

**SECRET**

Confidential Filing

UK/SOVIET Relations

INTERNAL SITUATION


Folder: PM's manuscript notes

SOVIET UNION

Part 1: May 1979

Part 21: August 1991

-23 August 1991

Referred to	Date	Referred to	Date	Referred to	Date	Referred to	Date
<del>7.8.91</del> <del>19.8.91</del> 23.8.91  CLOSED							
PREM 19/3558/1  (Part 1 of 2)							



10 DOWNING STREET

Rune Minister

Excellent  
if needed,  
f,

I drafted this just in  
case of need. I am  
sending it to you  
~~on the~~ offchance I might  
have to clear something  
with you.

Stephe

22/8

PART 21 ends:-

Interview of Kinnoek 23.8.91

PART 22 begins:-

JSW to FCO 24.8.91

Confidential

POSSIBLE STATEMENT BY THE PRIME MINISTER ON THE RESIGNATION OF  
PRESIDENT GORBACHEV

I understand President Gorbachev's decision that, in the dramatic new situation in the Soviet Union, the time has come to pass the baton to someone else.

This week's attempted coup reminded us all of the heroic scale of President Gorbachev's achievements. He did not just respond to events. He led them. He turned the Soviet Union away from dictatorship and towards democracy. He helped the countries of Eastern Europe along the path to freedom. He replaced confrontation with the West with co-operation. He is one of the giant figures of 20th century history.

Norma and I have greatly valued our friendship with Mikhail and Raisa Gorbachev. We ~~are sure~~<sup>hope</sup> he will have a continuing role to play in shaping the future of ~~the Soviet Union and~~<sup>his country</sup> ~~He~~ and Raisa have our warmest good wishes.

A huge responsibility now falls on the shoulders of the people of the Soviet Union and its Republics as they move to genuine democracy. We shall support them in seeking freedom with stability and responsibility.

10 DOWNING STREET  
LONDON SW1A 2AA

- (i) Delighted safe, well and back in power
- (ii) Health of raise
- (iii) Shock in what events. Real sense that coup a devastating event in personal terms and for peace and security.
- (iv) Realised coup not inevitable. Refused to recognise it. Very support to resistors + restoration of legitimate government.
- (v) Bravery of you, your family and those who stand down the tanks.
- (vi) Continued reform will make strengthened. We will support you as you build new relationship with the Republic.
- (vii) As Chairman of SFZ (shall be) earliest deal with

our colleagues to see how we can best help in  
in new circumstances. Visit to Mexico. ●

(ix) This is a great day for freedom and  
democracy. The world can start to  
breathe again.

World relations ... your courage

10 DOWNING STREET

LONDON SW1A 2AA

Can know the future

is inevitable ... strengthening

Summit:

ever significant ...

new country ...

relationships ...

never again ...

Russian G / Yeltsin

- a diff. time ...

V. pb @ actions you ... taking.

Yeltsin.

What is being?

Goodache?

Support across country?  
(+ military).

What will happen?

" " he do?

Any warrants for arrest issued?

How can we help?

Keep 79 back?

Mr. Pres. &  
Gen. Sec.  
delighted.  
→ anxiety.

our LIVE  
EC treasurer  
Port G - his legitimate

Support across country?

Symp. + support  
for him.

Copy of  
Richard,  
Jonathan.

Bush 5.00  
RBC 500

Bush - Yeltsin.

Cliff. Y. said...

US would be helped.

100,000 appointed.

exp. to be assaulted.

G. in crisis.

Continous struggle.

Spk G - not Yeltsin.



● don't exclude Rld. cd be stressed.

Hope common sense will prevail.  
Becky planned.

---

Tanks arriving 'em  
- 5 hrs. left.

1. Demand  
G. Freed. ~~Legal President.~~

2. Comm. liae G. + no / Bush.

3. W.H.O. set up ind. Cof. to examine  
him.

4 - World Support for Russia.

① More complete. @ moment.  
Anti - Com. Gp. to Bd of E  
taking decision necessary to capture Sldg.

② Isolated G. No tel. comm. with G. members not valid.  
8 members of charact. as criminals  
10 point set of demands to look after

③

- Gp illegal  
- put on trial  
- All found Guilty on charges  
sub. to Tel Aviv.

③ Continue in Moscow  
Attempts to seize our bldg.  
World Comm. to take decision to force G  
+ declare Junta illegal.  
Younger ill' nation  
Mr. Saw G on 19th.  
Minor ailments only.

POINTS AGREED BY EC FOREIGN MINISTERS

- i) Accelerate Association Agreements with Czechoslovakia, Hungary and Poland.
- ii) Suspend food credits and technical assistance.
- iii) Only attend Moscow Human Rights Conference if all Soviet CSCE obligations are met.
- iv) Probable European Council on Friday.
- v) Urgently considering possible role for CSCE.

It was also agreed that humanitarian food aid to the Soviet Union would continue.

# Look Back on Wt.

Lesson

'given ~~to~~ f/ding of choro, they choose f/dow!

- Instant re-actors wrong

— Go Coup wd. succeed.  
(Tet) — obdnt.

— Refuse cuts.

— G7 (Sov. Union rich)

Give nothing / take nothing away.

— Communist Vital

— Occid (Rush)

— Accha  
RSC World Line (stopped up)

Still working

(1) G.

— criticism for man-power choices  
new choices vital.

(1) G/ Republic

In favour ('worries of Russian imperialism')

(2) Communist P. (People vs. repressive institutions)

## ② G / Republics

— totally diff. Union Tr.  
Present or won't do  
Not drafting amendments.

Power from center to Republics.  
Preparation of KGB / Army by Republics  
✓ 'our national Guard!'

— Ed. not respect Soviet People.

Best hope — based on Republics. They help  
Will help.

We idealized En, Food, Petroleum @ G7.

Our Now: Search movement to Democracy / Reform.

(3) Central P.

- Banking. May be financial,

Provincial leaders leaving Politburo of C.P.  
Y. closing down offices, Nasabiev (Kazakhstan)  
Kravchuk (Ukraine). Karimov (Uzbekistan).

(4) Baltics.

Tide of R. independence running strongly  
with Warsaw holding out C.P.  
Warring recognition - (if negotiated)

- never occupy Warsaw in S.C.

- have a str. to independence

- want to see them achieve it quickly. (not a long time).

- " " " " " " by negotiation w/out duress  
on a level playing field.

## (4) Future

- (1) look @ evolving role in EU / + wish Belts.  
Senior F.O. official going to Baltic States  
to meet leaders + report to us.
- (2) Going to S.C. myself. Y —  
G —.
- (3) G7 outp. Working on consultation. (not leaders  
— too long).
- (4) Continuing contacts. Chw., Yakovlev, Yel'tsin

Trade.

1. Zampatin. Pub K-Hou.
2. EC II.
3. Poland. Area Agre.  
H. G.
- 4.





10 DOWNING STREET

THE PRIME MINISTER

1. Barrett regularly. (F. News tomorrow - Hoaguel).

Then - 12 shot. recall prior / criteria  
wh. given vel. with Sil.

Two, Annual soon useful.

Kohl 2.30.

Bush later.

## Zamyatin.

- (1) Ruffend air.
  - (2) Prop. susp. of EC aid.
  - (3) COCOY
  - (4) Good credits.
- 

## References.

Chall. inspection,

2 x goodwill  
occasions,

Rumansk.,

✓

✓



10 DOWNING STREET

THE PRIME MINISTER

hard-  
rough-shod.  
and 'on hold'!

eg - adhered to.. ✓

esp. human/civil rights. ✓

g outlined dir-ans / details. ✓

~~circumstances depends on this.~~

Cor. to G. [Graham Claitor].

Respect his integrity. ✓

Keep in close contact.



10 DOWNING STREET

THE PRIME MINISTER

*Cura Council.*

*- fiviet.*

*FAX.*

Skirgawdi.



10 DOWNING STREET

THE PRIME MINISTER

Bi elodi.

Kohl.  
Nitzsche.  
Bush.

---

In-ang. EBRD.,

think ref. for W. Govt. for Pol, +  
part belong to W. democracies.

V. worried.

---

"one border crossing o/p/inter on  
Soviet side"



No panic, calm,

10 DOWNING STREET

THE PRIME MINISTER

P. H. A. A. \*  
@ end Dept.

accelerated -



Stephen/

Phil 7 mention

Poland etc.

Three P.H. in

the street?

SP

B.  
~~K.~~ }  
U. }  
P.A. \* }  
H.  
L. \* }

V. den Boek.  
G. van der  
Dunbar

Zam. 5.00	<u>F. M. A.</u>
-----------	-----------------

F. A.  
illegal copy... calun. Put clock back.

Yel'tzin Kastrike?  
Baltic States.

---

Prio + Wagg S.



E. Car.



NATO Min.



Events of night are

1. Joyous occasion.

~~Announcement~~ ~~at 10:30~~  
At 11:00  
later today

2. Public session ...

Pres. G. ... returned..

unconstitutional nature of process. No work  
methods not been used. If G. return unclear  
with numerous.

3. We are in touch also + press

Spk. each M. + K. + L. over next few  
hours.

4. World has a chip in the air.

5. Continuation of reform vital to all of us  
most vital to  
- J. H. C. C.

6. Above all,  
We expect the S.C. to stand by  
its commitments. Pres. G. has ~~been~~  
into on their behalf.

Pres. of S.C.

Lucas

Oceinow  
uncoast.

Gold. Gov Alber. Gold

To. to G.  
World State

Reform Prices

Keep G. commitments

D. // F. Nat. Government,  
Can we reverse / influence /  
central bank.

10 DOWNING STREET  
LONDON SW1A 2AA

Mrs T. was on the  
lunchtime BBC news  
demanding a freeze  
on defence cuts...


MOD line?

O. Forch -  
news based  
on G.

- under Mr. T.
- cut a sudden reduction.
- backslide on arrangements.



PH



MacGregor - in lower Wed. p  
? stuff.



**10 DOWNING STREET**

Thatcher.

People get used to democracy  
will n- give it up lightly

We in UK + hope in US as  
well on side of democracy  
Do not want it snuffed out.  
Civil rights important

About to say "Defence review"  
+ NATO forward ~~out~~ treaty  
+ easing of tension...  
then CNN cut.



10 DOWNING STREET

Stephen,

It appears that coverage  
of the Yonayev has  
to be censored before  
the CNN network can  
transmit.

Also - it appears Yeltsin  
is saying people should ignore  
the authority of the new leaders.

• Republics. - can estab. dep. gov. (u/s. that...)

We never recog. merit of R. in S. Amer.

Rep. + Amer. must see their future. Rel. change.

Must consider that. (i.e. our policy).

W/o long relationship w/ in S.A.

Don't want to undo that more difficult.

Help

More than words

Rel - P.M. + I.M.F.

G.7 + S.A.

Lowest step

World can  
breathe again

Days of hope - and  
expectation.

QUOTE FROM THE PRIME MINISTER, THE RT HON JOHN MAJOR MP  
21 AUGUST 1991

Whatever may happen over the next few weeks or even the next few months there are some economic and political realities that are not going to change. It may be, in the sense of authoritarian rule, that night will fall for a period. Economic and political realities will not change. The democratic genie is out of the bottle in the Soviet Union and I do not believe they are going to be able to put it back.

Today prog

Here, or at the studio?



Yelken.

- Thank you.

- To agree. Successful outcome.

- Path of return / plan next.

- Never happen again.

Proc (Russia) gone to Brazil.

1. spoken to G.

3 d/s cut off. No comm.

well, Back in town.

Orig. G. return to Moscow.

Proc Gen - crim. case > conspirator.

Th. you.

Whore  
Letter  
Proue

---

Prude's all  
New stall  
up rd 3rd

● Airplane has been set in

HT<sub>2</sub> under Yakovlev Club.

Ready to receive.

Yakovlev.

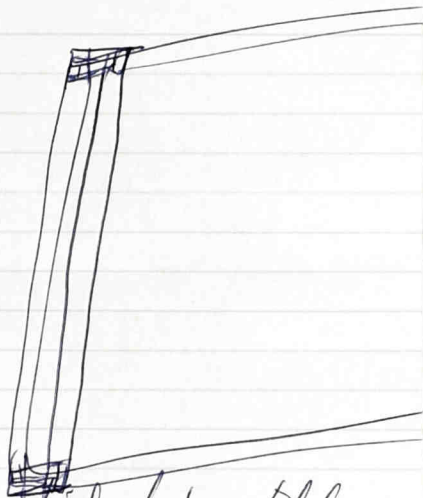
G - back tonight,

- end Corp, Party Leadership will  
Corp Ldrs must produce G.

- Army/AFB instrument of P.

P. Comm. reversed themselves.

- Ldrs. left/ pursued by jets.



Yakovlevs.

Troops out., Tanks out.

G in Moscow 15/20 Thurs.

Good health.

Info. 'some Tanks assembled.'

Revolutionary cry "F/low! Victory!"

● Yel'tsin.

Filtered

(few min. ago).

- more confident,
- not decl. victory,
- tanks around: stuffed by 10<sup>th</sup> 1000<sup>th</sup>.

Reference for.

- illegal maneuvers.

" " - they will lobby del. to declare  
war illegal (Aug. 26<sup>th</sup>).

Krachkov - will fly to G. - Pault - "No!"

Leading Krashkov, Pr.ambkov  
Potekin

to see G. in Crimea.

5 Junta (led by Yagov) want to see G.

Will force him to sign something: Trying to have  
them collected,

- - larger of size remain
- Cdr. for Assault Force to Yelksin.  
(goe back to Base).
- Dep. P/M to Centre of Russia  
(in case his in trouble).
- Muscovites in Street.

Can Ukrainian Cdr. stop

Operation won't let

G. is healthy; won't sign

ЛУКЯНОВ

Baltic.

30 miles  
Spatznav vs  
way to Baltics.

Yeltsin  
Kob.  
Baltic left.

① ICA G. A. COMSKI.  
BUSH  
SHEEDMAN WATZ.

David  
Manning.

Flawke.

1. Marshall to G. ~~Watz~~ \*

⑤ Marshall + Balt. (?)  
(? diff. plane  
invit. USA, (missed plane).  
France.  
G.  
G.B.

? Hamburg ← + 10 Balt. )

⑥ Impression

Yeltsin 'heads up'.

⑦ Troops are still w/drawing.

⑧ Contact with G.

'Y. cont. G. (we think)'

Volokh has spoken to him.

V. outward.

① (?) News '8' may have left  
for Krogizia <sup>KORGIZIA</sup>  
(C. Asian Republics)

Rumour of the gov -  
as co-ordinator

② (?) A/As rumours may have  
been ~~correctly~~ arrested.

③ Govt may have  
collapsed? not sure

④ \* Kopylov to G. (? correct).  
Invited PM 'RSE' Li/ot.

Reporter gathering.

Shevchnak

Convinced they'll condemn illegal town.

