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Comments by G. in private talks of 6/4/89 - to be taken in conjunction
with full record by CDP

- There is a reassessment of perestroika now going on in Moscow. The feeling is that the 'romantic' period of p. is behind us: we are now putting very serious work in hand. We are reattuning p., particularly in identifying new forms for the economic sector and the political process.
- For me it is also very evident that opinions around us in the external world regarding p. are also changing. Everyone remains very interested in it, but I sense political attitudes crystallising that harbour doubts about p. Recently, for example, information reached me that senior people in the media in London (I won't say who) said to their correspondents: "Enough of these positive assessments of p. and Gorbachev: that's not what we pay you for."
- It inevitably makes me think: "Why this surge of negative attitudes towards p.?" On the one hand there are voices inside and outside the White House suggesting that, after all, p. is not likely to prove beneficial for the USA and the West. Then again we find Mr Baker returning from his visit to Europe, almost in a state of panic. He sees the Europeans ready to respond positively to the search for better relations in the world - which is the approach now coming from Moscow. "The Germans are going crazy! We must think how we can halt this influence which is being exerted by p. and its foreign policy consequences."
- We know for sure that in the USA now there is not only the wing that is strongly 'pro' p. and its potential (such people are confident that p. will bring positive results in terms of security, as well as of economic and cultural cooperation - and indeed they constitute a strong 'wing'). But there is also another 'wing' emerging among the political voices (notably, the likes of Kissinger and Brzezinski), which is gaining in influence. These are zealous propagandists of their particular view, and evidently are getting 'closer' to the new US Administration. Indeed, communications we get from Washington these days frequently contain entire paragraphs that read like pure Kissinger, or at least bear the hallmark of his ideas.
- There is concern that the West is losing its hold on public opinion. My first reaction to all this is that it cannot be taken at face value. This is all being put about to deflect and impede the cooperation that is developing.
- But what worries me further is that we have a situation of this kind coinciding with the change of personnel in the White House, and at the same time the protracted delay of their reactions to our proposals. The formulating of those reactions is proving a long drawn out process. They appear to be playing for time. There seems to be a wish to let interest in p. cool off. The line seems to be - "We shall have to take a proper look at p.; is it indeed nothing more than Gorbachev? Should we be linking the West's prospects to all this?" It is a mood that really perturbs me.
- And I notice that you too, Mrs Thatcher, are showing rather more caution. I know you've started to take advice about what to do. Of course, we all take advice. But we hear your bankers have advised Mrs Thatcher to be more circumspect in her statements on Gorbachev and p.
- ...
- With a few small exceptions - although we are worried - p. is going as we expected.
- The most complex changes confronting us are in the economy. This is not just because we are driven to adopt new economic methods, eg marketing, greater dependence on incentives, etc. The necessary changes take time. We include among them the modernising of industry - particularly the machine-building and electronics industries.

/Economic perestroika...

- Economic p. is sensitive to and complicated by other factors, internal and external. We have a disrupted financial system. There is a lot of 'free' money flowing into the market.
- I remember 15 years ago the shops were full - we didn't know where to put all the meat and butter. We were even consuming only $\frac{1}{3}$ or $\frac{1}{2}$ of what we need now. So our problem is not only to have more food and better food, but to balance incomes with the availability of goods. Until we solve this, it is difficult to count on the success of the economic reforms. At the same time we have got to ensure that by regulating people's income we don't limit their initiative and enterprise. We cannot simply switch on all the market mechanisms at once. That would completely disrupt our economy.
- So we have chosen a few specific measures:-
 - increase (opportunity for individual initiative);
 - eliminate budget deficit;
 - also, in conjunction with political measures, change the basis for producing modern industrial goods.
- For the first time the light and food industries are outproducing heavy industry. We have 400 defence-oriented factories whose role has been changed to producing equipment needed for the light and food industries. We have earmarked 77 billion roubles for the modernisation of the light and food industries.
- There are people who urge us to tackle our problems in this area by spending a few billion roubles buying in what we need from the West. They say: "You'll change the situation and win sympathy/support at the same time." But we must create the base for producing consumer commodities in our own country.
- It is for this reason that we have major plans for the agricultural sector. Frankly, this is one of our main national programmes - together with the modernising of the machine-building industry and upgrading of the electronics industry. These are, of course, long-term aims.
- But the most difficult aspect of p. is in regard to people's attitudes. We are tackling this in our approach to 'ownership' - changing people's attitudes that way. There are various forms of ownership, but what is wanted is a new relationship between man's activity (labour) and the principles of economic ownership and initiative. We must encourage self-reliance. It is with these considerations in mind that we shall be publishing our executive decree on "Arenda" (leasing), which in due course will become law.
- Perestroika affects relations between the nationalities of the USSR. A lot of problems have piled up. We have prepared draft legislation which aims to define relationships between the centre and the republics. Power will be retained at the centre, especially on macro-economic/-political decisions.
- The problem is that p. has given rise to heightened expectations. People have come to depend on charitable acts by government. But support for p. is very strong, particularly from below. Things are getting better - the principle of self-financing in industry is having a positive effect.
- We are beginning to see qualitative changes in the people who hold responsibility. The surprising - and encouraging - thing is that new people are emerging who can think on a broad and bold scale. There are many people like this, who want p. to succeed. So p. will gather strength.
- But there is also a place, and a need, for shock tactics. The implementation of p. indeed needs courage and skill, but it also needs the ability to be cool and calculating. The bulk of those in positions of responsibility are well aware of this. But there are those who say we are trying to do too much too fast - you might say they are on the right; whereas those on the left say we should do it all at a stroke.

