSARY IN ACCORDANCE WITH THE RIGHT OF LEGITIMATE SELF-DEFENCE, AS IT IS ENVISAGED BY THE UN CHARTER.
- OF PRIME IMPORTANCE IS THE PROVISION OF MUTUAL RENUNCIATION OF THE FIRST USE OF NUCLEAR WEAPONS.
- AUTOMATIC PRINCIPLE IN FULFILLING OBLIGATIONS, STEMMING FROM NATO OR WARSAW PACT, SHOULD NO LONGER TAKE PLACE.
- MUTUAL OBLIGATION OF THE MEMBER-STATES OF WPO AND NATO NOT TO RENDER MILITARY, ECONOMIC AND OTHER ASSISTANCE TO ANY COUNTRY WHICH HAS USED FORCE WITHIN THE ZONE OF WPO AND NATO TREATIES

JURISDICTION AND ALSO TO CONDEMN RESOLUTELY ITS ACTIONS, INCLUDING MORAL AND POLITICAL BOYCOTT.

- IN CASE OF A CONFLICT OR A THREATENING SITUATION

MEMBER-STATES OF WPO AND NATO IMMEDIATELY START CONSULTATIONS IN ORDER TO OVERCOME THE SITUATION AND TO RETRIEVE IT AS BEFORE.

- AN OBLIGATION OF WPO AND NATO TO CARRY OUT ENERGETIC AND MUTUALLY AGREED MEASURES ON FURTHER REDUCTIONS OF ARMAMENTS AND IMPLEMENTATION OF THE PRINCIPLE OF REASONABLE SUFFICIENCY BY WAY OF REDUCING ARMED FORCES AND CHANGING THEIR STRUCTURES.

- NEGOTIATIONS AND AGREEMENT ON SUBSTANTIAL REDUCTIONS AND LATER - ON FULL ELIMINATION OF ALL SHORT-RANGE NUCLEAR WEAPONS (0-500 KM) OF ANY TYPE BASED IN EUROPE.

- IN THE CONTEXT OF REDUCTIONS OF THE ARMED FORCES IN EUROPE IT IS NECESSARY TO ENVISAGE A CHANGE IN THEIR DISLOCATION, A CREATION OF 'SEPARATION' OR 'THINNED-OUT ARMAMENTS' ZONES ALONG THE CONTACT LINE OF THE ALLIANCES. ALL MEANS, DESIGNATED FOR SURPRISE ATTACK AND LARGE-SCALE OPERATIONS INCLUDING AIR FORCE AND NAVY, SHOULD BE WITHDRAWN FROM THE ZONE. THIS ZONE, WHICH INCLUDES BALTIC AND MEDITERRANEAN, SHOULD BE FREE OF NUCLEAR WEAPONS.

- AN ESTABLISHMENT OF A MECHANISM OF REGULAR POLITICAL CONSULTATIONS BETWEEN THE TWO ALLIANCES. EVENTUALLY A CREATION OF JOINT BODIES BETWEEN POLITICAL AND MILITARY STRUCTURES OF THE BLOCKS, AND ESTABLISHMENT OF ASSOCIATION LINKS. OTHER MEMBER-STATES OF CSCE COULD PARTICIPATE IN THE WORK OF THESE BODIES AS OBSERVERS OR TO JOIN THEM. JOINT BODIES OF WPO AND NATO WOULD WORK IN CONTACT WITH CENTERS (BODIES) ON REDUCING MILITARY THREAT, CONTROL AND VERIFICATION OF AGREEMENTS IN THE FIELD OF DISARMAMENT AND CONFIDENCE-BUILDING MEASURES, PREVENTING AND SETTLING CONFLICTS, CREATED WITHIN THE FRAMEWORK OF CSCE PROCESS.

- AGREEMENT ON THE DEVELOPMENT AND PERFECTION OF CONFIDENCE AND SECURITY BUILDING MEASURES, IN PARTICULAR ON THE ISSUES OF RESTRICTING MILITARY ACTIVITY, SPREADING OF CONFIDENCE MEASURES TO THE NAVY AND AIR FORCE. MUTUAL INFORMATION ON MILITARY EXPENDITURES. MORE DETAILED INFORMATION ON MILITARY EXERCISES OF THE TWO ALLIANCES. EXCHANGE OF INFORMATION ON THE DANGER OF CREATION NEW IN PRINCIPLE KINDS OF ARMS IN EUROPE AND IN OTHER PARTS OF THE WORLD, AND, IF NECESSARY, CONSULTATIONS ON THIS PROBLEM.

- CREATION OF MULTILATERAL FORCES, INCLUDING TROOPS OF NEUTRAL STATES TO MAINTAIN PEACE IN THE ZONE OF ACTION OF WPO AND NATO. SUCH A CONTINGENT CAN BE USED IN CASE OF CONFLICT SITUATIONS (NATURALLY AT THE REQUEST OF THE PARTIES), TO FIGHT INTERNATIONAL

- TERRORISM, AID IN CASE OF NATURAL AND TECHNOLOGICAL DISASTERS.
- ESTABLISHMENT OF A DIRECT COMMUNICATION LINE BETWEEN CORRESPONDING CENTERS OF WPO AND NATO.
 - SETTING UP COOPERATION IN CIVIL SECTORS (ECONOMY, ECOLOGY, SCIENCE AND TECHNOLOGY, INFORMATION, EDUCATION, CULTURE). ELIMINATION OF EXISTING BARRIERS AND RESTRICTIONS. FORMING OF BULKY AND EFFECTIVE PROGRAMMES AND FUNDS, AIMED AT STIMULATING ECONOMIC GROWTH AND LEVELLING OF ECONOMIC AND SOCIAL DEVELOPMENT THROUGHOUT EUROPE, IN PARTICULAR AT THE COST OF REDUCING MILITARY EXPENDITURES, DEVELOPING CONVERSION OF MILITARY-INDUSTRIAL BRANCHES OF ECONOMY.
 - STRENGTHENING THE ROLE OF PARLIAMENTS AND TIES BETWEEN THEM PARALLEL TO ESTABLISHING NEW RELATIONS BETWEEN WPO AND NATO, THEIR MEMBER-STATES. CREATION OF A PARLIAMENTARY ASSEMBLY OF THE TWO ALLIANCES, WHICH WOULD EXECUTE CONTROL AND AID FULFILMENT OF COORDINATED PRINCIPLES OF AGREEMENT BETWEEN WPO AND NATO.
 - ACCORD BETWEEN WPO AND NATO MUST BE OPENED TO ADHESION BY ANY CSCE MEMBER-STATE.

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10 DOWNING STREET
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From the Private Secretary

15 June 1990

POLITICAL AID

Thank you for your letter of 14 June about the possibility of establishing an organisation to give aid to political parties abroad. I have discussed this with the Prime Minister, whose position can be summed as:

- she would be ready to back the Trust Fund approach;
- but she thinks the amount might be more modest;
- before taking matters further, we should decide whether or not the amount should come from the Aid programme. If not, it will have to compete with other small bids in the PESC survey.

You may like to reflect on these points and have a word. Meanwhile, I am not copying this letter more widely.

(CHARLES POWELL)

J.S. Wall, Esq., L.V.O.,
Foreign and Commonwealth Office.

Handwritten signature

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ech

bcpc

c/(foreign)/wall

PRIME MINISTER

POLITICAL AID

You will recall you initiated the idea some months ago (following a discussion with Bernie Grant, M.P.) of a modest programme of aid to nascent political parties in countries moving towards multi-party democracy. Since then some quite extensive consultations have taken place with political parties in this country and there seems to be a fair degree of enthusiasm for the idea. The attached paper by the Foreign Office describes the case for such aid and the objectives for which it might be given. The scale envisaged is something between half a million and one million pounds in the first year: and about £8 million over the ensuing 5 years.

The main question is how this aid should be administered. The paper offers two alternatives. The first is a Government Political Aid Fund. This would be managed by the FCO and staffed by officials, but would have an advisory committee with representatives from political parties, business, industry etc. Projects would be put forward for approval and spending monitored by the FCO/ODA accounting officers. The second possibility is a Political Aid Trust. This would be made up of a Board of Trustees, appointed by political parties to reflect the composition of the House of Commons, and would in turn select an advisory committee and appoint a director. Projects would be considered if they were sponsored and managed by at least one political party represented in the House of Commons and met the basic objectives of the Trust. The Trust would be funded from under the Speaker's vote and might attract donations from the private sector.

The pros and cons of the two alternatives are described in paragraphs 11 and 12 of the attached paper. The Foreign Secretary and Mr. Waldegrave prefer the second for two reasons: they think that aid to political parties can best be channelled through an arms-length organisation rather than through official channels; and a Trust fund would be more likely to attract contributions from elsewhere than a Government fund.

Decisions are therefore needed on:

- Which of the two ways of administering the aid you prefer?
- Whether the fund should be new money or found from savings elsewhere? The FCO have indicated that they cannot produce savings of this order and would prefer not to embark on the scheme at all.

Agree to take decisions on these two points?

Or

Prefer to discuss with the Foreign Secretary and Chief Secretary first?

C.D.P.

Much prefer the Trust Fund.

But think it could be more modest in amount.

CHARLES POWELL

14 June 1990

Before we carry the matter further we must decide whether or not it will come from the Aid Programme. If not, it will have to compete with other small bills in the PSE survey

not



Foreign and Commonwealth Office

London SW1A 2AH

14 June 1990

ccpc
Dear Charles,

Political Aid

Mr Waldegrave called on you and Sir Percy Cradock a little while ago to discuss the possibility of establishing an organisation to give aid to political parties abroad. I enclose a paper which sets out what seem to us to be the two broad alternatives and discusses the pros and cons. Officials have discussed this paper with Treasury officials; the Treasury view remains as set out in the Chief Secretary's letter of 13 March, and in paragraph 8 of the paper.

If it is decided to go ahead with either option, it is important that clear accountability should be established. We think the proposals are satisfactory in this respect. It would also be important that funding for this body should be strictly related to its purposes and kept under tight control. We suggest establishment on a five year basis with a review at the end of that period. This would look at effectiveness and value for money. Following the review, decisions about the continued existence of the organisation and the level of funding appropriate would depend on its performance in the preceding five years.

There are arguments for both structures. The Foreign Secretary believes that, if the UK wants to contribute to the development of political parties in Eastern Europe and elsewhere, this would be most effectively achieved by an arm's length organisation working through political parties rather than through official channels. Mr Waldegrave's initial soundings with party leaders have shown a similar preference.

Another reason for preferring a trust fund is that this would be more likely to attract contributions from NGOs, industry and the TUC etc. It is hard to assess at this stage what proportion of the fund's resources might be provided in this way, but the ability to attract non-governmental support either for the Trust or for the projects it funds could be one of the performance criteria considered in the five year review.

We would be grateful for your reactions. The Prime Minister might wish to discuss the ideas with the Foreign Secretary and the Chief Secretary.



I am copying this letter to Diana Goldsworthy (Lord President's Office), Paul Stockton (Lord Chancellor's Office), Douglas Slater (Government Whips' Office) and Carys Evans (Chief Secretary's Office).

Yours,

Stephen Wall

(J S Wall)
Private Secretary

C D Powell Esq
10 Downing Street

POLITICAL AID: DISCUSSION PAPER ON POSSIBLE UK ORGANISATIONS

Introduction

1. On 22 February the Foreign Secretary told the House of Commons that the Government wished to discuss with other parties in the House the possibility of Britain establishing a system of giving help to developing political parties in Eastern Europe and perhaps elsewhere.

2. Following this the Minister of State at the Foreign and Commonwealth Office consulted leaders of the political parties represented in the House of Commons about the possibility of establishing a UK organisation for political aid. While there were differences of view on detailed points, there was broad agreement that this was a field in which the UK could and should be involved. The paragraphs below set out the case for a UK political aid institution, its objectives, two alternative suggestions for a UK organisation and the pros and cons of each suggestion.

The Case for a UK Political Aid Institutions

3. In recent years a number of countries have been actively involved in assisting the development of representative democracy, independent political parties, human rights and a free press in other countries. Economic and technical assistance alone have not proved adequate to promote individual rights and democratic pluralism; and use of traditional aid programmes for political aid schemes is circumscribed by developmental considerations. A growing number of countries have therefore promoted these more political goals through independent arms-length institutions. The German Foundations have made an important contribution towards pluralism, especially in Spain, Portugal and certain Latin American countries. The United States National Endowment for Democracy is now increasingly active in the same field (see Annex for a more detailed description of German, US and Canadian Political Aid organisations).

This is an area in which the UK has not so far matched the efforts of other countries.

4. The UK has an interest in the promotion of pluralism, democracy and human rights throughout the world. These are accepted as desirable goals across the political spectrum in the UK. Pluralism and democratic accountability contribute indirectly to the UK's general security and prosperity. But as well as the benefit to the UK from increased political and economic stability in the world, political aid provides bilateral spin-offs in terms of prestige and political influence. There is no doubt that institutions such as the German Foundations or the US National Endowment add to their country's standing internationally. Political aid also generates a network of contacts between domestic and foreign political parties and their leaders, between trade unions, journalists, opinion formers and academics. The benefits in terms of access and influence are impossible to quantify, but are none the less substantial.

5. The effectiveness of political aid is hard (and expensive) to prove in balance sheet terms. On its own it will certainly not turn an authoritarian state into a democracy, but it can have a role in assisting developments which are already moving in the right direction. There are increasing opportunities for activity in this field. In Eastern Europe a number of countries are attempting to restructure their society on pluralist lines. In Latin America the prospects for democracy have improved considerably, but help will be needed in overcoming obstacles. In Africa and Asia there is recognition that one party systems of government, particularly those based on Marxist models, have failed. Some countries may well struggle through on their own, but it is in our interests to smooth the path and speed up the process where possible. In other countries, such as Romania and Bulgaria the prospects for genuine democratic development are not so healthy and political aid projects could tip the balance between pluralist development and a retreat into totalitarianism. For a relatively low cost political aid can have a disproportionate effect on international developments. It is

anomolous that the UK has so far left the field to others, given that many abroad regard the UK as the home of democratic government.

Objectives

6. The principal objectives of a UK organisation would be :

- to assist in the establishment and organisation of political parties committed to multi-party democracy;
- to support the spread of democratic values and human rights by encouraging free and democratic institutions throughout the world;
- to provide training, technical advice and practical assistance in support of democratic electoral processes abroad.

7. It would be precluded from :

- making financial contributions for general budgetary support to political parties or any other organisations;
- giving support to violence or the use of force;
- supporting projects which are not consistent with the overall objectives of the organisation.

8. It might seek to achieve these objectives through such activities as :

- technical assistance for electoral administration, such as :
ballotting procedures, preparation of election laws, measures to combat electoral fraud;
- advice on the role of political parties in a pluralist society, practical assistance such as photocopiers, IT, communications, transport, to help political parties get off the ground;

- information about opinion polls and the use of the media;
- technical advice on the drafting of constitutions, legislation etc;
- training for journalists, media representatives and support for independent publishers;
- training and assistance for trade unions and, if appropriate, Church organisations and any other voluntary groups;
- promotion of cooperatives, civic organisations and business associations;
- support for human rights activists, eg provision of printing facilities.

Possible Structures

9. There are two broad alternatives for a UK political aid organisation:

a) A Government Political Aid Fund: managed by the FCO and staffed jointly by FCO/ODA officials. The Government would appoint an Advisory Committee (15-20) with representatives from political parties, business, industry, the trade unions and the academic world to comment and advise on the work of the Fund. The Committee would be chaired by the Foreign Secretary or another Foreign Office Minister.

- Proposals for political aid projects would be put forward by any individual or organisation, including British and foreign political parties, British Embassies and other organisations. Project proposers would be required to render detailed accounts of the progress and outcome of their schemes.

- Finance would be provided under the Diplomatic Wing Vote and would have to be accounted for by the FCO/ODA. The Accounting Officers of the FCO/ODA would need to be satisfied that each project approved met the overall objectives of the fund, was a viable and worthwhile use of public funds and that aid was given in an even-handed fashion to different political parties in the countries where projects were undertaken.

b) A Political Aid Trust*: made up of a Board of Trustees (appointed by the political parties to reflect the composition of the House of Commons) which would select an Advisory Committee (again to reflect the composition of the House of Commons) and appoint an Executive Director to chair that Committee.

- Projects for political aid would be considered for funding if they were sponsored and managed by at least one political party represented in the House of Commons and provided they matched the basic objectives of the Trust (as set out in paras 5 and 6 above).
- The Committee would be responsible for advising the Executive Director and the Board of Trustees on the feasibility and value of the projects put forward.
- The Trust would be funded under the Speaker's vote and administered by the House Authorities but would also be able to accept donations from the private sector. The contribution from the Government would be made through a Grant in Aid.

10. Neither organisation would require primary legislation. Whichever was adopted funding for activities for the first year could come from the existing Know How Fund (£500,000 - £1 million)

* It is unlikely that a body with the objectives outlined above would qualify for charitable status.

but for this period projects would have to be restricted to Eastern Europe. Thereafter new money would be needed, perhaps up to £8 million over the first five years, although the level of resources would depend on the performance of the organisation. An advantage of an independent Trust is that if successful it should also attract contributions from industry and other organisations. In the case of a Government Fund there would be running costs and staffing problems for the FCO/ODA. The FCO have no provision for an institution of this kind and would want new money if the expenditure was to fall on their vote. In the Treasury view, the cost effectiveness of the proposal needs more careful study, the institution should be set up in such a way as to be able to attract further funds from the private sector, and if any public expenditure was involved it should fall on an FCO vote with the Foreign Secretary finding off-setting savings within his programmes.

Pros and Cons

11. The Government Fund would have the advantages that:

- being under direct Government control money would be spent in accordance with government objectives
- there would be less risk of funds being used in a fashion which could attract public criticism.

But this field of operation would be limited:

- many foreign political parties would be unable or unwilling to accept support directly from a foreign government
- a government fund would have to operate in a balanced fashion in foreign countries. This could be difficult. How do you operate in a balanced fashion in countries where there are 20 political parties? It might lead to support being given only to bland apolitical projects.

12. A political trust working at arms length from the government would have the following disadvantages:

- some of the money might be used for purposes of which the government would not approve (though the terms of reference of the trust would ensure that only democratic organisations were supported).
- as projects would be more political there might be risks that despite the scrutiny of the Trust and the sponsoring political party funds might go to supporting undesirable political elements (eg. political parties with extremist policies on race, religion etc).

But it would have the following important advantages:

- as a non-government body it would be less suspect; working through British political parties would enable us to reach parts of the system which government funds would not. This would probably be a more effective way of giving support to political parties abroad.
- consultations have shown that this is the approach likely to command support from the major parties in the House of Commons.

Conclusion and Recommendation

13. There is a strong case for the UK being active in the field of political aid. A body at arms length from the Government, operating through the UK political parties is more likely to be effective in delivering political aid and to attract funding from the private sector. We recommend that a discussion document based on this alternative should be circulated to Parties in the House of Commons.

POLITICAL AID : SYSTEMS IN OTHER COUNTRIES

Introduction

1. Some sixteen Western countries give assistance in promoting democracy abroad. Some have established bodies independent of the government specifically for this purpose, of which the Canadian, US and German institutions are the most important. The FCO and ODA jointly commissioned research by Mr Michael Pinto Duschinsky of Brunel University on this subject and the following account of the US, Canadian and German organisations draws on his preliminary report.

Purposes of Political Aid

2. Precise terms of reference differ between countries. German programmes for example include a number of projects which in the UK would be funded directly by the aid programme. The core of political aid programmes focus on the following objectives :

- to promote democratic values, systems and rights
- to assist the development of political parties, trades unions and other pressure groups
- to promote a free press, pluralist institutions, and open debate on political and international questions.

Scope

3. The German political Foundations operate throughout the world. Other countries concentrate political aid on the less developed world or Communist countries.

Alternative Models

4. (i) The German Foundations (Stiftungen) are each allied to political parties but are independent of them. Funding is by the German Aid Ministry for operations in LDCs (90%) and the German Foreign Ministry for operations in developed countries (10%). The Foundations also receive a small part of their funds from private sources and from the Länder governments. The Foundations grew out of organisations for domestic political education but now have a network of offices worldwide. Notable among their substantial and successful programmes have been their important role in the transition to democracy in Portugal and Chile. Recently they have been active in the Nicaraguan election.

(ii) The United States gives aid for political development through a number of different channels including the US Aid Programme. The operation of greatest interest in the context of this note is the National Endowment for Democracy. This is funded directly by Congress. It gives grants via the non-partisan National Democratic Institute which focusses particularly on election procedures, and also through the Republican and Democratic Institutes (linked to the parties) and through trade union organisations. Projects are shown to the State Department in advance but it has no right of veto over how the money is used. Its role is to warn the Endowment if it is getting into bed with unsavoury partners. The National Endowment for Democracy gave considerable support to Solidarity in Poland. Through the party Foundations it has been active in Latin America. The National Democratic Institute has concentrated in particular on elections in the Philippines, Pakistan and Latin American countries.

(iii) Canada has recently set up the International Centre for Human Rights and Democratic Development. This is funded by the Canadian Development Agency but is operationally

independent of it. Its board includes nationals from less developed countries. It has given grants via trade union organisations to anti-apartheid groups in South Africa. It has also supported human rights projects and elections in Latin America. In organising their programme the Canadians have been at pains to avoid any impression of interference in foreign political systems. And although parliamentarians of all parties participated in the establishment of the Centre, Canadian political parties are not involved in the Centre or in the administration of political aid.

Accountability and Control

5. Germany, US and Canadian regulations define the purposes for which grants may be given. For example German regulations stipulate that grants must accord with national policy, may not be used in support of political strikes or for direct electoral purposes. In both Germany and the United States proposed projects are reviewed by the Foreign Ministry and the Embassy in the country concerned. In the German case the Foreign or Aid Ministry has a theoretical veto on the projects though this is rarely exercised.

6. Neither German nor US legislatures need to give prior approval to specific projects though both have an opportunity to discuss the overall level of funding. In the US case particular projects are discussed actively when the National Endowment budget is considered. It has been agreed that the Canadian Centre will be subject to Parliamentary review every five years. This is designed to give some assurance of its independence and stability while ensuring that its operations are broadly consistent with Canadian policy.

7. The German Aid Ministry receives reports from party foundations on each project every four months. Periodic evaluations are carried out often by outside experts. Recipients of grants from the National Endowment are required to submit quarterly reports to it. Its staff make occasional brief evaluations of projects.

8. Financial accountability is generally a difficult area and it appears that money has occasionally gone astray. Difficulties arise because grants may pass through several organisations before reaching their final destination, because organisations receiving aid may be relatively new, citizens groups operating in difficult conditions and because occasionally donor organisations may wish to turn a blind eye to the actual use to which their money is put.

Funding

9. The total budget of the German Foundations is £107 million (1987/88). As noted above the bulk of this is from government sources.

10. The National Endowment for Democracy 1988 budget was £10.5 million. The National Endowment is funded directly by Congress. (Other programmes of politically oriented aid in the United States are considerable : these are administered by Trade Unions or by government agencies; their total budget in 1988 was just under £50 million.)

11. The Canadian International Centre for Human Rights and Democratic Development has a budget of \$C1 million in the first year of operation rising to \$C5 million in the fifth year. It receives its funds from the Canadian International Development Agency.

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10 DOWNING STREET
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From the Private Secretary

13 June 1990

See steps.

EAST/WEST RELATIONS

The Prime Minister and the Foreign Secretary had a discussion this evening of some of the issues relating to European security dealt with in the Foreign Secretary's minute of 12 June on our Foreign Policy.

The Foreign Secretary said he would welcome some guidance on how to respond to the proposal put forward by the Soviet Union for a joint NATO/Warsaw Pact Declaration. The Prime Minister had indicated to Mr. Gorbachev that we would be prepared to consider this, and it had been agreed that Foreign Ministers would be in touch. There had been no signal so far from Mr. Shevardnadze. Should we take the initiative in NATO to put forward ideas for such a Declaration? Herr Genscher had also raised the point whether it would not be better to have a Joint Declaration between members of NATO and members of the Warsaw Pact rather than between the two organisations themselves, in order to avoid the impression that we were actively sustaining the Warsaw Pact. The Prime Minister indicated we should take the initiative in NATO, drawing up a list of points which might be covered in a Joint Declaration. Once we had a clear idea of the substance, we could consider the procedure. While she saw Herr Genscher's point, his own suggestion could be construed as encouraging the unravelling of NATO. She was not convinced of Herr Genscher's reliability on this issue.

The Foreign Secretary continued that would probable be confronted quite soon with a proposal for Western financial assistance to the Soviet Union. The Germans appeared to be already engaged in discussions with the Russians on this. The matter might come up at the European Council in Dublin, at the NATO Summit in London or at the Economic Summit in Houston. We needed to have a response ready. The Prime Minister agreed that we were likely to be confronted with some proposals. She did not think that credit was the right answer for the Soviet Union with its present problems: it would simply be absorbed by purchases of consumer goods without the Russians being under any pressure to adopt the right policies. Our first principle should be that we could not help them unless there was clear evidence that they were prepared to help themselves by adopting the right policies. She would also prefer to see help given as aid for long-term

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purposes for instance training or advice in crucial areas such as management, distribution or food processing - than as credit. She agreed that we needed to refine our arguments against the likelihood of an early initiative by the Germans or the Americans. Overall, we should work on the basis that it was for the Germans to provide the lions share of any assistance.

*You're right,
Charles Powell*

CHARLES POWELL

Stephen Wall, Esq.,
Foreign and Commonwealth Office

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OUR TELNO 1094: GORBACHEV ON THE SUMMIT = NON-CIRCUMVENTION/TRIDENT

1. WE SENT TUR BEFORE THE TEXT OF GORBACHEV'S REMARKS WAS AVAILABLE. HERE IS WHAT HE SAID ABOUT TRIDENT.
2. BEGINS: 'SERIOUS DIFFERENCES WERE AROUSED BY THE QUESTION, WHICH CONTINUES (SIC) TO REMAIN UNRESOLVED, OF NON-CIRCUMVENTION OF THE TREATY. THE AMERICANS, REFERRING TO THEIR SPECIAL RELATIONSHIP WITH GREAT BRITAIN IN THE FIELD OF STRATEGIC ARMS, ARE INSISTING ON THEIR UNRESTRICTED RIGHT TO TRANSFER TO HER TECHNOLOGY, AND ANY FORM (OF WEAPON). THIS ALSO PRESEVES A CHANNEL - IN CIRCUMVENTION OF THE TREATY - TO CONTINUE TO IMPROVE AND EVEN INCREASE THE STRATEGIC NUCLEAR ARSENAL WITHIN THE FRAMEWORK OF NATO'S OVERALL STRATEGY. THIS QUESTION WILL HAVE TO BE ADDRESSED SERIOUSLY.
3. 'IT IS WORTH REMEMBERING THIS. WHEN IN REYKJAVIK WE DISCUSSED INTERMEDIATE MISSILE REDUCTIONS, AND THE IDEA OF ELABORATING AND SIGNING A TREATY ON 50 PERCENT REDUCTIONS IN STRATEGIC ARMS, WE MADE A CONCESSION: FOR A WHILE, AT THAT STAGE, TO LEAVE FRENCH AND BRITISH NUCLEAR FORCES TO ONE SIDE, BUT THEN BOTH WE AND THE AMERICANS DISCUSSED, AND THERE WERE STATEMENTS FROM THE FRENCH AND BRITISH THAT THEY WOULD INCLUDE THEM IN THE PROCESS OF TALKS ON STRATEGIC ARMS REDUCTIONS AFTER THE SOVIET UNION AND UNITED STATES HAD CUT THEIR STRATEGIC WEAPONS BY 50PERCENT. TODAY, WHEN WE HAVE SET DOWN THE BASIC ELEMENTS AND ARE MOVING TO SIGNATURE BY THE END OF THE YEAR IT IS NATURAL FOR THIS QUESTION TO COME UP. I SPOKE ABOUT IT IN WASHINGTON AND TO MRS THATCHER A FEW DAYS AGO.
4. 'IN A WORD, IT IS AN UNACCEPTABLE FORMULA TO US - TO TRANSFER TO THE BRITISH WITHOUT RESTRICTITONS NUCLEAR WEAPONS AND THE MEANS TO MODERNISE THEM. EARLIER WE WERE TALKING ABOUT REPLACING 'TRIDENT-1' WITH 'TRIDENT-II'. AND NOTHING MORE. AND NOW THEY WANT TO HAVE SUCH A GENERAL FORM (OF WORDS) WHICH WOULD LEAVE A CHANNEL OPEN TO CIRCUMVENT THE US-SOVIET START TREATY. THIS IS IMPERMISSABLE AND UNACCEPTABLE.'

BRAITHWAITE

YYYY

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SOVIET UNION EXTERNAL = GORBACHEV'S REPORT ON THE SUMMIT

SUMMARY

1. PRESIDENT GORBACHEV REPORTS WITH SATISFACTION ON HIS VISIT TO WASHINGTON. A NEW ERA OF COOPERATION. HARDLINE COMES THROUGH ON NON-CIRCUMVENTION AND GERMANY/NATO. BRIEF TREATMENT OF VISIT TO OTTAWA AND THE WARSAW PACT SUMMIT

DETAIL

2. GORBACHEV SPOKE TO THE SUPREME SOVIET ABOUT HIS NORTH AMERICAN VISIT AND THE WARSAW PACT ON 12 JUNE. HE SPOKE FOR 80 MINUTES AND THEN ANSWERED WRITTEN QUESTIONS FROM THE FLOOR.

SOVIET/AMERICAN RELATIONS

3. HE SAID HE HAD SET OFF WITH THE HOPE OF ANSWERING FOUR QUESTIONS ON AMERICAN ATTITUDES TOWARDS THE SOVIET UNION. HOW DID THE AMERICANS ASSESS THE NEW APPROACH TO INTERNATIONAL AFFAIRS? HOW MUCH WAS THEIR POLICY CALCULATED ON SHORT-TERM BENEFIT? DID THEY UNDERSTAND THAT THE SUPERPOWERS COULD NOT GO ON COMPETING? HAD OUTDATED ATTITUDES BEEN OUTDATED.

4. HE THOUGHT THAT IN THIS REGARD THE SUMMIT HAD BEEN SATISFACTORY. HE WAS SATISFIED THAT PRESIDENT BUSH WAS HOLDING TO BE REASONABLE COURSE DESPITE PRESSURE FROM ALL SIDES. THE TRADE AGREEMENT, WHICH MANY IN THE MEDIA HAD TRIED TO REPRESENT AS HOSTAGE TOT HE LAW ON EMIGRATION AND ''OUR RELATIONS WITH THE LITHUANIAN SEPARATISTS,'' HAD BEEN SIGNED AND WOULD ULTIMATELY BENEFIT THE SOVIET UNION. HE LISTED THE AGREEMENTS TO SUPPLY AMERICAN COMPUTERS, WHICH HAD EARLIER BEEN FORBIDDEN FRUIT.

5. THERE HAD BEEN VERY LITTLE DISAGREEMENT ON REGIONAL ISSUES. THE ONLY THORNY SUBJECT HAD BEEN CUBA.

ARMS CONTROL.

6. GORBACHEV EXPRESSED SATISFACTION WITH THE AGREEMENTS ON START. HE HIGHLIGHTED THOSE AREAS WHERE THE AMERICAN POSITION HAD SHIFTED TO

ENABLE A COMPROMISE TO BE STRUCK.

7. BUT NOW A START AGREEMENT HAD BEEN STRUCK, IT WAS TIME TO INCLUDE THE FRENCH AND BRITISH DETERRENTS IN THE NEXT GENERATION OF ARMS CONTROL AGREEMENTS. THERE HAD BEEN A CONSENSUS, AT THE TIME OF HIS CONCESSION OF REYKJAVIK, THAT THESE SYSTEMS WOULD BE ON THE TABLE AFTER THE SUPER-POWERS HAD CUT THEIR ARSENALS BY 50%. IT WAS IMPORTANT THAT THERE BE NO CIRCUMVENTION OF START. THE US WERE INSISTING ON MAINTAINING THEIR PROGRAMME WITH THE UK, BUT THIS MATTER WAS BEING ADDRESSED SERIOUSLY (SERIOZNO ZANIMAETSYA). HE HAD PUT HIS VIEWS FORWARD IN WASHINGTON AND REPEATED THEM TO THE PRIME MINISTER.

8. THE CW AGREEMENT WAS A MAJOR BREAKTHROUGH. BUT THE SOVIET UNION WAS FACED WITH THE PROBLEM OF NOT HAVING THE DESTRUCTION TECHNOLOGY. THE UNITED STATES WOULD HAVE TO SHARE ITS TECHNOLOGY.

GERMANY

9. GORBACHEV REPORTED THE LINE HE HAD TAKEN WITH THE PRESIDENT THAT THE INCLUSION OF GERMANY IN NATO WOULD PROMPT THE RUSSIANS TO REVIEW THEIR POSITION AT BOTH THE CFE AND NST NEGOTIATIONS. THE WARSAW PACT HAD RECOGNISED THE NEED TO REFORM. THEY NOW AWAITED A RESPONSE FROM THE NATO SUMMIT. HE DID NOT EXPECT THE BLOCS TO DISSOLVE OVERNIGHT, AND THERE WOULD BE A TRANSITIONAL PERIOD IN WHICH THE FRG AND GDR'S OBLIGATIONS WOULD HAVE TO BE HONOURED. DURING THIS TIME NATO AND SOVIET FORCES WOULD REMAIN IN GERMANY. HE HAD WARNED THAT IF THE SOVIET UNION WAS MADE TO FEEL THAT THE GERMAN QUESTION WAS BEING SOLVED WITHOUT IT, THEN THE POSITIVE CHANGES WOULD BE UNDER THREAT.

10. HE APPRECIATED WESTERN EFFORTS TO TAKE ACCOUNT OF SOVIET CONCERNS. THE SOVIET POSITION WAS THAT 'WE COULD AGREE TO GERMAN MEMBERSHIP, IF (THE WEST) WOULD ACCEPT ASSOCIATIVE PARTICIPATION, AT THE SAME TIME THERE SHOULD BE RAPPROCHEMENT BETWEEN, AND TRANSFORMATION OF, THE ALLIANCES.' NO ONE MODEL HAD YET FOUND FAVOUR. IT WAS A TIME TO EXPLORE OPTIONS. AFTER HIS TALKS WITH THE PRIME MINISTER, AND SHEVARDNADZE'S MEETING WITH BAKER IN COPENHAGEN, THE SOVIET FOREIGN MINISTRY HAD BEEN INSTRUCTED TO TAKE THIS ON.

11. GORBACHEV DEALT BRIEFLY WITH OTTAWA, BUT PRAISED MULRONEY AS A SERIOUS INTERLOCUTOR.

QUESTIONS

12. GORBACHEV WAS ASKED ABOUT THE PEACE DIVIDEND, THE PROSPECTS FOR NAVAL ARMS CONTROL (ON WHICH HE EXPRESSED UNDERSTANDING OF WHY THE AMERICANS WERE HESITANT) AND A NUCLEAR FREE WORLD (ABOUT WHICH HE WAS

OPTIMISTIC). HE WAS ASKED TO COMPENSATE THE RESIDENTS OF SEMIPALABINSK FOR THEIR ENDURANCE OF NUCLEAR TESTING WHICH HAD ENABLED ''DETERRENCE TO KEEP PEACE IN EUROPE FOR FORTY YEARS.'' BOTH THE KAZAKHS AND THE PEOPLE OF THE NORTH ASKED FOR NUCLEAR TESTING TO BE STOPPED.

13. ON GERMANY, GORBACHEV CONFIRMED THAT HIS DISCUSSIONS AT CAMP DAVID HAD SHOWN UP THE ''FRENCH OPTION'' AS A MYTH. HE SAID THAT THE RUSSIANS WOULD WANT TO SEE A SMALLER BUNDESWEHR, AND NO FORWARD DEPLOYMENT.

14. HE ALLOWED HIMSELF TO SMILE AT THE QUESTION IF HE AND PRESIDENT BUSH AHD DISCUSSED A JOB SWAP. HE DID NOT LET PASS THE IRONIC SUB-TEXT WHICH HE TOOK TO BE ''THAT PRESIDENT BUSH WILL HELP YOU.''

RECEPTION

15. GORBACHEV WAS WELCOMED WITH POLITE BUT SHORT APPLAUSE. HIS VOICE WAS TIRED AND STRAINED AT FIRST, BUT HE GREW MORE RELAXED AND PERKED UP WHEN DEALING WITH QUESTIONS. HIS AIDES SHEVARDNADZE, FALIN AND PRIMAKOV ALSO LOOKED TENSE. THE DEPUTIES, WHO HAD LISTENED WIHT VARYING DEGREES OF ATTENTION, SUBSEQUENTLY APPROVED HIS REPORT IN A RELATIVELY ANODYNE RESOLUTION

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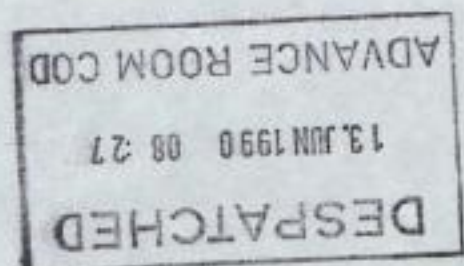
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YOUR TELNO 392 : GENSCHER'S TALKS WITH SHEVARDNADZE 11 JUNE

SUMMARY

1. KASTRUP'S ACCOUNT FULLER THAN THAT IN TUR AND THAN HE WILL GIVE TO NATO ON 13 JUNE. SHEVARDNADZE FULL OF TENTATIVE SUGGESTIONS ABOUT RELATIONS BETWEEN NATO AND WARSAW PACT. GENSCHER INSISTENT THAT NEW ARRANGEMENTS IN THIS FIELD SHOULD BE AMONG MEMBER COUNTRIES OF THE ALLIANCES, NOT BETWEEN THE ALLIANCES THEMSELVES. SHEVARDNADZE EMPHATIC ABOUT NEED FOR A TRANSITION PERIOD BETWEEN GERMAN UNIFICATION AND END OF QRRS. EXPLAINS THAT IMPORTANT INTERNATIONAL ARRANGEMENTS CANNOT BE EFFECTED BEFORE UNIFICATION. GENSCHER MADE CLEAR GERMANY'S WILLINGNESS TO ACCEPT THIS YEAR A PROSPECTIVE LIMIT ON THE BUNDESWEHR IF SOME OTHER STATES DID LIKEWISE.

DETAIL

2. KASTRUP BRIEFED THE FRENCH AMBASSADOR, THE US CHARGE AND ME THIS EVENING ON GENSCHER'S MEETING WITH SHEVARDNADZE AT BREST ON 11 JUNE. KASTRUP SAID THAT HE WOULD BRIEF AT NATO TOMORROW, BUT IN MUCH LESS DETAIL.

3. SHEVARDNADZE HAD PROPOSED THAT THE MEETING SHOULD BE AT BREST, A SYMBOLIC PLACE IN THE HISTROY OF SOVIET-GERMAN RELATIONS AND WHERE HIS BROTHER HAD BEEN KILLED JUST AFTER HITLER'S ATTACK ON THE SOVIET UNION. FOR THE FIRST TIME, A SOVIET AND A FEDERAL GERMAN FOREIGN MINISTER HAD JOINTLY LAID A WREATH AT A SOVIET WAR MEMORIAL. SHEVARDNADZE, WHOSE EMOTION HAD BEEN OBVIOUS, HAD SAID THAT FOR HIM THE OCCASION HAD DRAWN A LINE UNDER THE WAR.

4. THE TALKS LASTED 7 HOURS AND WERE VERY INTENSIVE. SHEVARDANDZE HAD LAUNCHED STRAIGHT INTO THE QUESTION OF GERMANY AND NATO, DESCRIBING IT AS THE MOST COMPLICATED ONE. HE MENTIONED FOUR POSSIBLE SOLUTIONS. BOTH GERMANIES COULD LEAVE THEIR ALLIANCES. OR UNITED GERMANY COULD BE IN BOTH ALLIANCES. OR BOTH ALLIANCES COULD BE DISSOLVED. OR BOTH ALLIANCES COULD BE COMPLETELY TRANSFORMED. HE PROPOSED A COMPLETE RE-SHAPING OF THE RELATIONSHIP BETWEEN THE ALLIANCES. HE PRESENTED TENTATIVE FIRST THOUGHTS ON THIS, WITH THE

FOLLOWING ELEMENTS:

- THE ALLIANCES SHOULD NO LONGER CONSIDER EACH OTHER AS OPPONENTS
- THEY SHOULD STATE THEIR READINESS TO DEVELOP CSCE
- THEY SHOULD UNDERTAKE TO RAISE NO TERRITORIAL CLAIMS AND TO RESPECT THE INVIOLENTABILITY OF FRONTIERS
- THEY SHOULD RENOUNCE THE USE AND THREAT OF FORCE AND FIRST USE OF NUCLEAR WEAPONS
- THEY SHOULD AGREE TO HOLD IMMEDIATE CONSULTATIONS WHEN A CONFLICT OR A THREATENING SITUATION AROSE
- THEY SHOULD UNDERTAKE TO MOVE TO DRASTIC DISARMAMENT AND THE CREATION OF PURELY DEFENSIVE MILITARY CAPABILITIES
- THERE SHOULD BE ZONES OF THINNED OUT FORCES
- THERE SHOULD BE A MECHANISM FOR REGULAR CONSULTATIONS BETWEEN THE ALLIANCES AND THE ESTABLISHMENT OF SOME JOINT COMMITTEES BETWEEN THEM
- THERE SHOULD BE MORE CBMS, FOR INSTANCE EXCHANGES OF INFORMATION ON MILITARY EXPENDITURE AND ARMS PRODUCTION, LIMITS ON EXPENDITURE ON ARMS, AND JOINT EXERCISES
- THE ROLE OF NATIONAL PARLIAMENTS IN THE ALLIANCES SHOULD BE STRENGTHENED AND A JOINT PARLIAMENTARY ASSEMBLY OF THE TWO ALLIANCES SHOULD BE ESTABLISHED
- WHATEVER ARRANGEMENTS WERE AGREED BETWEEN THE TWO ALLIANCES SHOULD BE OPEN FOR OTHER CSCE STATES TO JOIN.

5. SHEVARDNADZE HAD RECOGNISED THAT ALL THIS NEEDED FURTHER THOUGHT AND SHOULD BE DISCUSSED IN THE TWO ALLIANCES. HE WOULD TALK TO BAKER ABOUT HIS IDEAS, IN CONTINUATION OF THE TALKS AT THE WASHINGTON SUMMIT.

6. KASTRUP SAID THAT GENSCHER HAD REPLIED THAT HE WOULD CONSIDER THESE IDEAS WITH HIS NATO ALLIES. GENSCHER HAD SAID THAT HE WAS NOT FAVOURABLY DISPOSED TOWARDS A DECLARATION OR AGREEMENT BETWEEN THE TWO ALLIANCES, AND WOULD GREATLY PREFER TO DEVELOP RELATIONS AMONG

ALL THE MEMBER STATES OF THE TWO ALLIANCES. SOME OF SHEVARDNADZE'S IDEAS MUST BE EXAMINED FOR THEIR IMPLICATIONS FOR CSCE. OTHERS WOULD AFFECT STRATEGY. YET OTHERS WOULD AFFECT EXISTING STRUCTURES. BUT GENSCHER HAD SAID THAT HE BASICALLY AGREED THAT RELATIONS BETWEEN MEMBER STATES OF THE TWO ALLIANCES MUST BE RE-SHAPED. THE NATO SUMMIT WOULD BE IMPORTANT FOR THIS.

7. KASTRUP SAID THAT SHEVARDNADZE HAD SET OUT EMPHATICALLY AND FULLY HIS CASE FOR A TRANSITION PERIOD BETWEEN GERMAN UNIFICATION AND THE LIFTING OF QRRS. KASTRUP WOULD NOT REPORT THIS PART OF THE DISCUSSION TO NATO. GENSCHER HAD CHALLENGED SHEVARDNADZE TO SAY WHICH INTERNATIONAL ASPECTS OF GERMAN UNITY COULD NOT BE RESOLVED BEFORE A CSCE SUMMIT. SHEVARDNADZE HAD SAID THAT THE FOLLOWING MATTERS COULD NOT BE CARRIED THROUGH BY THAT TIME:

- ESTABLISHMENT OF A NEW RELATIONSHIP BETWEEN THE TWO ALLIANCES
- THE PROBLEM OF THE FORCES OF THE FOUR POWERS IN GERMANY. SO LONG AS US FORCES WERE ON WEST GERMAN TERRITORY, SOVIET ONES MUST STAY IN EAST GERMANY. (KASTRUP COMMENTED THAT SHEVARDNADZE, THOUGH SPEAKING OF THE FORCES OF THE FOUR POWERS IN GERMANY, HAD LAID ALL THE STRESS ON US FORCES)
- THE LEVEL OF THE FORCES OF UNITED GERMANY
- THE FUTURE OF THE EXISTING INTERNATIONAL OBLIGATIONS OF THE TWO GERMANIES
- DEVELOPMENT OF CSCE.

8. GENSCHER HAD REPLIED THAT GERMANY WANTED FULL SOVEREIGNTY FROM THE MOMENT OF UNIFICATION. UNITED GERMANY SHOULD NOT BE BURDENED WITH OPEN QUESTIONS. SHEVARDNADZE HAD NOT SOUGHT TO COUNTER THIS. GENSCHER HAD REJECTED ANY PARALLEL BETWEEN SOVIET AND WESTERN FORCES IN GERMANY, ON THE BASIS OF THE FREE CHOICE OF THE GERMANS AND OF EUROPEAN STABILITY. GENSCHER AND SHEVARDNADZE HAD AGREED NOT TO REVEAL TO THE PRESS THAT THEY HAD DISCUSSED THE QUESTION OF A TRANSITION PERIOD.

9. KASTRUP SAID THAT GENSCHER AND SHEVARDNADZE HAD DISCUSSED IN A TETE A TETE THE QUESTION OF FUTURE LEVELS OF NATIONAL FORCES. GENSCHER HAD SAID THAT GERMAN FORCES COULD BE COVERED AMONG OTHERS IN A PARTICULAR ZONE. BUT THERE MUST BE NO DISCRIMINATION AGAINST UNITED GERMANY. THE MATTER SHOULD BE DISCUSSED IN VIENNA. IF A

RESULT WAS ACHIEVED IN VIENNA, GENSCHER COULD IMAGINE THAT 2 PLUS 4 COULD TAKE NOTE OF IT. SHEVARDNADZE HAD AGREED THAT VIENNA WAS THE PLACE TO DISCUSS THIS SUBJECT. HE HAD ACCEPTED THAT THERE SHOULD BE NO DISCRIMINATION AGAINST GERMANY. GENSCHER AND SHEVARDNADZE HAD NOT REFERRED TO POSSIBLE NUMBERS FOR FORCE LIMITS. GENSCHER HAD TOLD SHEVARDNADZE THAT AGREEMENT ON THIS MATTER COULD TAKE THE FORM OF A DECLARATION OF INTENT LINKED TO A CFE I AGREEMENT OR MIGHT EVEN BE MORE (IE AN ACTUAL PART OF SUCH AN AGREEMENT). KASTRUP COMMENTED TO ME THAT THE BASIS OF THE DISCUSSION BETWEEN GENSCHER AND SHEVARDNADZE HAD BEEN THAT THE QUESTION OF FUTURE FORCE LIMITS SHOULD BE DISCUSSED DURING CFE I.

10. KASTRUP SAID THAT SHEVARDNADZE AND GENSCHER WOULD MEET AGAIN BEFORE THE 2 PLUS 4 MINISTERIAL MEETING ON 22 JUNE. THEIR MEETING WOULD PROBABLY BE IN THE FRG NEXT WEEK. (I UNDERSTAND FROM OTHERS IN THE AUSWAERTIGES AMT THAT THE MEETING IS LIKELY TO BE ON 18 OR 19 JUNE AND THAT KVITSINSKI WILL BE HERE ON 15 JUNE).

11. I ASKED WHETHER GENSCHER AND SHEVARDNADZE HAD DISCUSSED THE QUESTION, OFTEN MENTIONED RECENTLY IN THE GERMAN MEDIA, OF NEW WESTERN CREDITS FOR THE SOVIET UNION. KASTRUP REPLIED, CAGILY AND CAREFULLY, THAT THIS MATTER HAD NOT BEEN DISCUSSED BETWEEN THE SOVIET AND GERMAN DELEGATIONS AT THE BREST MEETING. HE DID NOT KNOW WHETHER IT HAD BEEN DISCUSSED BY THE MINISTERS IN TETE A TETE.

12. KASTRUP COMMENTED THAT SHEVARDNADZE WAS OBVIOUSLY CASTING AROUND FOR IDEAS WHICH COULD MAKE GERMAN MEMBERSHIP OF NATO PRESENTABLE DOMESTICALLY IN THE SOVIET UNION. THERE WAS NO CLEAR SOVIET POSITION YET, AND NONE WAS LIKELY TO BE FORMED UNTIL AFTER THE CPSU CONGRESS NEXT MONTH.

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FROM PRIVATE SECRETARY

GENSCHER'S TALKS WITH SHEVARDNADZE IN BREST, BYELORUSSIA,
 11 JUNE

1. Genschler telephoned on 12 June to brief the Secretary of State about his talks with Shevardnadze in Brest on 11 June. He had asked Kastrup to call you in, with your US and French colleagues, before going to brief others (presumably NATO) in Brussels.
2. Genschler said that Shevardnadze had concentrated on ideas for links between NATO and the Warsaw Pact. He had floated 12 ideas, but not as a package. These included some ideas from the Helsinki Final Act:
 - a joint Parliamentary body.
 - talks between senior NATO and Warsaw Pact military men.
 - agreement on no first use of nuclear weapons. Genschler

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said he had ruled this out.

- a common statement which would be open for adherence by the neutral Europeans as well.

Genscher had told Shevardnadze of the view at Turnberry that a joint statement or declaration between the different states in the two alliances would be better than one between the two pacts as such. The Secretary of State agreed.

3. The Secretary of State asked if Shevardnadze had sought to argue against German membership of NATO. Genscher said that he had not done so: he had instead been looking for ways of making membership acceptable to the Soviet Union.

4. On numbers of troops in the central region Genscher had told Shevardnadze that an agreement on numbers would be for CFE I bis. There should be no discrimination against, nor singularisation of, Germany. But, Genscher had added, there would be no objection if the 2+4 wished to take note of an intention to agree numbers in a CFE I bis. Shevardnadze had seemed to accept this idea.

5. Shevardnadze had reverted to the idea of a transitional period between German unification and the abolition of quadripartite rights and responsibilities. Genscher said he had been firm in rejecting the idea. He had also told Shevardnadze that the SPD, especially in the GDR, were misleading the Russians about the length of time available for unification. He had explained the FRG's fears about renewed or increased GDR emigration. Genscher said that Shevardnadze had been impressed by the figures.

6. Shevardnadze had suggested that he and Genscher should meet again before the 2+4 Ministerial in East Berlin on 22 June.

7. Shevardnadze had also spoken with approval of the Turnberry message from NATO foreign ministers. Genscher had the impression that the Russians were now trying to prepare their public opinion for the inevitability of German membership of the

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Alliance. Gorbachev's speech to the Supreme Soviet earlier on 12 June bore out this impression.

8. The Secretary of State asked whether Genscher and Shevardnadze had discussed economic and financial matters. Genscher said the Russians had asked for talks between experts including bankers. They were thinking of credits, and guarantees of credits. Genscher said Chancellor Kohl would be writing to President Gorbachev, linking all these matters together. Any guarantees would have to be approved by the Budget Committee of the Bundestag.

9. In reply to the Secretary of State's question, Genscher said that he and Shevardnadze had not/not discussed Poland.

10. At a press conference after their talks Shevardnadze had said that he foresaw agreement on the 2+4 issues ahead of the CSCE summit. When Genscher had spoken of a CSCE summit in November, Shevardnadze had not reacted.

11. At the end of the telephone call Genscher and the Secretary of State agreed that the two issues needing urgent work were troop numbers in Central Europe and links between, or a joint statement by, the members of the two Pacts.

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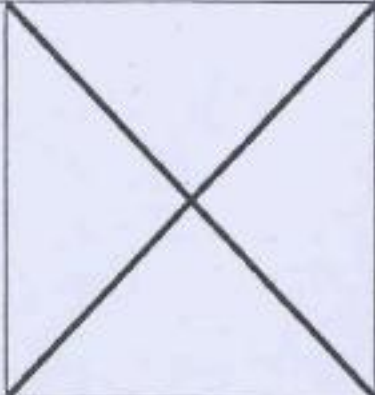
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COPENHAGEN FOR SECRETARY OF STATE'S PARTY
US/SOVIET SUMMIT: STATE DEPARTMENT DEBRIEF
SUMMARY

1. AN UPBEAT ACCOUNT, PARTICULARLY OF ACHIEVEMENTS IN THE TRADITIONAL AREAS OF THE US/SOVIET AGENDA, NOTABLY ARMS CONTROL AND REGIONAL ISSUES. BUT NO ATTEMPT TO DISGUISE THE FAILURE TO MAKE PROGRESS ON GERMAN UNIFICATION OR EUROPEAN ARCHITECTURE AND A CANDID DESCRIPTION OF GORBACHEV'S UNFOCUSSED APPROACH IN THIS AREA.

DETAIL

2. A BRIEFING OF NATO-PLUS AMBASSADORS WAS PROVIDED BY KIMMITT, BARTHOLOMEW AND VERSCHBOW ON 5 JUNE.

3. KIMMITT SAID THAT IT HAD BEEN A UNIQUE SUMMIT IN SEVERAL SENSES, NOT LEAST IN TERMS OF THE EXTENT OF DIRECT INVOLVEMENT BY THE TWO PRESIDENTS. THEIR DISCUSSION AT CAMP DAVID HAD BEEN CHARACTERISED BY THE EASE OF THE EXCHANGES, BREADTH OF SUBJECTS COVERED AND GENERAL INFORMALITY. THE DEGREE OF RAPPORT ESTABLISHED BETWEEN THEM HAD BEEN DEMONSTRATED CLEARLY AT THE PRESS CONFERENCE. ANOTHER HIGHLIGHT (NOT ENTIRELY POSITIVE) HAD BEEN GORBACHEV'S REMARKABLE PRESENTATION TO CONGRESSIONAL LEADERS, NOTABLY ON LITHUANIA. BUT THERE HAD ALSO BEEN GORBACHEV'S PERFORMANCE ON EUROPE, WHICH HAD SHOWN HIS THINKING TO BE FILLED WITH CONTRADICTIONS AND AT A FORMATIVE STAGE.

THUS: HE HAD SPOKEN AGAINST THE ISOLATION OF AMERICA OR RUSSIA FROM EUROPE, WHILE AT THE SAME TIME ARGUING AGAINST THE PRESENCE OF FOREIGN TROOPS OUTSIDE HOME TERRITORY: ON GERMANY, HE ACCEPTED THAT INTERNAL AND EXTERNAL ASPECTS OF UNIFICATION SHOULD NOT BE SEPARATED YET HAD ALSO STRESSED THE IMPORTANCE OF A LONG TRANSITION PERIOD, WITH AGREEMENT ON CFE1, PROGRESS ON FOLLOW-ON NEGOTIATIONS AND LIMITS ON THE BUNDESWEHR BEFORE UNIFICATION COULD TAKE PLACE: EQUALLY, HE HAD MADE CLEAR HIS CONTINUED OPPOSITION TO GERMANY IN NATO, BUT HAD EXPRESSED SUPPORT FOR THE RIGHT OF PEOPLE TO CHOOSE THEIR OWN ALLIANCES IN ACCORDANCE WITH THE HELSINKI FINAL ACT.

4. BARTHOLOMEW BRIEFED ON THE ARMS CONTROL DISCUSSIONS. HE ARGUED THAT BY ANY MEASURE AN IMPRESSIVE ARRAY OF AGREEMENTS AND UNDERSTANDINGS HAD BEEN ACHIEVED. ALTHOUGH MUCH OF THE PROGRESS HAD BEEN MADE PREVIOUSLY, IT HAD BEEN THE PROSPECT OF THIS SUMMIT WHICH HAD GALVANISED BOTH SIDES INTO ACTION.