G. in Crim. Gp. of ourselves for there / to talk.

Rel. results public tomorrow a.m.

Committee :-

Not Bill int.

Left for Crimea, too.

Don't know who is on 'place.

Deep divergence of view among Gp. of 8.

Some drift to o/care.

Were plan to take over Y. join  
+ revive Idor of democratic  
movement.

Met Yelbin. Thanks.

Y. Spoke B. Support.

Tank still leaving.  
Parlov.



G.

Schveddaadze

Keep on your speech.

I. touched by your a/sst.

'I. " " " " call. ... solidarity - support.'

1/1 day, the worst time.

, was an attempt to storm P. bldg.

10,000 of 1000 - road me -

3 died.

Now, meetings. To condemn Act of S.,

Many changes in Army today,

- Cdr. 'Army will not fulfil orders of  
Committee.'

Keep on other support.

Atmosphere better.

Supreme Soviet in session. Going well.

26/27

All Union Soviet  
in Session.

Message from embassy

Volski, Head of Scientific and Industrial Union, took a call from Sabocher. Lines to Sabocher were cut but I managed to phase out. Sabocher said he was in good health.

BAKATIN (former Interior minister) and PRIMANOV (Sarb adviser) are flying down to see Sabocher.

Volski told the embassy this. He has made ~~nothing~~ it public too.



10 DOWNING STREET

Sarbaner is even  
was speaking to Bush  
on the phone (call  
initiated by Sarbaner).

Frederic



10 DOWNING STREET

Whitehouse have  
come through  
again.

---

H. T. called Regan

(we were in it from beginning?)

CF  
○ JSU thinks  
this should  
be labeled -!  
(Historical)

Solber.

never recap. & recap. // E.P. they will be incl. agree.  
~~want them to be root / shd. k.~~

not done by org. B. + S.C. // upk. ... Urry  
To ... kpf. have  
own dep. off's.

G7

(Walters)

last. G7 join G7.

H.S.P. L.A. 1011 / leads to full status.

Contin. dialogue.

Situation now.

Reform package

Diff. f. hard lines debated,

Pool reform shd. accelerate,

May be different views. Outlook G7.

G. + T.

Work together. Stand together.

Old re-act. debated.

- 13.30 BBC reports Bush as saying overthrow is very disturbing and could have serious consequences, but coups can fail too. Bush voice carried on news: what has happened is extra constitutional, that is outside the constitutional process for governmental change. It could have serious consequences for Soviet society and relations with other countries including United States. Gorbachev is an historic figure - led SU towards reform domestically - constructive role in moving towards openness and reform.
- 13.45 Steve Levinson, BBC says London markets have reacted like Far East earlier with a rush to get out of shares and securities, \$ high, DM low, £ sidelined. Obviously a knock to confidence, undermining prospects for a better future, couldn't have come at a worse time. If Wall Street takes events in its stride - due to open soon - situation may calm down.
- 15.00 Soviet press conference - CNN are not allowed to broadcast live - edited version to be cleared first
- 15.30 Knight Ridder say White House to issue very important statement at 10.30 EDT, EC has expressed 'grave concern' at situation, World Bank has suspended consideration of technical aid to SU.
- 15.35 CNN says Wall Street down 81 pts. Dow Jones down 85.42. FT off 4%. White House say President Bush will return to Washington for overnight stay, reportedly for participation in swearing in of new US Ambassador to Soviet Union Bob Strauss, Baker also returning to Washington.

UPDATE 5

- 15.40 Reuters report White House say Bush going back to Washington to monitor developments. Reuters say new govt have ordered all but nine newspapers in Soviet Union to close (the nine are all right wing except for Izvestia). Yanayav issues state of emergency in Moscow, \*appoints Colonel KALININ as City commandant. Leningrad also under state of emergency, military commander appointed there too. Yeltsin was trying to order all KGB and army to lay down their arms: he has said he is taking up full control in the Russian Republic.

\* May lead to curfew in Moscow.

Ginby thought to be under house arrest in Crimea.



*S: 1/2  
H/C*

*cc. PC*

10 DOWNING STREET  
LONDON SW1A 2AA

*From the Private Secretary*

23 August 1991

*Dear Jane,*

THE ARCTIC CONVOYS

Thank you for your letter of 23 August.  
I think it is fine to go ahead on the basis  
you propose.

I am copying this letter to the Private Secretaries  
to the Members of OPD and to Sir Robin Butler.

*J. S. Wall*  
(J. S. WALL)

Miss Jane Binstead,  
Ministry of Defence.

*As*



Ble Tinas  
& JSW



10 DOWNING STREET

Prime Minister

for  
his review  
next week,  
first

I do not believe we can  
decide now how to tackle  
this. Were Sabacher to go  
between now and the  
Review Conference in September  
we might want to say  
rather more in public about  
the BW programme conducted  
under Communist rule —  
and appealing to the new  
Russian / Soviet government  
to dismantle it.

Stephen 28/8



CCPC

MINISTRY OF DEFENCE  
WHITEHALL LONDON SW1A 2HB  
Telephone 071-21 82111/3

SECRETARY OF STATE

MO 6/18/4S

23 August 1991

*Dear Stephen,*

I said that I would write to let you know what progress has been made in reinstating HMS LONDON and RAF TIDESPRING in the activities organised in the Soviet Union to commemorate the 50th anniversary of the Arctic convoys.

By way of background, we heard yesterday that the City Councils of Murmansk and Archangel both intended to carry on with the celebrations and were keen to have a RN presence if at all possible. We also established that a party of over one hundred British veterans (including those who were originally to have embarked on TIDESPRING) will fly out to the Soviet Union on 24 August as planned.

Following my discussions with you yesterday, we asked our Naval Attache in Moscow to proceed as quickly as possible to reapply for diplomatic clearance from the Soviet authorities for LONDON and TIDESPRING. This has been done and the formal Soviet response is awaited. I understand, however, that the Soviet Ministry of Defence have given their verbal agreement that the full programme should go ahead as previously planned, including the involvement of our ships. Our Naval Attache is therefore confident of diplomatic clearance being confirmed shortly.

Meanwhile, HMS LONDON arrived at Rosyth this morning and has been embarking personnel and equipment required for the commemoration. She set sail this afternoon with the aim of meeting her planned rendezvous with Soviet merchant vessels (the "convoy") on 26 August and with warships of the Soviet Northern Fleet on 27 August. She and TIDESPRING, who is already in the Baltic carrying out her original programme of refuelling RN and other NATO ships, are scheduled to arrive in Murmansk on the evening of 28 August.

We will, of course, keep the ships in touch with developments on diplomatic clearance and, in the event that it is refused or has not come through, they can be advised not to proceed to Murmansk.

J S Wall LVO CMG  
10 Downing Street





SECRETARY OF STATE

You will also wish to know that the Soviet authorities have decided not to take up our offer (also made yesterday) to reinstate the visit to Plymouth by their destroyer, OKRYLENNY. Following the withdrawal of our invitation earlier this week, the ship was apparently instructed to head North and would not have been able to get back quickly enough to meet her original programme (which included taking part in the Plymouth Navy days). The Soviet Naval Staff explained to our Naval Attache that regrettably the ship now had other tasks to perform and that it was therefore not possible for her to return to Plymouth. The Naval Attache's view is that this explanation is genuine and that nothing more should be read into it other than a programming difficulty.

I enclose a draft news release covering the Arctic convoy commemoration and OKRYLENNY. Subject to your agreement, we will issue this once diplomatic clearance for LONDON and TIDESPRING has come through. Meanwhile, we will keep to the attached defensive press lines that have been agreed by the FCO.

I am copying this to the Private Secretaries to members of OPD and to Sir Robin Butler.

Yours,

(MISS J R BINSTEAD)  
Private Secretary



ANGLO-SOVIET NAVAL CONTACTS

DRAFT PRESS RELEASE

Following the reinstatement of President Gorbachev on Wednesday, Her Majesty's Government is delighted that agreement has been reached for Royal Navy ships to participate in the events planned by the Soviet authorities later this month to commemorate the 50th anniversary of the first Arctic convoy to reach Archangel on 31 August 1941.

The Type 22 frigate HMS LONDON will rendezvous with the Royal Fleet Auxiliary TIDESPRING before proceeding to Murmansk. The ships will join over 100 British veterans of the Arctic convoys who also plan to attend the commemoration.

Her Majesty's Government also reinstated the invitation to the Soviet Navy to send a Soviet destroyer (OKRYLENNY) to visit Plymouth. Unfortunately, because of programming constraints, OKRYLENNY will be unable to come.

RN PARTICIPATION IN OP DERVISH VISIT OF OKRYLENNY TO PLYMOUTH

Defensive Line to Take

Op Dervish

Clearly, circumstances have changed since we withdrew our ships from the Soviet commemoration of the Arctic convoys. We hope now that RN ships will be able to participate in next week's celebrations and we are looking into the practicalities of doing so.

Okrylenny Visit

We also reinstated the invitation for the Soviet destroyer OKRYLENNY to visit Plymouth. Unfortunately, because of programming constraints, we have been informed that she will not be able to come.



DAVID GLENCORSE: (Presenter)

Well, returning now to our main story, the Labour Leader, Neil Kinnock wants a recall of the G7 summit here in London to discuss more aid to the Soviet Union. A few minutes ago he spoke to our Political Reporter, Richard Bestic.

NEIL KINNOCK MP: (Leader, Labour Party)

No, I'm not talking about a pot of money I'm talking about a properly worked out plan that can decide how much can be provided, where it can best be provided, how it can be monitored, how it can provide the best possible value for the Soviet people, but also for those making investments from outside in the Soviet Union. We want a coherent plan, not a splurge of aid that would be here today and gone tomorrow but something that will sustain economic development, the transition to a mixed market economy in the Soviet Union, which is the absolutely vital prerequisite to underpin democracy and further progress with the reform.

RICHARD BESTIC: (Political Reporter)

How quickly do you think G7 ministers could get together to organise this summit?

NEIL KINNOCK MP:

Next week, next week. You see, we've had the experience over many years past of the World Bank developing structural restructuring plans for several economies. It would be a huge challenge because the Soviet Union is one of the biggest economies in the world but the prizes are great. The prize is a stable and democratic Soviet Union, with people who are moving towards prosperity. The prize includes the run down of the biggest armaments machine in the whole world, the Soviet war machine.

The prize includes the harvesting of the world's biggest deposits of gas, oil and natural resources, now not being brought to market simply because of the incompetence of the Soviet economy and its technological system.

So, given those huge rewards the effort can very quickly and effectively be made by the Western countries with their huge body of knowledge and expertise, to get the restructuring of the Soviet Union economically under way as quickly as possible. It's the key to ensuring that not only are there no more coups, no more authoritarianism, no more totalitarianism in the Soviet Union, but the Soviet Union and its people can join fully the body of developing and democratic nations.

\*\* \*\*\* \*\*



Extract of minute  
on Baltics

**CONFIDENTIAL**

Mr Crawford, Soviet Dept

Soviet Union

I have had a preliminary word with the Secretary of State about the various points raised in PS/No 10's letter of 23 August.

The Secretary of State thinks that it would be a mistake to refer to "conditions" attached to future assistance to the Soviet Union - rather we should say that assistance is only likely to be effective if:

- there is economic reform
- there is agreement between the republics and the centre
- the political system of the Soviet Union is based on consent
- A — - assistance is not directed solely at the centre.

On the Baltic republics, the Secretary of State would like to use the following form of words in his article for the Sunday Express:

"The legitimate hopes of the Soviet republics, particularly the Baltic republics, who have declared independence, must be urgently tackled in negotiations. No central power can hold Estonia, Latvia and Lithuania inside the Soviet Union against their will. The practical arrangements are under negotiation, but the day of their effective independence is clearly approaching."

The Secretary of State would be quite content for the Prime Minister to use these phrases before the Secretary of State if he so wishes.

B-

PRIME MINISTER'S  
PERSONAL MESSAGE

SERIAL No T2238/91

SUBJECT  
MASTER  
OPS  
FILED ON:

August 23, 1991

Dear Prime Minister,

The incident in the Soviet Union that we talked over on the telephone last Tuesday has reached a welcome denouement in the form that the constitutional order was recovered and that President Mikhail Gorbachev finally made a safe return to Moscow. Now I strongly hope that the Soviet leadership will again resolutely take the course of Perestroika and actively pursue the goal of New Thinking Diplomacy in its foreign relations.

In the telephone conversation with you, I did not have chance to touch upon my recent official visit to China and Mongolia. Now I would like to write to give you a general account of my visit on August 10 to 14 for the reference of your coming visit to China.

In China, I met with Premier Li Peng and also had opportunities to talk with General Secretary Jiang Zemin and with President Yang Shangkun.

During my talk with Premier Li Peng in particular, I referred to the issue of Hong Kong, emphasizing the importance for Hong Kong to continue to enjoy its current economic freedom and to maintain its prosperity and stability on the basis of the UK-China Joint Declaration and the Basic Law. The Chinese side in reply expressed its hope that Hong Kong should develop and further

continue to enjoy its prosperity and stability after returning to China. In this regard, Premier Li Peng expressed his expectation for your coming visit to China.

Strongly convinced that further promoting China's reform and openness policy and developing stable and friendly Japan-China relations will help ensure stability and prosperity not only in the Asia-Pacific region but in the world as a whole in the long run, I expressed my intention to continue to support China's modernization efforts. In so doing, I was frankly stated my belief not only to Premier Li Peng but to Jiang Zemin and Yang Shangkun that it is essential for China to promote its reform both in political and economic domains and that the international community including Japan still has great concern over the situation of democracy and human rights in China. The Chinese leaders on their part, although maintaining their official position, seemed to be more careful in their wording. They mentioned that reforms in both political and economic fields should go hand in hand but that social stability should not be affected as a result. They also said that they are ready to discuss the issue of human rights with international society if proper consideration is paid to Chinese constitutional law and the social and political reality of the country in such discussion.

It is important to encourage China to make positive contributions to international society, especially when

the world situation is now experiencing a period of great transformation. I thus tried to broaden the horizons of our policy discussion to the sphere of global issues. That is to say we exchanged views on the possibility of Japan and China's contributing to world peace, especially in the field of arms control and disarmament. In this regard, I highly appreciate China's timely announcement of its decision on its unconditional entry into the Nuclear Non-Proliferation Treaty. As for the Japanese proposal to establish a United Nations reporting system of international transfer of conventional weapons, which I called on China to join, the Chinese side, generally positive to such an approach itself, pointed out several technical questions to be solved in view of its feasibility. We thus agreed to continue our study and consultations on this matter at the working level.

We also exchanged views on a wide range of regional issues such as the Cambodian problem and the Korean Peninsula on the basis of recent developments.

In the Mongolian People's Republic, the country to be visited by a Japanese Prime Minister for the first time, I announced Japan's intention to strongly support Mongolian efforts to promote democracy and economic reform. Being the first head of a Western country to visit Mongolia, I attached great importance to this Asian nation's success in its reforms.