/I make a point of speaking openly...

- I make a point of speaking openly to everyone, both in private and in public. We must be realist, particularly in the leadership - yet no one, as you will appreciate, is keener to see early changes than the leadership itself. But that's why the Yel'tsin phenomenon has arisen. People want more thorough-going and more rapid change. But that can transform genuine, realistic policy into extremism all too easily.
- So perhaps this is a crucial juncture in p. In all the important areas of life 'restructuring' is under way - in the economy, political organisation, party affairs, science, agriculture, and in cultural spheres. It is clearly reflected in the consciousness of people as a whole. And what is important is that people's commitment to, and confidence in, the processes of p. should be maintained.
- I would put it like this. It has always taken a Stalingrad-type situation to bring out the best in the Russian people. It's as if there is a compressed spring in them waiting to be released and uncoiled.
- On armaments and security, I welcome the importance you have given these in your remarks, and I welcome the depth of your analysis. Not everyone does this - ie analyses these matters in depth - and that is a serious error on their part. These are exceptionally crucial matters.
- But even as I listen to you, I am the more convinced that the situation is as follows. The West has not yet evolved a concept of adequate strength, particularly in what it has to say about nuclear and conventional forces. The West does not take due account of the situation we now have, in which the politics of force have been discredited. New policies are needed. But I have the feeling that you have not yet formulated this new approach.
- We are particularly aware that the new US Administration is a long way from such a concept. Bearing in mind our special dialogue and relationship, I shall share with you a private worry I have - that in the new US Administration we now have a partner very prone to vacillation and wavering. These are my misgivings, and I feel I have to share this anxiety with you.
- I am exercising restraint and I am keeping my promise to Bush. But I have to state that not only we, but Americans themselves, are running out of patience to know precisely what the new Administration's line will be.
- It does seem to me that there are certain quite unfounded misapprehensions. People are saying - "Why should we play the game according to rules imposed by the Soviet leadership?" There are those in the Administration who promote divergent principles. Among such people are those who maintain that earlier policies brought positive results, so why change them to match a change in Soviet policy?
- It is not a question of the USSR imposing its rules for the game. These are carefully evolved positions. I am only too conscious of the time we have devoted to these matters in discussions with you, with Reagan, and consulting other opinion in Europe. We have set in train important negotiating processes, which have shown concrete results. It is not something being imposed by someone else on the USA.
- We are very concerned by the fact that we cannot make progress without cooperation from the Americans - in arms control, in the European process, in tackling third-world problems, etc. If we do not cooperate, we shall not get anywhere. It is both normal and necessary for the future to maintain our cooperation. We feel that if they do not make their position clear soon, I shall have to speak out. I think there should be some expression of appreciation from Bush. But, as I say, I have been exercising restraint hitherto...

/The success that has been achieved...