5. ON START, THE SUMMIT HAD BROUGHT TO AN END THE 8-YEAR STRUGGLE OVER CRUISE MISSILES. THERE HAD ALSO BEEN SOME NARROWING OF DIFFERENCES OVER BACKFIRE BOMBERS, WHERE THE RUSSIANS HAD ACCEPTED THE PRINCIPLE OF GIVING A POLITICALLY BINDING DECLARATION AND A CEILING ON NUMBERS, EVEN THOUGH THEY WERE NOT READY TO HAVE NAVAL AIRCRAFT INCLUDED. THE AMERICANS HAD GIVEN ALL THEY COULD ON HEAVY ICBMS, WITHOUT RESOLVING THE PROBLEM OF SS18: BUT THEY HAD BEEN ABLE TO USE THIS AS A LEVER TO SECURE REFERENCES TO LIMITING ICBMS AND MIRVED MISSILES IN THE STATEMENT ON FUTURE NEGOTIATIONS, WITHOUT INCLUSION OF THE REFERENCE TO SLBMS WHICH THE RUSSIANS HAD SOUGHT. THE TUSSE OVER THIS LAST ASPECT HAD CAUSED THE FINAL DELAY IN SIGNING THE VARIOUS AGREEMENTS ON 1 JUNE. THE STATEMENT ON FUTURE OBJECTIVES WAS IMPORTANT IN SETTING OUT A CLEAR CONCEPTUAL PROSPECTUS, BASED ON AMERICAN PRIORITIES. ON START, AS IN OTHER AREAS, IT WAS INTERESTING THAT AKHROMYEV PLAYED A LEADING ROLE, NOT ALWAYS NEGATIVE, BUT AS PROTECTOR OF THE CROWN JEWELS.

6. ON CFE, THE AMERICANS HAD SECURED AN EXPLICIT COMMITMENT FROM THE RUSSIANS THROUGH THE JOINT STATEMENT, TO INTENSIFYING WORK WITH A VIEW TO COMPLETING THE TREATY THIS YEAR AND TO THE PROPOSITION THAT THE CSCE SUMMIT SHOULD TAKE PLACE AFTER THE CFE AGREEMENT IS QUOTE READY FOR SIGNATURE UNQUOTE. SURPRISINGLY IT HAD NOT TAKEN MUCH DIPLOMATIC PRODDING TO SECURE THIS, EVEN THOUGH IT PUT THE RUSSIANS FIRMLY BACK ON THE HOOK. AS REGARDS SUBSTANCE, BARTHOLOMEW SOUGHT TO PUT THE BEST LIGHT ON THE DISCUSSIONS, CLAIMING THAT THEY HAD BEEN BETTER THAN IN MOSCOW LAST MONTH AND THAT THE PROGRESS ON ARMOUR, DESTRUCTION AND VERIFICATION HAD BEEN SIGNIFICANT ACHIEVEMENTS. NEVERTHELESS HE HAD CONCEDED THAT THE RUSSIANS HAD STONEWALLED OVER THE KEY ISSUE OF AIRCRAFT, PARTICULARLY OVER THE NUMBER OF AIR DEFENCE INTERCEPTORS AND THE EXCLUSION OF LAND-BASED NAVAL AIR. MANPOWER HAD NOT BEEN DISCUSSED OTHER THAN AT THE OUTSET WITH KARPOV, WHO HAD PROPOSED THAT THE OTTAWA AGREEMENT SHOULD NOW BE RECORDED IN THE TREATY TEXT AND THAT OTHER MANPOWER LEVELS IN CFE WOULD BE A MATTER FOR SERIOUS DISCUSSION BY THE TWO PRESIDENTS. IN THE EVENT, NEITHER GORBACHEV NOR ANYONE ELSE REVERTED TO THE QUESTION IN ANY WAY. THIS WAS NOT TO SAY THAT THERE WAS NOW NO CONNECTION BETWEEN GERMAN UNIFICATION AND CFE, ONLY THAT THEY DID NOT SEEK TO OPERATIONALISE THESE CONCERNS IN

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WASHINGTON. VERSCHBOW COMMENTED AT THIS POINT THAT IT WAS CLEAR THE RUSSIANS WANTED TO HAVE A MORE CONCRETE IDEA OF WHAT WAS ON OFFER BY WAY OF NEW CSCE ARCHITECTURE BEFORE THEY WOULD COMMIT THEMSELVES IN CFE.

7. AS REGARDS OTHER ARMS CONTROL TOPICS, BARTHOLOMEW CITED THE NON-PROLIFERATION STATEMENT WHICH INCLUDED FIRMER COMMITMENTS FROM THE RUSSIANS THAN BEFORE ON ADHERENCE TO MTCR-TYPE GUIDELINES AND SUPPLIES TO THE MIDDLE EAST. ON OPEN SKIES, THE AMERICANS HAD MADE A REAL EFFORT AND HAD GIVEN KARPOV A JOINT STATEMENT BASED ON PRINCIPLES WHICH EVERYONE ELSE HAD AGREED TO AT BUDAPEST. THERE HAD BEEN LITTLE RESPONSE.

8. REGIONAL ISSUES.

KIMMITT SAID THAT AKHROMEYEV HAD REMAINED PRESENT THROUGHOUT, SUGGESTING THAT HE WAS VIRTUALLY GORBACHEV'S NATIONAL SECURITY ADVISER. THE DISCUSSIONS HAD BEEN RELAXED, FREE-WHEELING, CANDID AND OPEN. WHILE NO BREAKTHROUGHS HAD BEEN ACHIEVED, MANY IDEAS HAD BEEN EXCHANGED AND A BETTER BASIS FOR FUTURE COOPERATION NOW EXISTED. SPECIFIC POINTS WERE AS FOLLOWS:

- AFGHANISTAN. THERE WAS CONSIDERABLE COMMON GROUND ON THE NEED TO PROMOTE THE ELECTORAL PROCESS AS THE MECHANISM FOR ESTABLISHING A PERMANENT GOVERNMENT, BUT DIFFERENCES REMAINED OVER THE ROLE OF NAJIBULLAH IN THE TRANSITIONAL PERIOD.

- MIDDLE EAST. THE PRESIDENT HAD RAISED THE ATTEMPTED TERRORIST OPERATION NEAR TEL AVIV AND SAID THAT ARAFAT SHOULD BE ENCOURAGED TO CONDEMN THIS IF THE PEACE PROCESS WERE TO MOVE FORWARD. THE RUSSIANS HAD AGREED TO FOLLOW UP.

- EMIGRATION TO ISRAEL. GORBACHEV HAD SAID THAT HE HAD BEEN BOMBARDED BY COMPLAINTS FROM THE ARABS ABOUT RESETTLEMENT IN THE OCCUPIED TERRITORIES AND LOOKED FOR ASSURANCES FROM ISRAELIS AND THE UNITED STATES BUT THERE HAD BEEN NO EVIDENCE IN THE PRIVATE DISCUSSIONS OF ANY INTENTION TO BACKSLIDE ON COMMITMENTS TO FACILITATE EMIGRATION - IMPROVED AIR LINKS ETC - DESPITE WHAT HE SAID AT THE PRESS CONFERENCE.

- CENTRAL AMERICA. GORBACHEV PLEDGED CONTINUING SUPPORT FOR NICARAGUA. ON CUBA, THE AMERICANS HAD URGED HIM TO DISSUADE CASTRO FROM SUPPLYING ARMS TO THE FMLN IN EL SALVADOR AND HE HAD UNDERTAKEN TO PROBE THEM ON THIS.

- KASHMIR. BOTH SIDES AGREED TO WORK TOGETHER AND WITH OTHERS TO RESTRAIN THE INDIANS AND PAKISTANIS. THE RUSSIANS SAID THEY HAD MADE APPROACHES ALTHOUGH THEY HAD NOT YET SENT AN EMISSARY OF THEIR OWN.

- EAST ASIA. BUSH RAISED THE NORTHERN TERRITORIES AND EXPRESSED SUPPORT FOR THE JAPANESE CLAIM. GORBACHEV WOULD NOT BE DRAWN BEYOND THE STANDARD LINE THAT THIS WAS A BILATERAL

SOVIET/JAPANESE PROBLEM.

- S EAST ASIA. ON CAMBODIA, THERE HAD BEEN BASIC AGREEMENT. ON KOREA, GORBACHEV SAID THAT THE RUSSIANS INTENDED TO IMPROVE THEIR RELATIONS WITH THE SOUTH, PARTICULARLY FOR ECONOMIC BENEFIT, AND WAS CANDID ABOUT HIS DETERMINATION TO PROCEED EVEN THOUGH IT COMPLICATED RELATIONS WITH NORTH KOREA. THE AMERICANS HAD RAISED THE NUCLEAR PROBLEM AND GORBACHEV EXPRESSED CONCERN BUT WAS CLEARLY MORE FOCUSED AT THIS STAGE ON THE SOUTH.

- AFRICA. IN ADDITION TO ANGOLA AND SOUTH AFRICA THE MAIN FEATURE WAS ETHIOPIA WHICH WAS DISCUSSED BRIEFLY AND A JOINT STATEMENT ISSUED. GORBACHEV HAD BROUGHT NEWS OF ETHIOPIAN AGREEMENT TO PERMIT RELIEF FOOD VIA ASSAWA AND THE AMERICANS HAD MANAGED TO CONVERT THIS QUICKLY INTO A STATEMENT WHICH WENT BEYOND HUMANITARIAN AID AND SUPPORTED THE POLITICAL EFFORT IN THE REGION.

9. BILATERAL, TRANSNATIONAL AND HUMAN RIGHTS ISSUES.

THERE HAD BEEN 14 AGREEMENTS AND 11 JOINT STATEMENTS. VERSCHBOW SAID THAT ECONOMIC RELATIONS HAD BEEN GIVEN A PARTICULARLY STRONG BOOST IT HAD BEEN TOUCH AND GO TO THE LAST MINUTE WHETHER THE TRADE AGREEMENT WOULD BE SIGNED AND THIS HAD BECOME POSSIBLE ONLY AFTER AN UNDERSTAND HAD BEEN REACHED THAT THE PRESIDENT WOULD NOT SUBMIT IT UNTIL AFTER PASSAGE OF THE SOVIET EMIGRATION LAW. IT HAD FURTHER BEEN CLEARLY UNDERSTOOD THAT DEVELOPMENTS ON LITHUANIA WOULD AFFECT PROSPECTS. ON HUMAN RIGHTS, THE PRESIDENT HAD RAISED THE FAILURE TO RESOLVE 12 OF THE 20 LAST REFUSENIK CASES. THE RUSSIANS SAID THAT THEY WERE STILL WORKING ON THEM. HE HAD ALSO RAISED ANTI-SEMITISM IN THE SOVIET UNION AND URGED GORBACHEV TO SPEAK OUT MORE FIRMLY. HE HAD EVIDENTLY AGREED TO DO SO.

10. NO DATE HAD BEEN SET FOR A RETURN SUMMIT IN MOSCOW. VERSCHBOW SPECULATED THAT THIS MIGHT OCCUR AT THE END OF THE YEAR IF A START AGREEMENT WAS THEN READY.

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MY TELNOS 1301 AND 1302: US/SOVIET SUMMIT: TRADE AND OTHER ECONOMIC AGREEMENTS
SUMMARY

1. TRADE AGREEMENT A US POLITICAL CONCESSION SECURED BY STRONG SOVIET LOBBYING. TIMING AND PROSPECTS OF CONGRESSIONAL APPROVAL UNCERTAIN. DETAILS OF OTHER ECONOMIC AGREEMENTS.

DETAIL

2. IN THE EVENT, PRESIDENT BUSH'S DECISION TO SIGN THE TRADE AGREEMENT FOLLOWED THE ADVICE OF THE ECONOMIC AGENCIES IN THE FACE OF DOMESTIC POLITICAL PRESSURE FOR A TOUGH LINE ON SOVIET TREATMENT OF LITHUANIA. THE RUSSIANS MADE A STRONG APPEAL TO THE DESIRE OF MANY AMERICANS TO SUPPORT GORBACHEV IN HIS DOMESTIC ECONOMIC REFORMS. THEY POINTED TO THE INCONGRUOUSNESS OF DENYING THEM MFN TREATMENT WHILE GRANTING IT TO CHINA NEARLY ON THE ANNIVERSARY OF THE BEIJING MASSACRE. THEY APPLIED LAST-MINUTE LINKAGE WITH THE GRAIN AGREEMENT WHICH THE MID-WEST GRAIN PRODUCING STATES WANTED (THOUGH PERHAPS NOT AS MUCH AS SOVIET CONSUMERS).

3. THESE TACTICS PAID OFF BUT A DIFFICULT CONGRESSIONAL BATTLE LIES AHEAD. AS PRESIDENT BUSH MADE CLEAR AT THE JOINT PRESS CONFERENCE, THE ONLY OVERT LINKAGE IS WITH THE NEW SOVIET EMIGRATION LAW. AS SOON AS THAT LAW IS PASSED, THE MOST LIKELY SCENARIO IS THAT THE PRESIDENT WILL SUBMIT THE AGREEMENT TO THE CONGRESS (WHOSE APPROVAL IS REQUIRED), TOGETHER WITH THE JACKSON-VANIK WAIVER (WHICH CONGRESS MAY DISAPPROVE). MFN STATUS FOR THE SOVIET UNION WILL THEN TAKE EFFECT AFTER THE PRESIDENT MAKES A DETERMINATION THAT THE ELEMENTS REQUIRED BY THE 1974 TRADE ACT (TRADE AGREEMENT AND JACKSON-VANIK WAIVER) ARE IN PLACE.

4. WHEN CONGRESS VOTES ON THE TRADE AGREEMENT AND THE WAIVER THE MAIN ISSUE IS LIKELY TO BE LITHUANIA. BUT THE LONGER THE RUSSIANS DELAY THE START OF THE US CONGRESSIONAL PROCESS, BY DELAYING PASSAGE OF THE EMIGRATION LAW, THE GREATER THE RISK THAT SOME OTHER ISSUE MAY ARISE: FOR EXAMPLE ANY CHANGE IN SOVIET POLICY ON JEWISH EMIGRATION, IN RESPONSE TO PRESSURES TO

DO SOMETHING ABOUT SETTLEMENT IN THE OCCUPIED TERRITORIES, COULD VERY QUICKLY TAKE HOSTAGE THE TRADE AGREEMENT AND MFN STATUS.

5. THE TRADE AGREEMENT'S IMPORTANCE IS MOSTLY POLITICAL AND SYMBOLIC. ITS ECONOMIC EFFECT WILL BE FAIRLY LIMITED, CERTAINLY IN THE SHORT TERM. IN 1989 SOVIET EXPORTS TO THE US WERE ABOUT USD 700 MILLION, US EXPORTS IN RETURN ABOUT USD 4.2 BILLION. BUT US OFFICIALS ARGUE THAT OVER FIVE OR TEN YEARS CHANGE IN THE SOVIET ECONOMY COULD GREATLY INCREASE BILATERAL TRADE.

6. THE MAIN COMPONENTS OF THE AGREEMENT ARE:

- RECIPROCAL GRANT OF MFN TARIFF TREATMENT,
- TRADE PROMOTION, PARTICULARLY DEFINITION OF THE RIGHTS OF US BUSINESSES, EG TO HIRE LOCAL AND THIRD COUNTRY STAFF, TO ADVERTISE AND TO CONDUCT MARKET RESEARCH,
- STRENGTHENED INTELLECTUAL PROPERTY PROTECTION PARTICULARLY ON COPYRIGHT INCLUDING SOFTWARE, DATABASES AND SOUND RECORDINGS, ON PRODUCT AND PROCESS PATENT PROTECTION AND ON TRADE SECRETS,
- A RESUMPTION OF SOVIET LEND-LEASE PAYMENTS TO THE US (DLRS 674 MILLION IS STILL OWED FROM THE 1972 US/USSR LEND-LEASE AGREEMENT) BUT ONLY AFTER MFN STATUS IS GRANTED AND CERTAIN CREDIT RESTRICTIONS ARE LIFTED.

7. THE GRAINS AGREEMENT (WHICH DOES NOT DEPEND ON CONGRESSIONAL APPROVAL) TAKES EFFECT WHEN THE PRESENT AGREEMENT ENDS IN JANUARY 1991 AND COMMITS THE USSR TO BUYING 10 MILLION TONS OF GRAIN ANNUALLY FOR FIVE YEARS OF WHICH 4 MILLION TONS MUST BE WHEAT AND 4 MILLION TONS FEED GRAINS. THE RUSSIANS MAY BUY UP TO 14 MILLION TONS ANNUALLY WITHOUT PRIOR CONSULTATION. (THE 10 MILLION AND 14 MILLION TONS ARE SLIGHT INCREASES, FROM 9 AND 12 MILLION RESPECTIVELY, OVER THE PRESENT AGREEMENT). THE US IS COMMITTED TO ENSURING "COMPETITIVE PRICES", IE APPARENTLY WORLD PRICES ON EACH TRANSACTION. THERE IS SOME SPECULATION AMONG CEREALS TRADERS HERE THAT FOLLOWING IMPLEMENTATION OF THE TRADE AGREEMENT THE USSR MIGHT BE OFFERED EXPORT CREDITS FOR WHEAT AND OTHER FARM GOODS. BUT THERE IS NO CONFIRMATION OF THAT YET.

8. A CUSTOMS CO-OPERATION AGREEMENT PROVIDES FOR MUTUAL ASSISTANCE BETWEEN THE TWO CUSTOMS SERVICES TO DETER AND DETECT DRUGS TRAFFIC. THE AGREEMENT ALSO PROVIDES FOR CO-OPERATION IN CUSTOMS LAW ENFORCEMENT, EXPORT CONTROL AND COMMERCIAL FRAUD.

9. THE SHIPPING AND AIR SERVICES AGREEMENTS DESCRIBED IN MY TELNO 1205 WERE SIGNED AS EXPECTED.

10. THE TWO PRESIDENTS ALSO SIGNED A JOINT STATEMENT ON TECHNICAL AND ECONOMIC CO-OPERATION PROVIDING FOR FURTHER EXCHANGES BUILDING ON THOSE SINCE THE MALTA SUMMIT. THE STATEMENT LISTED, AMONG PROJECTS UNDER CONSIDERATION, EXCHANGES

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ON ANTI-TRUST, AND A MOSCOW CONFERENCE ON THE FORMATION OF CAPITAL MARKETS TO BE ORGANISED BY THE NEW YORK STOCK EXCHANGE, SUGGESTING THAT THESE (FROM THE LIST SENT TO THE DEPARTMENT) MAY BE AMONG THE MOST LIKELY TO BE FOLLOWED UP.

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GORBACHEV'S VISIT TO SAN FRANCISCO 3-4 JUNE 1990

SUMMARY

1. DURING A CROWDED 24 HOUR STAY GORBACHEV MET REAGAN, VISITED STANFORD, AND MET SHULTZ, LUNCHEDED WITH TOP BAY AREA BUSINESSMEN, AND, FOR THE FIRST TIME, MET THE PRESIDENT OF SOUTH KOREA. BOTH GORBACHEVS WERE RECEIVED THROUGHOUT WITH GREAT ENTHUSIASM AND DELIGHT. DEMONSTRATIONS ON ARMENIA AND THE BALTIC STATES WERE PEACEFUL AND FAILED TO TAKE THE GLOSS OFF THE VISIT.

DETAIL

2. OVER TWO THOUSAND JOURNALISTS DESCENDED ON SAN FRANCISCO TO COVER THE VISIT FOR THE WORLD'S PRESS. MEDIA COVERAGE OF IT OVERSHADOWED ALL OTHER EVENTS, INCLUDING THE IMPORTANT CALIFORNIAN PRIMARY TO BE HELD ON 5 JUNE.

3. THE MAIN POINTS OF SUBSTANCE TO EMERGE WERE:

I. AT STANFORD GORBACHEV'S RECOGNITION OF CALIFORNIA'S ECONOMIC RELEVANCE, PARTICULARLY SILICON VALLEY AND HIGH TECH, THE NEED TO COOPERATE WITH JAPAN, CHINA, KOREA AND OTHER ASIAN COUNTRIES IN REDUCING POLITICAL AND MILITARY RIVALRY, CONFIRMATION THAT HE WOULD WORK WITH THE US TO IDENTIFY NEW SECURITY STRUCTURES IN EUROPE, ASIA AND THE PACIFIC REGION, AND THAT QUOTE THE COLD WAR WAS OVER UNQUOTE.

II. AT LUNCH WITH BAY AREA BUSINESSMEN GORBACHEV MADE A PITCH FOR LEADING US COMPANIES TO INVEST IN THE SOVIET UNION OR RISK LOSING UNPRECEDENTED OPPORTUNITIES, BUT HE FAILED TO REASSURE HIS AUDIENCE COMPLETELY ON THE QUESTIONS OF REPATRIATING PROFITS, AND THE CONVERTIBILITY OF THE ROUBLE. BUT TO THE BUSINESS COMMUNITY THE MAN AT THE HELM SEEMED TO BE MAKING ALL THE RIGHT NOISES.

III. RELATION WITH SOUTH KOREA AFTER THEIR ONE HOUR MEETING GORBACHEV AND ROH TAE WOO ANNOUNCED AGREEMENT IN PRINCIPLE TO EXSTABLISH FULL DIPLOMATIC RELATIONS AND TO EXPAND

ECONOMIC, SCIENTIFIC, TECHNICAL AND CULTURAL COOPERATION. ROH SAW THE MEETING AS QUOTE THE FIRST MAJOR STEP TO A UNIFIED KOREA UNQUOTE. GORBACHEV PLEDGED TO HELP SOUTH KOREA'S EFFORTS TO ENGAGE NORTH KOREA IN MEANINGFUL DIALOGUE TOWARDS PEACE ON THE PENINSULAR. ROH CONFIRMED THAT QUOTE NORTH KOREA IS NO LONGER OUR RIVAL AND ADVERSARY UNQUOTE. ROH WILL NOW BRIEF PRESIDENT BUSH IN WASHINGTON.

CONCLUSION

4. THE VISIT WILL HAVE PROVIDED A FURTHER BOOST TO GORBACHEV'S POPULARITY IN THE US, THOUGH HOW IT WILL IMPRESS DOMESTIC OPINION IN THE USSR IS LESS CLEAR. FOR SAN FRANCISCO THE BENIFITS WERE CONSIDERABLE. THE VISIT PROVED THAT LOCAL AUTHORITIES COULD PLAY IN THE BIG LEAGUE, AND ORGANISE IMPECCABLE ARRANGEMENTS FOR VIPS. IN PERFECT WEATHER THE CITY SPARKLED BEFORE THE WORLD'S CAMERAS, THEREBY HELPING TO RESTORE SAN FRANCISCO'S POSITION AS A LEADING TOURIST ATTRACTION FOLLOWING THE BLOW TO CONFIDENCE AFTER LAST YEAR'S EARTHQUAKE. MOST IMPORTANT, THE VISIT MARKED PROGRESS IN USSR/KOREAN RELATIONS, AND THE COURTING OF THE US BUSINESS COMMUNITY, AND IT REINFORCED THE IMPORTANCE, NOT LEAST FOR THE PACIFIC AREA, OF THE RICHEST AND MOST POPULOUS US STATE. GORBACHEV HIMSELF SAW THE BAY AREA AS QUOTE THE MEDITERRANEAN OF THE COMING CENTURY UNQUOTE.

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US/SOVIET SUMMIT : FRG REACTION

SUMMARY

1. UPBEAT REACTION FROM KOHL AND GENSCHER. PRESS COMMENT ON CHANCES OF GORBACHEV CONCEDING GERMAN MEMBERSHIP OF NATO.

DETAIL

2. TODAY'S PRESS (YESTERDAY WAS A HOLIDAY IN THE FRG) REPORTS THAT BUSH RANG KOHL TWICE DURING THE SUMMIT TO KEEP HIM INFORMED. BAKER ALSO RANG GENSCHER TWICE. KOHL, WHO WILL MEET BUSH IN WASHINGTON ON 8 JUNE, SAID ON 3 JUNE THAT THE RESULTS OF THE SUMMIT HAD IMPROVED THE PROSPECTS FOR SETTING THE INTERNATIONAL ASPECTS OF GERMAN UNIFICATION. THE REQUIREMENTS WERE FORWARD MOVEMENT IN CSCE AND THE DISARMAMENT NEGOTIATIONS, AND IMPROVED COOPERATION (PARTICULARLY ECONOMIC) BETWEEN EAST AND WEST. HE BELIEVED THAT "THE INTERNAL AND EXTERNAL ASPECTS OF UNIFICATION COULD BE SOLVED ON TIME. THIS INCLUDED THE ALLIANCE MEMBERSHIP OF A UNITED GERMANY".

3. GENSCHER STRESSED ON 4 JUNE THAT GORBACHEV'S RECOGNITION IN WASHINGTON OF GERMANY'S RIGHT TO CHOOSE WHICH ALLIANCE IT BELONGED TO WOULD MAKE THE SECURITY ASPECTS OF GERMAN UNIFICATION 'FUNDAMENTALLY' EASIER TO ANSWER. REFERRING TO SHEVARDNADZE'S LETTER TO THE FOREIGN MINISTERS OF OTHER CSCE SIGNATORY STATES HE SAID THAT HE HOPED AGREEMENT ON GERMANY'S ALLIANCE MEMBERSHIP COULD BE REACHED WITHIN THE FRAMEWORK OF AN PAN-EUROPEAN SECURITY SYSTEM. THERE WERE GOODS FOR HOPE THAT THE CSCE SUMMIT IN AUTUMN WOULD LAY THE FOUNDATIONS FOR A NEW EUROPE.

4. EDITORIAL COMMENT NOTES THE FAILURE AT THE SUMMIT TO ACHIEVE THE HOPED FOR BREAKTHROUGH ON GERMAN MEMBERSHIP OF NATO. SOME PAPERS SUGGEST THAT WESTERN INFLEXIBILITY HERE COULD ENDANGER PROGRESS IN

CFE, CSCE AND THE 2 PLUS 4. OTHERS HOWEVER COMMENT THAT GORBACHEV APPEARS STILL NOT TO HAVE THOUGHT THROUGH THE QUESTION OF GERMANY REMAINING IN NATO: HIS 'NO' AT THE SUMMIT WAS PROBABLY NOT HIS LAST WORD. WITH VERY FEW GOOD CARDS LEFT TO PLAY, GORBACHEV MAY BE BLUFFING.

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From the Private Secretary

4 June 1990

Dear Mr. [unclear]

US/SOVIET SUMMIT

I enclose a copy of a message to the Prime Minister from President Bush about the US/Soviet Summit. It should have only a very limited circulation. The Prime Minister will want to reply, and will need advice and fuller briefing in particular on the point about non-circumvention and the START Agreement.


I am copying this letter and enclosure to Simon Webb (Ministry of Defence), Sonia Phippard (Cabinet Office) and Sir Percy Cradock.

Yours sincerely,
[Signature]

(C. D. POWELL)

Stephen Wall, Esq.,
Foreign and Commonwealth Office.

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From the Private Secretary

3 June 1990

Dear Resident Clerk,

US/SOVIET SUMMIT

You may find it helpful to have - and to transmit to the Foreign Secretary - the enclosed note of a conversation which I had earlier this morning with General Scowcroft in the White House about the US/Soviet Summit.

Yours,
J. D. Dill

PT C.D. POWELL

The Resident Clerk,
Foreign and Commonwealth Office.

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PRIME MINISTER

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Resident Clerk, FCO.

US/SOVIET SUMMIT

I have had a talk with General Scowcroft about the Summit. His summing up was that it had gone "pretty well". The tone had been good, and there had been an excellent rapport between Gorbachev and the President.

He found Gorbachev himself remarkable. He did not appear at all tired or under pressure. On the contrary, he seemed fully in charge. Strangely, he had not dwelled on his domestic problems nearly as much as at the Malta Summit. When he had mentioned them, he had done so quietly and analytically. He was not "beleaguered, distraught, or over-burdened", rather he was "relaxed and animated".

On substance, there had been generally good progress, particularly on arms control. The agreement on CW had been squared away. There was extensive agreement on START, although some outstanding problems including non-circumvention (i.e., us). There had been a good review of regional issues, and Scowcroft said that he had been pleased with Gorbachev's "rhetoric and understanding". I asked about CFE. Scowcroft said that he was sure Gorbachev wanted an agreement, but it was heavily dependent on the German issue. Gorbachev accepted explicitly that there would have to be a CFE agreement before there could be a CSCE Summit, and it was clear that the Russians still want the latter badly.

Scowcroft said that the two main problems were with Germany and Lithuania. On the latter, there was nothing he could tell me on the open line, but privately there were signs of movement. He would let us have details. There had been a long exchange on Germany, but not much change in the Soviet position. It was essentially a political problem for Gorbachev, who had to avoid the appearance that the Soviet Union had comprehensively lost.

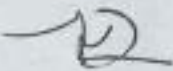
Scowcroft said that we had to figure out some way to give the Russians a rationale for doing what they knew they had to do.

I said that I was sure your intention was to go on being generally supportive of Gorbachev and what he was trying to achieve. Scowcroft said this was very much the President's view - especially when one compared Gorbachev to the alternatives. (Scowcroft does not think much of Yeltsin.)

Scowcroft said that the President would try to call you either later this afternoon or tomorrow.

All in all, Scowcroft clearly hoped that you would be able to give a reasonably up-beat account of the Summit in your interview.

PP CDP


3 June 1990

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MIPT: US/SOVIET SUMMIT

SUMMARY

1. USEFUL RESULTS ON THE BILATERAL AGENDA: NO PROGRESS ON GERMANY OR CFE. A GOOD RAPPORT BETWEEN BUSH AND GORBACHEV. A QUESTION MARK OVER FUTURE PROGRESS ON EUROPEAN ARCHITECTURE. DETAIL
2. MY INITIAL IMPRESSION, WHICH WILL NEED TO BE CHECKED AGAINST THE ACCOUNTS WE SHALL BE GETTING FROM SENIOR MEMBERS OF THE ADMINISTRATION OVER THE NEXT FEW DAYS, IS THAT THIS SUMMIT PROVED RELATIVELY SUCCESSFUL IN COVERING WHAT ONE MIGHT TERM THE TRADITIONAL BILATERAL AGENDA, BUT MUCH LESS SO IN ADDRESSING THE NEWER LINKED QUESTIONS OF THE FUTURE SHAPE OF EUROPE FOLLOWING GERMAN UNIFICATION AND THE FUTURE EVOLUTION OF THE USSR. THE FACT THAT NOTHING SIGNIFICANT SEEMS TO HAVE BEEN ACHIEVED ON THE LATTER SCORE COULD PERHAPS MAKE FOR TROUBLE.
3. PRESIDENT BUSH HAS GONE AS FAR AS HE COULD TO MEET PRESIDENT GORBACHEV ON THE IMMEDIATE AGENDA. MOST OF THE ARMS CONTROL AGREEMENTS SIGNED ARE NOT LIKELY TO PROVE CONTENTIOUS. BUT HE MAY FIND CONGRESS CRITICAL OF SOME OF THE PROVISIONS OF THE PROPOSED START AGREEMENT, AND WILL CERTAINLY RUN INTO DIFFICULTIES OVER THE TRADE AGREEMENT AND MFN IF THERE IS NO RECOGNISABLE PROGRESS TOWARDS A REASONABLE ACCOMMODATION OVER LITHUANIA DURING THE PERIOD BETWEEN NOW AND THE PASSAGE OF A SOVIET EMIGRATION LAW. AS BUSH PUT IT IN THE PRESS CONFERENCE, LITHUANIA IS A THORN IN THE SIDE OF THE RELATIONSHIP. HE ALSO REMINDED THE US, AND SOVIET, PUBLIC THAT CONGRESS WILL HAVE ITS VIEWS. BUT IN SIGNING THE TRADE AGREEMENT, AND THEREBY DROPPING THE ADMINISTRATION'S TACIT LINKAGE WITH LITHUANIA (WHILE RETAINING THAT WITH EMIGRATION), HE HAS DONE GORBACHEV A FAVOUR - AND SECURED A GRAIN AGREEMENT IN RETURN.

4. BUSH SHOWED HIMSELF SENSITIVE TO GORBACHEV'S DOMESTIC PROBLEMS, INDEED WEAKNESS, IN OTHER WAYS AS WELL. GORBACHEV DID WELL WITH THE US PUBLIC AND PRESS, THOUGH HE WAS WIDELY SEEN AS HAVING BEEN FURTHER DAMAGED AT HOME BY YELTSIN'S ELECTION, AND PERHAPS NOW AS HAVING TOO MANY DOMESTIC PROBLEMS TO BE ABLE TO ACT AS AN EFFECTIVE PARTNER FOR THE USA. BUSH TOOK CARE IN PUBLIC AND IN PRIVATE TO PUT OVER THE POINT THAT HIS FIRST CONCERN WAS NOT TO SCORE POINTS BUT TO TRY TO FIRM UP A WORKING, COOPERATIVE RELATIONSHIP. HE SEEMS TO HAVE ENJOYED A USEFUL MEASURE OF SUCCESS IN THIS. THE TALKS WERE EVIDENTLY OPEN AND CANDID, WITH DISAGREEMENTS BEING BROUGHT OUT, RATHER THAN PAPERED OVER. BUSH PUT IT ON THE RECORD THAT THIS SORT OF DIALOGUE WAS ONLY POSSIBLE

BECAUSE OF THE PROGRESS MADE IN THE SOVIET UNION UNDER GORBACHEV, MAKING IT CLEAR BY IMPLICATION THAT FURTHER LIBERALISATION WOULD HELP PROMOTE THE RELATIONSHIP STILL MORE.

5. IT IS HOWEVER A CAUSE FOR DISQUIET THAT THERE WAS APPARENTLY NO MEASURABLE PROGRESS OVER GERMANY OR CFE. THAT, COUPLED WITH THE POTENTIAL FOR TROUBLE OVER LITHUANIA, COULD POSSIBLY CALL INTO QUESTION THE PROGRESS THAT HAS BEEN REGISTERED SO FAR ON THE BILATERAL AGENDA. IT COULD ALSO COMPLICATE THE WIDER AGENDA FOR THIS YEAR. GORBACHEV MAY HAVE ATTRACTED SOME SYMPATHY WITH HIS EXPLANATIONS OF SOVIET FEARS OF GERMANY IN NATO, AND HIS THREAT TO RECONSIDER THE SOVIET POSITION IN CFE IF THAT CAME ABOUT WAS NOT SO VEILED AT THE 3 JUNE PRESS CONFERENCE. BUT HIS PRESENTATION OF THE SOVIET CASE TO BUSH ON 31 MAY WAS A COMBINATION OF THE CONFUSED AND THE UNYIELDING, WHICH BORE OUT SCOWCROFT'S EARLIER OBSERVATION TO ME THAT THE RUSSIANS CANNOT ACCEPT WHAT IS HAPPENING IN GERMANY BUT HAVE NO ALTERNATIVE TO OFFER. GERMAN ISSUES WERE NOT APPARENTLY DISCUSSED AT CAMP DAVID. NOR, DESPITE EARLIER INDICATIONS, WERE THEY CONSIDERED BY BAKER AND SHEVARDNAZDE ON 1 JUNE. BY REPEATING DURING HIS TRIP TO NORTH AMERICA THAT THE RUSSIANS CANNOT ACCEPT GERMAN MEMBERSHIP OF NATO IN ANY MEANINGFUL SENSE - AND GORBACHEV DID NOT APPARENTLY REFER DURING THE TALKS TO POSSIBLE ALTERNATIVES SUCH AS GERMANY BEING OUT OF THE INTEGRATED MILITARY STRUCTURE - THE SOVIET PRESIDENT HAS MADE IT HARDER THAN BEFORE TO MOVE IN FUTURE.

6. THE AMERICANS STUCK PATIENTLY TO THEIR POSITIONS, HAVING ALREADY GONE SOME WAY TO MEET THE RUSSIANS OVER CFE DURING THE BAKER/SHEVARDNAZDE TALKS IN MOSCOW LAST MONTH. THEIR OBJECTIVE REMAINS, OF COURSE, FULL GERMAN MEMBERSHIP IN NATO. THEY MAY TAKE SOME COMFORT FROM GORBACHEV'S ACKNOWLEDGEMENT THAT THE GERMANS HAD A RIGHT TO CHOOSE THEIR ALLIANCE POSTURE INCLUDING NATO MEMBERSHIP IF THAT WAS WHAT THE GERMAN PUBLIC WANTED. THEY WILL ALSO HAVE BEEN PLEASED BY SOVIET ACCEPTANCE THAT THE COMPLETION OF CFE I AND A CSCE SUMMIT ARE LINKED. THEY (AND WE) MUST HOPE THAT GORBACHEV'S PRINCIPAL PROBLEM IS PRESENTATIONAL RATHER THAN SUBSTANTIVE, SO THAT OUR TASK OVER THE NEXT SEVERAL WEEKS IS TO FIND A WAY OF MAKING THE INEVITABLE PALATABLE TO THE RUSSIANS. THE SUMMIT HOWEVER DID LITTLE TO SHOW WHAT SUCH AN APPROACH MIGHT BE AND ON PRESENT FORM I WOULD NOT EXPECT THE AMERICANS TO HAVE ANY VERY NEW MESSAGE TO BRING TO TURNBERRY.

ACLAND

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CONFIDENTIAL

FM WASHINGTON

TO DESKBY 032000Z FCO

TELNO 1301

OF 031809Z JUNE 90

INFO IMMEDIATE MOSCOW, BONN, PARIS, ROME, UKDEL NATO

FO IMMEDIATE UKDEL VIENNA, AMMAN, JEDDA, UKDIS GENEVA

INFO IMMEDIATE UKMIS NEW YORK

INFO PRIORITY OTHER NATO POSTS

US/SOVIET SUMMIT

SUMMARY

1. LONG JOINT PRESS CONFERENCE APTLY SUMS UP SUMMIT. ESTABLISHMENT OF PERSONAL RAPPORT PREVIOUSLY LACKING BETWEEN THE TWO LEADERS. BUT NO NARROWING OF DIFFERENCES OVER IMMEDIATE CONCERNS ESPECIALLY LITHUANIA, EUROPEAN ARCHITECTURE AND THE KEY ISSUE OF GERMANY IN NATO. LONG MONOLOGUE BY GORBACHEV OVER SOVIET SECURITY CONCERNS, WITHOUT CLEAR PROPOSALS, BUT WITH IMPACT NONETHELESS. SOME SPIRITED COMMENT FROM BUSH ON LITHUANIA AND FROM GORBACHEV ON ISRAEL, YELTSIN AND PERESTROIKA. DETAIL

2. PRESIDENT'S BUSH AND GORBACHEV HELD A 70-MINUTE JOINT PRESS CONFERENCE ON 3 JUNE BEFORE GORBACHEV'S DEPARTURE FROM WASHINGTON, TO PRESENT THE RESULTS OF THEIR DISCUSSIONS OVER THE PREVIOUS THREE DAYS. BUSH SET THE TONE AT THE OUTSET IN HIS OPENING REMARKS WHEN HE SAID THAT THEY HAD NOT SHIED AWAY FROM DISCUSSING ISSUES ABOUT WHICH THEY DISAGREED QUOTE PARTICULARLY THE ASPIRATIONS OF THE BALTIC PEOPLE, A CAUSE WHICH THE UNITED STATES FULLY SUPPORTS. I THINK IT IS A MARK OF HOW FAR THE US/SOVIET RELATIONSHIP HAS COME THAT IN ALL OUR EXCHANGES, WHETHER WE AGREED OR DISAGREED, THE SPIRIT OF CANDOUR AND OPENNESS, A DESIRE NOT JUST TO UNDERSTAND BUT TO BUILD BRIDGES, HAS SHOWN THROUGH UNQUOTE. BUSH STRESSED HOPES FOR EASTERN EUROPE AND HIS - AND KOHL'S - BELIEF THAT A UNITED GERMANY SHOULD BE A FULL MEMBER OF NATO. QUOTE PRESIDENT GORBACHEV DOES NOT FRANKLY HOLD THAT VIEW. BUT WE ARE IN FULL AGREEMENT THAT THE MATTER OF ALLIANCE MEMBERSHIP IS, IN ACCORDANCE WITH THE HELSINKI FINAL ACT, A MATTER FOR THE GERMANS TO DECIDE UNQUOTE. AFTER BRIEF REFERENCES TO THE ARMS CONTROL ACHIEVEMENTS AND DISCUSSION ON REGIONAL, HUMAN RIGHTS AND PROGRESS ON ECONOMIC ISSUES, BUSH SAID THAT THERE WAS AGREEMENT TO MEET MORE REGULARLY, PERHAPS ANNUALLY, AND WITH LESS FORMALITY. GORBACHEV AGREED THAT THERE WAS A NEW PHASE OF COOPERATION AND CONSTRUCTIVE SPIRIT QUOTE NOW WE HAVE A GOOD HUMAN RELATIONSHIP AND AN ATMOSPHERE OF GROWING TRUST UNQUOTE. HE INVITED BUSH TO PAY A STATE VISIT TO THE SOVIET UNION.

3. COMMENTS ON SPECIFIC ISSUES ARE AS FOLLOWS:

GERMANY:

BUSH CONCEDED THAT THERE WAS NO NARROWING OF DIFFERENCES. BUT HE HAD EXPLAINED IN CONSIDERABLE DETAIL WHY HE FELT A UNITED GERMANY IN NATO WOULD BE STABILISING. QUOTE OUR POLICY IS NOT PREDICATED ON PRIDE OR ON HUMILIATION, NOR ON ARROGANCE. IT IS PREDICATED ON WHAT WE SEE, FROM THE US STANDPOINT, IS THE BEST FOR THE FUTURE - BEST FOR STABILITY AND PEACE IN EUROPE AND ELSEWHERE UNQUOTE. GORBACHEV DENIED ANY ATTEMPT TO PUT QUOTE SPOKES IN THE WHEELS OF UNIFICATION UNQUOTE BUT EXPRESSED AT LENGTH THE SOVIET CONCERNS THAT GERMAN MEMBERSHIP OF NATO WOULD LEAD TO UNEQUAL SECURITY. HE CALLED FOR OTHER (UNSPECIFIED) OPTIONS. QUOTE WHILE APPLAUDING THE GERMANS DESIRE TO BE UNITED, WE MUST AT THE SAME TIME THINK ABOUT WAYS OF PRESERVING THE BALANCE THAT HAS BEEN EMERGING AND TAKING SHAPE FOR DECADES ... IF THIS (NATO MEMBERSHIP) WERE TO BE THE ONLY OPTION ... THEN SHOULD WE GO BACK AND SEE WHERE WE ARE? WHAT'S HAPPENING TO OUR SECURITY? WHAT SHOULD WE BE DOING ABOUT OUR ARMED FORCES WHICH WE ARE BOTH REFORMING AND REDUCING? WHAT SHOULD WE DO ABOUT VIENNA; HOW SHOULD WE BEHAVE THERE? ... WE WANT TO SEE AN OPTION THAT WOULD STRENGTHEN EVERYTHING IN EUROPE RATHER THAN WEAKEN THINGS UNQUOTE. GORBACHEV ADDED THAT THE RUSSIANS HAD LOST QUOTE 27 MILLION PEOPLE DURING WORLD WAR II UNQUOTE.

FUTURE OF NATO/EUROPEAN ARCHITECTURE:

BUSH SAID QUOTE THE THREAT IS UNPREDICTABILITY AND INSTABILITY. WE FEEL THAT A CONTINUED US PRESENCE IN EUROPE SHOULD NOT BE SEEN AS HOSTILE TO THE SOVIET INTEREST, BUT WE HOPE THAT A CONTINUED US PRESENCE THERE WILL BE SEEN AS SOMETHING THAT IS STABILISING. AND NATO IS THE EXISTING MACHINERY THAT WE FEEL, WITH AN EXPANDED MISSION, CAN BEST PROVIDE THAT STABILITY. AND THEREIN WE HAVE A DIFFERENCE WITH THE SOVIET UNION. BUT IT IS THAT, RATHER THAN SOME KIND OF COLD WAR MENTALITY THAT DRIVES OUR DECISION TO 1) REMAIN IN EUROPE, AND 2) TRY TO HAVE A BROADER ROLE FOR NATO UNDER ARTICLE 2 OF THE NATO TREATY. THERE IS LANGUAGE PUT IN THERE I'M TOLD BY LESTER PEARSON YEARS AGO THAT PROVIDES A BROADER THAN JUST MILITARY ASSIGNMENT TO NATO. SO WE SEE THIS AS NOT EXCLUSIVE TO AN EXPANDED ROLE FOR CSCE, NOT CONTRADICTORY TO THE ASPIRATIONS OF MANY EUROPEANS FOR AN EXPANDED EEC, BUT AS A WAY WE CAN CONTINUE, WITHOUT HOSTILITY TO ANYONE, TO PROVIDE A STABILISING PRESENCE UNQUOTE. GORBACHEV SAID QUOTE WE BELIEVE WE WILL NOT BE ABLE TO MAKE ANY FURTHER PROGRESS IN RESTRUCTURING INTERNATIONAL RELATIONS, INCLUDING IN THE MAIN EUROPEAN AREAS, WITHOUT ACTIVE PARTICIPATION OF THE US AND SOVIET UNION. WE BELIEVE THE OPTION WHICH WE THINK WILL BE FOUND EVENTUALLY ... MUST NECESSARILY INCLUDE SOME KIND OF TRANSITION PERIOD DURING WHICH WE COULD JOIN OUR EFFORTS TO CONCLUDE A FINAL DOCUMENT, EXHAUSTING THEREBY THE RIGHTS WE ARE ENDOWED WITH AS THE VICTORIOUS FOUR POWERS ... A CONCURRENT UNIFICATION OF GERMANY AND ITS PRESENCE WOULD MEAN THE COINCIDENCE OF THESE TWO EVENTS ... I THINK WE MUST BE VERY, VERY ACTIVE NOW, SO AS TO ENSURE SOME KIND OF SYNCHRONISATION BETWEEN THE INTERNAL PRESSURES WHICH LEAD TO THE UNIFICATION OF GERMANY AND THE SETTLEMENT OF THE EXTERNAL ASPECTS SO THEY WOULD BE COMBINED UNQUOTE.

ISRAEL/OCCUPIED TERRITORIES:

IN WHAT MIGHT BE TAKEN AS A VEILED THREAT, GORBACHEV SAID THAT QUOTE SOME PEOPLE ARE RAISING THE MATTER IN THESE TERMS IN THE SOVIET UNION, NAMELY, AS LONG AS THERE ARE NO ASSURANCES FROM THE ISRAELIS THAT THIS IS NOT GOING TO BE DONE BY THEM (SETTLE OCCUPIED TERRITORIES), TO POSTPONE ISSUING PERMITS FOR EXITS TO PUT IT OFF. BUT I HOPE THEY WILL HEED WHAT THE TWO PRESIDENTS STRONGLY ADVISE THEM - THAT THEY SHOULD ACT IN A WISE FASHION UNQUOTE.

YELTSIN:

GORBACHEV SAID QUOTE IF THIS IS NOT A GAME FOR HIM TO HOLD HIGH OFFICE, IT IS ONE THING ... BUT IF THIS IS NOTHING MORE THAN A MANOEUVRE AND HE WILL RETURN TO WHAT HE HAS BEEN DOING IN RECENT YEARS, NOT ONLY IN CRITICAL TERMS - AMERICANS BELIEVE THIS TO BE CONSTRUCTIVE, BUT ALSO IN DESTRUCTIVE ACTIVITIES ... HIS CHAIRMANSHIP WILL CERTAINLY COMPLICATE THESE PROCESSES (OF PERESTROIKA) ... EVERYTHING WILL BECOME CLEAR PRETTY SOON WHAT COMRADE YELTSIN IS AFTER UNQUOTE.

BALTICS/TRADE AGREEMENT LINKAGE:

BUSH SAID QUOTE THE BALTICS CAUSED SOME TENSION (BUT) THE LINKAGE IS BETWEEN THE TRADE AGREEMENT AND THE EMIGRATION LEGISLATION. AND I'M NOT GOING TO SEND THAT LEGISLATION UP ... UNTIL THE SOVIET UNION HAS COMPLETED ACTION ON THE LEGISLATION UNQUOTE. (AS REGARDS MOST FAVOURED NATION STATUS) QUOTE WE'LL CROSS THAT BRIDGE WHEN WE GET TO IT UNQUOTE.

BALTICS:

BUSH SAID THIS IS QUOTE ONE OF THE THORNS IN THE SIDE OF AN OVERALL RELATIONSHIP... I SIGNED THE TRADE AGREEMENT BECAUSE I AM CONVINCED IT IS IN THE BEST INTERESTS OF THE UNITED STATES. BUT ... I DON'T WANT TO MISLEAD THE AMERICAN PEOPLE AND SAY THAT I'VE LESSENED MY CONCERN OVER THE BALTIC STATES UNQUOTE.

GORBACHEV: THIS MUST BE ADDRESSED AND DEALT WITH IN THE FRAMEWORK OF THE CONSTITUTIONAL PROCESS ... ANY OTHER APPROACH LEADS ONLY TO AN IMPASSE UNQUOTE.

SOVIET INTERNAL/PERESTROIKA:

GORBACHEV: QUOTE A LOOK FROM OUTSIDE WITHOUT KNOWING ALL THE SUBTLITIES, ALL THE DEPTHS OF SENTIMENTS, ONE COULD CERTAINLY ARRIVE AT SOME ERRONEOUS CONCLUSIONS. HENCE THE QUESTION OF 'HOW LONG WILL GORBACHEV STAY IN OFFICE' AND 'HOW WILL PERESTROIKA ALL END' ... BUT THE MOST IMPORTANT THING IS THAT WE ARE ... CLEANING UP OUR COURTYARD, WE ARE REALLY REVAMPING OUR WHOLE SOCIETY. WE ARE TRYING TO ADAPT IT TO HUMAN NEEDS ON THE BASIS OF FREEDOM AND DEMOCRACY. WE WANT TO MAKE IT MORE OPEN TO THE OUTSIDE WORLD ... I DON'T KNOW WHETHER ANYBODY ELSE HAS BEEN ABLE TO RESOLVE SO MANY TASKS WITHIN SUCH A SHORT PERIOD OF TIME ... THIS GOES TO SHOW THE FARSIGHTEDNESS OF PRESIDENT BUSH AND HIS COLLEAGUES, TO SAY NOTHING OF THE AMERICAN PUBLIC, WHICH OVERALL UNDERSTANDS WHAT IS HAPPENING ... UNQUOTE.

US/SOVIET RELATIONS:

BUSH: QUOTE THE UNITED STATES IS NOT TRYING TO DEAL FROM STRENGTH OR WEAKNESS ... WE ARE NOT LOOKING FOR WINNERS OR LOSERS: FOR TRYING TO ACHIEVE ADVANTAGE ... WE (BOTH) HAVE A UNIQUE RESPONSIBILITY TO DEAL WITH WORLD PEACE UNQUOTE.

4. PLEASE SEE WFT.

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INFO IMMEDIATE MOSCOW, BONN, PARIS, ROME, UKDEL NATO
INFO IMMEDIATE UKDEL VIENNA, AMMAN, JEDDA, UKDIS GENEVA
INFO IMMEDIATE UKMIS NEW YORK
INFO PRIORITY OTHER NATO POSTS

UKMIS NEW YORK FOR UKDIS GENEVA ONLY AMMAN/JEDDA: FOLLOWING FOR SECRETARY OF STATE'S PARTY

NY TELNO 1282: US/SOVIET SUMMIT: DAY TWO

SUMMARY

1. GOING GETS HEAVIER IN SECOND DAY. SIGNING CEREMONY FOR THE VARIOUS BILATERAL AGREEMENTS DELAYED BY LAST-MINUTE DIFFICULTIES OVER THE DECLARATIONS ON START AND FOLLOW-ON NEGOTIATIONS. BUT THIS IS A MINOR HITCH COMPARED TO THE DEEPER CONCERNS WITHIN THE ADMINISTRATION (WHICH HAVE YET TO BE MADE PUBLIC) ABOUT GORBACHEV'S APPROACH ON GERMANY AND EXTERNAL ASPECTS OF UNIFICATION.

DETAIL

2. DAY TWO SAW TWO FURTHER RESTRICTED SESSIONS BETWEEN PRESIDENTS BUSH AND GORBACHEV, A PLENARY SESSION, AND MEETINGS BETWEEN BAKER AND SHEVARDNADZE - THE LATTER IN ORDER TO OVERCOME FINAL DIFFERENCES OVER THE DOCUMENTS SETTING OUT THE FRAMEWORK AGREEMENT FOR START AND FOLLOW-ON NEGOTIATIONS. THESE WERE EVENTUALLY OVERCOME AND THE CEREMONIAL SIGNING WAS ABLE TO GO AHEAD AN HOUR LATE. BUT THE HITCH REFLECTED THE UNDERLYING DIFFICULTIES WHICH REMAIN OVER SUCH ISSUES AS THE SS18 MISSILE, MOBILE ICBM, THE BACKFIRE BOMBER AND SD1. ACCORDING TO REPORTS THE TRADE AND GRAIN AGREEMENTS WERE ALSO AMONG THE DOCUMENTS WHICH WERE SIGNED, NOTWITHSTANDING CONFLICTING SIGNALS THROUGHOUT THE DAY. THESE AND THE START ACCORDS COULD MEET WITH SOME CRITICISM FROM CONGRESS.

3. THOUGH PUBLIC AND MEDIA ATTENTION HAS BEEN FOCUSED ON THE VARIOUS AGREEMENTS FOR SIGNATURE, OUR CONTACTS WITH OFFICIALS HAVE REVEALED A DEEPER CONCERN ABOUT THE FAILURE SO FAR TO MAKE ANY PROGRESS WITH GORBACHEV OVER GERMANY AND RELATED ISSUES SUCH AS CFF.

4. WE HAVE BEEN UNABLE TO SPEAK TO ANY OF THE DIRECT PARTICIPANTS YET AND ARE RELYING ON SECOND-HAND ACCOUNTS. BUT FROM THESE - PROVIDED BY DOBBINS (STATE) AND MAHLEY (ACDA) - GORBACHEV HAS TAKEN THE LINE THAT GERMAN UNIFICATION IN NATO COULD BE ACCEPTED ONLY IF NATO OPENED ITSELF UP TO MEMBERSHIP BY ALL COUNTRIES, IF THE TWO ALLIANCES SOMEHOW MERGED, OR IF THERE WAS AN AGREED TRANSITIONAL PERIOD LEADING TO THE TRANSFORMATION OF THE BLOCs INTO A NON-MILITARY STRUCTURE. IN EXCHANGES WHICH THE AMERICANS HAVE DESCRIBED TO US AS BIZARRE, GORBACHEV EVIDENTLY IMPLIED THAT THE AMERICANS WERE NOT ALLOWING THE GERMANS TO EXERCISE THE RIGHT TO CHOOSE THEIR OWN SECURITY ARRANGEMENTS AND CHALLENGED BUSH TO SAY PUBLICLY THAT THEY HAD THIS FREEDOM OF CHOICE. FOLLOWING THIS UNFOCUSSED KALEIDOSCOPE OF CONCERNS AND HOPES, GORBACHEV SUGGESTED THAT THE TWO FOREIGN MINISTERS SHOULD NOW GET TOGETHER TO WORK OUT MORE DETAILED ARRANGEMENTS - A PROPOSAL WHICH WE UNDERSTAND EVEN SHEVARDNAZHE QUESTIONED ON THE BASIS THAT MORE GUIDANCE WOULD BE NEEDED BEFORE USEFUL DISCUSSIONS COULD TAKE PLACE.

5. IN THESE CIRCUMSTANCES IT NOW SEEMS UNLIKELY THAT THE AMERICANS WILL BE ABLE TO EXPLORE THE IDEAS WHICH THEY MIGHT OTHERWISE HAVE HAD IN MIND FOR ENCOURAGING GORBACHEV TO LOOK FOR A CAP ON THE BUNDESWEHR IN CFE OR FOR OFFERING NEW STRUCTURES IN CSCE. ALTHOUGH GORBACHEV'S THINKING STILL SEEMS UNFIXED ON THE GERMAN QUESTION (WHICH IS SOME CONSOLATION) IT IS ALSO, ACCORDING TO THE REPORTS WE HAVE RECEIVED TODAY, INSUFFICIENTLY FOCUSSED FOR THEM TO ATTEMPT TO COME TO GRIPS WITH ANY OF THE SPECIFICS AT THIS STAGE.

6. IT REMAINS TO BE SEEN WHETHER THE PRESIDENT FARES BETTER WITH GORBACHEV DURING THEIR DAY TOGETHER AT CAMP DAVID ON 2 JUNE.

ACLAND

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OVL NBN 2131

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CONFIDENTIAL

FM WASHINGTON

TO DESKBY 010800Z FCO

TELNO 1282

OF 312359Z MAY 90

INFO IMMEDIATE MOSCOW, BONN, PARIS, ROME, UKDEL NATO

INFO IMMEDIATE UKDEL VIENNA, AMMAN, JEDDA, UKDIS GENEVA

INFO IMMEDIATE UKMIS NEW YORK

INFO PRIORITY OTHER NATO POSTS

UKMIS NEW YORK FOR UKDIS GENEVA ONLY

AMMAN/JEDDA : FOLLOWING FOR SECRETARY OF STATE'S PARTY

MY TELNO 1271 : US/SOVIET SUMMIT : DAY ONE

SUMMARY

1. INITIAL ATMOSPHERICS GOOD. FURTHER INDICATIONS THAT THE COMPLEX OF GERMAN ISSUES IS AT THE HEART OF THE DISCUSSIONS THOUGH BOTH BAKER AND FITZWALTER SEEK TO DAMPEN EXPECTATIONS. AGREEMENTS ON CW, NUCLEAR TESTING, STUDENT EXCHANGES, PEACEFUL USE OF NUCLEAR ENERGY AND PROBABLY QUOTE MAJOR PROVISIONS UNQUOTE OF A START TREATY (AS WELL AS PRINCIPLES FOR FOLLOW-ON NEGOTIATIONS) TO BE SIGNED BY THE TWO PRESIDENTS ON 1 JUNE. BAKER AND SHEVARDNADZE, AND RESPECTIVE OFFICIALS, TO SIGN AND ISSUE A FURTHER PACKAGE OF MINOR AGREEMENTS AND JOINT STATEMENTS. TRADE AGREEMENT STILL IN THE BALANCE.