The Government of Japan will hold a Mongolian Assistance Group Meeting in Tokyo on September 5 and 6 with a view to substantiating international assistance to Mongolia which was referred to in your statement of the previous London Economic Summit Meeting.

Toshiki Kaifu  
Prime Minister of Japan





10 DOWNING STREET

Prime Minister

M. Adas did not  
say the right thing,  
but his heart seems  
to have been in the  
right place.

Reple

28/8

# EC Suspends \$1 Billion Aid Package, Calls for Gorbachev to Be Reinstated

By MARK M. NELSON  
And MARTIN DU BOIS  
Staff Reporters

BRUSSELS — The European Community dramatically stepped up its response to the overthrow of Mikhail Gorbachev, calling it a "flagrant violation" of Soviet and international law.

The community, which has been leading the Western effort to help the Soviet Union reform its economy, suspended more than \$1 billion in loans and technical aid. The EC plans to try to contact and perhaps even visit the deposed Soviet leader, an initiative that will be discussed Friday by the 12 EC leaders who will gather for an emergency summit.

The ministers also expressed their concern about the security and independence of the newly formed democracies in Eastern Europe, and vowed to make a new push to help them integrate into the Western system.

"The 12 were unanimous in the conclusion that this coup d'etat in the Soviet Union deserves strong condemnation," said Dutch Foreign Minister Hans van den Broek. "We demand that constitutional order be re-established and that President Gorbachev be reinstated in his function as head of the Soviet Union."

## Deep-Seated Worries

The vigorous EC response, taken at a meeting of foreign ministers, reflects deep-seated worries here that Europe's "new era" could be one of the casualties of the takeover. With the return of a more repressive Soviet leadership, European leaders have begun to reconsider everything from their own security arrangements to arms-control agreements and future plans for European integration. Because almost all plans about Europe's future had assumed a relatively stable and cooperative Soviet Union, many EC officials now find themselves going back to the drawing board.

"The change in the Soviet Union has transformed the entire setting for relations among European countries," said Joris Voorhoeve, director of the Dutch Institute for International Relations in the Hague. "It is a monumental event for both Europe and the rest of the world."

For the EC, which had planned to finish two intergovernmental conferences on political union and monetary union by year end, the Soviet crisis presents a major, new hurdle. Because of the already short time to complete the conferences, some EC officials concede that the deadline may have to be extended. "The commitment to the idea (of monetary union and closer political ties) is still strong and may even be stronger than before," said an EC official. "But there are only so many hours in a day."

In particular, the Soviet coup will force the EC to concentrate more than ever on the problems of Eastern Europe. The former Soviet satellite states have no security system of their own and are caught between a collapsing Soviet Union and financially strapped Western countries. They have asked the EC for trade concessions and stronger institutional links. Polish President Lech Walesa was so worried that he called EC Commission President Jacques Delors before Tuesday's meeting to plead for more EC understanding of Eastern Europe's plight.

At the meeting, the 12 ministers agreed to speed up consideration of associate community membership for Poland, Czechoslovakia and Hungary. Romania, Bulgaria and Albania will also get economic support and closer EC ties. Ministers agreed that the EC should help the Eastern countries in their wrenching transformation from centrally planned to market systems.

"It is important that the Eastern democracies receive encouragement from us," said Germany's Foreign Minister Hans-Dietrich Genscher. "That would also make it clear that we view the developments toward democracy and independence in Europe as irreversible."

## Economic Concerns

Hoping to break the deadlock in the association talks with Poland, Hungary and Czechoslovakia, Mr. Delors said EC governments now would have to make difficult concessions, opening their markets to East European agriculture, energy and textile products. While security arrangements will also have to be worked out over time, economic integration will be an important first step in making East European countries feel that they belong to the West, he said.

"You cannot on Sunday make speeches with tears in your eyes and during the week send your representatives, who refuse to make the smallest concessions," Mr. Delors said in remarks directed at national leaders. "You have to put your money where your mouth is."

Czechoslovak President Vaclav Havel said he was encouraged by the EC promises. "It seems to me that in a sense our efforts at rejoining Western Europe ... may be accelerated by this sad event," he said.

Some EC officials expressed only scant hope that their initiative will have much effect on the Soviet crisis. Mr. Delors said that Mr. Gorbachev lacks the kind of grass-roots support to be swept back into power by popular demand, and the new leaders appear to have most of the levers of power in their hands. But Mr. Delors said the community had to make a gesture, even if it was only symbolic, of trying to get the Soviet leader reinstated. It was Mr. Gorbachev, after all, who was responsible for the unification of Germany, for democratization in Eastern Europe and for an unprecedented number of arms-control agreements.

"We are deeply indebted to Gorbachev," Mr. Delors said.

The EC's intervention in the crisis was also seen as an important test of the community's ambitions to act as one on the world stage. Mr. Delors, who said he is not usually inclined to optimism on the chances of EC political union, said the current emergency — like the war with Iraq — will encourage the EC member states to "close ranks, above all on foreign policy and security, which ... are the driving forces for political union."

"Today I consider that the 12 are more inclined to finalize the treaty on political union," he said.

But the crisis was also giving a new lease on life to the North Atlantic Treaty Organization, which under Mr. Gorbachev's reforms had begun to lose a clear idea of its mission. After more than a year of worrying about its role in a Europe without

a Cold War, the 16-nation alliance suddenly has a focus. Though NATO isn't expected to take any action as long as the Soviet crisis remains within the country's borders, NATO foreign ministers plan to gather in Brussels today to discuss the crisis.

"When the chips are down, West Europeans always turn to NATO," said Mr. Voorhoeve of the Dutch Institute for International Relations. "And as the European leaders look for ways to organize their future security, this crisis will undoubtedly affect the agenda."

One dilemma that NATO ministers will consider is what to do about the 279,000 Soviet troops still in Germany. Political experts said they don't expect the new Soviet leaders to renege on their agreement to pull the troops out, but they may slow the process down or set new conditions. "It will probably cost the Germans more money and take a longer time," said Henry Plater, a defense expert at London's Center for Defence Studies.

But Mr. Plater warns against antagonizing the new Soviet leadership. The Soviet Union remains a nuclear superpower with influence throughout the world. Despite the West's displeasure with the tactics of the new regime, no one wants a replay of the Cold War. "If we alienate them, we will have problems with them in the future," Mr. Plater said.

## Bush Defends Past Policy

Reuter News Service

WASHINGTON — President George Bush shrugged off suggestions that the West might have pre-empted the rightist coup against President Mikhail Gorbachev by bailing out the beleaguered Soviet economy.

President Bush, at a news conference, also rejected the notion that he could have underpinned democratic prospects by being more supportive of independence-minded Soviet republics.

"You get hit from the left, saying if you'd written out a better check this wouldn't have happened, and I don't believe that for one single minute," he said. "And you get hit on the other side by people that are suggesting that if we hadn't been supportive of the duly constituted president of the Soviet Union that things would have gone more swimmingly for democracy."

"I reject that," he went on, citing the stance of Boris Yeltsin, popularly elected president of the Russian Federation. Mr. Yeltsin, who has often been at odds with President Gorbachev, became one of his strongest supporters on Monday after hardliners removed the Soviet president.

President Bush said he was confident in the pre-coup, U.S. approach to the Soviet Union, which supported Mr. Gorbachev as well as democratic-minded leaders in breakaway republics.

Former Prime Minister Margaret Thatcher of Britain also rejected the suggestion that the West had dragged its feet in helping Mr. Gorbachev economically. "I think we were on the side of Mr Gorbachev from the very beginning when he became (Communist Party chief), and later when he became president," she said in an interview from London on the Cable News Network.





*ccpc*

Foreign &  
Commonwealth  
Office

CONFIDENTIAL

23 August 1991

London SW1A 2AH

*Dear Stephen,*

*11/12/91*

*1/ This open. Not used with*

*encl. Add 2/8  
- att.*

The Soviet Union

Thank you for your letter asking for early advice on what the Prime Minister might say later today on the question of future assistance to the Soviet Union.

I enclose a draft speaking note. The Foreign Secretary has been consulted on its general lines and its content. As you can see, it does not set conditions: the Foreign Secretary thinks that it would be a mistake to speak of "conditions". The note instead offers warm encouragement to the reform process, while making it clear that our response depends on the central and republican authorities producing coherent and decisive economic reform measures.

The note includes new language proposed by the Foreign Secretary on the Baltic republics, which he will incorporate in an article for the Sunday Express. David Manning, the political counsellor at our Embassy in Moscow, is to visit the Baltic republics this weekend and will sound out Baltic leaders on their willingness to fly to Moscow to meet the Prime Minister during his stopover. The Foreign Secretary does not think that at this stage the Prime Minister should visit the Baltic republics; it would be impossible for a visit at this level to take without HMG formally recognising them as independent states. But, as you know, we are considering what other steps we could take.

*John Gass*  
*[Signature]*  
(S L Gass)  
Private Secretary

J S Wall Esq  
10 Downing Street

CONFIDENTIAL

**DRAFT SPEAKING NOTE**

- This has been a momentous week. No one in their wildest dreams could have imagined this time last week that within a matter of days President Gorbachev would be deposed then restored to office, with jubilant crowds pulling down the statue of the hated founder of the secret police.

- We are delighted that President Gorbachev is back in Moscow. We are even more delighted to see that the reforms which occurred under his leadership have changed Soviet society decisively. The Soviet people waited a long time. But when at last they had the freedom to choose, they chose freedom.

- This historical development surely paves the way for reformers throughout the Soviet Union to press ahead with the radical steps needed to move from socialist central planning to an open, market-based society.

- No one should imagine that this is an easy task, or that it can be accomplished quickly. It will take years to overcome the profound distortions of central planning. The Soviet Union is not a poor country. It is a rich one, whose resources have been squandered in the name of Marxist ideology.

- The role of the West is not somehow to bale the Soviet Union out of its current difficulties - no Russian leaders, including President Gorbachev, have asked for that.

- What the Soviet Union wants and needs is Western help to enable its own resources and people to be mobilised effectively. The G7 leaders at the London Summit and afterwards with President Gorbachev looked at how we might best do this. As the Summit Declaration said, a clear and agreed framework within which the centre and the republics exercise their respective responsibilities is fundamental for the success of political and economic reform.

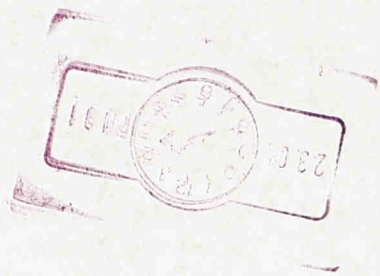
- Now that the worst hardline elements have been discredited, we hope that reformers throughout the system take the decisive, far-reaching measures the country needs. Once this process is properly underway, the British Government and I am sure other Western governments will look again at how we can help. But it is not for us to rush in and tell the Russians how to manage their affairs. They understand their problems. We look to them to come to us with their ideas.

However, Western assistance must be effective. This is only likely to be the case if:

- a thoroughgoing economic reform is put in hand: we hope that this would open the way to Soviet full membership of the IMF and World Bank.
- the centre and the republics agree a viable relationship;
- politics throughout the Soviet Union are based on freedom and consent;
- our assistance is not directed solely at the centre.
- Meanwhile the European Community already has provided food aid, and more is on the way.

- Finally a word on the Baltic republics, which now have declared themselves independent. The legitimate hopes of the Soviet republics, particularly the Baltic republics who have declared independence, must be urgently tackled in negotiations. The days are over when central power could hold Estonia, Latvia and Lithuania inside the Soviet Union against their will. A senior official from our Embassy in Moscow is to visit the Baltic republics this weekend to assess the situation on the ground.

- The practical arrangements are under negotiation. But the day of their effective independence is clearly approaching.



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10 DOWNING STREET  
LONDON SW1A 2AA

From the Private Secretary

23 August 1991

Dear Sir,

THE SOVIET UNION

The Prime Minister has been watching President Gorbachev's performance since his return to Moscow. It is clear that President Gorbachev has not yet got the measure of events and that, unless he does so, his position could erode pretty fast. A lot will depend upon today's meetings with the Heads of the Republics but the Prime Minister thinks we may need to sharpen up our own statements on what should now happen.

The Prime Minister would be grateful for very early advice on what he might say publicly later today on the kind of conditions which we might attach to future assistance to the Soviet Union. This might include reductions in defence expenditure, devolution to the Republics and the extension of political freedoms - though we would need to be a bit more specific about what we meant and perhaps to draw a distinction between emergency food relief and other forms of aid.

The Prime Minister also thinks we should take an early opportunity to put on record our slightly more forward line on the Baltic Republics as agreed at yesterday's meeting.

The Prime Minister will very probably be interviewed later today, around about 1600, and would like to put something on record then. I attach a note of the kind of things he might say. This is really just a framework and I should be grateful for a version, amended as necessary, to reach me by 1400 at the latest. The Prime Minister would of course want all this to be cleared on the telephone with the Foreign Secretary.

The Prime Minister thinks that he may need to tilt his visit to Moscow much more in the direction of democratic forces. I have already agreed with Sir Rodric Braithwaite that he would approach Mr Yeltsin last night to consult him about the Prime Minister's possible visit on 1 September. ~~We~~ might need to ensure that the Prime Minister also met Shevardnadze and Yakovlev. Could we invite the leaders of the Baltic Republics to meet the Prime Minister in Moscow? Alternatively, could the Prime Minister visit the Baltic Republics on his way back from China? *We are looking at the diary at this.*

CONFIDENTIAL

file  
bc: PC.  
pt 21

CONFIDENTIAL

- 2 -

I am copying this letter to other members of OPD and to Sir Robin Butler (Cabinet Office).

*Jaw,*  
*Steph*  
J S WALL

S L Gass Esq  
Foreign and Commonwealth Office

CONFIDENTIAL

## POLICY TOWARDS THE SOVIET UNION

There is an enormous sense of relief that President Gorbachev is back in Moscow. But it will not just be business as before. The events of the last few days showed that, given the freedom to choose, the people of the Soviet Union chose freedom. For reform to succeed, and for us to be able to support reform, the Soviet Union has to be committed to the path of genuine democracy.

There can only be stability in the Soviet Union if the relationship between the centre and the Republics is worked out through negotiation. But the Baltic Republics have the right to independence and we want to see them achieve it.

The Soviet Union now has an unparalleled opportunity to achieve free political institutions and a genuine market economy. We are ~~also~~ <sup>already</sup> helping and want to help still further, but there are many steps which the Soviet Union could take to help itself and to demonstrate its commitment to reform. The Soviet Union spends more (per capita?) on defence than any other European power. It must cut its defence expenditure. The Baltic Republics must be allowed to negotiate their independence. The Communist Party should not be allowed a dominant role. It should take its chances in a democratic process.