- The success that has been achieved is our success. It was the present generation of political leaders who accomplished this success...
 - But look how in the West now there's talk of 'modernisation', to the extent that everyone thinks modernisation - particularly, of missiles - is essential. But we too have our reactions - indeed, we feel mystification - as we hear all this. We start to wonder what is going on...
 - We ultimately got down to action on nuclear disarmament, and now discussions have commenced to reduce forces in Europe. But we see fleets, aircraft-carriers, etc, which greatly perturb us. Fleet strength and aircraft (including those for assault troops) remain. Does that have the effect of increasing confidence or of destabilising? Is it not an instance of finding loopholes? I simply believe that negotiations should be all-inclusive. Those are my views.
 - The 50% reduction in strategic offensive weapons is related to/dependent on other issues:-
 - a) sea-launched cruise-missiles (SLCMs);
 - b) on ALCMs, the Americans are wanting a counting-procedure which will give them twice as many, and so upset the balance in this type of weaponry;
 - c) (Chernyayev prompts Gorbachev) SDI. You are not active here here (phrase not clear in its formulation), but I am aware of British attitudes. I think there is again a view in the USA that they can exhaust the USSR by expenditure on SDI systems.
 - All these points deeply concern us. But we are prepared to discuss them all. We are sure that the 50% reduction can be achieved.
 - Secondly, on the Middle East. I think this issue is so complex - there are so many inter-meshed interests at stake - that a solution cannot be found by manoeuvring, eg to circumvent agreements.
 - We have decided therefore that the only approach is on the basis of cooperation. There was a time when the USA said that the Middle East situation was no business of the USSR's. So we took the view - very well, let the USA try to sort it out. Then Schultz put forward his peace plan. We said to him - we were waiting for you to see that you wouldn't manage without us, or without the cooperation of others (including the Europeans). We did a lot to make others shift their positions - eg Arafat and other Arab states. And even though we do not have diplomatic relations with Israel, the question for us is simply when, not whether, to restore them. I think once the international process in the Middle East develops, the position will improve. We are sure of this, and are in favour of Israel's security. Israel must have confidence in its own security - and this is a view we are trying to instil into Arab leaders.
 - The Bush team must be clear that we have to work together in the Middle East...
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10 DOWNING STREET
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From the Private Secretary

20 April 1989

PRIME MINISTER'S MEETING WITH
MR GORBACHEV

I enclose a copy of Professor Pollock's notes of the Prime Minister's main meeting with Mr Gorbachev. As you will see, they deal with the Gorbachev side of the conversation only. They are generally consistent with my account. Where there are minor differences, they probably stem from the fact that Professor Pollock was making his own translation of Mr Gorbachev's remarks while I was dependent on the Soviet interpreter.

Charles Powell

Stephen Wall Esq
Foreign and Commonwealth Office

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10 DOWNING STREET
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From the Private Secretary

20 April 1989

Thank you very much for your letter of 19 April and for going to so much trouble to prepare your notes of the meeting with Mr Gorbachev. It is very helpful to have these and there is a reassuring coincidence between your version and mine! There is no doubt that we were present at the same conversation.

Once more may I thank you on the Prime Minister's behalf for the absolutely outstanding job which you did for us.

Charles Powell

Professor Richard Pollock.

Temporarily retained, *Wayland*

29/8/17

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RETAINED UNDER SECTION 3 (4)
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From: Professor Richard Pollock.

Private address:

C.D. Powell, Esq.,
Private Secretary,
10 Downing Street,
London SW1A 2AA.

Personal

19 April 1989.

Dear Charles —

Further to my letter of 14 April, I enclose the promised notes on the private talks of 6 April. Confidentiality enjoined that I type them myself - I must apologise for the resultant presentation blemishes. I hope too - once more - that these notes arrive in reasonable time and are of some use for your purposes.

I have confined these notes to G.'s remarks: I have no doubt that you have a comprehensive record which will include the PM's contributions. There were moments when the exchanges were pretty rapid, as you remember, and at those times I was preoccupied with quick-reaction interpreting - hence my notes here will not always be as complete as yours, as official note-taker. But I hope they are reasonably coherent and problem-free. May I just mention that the bracket at para.3 on p.2 after " - increase" is due to a legibility difficulty in the note I made at the time: my apologies! The abbreviation "p." throughout is for perestroika. I hope the rest is clear. Don't hesitate to ask me about anything in the notes as necessary.

As previously, I leave you to decide the confidentiality category and distribution of these notes as appropriate. Perhaps you could kindly drop me a note confirming their safe receipt, please.

Once again, warmest thanks for all you did to make my part in the proceedings so enjoyable. I hope the visit was felt to have been a success, and to fit constructively into the desired shape of future events. Especially I hope, as does Janette, that the future develops happily for you and your family. If convenient, please give our regards to the PM and Denis Thatcher.

*With regards and all good wishes,
Yours ever
Richard*

Richard Pollock

Encs.