DETAIL

2. THE SECOND SUMMIT BETWEEN PRESIDENT BUSH AND GORBACHEV GOT UNDERWAY ON 31 MAY WITH TWO SESSIONS IN THE WHITE HOUSE, ONE PLENARY, ONE WITH ONLY NOTETAKERS PRESENT. BY ALL ACCOUNTS BOTH SESSIONS WENT VERY WELL, AS DID THE SIDE MEETINGS BETWEEN BAKER AND SHEVARDNADZE, WITH BOTH SIDES QUOTE UPBEAT AND IN GOOD SPIRITS UNQUOTE. IT WAS PARTICULARLY NOTEWORTHY THAT IN PRESS BRIEFINGS, FITZWALTER DEALT ONLY BRIEFLY WITH LITHUANIA AND IN REITERATING US CONCERNS, AVOIDED LINKAGE TO SPECIFIC ISSUES, TALKING ONLY OF THEIR BEARING ON THE RELATIONSHIP IN GENERAL. OFFICIALS HAVE SAID TO US THAT THEY EXPECT THAT THE MAIN BUSINESS WILL BE DONE IN CAMP DAVID ON 2 JUNE, PARTICULARLY AS MUCH OF 1 JUNE WILL BE TAKEN UP WITH THE CEREMONIAL SIGNATURE OF A PLETHORA OF BILATERAL AGREEMENTS.

3. THE CENTRALITY TO THIS SUMMIT OF THE COMPLEX OF ISSUES ARISING FROM GERMAN UNIFICATION CONTINUES TO BECOME CLEARER. AS BAKER SAID IN A BREAKFAST TELEVISION INTERVIEW ON

31 MAY, QUOTE OUR JOB IS TO SEE IF WE CAN FIND OTHER THINGS THAT THE SOVIETS CAN POINT TO, TO JUSTIFY GERMANY'S MEMBERSHIP IN NATO TO THEIR DOMESTIC POPULATION. UNQUOTE. WE NOW KNOW THAT THE HIGH LEVEL CONTACTS BETWEEN THE US AND FRG ON 30 MAY INVOLVED TWO DISCUSSIONS BETWEEN BUSH AND KOHL, AND SEPARATE DISCUSSIONS BETWEEN BAKER AND GENSCHER AND SCOWCROFT AND TELTSCHIK. THE GERMAN GAME PLAN AS OUTLINED TO US BY THE GERMAN EMBASSY HERE (PLEASE PROTECT) APPEARS TO BE TO ENCOURAGE THE AMERICANS TO MANOEUVRE GORBACHEV INTO THE POSITION OF ASKING FOR ASSURANCES ON GERMAN FORCE LEVELS IN CFE AS PART OF AN OVERALL SETTLEMENT INCLUDING GERMAN MEMBERSHIP OF NATO. WE ALSO KNOW THAT THE ADMINISTRATION ARE LOOKING AT THE POSSIBILITY OF A CSCE SWEETENER BY ADOPTING THE SHEVARDNADZE PROPOSAL FOR A EUROPEAN CRISIS MANAGEMENT CENTRE. APPARENTLY THE WHITE HOUSE HAD ORIGINALLY ENVISAGED THAT THIS WOULD BE FLOATED BY BAKER IN JUNE FOR AGREEMENT AT THE NATO SUMMIT IN JULY. BUT THE SHEVARDNADZE LETTER, WHICH THEY HAVE ONLY JUST RECEIVED BY HAND OF SHEVARDNADZE HIMSELF, HAS PROMPTED A LAST MINUTE TACTICAL REVIEW.

4. THAT SAID, BAKER AND FITZWALTER HAVE BEEN AT PAINS THROUGHOUT 31 MAY TO DAMPEN EXPECTATIONS FOR A BREAKTHROUGH ON GERMANY/CFE, PARTICULARLY GIVEN THE EXTENSIVE PRESS SPECULATION THAT A DEAL IS IN THE OFFING. IN PARTICULAR BAKER HAS SOUGHT TO PROMOTE THE OTHER BILATERAL AGREEMENTS, NOTABLY AN ARMS CONTROL, WHICH ARE DUE TO BE SIGNED ON 1 JUNE. AT THE LAST COUNT THE PRESIDENTS WILL BE SIGNING FIVE BILATERAL AGREEMENTS (CW, NUCLEAR TESTING VERIFICATION PROTOCOLS, STUDENT EXCHANGES, PEACEFUL NUCLEAR ENERGY AND PROBABLY QUOTE MAJOR PROVISIONS UNQUOTE OF A START TREATY (INCLUDING A STATEMENT OF PRINCIPLES ON FOLLOW ON NEGOTIATIONS)). THEY ARE ALSO LIKELY TO ISSUE NATIONAL STATEMENTS ON CFE. AT LEAST SIX AGREEMENTS WILL BE SIGNED AT LOWER LEVELS (INCLUDING CIVIL AVIATION) WITH JOINT STATEMENTS ON AT LEAST HALF A DOZEN OTHER ISSUES (INCLUDING THE ENVIRONMENT, NON-PROLIFERATION AND ECONOMIC AND TECHNICAL CO-OPERATION). THE BILATERAL TRADE AGREEMENT APPEARS TO BE STILL IN THE BALANCE WITH GORBACHEV'S SPOKESMAN MAKING SOME PLAY ON THE SOVIET DESIRE FOR SIGNATURE DURING HIS JOINT PRESS CONFERENCE WITH FITZWALTER (WITH CONTINUED REPETITION OF QUOTE I WISH IT WOULD HAVE BEEN SIGNED UNQUOTE) AND WITH FITZWALTER UNWILLING TO GO INTO DETAIL ON THE US APPROACH.

ACLAND

CONFIDENTIAL

FM WASHINGTON

TO DESKBY 310800Z FCO

TELNO 1271

OF 310010Z MAY 90

INFO IMMEDIATE MOSCOW, BONN, PARIS, UKDEL NATO, UKDEL VIENNA

INFO IMMEDIATE AMMAN, UKDIS GENEVA IN NEW YORK, ROME

INFO PRIORITY OTHER NATO POSTS

AMMAN: FOLLOWING FOR SECRETARY OF STATE'S PARTY

MY TELNO 1244 (NOT TO ALL) : US/SOVIET SUMMIT : PREPARATORY
TALKS AT OFFICIAL LEVEL

SUMMARY

1. LIMITED PROGRESS SO FAR ON ARMS CONTROL DURING PREPARATORY TALKS. INCREASINGLY CLEAR THAT GERMAN UNIFICATION AND COMPLEX OF RELATED ISSUES, INCLUDING CFE, WILL BE CENTRAL TO THE SUMMIT ITSELF, WITH PRESIDENT LIKELY TO EXPLORE THE EXTENT OF GORBACHEV'S ROOM FOR MANOEUVRE.

DETAIL

2. PRESIDENT GORBACHEV ARRIVED HERE THIS EVENING AND THE SUMMIT PROPER GETS UNDERWAY ON 31 MAY. THE TALKS BETWEEN THE TWO PRESIDENTS HAVE BEEN PRECEDED BY SOME FOUR DAYS OF OFFICIAL LEVEL TALKS BETWEEN DELEGATIONS OF ARMS CONTROL EXPERTS LED BY BARTHOLOMEW AND KARPOV RESPECTIVELY. ALTHOUGH WE UNDERSTAND THAT NO SPECTACULAR BREAKTHROUGH HAS BEEN MADE ON THE DETAIL OF OUTSTANDING ISSUES, THERE HAS BEEN SOME INCREMENTAL PROGRESS ON BOTH CFE AND START. MORE IMPORTANT IT HAS BECOME INCREASINGLY CLEAR THAT GERMAN UNIFICATION AND THE COMPLEX OF EUROPEAN ISSUES RELATED TO IT, INCLUDING CFE, WILL BE AT THE HEART OF THE MEETING. THE PRESIDENT WILL, AT VERY LEAST FEEL UNDER AN OBLIGATION TO TEST THE LIMITS OF GORBACHEV'S ROOM FOR MANOEUVRE IN THIS AREA IN ORDER TO SEEK TO UNBLOCK THE CURRENT LOGJAM AND ADVANCE THE AGREED WESTERN GAME PLAN. WE KNOW THAT SCOWCROFT HAS BEEN BRIEFING JOURNALISTS TO THIS EFFECT SINCE 29 MAY. AND OFFICIALS INVOLVED IN THE BARTHOLOMEW/KARPOV WORKING GROUP TALKS HAVE INDICATED TO US THAT, NOTWITHSTANDING THE LIMITED PROGRESS IN THE TALKS THEMSELVES, THE VARIOUS PROBLEM AREAS IN CFE, INCLUDING MANPOWER, WILL NEED TO BE KEPT UNDER REVIEW AGAINST THE POSSIBILITY THAT GORBACHEV MAY HAVE FLEXIBILITY FOR SOME ACCOMMODATION.

3. THE MAIN FOCUS OF PRESS ATTENTION HAS BEEN THE SUGGESTED LIMITATION ON THE BUNDESWEHR - A SUBJECT OF DISCUSSION SINCE THE GENSCHER/SHEVARDNADZE MEETING LAST WEEK. WE UNDERSTAND THAT GEN. NAUMANN (FMOD) WAS HERE ON 29 MAY AND TOLD THE ADMINISTRATION THAT STOLTENBERG WAS OPPOSED TO THE INCORPORATION OF ANY COMMITMENT TO SUCH LIMITS IN CFE 1, AND THAT STOLTENBERG WOULD BE TAKING THIS UP WITH HIS MINISTERIAL COLLEAGUES IN BONN ON 30 MAY. ALTHOUGH THIS MESSAGE HAS SUNK HOME AT OFFICIAL LEVEL HERE, THE PRESS HAVE JUDGED THAT MORE MAY BE IN THE OFFING. THE NEWS THAT THE PRESIDENT TELEPHONED CHANCELLOR KOHL TODAY EXPRESSLY TO DISCUSS THE SUMMIT WILL ONLY FUEL SUCH SPECULATION.

4. AS REGARDS THE SPECIFIC PROGRESS MADE SO FAR IN THE WORKING GROUPS, THE POSITION IS AS FOLLOWS:

- I) ON START, IT BECAME CLEAR DURING THE FIRST DAY OF THE MEETINGS THAT KARPOV WAS UNWILLING TO DO MORE THAN DISCUSS LANGUAGE FOR THE JOINT PUBLIC DECLARATIONS ON START I AND II.
- II) WITH THE BACK OF THE BILATERAL WORK ON CW AND TESTING HAVING BEEN EFFECTIVELY BROKEN, CFE HAS BEEN THE MAIN FOCUS OF THE WORKING GROUP DISCUSSIONS SINCE 27 MAY AS WELL AS THE CENTRE OF PRESS INTEREST. WE UNDERSTAND THAT GRINEVSKY ARRIVED WITH A RESPONSE TO THE BAKER MOSCOW PROPOSALS AND THAT SUBSEQUENT TALKS HAVE FOCUSED ON AIRCRAFT, VERIFICATION (INCLUDING AERIAL INSPECTION) AND DEFINITIONS AND THRESHOLDS FOR ARMoured VEHICLES (INCLUDING TANKS). THE GRINEVSKY RESPONSE GAVE LITTLE SATISFACTION IN RESPECT OF AIRCRAFT, WITH SOME MOVEMENT ON OVERALL NUMBERS BELOW 7000, BUT WITH CONTINUED EFFECTIVE EXCLUSION OF COMBAT CAPABLE TRAINERS AND LAND BASED NAVAL AIR. ON VERIFICATION, THERE HAS BEEN SIMILARLY LITTLE PROGRESS, WITH GRINEVSKY PUSHING A RESTRICTIVE AERIAL INSPECTION REGIME TIED CLOSELY TO GROUND INSPECTIONS (IE LOW ALTITUDE FLIGHTS ONLY, NO SOPHISTICATED SENSOR PACKAGES, INSPECTORS TO FLY AIRCRAFT PROVIDED BY INSPECTED STATE). THERE HAS, HOWEVER, BEEN SOME PROGRESS ON DEFINITIONS OF ARMoured VEHICLES, INCLUDING TANKS.

5. THE ACHIEVEMENTS OF THE WORKING GROUP DISCUSSIONS OF CFE PRIOR TO GORBACHEV'S ARRIVAL THEREFORE AMOUNT TO VERY LITTLE. THERE HAS CERTAINLY BEEN NOTHING ON MANPOWER. WE HAVE HOWEVER PICKED UP INDICATIONS FROM WELL PLACED CONTACTS IN THE PENTAGON THAT SENIOR OFFICIALS HAVE BEEN INVOLVED IN INTERNAL DISCUSSIONS OF SUFFICIENCY RULES FOR EQUIPMENT OF AROUND 35 PERCENT, AND THAT INDIVIDUAL SUFFICIENCY RULES FOR PARTICULAR CATEGORIES ABOVE THAT FIGURE HAVE BEEN MOOTED - THOUGH NOT IN THE TALKS THEMSELVES.

COMMENT

6. HOW FAR BAKER AND THE PRESIDENT WILL BE PREPARED TO GO ON GERMANY AND CFE IS UNCLEAR AND WILL DOUBTLESS HAVE BEEN INFLUENCED BY THE DISCUSSIONS WITH BONN OVER THE PAST 24 HOURS. THE POSSIBILITY OF A GENERAL ASSURANCE THAT GERMAN FORCES WILL BE INCLUDED FOR LIMITATION IN FOLLOW ON NEGOTIATIONS IS ALREADY PREDICTED IN THE PRESS AND BY SOME OFFICIALS. WHETHER THE PRESIDENT WILL GO FURTHER AND PROPOSE A SPECIFIC DEAL ON THE LINES ADVOCATED BY GENSCHER OR A VARIANT OF IT, IS ANOTHER MATTER. WHEN WE RAISED THIS EXPLICITLY WITH BOHLE (DEPUTY) ASSISTANT SECRETARY, CFE, IN STATE DEPARTMENT) SHE SAID THAT OFFICIALS WERE FIRMLY CAUTIONING AGAINST ANY DISPOSITION TO DEAL BILATERALLY WITH THE RUSSIANS ON THIS AND ENUMERATED THE VARIOUS ARGUMENTS AGAINST DOING SO:-

A) THAT THERE WAS STILL (AS FAR AS SHE KNEW) NO CONSENSUS WITHIN THE GERMAN GOVERNMENT ON GENSCHER'S IDEA.

B) THAT THE ZONE OF APPLICATION FOR ANY SUFFICIENCY RULE ON MANPOWER IN THE CENTRAL REGION WOULD NEED IN ANY CASE TO BE EXPANDED BEYOND ZONE 4:3 IN ORDER TO CAPTURE ENOUGH OF THE SOVIET UNION.

C) THAT NUMEROUS ALLIED SENSITIVITIES WERE INVOLVED, NOT ONLY OVER CONSULTATIONS BUT ALSO IN VIEW OF THE SPECIAL CONCERNS OF THE FLANKS THAT MANPOWER SHOULD NOT BE SQUEEZED OUT OF THE CENTRAL REGION IN THEIR DIRECTION.

7. WE BRIEFED BOHLEN OF YOUR DISCUSSIONS WITH GENSCHER AND DUMAS AND STRESSED OUR INTEREST IN CAUTION AND IN FURTHER CONSIDERATION OF THIS IN THE MARGINS OF THE TURNBERRY NAC ON 6 JUNE (FCO TELNO 351 TO PARIS, NOT TO ALL).

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TO DESKBY 291200Z BONN

TELNO 368

OF 291005Z MAY 90

INFO IMMEDIATE NATO POSTS, MOSCOW, WARSAW, BM BERLIN

PART TWO OF TWO

FROM PRIVATE SECRETARY

SECRETARY OF STATE'S MEETING WITH GENSCHER

10. GENSCHER SAID HE DID NOT KNOW WHETHER THE RUSSIANS WOULD RAISE THIS ISSUE IN WASHINGTON. HE DOUBTED WHETHER THEY WOULD MAKE A PROPOSAL BUT EXPECTED THEM TO ARGUE THAT THEY HAD LEFT HUNGARY AND CZECHOSLOVAKIA AND WOULD BE LEAVING THE GDR WHILE, ON THE OTHER HAND, NOTHING HAD CHANGED IN THE WEST. THEY MIGHT IMPLY THAT, IF THERE WAS SOME AGREEMENT ON THIS ISSUE, THEN THEY WOULD AGREE TO GERMAN MEMBERSHIP OF NATO.

11. THE SECRETARY OF STATE SAID THAT THE RUSSIANS HAD THREE CARDS, NONE OF WHICH WAS PARTICULARLY STRONG. 1) WAS THEIR OCCUPATION RIGHTS, BUT THIS WAS NOT A VERY STRONG CARD IF THE OTHER WARTIME ALLIES HAD GIVEN UP THEIR RIGHTS. 2) PUBLIC OPINION IN GERMANY, WHICH THEY WOULD TRY TO INFLUENCE. 3) THE CARD WHICH THE FOURTH REPUBLIC IN FRANCE HAD OFTEN PLAYED, IE IF YOU WANT US TO SURVIVE, YOU MUST HELP US. WE NONETHELESS HAD TO TAKE ACCOUNT OF THESE RUSSIAN CARDS, AT ANY RATE THE LAST ONE, AND IT WAS CLEAR THAT HERR GENSCHER WAS INCLINED TO THINK THAT WE SHOULD TAKE STOCK OF OUR POSITION IN A POSITIVE SENSE AND CHANGE OUR NEGOTIATING STANCE IN VIENNA. GENSCHER SAID THAT WE SHOULD AT LEAST CONSIDER DOING SO. HE HAD NOT GONE INTO ANY OF THIS WITH SHEVARDNADZE, MAKING CLEAR THAT THESE WERE NOT MATTERS FOR GERMANY ALONE. WE HAD TO BEAR IN MIND THAT THE US PROPOSAL ON THE CENTRAL ZONE WAS ALREADY MUCH LESS ATTRACTIVE TO THE RUSSIANS THAN IT HAD BEEN WHEN IT WAS FIRST MADE. GENSCHER WONDERED WHETHER REACHING AN AGREEMENT ON THE CENTRAL ZONE RATHER THAN THE EXTENDED ^{CENTRAL} CULTURAL ZONE MIGHT BE EASIER BECAUSE BRITAIN, FRANCE AND ITALY WOULD NOT BE AFFECTED. THE SECRETARY OF STATE COMMENTED THAT WE HAD ALL MADE CLEAR OUR WILLINGNESS TO DISCUSS NATIONAL FORCE STRENGTHS IN VIENNA. THE QUESTION WAS WHEN. THE PEOPLE MOST CLOSELY CONCERNED SHOULD GET TOGETHER TO IDENTIFY QUITE CLEARLY OUR POLICY AND TACTICS. IT WAS AGREED THAT THE MEETING AT

COPENHAGEN ON 5 JUNE WOULD BE AN OPPORTUNITY TO DO SO.

12. SUMMING UP, GENSCHER SAID THAT THE STRATEGY WHICH HAD BEEN ADOPTED FROM THE START WAS THE RIGHT ONE, IE A UNITED GERMANY IN NATO BUT NOT EXTENDING NATO TROOPS TO EAST GERMANY. THESE THREE POINTS WERE NOT NOW IN DISPUTE. IT WAS A QUESTION OF HOW TO MAKE THEM MORE ACCEPTABLE TO THE SOVIET UNION. SHEVARDNADZE WAS SERIOUS WHEN HE HAD TALKED OF FINDING A WAY OUT. IT WAS ALSO SIGNIFICANT THAT GORBACHEV HAD TALKED ABOUT GERMANY REMAINING IN NATO BUT ON THE FRENCH MODEL. SHEVARDNADZE HAD NOT SAID ANYTHING LIKE THAT. WHAT THIS MEANT WAS THAT BOTH MEN WERE FEELING FOR A WAY THROUGH THE ISSUE.

13. GENSCHER SAID HE HAD SPOKEN TO DUMAS ON THE TELEPHONE THAT DAY, FOLLOWING THE MITTERRAND/DUMAS VISIT TO MOSCOW. DUMAS HAD SAID THAT HE EXPECTED GORBACHEV TO START A PROPAGANDA OFFENSIVE ON GERMAN PUBLIC OPINION. IT HAD NOT BEEN CLEAR TO DUMAS EXACTLY WHAT FORM THIS WOULD TAKE BUT THAT IT WOULD HAPPEN SEEMED TO HIM A CERTAINTY.

14. THE SECRETARY OF STATE ASKED WHEN THE COALITION WOULD FIX AN ELECTION DATE. GENSCHER SAID THAT THEY WERE GOVERNED BY THE 90-DAY RULE. IN TERMS OF THE RELATIONSHIP BETWEEN THAT DATE AND THE 2+4, HE HOPED TO SETTLE THE POLISH BORDER ISSUE IN JULY IN PARIS. HE ALSO HOPED, THOUGH HE RECOGNISED THAT THIS WAS FAR FROM BEING A CERTAINTY, THAT THE SOVIET PARTY CONVENTION IN JULY WOULD MAKE MATTERS EASIER FOR THE SOVIET LEADERSHIP. WHEN THE 2+4 MET IN MOSCOW IN SEPTEMBER, HE HOPED THAT SOME PROGRESS COULD BE MADE ON CSCE AND ON OUR OWN POSITION IN THE VIENNA TALKS, IF THAT WAS OF INTEREST TO THE RUSSIANS.

15. GENSCHER SAID THAT THE GDR GOVERNMENT WAS NOT QUITE IN LINE OVER THE ISSUE OF UNIFICATION. THERE WAS SOME UNCERTAINTY OVER DE MAZIERE'S POSITION, THOUGH IT WAS NOT CLEAR WHETHER THIS WAS BASED ON CONVICTION OR TACTICS, THE TACTICS BEING THE NEED TO KEEP THE COALITION TOGETHER UNTIL GEMU WAS RATIFIED. THE CHANCELLOR WAS SEEING DE MAZIERE THAT DAY. WHAT WAS CERTAIN WAS THAT ONLY UNIFICATION WOULD GIVE THE CONFIDENCE NEEDED FOR INVESTMENT.

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TO DESKBY 291200Z BONN

TELNO 368

OF 291005Z MAY 90

INFO IMMEDIATE NATO POSTS, MOSCOW, WARSAW, BM BERLIN

PART ONE OF TWO

FROM PRIVATE SECRETARY

SECRETARY OF STATE'S MEETING WITH GENSCHER: 28 MAY
SUMMARY

1. GENSCHER GIVES ACCOUNT OF LATEST MEETING WITH SHEVARDNADZE. BELIEVES RUSSIANS ARE COMING TO TERMS WITH GERMAN MEMBERSHIP OF NATO AND THAT THEIR DESIRE FOR CSCE SUMMIT THIS YEAR GIVES THE WEST LEVERAGE. GENSCHER SAYS RUSSIANS ARE LOOKING FOR FINANCIAL HELP BUT THIS HAS NOT BEEN DISCUSSED WITH THE RUSSIANS IN DETAIL. DESCRIBES SOVIET CONCERN AT TROOP LEVELS IN CENTRAL ZONE. DENIES THAT ANY GERMAN PROPOSAL HAS BEEN PUT TO THE RUSSIANS ON MANPOWER LIMITS IN THE ENLARGED CENTRAL ZONE BUT THINKS THIS IS THE KEY AREA IN WHICH A NEGOTIATION SHOULD TAKE PLACE AS PART OF CFE1. THE SECRETARY OF STATE STRESSES NEED FOR CONSIDERATION OF SUBSTANCE, TACTICS AND TIMING. GENSCHER AGREES TO DISCUSSION AT COPENHAGEN ON 5 JUNE.

DETAIL

2. GENSCHER FLEW TO OXFORDSHIRE ON 28 MAY FOR JUST OVER AN HOUR'S TALK WITH THE SECRETARY OF STATE. THE PURPOSE WAS TO BRIEF THE SECRETARY OF STATE ON HIS TALKS WITH SHEVARDNADZE. HE HAD FOUND SHEVARDNADZE IN GOOD SHAPE, LESS ANXIOUS THAN WHEN THEY HAD MET JUST BEFORE THE FIRST MINISTERIAL MEETING OF THE 2+4. SHEVARDNADZE HAD SHOWN HIMSELF VERY INTERESTED IN RELATIONS BETWEEN A UNITED GERMANY AND THE SOVIET UNION. THE RUSSIANS WERE ANXIOUS TO PRESERVE AGREEMENTS REACHED WITH THE GDR, EG THE 1989 DECLARATION, AND TO WORK THROUGH THE CONSEQUENCES OF THE ECONOMIC RELATIONSHIP, EG THE FACT THAT ENERGY SUPPLIES FROM THE SOVIET UNION TO THE GDR WOULD START TO BE PAID FOR THE DEUTSCHMARKS RATHER THAN ROUBLE CURRENCY UNITS. GENSCHER CLEARLY THOUGHT THAT THE RUSSIANS WERE MORE RELAXED THAN HITHERTO ABOUT GEMU, THOUGH SHEVARDNADZE HAD RAISED ONE PARTICULAR CONCERN, NAMELY THE NEED FOR A GUARANTEE OF THE PROTECTION OF RUSSIAN MONUMENTS AND CEMETERIES. THE RUSSIANS HAD BEEN SURPRISED BY THINGS THAT HAD HAPPENED IN HUNGARY AND CZECHOSLOVAKIA (THOUGH SHEVARDNADZE DID NOT SPECIFY). GENSCHER

SAID HE HAD SUBSEQUENTLY HEARD FROM THE AMERICANS ABOUT ACTION AGAINST SOVIET MONUMENTS IN BULGARIA. SHEVARDNADZE HAD ALSO SEEMED TO WANT COMPENSATION PAID FOR THE RETURN OF PROPERTIES WHICH HAD BEEN CONFISCATED BY THE RUSSIANS IN THE GDR AFTER WW2. GENSCHER HAD NOT GIVEN HIM MUCH JOY ON THIS.

3. ON THE SPEED OF GERMAN UNIFICATION AND THE RELATIONSHIP BETWEEN THE INTERNAL AND EXTERNAL ASPECTS, SHEVARDNADZE HAD NOTED GERMAN PROBLEMS OVER THE INTERNAL ASPECTS AND HAD SURMISED THAT IT MIGHT POSSIBLE TO SOLVE THE EXTERNAL ASPECTS SOONER. HE HAD APPEARED SATISFIED WITH WHAT THE FRG PROPOSED IN RESPECT OF POLISH BORDERS. GENSCHER HAD EXPLAINED THAT THE UNITED GERMANY WOULD MAKE CLEAR THAT IT HAD NO CLAIM TO THE TERRITORY OF ANY EUROPEAN COUNTRY. SHEVARDNADZE HAD EXPLAINED RUSSIA'S PROPOSALS FOR DEEPENING THE CSCE, ALONG THE LINES OF SHEVARDNADZE'S RECENT LETTER AND GENSCHER HAD INDICATED THAT THERE WAS A GREAT DEAL WITH WHICH GERMANY COULD GO ALONG.

4. GENSCHER SAID THAT SHEVARDNADZE'S REQUIREMENTS ON THE ALLIANCE WERE LESS CLEAR. HE SAID THAT THE SOVIET UNION WANTED A GUARANTEE THAT THERE WOULD BE NO MILITARY ACTIVITIES EITHER BY THE GERMANS OR THIRD PARTIES CONDUCTED FROM GERMAN SOIL. IT HAD BECOME CLEARER DURING THE CONVERSATION THAT SHEVARDNADZE WAS REFERRING TO AGGRESSIVE ACTION. GENSCHER HAD REITERATED THAT IT WAS GERMANY'S RIGHT, LAID DOWN IN THE HELSINKI AGREEMENT, TO CHOOSE ITS OWN ALLIANCE. IF IT WOULD HELP THE RUSSIANS, HE WAS PREPARED TO SEE THE 1982 NATO SUMMIT DECLARATION ON SELF-DEFENCE REPEATED BY ALL CONCERNED.

5. ON GERMAN MEMBERSHIP OF THE ALLIANCE, SHEVARDNADZE HAD PUT FORWARD FOUR POSSIBILITIES. THE FIRST TWO HE HAD IMMEDIATELY ACKNOWLEDGED WOULD NOT BE ACCEPTABLE TO THE FRG. THE OPTIONS WERE:

- 1 - BOTH GERMAN STATES TO LEAVE THEIR EXISTING ALLIANCES. ✕
- 2 - A NEUTRAL UNITED GERMANY. ✕
- 3 - THE DEVELOPMENT OF A PAN-EUROPEAN SECURITY STRUCTURE. ? ✕
- 4 - THE SIMULTANEOUS DESTRUCTION OF EXISTING ALLIANCES. ✕

HE ACKNOWLEDGED THAT ALL THESE WERE HYPOTHETICAL AND SAID THAT THE SOVIET UNION WAS LOOKING FOR A WAY OUT. HE SPECULATED ABOUT AN AGREEMENT BETWEEN NATO AND THE WARSAW PACT INVOLVING ASSOCIATION OR COOPERATION OR SOMETHING SIMILAR. ALL THIS HAD CONFIRMED GENSCHER IN HIS VIEW THAT THE RUSSIANS WERE TRYING TO DE-DEMONISE NATO. THEY PERHAPS WANTED A STATEMENT OF THE KIND WHICH THE TWO PRESIDENTS HAD MADE AT MALTA WHEN THEY HAD SAID THAT THEY DID NOT SEE THEIR RESPECTIVE ALLIANCES AS A THREAT TO EACH OTHER.

6. IN REPLY, GENSCHER HAD FIRMLY RESTATED GERMANY'S COMMITMENT TO MEMBERSHIP OF NATO, MAKING CLEAR THAT THIS POSITION WAS

AGREED WITH THE PRESENT GDR GOVERNMENT. HE HAD SPOKEN ON THE ISSUE OF GERMANY AS A NON-NUCLEAR WEAPONS STATE AND ON BW AND CW DRAWING ON SPEAKING NOTES WHICH BAKER HAD USED IN MOSCOW. HE HAD CONFIRMED THAT NATO TROOPS WOULD NOT BE DEPLOYED IN FORMER GDR TERRITORY AND HAD ACKNOWLEDGED THAT THERE WOULD BE A TRANSITIONAL PERIOD FOR SOVIET TROOPS IN THE GDR BUT HAD SAID THAT THE TRANSITIONAL PERIOD SHOULD NOT BE LINKED IN ANY WAY WITH THE PRESENCE OF ALLIED TROOPS IN THE FRG. HE MADE CLEAR GERMANY'S WILLINGNESS TO SEE PRACTICAL COOPERATION WITH THE SOVIET UNION AND TO DISCUSS COOPERATION IN CSCE. THESE WERE MATTERS OF IMPORTANCE TO SHEVARDNADZE. GENSCHER HAD EXPLAINED TO SHEVARDNADZE THE IMPORTANCE OF AVOIDING THE SINGULARISATION OF GERMANY. THIS WAS THE ONE THING WHICH COULD LEAD TO THE RESURGENCE OF THE FAR RIGHT, WHICH HAD OTHERWISE TAKEN A BATTERING. DRAWING AN ANALOGY WITH ORWELL'S ANIMAL FARM, GENSCHER HAD SAID THAT YOU COULD NOT HAVE A SITUATION IN WHICH ALL ANIMALS WERE EQUAL BUT ONE ANIMAL WAS LESS EQUAL THAN THE OTHERS. SHEVARDNADZE HAD SMILED AT THIS AND APPEARED TO ACKNOWLEDGE ITS VALIDITY.

7. QUOTING FROM WHAT SHEVARDNADZE HAD SAID IN PUBLIC AFTER THEIR MEETING, GENSCHER SAID THAT THE SOVIET UNION NOW APPEARED TO ACCEPT THAT THE SIZE OF THE BUNDESWEHR WAS SOMETHING THAT COULD ONLY BE DEALT WITH IN THE CFE DISCUSSIONS IN VIENNA. THE ISSUE REMAINED A CONSIDERABLE PREOCCUPATION BECAUSE THE RUSSIANS FEARED FOR THEIR POSITION ONCE THEY HAD WITHDRAWN FROM HUNGARY AND CZECHOSLOVAKIA, AND AFTER A TRANSITIONAL PERIOD, (SHEVARDNADZE HAD MENTIONED 21 MONTHS) FROM THE GDR AS WELL. AT SEVERAL POINTS SHEVARDNADZE HAD MENTIONED SOVIET INTEREST IN THE SUCCESS OF THE CFE NEGOTIATIONS AND THE NEED TO ACHIEVE SUCCESS BEFORE THE CSCE SUMMIT. GENSCHER HIMSELF HAD REFERRED SHEVARDNADZE TO THE SPEECH WHICH HE HAD MADE TO THE BUNDESTAG, MAKING CLEAR THAT HE DID NOT WANT A UNITED GERMANY TO BE BURDENED BY ANY OUTSTANDING QUESTIONS. ALL ISSUES SHOULD BE RESOLVED BEFORE UNIFICATION. SHEVARDNADZE HAD READ THE SPEECH AND GENSCHER THOUGHT HE UNDERSTOOD THAT ALL ASPECTS OF UNIFICATION WOULD HAVE TO BE CONCLUDED BEFORE THE CSCE SUMMIT. GENSCHER WENT ON TO SAY THAT HE THOUGHT THE SIZE OF THE BUNDESWEHR AND OTHER WESTERN FORCES WAS A LEGITIMATE QUESTION TO BE RAISED IN VIENNA AND HE WOULD NOT BE SURPRISED IF THE RUSSIANS RAISED IT SOONER OR LATER. IF WE WERE READY TO DISCUSS THESE MATTERS WITHIN THE FRAMEWORK OF THE MANDATE, THAT COULD MAKE THINGS EASIER FOR THE SOVIET UNION. IF WE WANTED THE RUSSIANS TO AGREE ON A UNITED GERMANY BEING IN NATO, THE RUSSIANS WOULD NEED SOME GUARANTEE OF THE SIZE OF TROOPS ON BOTH SIDES.

8. GENSCHER THEN TURNED TO THE INTERNAL SITUATION IN GERMANY. HE WAS CONFIDENT THAT AGREEMENT WOULD BE REACHED IN THE BUNDES RAT AND THAT GEMU WOULD GO AHEAD ON 1 JULY. THE DRAFT TREATY WOULD BE UNCHANGED, THOUGH THERE WOULD BE SOME EXTRA DECLARATIONS, EG ON THE ENVIRONMENT. ON THE FRG SIDE, THEY WERE TRYING TO PERSUADE THE EAST GERMAN CDU AND THE LIBERALS TO GET RID OF THEIR PARTY PROPERTY IN THE GDR, MOST OF WHICH HAD BEEN ACQUIRED BY ILLEGAL EXPROPRIATION. THE MAIN LONG-TERM CONCERN WAS TO ENSURE THAT THE PERIOD BETWEEN 1 JULY AND UNIFICATION WAS NOT TOO LONG. THE LONGER IT WAS, THE GREATER THE RISK TO CONFIDENCE, IN PARTICULAR TO THE WILLINGNESS OF INVESTORS, BOTH WITHIN AND OUTSIDE THE COUNTRY, TO INVEST. ALTHOUGH THERE WERE NEW FACES IN THE GDR, MUCH OF THE CENTRAL ADMINISTRATION WAS STILL IN THE HANDS OF THE OLD GUARD. IT WAS NOW MORE OR LESS DECIDED TO GO AHEAD WITH ALL GERMAN ELECTIONS IN THE TIMESCALE ALLOWED FOR UNDER THE BASIC LAW AND CONSTITUTION. THIS MEANT THAT 13 JANUARY WOULD BE THE LATEST POSSIBLE DATE, THOUGH THE CHANCELLOR WOULD PREFER 16 DECEMBER. HISTORICALLY, THE CHRISTMAS BREAK HAD OFTEN HAD AN IMPORTANT IMPACT ON PUBLIC OPINION IN ELECTION CAMPAIGNS, THOUGH THIS BREAK HAD WORKED TO THE ADVANTAGE OF THE SPD IN THE PAST. GENSCHER HAD SAID TO SHEVARDNADZE THAT 1990 WAS THE ONLY YEAR ON WHICH SOMETHING DEFINITE WOULD BE ON OFFER. THE RUSSIANS WERE INTERESTED IN A CSCE SUMMIT. THERE WAS NO POSSIBILITY OF HAVING ONE SUMMIT IN 1990 AND ANOTHER SIX MONTHS LATER.

9. THE SECRETARY OF STATE SAID WE HAD FOUR THINGS ON THE AGENDA:

- 1 - THE QUESTION OF GERMAN UNIFICATION, WHERE HE COULD SEE THE CASE FOR ACCELERATION.
- 2 - THE 2+4.
- 3 - CSCE.
- 4 - VIENNA.

ALL HAD TO REACH THE WINNING POST IN 1990. THE DIFFICULT ISSUE WAS THE VIENNA NEGOTIATIONS BECAUSE THE MANPOWER AGREEMENT REACHED IN OTTAWA DID NOT COVER THE POINT OF GREATEST CONCERN TO THE SOVIET UNION, NAMELY THE SIZE OF GERMAN AND OTHER ALLIED FORCES. THIS WOULD NEED CAREFUL WORK. WE HAD SEEN SOME REPORTS SUGGESTING THAT EACH COUNTRY SHOULD BE RESTRICTED TO 400,000 TROOPS IN THE ENLARGED CENTRAL ZONE. WE DID KNOW HOW THE FRENCH WOULD VIEW THAT. NOR DID WE KNOW WHETHER IT WOULD BE RIGHT TO MAKE THAT PROPOSAL NOW OR WHETHER TO SUGGEST THAT THIS WAS A MATTER FOR DISCUSSION IN THE NEXT STAGE. IF WE CHANGED OUR VIEW ON THE TIMING OF DISCUSSION OF NATIONAL FORCES, WE MIGHT FIND OURSELVES HAVING TO MAKE MORE CONCESSIONS IN ORDER TO GET

AN AGREEMENT. GENSCHER QUESTIONED WHETHER IT WOULD CONSTITUTE A CONCESSION TO TALK ABOUT THE CENTRAL ZONE WHEN THE RUSSIANS WOULD BE LEAVING THAT ZONE ANYWAY. THE SECRETARY POINTED OUT THAT THE RUSSIANS WERE BUILDING UP THEIR FORCES JUST OUTSIDE IT. THE QUESTION OF THE ZONE AND THE ONE OF TIMING WERE CRUCIAL. GENSCHER SAID THAT THE ISSUE OF TIMING WAS ALSO CRUCIAL FOR THE SOVIET UNION. FOR US, THESE WERE MATTERS OF SECURITY. FOR THE RUSSIANS, THERE WAS THE QUESTION OF WHAT TO DO WITH THEIR SOLDIERS IN TERMS OF HOUSING, BARRACKS AND JOBS. IT WAS ALSO WORTH BEARING IN MIND THAT THE RUSSIANS ONLY HAD ABOUT 400,000 TROOPS IN THE EXTENDED CENTRAL ZONE, WHICH INCLUDED THE BALTIC DISTRICT. HE HOPED THAT WE COULD CONSIDER CAREFULLY WHETHER, BY INCLUDING THE ZONE IN NEGOTIATIONS, WE COULD HELP SECURE PROGRESS. HE THOUGHT IT WOULD BE IMPORTANT TO TALK IN TERMS OF NUMBERS RATHER THAN PERCENTAGES, SO THAT ONE HAD CERTAINTY ON NUMBERS.

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MODUK FOR DUS(P)
PROSPECTS FOR US/SOVIET SUMMIT
SUMMARY

1. US HOPES FOR SUMMIT MINGLED WITH WORRIES. SUBSTANTIAL AGREEMENTS OR UNDERSTANDINGS IN PROSPECT ON START, CW AND NUCLEAR TESTING. US PUBLIC EXPECTATIONS HAVE DIMINISHED OVER THE PAST COUPLE OF MONTHS. SOME PROGRESS ON CFE A PRIORITY: QUESTIONS AS TO WHY THE RUSSIANS ARE GOING SLOW. SOVIET INTENTIONS OVER REGIONAL ISSUES WILL ALSO BE ON US MINDS.
DETAIL

2. THE AMERICANS ARE POISED SOMEWHERE BETWEEN HOPE AND ANXIETY AS THEY FOCUS ON WHAT THEY MAY GET OUT OF GORBACHEV'S VISIT (30 MAY - 3 JUNE) AND HIS TALKS WITH THE PRESIDENT. SCOWCROFT CONFIRMED TO ME YESTERDAY THAT THE ADMINISTRATION HAVE DELIBERATELY BEEN TALKING PUBLIC EXPECTATIONS DOWN SINCE THE LAST ROUND OF BAKER/SHEVARDNAZDE TALKS IN MOSCOW.

3. THE ADMINISTRATION WILL COME AWAY WITH SUBSTANTIAL AGREEMENTS OR UNDERSTANDINGS ON START, CW AND NUCLEAR TESTING. SCOWCROFT TOLD ME ON 24 MAY THAT IT WAS LIKELY ALL THE MAJOR SUBSTANTIVE ISSUES ON START WOULD BE RESOLVED BY THE END OF THE SUMMIT. THE JOINT DRAFT TEXT ITSELF RAN TO MORE THAN 450 PAGES. HE WAS NOT SURE WHETHER THERE WOULD BE A SYMBOLIC INITIALLING OF THE AGREEMENT (WE KNOW FROM STATE DEPARTMENT THAT A JOINT PUBLIC STATEMENT ITEMISING THE MAIN AGREED PRINCIPLES IS BEING PREPARED AS A FALL BACK).

4. PROGRESS OF THIS NATURE MAY BE ENOUGH FOR A SUMMIT WHICH WILL SEEM REASONABLY SATISFACTORY TO MOST AMERICANS. THERE HAS BEEN SOME RIGHT-WING SNIPING AT BAKER FOLLOWING HIS MOSCOW VISIT, WHICH HE HAS REJECTED WITH SOME VIGOUR, FOR GIVING AWAY TOO MUCH FOR MODEST GAINS AT A TIME WHEN THE RUSSIANS ARE HELD TO BE TOO WEAK TO INSIST ON THEIR DEMANDS. BUT SUCH CRITICISM MAY NOT PROSPER AGAINST THE DIMINISHED PUBLIC EXPECTATIONS OF THE USSR WHICH HAVE DEVELOPED OVER THE PAST COUPLE OF MONTHS, LARGELY BECAUSE OF LITHUANIA. THE PRESIDENT HAS ATTRACTED A WIDE DEGREE OF PUBLIC AND CONGRESSIONAL SUPPORT IN MAKING IT

CLEAR ON SEVERAL OCCASIONS THAT SOVIET POLICIES TOWARDS LITHUANIA WILL HAVE A SIGNIFICANT EFFECT ON THE US/SOVIET RELATIONSHIP. HE EXTENDED THIS AT A RECENT PRESS CONFERENCE TO THE MORE GENERAL PROPOSITION THAT OTHER ADVERSE INTERNAL DEVELOPMENTS IN THE SOVIET UNION WOULD ALSO HAVE SIMILAR RESULTS. HE HAS TAKEN PAINS TO MAKE HIMSELF LESS VULNERABLE TO CRITICISM FOR PLACING TOO MANY OF HIS BETS ON GORBACHEV PERSONALLY. THE AMERICANS ARE NOW, IN EFFECT, OPERATING A DISGUISED FORM OF SANCTIONS OVER LITHUANIA. SOVIET POSTPONEMENT OF CONSIDERATION OF A NEW EMIGRATION LAW UNTIL AFTER THE SUMMIT HAS BEEN INTERPRETED HERE AS A SIGN THE RUSSIANS UNDERSTAND THE AMERICANS WILL NOT BE ABLE TO EXTEND MFN TREATMENT OR TO IMPLEMENT THEIR RECENTLY CONCLUDED TRADE AGREEMENT WITH THE SOVIET UNION UNTIL THERE ARE FIRMER AND BETTER PROSPECTS FOR LITHUANIA.

5. THE AMERICANS (BOTH IN THE ADMINISTRATION AND AMONG THE PUBLIC AT LARGE) HAD NEVERTHELESS EARLIER HOPED BY NOW TO HAVE MADE MORE PROGRESS TOWARDS A CFE AGREEMENT, AND THEIR CONCERNS ON THIS SCORE FOLLOWING BAKER'S FAILURE IN MOSCOW TO MAKE ANY HEADWAY FEED ON THEIR MORE GENERAL ANXIETIES ABOUT WHERE THE RUSSIANS MAY BE HEADING AS THE USSR APPROACHES THE CPSU CONGRESS IN JULY. THEY HOPE GENSCHER WILL HAVE BEEN ABLE TO GET SOME MOVEMENT INTO CFE THROUGH HIS TALK IN GENEVA ON 23 MAY WITH SHEVARDNADZE. INITIAL AMERICAN REPORTS (MY TELNO. 1224) SUGGEST THAT HE WILL HAVE MADE SOME SORT OF AN INITIATIVE TO THIS END. A SOVIET TEAM WILL NOW BE ARRIVING FOR NEGOTIATIONS ON ARMS CONTROL QUESTIONS, INCLUDING CFE, WITH SENIOR AMERICAN OFFICIALS BEGINNING ON 27 MAY. THE PRESIDENT SAID AT HIS 24 MAY PRESS CONFERENCE, REFERRING TO THE GENSCHER/SHEVARDNADZE TALKS:

QUOTE: MAYBE WE CAN FIND SOME WAY AT THE SUMMIT OR BEFORE THE SUMMIT TO MOVE CFE FORWARD. IT IS IMPORTANT AND I THINK IT DOES SEND A BAD SIGNAL IF THE SOVIETS LOOK LIKE THEY ARE REFUSING TO GO FORWARD AND DON'T WANT TO, SAY, PULL FORCES OUT OF COUNTRIES IN ACCORDANCE WITH PREVIOUS DEALS. UNQUOTE

6. SCOWCROFT TOLD ME ON 24 MAY HE THOUGHT THE RUSSIANS WERE GOING SLOW ON CFE BECAUSE OF THEIR DIFFICULTIES OVER GERMANY. IT WAS A WAY OF SLOWING DOWN THE PROCESS OF UNIFICATION. HE WAS NOT SURE THAT THE RUSSIANS PUT AS MUCH FAITH IN CSCE AS WE TENDED TO ASSUME. THEIR PROBLEM AT PRESENT WAS THAT THEY COULD NOT ACCEPT WHAT WAS HAPPENING IN GERMANY BUT HAD NO ALTERNATIVE TO OFFER. THEY HAD TOLD THE ADMINISTRATION PRIVATELY THAT A NEUTRAL GERMANY WAS A BAD IDEA AND WERE ALSO SYMPATHETIC TO US TROOPS REMAINING IN EUROPE. OTHER OBSERVERS FAVOUR VARIOUS COMBINATIONS OF FACTORS IN EXPLAINING SOVIET POLICIES, INCLUDING

THAT THE RUSSIANS ARE TAKING A TOUGH LINE FOR TACTICAL REASONS, THAT THEY MAY BE SO PREOCCUPIED WITH THEIR INTERNAL AGENDA THAT THEY HAVE NEITHER THE TIME NOR THE ENERGY PROPERLY TO ADDRESS CFE, THAT THE DISINTEGRATION OF THE WARSAW PACT HAS CHANGED THE BALANCE OF ADVANTAGE FOR THE RUSSIANS OR THAT THE VOICE OF THE MILITARY IN SOVIET POLICY-MAKING HAS INCREASED IN AUTHORITY. BUT WHATEVER THE EXPLANATION, THE POSSIBLE IMPLICATIONS FOR THE CENTRAL US AIM OF ENSURING A UNITED GERMANY IS A FULLY INTEGRATED MEMBER OF NATO ARE TROUBLING, MAKING SOME DEGREE OF PROGRESS ON CFE AT THE SUMMIT A US PRIORITY.

7. SIMILAR QUESTIONS AS TO SOVIET INTENTIONS OVER REGIONAL ISSUES WILL ALSO BE ON US MINDS DURING THE SUMMIT. MY TELNO. 1221 RECORDED SCOWCROFT'S DOUBTS AS TO WHAT LAY BEHIND SOVIET POLICIES IN RELATION TO KASHMIR. IN BACKGROUND BRIEFING FOR THE PRESS AT THE WHITE HOUSE ON 24 MAY ON REGIONAL ISSUES LIKELY TO BE ADDRESSED AT THE SUMMIT (FULL TEXT FOLLOWS BY BAG) A SENIOR OFFICIAL POINTED TO SPECIFIC ISSUES THE AMERICANS WANTED TO PROBE WITH THE RUSSIANS, INCLUDING KASHMIR. THE OFFICIAL ACKNOWLEDGED THAT SOVIET POLICIES TOWARDS THE MIDDLE EAST HAD EVOLVED IN A MODERATE DIRECTION BUT WARNED THAT THE RUSSIANS SEEMED TEMPTED TO PANDER TO EXTREME EMOTIONS INSTEAD OF TRYING TO CHANNEL ENERGY INTO A NEGOTIATING PROCESS. IT WAS NOT CLEAR IF THE RUSSIANS WERE GIVING THE PLO THE RIGHT KIND OF ADVICE QUOTE WHEN WE WERE PROMOTING THE BAKER PLAN UNQUOTE. THE MAIN OBSTACLE TO PROGRESS ON AFGHANISTAN WAS RUSSIAN UNWILLINGNESS TO ACCEPT A TRANSFER OF POWER FROM NAJIBULLAH TO A CARETAKER AUTHORITY. THE AMERICAN EXPRESSED CONCERN AT SOVIET ARMS DEALS WITH IRAN.

8. THE BRIEFER ALSO REFERRED TO AN INTENTION TO PRESS THE SOVIET UNION ON CUBAN ARMS SUPPLIES TO SALVADORAN GUERRILLAS. THE AMERICANS WOULD LIKE TO SEE THEM TAKE A MORE POSITIVE APPROACH TOWARDS NEGOTIATIONS BETWEEN CRISTIANI AND THE FMLN. (NSC TELL US MIG 29S IN CUBA WILL BE RAISED TOO.) OTHER ISSUES INCLUDED THE INVOLVEMENT OF SOVIET ADVISERS IN THE RECENT MPLA OFFENSIVE AGAINST UNITA: A GREATER SOVIET ROLE IN THE RELIEF EFFORT IN ETHIOPIA: AND USING THEIR INFLUENCE WITH THE ETHIOPIAN GOVERNMENT TO COUNTER THE LATTER'S OBSTRUCTIONISM. THE AMERICANS WERE CONCERNED ABOUT CONTINUED VIETNAMESE AND SOVIET MILITARY SUPPORT FOR HUN SEN IN CAMBODIA. TNEY WOULD, ONCE AGAIN, URGE THE RUSSIANS TO PRESS THE NORTH KOREANS TO SIGN AN IAEA AGREEMENT. FINALLY, THE US WOULD REITERATE ITS SUPPORT OF THE JAPANESE POSITION ON THE NORTHERN TERRITORIES.

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BUSH/GORBACHEV SUMMIT: BAKER SCENE-SETTING PRESS CONFERENCE

SUMMARY

1. BAKER SCENE-SETTING PRESS CONFERENCE ON 23 MAY. ARMS CONTROL (START, CW, CFE, PNET/TTBT) THE CLEAR PRIORITY, ALTHOUGH

AFGHANISTAN, GERMAN UNIFICATION AND SOVIET INTERNAL BALTIC DEVELOPMENTS ALSO HIGHLIGHTED. PRESS CONFERENCE SET AGAINST BACKDROP OF DOMESTIC CRITICISM OF OUTCOME OF MOST RECENT BILATERAL

MINISTERIAL MEETING IN MOSCOW (PARTICULARLY ON START). GENERALLY UNINSPIRING PERFORMANCE BY BAKER.

DETAIL

2. ON 23 MAY, BAKER GAVE A SCENE SETTING PRESS CONFERENCE AT THE WHITE HOUSE ON THE FORTHCOMING BUSH/GORBACHEV SUMMIT. AFTER AN OPENING STATEMENT IN WHICH HE REVIEWED THE COURSE OF THE BILATERAL RELATIONSHIP SINCE BUSH AND GORBACHEV LAST MET IN MALTA IN DECEMBER 1989, HE WENT ON TO SET OUT THE PRIORITIES FOR THE FORTHCOMING WASHINGTON SUMMIT:

1) ARMS CONTROL:

BAKER EMPHASISED THE IMPORTANCE OF GETTING A CFE AGREEMENT SIGNED THIS YEAR, SAYING THAT THE DISCUSSION BETWEEN THE PRESIDENTS COULD GIVE NEW IMPETUS TO THE NEGOTIATIONS (WHILE UNDERLINING THE ADMINISTRATION POSITION THAT A CFE AGREEMENT IS A PRECONDITION FOR US ATTENDANCE AT A CFE SUMMIT). IN RESPONSE TO QUESTIONS, HE WENT ON TO DISMISS THE IDEA THAT CFE AND START AGREEMENTS WERE LINKED IN ANY WAY, AND IDENTIFIED AIRCRAFT AS THE MAIN CFE STICKING POINT. ON START, HE WAS ON THE DEFENSIVE, POINTING TO THE ACHIEVEMENTS OF

BOTH THE BUSH AND REAGAN ADMINISTRATIONS IN ACHIEVING US GOALS AND RESTATING THE PRESIDENT'S INTENTION TO WORK TOWARDS SIGNING A START TREATY THIS YEAR, AS WELL AS INITIATING DISCUSSION OF OBJECTIVES FOR FOLLOW-ON NEGOTIATIONS. HE CONFIRMED THAT THE BILATERAL CW AGREEMENT WILL BE SIGNED, AS WOULD THE VERIFICATION PROTOCOLS TO THE THRESHOLD TEST BAN TREATY (TTBT) AND PEACEFUL NUCLEAR EXPLOSIONS TREATY (PNET). THE PRESIDENTS WOULD ALSO ISSUE A STATEMENT ON NUCLEAR, CHEMICAL AND MISSILE NON-PROLIFERATION:

II) DEVELOPMENTS IN EUROPE:

BAKER SAID THAT SINCE MALTA THE POLITICAL LANDSCAPE HAD BEEN RESHAPED, BUT THE MILITARY SITUATION WAS LAGGING BEHIND. PROGRESS ON ARMS CONTROL, AND PARTICULARLY CFE, WAS IMPORTANT. BUT EUROPE COULD NOT BE MADE QUOTE WHOLE AND FREE UNQUOTE UNTIL GERMANY WAS UNITED IN PEACE AND FREEDOM. BAKER THEN WENT ON TO GIVE THE STANDARD US LINE ON INTERNAL AND EXTERNAL ASPECTS OF GERMAN UNIFICATION AND SAID THAT THE PRESIDENT WOULD BE SEEKING GORBACHEV'S VIEWS:

III) REGIONAL ISSUES:

BAKER SAID THAT PRESIDENT BUSH WOULD RAISE SEVERAL REGIONAL ISSUES, PARTICULARLY AFGHANISTAN. IN RESPONSE TO QUESTIONS HE ALSO HIGHLIGHTED CUBAN SUPPORT TO THE FMLN:

IV) SOVIET INTERNAL:/THE BALTIC REPUBLICS:

BAKER SAID THAT PRESIDENT BUSH WOULD RAISE THE CONTINUING CONCERNS ABOUT THE REMAINING REFUSENIKS, AS WELL AS THE ADMINISTRATION'S GROWING FEARS ABOUT ANTI-SEMITISM IN THE SOVIET UNION. HE WOULD ALSO DISCUSS THE BALTIC REPUBLICS, EMPHASISING THEIR RIGHTS TO SELF DETERMINATION AND THE NEED FOR A SYSTEMATIC DIALOGUE, FREE OF COERCION OR INTIMIDATION, AS THE ONLY PATH TO A PEACEFUL RESOLUTION. IN RESPONSE TO QUESTIONS, HE DID NOT RULE OUT THE POSSIBILITY OF SIGNING A BILATERAL TRADE AGREEMENT. BUT HE SAID THAT THE QUESTION OF GRANTING MOST FAVOURED NATION (MFN) STATUS TO THE SOVIET UNION WOULD NOT BE CONSIDERED UNTIL SUCH TIME AS THE MORE LIBERAL SOVIET EMIGRATION POLICY HAD BEEN CODIFIED.