These changes cannot happen overnight. Before the attempted coup, the reform process seemed stalled because of opposition from hard-liners. The hard-liners have now been defeated. *There is an unprecedented opportunity which must not be lost.*

We hope that President Gorbachev, in co-operation with the Republics, can re-launch his reforms and take the decisive measures necessary for the Soviet union to enjoy democracy and prosperity.





10 DOWNING STREET  
LONDON SW1A 2AA

FILE

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cc Press  
GB

THE PRIME MINISTER

23 August 1991

*Dear Neil,*

Thank you for your letter of 22 August about the Soviet Union.

From the statement I made to the House after the G7 Summit, you will see that we took significant steps to help the Soviet Union, including special association with the IMF and the World Bank and support for the Soviet Union from the OECD and the European Bank for Reconstruction and Development. We agreed on improved trade access to markets for Soviet goods and services, and pledged rapid follow-up, including an early visit by the Chancellor of the Exchequer to the Soviet Union, which took place within days of the Summit ending. We also agreed to intensify technical assistance in key sectors including energy, food distribution, transport, defence conversion and nuclear safety.

This was the most significant package of help ever offered to the Soviet Union. To have given more instant cash aid would have achieved nothing; indeed, we were not asked for cash. It would certainly not have prevented the coup, which was led by those who thought reform had gone too far, not that it had failed to go far enough. To suggest, as you did on "Today" this morning, that if we had given more money we would have been able to withdraw more when the coup took place, is an eccentric basis for policy. The key pressure from the West was the one which we did apply, namely our refusal to accept the coup and

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our demand that President Gorbachev be freed and the legitimate Government of the Soviet Union restored.

I have already called a meeting of officials of the Group of Seven for next week to see how we can best target our help in the new circumstances in the Soviet Union. The Soviet Union has 20% of world oil production, and 40% of world gas production. It is the second largest gold producing country of the world, the second largest producer of aluminium, and the largest zinc producer. It has the largest iron ore resources in the world. It also devotes 25% of central government expenditure to the military. What the Soviet Union needs is help in exploiting its natural resources. Our ability to help was impeded by the old socialist order which is collapsing in the Soviet Union, as elsewhere. Now we must deliver our help effectively and deliver it to the Republics as well as to the centre. They wish to develop a market economy on capitalist lines. I am sure you will support us in helping them to achieve this.

Your Sincerely,  
John M.

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cc PC

070



MINISTRY OF DEFENCE  
WHITEHALL LONDON SW1A 2HB  
Telephone 071-21 82111/3

SECRETARY OF STATE

MO 6/18/4S



23rd August 1991

Dear Stephen,

Prime Minister (2)

*[Signature]*  
23/8

UK EVALUATION VISIT TO THE SOVIET UNION - 20TH AUGUST 1991

The Defence Secretary was very interested to read the attached report on this week's UK evaluation visit to the Soviet Union. He thought the Prime Minister might wish to see a copy, if he has not already done so.

Yours,

*[Signature]*

(B H WELLS)  
Private Secretary

J S Wall LVO CMG  
10 Downing Street



100% Recycled Paper

FROM: JACIG SCAMPTON

TO: MOD UK 5 FAX 86 87503  
MOD DACU FAX 86 86360  
FCO LONDON FAX 071 270 2846

SIC: 13T

IMMEDIATE

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MOD UK FOR D CTS UK 5, DACU, DI (AC).

FCO FOR MR M AXWORTHY ROOM K271.

FIRST IMPRESSION REPORT OPERATION CLOISTER 1/91

FROM COMMANDANT JACIG OP CLOISTER 1/91 VISIT TO 310 MRR/29  
MRD/CARPATHIAN MILITARY DISTRICT AT RAVA RUSSKAYA 75 KMS NNW OF  
LVOV ON 20 AUG 91.

AS REQUESTED HERewith 2 PARAGRAPHS COVERING ASPECTS OF PARTICULAR  
SIGNIFICANCE

THE OVERRIDING POLITICAL POINT MADE TO US BY THE SOVIETS WAS THE  
EXPRESSION OF IMMENSE GRATITUDE THAT WE BRITISH HAD DECIDED TO  
UNDERTAKE THE VISIT DESPITE THE POLITICAL PROBLEMS IN MOSCOW.  
SOVIET OFFICERS OF DIFFERENT RANK LEVELS MADE STATEMENTS TO THIS  
EFFECT THROUGHOUT THE OPERATION. THE SOVIET EXECUTION OF  
HOSTING ROUTINES REFLECTED THIS IN AN EXCEPTIONAL WAY. WE WERE  
ESCORTED THROUGHOUT, FROM TOUCH DOWN TO TAKE OFF, BY MAJ GEN AP  
KCHRISTIN, DEP COMD CPMD AND A STRONG ESCORT GROUP INCLUDING 5  
COLONELS. ALL VIENNA DOCUMENT CONDITIONS WERE MET, NOT ONLY TO  
THE LETTER, BUT IN A SPIRIT THAT WAS CONSISTENTLY MAINTAINED  
THROUGHOUT THE VISIT. THIS INCLUDED BRIEFINGS ON SITE BEYOND THE  
TREATY REQUIREMENT AND GREAT RESPECT FOR THE STATUS FOR ALL OUR  
TEAM, INCLUDING THE AUXILIARY MEMBER CSGT NORTON, AS WELL AS AN  
IMMACULATE ADMINISTRATIVE REGIME.

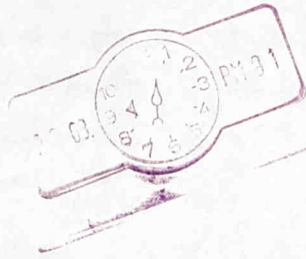
TO GIVE ILLUSTRATIONS OF THE ABOVE HERE ARE SOME RANDOM EXAMPLES. GENERAL KHRISTIN, IN THREE SEPARATE SPEECHES, UNDERLINED THE CONTINUITY OF THE DEVELOPED POLICY OF MUTUAL MILITARY CONTACT.

THE REGIMENTAL COMMANDER GAVE DETAILS OF HIS INTERNAL ORGANISATION AND PRECISE BREAKDOWN OF PERSONNEL BY RANK. HE WAS FLEXIBLE ON BORDERLINE TREATY POINTS WHEN WE EXPLOITED A SITUATION.

DURING OUR INSPECTION WE WERE ALLOWED DIRECT AND UNREHEARSED CONVERSATIONS WITH ANY RANK UNDER ANY CIRCUMSTANCES. THIS REVEALED, INCIDENTALLY, AN OFTEN AMUSED AND SPIRITED REACTION TO OUR ACTIVITIES. THE COMMANDERS CONFIDENCE IN HIS UNITS WAS REINFORCED.

IN THE LENIN ROOM I, IN HALF JEST, REMARKED ON THE CONTINUED PRESENCE ON THE WALL OF GORBACHEV'S PHOTOGRAPH AS PRESIDENT. IN AN UNABASHED RIPOSTE THE ATTENDING BATTALION COMMANDER SAID QUOTE DON'T WORRY, WE THINK HE IS GOING TO FIND SOME MAGIC MEDICINE SOON UNQUOTE.

THE CITY OF LVOV WAS LIVELY, VERY FRIENDLY TOWARDS OUR AIRCREW AND HAD ABSOLUTELY NO MILITARY DEPLOYMENTS VISIBLE ON THE STREETS  
END



Jp 01503

MR WALL

c Sir Robin Butler (o/r)

*Royce Minister**John*  
*-78*Soviet Union

Gorbachev met Yeltsin this morning before meeting representatives of the nine republics. He subsequently gave an address to, and answered questions at, the Russian parliament. In his address, Gorbachev said that, after consulting republican leaders, he had decided to appoint (the liberal former Interior Minister) Bakatin as Chairman of the KGB; the head of the air force, General Shaposhnikov, as Defence Minister; and former Russian republican interior minister, Barannikov, as Soviet Interior Minister. Yeltsin had previously announced the new appointments to a crowd of demonstrators: it looks very much as though Gorbachev effectively had to confirm suggestions put to him by Yeltsin.

2. Meanwhile, the purge continues. USSR Supreme Soviet Chairman Lukyanov - whom the Russians claim was the chief ideologue behind the coup - has been suspended from chairing parliamentary sessions. The Supreme Soviet has stripped parliamentary immunity from five deputies, including Boldin (Gorbachev's former chief of staff, who headed the delegation to see him in the Crimea); General Varennikov, commander-in-chief of the land forces and a signatory of the recent right-wing appeal "A word to the people"; and Starodubtsiev and Baklanov - two members of the emergency committee. (Interestingly, nothing has been heard or seen of General Gromov, until now deputy Minister at the Interior Ministry and another signatory of "A word to the people.") There had earlier been conflicting reports about the position taken during the coup by former Chief of the General Staff Moiseyev, whom Gorbachev yesterday named Acting Defence Minister. Moiseyev has now

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been replaced as Chief of General Staff, suggesting that he, too, has been implicated in the coup.

3. The session at the Russian parliament was dramatic. Yeltsin interrupted Gorbachev at one point and all but instructed him to read out what he claimed were the minutes of a meeting on Monday evening of the Soviet Cabinet of Ministers under Pavlov's chairmanship. The minutes implicated most members of the Cabinet. (Gorbachev had already announced that the whole Government would resign.)

4. Gorbachev also, on being pressed, restated his commitment to socialism. Asked by a deputy to renounce the Party, he reiterated - as he did yesterday - his conviction that there were many good people in the Party; and said that it was not possible to eradicate a whole social movement. Yeltsin interrupted Gorbachev to say that he was signing a decree suspending the activities of the Communist Party in the RSFSR pending the conclusion of the investigation into the coup, and invited Gorbachev to countersign it. Gorbachev responded by saying that he doubted the legality of the decree and whether the (USSR) Supreme Soviet would support it.

5. It is clear from all this that Yeltsin is now calling the shots. He has suspended *Pravda* and five other Party newspapers; has ordered the dismissal of the head of TASS; and has decreed that the heads of the autonomous territories will henceforth be directly appointed by, and accountable to, him.

6. The events of the past 24 hours suggest that Gorbachev has still failed to realise the degree of resentment against the Party. But the rug is rapidly being pulled from under his feet. Three republican leaders, gauging more accurately the mood of the country, have today resigned their membership of the (25-man) Politburo and the central committee. (At least three other members of the



Politburo are implicated in the coup.) The Baltic republics are also cracking down on the activities of the Party.

7. In Moscow, the mood on the streets is reportedly tense; and the large crowds that gathered outside the Lubyanka last night have not yet dispersed. According to Radio Russia, female staff in the Lubyanka have been sent home because of fears that the building may be stormed.

8. Gorbachev will meet representatives of the Baltic republics tomorrow. They will certainly press for negotiations leading to early recognition of their independence. Already Iceland has stated its intention to recognise. Genscher has predicted that the Baltics will soon be independent and indicated that the EC will soon have to recognise this; the Canadians, French and Danes have also made encouraging noises.



PERCY CRADOCK

23 August 1991

FILE KK

cc PC

CONFIDENTIAL



10 DOWNING STREET  
LONDON SW1A 2AA

*From the Private Secretary*

23 August 1991

**BALTIC STATES**

Thank you for your letter of today's date proposing that Mr. Hogg might visit the Baltic States in the week following the Prime Minister's planned visit to Moscow.

The Prime Minister thinks this is a good idea.

(J. S. WALL)

S. L. Gass, Esq.,  
Foreign and Commonwealth Office.

CONFIDENTIAL

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Foreign &  
Commonwealth  
Office

CONFIDENTIAL

23 August 1991

London SW1A 2AH

Dear Stephen,

Baltic States

As you know, David Manning from the Embassy in Moscow will be visiting the Baltic States from tomorrow. While there we are asking him to suggest that if, as we expect, the Prime Minister visits Moscow soon, he would be glad to meet the Heads of the Baltic Republics.

We have consulted the Foreign Secretary about what other steps we might take to show our goodwill towards the Baltic Republics. The obvious escalation would be for Sir Rodric Braithwaite to visit immediately after the Prime Minister's visit to Moscow. Neither he nor any other EC Ambassador has so far visited.

The Foreign Secretary is inclined to think, however, that something rather more high profile might be desirable and that we might ask Mr Hogg to visit the Baltics in the week following the Prime Minister's planned visit to Moscow. Our legal advice is that this would in no way prejudice our position on recognition and it would, of course, have to be made clear that this was the case.

The Foreign Secretary would be grateful to know if the Prime Minister would be content for Mr Hogg to undertake this visit.

*S L Gass*  
*[Signature]*  
(S L Gass)  
Private Secretary

J S Wall Esq  
10 Downing Street

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GOVERNMENT OF INDIA  
MINISTRY OF DEFENCE  
OFFICE

1-10-1951





10 DOWNING STREET  
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*From the Private Secretary*

23 August 1991

*Dear Brent,*

SOVIET UNION

In his message to the President yesterday, the Prime Minister said that we would let you have our further thinking on what we might discuss at next week's G7 Sherpas' meeting. This is set out in the attached draft chairman's note which you might like to see. If you have any comments, please let me know. I am not sending the note to anyone else.

*Jaw,*  
*Steph*

(J. S. WALL)

General Brent Scowcroft

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SHERPA MEETING, 28 AUGUST

International Economic Cooperation with the Soviet Union

DRAFT CHAIRMAN'S NOTE ON THE AGENDA

There is an urgent need to consider the implications of events in the Soviet Union over the last few days for decisions reached at the Economic Summit in July.

The defeat of the hard-liners will make it easier for the Soviet and republic leaderships to make decisive moves towards economic reform. It is in the interests of the Economic Summit participants to give whatever encouragement is possible. But considerable uncertainties will remain. Crucial elements include the position of President Gorbachev, the balance of responsibilities between Gorbachev and Yeltsin, and the definition of the respective responsibilities of the centre and the republics. Much will have to depend on developments within the Soviet Union over the next weeks and months.

Against this background, Sherpas should review the six points agreed at the meeting between Summit leaders and President Gorbachev in London on 17 July and consider what action is in hand, and whether and to what extent further action might now be appropriate. To take the points in turn, action might include:

(i) "Special association" with the IMF and World Bank

- to ensure rapid progress in the negotiations on special association
- to encourage early full Soviet membership

(ii) International institutions

- to encourage the international institutions to launch coordinated work programmes to enhance the provision of practical advice, know-how and expertise to help the Soviets create a market economy

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- to agree on the need for an increase in the Soviet EBRD borrowing limit.

(iii) Intensified technical assistance

- to ensure assistance in the areas discussed at the London Summit (energy, defence conversion, food distribution, nuclear safety, transport) is carefully targetted on priority sectors: assistance in food distribution might be a particular priority

- to consider how best to ensure assistance is property targetted at the appropriate level, and in particular directly to the Republics and to the private sector

- to consider in particular what might be done in the area of managerial training, and to ensure that such assistance is effectively coordinated.