COMMENT

3. THE DECISION TO HOLD SUCH A PRESS CONFERENCE A FULL WEEK BEFORE THE SUMMIT REFLECTS IN PART THE CRITICISM THAT HAS GREETED THE RESULTS OF THE MOST RECENT BILATERAL MINISTERIAL MEETING IN MOSCOW. THE CONSERVATIVE REPUBLICAN PRESS IN PARTICULAR, LED BY THE WASHINGTON TIMES AND THE WALL STREET JOURNAL, HAVE PICKED UP ON THE US CONCESSIONS IN THE START NEGOTIATIONS (NOTABLY ON ALCM RANGE) AS EVIDENCE OF WEAKNESS ON THE PART OF THE ADMINISTRATION AT A TIME WHEN THE RUSSIANS ARE HOLDING BACK IN OTHER ARMS CONTROL NEGOTIATIONS (CFE, OPEN SKIES) AND WHEN THE SITUATION IN THE BALTIC REPUBLICS REMAINS CLOUDED. BAKER TRIED TO REBUT THESE CRITICISMS, BOTH BY SETTING OUT RECENT (AND NOT SO RECENT) US ACHIEVEMENTS IN START, AND BY SEEKING TO EMPHASISE THE HARD-HEADEDNESS OF THE PRESIDENT'S APPROACH TO THE SOVIET UNION (QUOTE MOSCOW'S WILLINGNESS TO MAKE HARD CHOICES INTERNALLY AND EXTERNALLY WILL AFFECT THE COURSE AND FUTURE OF THIS RELATIONSHIP UNQUOTE). BUT THIS WAS, IN GENERAL, A LACKLUSTRE PERFORMANCE BY BAKER, AND ONE GREETED WITH SOME SCEPTICISM BY THE WHITE HOUSE PRESS CORPS.

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NAC, 21 MAY: BAKER'S VISIT TO MOSCOW

SUMMARY

1. SUBSTANTIAL PROGRESS ON START AND CW. NONE ON CFE (THE RUSSIANS NOT ENGAGING IN DEBATE). FIRST EXPLICIT RUSSIAN CALL FOR TWO PLUS FOUR TO AGREE LIMITS ON BUNDESWEHR. NO SOVIET MOVEMENT ON GERMANY/NATO. RUSSIANS SUGGEST PREPARATORY TALKS ON SNF NEGOTIATIONS: U S REJECT THIS. INFLUENCE OF SOVIET MILITARY AGAIN MORE PRONOUNCED, BUT NOT DECISIVE. DARKENING PICTURE INSIDE SOVIET UNION LIKELY TO AFFECT DECISIONS ON KEY EXTERNAL ISSUES, BUT GORBACHEV APPEARS UNDAUNTED. U S UPBEAT ON PROSPECT FOR WASHINGTON SUMMIT. THIS LIKELY TO ANNOUNCE AGREEMENT ON FOLLOW ON TO START.

DETAIL

2. UNDER SECRETARY BARTHOLOMEW AND ASSISTANT SECRETARY SEITZ BRIEFED THE COUNCIL THIS MORNING (21 MAY) ON BAKER'S TALKS IN MOSCOW. A MORE DETAILED ACCOUNT HAD BEEN CIRCULATED IN WRITING (FAX TO THE DEPARTMENT AND PARIS).

ARMS CONTROL

3. BARTHOLOMEW SAID THAT THE TALKS HAD CONCENTRATED ON ARMS CONTROL. THE OUTCOME WOULD MEAN A PRODUCTIVE WASHINGTON SUMMIT WITH SIGNATURE OF AGREEMENTS ON CW, NUCLEAR TESTING AND JOINT STATEMENTS ON NON-PROLIFERATION AND ON RESOLUTION OF THE MAJOR START ISSUES. THE USUAL DIFFICULTIES ON REACHING CLOSURE ON KEY ISSUES HAD BEEN COMPOUNDED BY THE GENERAL SITUATION IN THE SOVIET UNION. THERE WAS GREATER INVOLVEMENT IN THE TALKS BY THE SOVIET MILITARY THAN PREVIOUSLY EXPERIENCED (GENERAL OMELICHEV HAD BEEN PRESENT THROUGHOUT, WITH AKHROMEYEV PRESENT DURING TALKS WITH GORBACHEV) AND THE HARDEST ISSUES TO BE RESOLVED HAD BEEN PUT FORWARD BY THE MILITARY. THE SOVIET LEADERSHIP HAD ALSO CITED GENUINE PROBLEMS IN

SECURING RATIFICATION OF FUTURE AGREEMENTS BY THE SUPREME SOVIET. NEVERTHELESS MUCH PROGRESS HAD BEEN MADE. A TEAM OF SOVIET EXPERTS WOULD VISIT WASHINGTON LATER THIS WEEK TO PURSUE START AND CFE MATTERS.

START

4. THE MAIN SUCCESS WAS SETTLEMENT OF PROBLEMS ON ALCMS AND SLCMS. THE U S HAD SECURED A COUNTING RULE FOR ALCMS WHICH TOOK ACCOUNT OF THE U S NEED FOR FLEXIBILITY IN DEPLOYMENT AND HAD AVOIDED THE SOVIET WISH TO INVOLVE CONVENTIONAL ALCMS. THIS ALLOWED AGREEMENT ON THE SOVIET WISH TO INCLUDE ALCMS ABOVE A 600 KM RANGE IN THE START TREATY. THE MOST DIFFICULT ISSUE WAS OVER TACIT RAINBOW (A U S CONVENTIONAL ALCM WITH A 600-800 KM RANGE) WHICH THE U S DID NOT WISH CAPTURED BY START. THIS HAD BEEN ACHIEVED BY SECURING SOVIET AGREEMENT TO COUNT THIS WEAPON AS A FUTURE CONVENTIONAL ALCM. IN REACHING THIS CONCLUSION A WHOLE SERIES OF OBJECTIONS FROM THE SOVIET MILITARY HAD HAD TO BE REJECTED OR ACCOMMODATED. BUT IN THE LAST ANALYSIS THE SOVIET POLITICAL AUTHORITIES HAD TAKEN DECISIONS WHICH MET U S WISHES MORE THAN THOSE OF THE SOVIET MILITARY.

5. ON SLCMS THE TWO SIDES HAD AGREED ON A POLITICALLY BINDING DECLARATION WHICH WOULD DROP THE REQUIREMENT FOR VERIFICATION AND SET THE SAME RANGE LIMIT (600 KMS), COUPLED WITH AN ANNUAL CONFIDENTIAL DATA EXCHANGE ON SLCMS OF 300-600 KMS RANGE. THERE WAS AGREEMENT THAT THE START TREATY WOULD BE OF 15 YEARS DURATION WITH 5 YEAR EXTENSIONS BY MUTUAL AGREEMENT. SOME OTHER ISSUES REMAINED TO BE RESOLVED EG MOBILE ICBM WARHEADS AND BACKFIRE. THE U S ALSO EXPECTED A JOINT STATEMENT IN WASHINGTON ON START FOLLOW ON NEGOTIATIONS (IN RESPONSE TO QUESTIONS BARTHOLOMEW WAS NO MORE SPECIFIC, BEYOND SAYING THAT THIS WOULD COMMIT THE TWO SIDES TO FUTURE NEGOTIATIONS).

SNF

6. SHEVARDNADZE NOTED RECENT STATEMENTS AND PROBED THE IDEA OF AGREEMENT IN PRINCIPLE ON SNF NEGOTIATIONS WITH PRIOR CONSULTATION ON THE CONTENT AND PARTICIPATION FOR THESE IN AN EXPERT WORKING GROUP. BAKER REPLIED THAT THE U S WOULD BE READY TO ENGAGE ON SNF AFTER CFE SIGNATURE.

CFE.

7. BAKER HAD PUT FORWARD SOME OF THE IDEAS IN HIS RECENT LETTER TO NATO COLLEAGUES. GIVEN THE RESERVATIONS OF SOME ALLIES HE HAD NOT (NOT) PURSUED THE QUESTION OF MOVEMENT ON THE SUFFICIENCY RULE. BUT MAMPOWER WAS EXTENSIVELY DISCUSSED. THE RUSSIANS SOUGHT A SEPARATE

AGREEMENT FOR SIGNATURE IN WASHINGTON TO CODIFY THE U S/SOVIET ACCORD AT OTTAWA, LEAVING OPEN OTHER MANPOWER LIMITS IN CFE. WHEN THIS WAS REJECTED THE RUSSIANS PROPOSED INSERTING THE OTTAWA LANGUAGE INTO THE DRAFT TREATY LANGUAGE IN VIENNA, BUT WERE RELUCTANT TO AGREE THAT OTTAWA HAD EXHAUSTED THE SCOPE FOR PERSONNEL LIMITS IN CFE I. THE RUSSIANS ALSO ARGUED (FOR THE FIRST TIME) FOR LIMITATIONS ON THE FORCES OF A UNITED GERMANY TO BE AGREED IN TWO PLUS FOUR AND QUOTE EXPRESSED UNQUOTE IN CFE. ON THAT BASIS THE RUSSIANS INDICATED READINESS TO DEFER THE ISSUE OF BROADER MANPOWER LIMITS TO CFE II. IN RESPONSE BAKER STRESSED U S OPPOSITION TO THE SINGULARISATION OF GERMANY AND THAT TWO PLUS FOUR COULD NOT NEGOTIATE ON CFE. HE SAID THE U S/SOVIET LIMITATIONS AGREED AT OTTAWA MUST REMAIN THE SOLE MANPOWER LIMIT IN CFE I, BUT THAT THE U S WERE WILLING TO CONSIDER A RANGE OF ISSUES AT CFE II, INCLUDING LIMITATIONS ON CONVENTIONAL FORCES IN CENTRAL EUROPE. THE U S FLOATED THE POSSIBILITY OF MOVEMENT ON AIRCRAFT BUT THE RUSSIANS DID NOT BITE. IN RESPONSE TO AN EXPRESSION OF CONCERN FROM ROBIN (FRANCE) THAT THE ESTABLISHMENT OF A BILATERAL WORKING GROUP WOULD HAVE IMPLICATIONS FOR NEGOTIATION AT VIENNA, BARTHOLOMEW SAID THERE WAS NO QUESTION OF INSTITUTIONALISING THESE EFFORTS SEMICOLON THE U S AIM WAS RATHER TO PUSH THE RUSSIANS TO MOVE TO CLOSURE IN VIENNA.

CW

8. A U S/SOVIET AGREEMENT AT WASHINGTON WAS NOW IN REACH, INCORPORATING EVERY ELEMENT OF PRESIDENT BUSH'S INITIATIVE. THIS WOULD PROVIDE FOR DESTRUCTION OF U S AND SOVIET CW STOCKS DOWN TO A LEVEL OF 5,000 AGENT TONNES EACH.

NUCLEAR TESTING AND PROLIFERATION

9. THE PROTOCOLS ON THE PNET AND TTBT WERE NOW READY FOR SIGNATURE AT THE SUMMIT. A JOIN STATEMENT FOR WASHINGTON WAS ALSO NEAR COMPLETION ON NON-PROLIFERATION. THIS SHOULD FACILITATE GREATER U S/SOVIET COOPERATION THAN IN THE PAST.

OPEN SKIES

9. BAKER PRESSED SHEVARDNADZE FOR ANY SIGNS OF SOVIET FLEXIBILITY. THERE WAS NO SUBSTANTIVE REPLY.

HUMAN RIGHTS

10. SEITZ SAID THAT 8 OUT OF THE 20 CASES BUSH HAD RAISED WITH GORBACHEV IN MALTA WERE NOW RESOLVED, ALTHOUGH THE PRESIDENT HAD HOPED THAT ALL WOULD BE SOLVED BY THE TIME OF THE SUMMIT. BAKER MET REFUSENIKS AND PRESSED HARD ON JEWISH IMMIGRATION.

TRADE

11. A BILATERAL AGREEMENT WAS NEAR COMPLETION BUT REMAINED TIED TO THE SUPREME SOVIET'S PASSING OF A IMMIGRATION LAW. THIS HAD BEEN DUE IN DECEMBER BUT HAD BEEN POSTPONED. IN MOSCOW THE U S SIDE WERE GIVEN A DRAFT OF THE LAW WHICH WAS NOW DUE FOR ADOPTION ON 31 MAY (IE AFTER THE BEGINNING OF THE WASHINGTON SUMMIT). THE U S WOULD HAVE TO CONSIDER AT THE SUMMIT WHETHER IT COULD THEN SIGN THE TRADE AGREEMENT. MOSCOW'S BLOCKADE OF LITHUANIA REMAINED A FURTHER OBSTACLE.

REGIONAL ISSUES

12. THESE RECEIVED LESS ATTENTION THAN IN THE PAST. THE TWO SIDES HAD DRAWN UP A LIST OF PRINCIPLES FOR A SETTLEMENT IN AFGHANISTAN BUT HAD NOT REACHED AGREEMENT. THE U S HAD SOUGHT A JOINT PUBLIC STATEMENT OF CONCERN ABOUT KASHMIR BUT MET SOVIET RELUCTANCE.

SOVIET INTERNAL

13. SEITZ SAID THAT THE TALKS HAD TAKEN PLACE AGAINST A TROUBLED BACKGROUND. IT WAS OBVIOUS THROUGHOUT THAT THE SOVIET SIDE WERE FINDING DECISION-MAKING INCREASINGLY DIFFICULT. THERE WAS A PERVASIVE SENSE OF MILITARY INVOLVEMENT AND OF THE IMPORTANCE OF THE FORTHCOMING CPSU CONGRESS. THE RSFRS SUPREME SOVIET, MEETING AT THE SAME TIME, HAD BEEN TAKING DECISIONS WHICH DID NOT SQUARE WITH THE WISHES OF THE UNION LEADERSHIP. IT WAS CLEAR THAT A REVOLUTION WAS UNDERWAY IN THE COUNTRY. THE LEADERSHIP WERE CONDUCTING A WAR ON TWO FRONTS: INTERNAL (TO MAINTAIN SOCIAL ORDER) AND EXTERNAL (MANAGEMENT OF THE SOVIET STRATEGIC POSITION). BOTH SHEVARDNADZE AND GORBACHEV HAD SAID THAT THE COUNTRY WAS ENTERING A CRITICAL AND CRUCIAL PERIOD. SHEVARDNADZE SPOKE FRANKLY OF THE RISK OF ANARCHY AND THE SITUATION SPINNING OUT OF CONTROL IF PERESTROIKA DID NOT SUCCEED. THE LEADERSHIP HOPED FOR TWO TO THREE YEARS TO IMPLEMENT RADICAL REFORM BUT STRESSED THE NEED TO PREPARE THE PUBLIC. SHEVARDNADZE SAID QUOTE THE USSR IS NOT POLAND UNQUOTE: THERE COULD BE NO SHOCK TREATMENT. GORBACHEV (FOR THE FIRST TIME) ACKNOWLEDGED THE NEED FOR A CAPITAL INFUSION TO ASSIST IN INDUSTRIAL CONVERSION AND FOR THE IMPORT OF CONSUMER GOODS.

LITHUANIA

14. THE RUSSIANS SAID THAT THE STAKES WERE NOW EVEN HIGHER. SHEVARDNADZE REPEATED HIS CONCERN AT A CHAIN REACTION IN OTHER REPUBLICS OUTSIDE THE BALTICS, CITING MOLDAVIA AND UZBEKISTAN. HE CLAIMED THAT LITHUANIA COULD PROVOKE THE DISINTEGRATION OF THE SOVIET UNION: QUOTE A MULTI-ETHNIC COUNTRY IS A TINDER-BOX UNQUOTE.

BOTH HE AND GORBACHEV STRESSED THAT LITHUANIA MUST PROCEED WITHIN A LEGAL FRAMEWORK. GORBACHEV SAID HE WAS UNDER EXTREME PRESSURE TO ASSUME DIRECT RULE THERE AND ELSEWHERE AS NECESSARY. HE WANTED TO TAKE A CONSTRUCTIVE APPROACH BUT MAJOR ECONOMIC AND SECURITY INTERESTS WERE AT STAKE WHICH ALL HAD TO BE ADDRESSED BEFORE INDEPENDENCE. ONCE THE LITHUANIA DECLARATION OF INDEPENDENCE HAD BEEN SUSPENDED (NOT NULLIFIED) WORK COULD BEGIN ON HOW TO ADDRESS THESE ISSUES. IN REPLY BAKER STRESSED THE NEED FOR DIALOGUE TO BEGIN SOON.

GERMANY

15. THERE WAS NO SIGN OF SOVIET MOVEMENT BEYOND SHEVARDNADZE'S PROPOSAL FOR THE SIZE OF THE BUNDESWEHR AND OTHER FORCES IN A UNIFIED GERMANY TO BE DECIDED IN TWO PLUS FOUR. GORBACHEV CONCENTRATED ON GERMANY/NATO, SAYING THAT A UNIFIED GERMANY WITHIN THE ALLIANCE WHILST QUOTE THE WARSAW PACT WAS DISINTEGRATING UNQUOTE WAS UNACCEPTABLE. IT WOULD REPRESENT A FUNDAMENTAL SHIFT IN THE EUROPEAN BALANCE OF POWER AND WAS PSYCHOLOGICALLY UNACCEPTABLE TO THE SOVIET PEOPLE. IN IMPLIED THAT THE SOVIET UNION WAS NOT THE VICTOR OF WORLD WAR II BUT THE VANQUISHED. THE FOUR POWERS SHOULD USE THEIR AUTHORITY TO TAKE DECISIONS ON THE FUTURE STATUS OF GERMANY AND SHOULD PRESERVE SOME KIND OF OVERSIGHT AFTER UNITY. IN REPLY BAKER LISTED WESTERN IDEAS TO ADDRESS SOVIET CONCERNS (CFE II, SNF, CSCE ETC) AND STRESSED THAT GERMANY (LIKE ALL OTHER CSCE STATES) HAD THE RIGHT TO BELONG TO AN ALLIANCE. SEITZ CONCLUDED THAT THE RUSSIANS REMAINED DEEPLY UNCERTAIN AND DISTURBED ABOUT GERMANY. THEIR POSITIONS WERE SELF-EVIDENTLY CONTRADICTORY. BUT IT WAS HARD TO IMAGINE THEM SIGNING UP TO WESTERN POSITIONS IN THE TWO PLUS FOUR IN THE NEXT FEW MONTHS. THE QUOTE CONCEPTUAL GAP UNQUOTE, BOTH ON SUBSTANCE AND TIMING, REMAINED ENORMOUS.

ALEXANDER

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SOVIET UNION/UNITED STATES = BAKER'S VISIT TO MOSCOW 15-19 MAY

SUMMARY

1. BOTH BAKER AND SHEVARDNADZE CHARACTERISE THE VISIT AS A SUCCESS. AGREEMENT REACHED ON CW. SOLUTIONS FOUND FOR DEALING WITH AIR AND SEA LAUNCHED CRUISE MISSILES IN START, ALTHOUGH MANY DIFFICULT AREAS REMAIN. NO PROGRESS ON CFE, TO BAKER'S OBVIOUS DISMAY.

2. DISCUSSION OF GERMANY AND LITHUANIA

3. A HOST OF BILATERAL AGREEMENTS READY FOR SIGNATURE AT THE SUMMIT

DETAIL

4. SECRETARY OF STATE BAKER VISITED MOSCOW ON 15-19 MAY FOR THE LAST MINISTERIAL BEFORE THE WASHINGTON SUMMIT. HIS TALKS WITH SHEVARDNADZE WERE EXTENDED THROUGHOUT SATURDAY, AS DIFFICULT PROGRESS WAS MADE ON START. HIS TALKS WITH PRESIDENT GORBACHEV LASTED FIVE HOURS ON FRIDAY 18 MAY

5. WE UNDERSTAND THAT BARTHOLOMEW AND SEITZ WILL BRIEF THE ALLIANCE IN BRUSSELS. THE AMERICAN EMBASSY IS UNLIKELY TO HAVE MORE THAN FRAGMENTED IMPRESSIONS TO GIVE. THIS REPORT IS BASED ON BAKER AND SHEVARDNADZE'S FINAL PRESS CONFERENCES, AND TASS REPORTING.

ARMS CONTROL

How? 6. BAKER ANNOUNCED THAT A BILATERAL CW AGREEMENT HAD BEEN REACHED. THIS ALLOWS FOR IMMEDIATE CESSATION OF PRODUCTION, PROMPT DESTRUCTION OF CW STOCKS TO 20% OF PRESENT LEVELS, FURTHER DESTRUCTION TO 2% BY THE EIGHTH YEAR OF A GLOBAL CONVENTION BEING IN FORCE, AND EVENTUAL DESTRUCTION TO ZERO, IF ALL MAJOR CW CAPABLE STATES ARE ON BOARD. THIS IS ESSENTIALLY PRESIDENT BUSH'S PROPOSAL OF LAST YEAR, AND IT SEEMS LIKELY THAT SOVIET ACQUIESCENCE WAS HELPED BY THE AMERICAN DECISION TO ABANDON THE BINARY PROGRAMME.

7. THE TWO MINISTERS WERE SATISFIED WITH THEIR SOLUTIONS TO THE ALCM AND SLCM PROBLEMS, BUT DID NOT HIDE HOW HARD WON THESE WERE. THE AMERICAN TEAM WERE NOT OPTIMISTIC ON THE FINAL MORNING. SHEVARDNADZE EMPHASIZED THAT THE AGREEMENTS WERE A PACKAGE AND "AT TIMES IT LOOKED AS IF THE PACKAGE WOULD FALL APART. BUT AT SUCH TIMES, IT IS NECESSARY NOT TO PANIC, TO KEEP A COOL HEAD. AND I WOULD LIKE TO PAY A TRIBUTE TO MR BAKER'S SKILL AND DETERMINATION" IN HANDLING THESE ISSUES.

8. THE AMERICANS AND RUSSIANS WILL NOW MAKE PARALLEL, POLITICALLY BINDING DECLARATIONS ON SLCMS TO BE VALID FOR THE DURATION OF THE START TREATY. THE SLCMS LIMIT WILL BE 880. BAKER DESCRIBED THE ALCMS AGREEMENT AS A COMPROMISE, "WE ACHIEVED OUR WISHES ON COUNTING RULES, THEY GOT WHAT THEY WANTED ON RANGE, AND WE AGREED ON DISTINGUISHABILITY." HE WAS VERY PLEASED TO HAVE SECURED THE "GRANDFATHERING" OR EXEMPTION, OF THE TACIT RAINBOW CONVENTIONAL ALCM.

9. ASKED WHAT STILL REMAINED AT ISSUE IN START, BAKER LISTED NON-CIRCUMVENTION, SUB LIMITS ON MOBILE MISSILES, BACKFIRE BOMBERS, HEAVY MISSILE TESTING, VERIFICATION OF ROAD MOBILE SYSTEMS AND VARIOUS "HIGHLY TECHNICAL" ISSUES. A SOVIET TEAM WILL GO TO WASHINGTON ON ABOUT 23 MAY TO CONTINUE DISCUSSIONS IN ADVANCE OF GORBACHEV'S ARRIVAL, AND THERE WILL BE MORE WORK THERE AND IN GENEVA ON A POSSIBLE JOINT STATEMENT OF OBJECTIVES FOR A FOLLOW-ON TO START. SHEVARDNADZE SAID THAT MUCH WORK WILL NEED TO BE DONE ~~POST-WASHINGTON~~ POST-WASHINGTON TO GET START READY FOR SIGNATURE BY THE END OF THE YEAR.

10. THE TWO SIDES HAVE AGREED THE PROTOCOLS ON THE 1974 AND 1976 TREATIES ON NUCLEAR TESTING AND THESE WILL BE SIGNED IN WASHINGTON.

11. BAKER WAS CLEARLY DISAPPOINTED TO HAVE MADE NO PROGRESS ON CFE. HE SAID THE RUSSIANS HAD HEARD HIS IDEAS BUT HAD SAID THEY COULD NOT RESPOND WITHOUT CONSULTING THEIR ALLIES. "WE, OF COURSE, CONSULTED OUR ALLIES QUITE A BIT BEFORE WE CAME" SAID BAKER. SHEVARDNADZE SAID THAT BOTH SIDES HAD PUT FORWARD IDEAS ON AVIATION TANKS AND PERSONNEL IN CENTRAL EUROPE WHICH WERE BEING TAKEN UNDER CONSIDERATION AND CONSULTATION. BOTH HE AND BAKER REMAINED FIRM IN THEIR DESIRE TO SEE CFE SIGNED THIS YEAR.

GERMANY

12. BAKER'S DISCUSSIONS WITH BOTH GORBACHEV AND SHEVARDNADZE HAD LED TO A BETTER UNDERSTANDING OF EACH OTHER'S POSITION. TASS DESCRIBED

THE TALKS WITH GORBACHEV AS FRANK AND CONFIDING (DOVER:ITELNY). IT SAID THEY TOOK PLACE 'IN THE CONTEXT OF THE RESPONSIBILITIES OF THE FOUR VICTORIOUS POWERS AND THE PROSPECTS FOR THE PAN-EUROPEAN PROCESS.'

13. AT HIS PRESS CONFERENCE, SHEVARDNADZE WAS ASKED ABOUT THE SOVIET POSITION ON 4 POWER RIGHTS (QRR'S) AND A PEACE TREATY. HE DENIED THAT HE HAD PROPOSED THE INDEFINITE CONTINUATION OF QRR'S, BUT THAT THESE WERE ONLY FOR AN (UNSPECIFIED) TRANSITIONAL PERIOD. HE CAREFULLY AVOIDED USING THE TERM PEACE TREATY. THE SOVIET GOVERNMENT WAS SEEKING 'A POLITICAL SETTLEMENT' WHICH WOULD DRAW A LINE UNDER WORLD WAR II. THEY BELIEVED THAT SOME FORM OF 'COMPREHENSIVE DOCUMENT' WAS A NECESSARY PART OF THIS, WITHOUT WHICH IT WOULD BE IMPOSSIBLE TO ORDER LIFE IN CENTRAL EUROPE

14. SHEVARDNADZE REPEATEDLY STATED THAT THE MOST COMPLEX ISSUE REMAINED THE POLITICO-MILITARY STATUS OF GERMANY. IT SEEMED TO THE MEMBER OF POLITICAL SECTION WHO WAS PRESENT THAT THERE WAS A PRECISION IN SHEVARDNADZE'S LANGUAGE ON THIS POINT, LAYING SOME STRESS ON THE ADJECTIVE 'UNITED,' AS WHEN SAYING THAT 'MEMBERSHIP OF OR RATHER ENTRY INTO, NATO BY A UNITED GERMANY' WAS COMPLETELY UNACCEPTABLE TO THE SOVIET UNION. HE ALSO SAID THAT THE QUESTION OF GERMANY'S POL-MIL STATUS WOULD HAVE TO BE SOLVED IN A WAY THAT WAS ACCEPTABLE TO ALL EUROPEAN STATES.

LITHUANIA

15. BAKER, WHO HAD SEEN MRS PRUNSKIENE ON 18 MAY AND DISCUSSED THEIR RESPECTIVE MEETINGS WITH GORBACHEV, SAID THAT A NEW TENSION HAD ENTERED THE US-SOVIET RELATIONSHIP SINCE 11 MARCH. NEITHER HE NOR SHEVARDNADZE WOULD BE DRAWN TO COMMENT ON THE LITHUANIAN EFFECT ON THE SUMMIT. BAKER SAID THAT THE UNITED STATES SUPPORTED 'THE HOPES AND ASPIRATIONS TO INDEPENDENCE' OF THE LITHUANIANS. THIS SUPPORT WAS FIRM, REGARDLESS OF THE TACTICS OF THE LITHUANIANS ADOPTED IN SEEKING TO LAUNCH THEIR DIALOGUE WITH MOSCOW. HE WAS ENCOURAGED THAT VILNIUS AND MOSCOW WERE CLOSER TO ESTABLISHING A BASIS WHICH WOULD PERMIT A DIALOGUE TO BEING

BILATERAL/REGIONAL

16. SOVIET REPORTS HAD STRESSED THE NEED TO CREATE A STRONG ECONOMIC UNDERPINNING TO THE NEW BILATERAL COOPERATION, AND SHEVARDNADZE SAID BAKER HAD BEEN BRIEFED ON THE GOVERNMENT'S REFORM PLANS.

17. THE AMERICANS HAD RAISED THEIR CONCERNS ABOUT ANTI-SEMITISM. TO THE CHAGRIN OF ARAB JOURNALISTS, SHEVARDNADZE DID NOT ACCEPT THAT

THIS WAS AN ILLUSION FED BY THE WESTERN MEDIA (GERASIMOV'S LINE ON 10 MAYD. INSTEAD HE SAID THAT THERE HAD BEEN ISOLATED INCIDENTS OF ANTI-SEMITISM, WHICH WORRIED THE SOVIET LEADERSHIP, AS DID ANY EXAMPLE OF NATIONALISTIC VIOLENCE. HE AND BAKER HAD DISCUSSED THE SITUATION IN THE OCCUPIED TERRITORIES. BAKER HAD TALKED OF MORE ACTIVITY IN THE UN. SHEVARDNADZE HAD ASKED THE AMERICANS TO RAISE THEIR QUOTA ON JEWISH IMMIGRATION FROM THE SOVIET UNION.

18. BAKER EXPRESSED QUIET SATISFACTION THAT DIFFERENCES ON AFGHANISTAN HAD CONTINUED TO NARROW. THE OTHER MAIN REGIONAL ISSUE DISCUSSED HAD BEEN CENTRAL AMERICA

19. DOCUMENTS READY FOR SIGNATURE AT THE SUMMIT INCLUDE = LING-TERM GRAIN AGREEMENT, MARITIME TRANSPORT AGREEMENT, MARITIME BOUNDARY AGREEMENT, OCEANOGRAPHIC RESEARCH AGREEMENT, CULTURAL AND INFORMATION AGREEMENT, STUDENT EXCHANGE PROGRAMME, CUSTOMS COOPERATION PROVISIONS

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PRESIDENT GORBACHEV'S VISIT TO THE UNITED STATES

1. THE SOVIET AND AMERICAN GOVERNMENTS ARE DUE TO MAKE A PUBLIC ANNOUNCEMENT LATER TODAY GIVING DETAILS OF PRESIDENT GORBACHEV'S VISIT TO THE UNITED STATES. THIS WILL STATE THAT GORBACHEV IS TO HAVE MEETINGS IN WASHINGTON WITH PRESIDENT BUSH ON 31 MAY AND 1 JUNE, AND THAT ON SATURDAY 2 JUNE THE 2 PRESIDENTS WILL GO TO CAMP DAVID ACCOMPANIED ONLY BY THEIR WIVES FOR PRIVATE AND INFORMAL CONVERSATION.
2. GORBACHEV WILL LEAVE WASHINGTON ON SUNDAY 3 JUNE. UNDER US PROTOCOL, THIS WILL CONCLUDE THE OFFICIAL PART OF HIS VISIT. THE AMERICAN AMBASSADOR HAS TOLD US PRIVATELY THAT GORBACHEV HAS INSISTED ON ADDING ONE DAY TO THE VISIT, SO THAT HE CAN VISIT MINNEAPOLIS ON SUNDAY AFTERNOON AND FLY TO SAN FRANCISCO ON SUNDAY EVENING. HE WILL GIVE A SPEECH IN SAN FRANCISCO ON MONDAY 4 JUNE AND WILL THEN LEAVE THE UNITED STATES FOR KAMCHATKA. SOME FRICTION HAS ARISEN BETWEEN THE 2 SIDES OVER THE STATUS OF THE LATTER PART OF GORBACHEV'S TOUR. THE RUSSIANS ARE SENSITIVE ABOUT THE IDEA THAT THE VISITS TO MINNEAPOLIS AND SAN FRANCISCO (FOR WHICH ARRANGEMENTS HAVE BEEN MADE BY THE SOVIET EMBASSY IN WASHINGTON RATHER THAN THE US GOVERNMENT) SHOULD BE REGARDED AS PRIVATE OR UNOFFICIAL: AND THEY HAVE PRESSED THE AMERICANS TO COME FORWARD WITH SOME FORM OF "INVITATION" TO THESE 2 CITIES. BECAUSE OF THESE PROTOCOL WRINKLES, IT IS NOT CERTAIN THAT THE OFFICIAL ANNOUNCEMENT WILL REFER TO MINNEAPOLIS AND SAN FRANCISCO.
3. BY RETURNING VIA THE PACIFIC ROUTE, GORBACHEV WILL FURTHER EXTEND HIS TIME AWAY FROM MOSCOW. THE AMERICAN AMBASSADOR DOUBTS WHETHER HE WILL BE BACK IN MOSCOW BEFORE 6 JUNE, WHICH IS THE DAY BEFORE THE PRIME MINISTER'S ARRIVAL

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THE EMERGING SOVIET VISION OF EUROPEAN SECURITY

by

Phillip A. Petersen

The emerging Soviet revolutionary vision of future European security is directly related to the life and ideas of Yuri Andropov. As Raisa Gorbachev was reported to have said to Mrs. Averell Harriman, "We owe everything to him." A protege of the Finnish-born communist, Otto Kuusinen, Andropov's early career was intertwined with the history of Russo-Finnish relations until his 1951 transfer to the Central Committee apparatus of the Communist Party of the Soviet Union (CPSU). During these years in Karelia, Andropov learned to speak Finnish and made an intellectual effort to understand the Finns that allowed him to demonstrate an impressive grasp of Finnish society in his 1983 meeting with Finnish President Mauno Koivisto. In 1953, Andropov was transferred to the Foreign Ministry and, after a brief time as head of the Fourth European Countries Department (responsible for Poland and Czechoslovakia), was subsequently posted to the Soviet embassy in Budapest. It is fair to assume that Andropov drew some conclusions from his experiences which could be expected to have left him, at the very least, sympathetic to views articulated by the policy "consultants" Kuusinen had assembled at the Kremlin secretariat and inherited by Andropov when he served in the secretariat from 1962 until his appointment as chief of the Committee for State Security (*KGB*) in 1967. Kuusinen's "consultants," names like Fedor Burlatsky, Georgi Arbatov, Alexander Bovin, and Oleg Bogomolov, would figure prominently in the *glasnost* and *perestroika* of the future struggle to free the Soviet state from "the stagnation of the Brezhnev years."¹

Having observed the rot and decay of Soviet society for 15 years as head of the *KGB*, his disillusionment with the CPSU leadership led Andropov to gather about himself the best and the brightest for what would become a

Phillip A. Petersen is Assistant for Europe and the Soviet Union on the Policy Support Planning Staff in the Office of the U.S. Deputy Under Secretary of Defense for Security Policy. Dr. Petersen wishes to acknowledge the research assistance of his deputy, Joshua B. Spero.

"revolution from above." They would be called to visit during his holidays in the Northern Caucasus to discuss the true situation both inside and outside the Soviet Union. Conversations during leisurely walks through the woods with the local CPSU first secretary, Mikhail Gorbachev, undoubtedly became progressively more searching and candid.² It was probably during these discussions that a revolutionary pragmatism was forged by the appreciation that Soviet security would increasingly be dependent upon economic power and the mounting evidence of the magnitude of Soviet economic failure. What seems to have emerged was a nonzero-sum model of security emphasizing threat-reduction, unilateral restraint, and collaboration with adversaries. Georgi Arbatov, who is described as having been "a close friend of Andropov's,"³ would ultimately describe the new strategy as one of depriving the West of its "enemy."

The communist system imposed by Stalin on Central Europe as a means of insuring Soviet security was perceived as having been a counter-productive policy choice. Andropov revealed in a 1978 speech the essence of what subsequently would emerge as a new security model for Europe: "Our position is clear, Europe must become a continent of peace and good-neighbourly cooperation. Here, in Karelia, we have to emphasise the significance of the Soviet Union's good-neighbourly...cooperation with Finland. Soviet-Finnish relations today...represent the very kind of *detente* which makes for a more lasting peace..."⁴ Already by 1981 Andropov had concluded both that without change the Soviet economy would eventually come to the same fate as the Polish economy, and that Soviet-Finnish relations were on a more sound footing to withstand the rising economic crisis than were Soviet relations with its non-Soviet Warsaw Pact (NSWP) allies.

Studies such as the so-called *Novosibirsk Report* by the sociologist Tatyana Zaslavskaya made clear "that the social mechanism of economic development as it functions at present in the USSR does not ensure satisfactory results. The social type of worker formed by it fails to correspond not only to the strategic aims of a developed socialist society, but also to the technological requirements of contemporary production."⁵ When this paper was presented at an April 1983 restricted seminar organized by economic departments of the CPSU Central Committee, the USSR Academy of Sciences, and the State Planning Commission, Zaslavskaya's professional affiliation was with the Institute of the

Economics and Organization of Industrial Production. This institute in Novosibirsk was headed by Abel Aganbegyan, who would later surface as Mikhail Gorbachev's economic mentor.

The revolutionary transformation of Soviet political leadership is directly related to economic conditions so adverse as to risk party control over the country.⁶ According to Oleg Bogomolov, a widening gap between the Soviet Union and the West in technological progress, productivity of labor, and living standards of the population, coupled with inflation and ecological disasters, permanent shortages of many essential goods, non-competitiveness of the majority of manufactures, and a falling economic growth rate are indicative of the very depth and pressing nature of the economic crisis facing the Soviet Union and other socialist countries. Faced with "no choice other than a radical change of the existing social system," Bogomolov has argued that "a form of political pluralism, appropriate for the particular conditions and historic traditions of the country, has become an indispensable prerequisite" for successful economic recovery. This change in politics and the mechanisms of social organization is expected by Bogomolov to require "10 to 15 years and will be accompanied by an acute struggle of opinions and by conflicts between the old and new modes of action."⁷ It was already understood in the mid-1980s, however, that only cautious changes and experimentation could adequately prepare the ground for "radical" steps in the 1990s.⁸

The process of revolutionary transformation of Soviet society initiated by the decisions of the March and April 1985 Plenary Meetings of the CPSU Central Committee ultimately led, after nearly two years of discussions in the Soviet Defense Council,⁹ to the adoption of a military doctrine consistent with the assessment that security would be increasingly a political task. Although Soviet military scientists do appreciate that political methods of guaranteeing security (i.e., negotiations, agreements, treaties) can have great utility, civilian critics of the military point to an excessive tendency in the past for Soviet foreign policy to rely on military force. Aleksandr Bovin, for example, has written that "the deployment of SS-20 missiles and the introduction of troops in Afghanistan were...typical examples of subjective decisions oriented at the use of military force in foreign policy." His conclusion was that "in both cases we clearly overestimated our possibilities and underestimated what could be called the resistance of the environment."¹⁰

At least since 1985, therefore, Soviet theoreticians have been struggling with the development and implementation of a new approach to security that would reshape relations between the USSR and the rest of the world. Although the Soviets probably don't have a specific plan for an alternative security structure, there exists what may be properly called an evolving Soviet vision for the future structure of European security. Using Northern Europe as the "model," it was initially thought by the Soviets that a two-tier neutral zone comprised of "West-leaning" (i.e., Sweden) states and independent states that could confidently be depended upon to defend their territorial integrity (i.e., Finland) might be established throughout the rest of Europe. Such a zone might provide the Soviets with greater confidence in the determination of Poles, Czechoslovaks, and Hungarians to defend their respective states. Essentially, it was hoped by Soviet security theorists that they might be able to "Finlandize" states they could no longer control at an acceptable cost. For the Germans it meant the possibility of eventual unification, but at the price of neutrality.

By 1989, the transformation in the character of relations between the USSR and the socialist countries of Central Europe was said to be "already underway, and we understand and accept this *de facto*." It is explained that "where Soviet foreign policy interests are not challenged, and an attempt is made to set up a market economy and a pluralistic system, the processes taking place in these countries can be correctly understood by the Soviet Union."¹¹ Arguing that Soviet diplomacy toward the states of eastern Central Europe "should undergo profound restructuring in essence, methods and style," Foreign Minister Eduard Shevardnadze explained to the Supreme Soviet that "new alternative forces are emerging on the political arena in some of these countries for the reason that this is what the people want."¹² Lest anyone misread Soviet commitment to "the principle of noninterference," senior Soviet parliamentarians noted that the Soviet Union would explicitly respect the decisions of its allies even with regard to withdrawal from the Warsaw Pact.¹³ As the president of the new Hungarian Socialist Party summarized the new environment, "certainly, in Eastern Europe one cannot conduct policy that is openly anti-Soviet," but "the Soviet Union has ceased to be an ideological power; it no longer regards itself as the avant-garde of world revolution."¹⁴

That at least some Soviets believe that "Eastern Europe is much less important as a buffer zone than it was" is probably less important in this regard than the recognition that the NSWP states have common security concerns they share with the Soviet Union. This same Soviet participant in the 1989 meeting of the International Institute for East-West Security Studies expressed the belief, for example, that "Poland has an interest in being in an alliance with a great power in a time of rapid and uncertain change."¹⁵ Marshal Sergei F. Akhromeyev came to the conclusion that even with a coalition government in Poland headed by a non-Communist, the Polish interest in "the stability of the territory and state boundaries" have "remained the same, to a significant degree."¹⁶ Thus, despite the "historic" changes sweeping through the non-Soviet Warsaw Pact states, Shevardnadze declared that "all these countries remain the Soviet Union's neighbors, allies, and friends."¹⁷

The remarkable march of events, however, built to a crescendo that would alter the basic planning assumption about Germany's future. A mass exodus of tens of thousands of East Germans first swept Erich Honecker from power, and then began to undermine the very existence of the Democratic Republic. Once the Berlin Wall was opened, the people of East Germany began to ask for what reason should they continue to sacrifice in the face of their own leaders' corruption. The easy solution was simply seen in the streets to be unification with the "successful" Germany, and neither the communists nor the government were perceived to have either the credible arguments or the power to prevent it. If eastern Germany is not soon united with the Federal Republic, the territory will simply become depopulated. The people have been so "deformed" by the system and have become so desperate that even with unification, an expensive colonization program will be required to repopulate the territory of eastern Germany. To even suggest that the Federal Republic overtly try to stop the 2,000-3,000 person daily exodus from East Germany risks precipitating a panic that would depopulate eastern Germany in a fortnight and, thereby, provoke a socio-economic crisis that could destabilize all of Europe.

NEW THINKING ON THE "GERMAN QUESTION"

Contrary to the assertions of those who argue that "the order of the day is the reform process in Eastern Europe and the GDR--that is, the improvement of the economic and political situation of the people who paid the most for the stability of sorts which the division of Europe has provided,"¹⁸ the "German Question" clearly looms larger over the evolving structure of Europe. In October 1989, West German President Richard von Weizsacker was reported to have said privately that he foresaw a confederation of the two Germanys within a decade.¹⁹ According to an opinion poll conducted among West Germans, 68% agreed with him.²⁰ That the Soviets and their allies foresaw the same probability was reflected in the October 27, 1989, Warsaw Pact declaration that "a common European home...rests with the unconditional respect for the inviolability of existing frontiers, territorial integrity, independence and sovereignty of states."²¹ If this was not clear enough, the Polish President Jaruzelski argued that "Poland is the only European Country with a questioned border."²² Although newspaper headlines suggest the Soviets oppose unification of East and West Germany, closer examination reveals that most Soviet arguments are simply directed against either a reunification of the territories of the pre-war *Reich* or a unification of the German Democratic Republic with the Federal Republic *before* a new all-European security structure can be constructed. The Soviet historian Vyacheslav Dashichev, a German specialist and "advisor" to Gorbachev, admits that "we have had implanted in us rather firmly the opinion that the splitting of Germany into two German states best serves Soviet interests and the maintenance of European security." By the spring of 1989 he was arguing, however, that "it would seem that this view bears the seal of one-sidedness and conservatism, and the fear of making a sober appraisal of the German problem in all its dynamics and its close link with the other facts of international life and with the national needs of the Soviet Union."²³ The Soviet Ambassador to the United States has also argued that the fear of a single German state "is a kind of obsolete analysis. The world...has passed through this kind of spirit before. But now in the era of *perestroika*, we must learn to work together in a new way that will not repeat the past."²⁴

During the Bush-Gorbachev summit in Malta, according to US Secretary of State James A. Baker, the Soviet president told the American leader that "reunification gave the Soviet Union some problems that could push it too

hard, too fast, could create some real tension."²⁵ Clearly, noted one senior CPSU official, "the development of the German question played no small role in our decision to call for a new Helsinki conference."²⁶ From the Soviet perspective, the "Helsinki process" would prevent the debate on German unification from being dominated by the Germans. Furthermore, the Soviets don't want to take the heat alone for insisting the unification issue address the "European equilibrium." Although the Soviets are without a doubt themselves very wary of German unification, some Soviets are convinced that "the United States, Britain, and France do not want reunification of Germany and hope the Soviet Union would prevent such a development."²⁷ In fact, "few in Britain, France, or Italy expect a unified Germany to pose a military threat to their country." More people in Britain, France, Italy, and the United States favor unification of Germany than oppose it, so long as Germany remains in NATO. Even among West Germans as many oppose as favor a single German state if it were to entail the withdrawal of the Federal Republic from NATO in favor of a neutral status.²⁸

For Soviet security theorists, resolution of the "German Question" has become the central issue for obtaining "the liberation of the [USSR] from the terrible burden of struggling against the coalition of all the Western Powers," preventing use of "the economic might of the Common Market for political purposes that run counter to the interests of the Soviet Union," and avoiding the conversion of "the Common Market into a closed grouping" or "zone to which the access of commodities from East Europe will be limited."²⁹ The combination of old assumptions by security theorists and the quickening tempo of events in the NSWP states during 1989 led to new thinking by Gorbachev on the German question. By the end of January 1990, Gorbachev would be quoted by Tass, the official Soviet press agency, as noting that when considering the issue of German unification "no one casts doubt upon it." Although admitting that "time itself is having an impact on the process and lends dynamism to it," he argued that "it is essential to act responsibly and not seek the solution to this important issue in the streets."³⁰ Conceding the impending socio-economic crisis of opposing unification of East Germany with the Federal Republic, the East German communist party leader has also concluded that "this process cannot be stopped any more. But it is irresponsible to do things in such a way as if it were possible tomorrow. What is going on now appears to be to be too quick, too chaotic."³¹

The speed with which the German Question has come to dominate European security issues has led both the American and French Presidents to strongly endorse the 35-nation Conference on Stability and Cooperation in Europe (CSCE) as a forum to discuss German unification.³² While the British Prime Minister Margaret Thatcher clearly would like to defer the German Question for at least another decade,³³ the U.S. ambassador to the Federal Republic has stated that reunification is inevitable and likely to occur within five years.³⁴ Even this estimate by Ambassador Walters, however, may be optimistic with regard to the time available to address the concerns of Germany's neighbors. One observer in East Berlin notes how the timetable is already being dictated in the streets: "The popular demands emerge at the Monday night demonstrations in Leipzig, and the rest of the week the government runs like hell to catch up."³⁵ As described by the head of an East German think tank, "We are stuck on fast-forward."³⁶ The rapid disintegration of the political structure of the German Democratic Republic has become a quasi-autonomous process. Czechoslovakia's new foreign minister predicts that "very soon there will be an 80 million-strong colossus in the form of a confederation of the two states."³⁷

SUBSTITUTING NEW STRUCTURES FOR THE WARSAW PACT

The nonzero-sum model of security that may be traced back to Andropov and his appreciation for the superiority of Soviet-Finnish relations over the relationship between the Soviet Union and its NSWP allies has evolved to a vision of European security that would both overcome the division of Europe and bridge the Atlantic to maintain the European link with Canada and the United States. This emerging vision seeks new missions for NATO and the Warsaw Treaty Organizations, expands the European Community (EC) to include both greater political integration in the West and greater economic integration with the East, and injects new dynamism into the Helsinki process. Although the evolution of this vision can be traced back to Andropov, it is now consistent with the emerging Bush Administration vision of future European security.³⁸

The idea of a "common European home" goes far beyond DeGaulle's "Europe from the Atlantic to the Urals," and quickly dismisses Gorbachev's expression of concern over "an onslaught of 'mass culture' from across the Atlantic." It has developed into an inclusive concept allowing peripheral

states of both the East and West to reclaim their historic heritage. Despite his earlier mischievous message about American culture, Gorbachev has come to appreciate that Canada and the United States are already part of an existing "common home" of European political culture running from the Elbe to the Pacific. He hopes to eventually expand the boundaries of this "common home" to run from Pacific to Pacific. Beyond this, Gorbachev has also come to appreciate the contribution the North American states make to European stability. The vice rector of the diplomatic academy of the Soviet Foreign Ministry, for example, has argued that since "some circles in Western Europe feel their security is greater with American troops" present in Europe, "let them have it."³⁹ In fact, even a substantial majority of Poles would prefer to see the American forces stationed in Europe remain at the same level or be increased because it is perceived to offset the power of Germany.⁴⁰ Given the reassessment by Soviet theorists that "a certain presence of American troops--a limited presence--poses no danger"⁴¹ to Soviet security, evolving Soviet thoughts on the future security structure in Europe include a reassessment of the future role of the Warsaw and North Atlantic Treaty Organizations.

Despite having argued over time for a dissolution of the two security organizations, at least some Soviet theorists have concluded that "the idea of neutralizing the GDR and the FRG on the basis of their 'earliest possible withdrawal' from the military blocs has, on closer examination, proven to be a utopian idea."⁴² They, therefore, now argue that the alliances will have utility for the foreseeable future. Beyond the reassurance American troops provide to the West Europeans, such a presence is perceived to restrain the Federal Republic's autonomous foreign policy actions to the extent that it reinforces NATO as an institution. It is presently assessed, for example, that "more than 90 percent of the [West German Chancellor's] decisions have to be taken within the multilateral framework of NATO, the 'Common Market,' the European Parliament, and other organizations."⁴³ Thus, as Andrei Kokoshin stated during the summit at Malta, "we have no master plan, no desire to drive America out of Europe. In calling for a new Helsinki mechanism, we have chosen a framework that gives the United States and Canada legitimate roles in Europe."⁴⁴

While the Soviets talk of the maintenance of both the North Atlantic and Warsaw Treaty Organizations, for all intents and purposes the Warsaw Pact has already ceased to exist as an integrated military command. Other than in the

context of a mutual assistance treaty directed toward deterrence of any possible future German efforts to redraw the post-war territorial frontiers, the fiction of the Warsaw Treaty Organization will most likely be maintained for purposes of symmetry. In the opinion of some Soviet civilian security theoreticians, "there are common interests that justify the existence and development of WTO, chief among which are its member countries' common social and economic problems. All of them (the Soviet Union included) have fallen too far behind in their development to be accepted on an equal footing with the West in the process of the world's economic and political integration."⁴⁵ Thus, while the Warsaw Pact could continue to provide reassurance to the previous victims of German hegemony, it might also be transformed into an economic organization to provide the Soviet Union with a broad economic and political bridge to the West. Increasingly, Soviet theoreticians now "recognize that it is time to transform the Warsaw Pact from a military-political organization into a political-military one."⁴⁶

Beyond the Soviet desire to retain NATO as an instrument for the restraint of a unified Germany, the Soviets expect West European integration to dilute German political influence in Central Europe. The Soviets, French, and even the West Germans agree that burying the unified Germany within a supra-national "West European Confederation" based on several members of the European Community would resolve concerns over the maintenance of present borders. Under such a "mechanism" all "foreign" troops could be withdrawn from Central Europe. This would require only that American and British forces withdraw from western Germany as Soviet forces withdraw from eastern Germany. The *Bundeswehr* would cease to exist and, at least initially, the new supra-national army could be headed by a non-German commander. The continued presence of Belgian, Dutch, and French soldiers in Germany would further reinforce Polish and Soviet confidence on the territorial question. As noted by a former British Defense Minister, "it would not be impossible for NATO to accept that United States forces would not be deployed in a united Germany. The skill will come, however, in keeping American forces in Western Europe and in keeping a united Germany within the Western European security framework."⁴⁷

Less formal regional groupings are also expected to facilitate economic integration while contributing to the stabilization of the larger European-wide political system. The Italians, for example, are reported to be seeking to

organizing a regional grouping in the south to serve as "a balancing force to the German sphere of influence that many expect to emerge in the north."⁴⁸ For the other states participating in this regional grouping, membership in the EC is the goal. With eyes on membership in the EC, Austria and Hungary believe the road to Brussels runs through Rome. Furthermore, since the prosperous and westward-looking Yugoslav republics of Croatia and Slovenia are particularly attracted to the resurrection of what was once the *Mitteleuropa* of the Emperor Franz Josef, the less than enthusiastic Yugoslav federal government has found itself drawn into the process of economic integration and multi-party democratization to avoid disintegration of the federation.⁴⁹ Both Slovenia and Croatia have come to accept that "there can be no democratic socialism without political pluralism based on the right of political association and the competition of equal political subjects and programs."⁵⁰ Although politics initially limited the new regional grouping, "Czechoslovakia is an obvious future partner" since it too is a "successor state" of the defunct Hapsburg Empire.⁵¹

An additional instrument for restraining German nationalism is recognized in the resurgence of the old Austro-Hungarian ties. *Anschluss* could create a Germany that would stretch from the Baltic to almost the Adriatic. Such a "Greater Germany" would generate sufficient concerns to divide Europe once again. An Austria tied to a neutral Hungary by some form of economic union, however, would constitute an effective barrier to German political expansion to the south. Such a confederation would both appeal to Austrian pride as well as to Hungarian fears about becoming a "museum of the industrial revolution." As for the Soviet attitude, Fyodor Burlatsky, chairman of the human rights panel of the Supreme Soviet committee on foreign relations, has argued that "if Austria can be neutral, then why not Hungary."⁵² In fact, the Hungarians have already indicated that their armed forces are to be redirected toward the preparation for resistance to "any foreign intervention or aggression."⁵³

Where the Soviets see centripetal forces at action in the West, they are forced to contend with growing centrifugal forces in the East. Burlatsky has observed that "there is an asymmetry between the disintegration of Eastern Europe and the growing integration of Western Europe." As a result, he fears that Eastern Europe and the Soviet Union could become "an economic appendage of the West, a supplier of raw materials." The only alternative,

Burlatsky argues, is the creation of "a common market on the entire European continent."⁵⁴ The states of Western Europe, however, question whether Russia is too big, and too Asian, to fit in as a full member of the EC. Yet, as with Turkey, the potential political cost of exclusion is simply perceived as too high. The price of associate membership the Soviets will probably have to pay, on the other hand, will likely be the independence of the Baltic republics, since the Balts are determined to regain the independence *illegally* taken from them and West European politicians have *no* flexibility with regard to supporting Baltic self-determination. In fact, already "some [Soviet] officials have begun to say in private that the Baltic republics *might* be allowed to slip away,"⁵⁵ and Gorbachev assured Bush at their Malta summit that he has no intention of using force to resolve the issue.⁵⁶

Given the views expressed in the Soviet security policy community today, when the future structure of Europe is projected out to the year 2000 it appears something like what is depicted in the accompanying map. Although the map reflects essentially economic relationships, it is understood by most Soviet and other European strategic theoreticians that international security will increasingly depend upon economic relationships. As noted earlier, this is not a Soviet plan and, to the author's knowledge, there is no single source reflecting such a "Soviet view." This map reflects the compilation of "views" articulated in the Soviet security literature and in the discussions the author and other members of the OSD Policy Support Research Team have had with Soviet and NSWP security specialists both in and out of uniform. Although it represents a "still photo" view of a dynamic environment, it may be considered a guide or frame of reference for "pre-Helsinki" process discussions on the future European security structure.

Whatever future security constellation is produced by the Helsinki process, it must address the failure to create a stable and just conclusion to the chaos unleashed by the First World War. Despite the great differences between liberal-capitalist and Marxist-Leninist critiques of the European security environment produced by the First World War, the two ideologies have come to critically and objectively perceive this environment as a historical experience emerging from a particular set of political and economic institutions. Resolution of these differences requires an accommodation of the Leninist revolutionary perspective on national self-determination with the avoidance of a peace that would breed what Woodrow Wilson would call "a constantly

recurring sense of injustice."⁵⁷ The difficulties of achieving such an accomodation should not be underestimated.

MANAGING THE TRANSITION

Obviously, the transition to a new security structure will involve a series of stages. As noted earlier, the foundation of the new structure must consist of an economic integration that meets a fundamental sense of social justice. Towards this goal, the twelve nation European Community and the six nation European Free Trade Association (Austria, Finland, Iceland, Norway, Sweden, and Switzerland) began the process of forging an expanded free trade area and customs union in December 1989.⁵⁸ The economic integration of Eastern Europe, however, will be more difficult. An East European Development Bank for assisting Yugoslavia and the Warsaw Pact states will probably be the initial step in creating all-European economic integration. For the mid-term, some form of Reconstruction Finance Corporation will have to be created by the West and Japan. The West will buy in for peace and stability in Europe; the Japanese will buy in to obtain the return of its Kurile Islands.