(iv) Improved trade access

- to consider the current position, and whether further action can be taken to remove barriers to Soviet trade with world markets.

(v) Chairman of Summit to visit USSR

- the Prime Minister proposes to visit Moscow, both in his bilateral capacity and as Chairman of the G7, on 1 September

(vi) Ministers of Finance and of Small Business to visit USSR

- the UK will report on the visit by the Chancellor of the Exchequer to Moscow

- to compare notes on plans for future visits.

Z  
IT LOOKS GOOD NOW MATE STANDBY KK

SORRY FOR DELAY

GOT YOUR MSG GOOD AT 1527Z IMI 1527Z

KKK



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FM : J S WALL  
TO : GENERAL BRENT SCOWCROFT

23 AUGUST 1991

DEAR BRENT,

SOVIET UNION

IN HIS MESSAGE TO THE PRESIDENT YESTERDAY, THE PRIME MINISTER SAID THAT WE WOULD LET YOU HAVE OUR FURTHER THINKING ON WHAT WE MIGHT DISCUSS AT NEXT WEEK'S G7 SHERPAS' MEETING. THIS IS SET OUT IN THE ATTACHED DRAFT CHAIRMAN'S NOTE WHICH YOU MIGHT LIKE TO SEE. IF YOU HAVE ANY COMMENTS, PLEASE LET ME KNOW. I AM NOT SENDING THE NOTE TO ANYONE ELSE.

SIGNED YOURS

STEPHEN

(J. S. WALL)

SHERPA MEETING, 28 AUGUST

INTERNATIONAL ECONOMIC COOPERATION WITH THE SOVIET UNION

DRAFT CHAIRMAN'S NOTE ON THE AGENDA

THERE IS AN URGENT NEED TO CONSIDER THE IMPLICATIONS OF EVENTS IN THE SOVIET UNION OVER THE LAST FEW DAYS FOR DECISIONS REACHED AT THE ECONOMIC SUMMIT IN JULY.

THE DEFEAT OF THE HARD-LINERS WILL MAKE IT EASIER FOR THE SOVIET AND REPUBLIC LEADERSHIPS TO MAKE DECISIVE MOVES TOWARDS ECONOMIC REFORM. IT IS IN THE INTERESTS OF THE ECONOMIC SUMMIT PARTICIPANTS TO GIVE WHATEVER ENCOURAGEMENT IS POSSIBLE. BUT CONSIDERABLE UNCERTAINTIES WILL REMAIN. CRUCIAL ELEMENTS INCLUDE THE POSITION OF PRESIDENT GORBACHEV, THE BALANCE OF RESPONSIBILITIES BETWEEN GORBACHEV AND YELTSIN, AND THE DEFINITION OF THE RESPECTIVE RESPONSIBILITIES OF THE CENTRE AND THE REPUBLICS. MUCH WILL HAVE TO DEPEND ON DEVELOPMENTS WITHIN THE SOVIET UNION OVER THE NEXT WEEKS AND MONTHS.

AGAINST THIS BACKGROUND, SHERPAS SHOULD REVIEW THE SIX POINTS AGREED AT THE MEETING BETWEEN SUMMIT LEADERS AND PRESIDENT GORBACHEV IN LONDON ON 17 JULY AND CONSIDER WHAT ACTION IS IN HAND, AND WHETHER AND TO WHAT EXTENT FURTHER ACTION MIGHT NOW BE APPROPRIATE. TO TAKE THE POINTS IN TURN, ACTION MIGHT INCLUDE:

(i) QUOTE SPECIAL ASSOCIATION UNQUOTE WITH THE IMF AND WORLD BANK

- TO ENSURE RAPID PROGRESS IN THE NEGOTIATIONS ON SPECIAL ASSOCIATION
- TO ENCOURAGE EARLY FULL SOVIET MEMBERSHIP

(ii) INTERNATIONAL INSTITUTIONS

- TO ENCOURAGE THE INTERNATIONAL INSTITUTIONS TO LAUNCH COORDINATED WORK PROGRAMMES TO ENHANCE THE PROVISION OF PRACTICAL ADVICE, KNOW-HOW AND EXPERTISE TO HELP THE SOVIETS CREATE A MARKET ECONOMY
- TO AGREE ON THE NEED FOR AN INCREASE IN THE SOVIET EBRD BORROWING LIMIT.

(iii) INTENSIFIED TECHNICAL ASSISTANCE

- TO ENSURE ASSISTANCE IN THE AREAS DISCUSSED AT THE LONDON SUMMIT (ENERGY, DEFENCE CONVERSION, FOOD DISTRIBUTION, NUCLEAR SAFETY, TRANSPORT) IS CAREFULLY TARGETTED ON PRIORITY SECTORS: ASSISTANCE IN FOOD DISTRIBUTION MIGHT BE A PARTICULAR PRIORITY
- TO CONSIDER HOW BEST TO ENSURE ASSISTANCE IS PROPERTY TARGETTED AT THE APPROPRIATE LEVEL, AND IN PARTICULAR DIRECTLY TO THE REPUBLICS AND TO THE PRIVATE SECTOR
- TO CONSIDER IN PARTICULAR WHAT MIGHT BE DONE IN THE AREA OF MANAGERIAL TRAINING, AND TO ENSURE THAT SUCH ASSISTANCE IS EFFECTIVELY COORDINATED.

(iv) IMPROVED TRADE ACCESS

- TO CONSIDER THE CURRENT POSITION, AND WHETHER FURTHER ACTION CAN BE TAKEN TO REMOVE BARRIERS TO SOVIET TRADE WITH WORLD MARKETS.

(v) CHAIRMAN OF SUMMIT TO VISIT USSR

- THE PRIME MINISTER PROPOSES TO VISIT MOSCOW, BOTH IN HIS BILATERAL CAPACITY AND AS CHAIRMAN OF THE G7, ON 1 SEPTEMBER

(vi) MINISTERS OF FINANCE AND OF SMALL BUSINESS TO VISIT USSR

- THE UK WILL REPORT ON THE VISIT BY THE CHANCELLOR OF THE EXCHEQUER TO MOSCOW
- TO COMPARE NOTES ON PLANS FOR FUTURE VISITS.

NNNN



cc 1/2

Foreign &  
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London SW1A 2AH

23 August 1991

*Dear Stephen,*

Letter from Soviet Ambassador

Thank you for your letter of 19 August, <sup>File with JSW</sup> covering a letter and enclosure from the Soviet Ambassador.

We do not think the Prime Minister need reply. The letter is now of limited interest and the Foreign Secretary saw Zamyatin twice this week, leaving him in no doubt of our views on the attempted coup.

No doubt Ambassador Zamyatin would, in any case, prefer to forget about it.

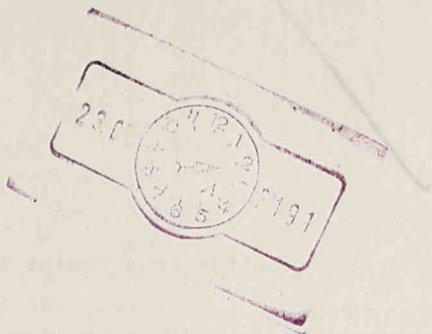
*Yours ever,*  
*[Signature]*

(S L Gass)  
Private Secretary

J S Wall Esq  
10 Downing Street

SOVIET UNION: Kerala, RU

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FACT SHEET ON THE SOVIET UNION

Largest country in the world covering 1/6 of world's land surface

At 230m hectares Most land area under cultivation in the world

Agriculture: Largest producer of wheat, accounting for 40% of world wheat production

One half of the world's rail freight carried on Soviet railways

Oil production: 20% of world output

Gas production: 40% of world output

Coal production: 15% of world output

Hydroelectricity: 10% of world output

Gas reserves: 40% of world reserves

Gold: Second largest gold producing nation in the world

Aluminum: Second largest producer of primary aluminum

Iron Ore: Possesses the largest iron ore resources in the world

Zinc: Largest zinc producing nation

Lead: Second largest lead producer

Military expenditure SIPRI (1980-88): 25% of Central Government expenditures

Gold Reserves; Cosbank holds 374.5 tonnes or 13.5 million ounces (value \$4.4 billion)

HMG PRESS LINE: USSR AIDBackground

1. The position in the USSR in the aftermath of the failed coup is hard to assess at this stage, but already clear:

- new atmosphere;
- the process of devolution of power to the republics is likely to be accelerated
- there are new opportunities for faster and more radical economic reforms.
- serious problems with the economy persist.

2. HMG and EC yesterday restored the programmes of technical assistance and food credits suspended immediately after the coup.

3. Need to consult our partners closely and to consider together how far changed circumstances warrant a re-examination of policies.

4. Right to aim assistance for USSR at Know How and technical assistance. Will continue to do so.

5. Without proper macro and micro foundations for economic policies, large-scale financial assistance pointless. Our key concern is the rapid provision of technical assistance to help to build the right foundations.

6. Now time to accelerate the process of integration of the USSR into the world economy. We look for rapid progress on developing close links with the IMF and World Bank.

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## AFTERMATH OF THE SOVIET COUP : FRENCH REACTIONS

## SUMMARY

1. ELYSEE REGARD ALLIANCE BETWEEN GORBACHEV AND YELTSIN AS POSSIBLE AND NECESSARY, DESPITE SHIFT IN BALANCE OF POWER. EXPLICIT US SUPPORT FOR BALTIC INDEPENDENCE CRITICISED. SCOPE FOR INTENSIVE G7 ECONOMIC ASSISTANCE, THOUGH NOT NECESSARILY MORE CASH. STRONG EMPHASIS ON NEED FOR TWELVE TO CONTINUE TO CO-ORDINATE POLICY TOWARDS SOVIET UNION.

## DETAIL

2. I SAW MOREL (DIPLOMATIC ADVISER, ELYSEE) THIS AFTERNOON, 23 AUGUST. COMMENTING ON GORBACHEV'S PERFORMANCE AT HIS PRESS CONFERENCE YESTERDAY, MOREL SAID THAT HE HAD BEEN IMPRESSED, GIVEN THE PSYCHOLOGICAL BATTERING GORBACHEV HAD BEEN THROUGH. IT HAD SHOWN 3 SIDES OF GORBACHEV :

- (I) THE SELF-CONTROLLED MAN, CAREFULLY WEIGHING HIS WORDS,
- (II) THE DYNAMIC AND VIGOROUS LEADER, PARTICULARLY IN DESCRIBING HIS CONFRONTATION WITH THE DELEGATION SENT LAST SUNDAY: THE WAY HE RECOUNTED HIS ORDEAL SHOULD HAVE SCOTCHED ANY SUGGESTION OF COMPLICITY IN THE PLOT :
- (III) A GROWING TENDENCY TO VERBOSITY. GORBACHEV HAD HAD A "CRUEL EXPERIENCE" WHICH HAD FORCED HIM TO LOOK INTO HIMSELF. THE MESSAGE OF THE PRESS CONFERENCE WAS "I AM WHAT I AM" GORBACHEV WAS APPEALING FOR ACCEPTANCE ON THAT BASIS. AS FOR HIS CLINGING TO THE PARTY, MOREL THOUGHT THAT PURGES DID NOT COME NATURALLY TO GORBACHEV. ALTHOUGH HE MUST REALISE THAT THE PARTY HAD SUFFERED AN IRREVERSIBLE DEFEAT, HE STILL APPEARED TO BELIEVE THAT IT WAS REFORMABLE, AND THAT ONLY HE COULD DO IT.

3. MOREL SAID THAT, DESPITE THE EVIDENT SHIFT IN THE RELATIVE POWER OF GORBACHEV AND YELTSIN, A SHARING OF RESPONSIBILITIES WAS STILL POSSIBLE. INDEED, AN ALLIANCE BETWEEN THE TWO MEN WAS DESIRABLE AND

NECESSARY. YELTSIN STILL NEEDED GORBACHEV, WHO ALONE WAS CAPABLE OF HANDLING THE NON-RUSSIAN ISSUES, IN PARTICULAR RELATIONS WITH THE OTHER REPUBLICS. HE AGREED THAT GORBACHEV WOULD HAVE TO MAKE CONCESSIONS ON THAT SCORE.

4. MOREL SAID THAT THE FRENCH DOUBTED THE WISDOM OF TAKING SUCH A FORWARD LINE AS THE AMERICANS ON INDEPENDENCE OF THE BALTIC STATES. THEY RECOGNISED AND ACCEPTED THAT THE MOVEMENT TOWARDS SOVEREIGNTY WOULD ACCELERATE AS A RESULT OF THE COUP. HOWEVER, THE WEST SHOULD NOT BE PRESCRIPTIVE, AND SHOULD REMEMBER THAT THIS WAS A SOVIET, RATHER THAN A RUSSIAN PROBLEM, AND LEAVE IT TO GORBACHEV TO SORT OUT. MEANWHILE, HOWEVER, THE FRENCH WOULD BE INTENSIFYING THEIR COOPERATION WITH THE BALTIC STATES (OFFICES IN PARIS, MISSIONS ETC). IT WAS IMPORTANT THAT THE TWELVE SHOULD REACH AN AGREED VIEW ON BALTIC INDEPENDENCE AS SOON AS POSSIBLE.

5. TURNING TO THE IMPLICATIONS FOR WESTERN AID TO THE SOVIET UNION, MOREL SAID THAT THE FRAMEWORK CAREFULLY DRAWN UP AT THE LONDON ECONOMIC SUMMIT SHOULD BE PRESERVED. ECONOMIC ASSISTANCE MUST BE FIRMLY LINKED TO REFORM. HOWEVER, THERE WAS SCOPE FOR A MORE DYNAMIC APPROACH. THE G7 COULD HAVE GONE FURTHER IN LONDON AND SHOULD DO SO NOW, NOT NECESSARILY IN TERMS OF MORE MONEY, BUT OF GREATER FLEXIBILITY AND SELECTIVITY. THE FRENCH HAD ALREADY PROPOSED THAT THE CEILING ON EBRD LENDING SHOULD BE RAISED, PROVIDED - AND THIS WAS MOST IMPORTANT - IT DID NOT RESULT IN MAKING LIFE ECONOMICALLY HARDER FOR THE EASTERN EUROPEANS. THE POSITIVE EFFECTS OF THE SOVIET ECONOMY ON EASTERN EUROPE SHOULD NOT BE DIMINISHED. I SAID THAT I UNDERSTOOD THAT, AS WELL AS LOOKING AT EBRD LENDING, NEXT WEEK'S MEETING OF G7 SHERPAS MIGHT ALSO LOOK AT FULL MEMBERSHIP OF THE IMF AND MORE SPECIFIC TARGETING OF TECHNICAL ASSISTANCE, IN PARTICULAR TOWARDS THE REPUBLICS. MOREL SAID THAT THIS FITTED WELL WITH FRENCH THINKING.