The social cost of the economic adjustment necessary to integrate the Warsaw Pact states clearly worries the politicians of the East. "The real challenge is to change people's mind-set" notes Mieczyslaw Rokowski, who argues that "Poles would like to work in socialism but live in capitalism."⁵⁹ While the new non-communist politicians of the East acknowledge the need to protect society's most vulnerable during the transition to market economics, it may also be that communists like Rokowski ignore the extent of poverty already existing in the socio-economic system. The Solidarity spokesman Janusz Onyszkiewicz notes, for example, that "for 40 years we claimed we had no homelessness, no illiteracy. Now we find that the homeless are numbered in the thousands, and one out of every three Army recruits can't read."⁶⁰ Thus, despite the 31% devaluation of the zloty, scrapping of price controls while maintaining wage controls, and ending of many subsidies for goods and services, the Solidarity-led government retains the support of 80% of the Polish people.⁶¹ This would suggest, therefore, that the public deprivation is already so great that as long as the people are convinced of the government's sincerity and integrity they will endure.

The deprivation of the Poles and the other non-German members of the Warsaw Pact is clearly easier to contain than is that of the East Germans because the former have no where to escape. The most pressing problem of the economic reconstruction of the Warsaw Pact states, therefore, is to stem the mass migration of East Germans to the Federal Republic. In order "to provide the East German people with an immediate and convincing hope for the future," the Federal Republic's Finance Minister has proposed "the introduction of the Deutsche mark as the official currency in East Germany."⁶² Despite the presumptive nature of such a drastic step, both East and West German politicians agree that such a currency reform is the only chance to avoid collapse of the Democratic Republic. Although both East and West German bankers agree that "it would be premature to consider such a far-reaching step at this stage," they also understand that they "do not have much time."⁶³ The actual value of the East mark aside, merging the two German currencies remains a political question on at least two counts: first, it is the price of stability; and second, it is the price for unification.

The rush of events since the breaching of the Berlin Wall has also altered the urgency of changing the posture of Soviet forces stationed in the forward area as an initial step in the transition to a new security structure. In the wake of the widespread creation of coalition governments in the NSWP states, Gorbachev elicited the assistance of the American President in meeting his requirement to accelerate reductions of general purpose forces beyond any proposed Conventional Forces in Europe (CFE) agreement.⁶⁴ With the reductions Gorbachev announced in his December 1988 speech at the United Nations, the Soviets would still have 15 divisions in East Germany, two divisions in Poland, four divisions in Czechoslovakia, and three divisions in Hungary by January 1991. Since residual forces would be sufficiently dense that many cities and villages in these states would continue to be garrisoned by Soviet forces, Gorbachev and his NSWP allies are obviously anxious to reduce the profile of these forces.

Not surprisingly, it has been reported that grumbling in the Soviet Armed Forces over the force reductions announced in December 1988 made it difficult for Gorbachev to make additional troop cuts.⁶⁵ Former Chief of the General Staff Marshal Akhromeyev, who is now an adviser to Gorbachev at the Supreme Soviet and a member of the Supreme Soviet's Committee on Questions of Defense and State Security, said on a 9 October 1989 television broadcast that

"there can be no further reductions on a unilateral basis" of Soviet conventional forces. He said the same thing before Gorbachev's December 1988 unilateral reductions, however, and Soviet civilian theorists continue to argue that military stability is so high that additional unilateral force reduction is a valid instrument for sharply accelerating the disarmament process.⁶⁶ They note that "even after the withdrawal of our troops from Afghanistan and the reduction of our forces in East Europe and Mongolia we still have as many soldiers and officers abroad as the United States."⁶⁷

Suggestions by U.S. Defense Secretary Cheney that conventional force reductions could occur on two tracks--one at the negotiating table in Vienna and one by NATO consensus in response to Soviet withdrawals--would allow the Bush Administration to facilitate Gorbachev's overcoming General Staff resistance to additional force reductions.⁶⁸ In fact, based on a rough approximation of Soviet General Staff weighted combat potential values, the U.S. force reductions in Europe initially prepared for "budgetary reasons" (2 divisions, 9 squadrons beyond the 2 brigades, 4 squadrons already on the table in Vienna)⁶⁹ would allow Gorbachev to justify mutual unilateral reductions of approximately sixteen divisions. Mutual unilateral reductions to the 195,000 troops in the "central zone" proposed by Bush⁷⁰ would, therefore, leave approximately eight Soviet divisions in the forward area. Such mutual unilateral force reductions, which could be verified under procedures established in a CFE treaty, would hopefully purchase some twelve months to allow the Helsinki process time to develop agreement on a new general security structure and the development of a framework for the further reduction of forces.

Several Soviet participants at the January 1990 symposium on "Arms Control Problems and Prospects" at the Texas A & M University Mosher Institute for Defense Studies noted that there would not be a second CFE agreement since mutual, unilateral force reductions over the coming year would eliminate the need for such future treaties. This would suggest that the Soviets expect not only the mutual unilateral force reductions apparently discussed at the Malta summit, but probably further Soviet force withdrawals to be agreed as part of the Helsinki process. Since many lack confidence that a unified Germany would remain neutral and demilitarized for long, it is not surprising that a senior researcher from the Institute for System Studies of the USSR Academy of Sciences argued at a January 1990 conference at

Cambridge University that German unification should only come in the context of the Federal Republic's membership in NATO. The solution to the apparent contradictory requirements of keeping the Federal Republic in NATO and the reassurance of legitimate Soviet and Polish security concerns has already been suggested by the West German Foreign Minister. While a united Germany would remain within NATO, the territory of East Germany would be maintained as a demilitarized zone so "there will not be an extension of NATO territory eastward, closer to the borders of the Soviet Union." Furthermore, this framework is perceived to be possible only within the context of the creation of a "security net for the predictable and unpredictable events in Europe." From the perspective of the Federal Republic, "the gradual unification of the Germans in an orderly European framework is as important for the stability of Europe as is a stable framework for the revolutionary developments in Eastern Europe."⁷¹

With the "Genscher Plan" being endorsed by the U.S. as consistent with what the West Europeans refer to as "the Baker Plan,"⁷² Gorbachev has been provided a mechanism by which to "manage" both the withdrawal of Soviet forces from East Germany and retain "leverage" over NATO force posture in the new European strategic structure. As noted by Foreign Minister Shevardnadze, the old European security structure was "destroyed by the will of peoples no longer willing to put up with violence." Responding to conservatives in the CPSU who charge that Gorbachev's policies have "lost Eastern Europe," Shevardnadze argues that "the undermining of faith in a Socialism based on suppression and violence began in the 1940s, not in 1985." Wisely perceiving that "it is easier to change our policies than their people," the new thinking in Soviet security policy has demonstrated itself to be sufficiently flexible to meet the demands for a safe transition to a new security structure in Europe.⁷³ The question remains as to the West's flexibility. So long as Great Britain, Italy, and Portugal are willing to host limited American forces, the domestic consensus on keeping American forces in Western Europe should be possible to maintain. In fact, contrary to the statements of some American Congressional politicians, almost twice as many Americans are in favor of either maintaining U.S. forces in Europe at the same level (50%) or increasing it (10%) as are in favor of decreasing it (34%).⁷⁴

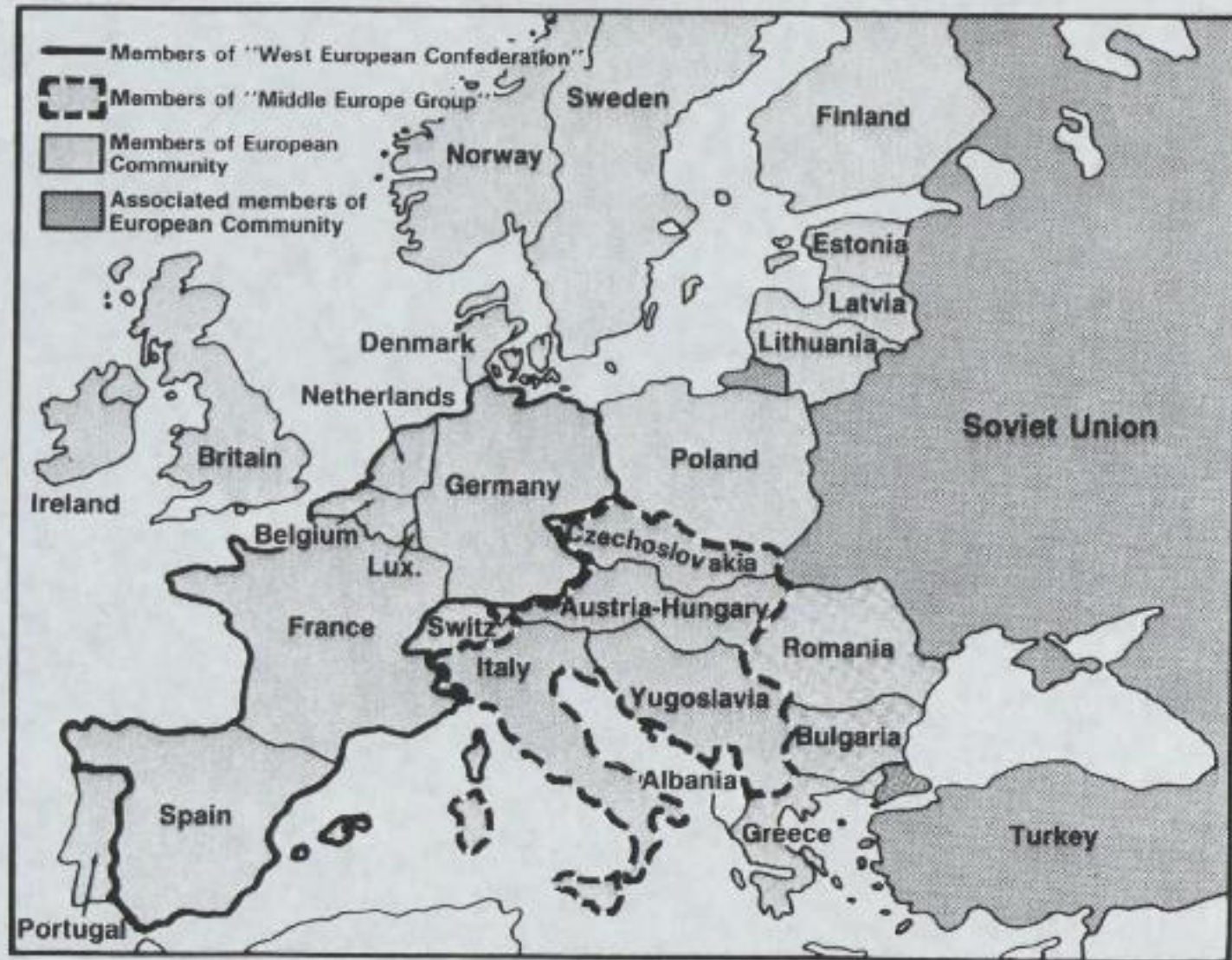
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- ⁶⁹Patrick E. Tyler and Molly Moore, "U.S. Military in Europe Being Reshaped," *Washington Post*, December 17, 1989, p. A20.
- ⁷⁰See, for example, R. Jeffrey Smith, "Events Forced Bush's Hand On Troop Cuts, U.S. Aids Say," *International Herald Tribune*, February 2, 1990, p. 1 and p. 4.
- ⁷¹Hans-Dietrich Genscher as quoted in "Kohl Lauds Moscow's Stance, And Genscher Assures NATO," *International Herald Tribune*, February 2, 1990, p. 1.
- ⁷²See "Excerpts From Baker's Speech on Berlin and U.S. Role in Europe's Future," *International Herald Tribune*, December 13, 1989, p. A18; and Thomas L. Friedman, "U.S. Policy: U.S. Backing West German's Unity Plan," *New York Times*, February 5, 1990, p. A14.
- ⁷³As quoted in Bill Keller, "In Soviet Speeches, 2 Nightmares: Europe's Ideologies, or Its Armies," *New York Times*, February 7, 1990, p. A12.
- ⁷⁴See "United Germany: They like and they fear it," p. 49

The Emerging Soviet View of European Security



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TELEPHONE CONVERSATION BETWEEN THE SECRETARY OF STATE AND BAKER.

SUMMARY

1. BAKER DESCRIBES WHAT WAS OBVIOUSLY A DIFFICULT MEETING WITH SHEVARDNADZE, ESPECIALLY ON ARMS CONTROL. BAKER REFERS TO WARNINGS GIVEN TO THE SOVIET UNION OVER LITHUANIA BUT JUDGES THAT DOMESTIC, NOT FOREIGN POLICY, REQUIREMENTS WILL DICTATE WHAT THE SOVIET UNION DOES. BAKER REASONABLY CONFIDENT OF PROGRESS ON 2+4 BUT OBVIOUSLY STRUCK BY SHEVARDNADZE'S WARNING THAT GERMAN UNIFICATION 'CANNOT TAKE PLACE WITHOUT US'.
2. MIFT (TO FCO AND WASHINGTON ONLY) COVERS HUMAN RIGHTS CASES. OTHER DETAIL BELOW.

DETAIL.

3. THE SECRETARY OF STATE TELEPHONED BAKER JUST BEFORE LEAVING FOR MOSCOW. BAKER SAID THAT HE AND SHEVARDNADZE HAD HAD A LESS THAN SATISFACTORY MEETING ON ARMS CONTROL. THERE WAS A DISTINCT DIFFERENCE IN THE SOVIET POSITION, ESPECIALLY ON CRUISE MISSILES, COMPARED WITH THE DISCUSSION IN MOSCOW. HE FELT THAT THIS WAS A MATTER OF INTERNAL SOVIET POLITICS. SOME ON THE SOVIET SIDE HAD NOT BEEN PLEASED WITH WHAT HAD BEEN AGREED IN MOSCOW AND WERE TRYING TO CHANGE IT. THE UNITED STATES HAD REMAINED CLEAR AND FIRM.
4. THE SECRETARY OF STATE ASKED WHETHER THE RUSSIANS HAD TRIED TO CHANGE ANY OF THE MANPOWER TOTALS IN CFE. BAKER SAID THERE HAD BEEN NO SIGN OF THAT AT HIS LEVEL BUT SOME LOWER DOWN THOUGHT THERE WAS SOME RUSSIAN SHAKINESS.
5. BAKER SAID IT WAS APPARENT THAT THE SOVIET LEADERSHIP WAS UNDER GREAT PRESSURE AT HOME. HE AND BUSH HAD STRESSED THE NEED FOR A DIALOGUE BETWEEN THE SOVIET AUTHORITIES AND THE LITHUANIANS. OTHERWISE, THERE WOULD BE PROBLEMS WHICH COULD SPILL OVER INTO OTHER AREAS. THEY HAD BEEN VERY FRANK ON THE SUBJECT. BAKER SAID THAT THEY HAD NONETHELESS SETTLED SUMMIT DATES : THESE HAD EFFECTIVELY BEEN UNDER DISCUSSION AT WINDHOEK. THE SECRETARY OF STATE SAID THAT

SETTING THE SUMMIT DATES MIGHT ACT AS A DISCIPLINE ON SOVIET BEHAVIOUR ON LITHUANIA. BAKER WAS NOT SO SURE. HE THOUGHT THAT INTERNAL REQUIREMENTS WERE MUCH MORE IMPORTANT TO THE SOVIET LEADERSHIP THAN EXTERNAL PRESSURES. THEY WOULD HAVE GREAT DIFFICULTY LETTING THE REPUBLICS GO. THEY WERE HUNG UP ON THE REQUIREMENT THAT THE LITHUANIANS REVOKE THEIR MEASURES AS A PRE-CONDITION FOR TALKS. BAKER AGREED WITH THE SECRETARY OF STATE THAT THE HURDLES IN THE NEW SOVIET LAW ON SECESSION HAD BEEN SET VERY HIGH. HE REPEATED THAT THE SOVIET LEADERSHIP WAS UNDER SIGNIFICANT PRESSURE. HE HOPED THAT THE SECRETARY OF STATE WOULD TELL SHEVARDNADZE THAT, IF THE LITHUANIANS INDICATED THEY WERE WILLING TO TALK, THEN THE SOVIET LEADERSHIP SHOULD TALK. THE ISSUE WAS BECOMING MORE DIFFICULT DOMESTICALLY IN THE UNITED STATES. PUBLIC OPINION IN THE UNITED STATES DID NOT UNDERSTAND WHY JOURNALISTS AND DIPLOMATS WERE BEING ASKED TO LEAVE.

6. BAKER SAID HE HAD TALKED TO GENSCHER BY PHONE OVER THE WEEKEND. HE HAD TOLD GENSCHER THAT THE RUSSIANS APPEARED TO BE SLOWING DOWN SOMEWHAT ON THE 2+4, THOUGH THEY WERE NOT ACTING IN BAD FAITH. ON THE QUESTION OF A PEACE TREATY, BAKER HAD TOLD SHEVARDNADZE OF THE DIFFICULTIES INVOLVED IN A COMPOSITE TREATY. AT ONE POINT SHEVARDNADZE HAD PUT DOWN A CLEAR MARKER : 'GERMAN UNIFICATION CANNOT TAKE PLACE WITHOUT US. DON'T FORGET THAT.' THE SECRETARY OF STATE COMMENTED, AND BAKER AGREED, THAT THAT WAS NOT IN FACT A TRUE STATEMENT OF AFFAIRS. THE SECRETARY OF STATE SAID THAT IT WAS ACTUALLY IN THE SOVIET UNION'S OWN INTEREST TO GET ON WITH THE 2+4 PROCESS. IT WOULD NOT IMPROVE WITH KEEPING. BAKER AGREED. THE RUSSIANS WERE ANXIOUS TO ENGAGE, EVEN IF THEN THERE WERE A RISK THEY WOULD SPIN THINGS OUT. GENSCHER HAD SPOKEN OF A POSSIBLE MINISTERIAL MEETING ON 26/27 APRIL. THAT WAS NOT POSSIBLE FOR BAKER BUT HE COULD MANAGE THE FIRST WEEK IN MAY.

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MF

SECRETARY OF STATE'S CONVERSATION WITH BAKER : GORDIEVSKY/LYNE.

1. THE SECRETARY OF STATE TELEPHONED BAKER BEFORE LEAVING FOR MOSCOW. HE THANKED BAKER FOR RAISING OUR DIFFICULTIES WITH SHEVARDNADZE. BAKER SAID THAT ONLY TWO OF THE NAMES HE HAD RAISED IN THE HUMAN RIGHTS CONTEXT, ONE OF WHICH WAS GORDIEVSKY (HE DID NOT GIVE THE OTHER) HAD PROVOKED A LITTLE BIT OF A FLARE UP BY SHEVARDNADZE.

2. THE SECRETARY OF STATE COMMENTED THAT THIS SHOWED THE EXTENT TO WHICH THERE WERE TENSIONS WITH THE KGB. HE WOULD HAVE TO TREAD ON EGGSHELLS IN MOSCOW.

3. NEITHER BAKER NOR THE SECRETARY OF STATE SPECIFICALLY MENTIONED LYNE'S NAME IN THE CONVERSATION.

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Foreign and Commonwealth Office

London SW1A 2AH

cm.

Sir Percy Cradock GCMG
10 Downing Street
London SW1

9 April 1990

Dear Percy,

POLITICAL AID

1. Mr Waldegrave is calling on you and Charles Powell on 11 April to discuss the possible establishment of a trust for political aid.

2. In advance of your meeting you might like to look at the following papers:

A i) My submission of 29 January making the case for a political aid programme.

B ii) The paper we circulated to the leaders of the other parties represented in the House of Commons in advance of Mr Waldegrave's calls.

C iii) A draft discussion paper setting out in more detail the shape a political aid foundation might take (still subject to comments by the Legal Advisers).

3. Mr Waldegrave will circulate the discussion paper to the parties represented in the House of Commons when the funding of the foundation has been agreed. Discussions on this are under way with the Treasury.

*Yours ever,
Robert Cooper.*

R F Cooper
Policy Planning Staff

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POLITICAL AID

Introduction

1. A number of other countries have established bodies independent of the government to give assistance in promoting democracy abroad. The Foreign and Commonwealth Office has commissioned research by Mr Michael Pinto Duschinsky of Brunel University on this subject. What follows draws on his preliminary report. The report is available in the Foreign and Commonwealth Office for those who wish to see it but readers should note that Mr Pinto Duschinsky has not yet completed his research so that the report is incomplete in some respects.

Purposes of Political Aid

2. Precise terms of reference differ between countries. German programmes for example include a number of projects which, in the UK would be funded directly by the aid programme. The core of political aid programmes focus on the following objectives:

- to promote democratic values, systems and rights
- to assist the development of political parties, trades unions and other pressure groups
- to promote a free press, pluralist institutions, and open debate on political and international questions.

Scope

3. The German political Foundations operate throughout the world. Other countries concentrate political aid on the less developed world or Communist countries.

Alternative Models

4. (i) The German Foundations (Stiftungen) are each allied to

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political parties but are independent of them. Funding is by the German Aid Ministry for operations in LDCs (90%) and the German Foreign Ministry for operations in developed countries (10%). The Foundations also receive a small part of their funds from private sources and from the Länder governments. The Foundations grew out of organisations for domestic political education but now have a network of offices worldwide. Notable among their substantial and successful programmes have been their important role in the transition to democracy in Portugal and Chile. Recently they have been active in the Nicaraguan election.

(ii) The United States gives aid for political development through a number of different channels including the US Aid Programme. The operation of greatest interest in the context of this note is the National Endowment for Democracy. This is funded directly by Congress. It gives grants via the non-partisan National Democratic Institute which focusses particularly on election procedures, and also through the Republican and Democratic Institutes (linked to the parties) and through trade union organisations.

The National Endowment for Democracy gave considerable support to Solidarity in Poland. Through the party Foundations it has been active in Latin America. The National Democratic Institute has concentrated in particular on elections in the Philippines, Pakistan and Latin American countries.

(iii) Canada has recently set up the International Centre for Human Rights and Democratic Development. This is funded by the Canadian Development Agency but is operationally independent of it. Its board includes nationals from less developed countries. It has given grants via trade union organisations and to anti-apartheid groups in South Africa. It has also supported human rights projects and elections in Latin America.

In organising their programme the Canadians have been at pains to avoid any impression of interference in foreign political systems. And although parliamentarians of all parties participated in the establishment of the Centre, Canadian political parties are not involved in the Centre or in the administration of political

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aid.

Accountability and Control

5. German US and Canadian regulations define the purposes for which grants may be given. For example German regulations stipulate that grants must accord with national policy, may not be used in support of political strikes or for direct electoral purposes. In both Germany and the United States proposed projects are reviewed by the Foreign Ministry and the Embassy in the country concerned. In the German case the Foreign or Aid Ministry has a theoretical veto on the projects though this is rarely exercised.

6. Neither German nor US legislatures need to give prior approval to specific projects though both have an opportunity to discuss the overall level of funding. In the US case particular projects are discussed actively when the National Endowment budget is considered. It has been agreed that the Canadian Centre will be subject to Parliamentary review every five years. This is designed to give some assurance of its independence and stability while ensuring that its operations are broadly consistent with Canadian policy.

7. The German Aid Ministry receives reports from party foundations on each project every four months. Periodic evaluations are carried out often by outside experts. Recipients of grants from the National Endowment are required to submit quarterly reports to it. Its staff make occasional brief evaluations of projects.

8. Financial accountability is generally a difficult area and it appears that money has occasionally gone astray. Difficulties arise because grants may pass through several organisations before reaching their final destination, because organisations receiving aid may be relatively new citizens groups operating in difficult conditions and because occasionally donor organisations may wish to turn a blind eye to the actual use to which their money is put.

Funding

9. The total budget of the German Foundations is £107 million

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(1987/8). As noted above the bulk of this is from government sources.

10. The National Endowment for Democracy 1988 budget was £10.5 million. The National Endowment is funded directly by Congress. (Other programmes of politically oriented aid in the United States are considerable: these are administered by Trade Unions or by government agencies; their total budget in 1988 was just under £50 million.)

11. The Canadian International Centre for Human Rights and Democratic Development has a budget of \$C 1 million in the first year of operation rising to \$C 5 million in the fifth year. It receives its funds from the Canadian International Development Agency.

Questions for the UK

- Should we be more active in this field?
- If we set up an independent body should it be party based or non-partisan? What should its legal status be?
- Should its activities be confined to certain countries or regions e.g. Eastern Europe, the less developed world?
- What should its activities include: advice, training, grants of money and equipment?
- How should it be funded and to whom should it be accountable?

File
(2)

FROM: R F Cooper
Policy Planning Staff

DATE: 29 January 1990

PS/Mr Waldegrave
PS

CC: (see list below)

POLITICAL AID

1. Sir James Spicer has proposed that the Know How Fund should be transferred to the political parties for projects in Eastern Europe. This proposal again highlights our lack of an arms-length institution for political aid and the way it puts us at a disadvantage against our major allies in promoting political pluralism in Europe. Mr Hulse is submitting on our specific response to Mr Spicer. This minute suggests how we should deal with the longer term need to establish a programme of political aid in the United Kingdom.

2. The ODA and Planning Staff have commissioned Mr Pinto-Duschinsky of Brunel University to undertake a study of the way in which other countries deliver political aid. We submitted in July following a seminar involving Mr Pinto-Duschinsky and junior Ministers proposing a way forward. This received support from Mrs Chalker, Mr Waldegrave and Mr Eggar. Sir Geoffrey Howe agreed that the subject was worth pursuing. Ministerial changes made this a lower priority item and our intention had been to leave it on the back burner until Mr Pinto-Duschinsky's study was available in April. However Mr Spicer's letter now makes it desirable to tackle this whole subject more rapidly.

What Others Do

3. A number of other Western governments (the FRG, US, Canada, Sweden, the Netherlands and Austria) have independent arms-length

institutions to assist the development of representative democracy, independent political parties, human rights and a free press in Eastern Europe and the developing world. In the case of the FRG each of the parliamentary parties has attached to it a charitable trust ("Stiftung") which among other things gives political aid abroad. These trusts are funded by government from both the aid and foreign ministry budgets. The two biggest trusts (attached to the SPD and CDU) spend between £50 million and £60 million each year. The institutes are legally independent of political parties but are effectively under their control: party leaders sit on their boards. The US has come relatively new to this field following President Reagan's Westminister speech. A number of schemes are directly funded by the US government aid agency (AID) but the most comprehensive programme is sponsored by the recently established National Endowment for Democracy. The money for this endowment is appropriated directly by Congress. It has a small staff and in general apportions its money in small parcels. The projects are passed to the State Department for comments in advance, but it has no formal veto over how the money is used. Canada is in the process of setting up its own political aid institute (the International Centre for Human Rights and Democratic Development). Funding for the first year is to be \$1 million rising to \$4 million in the fourth year. Its establishment was preceded by a period of bipartisan discussion and a number of expert studies, as was the foundation of the National Endowment in the US.

The Case for a UK Political Aid Programme

4. Arguments for the UK becoming involved in political aid include:

(a) Political aid can be a relatively low cost way of promoting pluralism and human rights which in the long term contribute to the UK's security and prosperity. Small sums of money, e.g. for publications or photocopiers can have considerable impact.

(b) The effectiveness of the aid is hard to prove. On its own it will certainly not turn an authoritarian state into a democracy but

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it can have a role in assisting developments which are already moving in the right direction.

(c) A specialist body would develop expertise and would be able to take on work which the FCO and Embassies abroad are not well equipped to handle. It would reduce the administrative load on the FCO.

(d) Direct government aid has failed in the past. Covert aid, of the kind provided through the Ariel Foundation or by the CIA had a tendency to backfire. But overt aid delivered through arms-length institutions is much more acceptable to recipients. The draft Hungarian law on the establishment of political parties, for example, provides that parties may accept money from overseas but not from governments.

(e) There can be a useful spin-off in terms of access, image and influence with the donors. The Germans in particular have profitted from the activities of their foundations.

(f) As international pluralism grows, party and other transnational connections may become increasingly important. In a complex world, where states are by no means the only international actors, arms length institutions provide a valuable extra string to our bow.

(g) Our most important allies have already stolen the march on us through the use of political aid. We are falling behind.

5. The arguments against include:

(a) Such aid would require government funding and savings would have to be found elsewhere.

(b) Establishing an arms-length institution could involve the creation of large bureaucracies, such as those created by the Germans. The money could be soaked up by these bureaucracies rather than by the recipients of aid.

(c) The government would not have direct control over how the money

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is spent.

(d) We could find ourselves duplicating some work already done through e.g. COI visits, British Council, FCO scholarship scheme.

(e) Such work might be better done by concentrating on individual countries, e.g. in Eastern Europe, rather than on a global basis.

6. In our view the balance of argument suggests that the idea of a political aid programme is worth pursuing. On the basis of a very small contribution (a few million pounds) the UK could exercise a substantial influence. A number of the difficulties outlined in the paragraph above could be overcome by proper management and effective rules in the establishment of a non-governmental foundation, like the British Council.

Objectives

7. The objectives of a political aid foundation would be:

(a) to support greater understanding of democratic values;

(b) to provide advice on the role of political parties in a pluralist society;

(c) to provide technical advice and assistance in setting up and functioning of democratic institutions (e.g. parliamentary organisation and procedure);

(d) to assist in the mechanics of elections (balloting, procedures etc)

(e) to assist in the establishment of individual political parties through their sister parties in the UK;

(f) to help in the development of an apolitical, career civil service to underpin democracy;

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(g) to support greater recognition of the need for and strict observance of human rights and civil liberties;

(h) to support development of a free press.

Geographical Coverage

8. Such a foundation would have a particular role in Eastern Europe and the Soviet Union. The establishment of a functioning democratic system in Eastern European countries will not come about overnight. Even after elections have taken place in the first half of this year those parties that survive will need to establish themselves properly and democratic institutions will need technical advice. The foundation would also have a useful role in exploiting the new leverage the West enjoys viz-a-viz the Third World as a result of improvements in East West relations. Here we should be trying to promote multi-party democracy, human rights and economic reform in Africa, Asia and Latin America (we are submitting a separate paper on this aspect).

Options

9. A number of different routes are open to us. We could either give the funds direct to foundations associated with the parties represented in the House of Commons for them to spend as they saw fit (c.f. the FRG) or we could give them to an independent foundation along the lines of the National Endowment for Democracy which would spend some of the money direct but also be in a position to give money to the parties for particular projects.

10. The establishment of a political aid foundation would not be a matter for the FCO Diplomatic Wing alone. There would be implications for the ODA if the project was to be financed from their budget and for the Treasury if new funds were to be found. Other government departments would also have an interest. The Secretary of State might therefore wish to consult Cabinet colleagues before we could make any decisions. The first step however should be to build an all party consensus on both the

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objective of political aid and the way in which it should be administered. This was the pattern followed by both the United States and Canada in building up to the creation of their programmes. Tactically Sir James Spicer's interest in channelling funds for Eastern Europe through political parties would give us a head of steam to build on in launching the idea of a political aid programme. However we respond to this specific request it would make sense to think carefully about long term structure for delivering political aid.

Recommendation

11. I therefore recommend that the Secretary of State speak to David Howell to:

- suggest that the FAC consider whether the UK should opt for a programme of political aid along the lines of other Western countries.
- explain that we have been working on such ideas in the FCO but think that the first priority is to establish whether an all-party consensus exists.
- offer to make available the backing and work prepared by Mr Pinto-Duschinsky to the FAC. The Secretary of State would of course have to make it clear that we could make no commitment to providing resources for such a programme of political aid nor to accepting whatever structure MPs thought best. If however they made a concrete proposal we would be prepared to study it.

R Cooper.

R F Cooper

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CC: PS/Mrs Chalker

PS/Mr Maude

PS/Lord Brabazon

PS/Mr Sainsbury

PS/PUS

Mr Lankester, ODA

DUSs

Mr Anderson, Legal Advisers

AUSs

Mr Hulse, EED

Mr Raleigh, APD

Mr Crabbie, RMD

PRU

Finance Dept

PUSD

Mr Lidington

Mr Fraser

POLITICAL AID : DISCUSSION PAPER ON A POSSIBLE UK ORGANISATION

Introduction

1. On the 22nd of February, the Foreign Secretary told the House of Commons that he wished to look on an all-Party basis to see what help Britain could give to developing political parties in Eastern Europe and possibly elsewhere.
2. Following this the Minister of State at the Foreign Office consulted leaders of the political parties represented in the House of Commons about the possibility of establishing a UK organisation for political aid. While there were differences of view on detailed points, there was broad agreement that this was a field in which the UK could and should be involved. The paragraphs below, which set out a suggestion for a UK organisation, reflect points made most frequently in the Minister of State's consultations. The description of the possible organisation is followed by some short notes explaining why particular arrangements have been chosen.

SUGGESTION FOR A POSSIBLE UK ORGANISATION

Legal Status

3. The organisation would be established as a Trust. This could be done by means of a deed under seal between a donor (on behalf of HMG) and a Board of Trustees. Such a Trust could be set up relatively quickly, as soon as the deed was drafted and funding had been agreed. The deed would embody:

- the objectives of the Trust
- the manner of operation
- the sources of income.

The Trustees would be independent in the exercise of their functions and would not be subject to direction by HMG. They would be accountable, if necessary through the courts, for the proper execution of their duties.

Objectives

4. The principal objectives of the Trust would be :

- To assist in the establishment and organisation of political parties committed to multiparty democracy
- To support the spread of democratic values and human rights by encouraging free and democratic institutions throughout the world
- To provide training, technical advice and practical assistance in support of democratic electoral processes abroad

5. The Trust should not support projects which :

- Involve subventions to political parties or any other organisation
- Give support to violence or the use of force
- Are not consistent with the overall objectives of the Trust.

Nor should the Trust carry out projects directly itself.

Structure

6. The Trust should be a non-partisan body representative of all the parties in the House of Commons. It should be structured as follows:

- A Board of Trustees: 7 or 8 senior Parliamentarians from either of the Houses of Parliament, chaired by the Speaker (two vice chairmen should also be appointed who can chair the Board in his absence). Appointments to the Board of Trustees should be nominated by the political parties and approved by the Speaker. The allocation of places should reflect the composition of the House of Commons.
- An Executive Director, to be appointed for a period of three years. His appointment should be made by the Board of Trustees, who may also dismiss him.
- An Advisory Committee, appointed by the Board of Trustees, comprising a representative of the Speaker, two representatives each of the other members of the Board and one representative of the Foreign and Commonwealth Office (14-16 in total). The Committee would be chaired by the Executive Director who would also act as Treasurer.
- Members of both the Board and the Committee will be expected to make a serious commitment to its work. Members of the Advisory Committee who fail to attend three successive meetings will be

expected to resign.

- Members of the Board of Trustees and Advisory Committee (with the exception of the Executive Director) should be appointed for a period of 5 years or until the next General Election whichever comes sooner. The Board and Committee will be re-appointed after each General Election.
- Members of the Board or the Committee may be re-nominated and re-appointed a maximum of three times (subject to the approval of the Speaker in the case of the Board of Trustees).
- The Speaker, in the case of the Board of Trustees and members of the Board of Trustees in the case of the Advisory Committee, will be able to appoint new members in the case of the resignation or death of existing members.
- The Trust should have a small permanent Secretariat to support the work of the Executive Director.

Procedures

7. The proceedings of the Trust should be flexible, capable of processing applications promptly and not inhibitingly formal.

- The Board of Trustees may meet as often as they deem appropriate but at least twice a year. In its early stages the Board should play an active role in establishing the pattern of the Trust's work.
- The Board will consider :
 - (a) an annual review of the projects approved by the Trust;
 - (b) the annual bid for the level of funding for the next financial year prepared by the Executive Director and approved by the Advisory Committee;

- (c) projects which the Executive Director and the Advisory Committee refer to the Board;
 - (d) projects costing more than £30,000 (to be adjusted for inflation);
- The Board of Trustees will forward to the Treasury, as approved by them, the annual review of projects and the bid for funding before the end of each financial year.
 - The Executive Director will attend all meetings of the Board of Trustees and will be available to discuss with the Treasury the annual review of projects and bid for funds.
 - The Executive Director will be empowered by the Board of Trustees to refuse or approve projects on the advice of the Advisory Committee provided their costs do not exceed £30,000 (to be adjusted for inflation).
 - The Advisory Committee will meet at least four times a year or more often depending on the number of projects submitted. Half of the members of the Advisory Committee shall constitute a quorum.
 - All projects must be sponsored by one or more of the parties represented in the Houses of Parliament. Projects may come from any proposer but to be eligible they must be sponsored by a party. The Committee will advise the Executive Director or the Board of Trustees on the suitability of projects.
 - Details of projects will be circulated to the Advisory Committee or the Board of Trustees as appropriate at least one month before the meeting at which they are to be considered.
 - The geographical scope of the Trust shall be unlimited outside the UK, although initially its activities will be directed

principally towards Eastern Europe and Southern Africa.

- Parties sponsoring projects must be able to demonstrate that their proposals fall within the terms of the Trust and that adequate provision has been made to process and monitor each project. The Executive Director and Board of Trustees will not approve projects unless they are satisfied on these points.
- The Advisory Committee may recommend to the Executive Director that a project be referred to the Board of Trustees for approval.
- The Speaker may call an extraordinary meeting of the Board of Trustees either at the request of the Executive Director or at the request of three or more members of the Board. The Executive Director may call an extraordinary meeting of the Advisory Committee on his own decision or at the request of 7 or more members of the Committee. Such meetings may be called at 3 days notice.

Budget

8.

- The Trust should be funded by grant in aid from the Treasury voted annually by Parliament.
- The Trust should be open to contributions from industry and other organisations. Such contributions may be tied to projects sponsored by particular political parties. These funds would be subject to the same approval, audit and reporting procedures and will be included in the annual review.
- Initial allocations from public funds could be in the region of £1 million rising to £10 million over the first five years depending on the performance of the Trust.

- Funds will be apportioned for projects sponsored by particular parties in accordance with the formula for allocation of the Short Money.
- Allocated funds unspent three months before the end of each financial year will be placed in a pool and available for projects sponsored by any party.
- Where a project is sponsored by more than one party it will be for the parties concerned to decide how funding should be apportioned between them.
- Funds will be paid to the political parties sponsoring projects approved by the Trust, who will appoint representatives (not members of the Board of Trustees or the Advisory Committee) to process each project in accordance with the objectives of the Trust.
- Allocation of funds must include provision for the cost of premises and other running costs (including the salaries of the Director and Secretariat and the reasonable expenses of Board and Committee members).

Accountability

9. The work of the Fund should be fully accountable and open in order to maintain all party support, to attract funding from other sources and to maintain a good standing abroad.

- The accounts of the Trust should be audited annually by the Comptroller and Auditor General and laid before Parliament.
- Parties sponsoring projects must circulate to the Advisory Committee within three months of project approval, either an assessment of the project or a progress report (if it is still

running). These will be considered at the next Advisory Committee Meeting provided they are received within two weeks of that meeting or if not at the following meeting, and may if appropriate be referred to the Board of Trustees.

- It will be the duty of the Executive Director to remind sponsors of this obligation.

- The Executive Director will prepare before the end of each financial year a review of all projects approved with the advice of the Advisory Committee, to be agreed by the Board of Trustees and submitted to HMT. The review shall be unclassified and public.

EXPLANATORY NOTES

1. Legal Status

An alternative would be to establish the Trust as a charitable trust. This would have advantages in terms of tax status but it is not clear that the Trust's work would necessarily qualify for charitable status. As a charitable trust there would be complications on the handling of funds, the approval of projects, and the Charity Commissioners would need to be involved. These factors outweigh the possible advantages.

2. Objectives

The suggested objectives for the Trust are drawn up to avoid duplication of effort with government activity. Some areas of political development such as assistance in the development of a judiciary or a civil service can be handled under ODA or diplomatic wing programmes. There is also a grey area where, depending on circumstances, projects may or may not be too political for government programmes. For example under the Know-How Funds the FCO can help the training of journalists but where newspapers are highly political the Government is not always able to undertake this.

3. Budget

It is proposed that Government funds from the Trust should come in the form of a grant-in-aid from the Treasury rather than from the FCO in order to establish the Trust's independence of the foreign policy of the government of the day. Funding from the diplomatic wing vote would compromise this. It is also difficult to see how the FCO Accounting Officer (the Permanent Under Secretary) would be able to ensure that expenditure was in line with the requirements of Government accounting.

THE CASE FOR A UK POLITICAL AID INSTITUTION

The UK has an interest in the promotion of pluralism, democracy and human rights throughout the world. These are accepted as desirable goals across the political spectrum in the UK. Pluralism and democratic accountability also contribute indirectly to the UK's security and prosperity.

There are increasing opportunities for activity in this field. In Eastern Europe a number of countries are attempting to restructure their society on pluralist lines. In Latin America the prospects for democracy have improved considerably but help will be needed in overcoming obstacles. In Africa and Asia also there is a recognition that one party systems of the government, particularly those based on Marxist models, have not succeeded. A number of other countries have been actively involved in promoting democracy and free political parties. The German Foundations have made an important contribution towards pluralism especially in Spain, Portugal and certain Latin American countries. The United States National Endowment for Democracy is now increasingly active in the same field. This is an area in which the UK has not so far matched the efforts of other countries. As well as contributing to political development abroad, there is no doubt that institutions such as the German Foundations or the National Endowment added to their country's standing. (These are the most prominent examples but some 16 countries have larger or smaller programmes of political aid). It is anomalous that the UK has so far left the field to others given that many abroad regard the UK as the home of democratic government.

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BUSH/GORBACHEV SUMMIT

1. OUR CONTACTS HAVE TOLD US THAT IT HAS BEEN AGREED DURING THE CURRENT DISCUSSIONS BETWEEN BAKER AND SHEVARDNADZE THAT THE US/SOVIET SUMMIT WILL BE HELD IN THE PERIOD 30 MAY TO 3 JUNE. THIS IS BEING MADE PUBLIC IMMEDIATELY.
2. THIS IS EARLIER THAN PREVIOUSLY EXPECTED AND IS, WE UNDERSTAND, OCCASIONED IN PART BY THE COMPLEXITY OF THE SOVIET DOMESTIC AGENDA IN JUNE. IT DOES OF COURSE HAVE THE EFFECT OF REMOVING A THREAT FROM THE NAC MEETING IN TURNBERRY.

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BAKER/SHEVARDNADZE MEETING : US PREVIEW

SUMMARY

1. WIDE RANGING ADMINISTRATION BRIEFING ON US OBJECTIVES. NO SURPRISES. EMPHASIS ON PREPARATION FOR ARMS CONTROL AND BILATERAL AGREEMENTS FOR THE SUMMIT. LITHUANIA, GERMANY EXPECTED TO FEATURE. SOME CONCERN AT THE SLOWING OF PROGRESS IN NEGOTIATIONS GENERALLY IN RECENT WEEKS.

DETAIL

2. ON 4 APRIL STATE DEPARTMENT OFFICIALS BRIEFED NATO-PLUS AMBASSADORS ON AMERICAN OBJECTIVES AT THE MEETINGS WITH SHEVARDNADZE WHICH WILL TAKE PLACE OVER THE NEXT TWO DAYS. IT WAS GIVEN BY KIMMITT, BARTHOLOMEW, SEITZ, AND KAMAN, EACH OF WHOM WERE OBLIGED TO BREAK OFF FROM TIME TO TIME IN ORDER TO ATTEND THE IN-HOUSE BRIEFING MEETINGS WITH BAKER WHICH WERE RUNNING CONCURRENTLY. DESPITE THE SOMEWHAT DISJOINTED NATURE OF THE PRESENTATION, A FAIRLY CLEAR PICTURE OF AMERICAN OBJECTIVES EMERGED.

3. KIMMITT SAID THAT ALL FIVE PARTS OF THE TRADITIONAL US/SOVIET AGENDA WOULD BE COVERED, ALTHOUGH ON THIS OCCASION THE AMERICANS WOULD FOCUS ON SUMMIT PREPARATIONS AND CONCENTRATE ON THOSE SUBJECTS ON WHICH THERE WAS A PROSPECT OF REACHING AGREEMENTS, SIGNED OR OTHERWISE, AT THE MEETING BETWEEN BUSH AND GORBACHEV IN JUNE.

ARMS CONTROL

4. BARTHOLOMEW SAID THAT THE AIM WOULD BE TO BUILD ON THE FIRM BASIS ALREADY LAID DOWN IN WYOMING AND MOSCOW. THERE WERE INDICATIONS THAT THE RUSSIANS WOULD BE IN A POSITION TO MAKE SOME PROPOSALS, NOTABLY ON START, BUT GENERALLY THERE WAS CONCERN THAT THE SOVIET NEGOTIATORS HAD BEEN MOVING MORE SLOWLY RECENTLY, PARTICULARLY ON CFE, BUT ALSO IN GENEVA. IT

PAGE 1
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WAS NOT CLEAR WHETHER THIS WAS THE RESULT OF BUREAUCRATIC OVERLOAD IN MOSCOW, A REFLECTION OF THE TRANSITION IN DECISION-MAKING STRUCTURES FROM THE POLITBURO TO ONE BASED ON AN NSC-TYPE SYSTEM, OR SIMPLY HESITATION AS NEGOTIATIONS CAME TO A HEAD. BUT THE AMERICANS PLAN WOULD ATTEMPT TO ENERGISE ARMS CONTROL ACROSS THE BOARD: ON START (THE SLCM DECLARATION, VERIFICATION OF MOBILE ICBM PRODUCTION, NUMERICAL LIMITS FOR NON-DEPLOYED MISSILES AND THE DURATION OF THE TREATY ITSELF): DEFENCE AND SPACE (ESSENTIALLY SEEKING AGREEMENT TO THE US CREDIBILITY PACKAGE): CW (WHERE THE AGREEMENT ON DESTRUCTION HAS NOW NARROWED DOWN TO ONE OR TWO KEY QUESTIONS): CFE (WHERE BAKER WOULD REMONSTRATE OVER THE LACK OF SOVIET FOLLOW-THROUGH IN VIENNA ON ISSUES SUCH AS AIRCRAFT AND DESTRUCTION ARRANGEMENTS): AND OPEN SKIES (WHERE THE RUSSIANS NEEDED TO SHOW A GREATER SENSE OF COMMITMENT IF AGREEMENT WAS TO BE REACHED FOR BUDAPEST). LESS PRESSURE WAS LIKELY TO BE NEEDED ON NUCLEAR TESTING, WHERE THE TTBT AND PNET PROTOCOLS WERE ON TRACK FOR SIGNATURE IN JUNE. BAKER ALSO PLANNED TO GIVE SHEVARDNADZE A DRAFT STATEMENT OF COOPERATION ON NON-PROLIFERATION, WITH A VIEW TO ISSUING AT THE SUMMIT, ON WHICH BARTHOLOMEW MIGHT HAVE PRELIMINARY DISCUSSION WITH KARPOV. ONE GENERALLY ENCOURAGING SIGN WAS THAT AKHROMOYEV WOULD BE PRESENT FOR THE TALKS.

EAST/WEST

5. SEITZ SAID THAT LITHUANIA WOULD BE A MAJOR ITEM AT THE TOP OF THE AGENDA. BOTH BAKER AND THE PRESIDENT WOULD EMPHASISE QUOTE VIBRANTLY UNQUOTE THAT USE OF FORCE IN LITHUANIA WOULD HAVE A SEVERE POLITICALL IMPACT ON THE US/SOVIET RELATIONSHIP AS A WHOLE. ASKED WHETHER LITHUANIA WAS A REASON WHY NO FIRM DATE HAD YET BEEN SET FOR THE SUMMIT, SEITZ SAID THAT THE MAIN REASONS WERE THE COMPLICATIOINS CAUSED BY THE DOMESTIC SOVIET AGENDA, INCLUDING THE DATE OF THE PARTY CONGRESS (WHICH HAD ONLY JUST NOW BEEN FIXED FOR 2 JULY), AND THE FSR CONGRESS IN MID-JUNE. KIMMITT ADDED HOWEVER THAT LITHUANIA WAS NEVERTHELESS AN ELEMENT IN US CALCULATIONS IN THIS RESPECT.

6. ON GERMAN UNIFICATION, SEITZ SAID THAT IN REVIEWING PROGRESS OF THE TWO PLUS FOUR DISCUSSIONS IT MIGHT BE POSSIBLE TO ENVISAGE A FURTHER MEETING OF OFFICIALS (ONCE THE NEW GDR GOVERNMENT WAS FORMED) AROUND THE THIRD WEEK OF APRIL, WITH A MINISTERIAL MEETING BY THE END OF THE MONTH OR IN THE FIRST PART OF MAY - AN INTERESTING COMMENT IN THAT SEITZ HAD BEEN PRESSING AT THE DISCUSSIONS WITH GENSCHER ON THIS EARLIER IN THE DAY. OTHERWISE THE AMERICANS WOULD BE PRESSING FAMILIAR

VIEWS ON THE INCORPORATION OF GERMANY INTO WESTERN STRUCTURES.

7. THE TWO SIDES WOULD ALSO REVIEW PROSPECTS FOR THE CSCE SUMMIT, THE US RETAINING ITS PRE-CONDITIONS AS BEFORE. THE ADMINISTRATION ALSO EXPECTED TO HAVE TO COUNTER SOVIET VIEWS ON THE INSTITUTIONALISATION OF CSCE AND THE SYNCHRONISATION WHICH THEY SEEM TO ENVISAGE BETWEEN THIS AND REUNIFICATION. REGIONAL ISSUES.

8. KIMMIT SAID THAT THE US APPROACH AS A WHOLE WOULD BE TO SECURE SOVIET AGREEMENT TO FREE ELECTIONS AS THE GUIDING PRINCIPLE TO THE RESOLUTION OF REGIONAL CONFLICTS. THE MAIN EMPHASIS IN THIS RESPECT WOULD BE ON AFGHANISTAN (WHERE THERE WAS SOME OPTIMISM THAT THE RUSSIANS WERE WORKING SERIOUSLY ON HOW TO PERSUADE NAJIBULLAH TO STAND ASIDE). THEY WOULD ALSO RAISE ANGOLA, WHERE SHEVARDNADZE SEEMED TO HAVE A HIGH DEGREE OF INTEREST AND HAS SUGGESTED THAT HE MIGHT APPOINT AN ENVOY ON AFRICAN AFFAIRS. ON EHTIOPIA THEY WOULD SEEK SOVIET HELP IN ENABLING FAMINE RELIEF TO PROCEED. OTHER US ITEMS WERE CAMBODIA, NORTHERN TERRITORIES (WHERE BAKER WOULD STRESS THE VALUE TO THE RUSSIANS OF RESOLVING ITS DISPUTE WITH THE JAPANESE), KOREA: (TO PRESS THE NORTH KOREANS OVER AN IAEA SAFEGUARDS AGREEMENT AS WELL AS RESUMPTION OF NORTH/SOUTH TALKS), KASHMIR, NICARAGUA (TO RESTRAIN SANDANISTAS): SALVADOR (WHERE THE RUSSIANS COULD DO MORE TO INFLUENCE CUBA TO CEASE SUPPLYING THE FLMN), CUBA (THE PROBLEM OF CONTINUING MIG 29 DELIVERIES) AND MIDDLE EAST PEACE PROCESS.

9. KAMAN LISTED VARIOUS NEGOTIATIONS WHICH THE AMERICANS WANTED TO PUSH TOWARDS AGREEMENT FOR THE SUMMIT. THESE WERE PRIMARILY IN THE ECONOMIC FIELD: THE US/SOVIET COMMERCIAL AGREEMENT, DOUBLE TAXATION TREATY AND INVESTMENT AGREEMENT (THOUGH THE LATTER TWO MIGHT NOT NOW BE READY IN TIME). THE RUSSIANS MIGHT BE READY TO SIGN A NEW AGREEMENT ON OCEANS - EVIDENCE OF GREATER DETERMINATION TO BE MORE ACTIVE ON ENVIRONMENTAL ISSUES. THERE WOULD ALSO BE TALKS IN THIS CONTEXT ON THE FORTHCOMING INTERNATIONAL AGENDA OF CONFERENCES ON THE ENVIRONMENT. PROGRESS WAS ALSO LIKELY ON A NEW AGREEMENT ON SPACE (POSSIBLY EXPANDING THE EXISTING LIST OF PROJECTS): ON CUSTOMS COOPERATION IN THE NARCOTICS FIELD, ON THE US PROPOSALS FOR QUOTE OPEN LANDS UNQUOTE, ON THE NEW OFFICE BUILDING IN MOSCOW AND ON EXPANDING STUDENT EXCHANGES. HUMAN RIGHTS

10. THE US WOULD PRESS FOR PROGRESS ON REFUSNIK CASES (WHERE THERE HAD BEEN LITTLE CHANGE SINCE THE MOSCOW MINISTERIAL). BAKER WOULD ALSO OFFER ASSISTANCE, AT BOTH GOVERNMENT AND PRIVATE LEVELS, TO ENABLE THE RUSSIANS TO STRENGTHEN CIVIL AND

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Foreign and Commonwealth Office

London SW1A 2AH

From The Minister of State

2 April 1990

2 Mr. ...

CA 2/10

EASTERN EUROPE - INVESTMENT INSURANCE

Your letter of 6 March to John Major proposed some extensions to your investment insurance scheme for Eastern Europe. I have also seen Richard Ryder's letter of 21 March.

I warmly welcome this move to facilitate British investment in Eastern Europe. All the countries of Eastern Europe will depend heavily on foreign investment in carrying out the liberalisation and modernisation of their economies. I very much hope that British industry can play a full part in this.

I therefore share your view that these proposals should be seen as only a first step. I hope you will be able to review the modest initial limits on cover available in the light of future demand from investors. I think we should also be prepared to consider on its merits any investment insurance proposal for Yugoslavia.

I am copying this letter to the Prime Minister, Geoffrey Howe, Tom King, Chris Patten, John Wakeham, Members of OD(E) and to Sir Robin Butler.

2 Mr. ...
Wini

The Rt Hon William Waldegrave

The Rt Hon Nicholas Ridley MP
Secretary of State for Trade and Industry
Department of Trade and Industry
1-19 Victoria Street
LONDON
SW1H 0ET

For for: East / West Celebration, 1711



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BAKER/SHEVARDNADZE MEETING: 4-6 APRIL
SUMMARY

1. US PLANNING FOR TALKS ON A WIDE RANGE OF ISSUES, IN ORDER TO FOLLOW UP ON MALTA, AND PREPARE FOR THE JUNE SUMMIT. BUT LITHUANIA AND GERMANY CERTAIN TO FEATURE PROMINENTLY.

DETAIL

2. SHEVARDNADZE WILL VISIT WASHINGTON ON 4-6 APRIL FOR THE NEXT ROUND OF MEETINGS WITH BAKER DESIGNED TO FOLLOW UP ON MALTA, AND PREPARE FOR THE JUNE SUMMIT. SHEVARDNADZE WILL ALSO HOLD TALKS WITH PRESIDENT BUSH.

3. THREE SEPARATE ONE ON ONE SESSIONS WITH BAKER HAVE BEEN PLANNED (EACH LASTING TWO TO THREE HOURS). OFFICIALS HAVE TOLD US THAT THESE WILL FOCUS ON INTERNAL DEVELOPMENTS IN THE SOVIET UNION, GERMANY, ARMS CONTROL, AND, POSSIBLY, AFGHANISTAN. ALTHOUGH LITHUANIA AND GERMANY ARE CERTAIN TO FEATURE PROMINENTLY THERE ARE A NUMBER OF OTHER ISSUES ON WHICH THE US WISH TO MAKE PROGRESS IF THE MALTA UNDERTAKINGS ARE TO BE FULFILLED IN TIME FOR THE JUNE SUMMIT. PARTICULARLY ARMS CONTROL (SEE MIFT). OTHER AGENDA ITEMS INCLUDE:

(I) REGIONAL ISSUES. IN ADDITION TO AFGHANISTAN THE US ARE PLANNING TO RAISE ANGOLA, CENTRAL AMERICA (SOVIET SUPPORT FOR THE FMLN AND CUBA), CAMBODIA, AND, IF TIME PERMITS, KASHMIR AND ETHIOPIA.

(II) BILATERAL ISSUES. THE US WISH TO GIVE A HIGH LEVEL PUSH TO THE US/SOVIET TRADE NEGOTIATIONS. US OFFICIALS ARE BEGINNING TO BE CONCERNED AT SOVIET FOOT-DRAGGING OVER CERTAIN ISSUES, PARTICULARLY THE PROTECTION OF INTELLECTUAL PROPERTY RIGHTS, AND THE NEED TO PASS THE NEW SOVIET EMIGRATION LAW IF JACKSON-VANIK IS WAIVED. OTHER BILATERAL ISSUES WILL INCLUDE STUDENT EXCHANGES, HUMAN RIGHTS (WHERE THE US WILL PRESS SHEVARDNADZE ON OUTSTANDING REFUSENIK CASES), THE PROGRESS OF SOVIET ECONOMIC REFORM AND ANY ADDITIONAL TECHNICAL ASSISTANCE THE US CAN OFFER.

(III) TRANSNATIONAL ISSUES. THESE INCLUDE COUNTER TERRORISM, NARCOTICS, THE ENVIRONMENT, AND POSSIBLE COOPERATION IN SPACE.

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Foreign and Commonwealth Office

London SW1A 2AH

21 March 1990

Dear Carys,

POLITICAL AID

Thank you for your letter of 13 March. We have also seen Charles Powell's letter of 14 March.

Mr Waldegrave has almost completed a first round of consultations with other parties in the House as agreed in Charles Powell's letter of 22 February. He has made clear throughout his meetings that the basis on which any bid for political aid was funded remained to be determined. Mr Waldegrave has told the other parties that as a next step we will circulate in 3 weeks a discussion document outlining some ideas on the organisation of political aid.

In the meantime Mr Waldegrave has instructed FCO officials to contact their Treasury opposite numbers shortly to discuss the funding of political aid together with the other points made in your letter. This will prepare discussions by Ministers, and will also be an opportunity to explain how our thinking has developed following Mr Waldegrave's consultations.

I am copying this letter to Charles Powell (No 10) and Robert Canniff (Chancellor of the Duchy of Lancaster).

Yours etc

Dominic Asquith

Dominic Asquith
Private Secretary to the
Rt Hon William Waldegrave

Miss Carys Evans
Treasury Chambers
Parliament Street
LONDON
SW1P 3AG

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Treasury Chambers, Parliament Street, SW1P 3AG

The Rt Hon Nicholas Ridley MP
Secretary of State for Trade and Industry
Department of Trade and Industry
1-19 Victoria Street
LONDON
SW1H 0ET

ED 22/3

21 March 1990

John Nicholas,

EASTERN EUROPE - INVESTMENT INSURANCE

Thank you for your letter of 6 March to John Major. As you know our officials have already cleared the main outlines of the proposals and I am happy to give my formal agreement to what is proposed. I should be grateful to see the terms of any announcement in draft.

I see that you regard the proposals as set out at present as very much a first step which does not go as far as you would like. However, as you know, the capital markets have the potential to provide a useful flow of funds unaided if Eastern European countries are able to provide a sufficiently attractive investment climate. Private investment will follow good business opportunities.

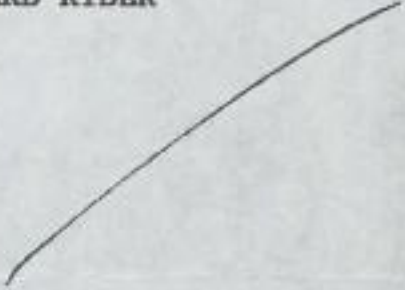
The need to spread the risk on ECGD's overall portfolio also necessarily limits the contribution which the Overseas Investment Scheme can make to promoting investment in Eastern Europe. Even on existing proposals, there is a potential ECGD exposure in Eastern Europe of £85 million or more than a third of ECGD's total maximum exposure. Any backlash against Western investors would have a catastrophic effect on the Scheme's finances. For these reasons I should be most reluctant to agree any increase in the current ceilings.

It would be most helpful if your officials can keep mine in close touch with the demand for cover in Eastern Europe. We need also to monitor carefully the deteriorating external financial position of some of these countries, especially Hungary and the USSR.

I am copying this letter to the Prime Minister, Sir Geoffrey Howe, Tom King, Chris Patten, John Wakeham, members of OD(E) and to Sir Robin Butler.



James
Ryder
RICHARD RYDER



FOR POL
Each week REB

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10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

14 March 1990

Dr. Singh

POLITICAL AID

The Prime Minister has seen Carys Evans' letter of 13 March to you about the proposals for aid to new political parties in countries which are moving towards democracy. She agrees with the Chief Secretary's view that the detail should be settled between Ministers before negotiations with the House Authorities or with the Political Parties.

I am sending a copy of this letter to Carys Evans (Chief Secretary's Office).

Yours sincerely
C. D. Powell
(C. D. POWELL)

Stephen Wall, Esq.,
Foreign and Commonwealth Office.

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(2)

Treasury Chambers, Parliament Street, SW1P 3AG
01-270 3000

13 March 1990

Stephen Wall Esq
PS/Secretary of State for Foreign and
Commonwealth Affairs
Foreign and Commonwealth Office
Downing Street
LONDON
SW1A 2AL

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[Handwritten initials]

Dear Stephen,

STRATEGIC IMPLICATIONS OF CURRENT TRENDS AND GERMAN UNIFICATION

The Chancellor has seen the papers you circulated on ^{map} 2 March, following the seminar at Chequers on 27 January.

The Chancellor has noted that there are substantial financial implications, and balance of payments effects in the case of stationed forces, to be considered as the ideas in the papers are worked up and negotiations proceed with other countries.

He believes that it would be desirable to establish early in discussions with our main allies the principle that the financial burden of the future cooperative defence of Western Europe should be shared equitably among the major European countries involved, including a united Germany. At present the FRG spends a lower proportion than the UK of GDP on defence, and does not have to carry a balance of payments deficit for security reasons, with some adverse effect on the UK's relative economic performance. He would prefer this gap to be narrowed in the context of unification although the contributions of the French and others will also need to be taken into account. In any case he does not believe the Germans should get the impression that their proportionate financial contribution could fall as low as around one third of the UK's, as the tentative suggestions about future German force levels could imply. He also suggests that such a principle of equitable contributions might be presented to our allies as an extension of the principle of equity agreed for the much more

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limited apportionment of reductions in treaty limited items under CFE.

He would be grateful if officials here could be kept in touch with progress.

I am sending copies to Charles Powell (No.10), Simon Webb (MOD) and Sonia Phippard (Cabinet Office).

T. Tarkowski

T TARKOWSKI
Private Secretary

for loc: East-West. 1711.



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Treasury Chambers, Parliament Street SW1P 3AG

Stephen Wall Esq
 Private Secretary to the
 Foreign Secretary
 Foreign and Commonwealth Office
 King Charles Street
 London
 SW1

13 March 1990

Dear Stephen

POLITICAL AID

The Chief Secretary has seen Charles Powell's letter to you of 22nd February, which you copied to John Gieve, and we have since caught up with the earlier correspondence. I understand that Mr. Waldegrave has since discussed these ideas with the Speaker, but we have not yet heard the outcome.

2. The Chief Secretary, believes that before discussions go much further, it is necessary to establish the basis on which such a new initiative would be financed. Very early indications from FCO officials are that the first-year cost might be of the order of £1 million, building up thereafter to an annual level of £10 million.

3. We also understand from FCO officials that, in order to distance the Government from this essentially non-partisan initiative, the present intention is to create an independent institution, perhaps on the lines of the Inter-Parliamentary Union or the Commonwealth Parliamentary Association. It does not follow from this, of course, that the funding would be borne on Parliamentary or Treasury votes, or be met from the Reserve. The arrangement under which the IPU and CPA are financed directly by the Treasury is itself an anomaly. As the motivation is essentially one of international politics, the Chief Secretary considers that if any public expenditure were decided for this purpose, it should fall on an FCO Vote, and that the Foreign Secretary should find offsetting savings from within one or other of his programmes.

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4. But the Chief Secretary also feels that the cost-effectiveness of the proposal needs more careful study. He does not think it is self-evident that a body modelled on the IPU is the right instrument - or indeed that any new institution is required. Much of what is proposed is analogous to some of the present operations of the British Council and he doubts whether a new body is needed for the purpose. If it is, then he believes that it should be set up in such a way as to attract private funding, so as to gear up any public funds which might be contributed. Another alternative which might be considered is a Speaker's Fund, which could be based on a grant in aid from the FCO, and might be able to attract further funds from the private sector.

5. The Chief Secretary asks me to say that he very much hopes these issues can be discussed further among Ministers before negotiations with the House Authorities or with the Political Parties go any further.

6. I am copying this letter to Charles Powell (No.10), and Robert Canniff (Chancellor of the Duchy of Lancaster).

Yours

Carys Evans

MISS C EVANS
Private Secretary



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BUSH/GORBACHEV SUMMIT: DATES

1. WHITE HOUSE STAFF HAVE TOLD US THAT ALTHOUGH THE DATE FOR THE SUMMIT HAS YET TO BE SETTLED, THEY ARE WORKING ON A WINDOW OF 12 TO 20 JUNE, AND AIMING FOR THE MIDDLE OF THAT. PARTICULAR CONSIDERATION IS BEING GIVEN TO THE POSSIBILITY OF TAKING GORBACHEV OUTSIDE WASHINGTON TO SOMEWHERE IN AMERICA WHERE PRESS COVERAGE OF HIS PRESENCE WILL RESONATE WELL WITH DOMESTIC OPINION IN RUSSIA. INEVITABLY TEXAS IS A FRONT-RUNNER.

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The Rt. Hon. Nicholas Ridley MP
Secretary of State for Trade and Industry

The Rt Hon John Major MP
Chancellor of the Exchequer
Treasury Chambers
Parliament Street
London
SW1P 3AG

Department of
Trade and Industry

1-19 Victoria Street
London SW1H 0ET

Enquiries
01-215 5000

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Sean Som

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EASTERN EUROPE - INVESTMENT INSURANCE

In my letters of 15 January to Douglas Hurd and 20 February to you, I reported that our officials were reviewing the cover that could be made available for UK companies wishing to make new equity investments in Eastern European countries. I said I would circulate the details when officials had completed their work.

The review has now been completed and the results are summarised below:

HUNGARY AND POLAND - Normal cover for the War and Expropriation risks. Transfer cover will be given subject to an initial extended (12 months) waiting period for claims; this period will be further extendable at ECGD's option. However, the standard 6 months claims waiting period will apply to individual exposures no greater than £0.5m. Transfer cover in all cases will apply only to that part of remittances permitted by the current local laws. There will be an initial limit on cover of £20m for each country. This will be subject to review.

CZECHOSLOVAKIA AND USSR - Local regulations require that remittances be funded out of the net foreign exchange earnings from the export sales of the enterprise. Transfer cover will, therefore, be given subject to that regulation. Normal cover will be given for the War and Expropriation risks, although care will have to be taken before any cover is agreed for investments in those Soviet Republics where there are current political problems. There will be initial limits of £20m on



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the department for Enterprise

cover for Czechoslovakia and £25m for USSR. Again these will be subject to review.

BULGARIA AND ROMANIA - It has not proved possible to agree any formal arrangements, due in part to uncertainties over the transfer of remittances risk. Thus any applications received will have to be considered ad hoc.

EAST GERMANY - In view of the pace of change in relation to unification (which could render investment insurance unnecessary anyway), any applications will similarly be considered ad hoc.

The above proposals reflect the need to keep a balanced portfolio for investment insurance which is currently quite small in total. I would, nevertheless, hope that when these markets are reviewed in six months time (or earlier if circumstances permit) consideration can be given to increases in the initial guideline limits if circumstances warrant additional ECGD support. I personally regard these proposals very much as a first step which do not go as far as I would like.

I should welcome your formal agreement to what is proposed.

I am copying this letter to the Prime Minister, Geoffrey Howe, Tom King, Chris Patten, John Wakeham, Members of OD(E) and to Sir Robin Butler.

James
Andrews

fore pol: ETW Reli pr 11





10 DOWNING STREET

Charles
Fixed
for 11.30
on Thurs
15 March

AD
5/3

Amadeo

The PM wants a

meeting - 45

minutes - 45

Douglas Hurd &

Ten by 3

San or 45 9

did to 10

discuss 10 FC

paper on Strategic
Implications of
Current Trends in
the Alliance &
East/West relations.

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bcpc

10 DOWNING STREET

LONDON SW1A 2AA

From the Private Secretary

5 March 1990

Daw High.

STRATEGIC IMPLICATIONS OF CURRENT TRENDS IN THE ALLIANCE
ON EAST/WEST RELATIONS

Thank you for your letter of 2 March enclosing a paper on the strategic implications of current trends in the Alliance and East/West relations. The Prime Minister has read the paper and commented that it is a good one. She would like a first discussion of it with the Foreign Secretary and the Defence Secretary before deciding how best to take the work forward. We will arrange for this.

Meanwhile, you may find it helpful to be aware of the Prime Minister's marginal comments:

- on para. 1, she has commented that our assessment of a reduced Soviet military threat is very dependent on Gorbachev remaining in power;
- on para. 2, she has noted that the US not Germany is the lynch-pin of NATO;
- on para. 4, she has commented that the description of the Soviet military threat underplays the nuclear and chemical elements;
- on para. 5A, the Prime Minister suggests that the starting point for NATO's force planning should be a new military strategy rather than bland acceptance of force cuts by some NATO members. She maintains her scepticism about the practicality of multinational forces. And she underlines the importance of keeping some nuclear weapons in Germany;
- on the reference in 5B to a German-dominated Mitteleuropa, she has commented that we must not let this happen. She has also suggested (in relation to the last indent) that the survival of the Warsaw Pact could be politically helpful for us as well as for Gorbachev;
- on 5C, the Prime Minister has expressed concern about the reference to the Germans consulting with Britain and France on nuclear matters and has asked what is meant by this. She would not want to see the Germans have a nuclear role.

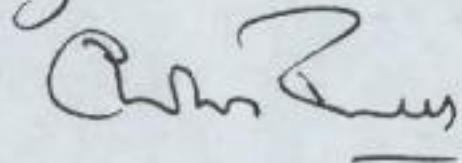
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- 2 -

On a more general point, the Prime Minister warns against making assumptions e.g. about the eventual size of US forces in Europe, the likelihood of further CFE negotiations, which could all too easily become accepted as inevitable.

I am copying this letter to Simon Webb (Ministry of Defence) and Sonia Phippard (Cabinet Office).

Yours sincerely,


(C. D. POWELL)

J. S. Wall, Esq.,
Foreign and Commonwealth Office.

CONFIDENTIAL

PRIME MINISTER

It is a good paper.
We should have a preliminary
discussion first. We need some
competent military
advisers.
mb

STRATEGIC IMPLICATIONS OF CURRENT CHANGES IN EAST/WEST
RELATIONS

I attach a paper by the FCO on the implications for NATO's strategy of current trends in the Alliance and East/West relations. It is an important paper and warrants close attention - and eventually discussion. It is in essence the political/strategic background for the paper on which the MoD are working on the restructuring of our forces.

The paper's message is that the ^{present} decline of the Soviet threat, the likely further reduction of US forces in Europe (perhaps to 100,000) and the inclination of many of our Allies to stop taking defence seriously will make it much more difficult to keep NATO together and maintain public support for defence spending. Yet we shall continue to need NATO and strong defence in the more uncertain and unstable world on which we are entering. The paper judges that we shall only achieve that by making a hard-headed assessment of what we can realistically get our Allies to accept. It will be no good just digging in and trying to defend the status quo.

George
Bush does
not see
this
life is different
to how NATO
operates

Thus, the paper suggests that:

- we should be looking to a reduction of our own forces in Germany to about 25,000; - overall, in any only
- we should support the idea of organising stationed forces as multi-national units, to make them more acceptable to Germany; *language problems?*
- we should avoid a self-defeating row with the Germans over SNF modernisation (ie we should give up the idea of a follow-on to LANCE). We should accept the inevitability (desirability in German eyes) of SNF negotiations;

Then what nuclear weapons
are the U.S. going to
retain in Germany?
mb

- we should embrace the concept of minimum deterrence for theatre nuclear weapons, reducing total NATO holdings (artillery shells, bombs and - eventually - stand off missiles) to 1,000 warheads, to be matched by the other side;
- Britain and France should be ready to consult with Germany on nuclear matters to achieve an extended European deterrence. This is not further explained but presumably would not (must not) involve German access to nuclear weapons;
- we should accept, indeed embrace, the inevitability of further CFE negotiations after a CFE I agreement, and focus on getting the right mandate and conditions for them;
- we should favour a major review of NATO strategy, not leaving it only to the military;
- we should build up The Four (US, UK, France and Germany) as a steering group for NATO;
- but we should not try to give NATO a political role at the expense of political co-operation among the Twelve; *Then we have to give the political role to an extended Helsinki agreement.*
- we should maximise Anglo-French defence co-operation;
- we should in parallel try to strengthen European defence co-operation within the Alliance, with the long term aim of grafting it onto the European Community;
- we should develop the CSCE as a supplement to (but not a substitute for) NATO.

Several of the conclusions are controversial. They are based on the premise that we need to cut our losses in certain

areas, in order to preserve the essentials of NATO and our defence policies. The issues do need to be faced, and the paper does an important service by bringing them forward - although there are admittedly more questions than answers, more about what we have to give up than what we might put in its place.

You may like to discuss with the Foreign and Defence Secretaries.

C.D.P.

CHARLES POWELL

3 March 1990

a:\foreign\strategi.eam

CCP



Foreign and Commonwealth Office

London SW1A 2AH

2 March 1990

Jean Charles,

Strategic Implications of Current Trends in the Alliance
and East/West Relations

MAP PTTG
Following the meeting recorded in your letter to me of 28 January, we were asked to do further work on the implications of developments in Eastern Europe for NATO strategy. I enclose a paper, approved by the Foreign Secretary, which tries also to take account of relevant trends in the West.

I am sending a copy of this letter to Simon Webb (MOD), Sonia Phippard (Cabinet Office) and John Gieve (HM Treasury).

Jans.
Stephen Wall

(J S Wall)
Private Secretary

C D Powell Esq
10 Downing Street

THE STRATEGIC IMPLICATIONS OF CURRENT TRENDS IN THE ALLIANCE AND EAST/WEST RELATIONS

1. The collapse of the Soviet system challenges the three pillars on which British security policy has been based since the 1940's:

(i) a clear sense of threat. The risk of a major military attack with strategic objectives on Western Europe will, after CFE, be negligible; and the spillover from local conflicts should be containable.

(ii) a strong commitment to collective security and the transatlantic link. The most likely trend is that cement binding the Alliance will weaken and that US forces by the mid 90's will be below the figure of 225,000 projected by Bush.

(iii) a willingness to bear high defence costs. The problems of defence budgets are likely to become more acute for all allies as they are caught between rising unit costs and the public wish to share in the peace dividend.

2. In all three areas, the outcome will be determined by factors largely outside our control: German unification, US domestic trends and the evolution of the Soviet Union and Eastern Europe. But we should not jettison the basic elements of NATO:

- its membership, with Germany as the lynchpin;
- the integrated structure, including some stationed forces,
- a mix of conventional and nuclear forces, tying in the US strategic commitment.

These elements still offer the best means of insuring ourselves against the uncertainties of the 1990's and beyond.

3. But it does mean that:

- if the Alliance is to preserve its key elements, it will have to change radically and quickly: defending the status quo is the surest way of ensuring that it goes the way of CENTO and SEATO (and the Warsaw Pact). It would also bring closer the danger that German unification took place outside the Alliance, thus making the US presence and NATO strategy untenable;

- if the UK is to retain the influence which the Alliance confers on us, we will have to be ruthless in adapting the inessential elements of our present policy to the changed circumstances and the changed threat.

Provided G is elected in 1992

NATO is not an only option. As long as we can have a common will to cooperate.

no US

4. The threat is being replaced by risks of war of different kinds and levels of probability:

- instabilities within and between Eastern European countries could lead to conflict and to calls for help from other countries. It is difficult to envisage circumstances in which the West would be drawn militarily into such disputes so long as they did not directly involve a Western State (e.g. Germany or Turkey); but the possibility of indirect involvement (e.g. through "volunteers" or aid) cannot be excluded;

- the Soviet capability to launch a strategic conventional offensive into Europe will have effectively been removed when the CFE agreement is implemented; but they would continue to be capable of conducting an offensive with limited objectives, though with a warning time of several weeks;

*Nuclear?
Chemical?*

- in the longer term the Soviet Union could re-arm to pose a threat to the whole of Europe. This would probably take years rather than weeks or months;

- also in the longer term parts of Europe may face - for the first time since the 17th century - a threat from the South, combining a hostile ideology (Islamic fundamentalism) with sophisticated weapons (missiles, CW and, conceivably, nuclear).

*then nuclear
or military
capabilities will
remain sharp*

5. The changed circumstances and their implications for our security policy are considered under four headings: Alliance strategy; Alliance role and politics; European security; and Arms Control.

A ALLIANCE STRATEGY AND FORCE PLANNING

Likely evolution

- NATO strategy will be based on countering the post-CFE Soviet threat, with more generous warning time, and on various risks of more limited conflict within Europe. Flexible response and forward defence will remain politically necessary as concepts, but their implementation will change radically;

- NATO force planning will need to adapt to:

*Then have to
be decided in the 2nd 4.
of the new military
strategy.*

- significant cuts in US, FRG, Benelux and Canadian forces;
- fewer in-place forces, probably none in the eastern part of Germany;
- fewer theatre nuclear weapons (less than 1,000 warheads, mainly air delivered: possibly none in Germany);

- lower tolerance of exercises, low flying and Wintex-type exercises.

Implications for the UK

- deterring any use or threat of force against Western Europe will remain an overriding aim, since even limited war involving the Soviet Union would devastate Europe;

- we will therefore need to keep US forces in Germany and thus to preserve the integrated structure. We should assume that stationed forces will be halved (to perhaps 100,000 American and 25,000 each UK and French). The emphasis will be on mobility, rapid mobilisation of reserves and interoperability; *rather than which have been achieved.*

Why?

- it would help, in keeping German forces integrated and making allied forces acceptable on German soil, if in-place forces could be organized multinationally. There is a strong political case for integrating on the basis of national brigades though this would carry operational costs (separate MOD paper);

*Mo?
Political efforts?*

- we should accept major adjustments to keep Germany in NATO (separate paper). We should avoid a self-defeating row with Bonn over nuclear missiles and artillery. The British presence (four power rights, exercises) must not be allowed to become an obstacle to German unity or a major source of friction with FRG;

We must keep nuclear response viable

- the balance of the UK's defence effort is likely to shift, with fewer in-place forces on the Central Front (separate MOD study);

✓

- in relation to the flanks, the focus for the UK will remain on the North rather than the South;

✓

- we will retain the need to protect our interests overseas, but we should aim to avoid solitary policing roles in unstable parts of the third world (especially Middle East and Gulf);

✓

- to sustain the nuclear element, we should take over the concept of minimum deterrence and define it as requiring, in the theatre, perhaps 1,000 warheads including a stand-off missile. We should make clearer that we rule out nuclear war-fighting. Instead of trying to force nuclear roles on reluctant Europeans, we should confront them with the choices they face: do they want extended deterrence and a role in NATO strategy or not? *What's extended deterrence?*

Review in the nuclear deterrence

- there is no need for a new Harmel Report, since the existing defence/détente doctrine remains valid. But NATO military strategy will need to be reviewed. A strong military input will be needed, but it should not be entrusted solely to the Pentagon or the Military Committee. The first step is to clarify our own thinking and discuss with close

allies at the political level and with SACEUR. The approach agreed there should then be sold sensitively to other allies.

- in order to preserve the essential elements of the integrated structure, we should be ready to adapt or even abandon some of its features (eg defence spending guidelines and Wintex-type exercises);

B. ALLIANCE ROLE AND POLITICS

Likely evolution

- increased emphasis on regional groupings in Europe as a whole: Baltic, Balkan and Mediterranean, plus a German-dominated Mitteleuropa; *- we must NOT let this happen*

- more doubts about NATO's relevance as the threat becomes less visible and the Warsaw Pact disappears;

- a more political NATO (for many this means "a less military NATO");

- a more variegated membership, with more passengers (Canada and Belgium) and more members with special status (France, Spain and, in a different sense, Germany);

- competition between EPC and the Alliance as fora for consultation;

- continuing US penchant for unilateral initiatives, bilateral US/Soviet deals and gestures to keep Germany on-side;

Implications for the UK

- the basic tactic for the UK is to cooperate with the key players (France, US and Germany). We must avoid being type-cast as the "anchor to windward" or as the focal point for vulnerable but less important allies (Turkey, Norway, Portugal). We need to reinforce the Berlin Four as the Alliance's Steering Group, for example through Representatives at NATO and by setting up a pol-mil group under the Four Political Directors (e.g. on Germany/NATO and the future of conventional and SNF arms control);

- we should build up political roles for NATO where credible (e.g. for coordination of verification and management of arms control). Woerner should be encouraged to maintain a high profile;

- we should give priority to consultation at 16 in areas where it can be productive (East-West security issues and non-proliferation) but not where Europe and the US have different approaches (Middle East and Central America). We should not allow the Alliance to bid to become the main forum for consultation with the US on issues handled in EPC, since

U.S.
USSR
UK
FR.

it is doomed to lose. We therefore need a clear division of labour in relation to CSCE, with the Alliance running the security (and perhaps "democracy") aspects;

- we should not encourage the Alliance to seek new roles in relation to the environment, terrorism, drugs etc. But an ability to respond to natural disasters would be a powerful PR asset;

✓ - we should optimise Anglo-French cooperation, both for its own benefits and to discourage Germany from becoming the leader of the wet tendency in the Alliance. Given the extent of change in the Alliance and French concerns about Germany, we should look to the French to be more flexible in cooperating within the Alliance (though outside the integrated structure);

- we need a more sophisticated and credible presentation based on insurance against uncertainty and risk rather than on nuclear deterrence against a hypothetical Soviet attack on the central front (separate paper);

But that will need an alliance and joint

- in relation to the Warsaw Pact, what matters most is that Eastern Europeans should regain control of their own security policy. We should encourage that ethos in CSCE (no stationed forces without democratic sanction) and avoid treating the two alliances on the same footing. On that basis the survival of the Warsaw Pact would be no military threat and could be politically helpful, especially for Gorbachev. But the scope for real dialogue between the alliances as such (through "Secretary Generals" or between the 16 and the 7 as groups) remains very limited.

C EUROPEAN SECURITY

Likely evolution

✓ - growing interest in "cooperative security" (CSCE) first as a supplement and later as a substitute for the alliances;

✓ - US pressure for a stronger European role as part of the "New Atlanticism";

- a preference among European public opinion for European rather than NATO labels on defence activities.

Implications for the UK

✓ - we should seek, with the French, to boost European defence cooperation as part of a more European Alliance, as an insurance against NATO's demise and as a corrective to pan-European enthusiasms. The prospects currently look poor. But in the long run as US forces reduce the Alliance may have to become a more obviously two-pillar structure, with a distinct European command (including French forces) linked to a smaller US command under a SACEUR who could be

alternately European or American;

- we should aim to collocate the main European bodies (WEU, Eurogroup and IEPG) in Brussels. This will keep open the option of grafting this activity onto the European Community in due course;

Why? - One of the wishes of our alliance partners

- we should replace the UK's special WEU commitment by a commitment on all WEU members to consult before reducing forces below post CFE levels;

- we should continue our efforts to build up European equipment cooperation (IEPG) with the main focus on UK, France and Germany. The most promising route is through open markets and reciprocal purchasing rather than collaborative projects based on juste retour. CFE and more multinationality point to the need for more standardisation and increased industrial specialisation (e.g. on tanks, fighter aircraft);

This will nearly mean no buying from Germany

- we need to decide how to balance the European and alliance aspects of verification. Coordination of inspections and collation of data should be done in the Alliance. But we should make the most of the scope for a major European role in, for example, swapping quotas, mounting joint inspections, operating aircraft, training inspectors and analysing data;

- we will need to grasp the European nuclear dilemma: do the British and French nuclear forces have relevance or credibility for the other Europeans? If the Germans are prepared to consult with the UK and France on nuclear matters, we should create a mechanism for this purpose. If not, we should develop the fullest possible cooperation with France, against the day when Europe may need extended deterrence from us;

This strengthens the German nuclear role

- security problems in Europe after CFE and the demise of the Warsaw Pact (eg in the Balkans) will probably be more susceptible to treatment through the CSCE (conciliation), the Community (aid and trade) and the Twelve than through military action. These instruments will also be important in building up a glacis of well-disposed East European countries. We should therefore:

- develop the Community's network of cooperation agreements as our main long term lever on adventurist regimes in Southern and Eastern Europe;

Working in the EEC?

- develop the CSCE process as a supplement not substitute for NATO (separate paper).

D ARMS CONTROL AGENDA
Likely evolution

- assumption that arms control will continue in all five

main areas: strategic, theatre nuclear, conventional, CW and CSBMs;

- German pressure to accelerate arms reduction in order to ease unification.

Implications for the UK

- we should accept that conventional arms control will continue after CFE and that the arms control process has an important role in reassuring the Soviet Union, anchoring the Germans in NATO and giving a sense of security to the East Europeans. But before embarking on new negotiations we will need to be clear about objectives and mandates;

- in handling German pressures, we should bear in mind the electoral benefits for Kohl of showing that the Alliance is preparing in 1990 for future conventional and SNF negotiations.

- we should take an initiative to patent the idea of minimum deterrence as a lasting feature of European security;

- there is an opening for new ideas for conventional arms control after CFE with the focus on German unification and Soviet withdrawal. We should develop proposals for negotiations under the CSCE umbrella on:

- Central Europe: lower limits on all indigenous and stationed forces (US, UK, French, Benelux, Canadian, German, Soviet, Polish and Czech);
- Southern Europe, confidence building measures and limits specific to what may well be the most unstable zone;
- CSBMs for all of Europe: tighter constraints on military activities plus some naval CSBMs;
- specific measures to encourage stability: e.g. to limit mobilisation and force generation, logistics and air deployments.

CONCLUSIONS

6. The challenge to the West in the 90's arises not from Soviet strength and threats but from the effects of Soviet weakness and concessions. The test will come not in CFE or the Germany debate but after Nato has succeeded in these negotiations. The danger is that the West will then lose the cohesion which is necessary not only for our security but also for the management of EC-US relations and the world trading system (C/I US-Japan relations). The problem is, therefore, basically a West-West rather than an East-West one. Managing West-West relations will be harder as the US and FRG are pulled in different directions. Hence the importance of strengthening cooperation between the four close allies.

7. From the UK point of view the balance between the Four is at present unsatisfactory. The Bush Administration takes us too much for granted and is more concerned to keep in step with the FRG (as is France). Our military involvement in the FRG is also taken for granted: although an asset in the past, it risks being seen as a liability in our relations and an obstacle to German unity. Our links with France are under-developed, prone to accident and inhibited by our differences over the EC. This core relationship needs therefore to be readjusted, retaining our assets with the US and FRG, while building them up with France through the defence cooperation initiative now launched.

8. We cannot automatically assume that the Alliance will survive the powerful adverse trends now gathering force: on defence spending, anti-nuclear sentiment, pan-Europeanism and US neo-isolationism - not to mention the prospect of Oskar Lafontaine as Chancellor. This reinforces the case for HMG to give unequivocal support for Western European defence cooperation - whether to buttress the changed Alliance or to provide the best available successor to it.

for POC: East/West PTT

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file

The End of History? _____

Francis Fukuyama _____

IN WATCHING the flow of events over the past decade or so, it is hard to avoid the feeling that something very fundamental has happened in world history. The past year has seen a flood of articles commemorating the end of the Cold War, and the fact that "peace" seems to be breaking out in many regions of the world. Most of these analyses lack any larger conceptual framework for distinguishing between what is essential and what is contingent or accidental in world history, and are predictably superficial. If Mr. Gorbachev were ousted from the Kremlin or a new Ayatollah proclaimed the millennium from a desolate Middle Eastern capital, these same commentators would scramble to announce the rebirth of a new era of conflict.

And yet, all of these people sense dimly that there is some larger process at work, a

Francis Fukuyama is deputy director of the State Department's policy planning staff and former analyst at the RAND Corporation. This article is based on a lecture presented at the University of Chicago's John M. Olin Center for Inquiry Into the Theory and Practice of Democracy. The author would like to pay special thanks to the Olin Center and to Nathan Tarcov and Allan Bloom for their support in this and many earlier endeavors. The opinions expressed in this article do not reflect those of the RAND Corporation or of any agency of the U.S. government.

process that gives coherence and order to the daily headlines. The twentieth century saw the developed world descend into a paroxysm of ideological violence, as liberalism contended first with the remnants of absolutism, then bolshevism and fascism, and finally an updated Marxism that threatened to lead to the ultimate apocalypse of nuclear war. But the century that began full of self-confidence in the ultimate triumph of Western liberal democracy seems at its close to be returning full circle to where it started: not to an "end of ideology" or a convergence between capitalism and socialism, as earlier predicted, but to an unabashed victory of economic and political liberalism.

The triumph of the West, of the Western *idea*, is evident first of all in the total exhaustion of viable systematic alternatives to Western liberalism. In the past decade, there have been unmistakable changes in the intellectual climate of the world's two largest communist countries, and the beginnings of significant reform movements in both. But this phenomenon extends beyond high politics and it can be seen also in the ineluctable spread of consumerist Western culture in such diverse contexts as the peasants' markets and color television sets now omnipresent throughout China, the cooperative restaurants and clothing stores opened in the past year in Moscow, the Beethoven piped into Japanese department stores, and the rock music enjoyed alike in Prague, Rangoon, and Tehran.

What we may be witnessing is not just the end of the Cold War, or the passing of a particular period of postwar history, but the end of history as such: that is, the end point of mankind's ideological evolution and the universalization of Western liberal democracy as the final form of human government. This is not to say that there will no longer be events to fill the pages of *Foreign Affairs's* yearly summaries of international relations, for the victory of liberalism has occurred primarily in the realm of ideas or consciousness and is as yet incomplete in the real or material world. But there are powerful reasons for believing that it is the ideal that will govern the material world *in the long run*. To understand how this is so, we must first consider some theoretical issues concerning the nature of historical change.

J

THE NOTION of the end of history is not an original one. Its best known propagator was Karl Marx, who believed that the direction of historical development was a purposeful one determined by the interplay of material forces, and would come to an end only with the achievement of a communist utopia that would finally resolve all prior contradictions. But the concept of history as a dialectical process with a beginning, a middle, and an end was borrowed by Marx from his great German predecessor, Georg Wilhelm Friedrich Hegel.

For better or worse, much of Hegel's historicism has become part of our contemporary intellectual baggage. The notion that mankind has progressed through a series of primitive stages of consciousness on his path to the present, and that these stages corresponded to concrete forms of social organization, such as tribal, slave-owning, theocratic, and finally democratic-egalitarian societies, has become inseparable from the modern understanding of man. Hegel was the first philosopher to speak the language of modern social science, insofar as man for him was the product of his concrete historical and social environment

and not, as earlier natural right theorists would have it, a collection of more or less fixed "natural" attributes. The mastery and transformation of man's natural environment through the application of science and technology was originally not a Marxist concept, but a Hegelian one. Unlike later historicists whose historical relativism degenerated into relativism *tout court*, however, Hegel believed that history culminated in an absolute moment—a moment in which a final, rational form of society and state became victorious.

It is Hegel's misfortune to be known now primarily as Marx's precursor, and it is our misfortune that few of us are familiar with Hegel's work from direct study, but only as it has been filtered through the distorting lens of Marxism. In France, however, there has been an effort to save Hegel from his Marxist interpreters and to resurrect him as the philosopher who most correctly speaks to our time. Among those modern French interpreters of Hegel, the greatest was certainly Alexandre Kojève, a brilliant Russian emigre who taught a highly influential series of seminars in Paris in the 1930s at the *École Pratique des Hautes Études*.¹ While largely unknown in the United States, Kojève had a major impact on the intellectual life of the continent. Among his students ranged such future luminaries as Jean-Paul Sartre on the Left and Raymond Aron on the Right; postwar existentialism borrowed many of its basic categories from Hegel via Kojève.

Kojève sought to resurrect the Hegel of the *Phenomenology of Mind*, the Hegel who proclaimed history to be at an end in 1806. For as early as this Hegel saw in Napoleon's defeat of the Prussian monarchy at the Battle of Jena the victory of the ideals of the French Rev-

¹Kojève's best-known work is his *Introduction à la lecture de Hegel* (Paris: Editions Gallimard, 1947), which is a transcript of the *École Pratique* lectures from the 1930s. This book is available in English entitled *Introduction to the Reading of Hegel* arranged by Raymond Queneau, edited by Allan Bloom, and translated by James Nichols (New York: Basic Books, 1969).

olution, and the imminent universalization of the state incorporating the principles of liberty and equality. Kojève, far from rejecting Hegel in light of the turbulent events of the next century and a half, insisted that the latter had been essentially correct.² The Battle of Jena marked the end of history because it was at that point that the *vanguard* of humanity (a term quite familiar to Marxists) actualized the principles of the French Revolution. While there was considerable work to be done after 1806—abolishing slavery and the slave trade, extending the franchise to workers, women, blacks, and other racial minorities, etc.—the basic *principles* of the liberal democratic state could not be improved upon. The two world wars in this century and their attendant revolutions and upheavals simply had the effect of extending those principles spatially, such that the various provinces of human civilization were brought up to the level of its most advanced outposts, and of forcing those societies in Europe and North America at the vanguard of civilization to implement their liberalism more fully.

The state that emerges at the end of history is liberal insofar as it recognizes and protects through a system of law man's universal right to freedom, and democratic insofar as it exists only with the consent of the governed. For Kojève, this so-called "universal homogeneous state" found real-life embodiment in the countries of postwar Western Europe—precisely those flabby, prosperous, self-satisfied, inward-looking, weak-willed states whose grandest project was nothing more heroic than the creation of the Common Market.³ But this was only to be expected. For human history and the conflict that characterized it was based on the existence of "contradictions": primitive man's quest for mutual recognition, the dialectic of the master and slave, the transformation and mastery of nature, the struggle for the universal recognition of rights, and the dichotomy between proletarian and capitalist. But in the universal homogeneous state, all prior contradictions are resolved and all human needs are satisfied. There is no struggle or conflict over "large"

issues, and consequently no need for generals or statesmen; what remains is primarily economic activity. And indeed, Kojève's life was consistent with his teaching. Believing that there was no more work for philosophers as well, since Hegel (correctly understood) had already achieved absolute knowledge, Kojève left teaching after the war and spent the remainder of his life working as a bureaucrat in the European Economic Community, until his death in 1968.

To his contemporaries at mid-century, Kojève's proclamation of the end of history must have seemed like the typical eccentric solipsism of a French intellectual, coming as it did on the heels of World War II and at the very height of the Cold War. To comprehend how Kojève could have been so audacious as to assert that history has ended, we must first of all understand the meaning of Hegelian idealism.

II

FOR HEGEL, the contradictions that drive history exist first of all in the realm of human consciousness, i.e. on the level of ideas⁴—not the trivial election year proposals of American politicians, but ideas in the sense of large unifying world views that might best be understood under the rubric of ideology. Ideology in this sense is not restricted to the secular and explicit political doctrines we usually associate with the term, but can include religion, culture, and the complex

²In this respect Kojève stands in sharp contrast to contemporary German interpreters of Hegel like Herbert Marcuse who, being more sympathetic to Marx, regarded Hegel ultimately as an historically bound and incomplete philosopher.

³Kojève alternatively identified the end of history with the postwar "American way of life," toward which he thought the Soviet Union was moving as well.

⁴This notion was expressed in the famous aphorism from the preface to the *Philosophy of History* to the effect that "everything that is rational is real, and everything that is real is rational."

moral values underlying any society as
etc.

Hegel's view of the relationship between the ideal and the real or material worlds was an extremely complicated one, beginning with the fact that for him the distinction between the two was only apparent.⁵ He did not believe that the real world conformed or could be made to conform to ideological preconceptions of philosophy professors in any simple-minded way, or that the "material" world could not impinge on the ideal. Indeed, Hegel the professor was temporarily thrown out of work as a result of a very material event, the Battle of Jena. But while Hegel's writing and thinking could be stopped by a bullet from the material world, the hand on the trigger of the gun was motivated in turn by the ideas of liberty and equality that had driven the French Revolution.

For Hegel, all human behavior in the material world, and hence all human history, is rooted in a prior state of consciousness—an idea similar to the one expressed by John Maynard Keynes when he said that the views of men of affairs were usually derived from defunct economists and academic scribblers of earlier generations. This consciousness may not be explicit and self-aware, as are modern political doctrines, but may rather take the form of religion or simple cultural or moral habits. And yet this realm of consciousness in the long run necessarily becomes manifest in the material world, indeed creates the material world in its own image. Consciousness is cause and not effect, and can develop autonomously from the material world; hence the real subtext underlying the apparent jumble of current events is the history of ideology.

Hegel's idealism has fared poorly at the hands of later thinkers. Marx reversed the priority of the real and the ideal completely, relegating the entire realm of consciousness—religion, art, culture, philosophy itself—to a "superstructure" that was determined entirely by the prevailing material mode of production. Yet another unfortunate legacy of Marxism is our tendency to retreat into materialist or utilitarian explanations of political

or historical phenomena, and our disinclination to believe in the autonomous power of ideas. A recent example of this is Paul Kennedy's hugely successful *The Rise and Fall of the Great Powers*, which ascribes the decline of great powers to simple economic overextension. Obviously, this is true on some level: an empire whose economy is barely above the level of subsistence cannot bankrupt its treasury indefinitely. But whether a highly productive modern industrial society chooses to spend 3 or 7 percent of its GNP on defense rather than consumption is entirely a matter of that society's political priorities, which are in turn determined in the realm of consciousness.

The materialist bias of modern thought is characteristic not only of people on the Left who may be sympathetic to Marxism, but of many passionate anti-Marxists as well. Indeed, there is on the Right what one might label the *Wall Street Journal* school of deterministic materialism that discounts the importance of ideology and culture and sees man as essentially a rational, profit-maximizing individual. It is precisely this kind of individual and his pursuit of material incentives that is posited as the basis for economic life as such in economic textbooks.⁶ One small example will illustrate the problematic character of such materialist views.

Max Weber begins his famous book, *The Protestant Ethic and the Spirit of Capitalism*, by noting the different economic performance of

⁵Indeed, for Hegel the very dichotomy between the ideal and material worlds was itself only an apparent one that was ultimately overcome by the self-conscious subject; in his system, the material world is itself only an aspect of mind.

⁶In fact, modern economists, recognizing that man does not always behave as a profit-maximizer, posit a "utility" function, utility being either income or some other good that can be maximized: leisure, sexual satisfaction, or the pleasure of philosophizing. That profit must be replaced with a value like utility indicates the cogency of the idealist perspective.

Protestant and Catholic communities throughout Europe and America, summed up in the proverb that Protestants eat well while Catholics sleep well. Weber notes that according to any economic theory that posited man as a rational profit-maximizer, raising the piece-work rate should increase labor productivity. But in fact, in many traditional peasant communities, raising the piece-work rate actually had the opposite effect of lowering labor productivity: at the higher rate, a peasant accustomed to earning two and one-half marks per day found he could earn the same amount by working less, and did so because he valued leisure more than income. The choices of leisure over income, or of the militaristic life of the Spartan hoplite over the wealth of the Athenian trader, or even the ascetic life of the early capitalist entrepreneur over that of a traditional leisured aristocrat, cannot possibly be explained by the impersonal working of material forces, but come preeminently out of the sphere of consciousness—what we have labeled here broadly as ideology. And indeed, a central theme of Weber's work was to prove that contrary to Marx, the material mode of production, far from being the "base," was itself a "superstructure" with roots in religion and culture, and that to understand the emergence of modern capitalism and the profit motive one had to study their antecedents in the realm of the spirit.

As we look around the contemporary world, the poverty of materialist theories of economic development is all too apparent. The *Wall Street Journal* school of deterministic materialism habitually points to the stunning economic success of Asia in the past few decades as evidence of the viability of free market economies, with the implication that all societies would see similar development were they simply to allow their populations to pursue their material self-interest freely. Surely free markets and stable political systems are a necessary precondition to capitalist economic growth. But just as surely the cultural heritage of those Far Eastern societies, the ethic of work and saving and family, a religious heritage that does not, like Islam, place re-

strictions on certain forms of economic behavior, and other deeply ingrained moral qualities, are equally important in explaining their economic performance.⁷ And yet the intellectual weight of materialism is such that not a single respectable contemporary theory of economic development addresses consciousness and culture seriously as the matrix within which economic behavior is formed.

FAILURE to understand that the roots of economic behavior lie in the realm of consciousness and culture leads to the common mistake of attributing material causes to phenomena that are essentially ideal in nature. For example, it is commonplace in the West to interpret the reform movements first in China and most recently in the Soviet Union as the victory of the material over the ideal—that is, a recognition that ideological incentives could not replace material ones in stimulating a highly productive modern economy, and that if one wanted to prosper one had to appeal to baser forms of self-interest. But the deep defects of socialist economies were evident thirty or forty years ago to anyone who chose to look. Why was it that these countries moved away from central planning only in the 1980s? The answer must be found in the consciousness of the elites and leaders ruling them, who decided to opt for the "Protestant" life of wealth and risk over the "Catholic" path of poverty and security.⁸ That

⁷One need look no further than the recent performance of Vietnamese immigrants in the U.S. school system when compared to their black or Hispanic classmates to realize that culture and consciousness are absolutely crucial to explain not only economic behavior but virtually every other important aspect of life as well.

⁸I understand that a full explanation of the origins of the reform movements in China and Russia is a good deal more complicated than this simple formula would suggest. The Soviet reform, for example, was motivated in good measure by Moscow's sense of insecurity in the tech-

...was in no way made inevitable by the material conditions in which either country found itself on the eve of the reform, but instead came about as the result of the victory of one idea over another."

For Kojève, as for all good Hegelians, understanding the underlying processes of history requires understanding developments in the realm of consciousness or ideas, since consciousness will ultimately remake the material world in its own image. To say that history ended in 1806 meant that mankind's ideological evolution ended in the ideals of the French or American Revolutions: while particular regimes in the real world might not implement these ideals fully, their theoretical truth is absolute and could not be improved upon. Hence it did not matter to Kojève that the consciousness of the postwar generation of Europeans had not been universalized throughout the world; if ideological development had in fact ended, the homogenous state would eventually become victorious throughout the material world.

I have neither the space nor, frankly, the ability to defend in depth Hegel's radical idealist perspective. The issue is not whether Hegel's system was right, but whether his perspective might uncover the problematic nature of many materialist explanations we often take for granted. This is not to deny the role of material factors as such. To a literal-minded idealist, human society can be built around any arbitrary set of principles regardless of their relationship to the material world. And in fact men have proven themselves able to endure the most extreme material hardships in the name of ideas that exist in the realm of the spirit alone, be it the divinity of cows or the nature of the Holy Trinity.¹⁰

But while man's very perception of the material world is shaped by his historical consciousness of it, the material world can clearly affect in return the viability of a particular state of consciousness. In particular, the spectacular abundance of advanced liberal economies and the infinitely diverse consumer culture made possible by them seem to both foster and preserve liberalism in the political

sphere. I want to avoid the materialist determinism that says that liberal economics inevitably produces liberal politics, because I believe that both economics and politics presuppose an autonomous prior state of consciousness that makes them possible. But that state of consciousness that permits the growth of liberalism seems to stabilize in the way one would expect at the end of history if it is underwritten by the abundance of a modern free market economy. We might summarize the content of the universal homogenous state as liberal democracy in the political sphere combined with easy access to VCRs and stereos in the economic.

III

HAVE WE in fact reached the end of history? Are there, in other words, any fundamental "contradictions" in human life that cannot be resolved in the context of modern liberalism, that would be resolvable by an alternative political-economic structure? If we accept the idealist premises

nological-military realm. Nonetheless, neither country on the eve of its reforms was in such a state of *material* crisis that one could have predicted the surprising reform paths ultimately taken.

¹⁰It is still not clear whether the Soviet peoples are as "Protestant" as Gorbachev and will follow him down that path.

¹¹The internal politics of the Byzantine Empire at the time of Justinian revolved around a conflict between the so-called monophysites and monothelites, who believed that the unity of the Holy Trinity was alternatively one of nature or of will. This conflict corresponded to some extent to one between proponents of different racing teams in the Hippodrome in Byzantium and led to a not insignificant level of political violence. Modern historians would tend to seek the roots of such conflicts in antagonisms between social classes or some other modern economic category, being unwilling to believe that men would kill each other over the nature of the Trinity.

But above, we must seek an answer to this question in the realm of ideology and consciousness. Our task is not to answer exhaustively the challenges to liberalism promoted by every crackpot messiah around the world, but only those that are embodied in important social or political forces and movements, and which are therefore part of world history. For our purposes, it matters very little what strange thoughts occur to people in Albania or Burkina Faso, for we are interested in what one could in some sense call the common ideological heritage of mankind.

In the past century, there have been two major challenges to liberalism, those of fascism and of communism. The former saw the political weakness, materialism, anomie, and lack of community of the West as fundamental contradictions in liberal societies that could only be resolved by a strong state that forged a new "people" on the basis of national exclusiveness. Fascism was destroyed as a living ideology by World War II. This was a defeat, of course, on a very material level, but it amounted to a defeat of the idea as well. What destroyed fascism as an idea was not universal moral revulsion against it, since plenty of people were willing to endorse the idea as long as it seemed the wave of the future, but its lack of success. After the war, it seemed to most people that German fascism as well as its other European and Asian variants were bound to self-destruct. There was no material reason why new fascist movements could not have sprung up again after the war in other locales, but for the fact that expansionist ultranationalism, with its promise of unending conflict leading to disastrous military defeat, had completely lost its appeal. The ruins of the Reich chancellery as well as the atomic bombs dropped on Hiroshima and Nagasaki killed this ideology on the level of consciousness as well as materially, and all of the proto-fascist movements spawned by the German and Japanese examples like the Peronist movement in Argentina or Subhas Chandra Bose's Indian National Army withered after the war.

The ideological challenge mounted by the

other great alternative to liberalism, communism, was far more serious. Marx, speaking Hegel's language, asserted that liberal society contained a fundamental contradiction that could not be resolved within its context, that between capital and labor, and this contradiction has constituted the chief accusation against liberalism ever since. But surely, the class issue has actually been successfully resolved in the West. As Kojève (among others) noted, the egalitarianism of modern America represents the essential achievement of the classless society envisioned by Marx. This is not to say that there are not rich people and poor people in the United States, or that the gap between them has not grown in recent years. But the root causes of economic inequality do not have to do with the underlying legal and social structure of our society, which remains fundamentally egalitarian and moderately redistributionist, so much as with the cultural and social characteristics of the groups that make it up, which are in turn the historical legacy of premodern conditions. Thus black poverty in the United States is not the inherent product of liberalism, but is rather the "legacy of slavery and racism" which persisted long after the formal abolition of slavery.

As a result of the receding of the class issue, the appeal of communism in the developed Western world, it is safe to say, is lower

"I am not using the term "fascism" here in its most precise sense, fully aware of the frequent misuse of this term to denounce anyone to the right of the user. "Fascism" here denotes any organized ultra-nationalist movement with universalistic pretensions—not universalistic with regard to its nationalism, of course, since the latter is exclusive by definition, but with regard to the movement's belief in its right to rule other people. Hence Imperial Japan would qualify as fascist while former strongman Stoessner's Paraguay or Pinochet's Chile would not. Obviously fascist ideologies cannot be universalistic in the sense of Marxism or liberalism, but the structure of the doctrine can be transferred from country to country.

May than any time since the end of the First World War. This can be measured in any number of ways: in the declining membership and electoral pull of the major European communist parties, and their overtly revisionist programs; in the corresponding electoral success of conservative parties from Britain and Germany to the United States and Japan, which are unabashedly pro-market and anti-socialist; and in an intellectual climate whose most "advanced" members no longer believe that bourgeois society is something that ultimately needs to be overcome. This is not to say that the opinions of progressive intellectuals in Western countries are not deeply pathological in any number of ways. But those who believe that the future must inevitably be socialist tend to be very old, or very marginal to the real political discourse of their societies.

ONE MAY argue that the socialist alternative was never terribly plausible for the North Atlantic world, and was sustained for the last several decades primarily by its success outside of this region. But it is precisely in the non-European world that one is most struck by the occurrence of major ideological transformations. Surely the most remarkable changes have occurred in Asia. Due to the strength and adaptability of the indigenous cultures there, Asia became a battleground for a variety of imported Western ideologies early in this century. Liberalism in Asia was a very weak reed in the period after World War I; it is easy today to forget how gloomy Asia's political future looked as recently as ten or fifteen years ago. It is easy to forget as well how momentous the outcome of Asian ideological struggles seemed for world political development as a whole.

The first Asian alternative to liberalism to be decisively defeated was the fascist one represented by Imperial Japan. Japanese fascism (like its German version) was defeated by the force of American arms in the Pacific war, and liberal democracy was imposed on Japan by a victorious United States. Western capitalism and political liberalism when trans-

planted to Japan were adapted and transformed by the Japanese in such a way as to be scarcely recognizable.¹¹ Many Americans are now aware that Japanese industrial organization is very different from that prevailing in the United States or Europe, and it is questionable what relationship the factional maneuvering that takes place with the governing Liberal Democratic Party bears to democracy. Nonetheless, the very fact that the essential elements of economic and political liberalism have been so successfully grafted onto uniquely Japanese traditions and institutions guarantees their survival in the long run. More important is the contribution that Japan has made in turn to world history by following in the footsteps of the United States to create a truly universal consumer culture that has become both a symbol and an underpinning of the universal homogenous state. V.S. Naipaul travelling in Khomeini's Iran shortly after the revolution noted the omnipresent signs advertising the products of Sony, Hitachi, and JVC, whose appeal remained virtually irresistible and gave the lie to the regime's pretensions of restoring a state based on the rule of the *Shariat*. Desire for access to the consumer culture, created in large measure by Japan, has played a crucial role in fostering the spread of economic liberalism throughout Asia, and hence in promoting political liberalism as well.

The economic success of the other newly industrializing countries (NICs) in Asia following on the example of Japan is by now a familiar story. What is important from a Hegelian standpoint is that political liberalism has been following economic liberalism, more slowly than many had hoped but with seeming inevitability. Here again we see the vic-

¹¹I use the example of Japan with some caution, since Kojève late in his life came to conclude that Japan, with its culture based on purely formal arts, proved that the universal homogenous state was not victorious and that history had perhaps not ended. See the long note at the end of the second edition of *Introduction à la Lecture de Hegel*, 462-3.

ory of the idea of the universal homogenous state. South Korea had developed into a modern, urbanized society with an increasingly large and well-educated middle class that could not possibly be isolated from the larger democratic trends around them. Under these circumstances it seemed intolerable to a large part of this population that it should be ruled by an anachronistic military regime while Japan, only a decade or so ahead in economic terms, had parliamentary institutions for over forty years. Even the former socialist regime in Burma, which for so many decades existed in dismal isolation from the larger trends dominating Asia, was buffeted in the past year by pressures to liberalize both its economy and political system. It is said that unhappiness with strongman Ne Win began when a senior Burmese officer went to Singapore for medical treatment and broke down crying when he saw how far socialist Burma had been left behind by its ASEAN neighbors.

BUT THE power of the liberal idea would seem much less impressive if it had not infected the largest and oldest culture in Asia, China. The simple existence of communist China created an alternative pole of ideological attraction, and as such constituted a threat to liberalism. But the past fifteen years have seen an almost total discrediting of Marxism-Leninism as an economic system. Beginning with the famous third plenum of the Tenth Central Committee in 1978, the Chinese Communist party set about decollectivizing agriculture for the 800 million Chinese who still lived in the countryside. The role of the state in agriculture was reduced to that of a tax collector, while production of consumer goods was sharply increased in order to give peasants a taste of the universal homogenous state and thereby an incentive to work. The reform doubled Chinese grain output in only five years, and in the process created for Deng Xiao-ping a solid political base from which he was able to extend the reform to other parts of the economy. Economic statistics do not begin to de-

scribe the dynamism, initiative, and openness evident in China since the reform began.

China could not now be described in any way as a liberal democracy. At present, no more than 20 percent of its economy has been marketized, and most importantly it continues to be ruled by a self-appointed Communist party which has given no hint of wanting to devolve power. Deng has made none of Gorbachev's promises regarding democratization of the political system and there is no Chinese equivalent of *glasnost*. The Chinese leadership has in fact been much more circumspect in criticizing Mao and Maoism than Gorbachev with respect to Brezhnev and Stalin, and the regime continues to pay lip service to Marxism-Leninism as its ideological underpinning. But anyone familiar with the outlook and behavior of the new technocratic elite now governing China knows that Marxism and ideological principle have become virtually irrelevant as guides to policy, and that bourgeois consumerism has a real meaning in that country for the first time since the revolution. The various slowdowns in the pace of reform, the campaigns against "spiritual pollution" and crackdowns on political dissent are more properly seen as tactical adjustments made in the process of managing what is an extraordinarily difficult political transition. By ducking the question of political reform while putting the economy on a new footing, Deng has managed to avoid the breakdown of authority that has accompanied Gorbachev's *perestroika*. Yet the pull of the liberal idea continues to be very strong as economic power devolves and the economy becomes more open to the outside world. There are currently over 20,000 Chinese students studying in the U.S. and other Western countries, almost all of them the children of the Chinese elite. It is hard to believe that when they return home to run the country they will be content for China to be the only country in Asia unaffected by the larger democratizing trend. The student demonstrations in Beijing that broke out first in December 1986 and recurred recently on the occasion of Hu Yao-bang's death were only the beginning of what will inev-

the mounting pressure for change in the political system as well.

What is important about China from the standpoint of world history is not the present state of the reform or even its future prospects. The central issue is the fact that the People's Republic of China can no longer act as a beacon for illiberal forces around the world, whether they be guerrillas in some Asian jungle or middle class students in Paris. Marxism, rather than being the pattern for Asia's future, became an anachronism, and it was the mainland Chinese who in fact were decisively influenced by the prosperity and dynamism of their overseas co-ethnics—the ironic ultimate victory of Taiwan.