6. MORE GENERALLY, MOREL SAID THAT THE TWELVE SHOULD DRAW THE LESSON FROM THE SOVIET COUP THAT THEY MUST INTENSIFY THEIR CO-ORDINATION ON SOVIET MATTERS. THE EXTRAORDINARY EPC MINISTERIAL ON 20 AUGUST HAD BEEN A GOOD MEETING. WE NEEDED TO BUILD ON THAT AND ENSURE THAT THE SOVIET UNION WAS NOW TREATED WITH AS MUCH ATTENTION AS THE CENTRAL AND EASTERN EUROPEAN STATES.

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MIPT: ECONOMIC ASSISTANCE TO THE SOVIET UNION: GERMAN VIEWS

## SUMMARY

1. BROAD CONSENSUS IN FAVOUR OF FURTHER MULTILATERAL SUPPORT FOR REFORM PROCESS, WITH ONUS ON GERMANY'S PARTNERS TO MATCH THE SCALE OF EXISTING GERMAN COMMITMENTS. BUT GERMANS IN THE END LIKELY TO CONTRIBUTE TO ANY MULTILATERAL PROGRAMME AND MAY ALSO CONSIDER BILATERAL MEASURES.

## DETAIL

2. WITH THE RETURN OF CONSTITUTIONAL AUTHORITY IN MOSCOW, THE GERMANS HAVE QUICKLY RETURNED TO THEIR PREOCCUPATION WITH THE NEED FOR TANGIBLE ASSISTANCE FOR THE REFORM PROCESS IN THE SOVIET UNION. THE FIRST COMMENTS CAME FROM FEDERAL CHANCELLERY MINISTER SEITERS, WHO SAID ON 21 AUGUST THAT 'A PEOPLE WHO SO BRAVELY RESISTED THE ATTEMPTED COUP DESERVE A MAJOR AID INITIATIVE' AND THAT KOHL WOULD CONTINUE TO PRESS FOR 'INTENSIVE, RAPID AND EFFECTIVE' ASSISTANCE FOR THE SOVIET UNION. SEITERS HAS SINCE MODIFIED THIS LINE TO BRING OUT MORE CLEARLY THE NEED FOR ASSISTANCE TO BE TIED TO THE REFORM PROCESS AND TO EMPHASISE THE EXTENT OF EXISTING GERMAN FINANCIAL COMMITMENTS TO THE SOVIET UNION.

3. IN AN ADDRESS TO A JOINT MEETING OF THE BUNDESTAG AND BUNDESRAT FOREIGN AFFAIRS COMMITTEES ON 22 AUGUST, GENSCHER LAID THE ONUS ON WESTERN COUNTRIES OTHER THAN GERMANY, WHICH HE SAID HAD 'GONE TO ITS LIMITS'. HE HOPED THAT OTHER COUNTRIES WOULD SEE THAT A GREATER COLLECTIVE EFFORT FROM THE WEST WAS NEEDED. IN A SUBSEQUENT NEWSPAPER INTERVIEW, HE SAID THAT NO-ONE COULD EXPECT FURTHER MAJOR FINANCIAL CONTRIBUTIONS FROM GERMANY AND THAT THE SIZE OF EXISTING COMMITMENTS GAVE GERMANY THE RIGHT TO ASK ALL WESTERN PARTNERS, INCLUDING THE US AND JAPAN, TO MAKE CONTRIBUTIONS OF THE SAME MAGNITUDE. HE CALLED FOR A G7 SUMMIT TO

TAKE THIS FORWARD AND PROPOSED THAT EASTERN EUROPEAN AND SOVIET LEADERS SHOULD BE INVITED TO A SPECIAL EUROPEAN COUNCIL. KOHL'S SPOKESMAN HAS NOW ENDORSED THE LAST IDEA.

4. GENSCHER'S COMMENTS HAVE RECEIVED WIDE CROSS-PARTY SUPPORT, NOTABLY FROM SPD CHAIRMAN VOGEL AND CSU GENERAL SECRETARY HUBER. FDP CHAIRMAN LAMBSDORFF SAID THAT ECONOMIC ASSISTANCE SHOULD STILL BE DEPENDENT ON FUNDAMENTAL REFORMS IN THE SOVIET UNION (WHICH HE SAID GORBACHEV HAD SIGNALLY FAILED TO DELIVER). WAIGEL TOO HAS ACCEPTED THE NEED FOR FURTHER SUPPORT IN STEP WITH REAL REFORMS AND HAS CALLED FOR THE CONTINUATION OF THE PROCESS BEGUN AT THE LONDON SUMMIT. FEDERAL ECONOMICS MINISTER MOELLEMANN HAS SPOKEN OF THE NEED FOR EARLY ACTION OVER RESTRUCTURING OF SOVIET DEBT REPAYMENTS AND FOR TECHNICAL ASSISTANCE. HE SAID THAT RAPID AND EFFECTIVE HELP WAS NOW NECESSARY AND THAT THE PROCESS SHOULD NOT BE ALLOWED TO BECOME BOGGED DOWN IN DISCUSSIONS AS, HE ASSERTED, HAD HAPPENED AT THE LONDON SUMMIT.

## COMMENT

5. IN THE LIGHT OF THESE COMMENTS, I WOULD EXPECT THE GERMANS STRONGLY TO WELCOME THE PRIME MINISTER'S INITIATIVE IN CALLING A SHERPAS MEETING NEXT WEEK. BUT THE WIDESPREAD SUPPORT FOR GENSCHER'S COMMENTS ON GERMANY'S ABILITY TO CONTRIBUTE TO A MULTILATERAL PROGRAMME CLEARLY SUGGEST THAT THE GERMANS WILL PRESS HARD FOR THE BULK OF THE BURDEN TO BE BORNE BY OTHERS. THE FINANCIAL SHOE IS PINCHING UNACCUSTOMEDLY HERE. EVEN SO, I DOUBT THE GERMANS WILL ALLOW THEMSELVES TO BE LEFT OUT COMPLETELY AND EVEN IF NOT MAKING THE RUNNING, I WOULD EXPECT THEM TO CONTRIBUTE TO ANY MULTILATERAL PROGRAMME AND TO CONSIDER FURTHER BILATERAL MEASURES LINKED TO THE WIDER PROCESS. UNDER THE LATTER CATEGORY, THE POSSIBILITIES INCLUDE A FURTHER GOVERNMENT-GUARANTEED BALANCE OF PAYMENTS CREDIT (GERMAN COMPANIES ARE NOW OWED SOME DM 2BN BY SOVIET CREDITORS) AND CHANGES TO THE HERMES EXPORT CREDIT SYSTEM, OPENING IT UP TO THE REPUBLICS.

6. FCO PLEASE ADVANCE TO WALL (NO. 10) AND EVANS (HM TREASURY)

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THE SOVIET UNION AFTER THE COUP: THE GERMAN APPROACH  
SUMMARY

1. A SHIFT IN GERMAN PUBLIC AND POLITICAL OPINION AWAY FROM GORBACHEV AND TOWARDS SUPPORT FOR YELTSIN AND THE INDEPENDENCE OF THE REPUBLICS. GERMAN AND DANISH FOREIGN MINISTERS CALL FOR PREPARATORY WORK ON EC ASSOCIATION AGREEMENTS FOR THE BALTIC STATES.

## DETAIL

2. GERMAN POLICY TOWARDS THE SOVIET UNION HAS BEEN MOVING FAST SINCE THE COUP:

- (I) KOHL SPOKE TO YELTSIN ON 21 AUGUST FOR OVER 30 MINUTES AND INVITED HIM TO VISIT GERMANY (YELTSIN ACCEPTED). KOHL HAD A SIMILARLY LONG TALK WITH GORBACHEV ON 22 AUGUST. BUT PRESS COMMENTARIES AND SOME SENIOR POLITICIANS ARE NOW OPENLY CRITICAL OF GORBACHEV'S PAST FAILURES (EG HIS 'SEE-SAW' POLICY BETWEEN REACTIONARIES AND LIBERALS), AND STRESS THE EXTENT TO WHICH HE HAS LOST GROUND TO YELTSIN.
- (II) A JOINT MEETING OF THE FOREIGN AFFAIRS COMMITTEES OF THE TWO CHAMBERS OF THE GERMAN PARLIAMENT TOOK PLACE ON 22 AUGUST. THEY CALLED FOR GREATER WESTERN (BUT NOT GERMAN) ASSISTANCE FOR THE SOVIET UNION (SEE MIFT). GENSCHER TOLD THEM THAT GERMANY WOULD SUPPORT THE DEVELOPMENT OF 'CONFEDERATIVE STRUCTURES' IN THE SOVIET UNION AND OFFERED TO DISCUSS WITH THE COMMITTEES SOON WHETHER GERMANY SHOULD OPEN UP DIPLOMATIC RELATIONS WITH THE INDIVIDUAL REPUBLICS.
- (III) THE DANISH FOREIGN MINISTER, ELLEMANN-JENSEN, AGREED IN A TELEPHONE DISCUSSION WITH GENSCHER ON 22 AUGUST TO SUPPORT THE GERMAN PROPOSAL THAT THE EC SHOULD APPROACH THE SOVIET AUTHORITIES TO BEGIN DISCUSSIONS ON

ASSOCIATION AGREEMENTS FOR THE BALTIC STATES, TO BECOME OPERATIVE ONCE THE STATES REGAINED THEIR INDEPENDENCE (THEY THOUGHT THAT RECENT EVENTS HAD IMPROVED THE PROSPECTS FOR THIS). THEY FURTHER AGREED TO ESTABLISH DIPLOMATIC RELATIONS WITH THE BALTIC STATES WHEN CIRCUMSTANCES ALLOWED. GENSCHER SET OUT THESE IDEAS TO MRS PRUNSKIENE (FORMER LITHUANIAN PRIME MINISTER) WHEN SHE CALLED ON HIM ON 23 AUGUST.

## COMMENT

3. WE SHALL BE DISCUSSING ALL THIS WITH THE GERMANS NEXT WEEK. BUT FIRST IMPRESSIONS ARE THAT, WHILE HE IS STILL GENERALLY RESPECTED, GORBACHEV'S STOCK HERE HAS FALLEN CONSIDERABLY: THAT YELTSIN IS NOW SEEN AS THE MAN OF THE MOMENT: AND THAT FROM NOW ON THE GERMANS WILL BE TAKING THE INDIVIDUAL REPUBLICS MUCH MORE SERIOUSLY THAN BEFORE, POLITICALLY AND ECONOMICALLY.

4. SEE MIFT.

5. FCO PLEASE ADVANCE TO WALL (N010) AND EVANS (HM TREASURY).

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INFO IMMEDIATE UKREP-BRUSSELS, ACTOR

## SOVIET UNION: WESTERN RESPONSE

## SUMMARY

1. GOOD MEETING WITH EAGLEBURGER. AMERICANS NERVOUS ABOUT SHERPA MEETING, BUT WILL ATTEND. PERSONALLY HE CAN SEE THE NEED, DEPENDING ON FURTHER DEVELOPMENTS IN MOSCOW, TO ACCELERATE AND IF POSSIBLE ENHANCE G7 EFFORTS ALREADY AGREED, PROVIDED THE WHOLE EMPHASIS IS PUT ON THE PROVISION OF KNOW-HOW AND TECHNICAL ASSISTANCE AND HELP WITH STRUCTURAL REFORM. US DOMESTIC DIFFICULTIES OVER FULL SOVIET MEMBERSHIP OF THE IMF AND SCEPTICISM ABOUT EFFECTIVENESS OF THE EBRD. GENERALLY SUPPORTIVE OF PRIME MINISTER'S APPROACH, BUT WANTING TO SEE HOW THE NEW POWER BALANCE IN THE SOVIET UNION WILL WORK OUT.

## DETAIL

2. WHEN I CALLED ON EAGLEBURGER THIS MORNING HE EXPRESSED U.S. SATISFACTION AT THE EXTREMELY CLOSE COOPERATION BETWEEN THE PRESIDENT AND THE PRIME MINISTER THROUGHOUT THE CRISIS. HE HAD SEEN THE EXCHANGES WITH THE WHITE HOUSE. COULD I EXPLAIN THE BACKGROUND TO THE PRIME MINISTER'S THINKING ON WHERE WE SHOULD GO FROM HERE?

3. I SAID THAT THE PRIME MINISTER AND YOU WANTED TO DEAL IN A SERIOUS WAY WITH THE PRESSURES THAT WERE GOING TO BUILD UP ON US TO OFFER A GREAT DEAL MORE ASSISTANCE TO THE SOVIET UNION. THAT WAS WHY WE HAD PROPOSED A SHERPAS MEETING NEXT WEEK. THE RESPONSE HAD BEEN POSITIVE, INCLUDING FROM THE JAPANESE. EAGLEBURGER SAID THAT THE AMERICANS HAD BEEN WORRIED ABOUT THE IDEA, AS THEY FEARED IT MIGHT INCREASE THE PRESSURES ON THEM TO DO THINGS THEY WERE UNABLE OR DID NOT THINK IT PRUDENT TO DO. THINGS WERE STILL IN A STATE OF FLUX. THE PRESIDENT WOULD SPEAK TO THE PRIME MINISTER. BUT EAGLEBURGER HAD NO DOUBT THEY WOULD BE THERE. ZOELICK WAS AT PRESENT IN SCOTLAND.

4. I SAID THAT OUR POSITION ON CALLS FOR A LOT MORE FINANCIAL AID WAS EXACTLY THE SAME. BUT IT WAS NO USE TRYING TO STAND PAT ON A POSITION THAT NOTHING HAD CHANGED. THE RESPONSE MUST BE BASED ON PRESSING AHEAD WITH WHAT HAD ALREADY BEEN AGREED BY THE G7, PERHAPS ACCELERATING IT IN SOME WAY AND TRYING TO ENHANCE IT TO THE EXTENT WE COULD. BUT THE WHOLE EMPHASIS AT THIS STAGE SHOULD CONTINUE TO BE ON THE PROVISION OF KNOW-HOW, TECHNICAL ASSISTANCE AND HELP WITH STRUCTURAL ADJUSTMENT. EAGLEBURGER SAID THAT THIS WAS RIGHT IN LINE WITH HIS VIEWS.

5. I SAID THAT WE THOUGHT IT COULD BE RIGHT TO CONSIDER FULL IMF MEMBERSHIP FOR THE SOVIET UNION AS THEY MOVED AHEAD. BUT I RECOGNISED THAT THE AMERICANS HAD A DOMESTIC POLITICAL PROBLEM OVER THIS. EAGLEBURGER SAID THAT THEY DID INDEED. BRADY WAS CONVINCED THAT ANY PREMATURE ATTEMPT TO BRING THE SOVIET UNION INTO FULL MEMBERSHIP WOULD STOP HIM GETTING THE INCREASE IN IMF QUOTAS THROUGH CONGRESS THIS AUTUMN. EAGLEBURGER ACKNOWLEDGED, HOWEVER, THAT THE AMERICANS SEE ASSOCIATE MEMBERSHIP AS LEADING ON TO FULL MEMBERSHIP, PROVIDED THE REFORM PROCESS CONTINUES.