Important as these changes in China have been, however, it is developments in the Soviet Union—the original “homeland of the world proletariat”—that have put the final nail in the coffin of the Marxist-Leninist alternative to liberal democracy. It should be clear that in terms of formal institutions, not much has changed in the four years since Gorbachev has come to power: free markets and the cooperative movement represent only a small part of the Soviet economy, which remains centrally planned; the political system is still dominated by the Communist party, which has only begun to democratize internally and to share power with other groups; the regime continues to assert that it is seeking only to modernize socialism and that its ideological basis remains Marxism-Leninism; and, finally, Gorbachev faces a potentially powerful conservative opposition that could undo many of the changes that have taken place to date. Moreover, it is hard to be too sanguine about the chances for success of Gorbachev's proposed reforms, either in the sphere of economics or politics. But my purpose here is not to analyze events in the short-term, or to make predictions for policy purposes, but to look at underlying trends in the sphere of ideology and consciousness. And in that respect, it is clear that an astounding transformation has occurred.

Emigres from the Soviet Union have been reporting for at least the last generation now

that virtually nobody in that country truly believed in Marxism-Leninism any longer, and that this was nowhere more true than in the Soviet elite, which continued to mouth Marxist slogans out of sheer cynicism. The corruption and decadence of the late Brezhnev-era Soviet state seemed to matter little, however, for as long as the state itself refused to throw into question any of the fundamental principles underlying Soviet society, the system was capable of functioning adequately out of sheer inertia and could even muster some dynamism in the realm of foreign and defense policy. Marxism-Leninism was like a magical incantation which, however absurd and devoid of meaning, was the only common basis on which the elite could agree to rule Soviet society.

WHAT HAS happened in the four years since Gorbachev's coming to power is a revolutionary assault on the most fundamental institutions and principles of Stalinism, and their replacement by other principles which do not amount to liberalism *per se* but whose only connecting thread is liberalism. This is most evident in the economic sphere, where the reform economists around Gorbachev have become steadily more radical in their support for free markets, to the point where some like Nikolai Shmelev do not mind being compared in public to Milton Friedman. There is a virtual consensus among the currently dominant school of Soviet economists now that central planning and the command system of allocation are the root cause of economic inefficiency, and that if the Soviet system is ever to heal itself, it must permit free and decentralized decision-making with respect to investment, labor, and prices. After a couple of initial years of ideological confusion, these principles have finally been incorporated into policy with the promulgation of new laws on enterprise autonomy, cooperatives, and finally in 1988 on lease arrangements and family farming. There are, of course, a number of fatal flaws in the current implementation of the reform, most notably the absence of a thoroughgoing price

form. But the problem is no longer a *conceptual* one: Gorbachev and his lieutenants seem to understand the economic logic of marketization well enough, but like the leaders of a Third World country facing the IMF, are afraid of the social consequences of ending consumer subsidies and other forms of dependence on the state sector.

In the political sphere, the proposed changes to the Soviet constitution, legal system, and party rules amount to much less than the establishment of a liberal state. Gorbachev has spoken of democratization primarily in the sphere of internal party affairs, and has shown little intention of ending the Communist party's monopoly of power; indeed, the political reform seeks to legitimize and therefore strengthen the CPSU's rule.¹² Nonetheless, the general principles underlying many of the reforms—that the "people" should be truly responsible for their own affairs, that higher political bodies should be answerable to lower ones, and not vice versa, that the rule of law should prevail over arbitrary police actions, with separation of powers and an independent judiciary, that there should be legal protection for property rights, the need for open discussion of public issues and the right of public dissent, the empowering of the Soviets as a forum in which the whole Soviet people can participate, and of a political culture that is more tolerant and pluralistic—come from a source fundamentally alien to the USSR's Marxist-Leninist tradition, even if they are incompletely articulated and poorly implemented in practice.

Gorbachev's repeated assertions that he is doing no more than trying to restore the original meaning of Leninism are themselves a kind of Orwellian doublespeak. Gorbachev and his allies have consistently maintained that intraparty democracy was somehow the essence of Leninism, and that the various liberal practices of open debate, secret ballot elections, and rule of law were all part of the Leninist heritage, corrupted only later by Stalin. While almost anyone would look good compared to Stalin, drawing so sharp a line between Lenin and his successor is question-

able. The essence of Lenin's democratic centralism was centralism, not democracy; that is, the absolutely rigid, monolithic, and disciplined dictatorship of a hierarchically organized vanguard Communist party, speaking in the name of the *demos*. All of Lenin's vicious polemics against Karl Kautsky, Rosa Luxemburg, and various other Menshevik and Social Democratic rivals, not to mention his contempt for "bourgeois legality" and freedoms, centered around his profound conviction that a revolution could not be successfully made by a democratically run organization.

Gorbachev's claim that he is seeking to return to the true Lenin is perfectly easy to understand: having fostered a thorough denunciation of Stalinism and Brezhnevism as the root of the USSR's present predicament, he needs some point in Soviet history on which to anchor the legitimacy of the CPSU's continued rule. But Gorbachev's tactical requirements should not blind us to the fact that the democratizing and decentralizing principles which he has enunciated in both the economic and political spheres are highly subversive of some of the most fundamental precepts of both Marxism and Leninism. Indeed, if the bulk of the present economic reform proposals were put into effect, it is hard to know how the Soviet economy would be more socialist than those of other Western countries with large public sectors.

The Soviet Union could in no way be described as a liberal or democratic country now, nor do I think that it is terribly likely that *perestroika* will succeed such that the label will be thinkable any time in the near future. But at the end of history it is not necessary that all societies become successful liberal societies, merely that they end their ideological pretensions of representing different and higher forms of human society. And in this respect I believe that something very important has happened in the Soviet Union in the past few years: the criticisms of the Soviet

¹²This is not true in Poland and Hungary, however, whose Communist parties have taken moves toward true power-sharing and pluralism.

...em sanctioned by Gorbachev have been so thorough and devastating that there is very little chance of going back to either Stalinism or Brezhnevism in any simple way. Gorbachev has finally permitted people to say what they had privately understood for many years, namely, that the magical incantations of Marxism-Leninism were nonsense, that Soviet socialism was not superior to the West in any respect but was in fact a monumental failure. The conservative opposition in the USSR, consisting both of simple workers afraid of unemployment and inflation and of party officials fearful of losing their jobs and privileges, is outspoken and may be strong enough to force Gorbachev's ouster in the next few years. But what both groups desire is tradition, order, and authority; they manifest no deep commitment to Marxism-Leninism, except insofar as they have invested much of their own lives in it.¹⁵ For authority to be restored in the Soviet Union after Gorbachev's demolition work, it must be on the basis of some new and vigorous ideology which has not yet appeared on the horizon.

IF WE ADMIT for the moment that the fascist and communist challenges to liberalism are dead, are there any other ideological competitors left? Or put another way, are there contradictions in liberal society beyond that of class that are not resolvable? Two possibilities suggest themselves, those of religion and nationalism.

The rise of religious fundamentalism in recent years within the Christian, Jewish, and Muslim traditions has been widely noted. One is inclined to say that the revival of religion in some way attests to a broad unhappiness with the impersonality and spiritual vacuity of liberal consumerist societies. Yet while the emptiness at the core of liberalism is most certainly a defect in the ideology—indeed, a flaw that one does not need the perspective of religion to recognize¹⁶—it is not at all clear that it is remediable through politics. Modern liberalism itself was historically a consequence of the weakness of religiously-based societies which, failing to agree on the nature

of the good life, could not provide even the minimal preconditions of peace and stability. In the contemporary world only Islam has offered a theocratic state as a political alternative to both liberalism and communism. But the doctrine has little appeal for non-Muslims, and it is hard to believe that the movement will take on any universal significance. Other less organized religious impulses have been successfully satisfied within the sphere of personal life that is permitted in liberal societies.

The other major "contradiction" potentially unresolvable by liberalism is the one posed by nationalism and other forms of racial and ethnic consciousness. It is certainly true that a very large degree of conflict since the Battle of Jena has had its roots in nationalism. Two cataclysmic world wars in this century have been spawned by the nationalism of the developed world in various guises, and if those passions have been muted to a certain extent in postwar Europe, they are still extremely powerful in the Third World. Nationalism has been a threat to liberalism historically in Germany, and continues to be one in isolated parts of "post-historical" Europe like Northern Ireland.

But it is not clear that nationalism represents an irreconcilable contradiction in the heart of liberalism. In the first place, nationalism is not one single phenomenon but several, ranging from mild cultural nostalgia to the highly organized and elaborately articulated doctrine of National Socialism. Only systematic nationalisms of the latter sort can qualify as a formal ideology on the level of liberalism or communism. The vast majority

¹⁵This is particularly true of the leading Soviet conservative, former Second Secretary Yegor Ligachev, who has publicly recognized many of the deep defects of the Brezhnev period.

¹⁶I am thinking particularly of Rousseau and the Western philosophical tradition that flows from him that was highly critical of Lockean or Hobbesian liberalism, though one could criticize liberalism from the standpoint of classical political philosophy as well.

the world's nationalist movements do not have a political program beyond the negative desire of independence from some other group of people, and do not offer anything like a comprehensive agenda for socio-economic organization. As such, they are compatible with doctrines and ideologies that do offer such agendas. While they may constitute a source of conflict for liberal societies, this conflict does not arise from liberalism itself so much as from the fact that the liberalism in question is incomplete. Certainly a great deal of the world's ethnic and nationalist tension can be explained in terms of peoples who are forced to live in unrepresentative political systems that they have not chosen.

While it is impossible to rule out the sudden appearance of new ideologies or previously unrecognized contradictions in liberal societies, then, the present world seems to confirm that the fundamental principles of socio-political organization have not advanced terribly far since 1806. Many of the wars and revolutions fought since that time have been undertaken in the name of ideologies which claimed to be more advanced than liberalism, but whose pretensions were ultimately unmasked by history. In the meantime, they have helped to spread the universal homogeneous state to the point where it could have a significant effect on the overall character of international relations.

IV

WHAT ARE the implications of the end of history for international relations? Clearly, the vast bulk of the Third World remains very much mired in history, and will be a terrain of conflict for many years to come. But let us focus for the time being on the larger and more developed states of the world who after all account for the greater part of world politics. Russia and China are not likely to join the developed nations of the West as liberal societies any time in the foreseeable future, but suppose for a moment that Marxism-Leninism ceases to be a factor driving the foreign policies of these states—a pros-

pect which, if not yet here, the last few years have made a real possibility. How will the overall characteristics of a de-ideologized world differ from those of the one with which we are familiar at such a hypothetical juncture?

The most common answer is—not very much. For there is a very widespread belief among many observers of international relations that underneath the skin of ideology is a hard core of great power national interest that guarantees a fairly high level of competition and conflict between nations. Indeed, according to one academically popular school of international relations theory, conflict inheres in the international system as such, and to understand the prospects for conflict one must look at the shape of the system—for example, whether it is bipolar or multipolar—rather than at the specific character of the nations and regimes that constitute it. This school in effect applies a Hobbesian view of politics to international relations, and assumes that aggression and insecurity are universal characteristics of human societies rather than the product of specific historical circumstances.

Believers in this line of thought take the relations that existed between the participants in the classical nineteenth century European balance of power as a model for what a de-ideologized contemporary world would look like. Charles Krauthammer, for example, recently explained that if as a result of Gorbachev's reforms the USSR is shorn of Marxist-Leninist ideology, its behavior will revert to that of nineteenth century imperial Russia.¹⁶ While he finds this more reassuring than the threat posed by a communist Russia, he implies that there will still be a substantial degree of competition and conflict in the international system, just as there was say between Russia and Britain or Wilhelmine Germany in the last century. This is, of course, a convenient point of view for people who want to admit that something major is chang-

¹⁶See his article, "Beyond the Cold War," *New Republic*, December 19, 1988.

the Soviet Union, but do not want to accept responsibility for recommending the radical policy redirection implicit in such a view. But is it true?

In fact, the notion that ideology is a superstructure imposed on a substratum of permanent great power interest is a highly questionable proposition. For the way in which any state defines its national interest is not universal but rests on some kind of prior ideological basis, just as we saw that economic behavior is determined by a prior state of consciousness. In this century, states have adopted highly articulated doctrines with explicit foreign policy agendas legitimizing expansionism, like Marxism-Leninism or National Socialism.

THE EXPANSIONIST and competitive behavior of nineteenth-century European states rested on no less ideal a basis: it just so happened that the ideology driving it was less explicit than the doctrines of the twentieth century. For one thing, most "liberal" European societies were illiberal insofar as they believed in the legitimacy of imperialism, that is, the right of one nation to rule over other nations without regard for the wishes of the ruled. The justifications for imperialism varied from nation to nation, from a crude belief in the legitimacy of force, particularly when applied to non-Europeans, to the White Man's Burden and Europe's Christianizing mission, to the desire to give people of color access to the culture of Rabelais and Molière. But whatever the particular ideological basis, every "developed" country believed in the acceptability of higher civilizations ruling lower ones—including, incidentally, the United States with regard to the Philippines. This led to a drive for pure territorial aggrandizement in the latter half of the century and played no small role in causing the Great War.

The radical and deformed outgrowth of nineteenth-century imperialism was German fascism, an ideology which justified Germany's right not only to rule over non-European peoples, but over *all* non-German ones. But

in retrospect it seems that Hitler represented a diseased bypath in the general course of European development, and since his fiery defeat, the legitimacy of any kind of territorial aggrandizement has been thoroughly discredited.¹⁷ Since the Second World War, European nationalism has been defanged and shorn of any real relevance to foreign policy, with the consequence that the nineteenth-century model of great power behavior has become a serious anachronism. The most extreme form of nationalism that any Western European state has mustered since 1945 has been Gaullism, whose self-assertion has been confined largely to the realm of nuisance politics and culture. International life for the part of the world that has reached the end of history is far more preoccupied with economics than with politics or strategy.

The developed states of the West do maintain defense establishments and in the post-war period have competed vigorously for influence to meet a worldwide communist threat. This behavior has been driven, however, by an external threat from states that possess overtly expansionist ideologies, and would not exist in their absence. To take the "neo-realist" theory seriously, one would have to believe that "natural" competitive behavior would reassert itself among the OECD states were Russia and China to disappear from the face of the earth. That is, West Germany and France would arm themselves against each other as they did in the 1930s, Australia and New Zealand would send military advisers to block each others' advances in Africa, and the U.S.-Canadian border would become fortified. Such a prospect is, of course, ludicrous: minus Marxist-Leninist ideology, we are far more likely to see the "Common Marketization" of world politics than the disintegration of the EEC into nineteenth-century competitiveness.

¹⁷It took European colonial powers like France several years after the war to admit the illegitimacy of their empires, but decolonialization was an inevitable consequence of the Allied victory which had been based on the promise of a restoration of democratic freedoms.

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PRESIDENT HAVEL'S VISIT TO WASHINGTON: 19-21 FEBRUARY
SUMMARY

1. A PRIMARILY SYMBOLIC VISIT, ALTHOUGH PRESIDENT BUSH USED THE OCCASION TO AUTHORISE A WAIVER OF JACKSON-VANIK, THUS PAVING THE WAY FOR NEGOTIATIONS ON NEW TRADE AGREEMENTS. HAVEL ADDRESSED BOTH HOUSES OF CONGRESS, WHERE HE APPEALED TO THE US TO AID SOVIET DEMOCRATISATION, AND LOOKED FORWARD TO THE DAY WHEN EUROPE WOULD NOT NEED US TROOPS.

DETAIL

2. PRESIDENT HAVEL VISITED WASHINGTON ON 19-21 FEBRUARY. HE HAD OVER THREE HOURS OF TALKS WITH PRESIDENT BUSH, INCLUDING AN UNSCHEDULED MEETING ARRANGED JUST BEFORE HAVEL LEFT FOR NEW YORK. HIS ADDRESS TO CONGRESS HAS BEEN WIDELY ADMIRERD AND HAS UNDOUBTEDLY ADDED TO HAVEL'S STATURE IN US EYES.

3. IN HIS ADDRESS HAVEL SAID THE CHANGES IN EASTERN EUROPE WERE IRREVERSIBLE. HE HOPED THAT THE PROCESS WOULD RESULT IN EUROPE BEING ABLE TO STAND GUARD OVER ITSELF, AND THAT US TROOPS WOULD NO LONGER BE REQUIRED IN EUROPE. IN THE INTERESTS OF POLITICAL STABILITY HE WANTED AS MANY SOVIET UNITS AS POSSIBLE REMOVED FROM CZECHOSLOVAKIA BEFORE THE JUNE ELECTIONS. THE US COULD MOST HELP CZECHOSLOVAKIA BY HELPING THE SOVIET UNION ON ITS QUOTE IRREVERSIBLE BUT IMMENSELY COMPLICATED ROAD TO DEMOCRACY UNQUOTE. THE SOONER THE SOVIET UNION MOVED TOWARDS GENUINE POLITICAL PLURALISM, AND A MARKET ECONOMY, THE BETTER. THIS WOULD ALSO ENABLE THE US TO REDUCE ITS MILITARY BUDGET. HAVEL STRESSED THAT HE DID NOT WISH TO DISSOLVE QUOTE THE WARSAW PACT TOMORROW AND NATO THE DAY AFTER THAT UNQUOTE, BUT HE BELIEVED THAT US SOLDIERS SHOULD NOT CONTINUE TO BE STATIONED IN EUROPE FOREVER. QUOTE AMERICAN SOLDIERS SHOULDNT HAVE TO BE SEPARATED FROM THEIR MOTHERS JUST BECAUSE EUROPE IS INCAPABLE OF BEING A GUARANTOR OF WORLD PEACE. UNQUOTE. THIS YEAR'S CSCE SUMMIT SHOULD DECIDE TO HOLD THE HELSINKI TWO CONFERENCE EARLIER THAN 1992. HELSINKI TWO SHOULD BECOME SOMETHING EQUIVALENT TO A EUROPEAN PEACE CONFERENCE WHICH WOULD OFFICIALLY BRING A DEMOCRATIC GERMANY INTO A NEW PAN-EUROPEAN STRUCTURE. EUROPEAN BORDERS SHOULD BE LEGALLY

GUARANTEED BY TREATY.

4. HAVEL SAID HE WELCOMED THE BUSH INITIATIVE ON TROOP REDUCTIONS. IF CZECHOSLOVAKIA WAS FORCED TO DEFEND ITSELF IT WOULD DO SO WITH A SMALL ARMY: IT WOULD NOT SURRENDER ITS NEWBORN FREEDOM AND INDEPENDENCE. HE ADDED THAT WHATEVER STEPS WERE TAKEN BY CZECHOSLOVAKIA WERE NOT INTENDED TO COMPLICATE CFE TALKS, BUT QUOTE TO FACILITATE THEM UNQUOTE. CZECHOSLOVAKIA, HE SAID, WAS RETURNING TO EUROPE. IT WISHED TO COORDINATE ITS RETURN, POLITICALLY AND ECONOMICALLY, WITH OTHER RETURNEES, ABOVE ALL WITH THE POLES AND THE HUNGARIANS. CZECHOSLOVAKIA HAD, FOR MANY YEARS, REFUSED TO FACE UP HONESTLY TO ITS QUOTE CO-RESPONSIBILITY FOR THE WORLD UNQUOTE. IT HAD A LOT TO MAKE UP FOR.

5. HIS SPEECH DEALT WITH WHAT HE DESCRIBED AS THE QUOTE PHILOSOPHICAL ASPECT UNQUOTE OF THE CHANGES IN EASTERN EUROPE. HE STRESSED THE NEED FOR A QUOTE GLOBAL REVOLUTION IN THE SPHERE OF HUMAN CONSCIOUSNESS UNQUOTE, MAN WAS A PART OF CREATION AND NOT THE PINNACLE OF IT. HE HAD TO PUT MORALITY AHEAD OF POLITICS, SCIENCE AND ECONOMICS.

6. MUCH OF HAVEL'S DISCUSSION WITH PRESIDENT BUSH WAS ONE-ON-ONE. STATE DEPARTMENT CONTACTS HAVE TOLD US THAT IT WAS MOSTLY ABOUT EUROPEAN SECURITY WITH HAVEL EXPOUNDING ON THE QUOTE BIG PICTURE UNQUOTE. HAVEL DID NOT CONTEST THE NEED, AT LEAST FOR THE FORESEEABLE FUTURE, FOR A CONTINUING US PRESENCE IN EUROPE, AND FOR GERMAN MEMBERSHIP OF NATO, ALTHOUGH HE REITERATED HIS ARGUMENTS ABOUT THE NEED FOR BOTH ALLIANCES TO BE DISBANDED IN THE LONG TERM, AND REPLACED BY A PAN-EUROPEAN SECURITY SYSTEM. IN TALKS BETWEEN TRADE MINISTERS IT WAS DECIDED THAT NEGOTIATIONS WOULD START ON A TRADE AGREEMENT, AND FORMAL MEETINGS ARE TO BE HELD IN PRAGUE ON 5-7 MARCH ON TRADE AND INVESTMENT PROTECTION. SINCE BAKER HAD RAISED US CONCERNS ABOUT THE ROLE OF THE CZECH SECURITY/INTELLIGENCE SERVICES, AND SALE OF CZECH MANUFACTURED ARMS AND EXPLOSIVES DURING HIS VISIT TO PRAGUE, THESE WERE NOT HIGH ON THE AGENDA FOR HAVEL'S VISIT HERE.
COMMENT

7. HAVEL WAS THE FIRST OF THE NEW EAST EUROPEAN LEADERS TO VISIT WASHINGTON. HIS ADDRESS TO CONGRESS WAS WELL RECEIVED (INTERRUPTED 25 TIMES BY APPLAUSE), AND ALTHOUGH IT LACKED THE PASSION OF WALESIA'S ADDRESS LAST AUTUMN, IT HAS BEEN SEEN BY PRESS COMMENTATORS AS AN CONVINCING PITCH FOR CZECHSLOVAKIA'S VOICE TO BE HEARD IN THE DEBATE ON THE FUTURE OF EUROPE. THE FACT THAT HAVEL DID NOT SEEK MORE US AID, AND THAT BAKER HAD RECEIVED ASSURANCES IN PRAGUE ABOUT CZECHOSLOVAKIA'S INVOLVEMENT IN ARMS AND INTELLIGENCE, HELPED ENSURE THE CELEBRATORY CHARACTER

OF THE VISIT. IT WAS ALSO A GOOD PERSONAL SUCCESS FOR HAVEL
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COMMONS DEBATE ON EAST-WEST RELATIONS, 22 FEBRUARY

OPENING SPEECH BY THE FOREIGN SECRETARY (FINAL TEXT)

Mr Speaker, we are debating the future shape of our Continent :

- the impetus towards democracy in Eastern Europe and in the Soviet Union;
- the emergence in the centre of Europe of a united Germany;
- the reduction, on an unprecedented scale, of the armed forces which for decades have opposed one another across a divided Europe.

All these developments we can welcome. All these developments will need a mass of continuing work.

Last week my rt hon Friend the Prime Minister and I had talks in London with the Polish Prime Minister and the French and German Foreign Ministers.

President Havel of Czechoslovakia will visit Britain next month. Next week I go to Hungary. In April, I

shall visit the Soviet Union for talks with Soviet leaders. These are just a few of the array of visits and meetings in which we are involved.

The airways of Europe and the Atlantic are thronged with travelling Ministers. At first, all these visits and discussions seem somewhat formless, and that was my own first impression. But now I can see new patterns of consultation and sensible understandings emerging.

The first phase of smashing statues and hunting secret policemen in Eastern Europe is almost over. The harder task of building democratic institutions and creating free market economies is beginning.

In parallel, we are entering a completely new phase of East-West relations. Before, the challenge for the West was to manage a relationship between adversaries. The overriding need was to avert war, and after that to seek progress with arms control, and greater respect for human rights.

Much of our effort was directed to limit the damage of the Cold War; to expose the abuse of human rights; to counter the disruptive influence of the Soviet Union worldwide. This effort required perseverance and sometimes courage. It did not need a great deal of

original thought.

Now, starting with the Soviet Union, those countries are being transformed.

We shall need steadiness and courage. We must also welcome fresh ideas and original thought. That is unmistakably the new mood in this country, in the rest of Europe, and across the Atlantic.

This came across strongly in the remarkable series of meetings in Ottawa last week. Ottawa was a diplomatic festival as well as a formal conference. Foreign Ministers of NATO and the Warssaw Pact were there to discuss an "open skies" regime. In practice, our discussions ranged far more widely. For some of us I think it was less a case of "open skies" than of "open house". It was an extraordinary experience to talk to the Polish, Czech or Hungarian Foreign Minister and hear, for the first time in nearly half a century, a genuinely national point of view.

There was also a strong sense that the Soviet Union is no longer sure of its moorings. The Warsaw Pact is no longer biddable. Democracy is starting to encroach. Soviet foreign policy is much more sensitive than before. I have the impression that, perhaps for this

reason, it at present contains more questions than answers. I admire the Soviet leadership for riding the tide of events but the pace and strength of the tide will increase over the next few months.

The dominating issue at Ottawa was German unification. The Western allies have always supported the principle of German unification, to be brought about as the result of the freely-expressed choice of the peoples of the two Germanies.

So unification in freedom is not the issue. The principle is widely accepted. The momentum towards making it a reality has built up fast, and it is now likely to happen sooner rather than later. There is a political momentum, due in part to the continuing flow of people from the GDR and the FRG, and the desire of those remaining behind to share in the prosperity of their fellow Germans in the West. There is also an emotional momentum, which is understandable when at last it seems that the painful separation of many years is about to be overcome.

These are powerful realities. There are other realities, equally important, to be taken into account. German unification closely affects the interests of other countries : Germany's immediate neighbours; her

partners and allies in the EC and NATO and the Four Powers who retain rights and responsibilities in Germany. So there are also external aspects to the German question. Alongside self-determination goes the need for joint determination of these external issues.

We felt before Ottawa that these aspects were not always being adequately heeded as the German government grappled with the rush of events in the GDR. Until last week, we lacked a framework for discussing these external aspects of German unification.

We were not alone in our concern. Others too were worried that we seemed to be getting into a scramble towards unification, without having established the right framework for handling the external aspects. Among these aspects were membership of NATO by a united Germany: the implications of this for the territory of what would be the former GDR and the Soviet troop presence there; the status of Berlin; the final settlement of borders; the practical implications of unification for the European Community. Our message was not one of obstruction. It was that we risked muddle and instability if these issues were not addressed in an orderly way.

As I say, many felt these anxieties; we were foremost in spelling them out. Because of that, a notion grew up, particularly in parts of the German press, that Britain was in some way going back on our support for the principle of unification. I hope that notion has now been dispelled, to the comfort of us all.

When I visited Washington on 29 January, I stressed to the President and the Secretary of State our view that a framework was needed. We did not discuss in detail what form it should take. By the time I went to Ottawa, our own thoughts had become more precise, and I was clear that I should press as hard as possible for a meeting, or meetings, of the Six - the four former occupying powers and the two Germanies. There are other external aspects which need discussion elsewhere, for example in the EC and NATO, and with Poland. But a Six Power meeting seemed the first step. I found that I was knocking on an open door because the minds of our allies had moved in exactly the same direction. Only the Soviet Union was reticent, and at Ottawa that reticence was overcome within twenty-four hours.

The forum of the Six offers some obvious advantages. It unites those most immediately concerned - the two Germanies themselves - with the four countries which share a unique status in terms of legal rights and

W. P. M. P.

responsibilities in Germany.

We have therefore now achieved what had been our aim all along - to establish a channel which can guide the discussion in future. We welcome this, and plenty of hard work lies ahead. But we are now more optimistic that German unification can be achieved in a way which fits a pattern of European stability and security acceptable to all.

I cannot help adding that, now that a framework is taking shape, everyone is beginning to say how important it is. Everyone is now happy to clamber aboard. Analyses of the importance of discussing the external aspects of German unity, which were regarded as unrealistic footdragging when the Prime Minister and I spoke about them a few weeks ago, were two a penny round the table at Dublin on Tuesday. But here I would say a word of appreciation for the way in which the German Minister of Foreign Affairs, Herr Genscher, has throughout, in private and in public, stressed the importance of consultation and the particular role of the Four Powers.

Nor is it just on procedure that we have begun to make progress. There is a coming together of ideas on substance as well.

First, there is the concept of a united Germany in NATO. This is clearly important for the West. It is also important for the security of Europe as a whole, as a number of Eastern countries now recognise. A neutral Germany outside the existing security arrangements in Europe would inevitably weaken that stability, and the FRG has rightly rejected that option.

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American and other foreign troops will need to remain in Germany in significant numbers as a stabilising element in European security and on this point too there is a growing consensus. But we need to take account of Soviet concerns. That means finding special arrangements for the territory of the GDR, including perhaps the continued presence of Soviet troops for a transitional period. It is too soon to be precise ? about details, but the principles are becoming clear.

I believe that the Soviet Union will come to accept that its own interests in stability will also be served by having Germany as a member of the defensive Western alliance, especially as arms control reduces the level of forces on both sides in Europe.

Second, there is the question of the Eastern border of a united Germany. No-one with any sense of history can be surprised at the Polish emphasis on this subject, stressed to us by Mr Mazowiecki last week. The German government have made it clear that the substance of their position is not in doubt on this issue. A united Germany will comprise the territory of the FRG, the GDR and Berlin. Not more, not less. Nevertheless we are sure that there should be a formal and binding agreement to settle this matter once and for all. A Treaty is the obvious solution. Of course Poland will need to be closely involved in this discussion.

Third, we need to start to consider seriously within the EC the implications of an enlarged Germany. The economy of the GDR is clearly ill-suited to Community life at present. It is massively state-aided; it offends every EC environmental directive; its industrial and manufacturing standards are to put it mildly not those of the Single Market. The Germans will need derogation from Community law. We shall all need transitional arrangements. The Irish Government, as Presidency, propose a special Community Summit to discuss this towards the end of April, and we welcome this. The Commission agreed in Dublin on Tuesday to my proposal for detailed work to begin in preparation for

that meeting.

Fourth, there is the question of Berlin. The Western allies have staunchly defended freedom in their sectors of Berlin during the period when the city and Germany itself was divided. But now that the Berlin wall is coming down and unification is in prospect, we do not want needlessly to perpetuate the occupation regime. It has served a particular and worthwhile purpose during a particular period in Berlin's history. So we need to consult the Russians about the future status of the city, and the two Germanies should be associated with the rather more formal process of Four Power consultation.

I am particularly anxious that, in all these matters, we should work closely with France. We have long had a virtual identity of interest in many of them. I hope that we can work for a virtual identity of view.

The second important outcome of the Ottawa summit was the agreement to hold a CSCE summit later this year at which an agreement on conventional force reductions in Europe would be signed and which would establish a framework for future European cooperation.

For years our negotiators struggled to secure, in the

Helsinki process, a common standard of human rights. The process was long drawn out, painstaking and painful. But the governments of Eastern Europe were in the end brought to sign up to a set of standards by which their own people could then put them to the test. It is worth remembering just what use we were able to make of the Final Act. People like Vaclav Havel and Doina Cornea would have been lost to view - perhaps disappeared for ever - if we had not had a standard to wave on their behalf and a mechanism whereby we could keep demanding their freedom and their rights.

All that effort has been vindicated. The new governments of Eastern Europe, whose members most benefited from the CSCE, rightly want to use it as a framework of negotiations for the future. We agree. It can now play a far greater role than before in strengthening peace and stability in Europe. It has the right membership and the right broad agenda for building trust, security and cooperation on our continent.

The CSCE is like a motorway which carries a good deal of the traffic of East-West relations. In the past, the traffic has been moving, but uncertainly. Because of the existence of conflicting systems, one could say that low speed limits were enforced, and some lanes

were closed off to us. Today, those restrictions no longer apply.

The political work of the CSCE is going to become more important in future. If the CSCE motorway is to fulfil its potential, and carry additional traffic, we need to widen it : to increase the number of lanes, and find other ways to keep the traffic flowing. So we must look for practical new elements with which to strengthen the CSCE's contribution to European security.

Last year, Britain, with the United States, launched a proposal on free elections. We also put forward another, on respect for the rule of law.

In Ottawa, I put forward a new proposal. The Cold War had many undesirable effects, but one of them was to freeze many of the old nationalist emotions and tensions which for centuries have been potential flashpoints in Europe. Now that the ice is thawing there is a risk, particularly in central and Eastern Europe, that national reawakening will be accompanied by some of the uglier aspects of nationalism, as ancient rivalries reassert themselves. In the West we have overcome such rivalries in freedom, but the enforced and artificial uniformity of Communism denied

that chance to our Eastern neighbours.

So the CSCE could provide a means of resolving disputes between its members to defuse tension and to avert the threat of conflict. This would complement the established machinery of the UN.

Nor do I want to get too bogged down in mechanisms. It may be relatively easy to get agreement to a piece of conciliation machinery and then find that the countries who most need it spend their time devising ingenious ways of avoiding it. We need to encourage the countries of Europe to talk and think collectively, and more frequently, about some of the real issues, eg minority rights and their protection, which may be at the heart of existing or future disputes between countries and within them.

The third important agreement to come out of Ottawa was reached between the US and the Soviet Union on the reduction of their stationed forces in Europe.

Alongside that was a consensus between the Alliances that the negotiations in Vienna should go forward as quickly as possible, so we can reach an agreement this year.

Britain will work hard to achieve this outcome.

Although major problems remain, particularly over an effective verification regime, the Ottawa meeting showed the political will necessary to reach an early agreement.

The US-Soviet agreement was significant because it accepts that the US should retain a higher proportion of forces in Europe than the Soviet Union under a CFE regime. This was an important Soviet concession but, as Mr Shevardnadze said, it was a concession to common sense.

I believe we should also begin to look now beyond a Vienna agreement to the future needs of European security. Further measures of arms control will be a part of this. But so too will be the political aspects of security, to which I have already referred. I proposed in Ottawa that we should set this work in hand, and we shall follow this proposal up in NATO and, as I have indicated, in the CSCE.

These developments raise the question of the future of the Alliance. We should not be unduly influenced here by what is happening in the Warsaw Pact. The implications for the Pact of democracy among its membership are likely to be profound. It will change fundamentally or fade away. But only its members can

decide what its fate will be. NATO too is bound to be affected by changes in Eastern Europe. It too will need to adapt. But because it has proper foundation in the consent of governments and peoples, it will endure. We need to distinguish rigorously between those attributes of NATO which will remain important in future, and other aspects which should change in response to events.

Among the permanent characteristics, I would list: NATO's present membership; the presence of significant stationed forces, including those of the US, Canada and Britain on the European continent; a sensible mix of nuclear and conventional forces, and an integrated command structure.

We envisage the Alliance becoming more deeply involved:

- in the management of change in Europe;
- in dialogue with the East;
- in arms control and its verification;
- in consultation about security problems outside, as well as inside, Europe; and
- in developing concepts for the 90s, such as minimum deterrence.

An Alliance which can change with the times still has a lot of offer for the security of its members. It offers a sure link between Europe and North America; a sound framework for cooperation in defence and arms control; and the cheapest insurance policy against the uncertainties and possible turbulence of the 90s.

Europe's long-term security and stability can best be maintained if democratic renewal in the Soviet Union and Eastern Europe remains on track. Reverses and upheavals there are unlikely to bring back the Cold War, but they would send tremors of danger through the whole of our continent. We need the process of democratic renewal to succeed. To ^{the} extent that we can, we should provide practical support for reform.

Time is short, so I shall not attempt to catalogue everything that is being done. Hon. members will be familiar with much of the detail. I will highlight two points.

The first is the key role of the European Community. The Community's response to events in the East has been fast and effective. We are coordinating the work of the wider Group of 24 Western countries. We are sending aid of many kinds. We have launched the idea of a European Development Bank whose emphasis on

helping the private sector owes much to British urging.

Most important are the steps we have taken to develop trade and cooperation agreements with the Eastern countries and, as a British initiative, to look for closer forms of association in the longer term. The aim is to enable the emerging democracies of Eastern Europe to develop their economies and align themselves more closely with the Community as reform proceeds.

The process will, I hope, eventually lead to full membership of the Community. That is for the future. Already the Community provides a stable political, economic and legal framework for European development. The relationship with the Community will help the countries of Eastern Europe cope with the economic and political travail through which some may pass over the next few years.

So we shall continue to give every encouragement to reform in Eastern Europe. We have provided bilateral help and will go on doing so. I add today that we also want to look, on an all party basis, at what help we can give to the political parties in Eastern Europe and perhaps elsewhere. We shall be in touch shortly with others in the House.

We have to encourage in every way possible the amazing task which they have set themselves. In their societies they are transforming the nature of the relationship between the State and the individual.

I have touched on the three main efforts in which we are engaged - moving towards German unification; developing the European security framework; supporting reform in Eastern Europe. All of these tasks stem from events of which the whole House was glad - the breaking down of walls, the freeing of peoples. Lech Walesa said to me recently that he and his fellow-amateurs had done their bit by proving to us professionals that the impossible was possible. Now, he added, the rest was up to the professionals. We professionals, parliamentarians and diplomats, businessmen and bankers, journalists and broadcasters, must show the skill and imagination to follow up worthily the work of, for example, the shipyard workers of Gdansk, the crowds in St Wenceslas Square, and those who through the years defied the Berlin Wall.

PERSONAL



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10 DOWNING STREET

LONDON SW1A 2AA

From the Private Secretary

21 February 1990

COMMONS DEBATE ON EAST/WEST RELATIONS: 22 FEBRUARY

Thank you for sending me a copy of the Foreign Secretary's speech in tomorrow's debate on East/West relations. I think it is a very convincing exposition of the Government's policies. I have no comments to offer on the substance.

I have read it a second time with a particular eye to those who will try to find in it evidence of disagreement or at least difference of emphasis between the Foreign Secretary and the Prime Minister. From that perspective alone, I have some minor suggestions to offer:

- (i) the passage at the turn-over from page 2 to page 3 carries some slight risk. One current line of attack is to suggest that the Prime Minister was fine for the cold war but is unable to adjust to the new times into which we are entering. In this context the phrase: "It did not need a great deal of original thought" might be seen as patronising. Perhaps: "We did not need to look beyond existing alliances, political systems, certainties".
- (ii) On page 6, I would be inclined to say in line 11: "..... more precise, and my RHF the Prime Minister and I were clear that I should press".
- (iii) On page 8, middle paragraph, should not the reference be to American and other foreign troops and their nuclear weapons.
- (iv) In the passage on the future of NATO on pages 14-16, do we not need some reference to maintaining strong defence and - in our case- an independent nuclear deterrent? I think the absence of such a reference risks being interpreted as the Foreign Secretary being more 'disarmament-minded' than the Prime Minister.

CHARLES POWELL

Richard Gozney, Esq.,
Foreign and Commonwealth Office.

Handwritten initials

PERSONAL



MINISTRY OF DEFENCE
 MAIN BUILDING WHITEHALL LONDON SW1A 2HB
 Telephone 01-218 2111/3

Cell 2

MO 29/4

20 February 1990

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Dear Charles,

You may like to
 see this. You will
 not agree it is

I enclose an advance copy of the speech Lord Carrington plans to give in Luxembourg today.

conclusion - that

Yours sincerely we should be
 Simon Webb aiming to

(S WEBB)
 Private Secretary

Tom M

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EC into a
 defence alliance
 as well

20/2/90

Charles Powell Esq

3 copies.

ANNUAL CHURCHILL MEMORIAL LECTURE

"EAST-WEST RELATIONS
AND THE FUTURE OF EUROPE"

Your Royal Highness, Ladies and Gentlemen,

This is the second occasion on which you have done me the honour of asking me to give the Churchill Memorial Lecture. I am greatly flattered. I can claim to have only one minor qualification for this task. When in 1951, almost forty years ago, Winston Churchill formed his last administration, I had probably the most junior and unimportant post in the Government - Parliamentary Secretary to the Ministry of Agriculture and Fisheries. On the very rare occasions on which I attended meetings under his chairmanship, I am quite sure that, had he even noticed me, he would not have had the faintest idea who I was or what I was doing there. But I had the opportunity at first-hand of seeing one of the most remarkable men of the century whose vision and courage has helped to shape our future; a man who foresaw the catastrophe of 1939 and who, afterwards, was one of the first to advocate the unity of Europe and to encourage and to include the German people in that unity. I wonder what he would be thinking of the astonishing events of the last few months.

On the first occasion I was in this hall, though I knew a good deal about Luxembourg and had worked harmoniously with Your Royal Highness' Government over a period of years, I did not know the country or its people as intimately as I know it

now, having lived in the neighbouring country for over four years. At that time I expressed my admiration for this nation and its Head of State, for its determination to maintain its independence and for the staunchness of its friendships. Propinquity has done nothing but strengthen that admiration. I am happy to think that the close relationship which the Grand Duke has with the British Royal Family has in the intervening years been strengthened by his appointment as Colonel of the Irish Guards. I hope His Royal Highness knows how very proud the members of that regiment are to have him as their Colonel.

In the time that I was at NATO I was lucky enough to have as colleagues two outstanding public servants from this country. You are indeed lucky to have such people to represent your interests abroad, and NATO was lucky to have them.

As I have said, I am here for the second time. It may, of course, be that this second invitation can be explained by the fact that none of you was present on the first occasion and any who were have no recollection whatever of what I said. I would be very surprised indeed if that were not true but I thought it a wise precaution before coming here to have a look at what I did say on 27th October 1981 - only eight and a half years ago.

The speech was an exposition of the political situation in Europe at that time. I recorded the progress that we had made in the European Community and welcomed the fact that the ten countries (because at that time there were only ten members of the Community) by their signature of the Treaty of Rome had

inaugurated a new and exciting Western Europe. And, though they might quarrel amongst themselves about subsidies and the price of butter or the pace of integration, they would never again go to war with each other.

I then went on to talk about the military balance, the increasing expenditure by the Soviet Union on conventional armaments and the considerable military superiority of the Soviet Union compared with the West. At that time, unilateralism was very much to the fore, the dispute about intermediate nuclear weapons was at its height, and much of what I said was directed at the follies of unilateral disarmament and the need for prudence and the continuation of our deterrent capability. It was a prudent and probably predictable analysis of the situation as it then was, and it was, if I remember rightly, received if not with enthusiasm then with a good deal of agreement. It was, in effect, the received wisdom of the time and, if I may now confess it, largely written by the Foreign Office.

Eight years in terms of international affairs is not a very long time. Certainly, none of us at that time could conceivably have foreseen the events of the last few months and the staggering changes that have taken place in the Soviet Union and in Eastern Europe. One thing is certain, Europe will never be the same again. It did not ever occur to me that in my lifetime I would see the destruction of the Berlin Wall, the end of Soviet domination of Eastern Europe and the demise of Marxism.

It is therefore just as well for a few moments to reflect upon why this has happened. It has become increasingly obvious over the last decade or so that military power by itself cannot in the long term bring the political and economic rewards which were expected of it in the past. The super powers with their nuclear weapons were, in any situation short of a global war, unable to use the vast superiority they have to impose their own policies. We saw this in Vietnam and in Afghanistan. In Afghanistan the Russians must have realised not long after their aggression that the consequences to them economically, politically and militarily were devastating. It had become a running sore, and every year had united almost the entire membership of the United Nations in a vote condemning their actions. It had done their image in the third world untold harm, and for no discernable object or gain.

Military adventures of that kind are no longer relevant or sustainable. That, no doubt, was one of the factors which triggered perestroika and glasnost. Another factor must surely have been the determination of the Western Alliance to match the Soviet intermediate nuclear missiles. That NATO decision, taken in the face of considerable domestic opposition - to some extent encouraged and orchestrated by the Soviet Union - must have convinced their leadership that the economic consequences of this arms race, escalated as it was by the decision of the US to embark on the strategic defence initiative, was too great to sustain.

To continue a policy of vast expenditure on armaments, to be committed to military and economic aid in Angola, Ethiopia, Vietnam and Cuba, together with the war in

Afghanistan, was too much. Add to that the catastrophic state of Soviet industry still largely in the smoke-stack age, a standard of living deplorably low compared with the West, and worsening every year, and it must have become apparent that radical change was essential. No country can remain a super power by virtue of its nuclear arsenal alone. Nor, indeed, can it retain its military capacity indefinitely with a bankrupt economy.

It may well be too that Mr. Gorbachev looked to the East and observed that the country which in economic terms has, since 1945, been the most successful has no large armed forces and spends only 1% or so of its GNP on defence. In two decades or so, Japan has become one of if not the dominant economic force in the world, with the strongest currency and an influence far wider than any military aggression or territorial takeover could ever have brought.

Thus, in order to revitalise the Soviet economy, Mr. Gorbachev needed two things: first, a reduction in defence expenditure; and, secondly, in order to achieve this without endangering the security of the Soviet Union, stability in foreign affairs. So we have perestroika and glasnost and the withdrawal from Vietnam and Afghanistan and a totally new style of Soviet diplomacy.

What I think is less clear is whether or not Mr. Gorbachev realised what the political consequences of perestroika and glasnost were bound to be or, at any rate, whether he realised that they would follow so swiftly. It was

surely inevitable that, if there was perestroika and glasnost in the Soviet Union, it would follow in the countries of Eastern Europe and that it would also affect the various republics within the Soviet Union itself. Whether Mr. Gorbachev foresaw this or not, it seems that he has accepted that Eastern Europe must go its own way and it has been recognised by several Soviet leaders that force cannot be used to retain unwilling communities in the Union of Soviet Socialist Republics.

How it will all end it is far too soon to say. The situation changes daily. Only one thing is certain and that is that the domination by the Soviet Union of Eastern Europe is over. Whether that will mean that those countries will become more stable, more democratic and more prosperous is not at the moment very clear. I hope so. There is a danger, as with all liberated countries, whether they be liberated from dictators or communism or colonialism, that disillusion will set in if expectations are not fulfilled and if material conditions do not improve. Each of the six European Eastern bloc countries will react differently. I shall speak of East Germany in a moment. But, for the others, it is clear that the problems of Hungary are quite different from those, for example, of Romania. Our policy must be to encourage them all along the road to democracy and the acceptance of the Helsinki accord on human rights and, subject to that progress, give such assistance as will enable them to rebuild their own economies and embark once again on the road to prosperity and freedom.

Mr. Gorbachev, I think, has even greater problems. So far, the reforms have not resulted in any change for the better

in the conditions of ordinary people - rather the reverse. It seems that the popularity of Mr. Gorbachev in the West is only matched by his unpopularity at home. A question mark, at any rate for me, hangs over the proposition that you can revitalise the Soviet economy within what is still essentially a Marxist philosophy and environment. The decision to abandon a one party Communist system and move towards pluralism may be the first realisation in the Soviet Union of that possibility. Is there a credible alternative to Mr. Gorbachev if his policy fails and he alienates both the old guard Communists and the new radicals? Will the events of the last few months lead to the break-up of the Soviet Union? How far is that acceptable to what are rather oddly called the "Conservatives" and would a strong independence movement in the Ukraine be wholly unacceptable to all parties? It is, I think, too soon to know the answers to these questions but the fact that we don't and can't know should help us to shape the policies of the future.

If this is an accurate, if rather general, outline of the situation, and I think it is, we have both opportunities and problems - problems for us as well as for the Soviet Union.

I start first of all with the problems of the Soviet Union. In addition to those which I have already mentioned, there is the problem of Soviet security, which looms large in any Russian mind. For reasons which all of us who know a little bit of history will understand, the Russians are particularly concerned about the security of their homeland. They have experienced through the centuries countless invasions and a particularly bloody one not all that long ago. It is not

surprising that defence plays such an important part in that thinking.

The arrangements sought by Stalin and agreed at Yalta were designed expressly for the purpose of creating politically subservient states along the Soviet border. No potentially hostile country was to be allowed on that border. A buffer zone was created against any aggression from Western Europe. Later, the Warsaw Pact - unlike NATO, a purely military alliance - was set up for the same reason - to counter a perceived threat from the newly-formed Western Alliance. Today, the cornerstone of Russian policy lies in rubble at their frontier and they must be well aware of it. Maybe the Warsaw Pact will remain nominally in existence for a period of time. If it remains of some reassurance to the Soviet Union, it can perhaps serve some purpose but, in reality, it is no longer credible.

The countries of Eastern Europe are no longer tied to their Russian masters. They have abandoned Marxism. The Brezhnev doctrine has been disavowed and could not in the changed circumstances be enforced. It is stretching the imagination too far to suppose that in the unlikely event of hostilities between East and West, those countries would rally energetically to the Soviet call. It may well be that some Russians might go even further and doubt the intentions and loyalties of those countries if war should ever occur.

Thus, in Soviet eyes, the basis on which their security has rested these last forty years has disappeared. To us, the threat they face is not very real. We know the force levels

and dispositions of the NATO forces and, to us, any Western threat is incredible. We must not forget, however, the historical Russian fear of invasion.

We in the West will do well to remember that our security is not best based on the insecurity of the Soviet Union. We must find a way of reassuring them that the cataclysm of the last few months poses no danger from the West, and there is no intention of taking advantage of it.

The second problem which affects both the Soviet Union and all the rest of us is the reunification of Germany. I don't know when this will come about. It may be sooner or it may be later but it will come about and no one outside East or West Germany is in a position to influence the decision one way or the other. If the East Germans want to unite with the West Germans and vice versa, then it will happen. This, at last, seems now to be the general concensus from Mr. Gorbachev to President Bush. Nor would it be wise to adopt any other attitude, whether of dislike or of grudging acceptance. The West long ago accepted the reunification of Germany as desirable. If it comes rather sooner than some had expected, it is a fact which has to be accommodated in any new thinking about the political arrangements and a security system for a future Europe.

But it will raise difficulties both for the Soviet Union and, to a lesser degree, for Germany's allies and partners. Where should and could a unified Germany fit in the existing or future security arrangements? A unified Germany, as a member

of NATO, seems as of now to be unwelcome to the Soviet Union. A unified Germany not belonging to NATO would be an unacceptable proposition for the rest of us. A neutral Germany should not be welcomed by East or West.

What then are our concerns in this changed scenario? In this sea of uncertainty and confusion, and in the rapid and almost daily changes which are taking place in Eastern Europe and the Soviet Union, there are two islands of stability: the European Community and NATO. We would be most unwise if in the foreseeable future we were not to base our policies, both political and security, on them.

The Community, whatever its imperfections, has in a remarkably short time brought together in friendship twelve countries with a long history and tradition of rivalry and war. It would be idle to pretend that it is not more difficult to manage a Community of twelve than of six, or that the progress towards a more united Community would not be made a great deal more difficult by the addition of further members. There are two exceptions to that proposition: should Norway wish to join, there would not, I think, be very difficult obstacles to overcome; and, secondly, it had already been envisaged that, in the event of the reunification of Germany, no obstacle would arise. This does not mean, of course, that there would not be problems to solve.

For the time being, therefore, with those two exceptions, there should be no enlargement. Rather, we should seek, with the new Germany as our partner, to reinforce the

progress that has been made in these last few years.

To add further to our problem by seeking to include friendly countries of EFTA, such as Austria, or countries still members of the Warsaw Pact, such as Hungary, would weaken not strengthen the stability which the Community gives us in this changing time.

This does not, of course, mean that there should not be close economic collaboration with all other European countries. But full membership must be for the future.

In security terms, how are we going to deal with a situation in which the perception of any threat from the Soviet Union is rapidly disappearing? It does not seem likely that public opinion will endorse the continuing level of expenditure for defence forces, nor does it seem probable that in the current situation in the United States, with a large budget deficit and a balance of payment problem, that there will not be a radical re-think of the American contribution in Europe. We have indeed already seen the beginning of this inevitable trend both in the USA and Europe.

How then are we to ensure our security in these changing circumstances? We must at one and the same time be seen to grasp the opportunities which are clearly there to live securely in a world of greatly reduced weapons and defence expenditure, whilst at the same time ensuring our safety until such time as there is evidence that the military threat has gone for good and the weapons with which it could be carried out have been

destroyed.

At the present moment, though we may say with some certainty that the changes in Eastern Europe are irreversible, we cannot be absolutely sure that this is so in the Soviet Union. What if Mr. Gorbachev fails? The military potential in weapons and men still remains and, though as of today the threat of war seems to be very remote, a different leadership might have different intentions. No responsible politician should take chances with security. Before we decide to reduce our defence, we must see the evidence of the destruction of the military capacity of the Soviet Union.

I do not believe that there can be radical change in our arrangements until the conventional forces on both sides have been reduced to such an extent that aggression across the borders in Central Europe is out of the question. Tanks, artillery, bridging equipment, attack aircraft - all those items of equipment which are offensive in character - must be at a level which reassures both sides that conventional war on a large scale is out of the question. This means that there must be a greater impetus given to the talks in Vienna on conventional arms reductions. Fortunately, it is in the interest of both parties that this should happen. We must be realistic however. To reach agreement and reduce these weapons with proper verification of their destruction will take some little time and, in the intervening period, there will be pressures for unilateral reductions which it will take courage and leadership to resist. NATO must take the lead in speeding up these talks and there should be a greater political input

than is usual in the alliance if the necessary impetus is to be achieved. Each country might, for example, designate a senior Minister to sit on a steering group under the chairmanship of the Secretary General of NATO.

At the same time, of course, the USA will be continuing negotiations on the reduction of strategic nuclear weapons. Future progress depends then on the Vienna talks, whose success is an essential prerequisite of further change.

So, NATO will remain vital for us. And it must be a NATO which includes a united Germany. Herr Genscher has made some proposals which should allay Soviet fears of such a move.

But when and if we reach a situation in which the threat of large-scale aggression in Central Europe, leading inevitably to a third world war, would, to all intents and purposes, have disappeared, there will be an opportunity, and indeed a necessity, to re-think our political and security strategy. What shape should it take and what would be the most practical form?

Let me emphasise that what I now say lies very much in the future, and depends on successful arms control talks, the verification of the destruction of weapons of aggression and the continued progress of democracy in Eastern Europe and change in the Soviet Union.

It has never been clear to me how in the long term a Community increasingly close, economically and politically, can

exclude from its authority and deliberations the question of its own security. As time goes on, the increasing integration of the twelve makes the exclusion of defence from its concern less and less credible. It is an anomaly which can easily be remedied by amendment of the Treaty of Rome. There would be problems. The Irish Government's policy is that of neutrality but I cannot believe that there would be objection on their part to involvement in the defence of a Community to which they are so closely tied. There are too the other European members of NATO who are not members of the Community, particularly Norway and Turkey - the only two countries which have a border with the Soviet Union. I see no difficulty in associating them with any arrangements which the Community may make.

But most important of all is the vital matter of the association of the United States (and Canada, if it so wishes) with the Community now responsible for its own security. This would be the most important element in the new structure. The involvement of the USA in the defence of Europe is both necessary and reassuring - necessary because of its nuclear strength, and reassuring because of its economic power and the long-standing friendship and alliance of interests between us. I would envisage a treaty between the USA and the Community, the stationing of such forces as were considered necessary in Europe, and a close economic collaboration between the European Community and the USA. It would be for the Community in association with the USA to assess and decide on the level of defence effort.

In the Community there would be a close military and

technical collaboration between Britain and France, with their nuclear weapons, and the removal of the French problem over integration in the military structure of NATO would be attractive to the French Government.

At the same time we should seek an accord with the Eastern European states to create an Austrian-cum-Finnish treaty style of regime in those countries, limiting the level of their defence forces and creating a neutral zone in Central Europe reassuring to both Russians and ourselves.

Such an outline plan would, it seems to me, have several advantages:-

It would tackle realistically the changed situation of a much-reduced threat, a new Eastern Europe and a reunited Germany.

It would, by treaty, retain and need a close association, both military and economic, with the United States - an objective recently emphasised by the Secretary of State, Mr. Baker.

A united Germany would be firmly anchored in the European Community - something which should be reassuring to the Soviet Union and greatly welcomed by Germany's friends and allies in the West.

For the Americans, there would be an opportunity greatly to reduce their defence effort in Europe whilst

still retaining an involvement in European affairs.

For the Soviet Union, an Eastern Europe neutral and non-allied politically and militarily, creating a zone of reassurance for the Soviet Union.

For the Eastern Europeans, there would be economic help and collaboration with the Community and, in their difficult economic situation, a large saving on defence expenditure.

For the EFTA countries, close collaboration with the European Community, short of political and security matters.

Some umbrella organisation to provide a forum for debate and offer a means of coordination may well be necessary, and perhaps a revitalised and revamped Council of Europe would be a suitable vehicle.

There are, and it will no doubt be forcibly pointed out, many drawbacks and unanswered questions in what I have suggested. For example, it will be necessary in some form to guarantee the existing 1945 Eastern European boundaries. But a lot of thinking has to be done if we are not going to risk missing the opportunity in these changing circumstances to create a more sensible and stable Europe.