6. ON THE EBRD, EAGLEBURGER SAID THAT THE AMERICANS DO NOT TRUST ATTALI. I SAID THAT WE THOUGHT THAT AN INCREASE IN THE SOVIET EBRD BORROWING LIMIT SHOULD BE CONSIDERED.

7. EAGLEBURGER ASKED FOR ANY FURTHER IDEAS. I SAID THAT I WOULD BE PASSING TO HIM A DRAFT NOTE FOR THE SHERPAS MEETING (THIS HAS NOW GONE TO HIM). WE SHOULD LOOK AT WAYS TO HELP WITH FOOD DISTRIBUTION AND HOW TO GET AID DIRECTLY TO THE REPUBLICS. THE PROPOSED RELAXATION OF COCOM CONTROLS SHOULD GO AHEAD. EAGLEBURGER AGREED.

8. I REFERRED ALSO TO THE IDEA OF TRYING TO COORDINATE THE LARGE ARRAY OF MANAGERIAL TRAINING AND TECHNICAL ASSISTANCE NOW BEING OFFERED SO THAT IT FORMED A COHERENT WHOLE. THAT SHOULD BE USEFUL BOTH PRACTICALLY AND POLITICALLY.

9. EAGLEBURGER EXPECTED EARLY INDEPENDENCE FOR THE BALTIC STATES. ON THIS AND OTHER ISSUES, IF GORBACHEV DID NOT GET AHEAD OF THE TRAIN, HE WOULD BE RUN OVER BY IT. IT WAS STILL VERY UNCLEAR HOW THINGS WOULD TURN OUT. GORBACHEV HAD LOST MOST OF HIS AUTHORITY.

10. EAGLEBURGER ASKED ABOUT THE TIMING OF THE PRIME MINISTER GOING TO MOSCOW. I SAID THAT THIS HAD NOT BEEN DECIDED.

11. EAGLEBURGER THOUGHT THAT THERE WAS PLENTY OF COMMON GROUND. I SAID THAT APART FROM THE DOMESTIC PRESSURES TO MOVE AHEAD ON HELP TO THE SOVIET UNION, WE NEEDED TO BEAR IN MIND WHAT THE CONSEQUENCES WOULD HAVE BEEN IF THE COUP HAD SUCCEEDED. THAT WOULD HAVE BEEN EXTREMELY COSTLY FOR US, RENDERING EVERY OTHER INTERNATIONAL PROBLEM (IRAQ, ARAB/ISRAEL, EASTERN EUROPE) INFINITELY HARDER TO DEAL WITH. EAGLEBURGER SAID THAT HE HAD SPENT FORTY-EIGHT HOURS THINKING THAT THIS WAS EXACTLY WHAT WAS GOING TO HAPPEN. THE DISCUSSION AT KENNEBUNKPORT WOULD BE VERY TIMELY. HE THOUGHT IT WOULD LEAD TO AN AGREED VIEW. BUT THERE WOULD STILL BE TROUBLE WITH THE FRENCH, ITALIANS AND GENSCHER. THE LATTER WANTED TO SPEND A GREAT DEAL OF OTHER PEOPLE'S MONEY.

RENWICK

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OF 230010Z AUGUST 91

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## SOVIET COUP ATTEMPT: AMERICAN REACTIONS

## SUMMARY

1. AMERICANS WILL BE WATCHING DEVELOPMENTS CAREFULLY TO ASSESS THE PROSPECTS FOR REFORM IN THE SOVIET UNION. KEY INDICATORS WILL INCLUDE NEW APPOINTMENTS, THE RELATIONSHIP BETWEEN THE CENTRE AND REPUBLICS. ON AID, AMERICANS RELUCTANT TO CONSIDER GOING BEYOND G7 GUIDELINES UNTIL MOSCOW HAS DEMONSTRATED ITS COMMITMENT TO REFORM. UNENTHUSIASTIC ABOUT SHERPAS MEETING. CONCERN THAT EASTERN EUROPE SHOULD NOT BE IGNORED.

## DETAIL

2. WE HAVE SPOKEN TO STATE (JOHNSON, DAS) ABOUT THE AMERICAN ASSESSMENT OF THE COUP ATTEMPT AND THE PROSPECTS FOR US POLICY. JOHNSON HAD JUST BRIEFED WESTERN ALLIES ON SIMILAR LINES. MUCH OF WHAT JOHNSON TOLD US WAS ECHOED BY THE PRESIDENT IN A PRESS CONFERENCE ON THE AFTERNOON OF 22 AUGUST (TEXT BY FAX TO SOVIET DEPARTMENT, FCO).

## AMERICAN ASSESSMENT

3. JOHNSON SAID THAT THE AMERICANS BELIEVED THE COUP HAD FAILED BECAUSE DEMOCRACY AND THE DEVOLUTION OF POWER IN THE SOVIET UNION HAD GONE TOO FAR. THE COUP LEADERS HAD BADLY UNDER-ESTIMATED THE SHIFT TOWARDS DEMOCRACY, AND POPULAR OPPOSITION TO OLD THINKING. THEY HAD FAILED TO ACT DECISIVELY AGAINST THE OPPOSITION, AND HAD NOT PROPERLY SECURED THE SUPPORT OF THE MILITARY. THEY HAD ALSO FAILED TO TAKE ACCOUNT OF YELTSIN'S CHARISMATIC AND DETERMINED LEADERSHIP. THE REFUSAL OF THE WEST TO GIVE THE COUP ANY LEGITIMACY HAD ALSO BEEN AN IMPORTANT FACTOR. BUT IT WAS UNCERTAIN WHETHER THE FAILURE MARKED THE END OF THE THREAT FROM THE HARDLINERS: MUCH DEPENDED ON WHETHER THEY HAD FAILED PRIMARILY BECAUSE OF THEIR OWN INCOMPETENCE OR BECAUSE OF THE STRENGTH OF THE OPPOSITION.

4. THE AMERICANS DID NOT EXCLUDE THE POSSIBILITY OF SOME RESIDUAL RESISTANCE. THEY CONTINUED TO BE CONCERNED ABOUT THE ACTIVITIES OF OMON FORCES IN THE BALTIC STATES WHO DID NOT APPEAR TO BE ACCOUNTABLE TO ANY CENTRAL AUTHORITY.

PROSPECTS FOR THE SOVIET UNION

5. THE COUP HAD FORCED THE DEMOCRATS TO SUPPORT GORBACHEV'S RETURN TO POWER. IT WAS UNCLEAR HOW LONG THEY WOULD CONTINUE TO SUPPORT HIM. MUCH WOULD DEPEND ON HIS WILLINGNESS TO EMBRACE REFORM. THE HOPE, HOWEVER, WAS CLEARLY THAT THE FAILURE OF THE COUP WOULD ACCELERATE PROGRESS TOWARDS REFORM, DEMOCRACY AND HUMAN RIGHTS.

6. IN ASSESSING DEVELOPMENTS IN THE COMING DAYS, THE AMERICANS WOULD HAVE IN MIND THE FOLLOWING KEY INDICATORS:

I. TO WHAT EXTENT WERE REFORMERS APPOINTED TO KEY POSTS (PARTICULARLY THE POST OF PRIME MINISTER AND LEADERS OF THE SECURITY SERVICES AND THE MILITARY):

II. TO WHAT EXTENT WOULD THERE BE A RADICALISATION OF THE ECONOMIC REFORM PROCESS: AN EARLY SIGN WOULD BE IF NOTED REFORMERS WERE APPOINTED TO KEY ECONOMIC POSITIONS:

III. TO WHAT EXTENT WOULD THE CENTRE AND REPUBLICS BE ABLE TO RESOLVE THEIR DIFFERENCES. WOULD THEY PROCEED WITH THE OLD UNION TREATY, OR WOULD THEY TRY TO RE-NEGOTIATE IT. A PARTICULARLY IMPORTANT INDICATOR WOULD BE WHETHER THE CENTRE BEGAN SERIOUS NEGOTIATIONS WITH THE BALTIC STATES LEADING TO THEIR INDEPENDENCE. (IN HIS PRESS CONFERENCE PRESIDENT BUSH SAID THAT AN AGREED PROCEDURE FOR BALTIC INDEPENDENCE WOULD DO MORE TO ENHANCE GOOD WILL IN THE UNITED STATES THAN ALMOST ANYTHING ELSE.)

BALTIC STATES

7. JOHNSON SAID THAT THE UNITED STATES HAD LONG BEEN URGING THE SOVIET AUTHORITIES TO HAVE SUBSTANTIVE NEGOTIATIONS WITH THE BALTIC STATES FOR A LONG TIME - WITHOUT SUCCESS. THE QUESTION HAD ALWAYS BEEN ONE OF TRYING TO FIND A WAY FOR THE BALTS TO EXERCISE THEIR SOVEREIGNTY. THE KEY QUESTION NOW WAS WHAT AGREEMENT WOULD BE REACHED BETWEEN YELTSIN AND GORBACHEV ON THE FUTURE OF THE BALTIC STATES. IT WAS TOO EARLY TO ANTICIPATE A SHIFT IN AMERICAN POLICY.

EASTERN EUROPE

8. JOHNSON EMPHASISED AMERICAN CONCERNS ABOUT THE IMPACT ON EASTERN EUROPE. INITIALLY THEY HAD BEEN WORRIED ABOUT THE

IMMEDIATE REPERCUSSIONS OF A COUP. BUT, NOW THAT THE COUP WAS OVER, THE EUROPEANS WERE CONCERNED THAT THEIR NEEDS MIGHT BE OVERLOOKED IN THE RUSH TO HELP THE SOVIET UNION. JOHNSON EMPHASISED THE NEED TO REASSURE THE EAST EUROPEANS THAT THEIR CONCERNS WERE A HIGH PRIORITY.

9. JOHNSON SPECULATED THAT THE FAILED COUP MIGHT HELP PROMOTE A SETTLEMENT IN YUGOSLAVIA. HE HAD NO SPECIFIC IDEAS, BUT COMMENTED THAT JUST AS WE HAD FEARED THAT A SUCCESSFUL COUP WOULD ENCOURAGE THE SERBS, SO AN UNSUCCESSFUL COUP MIGHT HELP PROVIDE SOME LEVERAGE ON THE YUGOSLAVS. THE SOVIET UNION MIGHT BE MORE WILLING TO TAKE AN ACTIVE APPROACH IN PROMOTING A SETTLEMENT, OR AT LEAST, REFRAINING FROM MAKING DIFFICULTIES.

#### SECURITY

10. JOHNSON SAID THE AMERICANS WOULD BE PURSUING THEIR SECURITY AGENDA WITH MOSCOW. IT WAS IN BOTH AMERICAN AND SOVIET INTERESTS TO IMPLEMENT START/CFE. UNLESS THERE WAS EVIDENCE TO THE CONTRARY, THE AMERICANS WOULD ASSUME THAT THE RUSSIANS WERE COMMITTED AND ABLE TO IMPLEMENT THESE TREATIES. JOHNSON ADDED THAT, SINCE THE MILITARY INDUSTRIAL COMPLEX HAD BEEN ASSOCIATED WITH THE COUP, THE NEW SOVIET GOVERNMENT MIGHT BE MORE RECEPTIVE TO IDEAS ON DEFENCE CONVERSION. THIS WAS NOT SIMPLY A QUESTION OF FINDING NEW PRODUCTS FOR MILITARY FACTORIES, BUT, RATHER, OF GENERATING NEW ECONOMIC ACTIVITY.

#### WESTERN ASSISTANCE

11. JOHNSON SAID THE WEST WOULD WANT, IN DUE COURSE, TO SEE IF THE ASSESSMENT OF THE PROSPECTS FOR THE SOVIET ECONOMY PREPARED FOR THE G7 SUMMIT HAD CHANGED. THERE MIGHT BE A NEED FOR MORE EMERGENCY ASSISTANCE. THE SOVIET UNION WAS HALF WAY THROUGH ITS HARVEST. LATEST ESTIMATES WERE DISAPPOINTING. THE UNCERTAINTY ARISING FROM THE COUP ATTEMPT MIGHT CAUSE FURTHER PROBLEMS, AND EXACERBATE FOOD SHORTAGES THIS WINTER.

12. BUT, APART FROM EMERGENCY AID, IT WAS VERY DIFFICULT TO SEE HOW ASSISTANCE COULD BE EXTENDED BEYOND THAT ALREADY AGREED BY THE G7, UNLESS THE SOVIET GOVERNMENT MADE A MORE AGGRESSIVE COMMITMENT TO REFORM. THE FIRST STEP WAS UP TO MOSCOW. IT WAS TOO EARLY TO DRAW CONCLUSIONS. JOHNSON THOUGHT THAT - AS AGREED AT THE G7 SUMMIT - AID SHOULD BE CONDITIONED NOT ONLY ON ECONOMIC REFORM, BUT, ALSO ON POLITICAL REFORM, INCLUDING THE SOVIET UNION'S POLICY TOWARDS THE NORTHERN TERRITORIES.

13. JOHNSON TOLD US SEPARATELY THAT THERE HAD BEEN A DEBATE WITHIN THE ADMINISTRATION ABOUT AID. THERE WAS CONSIDERABLE INTEREST IN EXPLORING THE POSSIBILITY OF CONCERTING TECHNICAL ASSISTANCE, BUT THERE WAS SCEPTISM ABOUT OFFERING BROADER ASSISTANCE WITHOUT EVIDENCE OF THE SOVIET GOVERNMENT'S COMMITMENT TO REFORM. WE ASKED ABOUT DOMESTIC PRESSURE ON THE ADMINISTRATION TO DO MORE FOR THE SOVIET UNION. JOHNSON SAID THERE WAS STILL WIDESPREAD SCEPTICISM IN CONGRESS ABOUT SOVIET AID. NO DOUBT THE AGRICULTURAL LOBBY WOULD WANT TO SEE MORE AGRICULTURAL CREDITS, BUT IT WOULD BE DIFFICULT TO INCREASE CREDITS THIS FINANCIAL YEAR. OTHER CONGRESSMEN, WITH EAST EUROPEAN CONSTITUENTS, WOULD BE RELUCTANT TO SUPPORT AID FOR THE SOVIET UNION AT THE EXPENSE OF EASTERN EUROPE.

14. WE ASKED JOHNSON FOR HIS VIEWS ON A SHERPA'S MEETING. HE SAID THE AMERICANS REMAINED UNENTHUSIASTIC ABOUT FURTHER INSTITUTIONALISATION OF THE G7 ARRANGEMENTS, BUT INDICATED THAT IF OTHER G7 MEMBERS AGREED, THE AMERICANS WOULD ATTEND.