I, who from boyhood was brought up first of all in an age where the inevitability of a Second World War was widely

recognised and cast a shadow over our lives, to a period after the Second World War when we lived for forty-five years in a world of suspicion and distrust and vast expenditure on weapons of destruction, have seen for the first time in my life a realistic opportunity to create something better. We shall not do it if we are too timid in our thinking, nor shall we achieve it if we do not understand that we cannot buy our safety at the expense of somebody else's insecurity.

Sir Winston Churchill made a speech to the House of Commons in August 1945 which, it seems to me, has its echoes today. He said this:-

"I do not underrate the difficult and intricate complications of the task which lies before us. I know too much about it to cherish vain illusions.

"It is a time not only of rejoicing but even more of resolve.

"When we look back on all the perils through which we have passed and at the mighty foes we have laid low, and all the dark and deadly designs we have frustrated, why should we fear for our future? We have come safely through the worst."

20th February 1990.

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EAST/WEST: SHEVARDNADZE'S INTERVIEW IN IZVESTIA, 19 FEBRUARY

SUMMARY

1. SHEVARDNADZE GIVES A WIDE-RANGING INTERVIEW TO SOVIET JOURNALISTS. MIFTS (NOT TO ALL) RECORD HIS COMMENTS ON INTERNAL ASPECTS, SOVIET UNION/ISRAEL AND CENTRAL AMERICA. THIS TELEGRAM REPORTS ON EAST/WEST, GERMANY AND THE WARSAW PACT.

2. SATISFACTION WITH IMPROVED SOVIET IMAGE ABORAD. DELIBERATE SOVIET SILENCE ABOUT GERMANY DURING "OPEN SKIES" CONFERENCE. SHEVARDNADZE ARGUES FOR A LONG PROCESS. WEDGE DRIVING NO LONGER SOVIET POLICY. THE MISTAKES OF EASTERN EUROPE'S OLD GUARD. THE WARSAW PACT IS LIKELY TO SURVIVE BUT THE SOVIET UNION IS READY TO WITHDRAW ALL TROOPS FROM CZECHOSLOVAKIA, HUNGARY AND POLAND.

DETAIL

3. RETURNING FROM WYOMING LAST SEPTEMBER, SHEVARDNADZE GAVE SOVIET JOURNALISTS AN IN-DEPTH INTERVIEW ON BOARD HIS PLANE. HE REPEATED THIS ON THE WAY BACK FROM OTTAWA.

4. ASKED IF HE WAS SATISFIED WITH THE VISIT TO CANADA, SHEVARDNADZE RECALLED HIS FIRST VISIT IN 1986 WHEN THE SOVIET EMBASSY HAD BEEN PICKETED BY REFUSENIK SUPPORTERS. 41 MONTHS LATER THE ATMOSPHERE WAS COMPLETELY DIFFERENT. "WE WERE RECEIVED WARMLY AND OPENLY. PEOPLE TRUST US MORE AND HAVE STOPPED BEING FRIGHTENED OF US."

GERMANY

5. SHEVARDNADZE EXPECTED THAT THE JOURNALISTS WOULD HAVE NOTICED THE ABSENCE OF THE EUROPEAN ASPECT IN HIS SPEECH AT THE OPEN SKIES CONFERENCE. THIS WAS BECAUSE ALL THE WESTERN POLITICIANS (HIS "COLLEAGUES") HAD EXHAUSTED THE THEME BEFORE THE CONFERENCE, AND ALL HAD FAVOURED GERMANY REMAINING IN NATO. SHEVARDNADZE COULD NOT AGREE TO THIS: BUT IF HE HAD ADVANCED HIS VIEW, IT WOULD HAVE DISTRACTED THE CONFERENCE FROM ITS MAIN THEME.

6. SHEVARDNADZE SUGGESTED THAT THE MEANS OF RESOLVING THE GERMAN QUESTION REMAINED OPEN. THE MODROW CONCEPT HAD ATTRACTIONS. HE CONDEMNED THOSE WHO SAW UNIFICATION AS AN ELECTORAL ISSUE. HE HAD REMINDED GENSCHER THAT THE RUSSIANS HAD NOT SPOKEN THEIR FINAL WORD. MOSCOW WOULD NOT REMAIN INDIFFERENT TO A UNITED GERMANY JOINING NATO. THEY HAD OTHER IDEAS UP THEIR SLEEVES.

7. LOOKED AT FROM THE ECONOMIC ANGLE, THE SOVIET UNION STOOD TO GAIN FROM UNIFICATION. THEY WOULD EXPECT TO BE PAID AT WORLD PRICES IN HARD CURRENCY FOR THEIR OIL. ALSO, HE IMPLIED PLANTS IN THE GDR WOULD FIND IT HARD TO FIND A NON-SOVIET MARKET FOR THEIR OUTPUT.

8. AS TO THE TIME PERIOD, SHEVARDNADZE PREDICTED THAT UNIFICATION WOULD TAKE SEVERAL YEARS.

US-SOVIET UNION

9. SHEVARDNADZE CLAIMED THAT SOVIET "EUROPEAN STRATEGY" HAD CHANGED RADICALLY. SOME TIME AGO, ITS MAIN PURPOSE HAD BEEN TO DRIVE THE AMERICANS OUT OF EUROPE. NOW, AS GORBACHEV SAID AT MALTA, THE RUSSIANS NO LONGER LOOKED ON THE UNITED STATES AS AN OPPONENT. "THESE WERE VERY BRAVE WORDS, AND WERE VERY DIFFICULT TO SAY." PREVIOUSLY, THE RUSSIAN REACTION TO ANY AMERICAN INITIATIVE HAD BEEN TO REJECT IT OUT OF HAND. NOW, THEY LOOK FOR THE RATIONAL GRAIN AT THE HEART OF THE IDEA. THAT WAS HOW THEY HAD REACHED AGREEMENT ON FORCE LEVELS.

EASTERN EUROPE.

10. SHEVARDNADZE DENIED THAT THE SOVIET UNION HAD BEEN CAUGHT NAPPING BY EVENTS IN EASTERN EUROPE. THE RUSSIANS HAD RECOGNISED THE NEED FOR REFORM IN EAST GERMANY TWO YEARS AGO. BUT HAVING ESPOUSED "NEW THINKING", THEY COULD NOT IMPOSE CHANGE ON HONECKER. VOROTNIKOV (LIKE SHCHERBITSKY BEFORE HIM) HAD COMPLAINED OF HAVING TO STAND AND APPLAUD CEAUCESCU DOZENS OF TIMES.

WARSAW PACT

11. A JOURNALIST ASKED IF THE WARSAW PACT WAS LIKELY TO FALL APART. SHEVARDNADZE THOUGHT NOT. "UNTIL THE GERMAN QUESTION IS SETTLED, THE CZECHS, AND THE POLES MORE SO, HAVE AN INTEREST IN STABILITY GUARANTEES". THE QUESTION OF SOVIET STATIONED TROOPS WAS A DIFFERENT MATTER. THE RUSSIANS HAD ALREADY INDICATED THEIR WILLINGNESS TO WITHDRAW TROOPS FROM CZECHOSLOVAKIA AND HUNGARY. IF THE POLISH GOVERNMENT WISHED, THE RUSSIANS WERE CONTENT TO BEGIN NEGOTIATIONS. SKUBISZEWSKI HAD SAID THIS WAS NOT AN ISSUE, BUT THERE WERE UNOFFICIAL DEMANDS.

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The Rt. Hon. Nicholas Ridley MP
Secretary of State for Trade and Industry

The Rt Hon John Major MP
Chancellor of the Exchequer
Treasury Chambers
Parliament Street
LONDON SW1P 3AG

Department of
Trade and Industry

1-19 Victoria Street
London SW1H 0ET

Enquiries
01-215 5000

Telex 8811074/5 DTHQ G
Fax 01-222 2629

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Direct line 01 215 5622
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Your ref
Date 20 February 1990

Dear John

EC-EAST EUROPE

Thank you for your letter of 5 February. I do not think there is much, if anything, between us in the points you raise.

Trade Liberalisation

I would certainly agree that trade liberalisation is something we should pursue on its own merits and not only as a reward for good behaviour in the abstract. But I do see one economic justification for some differentiation. The main reason why we have maintained restrictions on East European exports in the past is because those exports have had little relationship with economic rationality. Their pricing has borne no relation to costs, because those costs have been unknown; and export surges have been common, not so much because of demand here, as of a sudden surplus of supply there. In those East European countries where economic reform is lagging behind, we can expect such arbitrary behaviour in exports to continue, and, in these circumstances, there is some justification for caution and/or, at least, insisting on tough safeguard mechanisms. But I agree that we need to balance this with an assessment of the effect on consumers of continuing restrictions: our own work here suggests this would be small.



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Know-How Fund

I also agree that the main aim of the Know-How Fund must be to promote the development of an effective market economy. As we have considerable expertise here, the interests of our service suppliers should coincide neatly with the broader objective. We can also, as you have agreed, use the Fund for preinvestment feasibility studies, to which I attach considerable importance.

ECGD

You mentioned the proposal in my letter of 15 January on ECGD investment insurance for Eastern Europe. I am grateful for the support from Douglas Hurd and John Gummer in their letters of 26 January and 7 February respectively. Detailed proposals are now being discussed between our Departments and it is my intention to circulate these to colleagues once officials have completed their work. The existing and potential portfolio for Investment Insurance will obviously be one, but only one, factor to be taken into account. It is important that we should respond positively to these new areas of interest for UK investors and in the light of ECGD's assessments of the changed risks set review points on initial exposure levels for each market which give our investors the proper degree of encouragement to look at opportunities in these markets.

Whilst matters seem to be moving in the right direction on Poland with the signature of a Letter of Intent with the IMF, I continue to think that the Poles do not have the capacity under present conditions to service new debt. I would not agree, however, nor do I think the export community here would readily accept that we should not provide support for new export credits simply because others, such as the French and Germans, are offering enough such support to Poland to meet the provisions in the IMF programme.

In his letter, John Gummer suggests that a distinction needs to be drawn between the debts accumulated by the old regimes in Eastern Europe, and the need for new credit cover. We shall, of course examine constructively requests for new credit cover, but we shall need to consider the economic Position and prospects as a whole, including that which then applies on existing debt, in deciding the capacity of a particular market to absorb and service new debt obligations if these are to be guaranteed by ECGD.



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On your final point about publicity for the EC's trade liberalisation efforts, I have two words of caution. We do need to minimise the backlash from domestic producers, which could only make it harder politically to push through liberalisation programmes for the other East Europeans; and I doubt whether we will get very much credit as many of the restrictions liberalised were arguably illegal in the GATT anyway! But I agree we should do what we can to draw attention to the speed and effectiveness of the EC's response and to the wider lessons on the virtues of free trade.

I am copying this letter to the Prime Minister, Geoffrey Howe, Tom King, Chris Patten, John Wakeham, members of OD(E) and to Sir Robin Butler, Sir David Hannay and Sir Christopher Mallaby.

Johnson
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For Pol: East/West
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OTTAWA FOR SECRETARY OF STATE'S PARTY
SOVIET UNION/UNITED STATES: VISIT OF BAKER 7-10 FEBRUARY.

SUMMARY

1. THE UNITED STATES SECRETARY OF STATE JAMES BAKER VISITED MOSCOW FROM 7 TO 10 FEBRUARY. TALKS WITH SHEVARDNADZE OCCUPIED MOST OF TWO AND A HALF DAYS. HE SAW GORBACHEV ON THE MORNING OF 9 FEBRUARY. HIS FINAL ENGAGEMENT WAS AN ADDRESS TO THE FOREIGN AFFAIRS COMMITTEE OF THE SUPREME SOVIET.

2. THE TWO SIDES ISSUED A JOINT STATEMENT ON THE OUTCOME OF THE TALKS, AND A SEPARATE ONE ON CW. DETAILS OF THE LATTER IN MY MIFT (NOT TO ALL).

DETAIL

2. THE JOINT STATEMENT AND THE TASS ACCOUNT OF THE TALKS PLACE THE VISIT FIRMLY IN THE CONTEXT OF PREPARING THE SUMMIT IN JUNE. BOTH BAKER AND SHEVARDNADZE DEFINED THE RELATIONSHIP AS ONE PRINCIPALLY OF COOPERATION AND THE SEARCH FOR MUTUALLY ACCEPTABLE SOLUTIONS: BUT THEY ALSO SAID THAT SIGNIFICANT DIFFERENCES REMAIN. ACCORDING TO TASS, GORBACHEV MADE THE SAME POINT AT THE BEGINNING OF HIS MEETING WITH BAKER. "DESPITE ALL THE QUALIFICATIONS ONE COULD MAKE IN CONNECTION WITH RECENT POLITICAL ACTS, THE MAIN CHARACTERISTIC REMAINS THE UNDERSTANDING OF ONE'S RESPONSIBILITY TO THE WORLD AND ATTACHMENT TO THE AGREEMENTS REACHED BY THE LEADERS OF BOTH STATES". THE RUSSIANS SEEMED ANXIOUS TO SHOW THAT DESPITE PANAMA, NEW POLITICAL THINKING WAS WORKING. 71

4. THE RUSSIAN ACCOUNTS GAVE PROMINENCE TO THE AMERICAN SHIFT ON A CSCE SUMMIT IN 1990. GORBACHEV SAID THAT THE NEED FOR SUCH A MEETING WAS DETERMINED BY THE SPEED AND PROFOUND CHARACTER OF EVENTS IN EUROPE. "THE VERY FACT OF PREPARATION FOR IT IN CURRENT CIRCUMSTANCES CAN INTRODUCE SOME CALM INTO THE INTERNATIONAL

PROCESS...AND REMIND EVERYONE THAT EUROPE, BOTH EAST AND WEST, SHARES A COMMON FUTURE AND THAT WE NEED QUICKLY TO CREATE A PAN-EUROPEAN SECURITY STRUCTURE''.

ARMS CONTROL

5. GORBACHEV RESPONDED TO PRESIDENT BUSH'S INITIATIVE ON FORCE LEVELS IN CFE. HE TOLD BAKER THAT THE SOVIET LEADERSHIP WOULD NOT INSIST ON ''A DEFINED LEVEL OF NATO AND WARSAW PACT FORCES IN THE WHOLE EUROPEAN REGION'' . THEY WOULD ACCEPT THE LIMIT OF 195,000 US AND SOVIET STATIONED FORCES PROVIDED THIS DID NOT APPLY TO CENTRAL EUROPE, BUT TO ALL EUROPE OUTSIDE THE SOVIET UNION. IF THIS DID NOT SUIT, THEN THE RUSSIANS COULD AGREE TO 225,000 IN THE SAME REGION.
6. ON START, THE SIDES AGREED ON A PACKAGE APPROACH TO ALL ALCM ISSUES, WITH THE EXCEPTION OF RANGE. THEY MOVED FORWARD ON SLCMS, AGREE TO DEAL WITH THE ISSUE BY MEANS OF PARALLEL POLITICAL DECLARATIONS WHICH WOULD BE BINDING FOR THE DURATION OF START. THEY AGREED TO SET QUALITATIVE LIMITS ON NON-DEPLOYED ICBMS AND ON COUNTABLE WARHEADS FOR APPROXIMATELY ALL TYPES OF ALL MOBILE ICBMS WHICH HAVE BEEN FLIGHT TESTED FROM MOBILE LAUNCHERS. OTHER NON-DEPLOYED ICBMS, CRUISE MISSILES, AND HEAVY-BOMBER ARMAMENTS WOULD NOT BE SUBJECT TO SUCH LIMITS. AGREEMENT WAS REACHED ON THE MAIN ELEMENTS OF A TELEMETRY REGIME. RUSSIAN COMMENT EXPECTS THAT THE MAIN OUTSTANDING ISSUES WOULD BE RESOLVED AT THE SUMMIT.
7. THERE WAS ALSO PROGRESS ON NUCLEAR TESTING, WHICH MAKES SIGNATURE OF THE PROTOCOLS TO THE 1974 AND 1976 TREATIES MORE LIKELY. THEY AGREED BOTH ON SIMULTANEOUS HYDRODYNAMIC (CORRTEX) AND SEISMIC MEASUREMENT AND NOMINATED 3 SEISMIC STATIONS IN EACH COUNTRY.
8. THE MINISTERS NOTED WITH SATISFACTION THE INCREASING CONTACTS ON A RANGE OF NON-PROLIFERATION ISSUES (NUCLEAR, MISSILE TECHNOLOGY, CW).
9. SHEVARDNADZE TOLD THE PRESS THAT SOVIET EXPERTS HAD BEEN INVITED TO FYLINGDALES AND THULE.

REGIONAL ISSUES

10. CENTRAL AMERICA APPEARS TO HAVE HEADED THE AGENDA. THE JOINT STATEMENT PICKS OUT THE AREAS OF AGREEMENT EG ON THE VALUE OF DISPASSIONATE AND EFFECTIVE INTERNATIONAL OBSERVATION OF THE NICARAGUAN ELECTIONS. HOWEVER BAKER MADE A HARD-HITTING ADDRESS ON SOVIET MILITARY AID TO CUBA AND NICARAGUA ON 10 FEBRUARY. SHEVARDNADZE AT HIS PRESS CONFERENCE DEFENDED THE SUPPLY OF MIG-29 TO

CUBA.

11. DISCUSSION ON AFGHANISTAN WAS REPORTEDLY CONSTRUCTIVE, TOUCHING ON THE NEED FOR TRANSITION PERIODS, ON INTER-AFGHAN DIALOGUE AND THE FORMATION OF A BROADLY BASED GOVERNMENT.

12. THE RUSSIANS REPORTED THAT THE NORTH KOREANS WERE CLOSE TO ACCEPTANCE OF IAEA SAFEGUARDS.

13. THE TWO SIDES REITERATED THEIR SUPPORT FOR FREE AND FAIR ELECTIONS UNDER UN SUPERVISION IN CAMBODIA. THEY HOPED THAT THE FORTHCOMING JIM WOULD BE SUCCESSFUL.

14. ON THE MIDDLE EAST, THE TWO MINISTERS UNDERLINED THE NEED TO ACTIVATE THE PEACE PROCESS AND LAUNCH THE ISRAELI-PALESTINIAN DIALOGUE. THEY SUPPORTED THE ARAB LEAGUE'S EFFORTS IN LEBANON.

15. SATISFACTION OVER NAMIBIA AND PRESIDENT DE KLERK'S INITIATIVES WAS TEMPERED BY CONCERN AT THE 'ABSENCE OF MOVEMENT IN THE ANGOLAN PEACE PROCESS'. THE TWO MINISTERS CALLED FOR A CEASEFIRE AND NEGOTIATIONS BETWEEN THE TWO SIDES TO PROMOTE NATIONAL RECONCILIATION.

HUMAN RIGHTS

16. THE TONE HAD SHIFTED FROM CONFRONTATION TO COOPERATION WITH AGREEMENT TO SHARE VIEWS, EXPERIENCE AND APPRECIATIONS. UNDER-SECRETARY SHIFTER HAD SPENT SEVERAL DAYS IN MOSCOW PRIOR TO BAKER'S ARRIVAL. HIS CALLS INCLUDED ONE ON THE KGB.

TRANSNATIONAL ISSUES.

17. THIS BASKET CONTINUES TO GAIN IN SUBSTANCE. THE TWO SIDES AGREED ON THE IMPORTANCE OF CONCLUDING AN INTERNATIONAL 'FRAMEWORK' CONVENTION ON GLOBAL CLIMATIC CHANGE. THEY WOULD CONSIDER CONCRETE PROPOSALS ON ECOLOGICAL MONITORING AND POLLUTION CONTROL.

18. EXPERT CONSULTATIONS ON TERRORISM WILL CONTINUE WITH THE NEXT MEETING TO BE IN MARCH.

19. THE TWO SIDES AGAIN DISCUSSED SOVIET OBSERVER STATUS AT GATT, THE PROSPECTS FOR COOPERATION WITH OECD AND THE BONN CONFERENCE (THESE SUBJECTS WERE COVERED IN THE BILATERAL GROUP).

BILATERAL

20. THERE WAS GENERAL SATISFACTION WITH THE LEVEL OF BILATERAL

RESTRICTED

1250
MDADAN 5270

EXCHANGES. THE TWO SIDES UNDERLINED THEIR INTENTION TO OPEN
CONSULATES IN NEW YORK AND KIEV IN THE COURSE OF THIS YEAR.

LOGAN

YYYY

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.EAST WEST SOVIET AFFAIRS

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MR P J WESTON

MR TAIT

MR GOULDEN

MR BEAMISH

HD/SOVIET D

HD/NAD

HD/SEC POL D

HD/ACDD

HD/DEFENCE D

~~RESIDENT CLERK.~~

MR POWELL 10 DOWNING ST

MR D NICHOLLS DUS(P) MOD

D. NUC(POL)SY MOD

DACU MOD

CDI MOD

NNNN

PAGE 4
RESTRICTED



Ministry of Agriculture, Fisheries and Food
Whitehall Place, London SW1A 2HH

efc

*CDP
7/2*

From the Minister

The Rt Hon Douglas Hurd CBE MP
Secretary of State for Foreign and Commonwealth Affairs
Foreign and Commonwealth Office
Whitehall
LONDON SW1

} February 1990

John Taylor

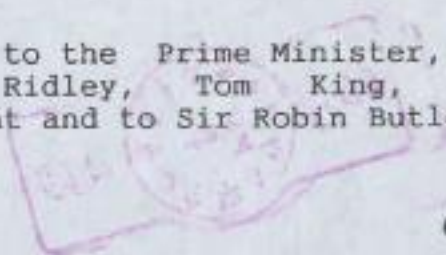
EASTERN EUROPE: OFFICIAL SUPPORT FOR EXPORT CREDIT AND INVESTMENT

A copy of Nicholas Ridley's letter of 15 ^{Jan 1990} January on this issue has just come to my office. Although agreement may now have been reached on his proposal to extend ECGD Investment Insurance cover particularly to Poland and Hungary, I would like to register my support for this proposal which will have an important bearing on investment by United Kingdom companies in the vitally important agricultural and food sectors in the East European countries.

As regards the question of export credit cover, I agree with Nicholas Ridley that it is difficult at present to contemplate adding to debt burdens in Poland and Hungary. However, I do think a distinction needs to be drawn between the debts accumulated by the old regimes in these countries and the need for credit cover that will be established by individual businessmen as the Governments of Poland and Hungary succeed in their basic objectives of fostering growth of the private market-driven business sector. It will be important that we are ready to respond appropriately to requests for credit cover as these Eastern European countries succeed in implementing their policies, as we can be sure that other developed countries will do so. I hope, therefore, that we can keep developments under careful review and that I can be involved directly in further correspondence on this issue.

/Copies of this...

Copies of this letter go to the Prime Minister, Geoffrey Howe, John Major, Nicholas Ridley, Tom King, Chris Patten, John Wakeham, Norman Lamont and to Sir Robin Butler.



John Gummer
JOHN GUMMER

For For: East West P11



12-87

RESTRICTED
FM PARIS
TO IMMEDIATE FCO
TELNO 144
OF D61558Z FEBRUARY 90
INFO IMMEDIATE BONN, WASHINGTON

A KOHL-BUSH SUMMIT?

1. WHEN I SPOKE TO PIERRE LELLOUCHE IN CHIRAC'S OFFICE ABOUT ARRANGEMENTS FOR THE EDU DINNER AND MEETING TO BE HELD IN PARIS ON 25/26 FEBRUARY (OUR TELNO 104, REPEATED TO BONN ONLY) HE TOLD ME THAT CHANCELLOR KOHL WOULD NOT BE ATTENDING. THIS HAD BEEN CONFIRMED BY THE FEDERAL CHANCELLERY.

2. LELLOUCHE ADDED THAT VOGEL (CDU) HAD GIVEN AS THE REASON FOR KOHL'S INABILITY TO ATTEND THAT THERE WAS TO BE A SUMMIT MEETING BETWEEN KOHL AND PRESIDENT BUSH AT CAMP DAVID ON 25 FEBRUARY. THE CHANCELLERY HAD NOT (NOT) ADVANCED THIS AS A REASON, AND IT WAS THEREFORE IMPOSSIBLE TO BE SURE AT THIS STAGE WHETHER VOGEL'S INFORMATION WAS RELIABLE.

LLEWELLYN SMITH

YYYY

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NNNN

PRIME MINISTER

MR CHIRAC'S MEETING IN PARIS

You will recall that Mr Chirac has been trying to arrange a meeting in Paris on the evening of 25 February, of EDU leaders to discuss relations with Eastern Europe.

The attached note shows that he has had only limited success. Neither Kohl nor Waigel will be there: and a meeting of this sort without the German leaders is not much use. On the Eastern European side, there is Mr Antall, likely to be very important in Hungary after the elections: and a Czech deputy Prime Minister. There is also Dr Mock.

I am not sure, in the circumstances, that the meeting really warrants your attendance: and it would be better if Chirac could be persuaded to cancel it, putting the blame on Kohl. There would then be more point in your attending the EDU Party Leaders' meeting scheduled for 30/31 August in Helsinki.

Agree to work for this outcome?

C.D.P.

Lo mt

C. D. POWELL

6 February 1990

A:\FOREIGN\CHIRAC.DAS

JOHN

Deena Moos rang regarding the Paris meeting on 25th February.

Those attending will be

The Czech Deputy Prime Minister

Mr Autall - President of the Hungarian Democratic Forum

Jacques Chirac

Mr Riegler - Vice-Chancellor of Austria

Alois Mock

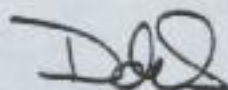
Gerald Tandler - Deputy Leader of the CFU

She would like to know the exact time of arrival, and says that ideally the PM would arrive before 5.00, so that they can go straight into a meeting before dinner.

Dinner will be at Chirac's apartment, and will be the Leaders plus one other.

Accommodation for those that want will be at the Hotel Ritz.

Could you ring Deena when you know what time she will arrive?

A handwritten signature in black ink, appearing to be 'DQ' or similar initials, written in a cursive style.

5th February, 1990



Prime Minister

Foreign and Commonwealth Office

London SW1A 2AH

5 February 1990

I think this
shows that the
Know-How Fund is
Sea Charles, off to a good start.
perhaps Bernard could draw on
Eastern Europe this letter to brief
some of the pres.

Thank you for your letter of 24 January reporting Rupert Murdoch's conversation with the Prime Minister.

We are already extremely active in providing training and advice for Poland. Over 50 projects have already been launched under the Know-How Fund. I enclose lists of the projects underway or already completed. You will see that there is a heavy concentration on the financial/banking field. I believe that we have the edge over other donors in this area. The City is particularly well placed to help and we have already developed a close relationship with the Polish Ministry of Finance and with the Privatisation Agency. A mission led by Kate Mortimer has produced an impressive report which will form the basis for activity in this area for the foreseeable future. The Poles are very satisfied with this assistance.

Management training is also a high priority. The British Council have been closely involved in this area since the Fund was established. We have held seminars in Poland and a group of senior directors of Polish management schools came here last year on a study tour. Up to 50 young managers will visit Britain before the end of March on a two-month training programme, and many more will follow. We are working with the BBC and British Council on training programmes for broadcasters and journalists.

The fund for Hungary (£25m) will come into operation in April. It too is likely to concentrate on banking/finance, although Hungary's needs are likely to be somewhat different from Poland's. Know-How Fund help for the other countries will be phased in as each demonstrates that it is fully committed to reform.

We agree on the importance of improving the quality of administration throughout Eastern Europe and that we have particular knowledge to offer. Especially during the transition to new structures, the East Europeans will have to rely heavily on the quality of their civil servants. We have already been asked by the Poles to help with the training of their diplomats and the Romanians would like our advice on restructuring their Foreign Office. We intend to respond positively to both these requests and any others which follow in the areas of the bureaucracy.

CCP
6/2.



The Know-How Fund is already financing many inward visits to Britain, for example by journalists, managers and parliamentarians. We are currently planning further visits by parliamentary officials, lawyers, local government officials and educators. For the countries which do not yet have a Know-How Fund, the COI are increasing the quota of visits. In this way we shall fund seminars over the next three months to introduce young politicians from Bulgaria, the GDR, Czechoslovakia and Romania to our political and parliamentary practices.

You asked about coordination of our assistance. Mr Waldegrave has ministerial responsibility for the Know-How Fund and has established an advisory board of experts, including businessmen and industrialists, to help him. The Know-How Funds and other aid activities are administered by a joint Diplomacy Wing/ODA Unit which reports to Mr Waldegrave and the advisory board. Within the FCO, our assistance will be supervised by our new Assistant Under Secretary of State for Eastern Europe and the Soviet Union, Michael Tait. He will liaise closely with John Kerby in the ODA, since much of the money is on their vote. The activities of all interested Departments within Whitehall will be coordinated at senior official level by the new Cabinet Office Committee, MISC 144 and at ministerial level, a ministerial committee about which the Prime Minister has been consulted separately.

I am copying this letter to John Gieve (HMT), Martin Stanley (DTI), Myles Wickstead (ODA) and Sonia Phippard (Cabinet Office).

John,
 Steve Wall

(J S Wall)
Private Secretary

C D Powell Esq
 10 Downing Street

POLAND: ANNOTATED LIST OF ACTIVITIES APPROVED UNDER THE
KNOW-HOW FUND FOR POLAND AS AT 12 JANUARY

Title: Foreign Investment Agency
Description: Four seminars on corporate finance, and financial
and management accounting
Status: Completed
Cost: £56,000

Title: Bank Handlowy
Description: Two seminars on Treasury management and an
introduction to capital markets
Status: Completed
Cost: £34,000

Title: Free Market Mission
Description: High level project identification mission in the
banking and finance sector
Status: Completed
Cost: £113,000

Title: Finance and the City of London
Description: Course in financial institutions for 20 Polish
visitors
Status: To be held in February
Cost: £61,000

Title: Office technician and accountancy staff training
Description: Project identification mission for training of
accountancy staff
Status: Completed
Cost: £29,000

Title: Privatisation conference
Description: Conference
Status: Completed
Cost: £33,000

Title: Job Ownership
Description: Study tour of UK employee-owned businesses
Status: Completed
Cost: £12,000

Title: Warszawskie Zaklady Telewizyjne (WZT)
Description: Pilot consultancy on employee ownership
Status: Underway
Cost: £12,000

Title: Management Study tour
Description: Directors of Polish management education schools to
undertake two-week UK study tour
Status: Completed
Cost: £31,000

Title: Management seminars

Description: Seminars on marketing and export promotion
Status: To be implemented
Cost: £23,000

Title: Young management graduates
Description: Two month programme at Strathclyde
Status: To be implemented
Cost: £222,000

Title: Management educators
Description: Training of trainers at Strathclyde
Status: To be implemented
Cost: £251,000

Title: Visiting lecturers
Description: Tours of Polish management schools by invited
British specialists
Status: To be implemented
Cost: £56,000

Title: Fishery management
Description: Three month programme at Hull for Polish fishery
managers
Status: Underway
Cost: £133,000

Title: Farmer/Co-operatives training
Description: Identification and implementation of training
programme for managers of cooperatives
Status: Underway
Cost: £50,000

Title: English for management
Description: Identification visit
Status: Completed
Cost: £10,000

Title: Management libraries
Description: provision of basic library of management texts to
key Polish educational institutions
Status: Underway
Cost: £129,000

Title: WK & AM consultants
Description: Assessment of potential productivity improvements at
three Polish plants
Status: Underway
Cost: £30,000

Title: Financial seminars
Description: Raising the awareness of how Western financial institutions work
Status: Underway
Cost: £172,000

Title: Electricity sector
Description: Reconnaissance mission
Status: Completed
Cost: £10,000

Title: IBRD social security mission
Description: Secondment of two UK experts to a IBRD mission to look at the social aspects of economic adjustment
Status: Underway
Cost: £13,000

Title: Blood plasma
Description: Feasibility study for establishment of a blood fractionation plant
Status: Underway
Cost: £140,000

Title: Data Processing
Description: Adaption of Polish econometric model to meet IMF specifications
Status: Completed
Cost: £22,000

Title: Economic Adviser
Description: Appointment of a macro-economic adviser to the Minister of Finance
Status: Underway
Cost: £80,000

Title: Equipment for Ministry of Finance
Description: Provision of office machinery
Status: To be implemented
Cost: £50,000

Title: Coal industry training
Description: Training in colliery management techniques
Status: Underway
Cost: £38,000

Title: Cracow tourism study
Description: Recommendation of immediate measures to help Cracow cope with the coming tourist season, and development of longer-term proposals
Status: Underway
Cost: £37,000

Title: Agros dried vegetables

Description: Recommendations for productivity improvements in this enterprise

Status: Underway

Cost: £55,000

Title: Company doctor training

Description: Training Polish consultants in techniques of company analysis

Status: To be implemented

Cost: £11,000

Title: Conference on demonopolisation

Description: Discussion of methods and experiences of demonopolisation in relation to the process of economic and political decision taking

Status: To be implemented

Cost: £11,000

Title: Book industry training

Description: Pilot project to assess the training needs of the Polish book industry

Status: To be implemented

Cost: £17,200

Title: Post-experience training for journalists

Description: Academic plus practical attachments

Status: To be implemented

Cost: £29,000

Title: Local government assistance

Description: Preparation for local government elections in June

Status: Underway

Cost: £170,000

Title: Seminars for Polish MPs

Description: Introduction to British parliamentary concepts

Status: Completed

Cost: £15,000

Title: Media training

Description: Training organised by BBC World Service

Status: To be implemented

Cost: £130,000

POLAND: ESTIMATES OF DISBURSEMENTS
(£'000)

	1989/90	1990/91	1991/92	1992/93	1993/94	1994/95	TOTAL
			19-Jan-90				

POLAND: ESTIMATES OF DISBURSEMENTS
(£'000)

	1989/90	1990/91	1991/92	1992/93	1993/94	1994/95	TOTAL
BANKING AND FINANCE							
Foreign Investment Agency	59.5						59.5
Bank Handlowy	34.1						34.1
Free Market Mission	113.4						113.4
City Finance course	61.3						61.3
Privatisation assistance	65.8						65.8
Public awareness campaign	2.0						2.0
Job Ownership study	11.5						11.5
WZT consultancy	11.5						11.5
Establishment of capital markets	6.0						6.0
Conference on demonopolisation	11.3						11.3
Financial seminars	172.1						172.1
LSE capital markets seminar	8.0						8.0
TOTAL	556.5	0.0	0.0	0.0	0.0	0.0	556.5
MANAGEMENT AND ACCOUNTANCY							
Accountancy assistance	28.8						28.8
Management study tour	30.9						30.9
Management Seminars	22.5						22.5
Young management graduates	222.1						222.1
Management Educators	251.3						251.3
Visiting lecturers	55.8						55.8
Furnel management training	167.2						167.2
English for management	9.8						9.8
Management school libraries	128.8						128.8
TOTAL	917.2	0.0	0.0	0.0	0.0	0.0	917.2
MACROECONOMIC ADVICE							
London economic conference	8.2						8.2
IBRD social security mission	13.0						13.0
IMF/Data processing	21.8						21.8
Economic Adviser	20.0	47.0					67.0
Equipment for Finance Ministry	50.0						50.0
TOTAL	113.0	47.0	0.0	0.0	0.0	0.0	160.0
AGRICULTURE, FISHERIES AND FORESTRY							
Fishery management	132.5						132.5
Sector PIN							
Farming/Cooperatives training	50.4						50.4

POLAND: ESTIMATES OF DISBURSEMENTS
(£ '000)

	1989/90	1990/91	1991/92	1992/93	1993/94	1994/95	TOTAL
TOTAL	182.8	0.0	0.0	0.0	0.0	0.0	182.8
INDUSTRY							
UK & AM	30.0						30.0
Agros vegetable study	55.0						55.0
National business services	2.0						2.0
TOTAL	87.0	0.0	0.0	0.0	0.0	0.0	87.0
ENERGY							
Electricity sector mission	10.0						10.0
Coal industry training	38.0						38.0
TOTAL	48.0	0.0	0.0	0.0	0.0	0.0	48.0
EDUCATION AND ELT							
Book sector PIM							
TOTAL							
HEALTH							
Blood plasma study		139.4					139.4
TOTAL	0.0	139.4	0.0	0.0	0.0	0.0	139.4
TOURISM							
Cracow study		34.0					34.0
Sector needs analysis							
TOTAL	0.0	34.0	0.0	0.0	0.0	0.0	34.0
GENERAL							
Training programme		500.0	550.0	600.0	750.0	700.0	3100.0
Book presentation programme		100.0	100.0	100.0	100.0	100.0	500.0
Academic links		100.0	100.0	100.0	100.0	100.0	500.0
HOMGS		20.0	20.0	20.0	20.0	20.0	100.0
HOMSPS		50.0	100.0	100.0	100.0	100.0	450.0
TOTAL	0.0	770.0	870.0	920.0	1070.0	1020.0	5982.4
POLITICAL/DEMOCRACY							
Anglo/Polish legal association	7.5						7.5
Book industry training	17.2						17.2
Journalists	28.7						28.7
Local government assistance	40.0	130.0					170.0
Rule of law	3.0						3.0
Restructuring Polish TV	3.0						3.0
World Service/Media	20.0	110.0					130.0
Seminars for Polish MPs	14.6						14.6

POLAND: ESTIMATES OF DISBURSEMENTS
(£'000)

	1989/90	1990/91	1991/92	1992/93	1993/94	1994/95	TOTAL
Warsaw political conference	1.4						1.4
TOTAL	135.5	240.0	0.0	0.0	0.0	0.0	375.5
[C] ADMINISTRATION							
Travel by Unit officials	10.0	10.0					20.0
Advisory services	10.0	30.0	30.0	30.0	30.0	30.0	160.0
TOTAL	20.0	40.0	30.0	30.0	30.0	30.0	180.0
GRAND TOTAL	2060.0	1270.4	900.0	950.0	1100.0	1050.0	8632.8
AID FRAMEWORK	3000.0	10000.0	10000.0	10000.0	10000.0	7000.0	50000.0

POSSIBLE PROJECTS							
Export Development Bank		400.0	200.0				600.0
Accountancy assistance		275.0					275.0
IBRD consultancies		1000.0					1000.0
Electricity audit		280.0					280.0
TOTAL		1955.0	200.0	0.0	0.0	0.0	2155.0
TOTAL INCLUDING POSSIBLES	2060.0	3225.4	1100.0	950.0	1100.0	1050.0	10787.8

BALANCE FOR DISBURSEMENT (EXCLUDING POSSIBLES)	940.0	8729.6	9100.0	9050.0	8900.0	5950.0	41367.2
AID VOTE	1924.5	1030.4	900.0	950.0	1100.0	1050.0	8257.3
DIPLOMATIC WING VOTE	135.5	240.0	0.0	0.0	0.0	0.0	375.5

CC PE



Treasury Chambers, Parliament Street, SW1P 3AG
01-270 3000

5 February 1990

Rt Hon Nicholas Ridley MP
Secretary of State for Trade
and Industry
Department of Trade and Industry
1-19 Victoria Street
LONDON
SW1H 0ET

C 2072.

Dear Secretary of State,

EC - EAST EUROPE

Mar (13/12)

Thank you for copying me your letter of ~~15~~ 15 December to Douglas Hurd and the paper attached to it. I have also seen your letter of ~~11~~ 11 January to Douglas Hurd, and John Gummer's letter of ~~8~~ 8 January to you and your reply of ~~12~~ 12 January.

The paper provides a useful analysis of the implications for the Community and the UK of the opening up of the East European economies. I agree with most of the conclusions, particularly the need to ensure that the main focus of Western aid is to help these countries help themselves. I agree also that the situation on Inner German Trade should be kept under surveillance for the present.

There are two points though which I disagree with. First, while there is much political force in the argument that trade concessions should not be granted until countries have begun the reform process, once the time has come to give concessions we should be ready immediately to support rapid and extensive liberalisation along the lines agreed for Poland and Hungary. I am not persuaded that the pace of liberalisation should be phased as an incentive to progressive internal political and economic reforms. Slowing the process reduces export opportunities for these countries and indeed delays the potential benefits to our



own consumers of access to cheaper imports. We should not forget that EC consumers, as well as producers, have a stake in this process. I should therefore like to see the UK arguing for the approach taken in the case of Poland and Hungary to be followed when negotiations on trade with other Eastern European countries are in prospect.

Second, I do not think that our primary objective for the know-how fund should be to secure a high degree of penetration for UK service suppliers in the Polish market. While that is desirable the main aim is to ensure that the fund does promote the development of a market economy in the most cost effective manner. To that end, the overall aim should be to direct business to the most efficient suppliers, and so obtain the best value for money. But of course I agree that UK firms should be encouraged to bid for a sizeable share of the various Community Funds now available.

I note that ECGD is reviewing its cover both for investment in Eastern Europe and for exports.

In the case of investment insurance, ECGD will need to be particularly careful not to unbalance its relatively narrow portfolio. Officials are already in touch about ECGD's new proposals in this area, which no doubt will be submitted to Ministers in due course.

In the case of export guarantees, I share your view about Poland's lack of credit worthiness. The Polish Letter of Intent to the IMF sets a ceiling of \$700 million for total borrowing of this kind, which is roughly equivalent to the French and German offers already on the table. So there is unlikely to be pressure from the Poles in the near future. Nor is there much, I understand, from British exporters. So your caution seems entirely appropriate. I think we shall also have to be very careful about Hungary (where cover has temporarily been withdrawn) and in Bulgaria, where the new government is for the first time talking of rescheduling its debts. I am sure that direct UK help to these countries should take other forms than export credit.

By way of a general comment, I wonder whether we should be doing more (and encouraging the Commission to do more) to publicise the trade liberalisation measures recently implemented - which complement the package of financial and other aid for Poland and Hungary. The speed at which this was agreed was remarkable and provides a valuable signal of the virtues of free trade. As you rightly say in your letter of 12 January, this message will be reinforced by further concessions in the agricultural sector, which could be examined on a case by case basis as John Gummer suggests.

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I am copying this letter to the Prime Minister, members of OD(E), Sir Robin Butler, Sir David Hannay and Sir Christopher Mallaby.

Tancred Tarkowski

pp

JOHN MAJOR

[Approved by the Chancellor of the Exchequer & signed on his behalf]

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Fol. 10: East-West War in 1105



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BAKER/SHEVARDNADZE MEETING: 8/9 FEBRUARY

SUMMARY

1. STATE DEPARTMENT BRIEFING ON ISSUES TO BE RAISED AT THE BAKER/SHEVARDNADZE MEETING. EMPHASIS ON ARMS CONTROL, AND ON THE NEED NOT TO LET REGIONAL ISSUES LAG BEHIND. NO SURPRISES.

DETAIL

2. ON 2 FEBRUARY STATE DEPARTMENT BRIEFED ALLIES (NATO PLUS KOREA, JAPAN, AUSTRALIA) ON THE FORTHCOMING BAKER/SHEVARDNADZE MEETING. KIMMITT SAID THAT THERE WAS IMPORTANT GROUND TO BE COVERED ON ARMS CONTROL TO PREPARE THE AGREEMENTS WHICH IT HAD BEEN DECIDED IN MALTA WOULD BE READY FOR JUNE. BUT HE ALSO STRESSED THE NEED TO ENSURE THAT REGIONAL ISSUES DID NOT LAG BEHIND.

3. REGIONAL ISSUES

(I) CENTRAL AMERICA

THE US DID NOT WANT THE SOVIET UNION TO DRAW THE WRONG CONCLUSIONS ABOUT THE US INTERVENTION IN PANAMA, AND WOULD REASSURE THEM BY EXPLAINING THE REASONS BEHIND IT. THEY WOULD STRESS THE IMPORTANCE OF A FREE AND FAIR ELECTION CAMPAIGN IN NICARAGUA, AND HIGHLIGHT CONCERN ABOUT INTIMIDATION AND THE SANDINISTAS' REFUSAL TO ISSUE VISAS TO CERTAIN OBSERVERS. THEY WOULD RAISE RECENT SOVIET MI17 SHIPMENTS TO NICARAGUA, AND MIG29 SHIPMENTS TO CUBA.

(II) AFGHANISTAN

THE US WOULD EXPLAIN THEIR THREE-PHASED APPROACH IN DETAIL. THEY WANTED TO DISCUSS WHAT ROLE THE UN COULD PLAY.

(III) FAR EAST

THE US WERE CONCERNED THAT THE CHANGES IN EASTERN EUROPE WERE NOT REFLECTED IN THE FAR EAST. THEY HOPED FOR PROGRESS IN SOVIET/JAPAN RELATIONS (THE KEY WAS THE NORTHERN TERRITORIES), AND WOULD URGE SHEVARDNADZE TO PRESS NORTH KOREA ON IAEA SAFEGUARDS. THEY WOULD ENCOURAGE THE SOVIET UNION TO DEVELOP TIES WITH SOUTH KOREA. ON CAMBODIA THEY WANTED

SHEVARDNADZE TO URGE HUN SEN TO SHOW FLEXIBILITY.

(IV) OTHER REGIONAL ISSUES

THEY WOULD TRY TO GET SOVIET SUPPORT FOR US EFFORTS IN THE MIDDLE EAST, AND WOULD ENCOURAGE THE SOVIET UNION TO SEND THE RIGHT MESSAGES TO ITS CLIENTS AND TO PURSUE THE RESTORATION OF DIPLOMATIC RELATIONS WITH ISRAEL. ON ANGOLA, THEY WANTED THE RUSSIANS TO INTERCEDE WITH DOS SANTOS AND THE MPLA HARDLINERS TO PROMOTE A CEASEFIRE. THEY WANTED TO EXAMINE THE POSSIBILITY OF COMMON US/SOVIET ACTION TO RESPOND TO FAMINE IN THE HORN OF AFRICA.

4. ARMS CONTROL

BARTHOLOMEW SAID BAKER AND SHEVARDNADZE WOULD HAVE A FULL AGENDA ON ARMS CONTROL. THE US WERE HOPING TO GET REAL BUSINESS DONE. THEY WOULD COVER START, CW, NUCLEAR TESTS, CFE, OPEN SKIES.

(I) START

THEY WANTED TO RESOLVE THE THREE ISSUES OF ALCMS, NON-DEPLOYED MISSILES AND TELEMETRY ENCRYPTION. ON ALCMS THERE WERE A NUMBER OF OUTSTANDING QUESTIONS. THE US HOPED TO RETAIN FLEXIBILITY OVER THEIR OWN DEPLOYMENTS WHILE ADDRESSING SOVIET CONCERNS. ON NON-DEPLOYED MISSILES THE POSITION REMAINED THAT THE US REQUIRED NUMERICAL LIMITS, ON SPECIFIC TYPES (NOT SLBMS), AND THE SOVIET UNION PREFERRED NO LIMITS BUT GEOGRAPHIC/DATA CONDITIONS INSTEAD. THERE HAD BEEN SOME PROGRESS LAST WEEK IN GENEVA ON TELEMETRY. THE ISSUE REMAINED DIFFICULT AND COMPLEX. THE US WOULD FLESH OUT THEIR REQUIREMENTS ON THE FOLLOWING: VERIFICATION OF MOBILE MISSILES, PHASING OF REDUCTIONS AND DURATION OF THE TREATY (LONG AND FIXED, RATHER THAN OPEN-ENDED). THERE WOULD BE NO GIVE ON SDI.

(II) SLCMS

THEY EXPECTED THE RUSSIANS TO PRESS FOR THESE TO BE DEALT WITH SEPARATELY FROM START. THE US WOULD ELABORATE THEIR PREFERRED POLICY OF NON-BINDING DECLARATIONS.

(III) CW

THEY WOULD PRESS THE PACKAGE BUSH PRESENTED AT MALTA IE A FRAMEWORK AGREEMENT WHICH WOULD COMMIT BOTH SIDES TO WORK FOR A GLOBAL CONVENTION AS SOON AS POSSIBLE WITH IMMEDIATE BILATERAL REDUCTIONS TO 8000 TONNES AND REDUCTION TO 500 OVER EIGHT YEARS. THE ONLY NEW ELEMENT WOULD BE COOPERATION ON CW DESTRUCTION TECHNOLOGY (WHERE THE RUSSIANS HAD PROBLEMS).

(IV) CFE

THEY WOULD PRESENT THEIR REVISED MANPOWER PROPOSAL WITHOUT PREJUDICE TO THE ZONAL ASPECTS (IE WHETHER THE CENTRAL ZONE SHOULD BE ENLARGED OR NOT), THEY WOULD PRESS FOR PROGRESS ON

AIRCRAFT AND OPEN SKIES. BARTHOLOMEW INTERRUPTED THE BRIEFING TO STRESS THE IMPORTANCE THAT THE US ATTRIBUTED TO COMPLETING A CFE AGREEMENT RAPIDLY. THE US WERE DOING THEIR BIT. IT WAS IMPORTANT NOT TO LEAVE THE ISSUES TO THE TECHNICIANS. THE RECENT US DECISION TO JOIN THE ALLIED CONSENSUS ON HELICOPTERS HAD BEEN TAKEN PERSONALLY BY BAKER, SCOWCROFT AND CHENEY. HE HOPED THAT THE PROPOSALS ON AIRCRAFT WOULD BE GIVEN SIMILAR POLITICAL ATTENTION BY THE ALLIES.

(V) CSCE

THE GERMAN AMBASSADOR ASKED ABOUT US ATTITUDES TO A CSCE SUMMIT IN 1990. KIMMITT REITERATED THE CONDITIONS GIVEN BY BAKER IN HIS SENATE HEARING TESTIMONY ON 1 FEBRUARY: A CFE AGREEMENT WAS A PRIORITY; THE 1990 CSCE SUMMIT SHOULD BE A PREPARATION FOR HELSINKI 1992, AND THE US WOULD SEEK PROGRESS ON ITS ELECTIONS PROPOSAL.

5. BILATERAL US/SOVIET ISSUES

(I) ECONOMIC

KAMMAN (DEPUTY ASSISTANT SECRETARY) SAID THAT NEGOTIATIONS ON A TRADE AGREEMENT WITH THE SOVIET UNION WOULD BEGIN ON 9 FEBRUARY. NEGOTIATIONS ON AN INVESTMENT AGREEMENT WOULD BEGIN BY THE END OF FEBRUARY. THEY WERE WAITING FOR FURTHER SOVIET IDEAS ON A TAX TREATY. IN MOSCOW THEY WOULD PRESS THE RUSSIANS ON THEIR EMIGRATION LEGISLATION (NECESSARY FOR A JACKSON/VANIK WAIVER) AND EXPLORE WHAT MORE MIGHT BE DONE TO ADVISE ON MACRO ECONOMIC MATTERS. THERE WOULD ALSO BE DISCUSSION OF COOPERATION IN TECHNICAL AND SCIENTIFIC FIELDS.

(II) TRANSNATIONAL ISSUES

THEY WOULD DISCUSS COOPERATION ON ENVIRONMENT, BOTH BILATERALLY AND GLOBALLY (WHERE THE RUSSIANS WERE INTERESTED IN USING THE UN). NEGOTIATIONS WOULD BEGIN IN MARCH ON COUNTER TERRORISM. THEY WOULD ALSO TAKE STOCK OF COOPERATION ON NARCOTICS.

(III) HUMAN RIGHTS

THE US WANTED TO FINISH THE OLD AGENDA OF DIVIDED FAMILIES, AND OF REFUSENIK CASES. THERE WERE ABOUT 100 OUTSTANDING CASES. THEY HOPED THIS COULD BE REDUCED TO ZERO BY JUNE. THEY WERE ALSO HOPING TO EXPAND INTO COOPERATION ON WELFARE, CONCERN FOR THE DISABLED ETC.

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10 DOWNING STREET

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From the Principal Private Secretary

SIR ROBIN BUTLER

AID TO EASTERN EUROPE

The Prime Minister has seen your minute of 1 February and agreed that a Sub-Committee of OD on Eastern Europe should be established. When she discussed this with you, she expressed her wish that matters of major policy on Eastern Europe should be referred to OD and that the new Committee should deal with the more detailed questions about the application of that policy. She also expressed her wish that OD should meet more often.

ANDREW TURNBULL
2 February 1990

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Ref. A090/275

PRIME MINISTER

Aid to Eastern Europe

1. The Foreign Secretary considers that in view of the importance of the changes taking place in Eastern Europe, and the scale of our commitment to assisting the process, there should be a Cabinet Sub-Committee to co-ordinate policy on the various measures which we are taking both bilaterally and multilaterally. These measures will involve not only the use of the Know How Fund and other means of economic help, but also agricultural issues, environmental matters and political co-operation. Of course, measures other than assistance - for example German reunification or defence policy issues - would be outside its terms of reference and the appropriate Ministerial Committee for them would be OD itself. If you agree that such a body would be helpful, I suggest that it should be a new Sub-Committee of OD, which might be called the Sub-Committee on Eastern Europe.

2. I attach a draft membership and terms of reference which should be sufficient to cover most of the issues which will come up, although of course other Ministers should be invited when measures of assistance affecting their areas of responsibility are being considered.

3. If you are content, I will go ahead with establishing a Sub-Committee on these lines.

R.F.B.

ROBIN BUTLER

1 February 1990

ANNEX

OD(AE)

DEFENCE AND OVERSEAS POLICY COMMITTEE
SUB-COMMITTEE ON EASTERN EUROPE

Composition

Secretary of State for Foreign and Commonwealth Affairs (Chairman)
Chancellor of the Exchequer
Secretary of State for Trade and Industry
Secretary of State for the Environment
Minister of Agriculture, Fisheries and Food
Secretary of State for Employment
Minister for Overseas Development
Minister of State, Foreign and Commonwealth Office (Mr Waldegrave)

Other Ministers will be invited to attend as the nature of the business requires.

Terms of Reference

"To consider questions relating to Britain's policy of assisting change in Eastern Europe."

Secretariat

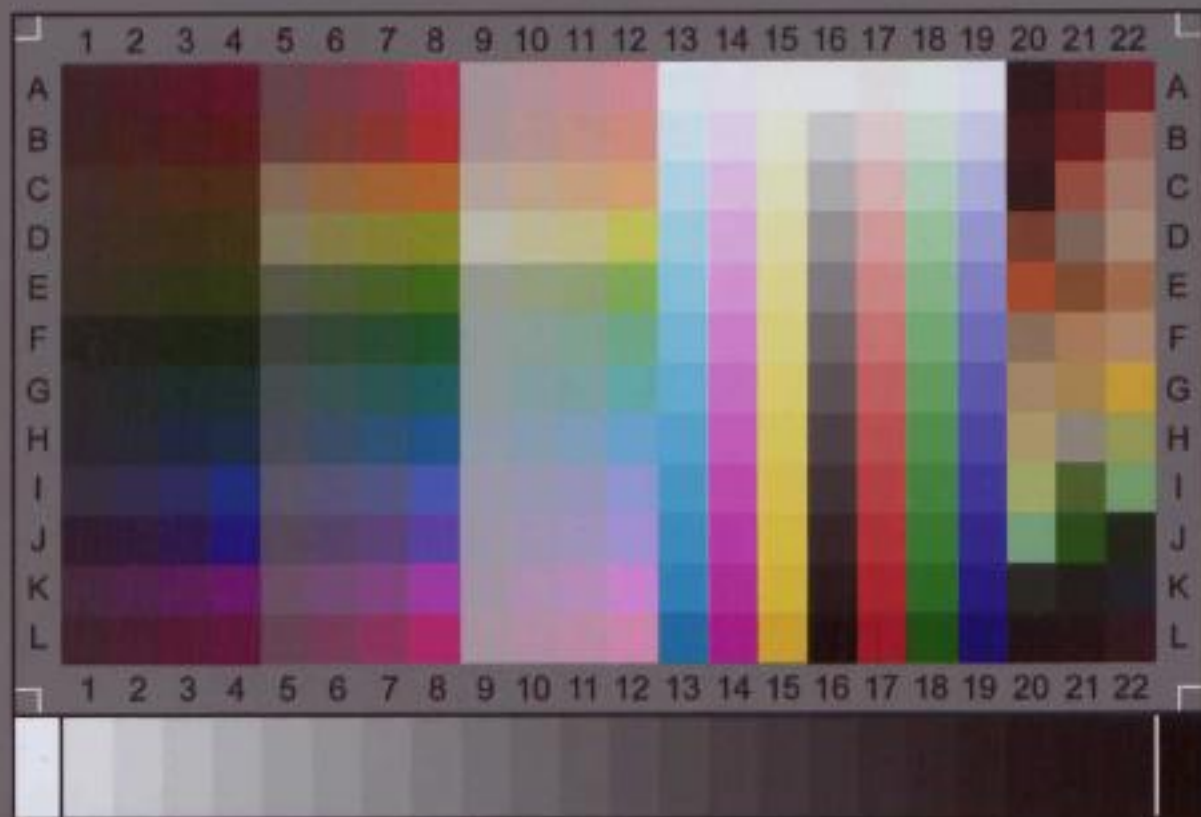
Mr L V Appleyard
Mr D A Hadley
Mr W D Reeves
Mr L Parker

PART 10 ends:-

ms/FGO to LPC 30.1.90

PART 11 begins:-

FERB to Pm 1-2.90
(A090/275)



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