RENWICK

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TO DESKBY 231800Z FCO

TELNO 1782

OF 231615Z AUGUST 91

INFO IMMEDIATE WASHINGTON, PARIS, BONN, UKDEL NATO, ACTOR

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THE HAGUE FOR PS/SECRETARY OF STATE

SOVIET CRISIS: CALL ON RUSSIAN DEPUTY FOREIGN MINISTER

## SUMMARY

1. FYODOROV CAUTIONS AGAINST PREMATURE OPTIMISM AND DESCRIBES THE PERIOD LEADING UP TO THE SUPREME SOVIET SESSION AS CRITICAL. HE ARGUES FOR THE INTRODUCTION OF DIRECT PRESIDENTIAL RULE TOGETHER WITH THE FORMATION OF A COALITION GOVERNMENT. URGENT NEEDED TO SIT DOWN WITH THE BALTIC LEADERSHIPS TO ADDRESS QUESTION OF THEIR INDEPENDENCE. NOT YET CLEAR IF CDH WILL GO AHEAD. CLAIMS THAT BESSMERTNYKH PLAYED A MORE ACTIVE ROLE THAN SO FAR REVEALED.

## DETAIL

2. I TOOK THE OPPORTUNITY OF MY CALL TODAY ON RUSSIAN DEPUTY FOREIGN MINISTER, FYODOROV, ABOUT THE PRIME MINISTER'S VISIT (MY TELNO ) TO DISCUSS THE POLITICAL SITUATION AND IN PARTICULAR THE RUSSIAN LEADERSHIP'S POSITION ON BALTIC INDEPENDENCE. FYODOROV WAS IN SOMBER MOOD, WARNING THAT THE TENSIONS HAD LED TO THE COUP ATTEMPT HAD BY NO MEANS BEEN COMPLETELY DEFUSED. THERE WERE WORRYING REPORTS OF PEOPLE TRYING TO RALLY SUPPORT AMONGST THE WORKERS BY CLAIMING THAT THE RUSSIAN LEADERSHIP WOULD SOON INSTIGATE AN ANTI-COMMUNIST WITCHHUNT. THERE WERE REAL FEARS OF UNREST BREAKING OUT IN THE COURSE OF THE RALLY TOMORROW BY RED SQUARE AT 1000 (LOCAL TIME) TO MARK THE FUNERAL OF THOSE WHO WERE KILLED ON TUESDAY.

3. FYODOROV CONFIRMED THAT GORBACHEV HAD DONE HIMSELF CONSIDERABLE DAMAGE BY THE CONCILIATORY LINE TOWARDS THE COMMUNIST PARTY THAT HE ADOPTED DURING HIS PRESS CONFERENCE. IN PARTICULAR, MOISEEV'S APPOINTMENT AS DEFENCE MINISTER WAS PROVOKING CRITICISM. THE PERIOD UP TO 27 AUGUST (WHEN THE USSR SUPREME SOVIET RECONVENES) WOULD BE CRITICAL. GORBACHEV WAS IN

THE PROCESS OF DRAWING UP PLANS FOR A TRANSITIONAL PERIOD UNTIL NEW ELECTIONS COULD BE HELD. BUT THE CONSTITUTIONAL POSITION WAS VERY FAR FROM CLEAR: FOR EXAMPLE THERE WAS NO PROVISION FOR THE SUPREME SOVIET TO BE DISSOLVED. SOMEONE TO REPLACE YANAYEV HAD TO BE APPOINTED (YELTSIN WAS ADAMANT THAT THIS APPOINTMENT SHOULD UP TO THE RUSSIAN PARLIAMENT TO DECIDE AND HAD ALREADY PUT VOLSKY'S NAME FORWARD). THE BEST SOLUTION TO THE CURRENT CRISIS WAS TO INTRODUCE DIRECT PRESIDENTIAL RULE, TOGETHER WITH THE FORMATION OF A COALITION GOVERNMENT UNTIL MATTERS COULD BE SORTED OUT. IN ANY CASE, THE PRESENT GOVERNMENT WOULD HAVE TO RESIGN.

#### BALTIC STATES

4. FYORODOV CONFIRMED THAT THE RSFSR GOVERNMENT RECOGNISED THE SOVEREIGNTY OF THE BALTIC STATES, AND ACTIVELY SUPPORTED THEIR DECLARATIONS OF INDEPENDENCE. BUT HE WAS CAREFUL TO DRAW A DISTINCTION BETWEEN THIS AND AN OFFICIAL RECOGNITION OF INDEPENDENCE. THE TREATIES ALREADY SIGNED WITH THE BALTIC LEADERSHIPS SHOULD NOW BE RATIFIED AS SOON AS POSSIBLE BY THE RUSSIAN PARLIAMENT. AT SOME STAGE NEXT WEEK YELTSIN WOULD SIT DOWN WITH THE PRESIDENTS OF THE THREE BALTIC STATES TO DISCUSS THE LEGAL POSITION. ONE OF THE MOST PRESSING PROBLEMS WAS TO ESTABLISH AN ACCEPTABLE FORMULA WHICH WOULD ALLOW BALTIC PARTICIPATION IN THE FORTHCOMING HUMAN RIGHTS CONFERENCE. BUT HE ADDED THAT IT WAS NOT CLEAR IF CDH COULD GO AHEAD. CHAIRMAN OF THE ORGANISING COMMITTEE HAD BEEN YANAYEV AND EVIDENCE OF DECIDEDLY MURKY DEALINGS WAS EMERGING. THE SUPREME SOVIET WOULD HAVE TO DECIDE WHETHER THE CONFERENCE COULD STILL TAKE PLACE.

#### BESSMERTNYKH'S ROLE

5. THE RUSSIAN GOVERNMENT NOW HAD IN ITS POSSESSION PAPERS PROVING THE COMPLICITY (OR AT LEAST ACTIVE ACQUIESCENCE) BY VARIOUS PEOPLE IN THE COUP. AMONGST THOSE IMPLICATED WAS BESSMERTNYKH, WHOSE SIGNATURE APPEARED ON DOCUMENTS AT A TIME WHEN HE INSISTED THAT HE HAD BEEN TOO ILL TO WORK. FYODOROV HAD ARGUED STRONGLY THAT BESSMERTNYKH SHOULD NOT BE ALLOWED TO RESIGN, BUT SHOULD INSTEAD BE REQUIRED TO ANSWER TO THE SUPREME SOVIET FOR HIS ACTIONS. HOWEVER AT GORBACHEV'S INSISTENCE BESSMERTNKH HAD BEEN PERMITTED TO DEPART MORE OR LESS HONOURABLY.

#### BRAITHWAITE

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SECRET

FM MOSCOW

TO DESKBY 231700Z FCO

TELNO 1776

OF 231440Z AUGUST 91

YOUR TELNO 1299: GORDIEVSKY

1. ANTICIPATING YOUR INSTRUCTIONS, I TOOK THE OPPORTUNITY OF THE MEETING OF THE 12 AMBASSADORS WITH GORBACHEV YESTERDAY AFTERNOON TO HAVE A BRIEF WORD WITH CHERNYAEV ABOUT MRS GORDIEVSKAYA - THE FIRST SUCH OPPORTUNITY SINCE YOUR TELEGRAM 1182. TAKING HIM ASIDE, I GAVE HIM A MANUSCRIPT NOTE IN WHICH I SAID THAT I ASSUMED THAT, WITH THE CHANGED CIRCUMSTANCES, IT WOULD NOW BE POSSIBLE FOR THE SOVIET SIDE TO RELEASE HER, AND HER CHILDREN, WITH MINIMUM OF PUBLICITY. THERE WAS NO OPPORTUNITY FOR CHERNYAEV TO COMMENT.

2. THE APPOINTMENT OF BAKATIN AS THE NEW HEAD OF THE KGB (WHOM YOU MET AT DINNER IN THE RESIDENCE IN MARCH) SHOULD HELP. A RELATIVELY LIBERAL, FORMER MINISTER OF THE INTERIOR, BAKATIN SHOULD BE A MUCH MORE PROMISING PROPOSITION THAN KRYUCHKOV.

3. I WILL NOW REINFORCE YESTERDAY'S DEMARCHE AND SPEAK AGAIN TO CHERNYAEV ALONG THE LINES OF TUR. I SHALL EMPHASISE THAT THE PRIME MINISTER IS BOUND TO REVERT TO THE QUESTION ON 1 SEPTEMBER, UNLESS IT HAS BEEN SETTLED, AND I SHALL ALSO REFER TO OUR INTENTION OF RAISING IT AT THE MOSCOW CDH. UNLESS YOU INSTRUCT TO THE CONTRARY, I SHALL ALSO ASK FOR AN EARLY CALL ON BAKATIN, WHOM I KNOW QUITE WELL.

4. AS FAR AS YELTSIN IS CONCERNED, I WOULD SEE ADVANTAGE IN THE PRIME MINISTER RAISING MRS GORDIEVSKAYA'S PLIGHT WITH HIM, ASSUMING THEY MEET ON 1 SEPTEMBER. I SEE NO REASON TO WORRY UNDULY ABOUT WHO CONTROLS THE KGB, OR ABOUT CENTRE/STATE RELATIONS. THIS IS NOW A HUMAN RIGHTS ISSUE. BOTH YOU AND THE PRIME MINISTER GAVE RINGING SUPPORT FOR YELTSIN DURING THE COUP, INSISTING ON THE RIGHTS ENSHRINED IN THE PARIS CHARTER. THIS SURELY ENTITLES US TO ASK YELTSIN IN TURN TO SPEAK OUT IN SUPPORT OF MRS GORDIEVSKAYA'S RIGHTS UNDER THAT SAME CHARTER.

BRAITHWAITE



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PAGE 2  
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OF 231100Z AUGUST 91

AND TO FLASH PARIS, BONN, WASHINGTON, UKDEL NATO  
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INFO IMMEDIATE MODUK, NEW DELHI, OTHER CSCE POSTS, ACTOR

## GORBACHEV AFTER THE COUP

## SUMMARY

1. SITUATION STILL EVOLVING. GORBACHEV'S FAILURE TO DISSOCIATE HIMSELF FROM CPSU COULD UNDERMINE HIS POSITION. YELTSIN STILL HOLDS CENTRE OF POLITICAL STAGE. FURTHER SHIFT OF POWER TO REPUBLICS NOW INEVITABLE. GORBACHEV STILL HAS IMPORTANT CARDS IN HIS HAND, BUT WILL NEED ONCE AGAIN TO ADAPT TO NEW REALITIES, AND TIME MAY BE STARTING TO RUN OUT FOR HIM.

## DETAIL

2. LAST NIGHT'S TOPPLING OF THE STATUE OF DZERZHINSKY OPPOSITE THE KGB HEADQUARTERS AND THE VANDALISM AT THE CENTRAL COMMITTEE HEADQUARTERS ARE STRIKING INDICATIONS THAT THE POLITICAL SITUATION HAS NOT STABILISED WITH GORBACHEV'S RETURN BUT IS STILL EVOLVING. THE SOVIET UNION WHICH HAD STUCK HALFWAY IN THE TRANSITION FROM TOTALITARISM TO DEMOCRACY MAY NOW BE ON THE MOVE AGAIN ON THE LINES OF THE EAST EUROPEAN SCENARIO OF 1989. WITH THE CAVEAT THAT OUR ASSESSMENTS ARE ALSO SUBJECT TO RAPID EVOLUTION, THE FOLLOWING ARE MY THOUGHTS ABOUT THE IMPLICATIONS OF THE FAILED COUP FOR GORBACHEV'S POSITION.

3. GORBACHEV MADE A DIGNIFIED AND MOVING STATEMENT ON SOVIET TELEVISION YESTERDAY WHICH WILL HAVE GAINED PUBLIC SYMPATHY. BUT HE MADE A SIGNIFICANT ERROR OF POLITICAL JUDGEMENT AT HIS PRESS CONFERENCE WHEN HE INDICATED THAT HE WOULD NOT DISASSOCIATE HIMSELF FROM THE CPSU OR GIVE UP HIS LEADERSHIP OF IT. IN THE CURRENT MOOD OF POPULAR REVULSION AGAINST THE PARTY THIS WILL HAVE FURTHER UNDERMINED HIS POSITION ALREADY WEAKENED BY THE PALPABLE SHIFT OF POWER TO YELTSIN WHO STILL HELD THE CENTRE OF THE PUBLIC STAGE IN MOSCOW ON THE DAY OF GORBACHEV'S RETURN. THE CROWD AT YELTSIN'S VICTORY MEETING OUTSIDE THE RUSSIAN PARLIAMENT YESTERDAY MORNING WERE CALLING FOR

## GORBACHEV'S RESIGNATION.

4. GORBACHEV IS SERIOUSLY VULNERABLE TO THE CRITICISM, VOICED AT THE PRESS CONFERENCE AND IN A NUMBER OF PUBLIC COMMENTS YESTERDAY, THAT HE BEARS CONSIDERABLE RESPONSIBILITY FOR THE COUP AS THE MAN WHO PERSONALLY APPOINTED THOSE WHO CARRIED IT OUT. TO BE FAIR HE LARGELY ACKNOWLEDGED THIS IN HIS TV STATEMENT AND AT THE PRESS CONFERENCE. BUT PEOPLE REMEMBER HIS INSISTENCE ON YANAEV AS VICE-PRESIDENT IN THE TEETH OF OPPOSITION FROM THE CONGRESS OF PEOPLES DEPUTIES. AND HE PRODUCED NO EXPLANATION.

5. HE SHOWED SURER JUDGEMENT IN PAYING UNSTINTING TRIBUTES TO YELTSIN'S LEADERSHIP OF THE RESISTANCE TO THE COUP AND IN RESPONDING WITHOUT APPARENT IRRITATION TO A RUTHLESS QUESTION AT THE PRESS CONFERENCE ABOUT WHETHER YELTSIN WAS NOT NOW MUCH MORE POWERFUL THAN HIM.

6. GORBACHEV HAS A NUMBER OF IMPORTANT CARDS IN HIS HAND:

(A) THERE MUST HAVE BEEN SOME INCREASE IN PUBLIC SYMPATHY FOR HIM AT LEAST AMONG THE LESS RADICAL AND POLITICISED SECTIONS OF THE POPULATION.

(B) THERE HAS ALSO BEEN AN INCREASE IN WESTERN SUPPORT AND SYMPATHY VIVIDLY DEMONSTRATED DURING THE COUP, WHICH CARRIES THE PROSPECT OF INCREASED ECONOMIC AID. HOWEVER YELTSIN'S PRESTIGE IN THE WEST HAS BEEN GREATLY ENHANCED BY HIS HEROIC PERFORMANCE AND HE COULD TAKE THIS CARD FROM GORBACHEV.

(C) OVERTONES OF RUSSIAN NATIONALISM AND IMPERIALISM IN STATEMENTS BY TRIUMPHANT RUSSIAN LEADERS AND DEPUTIES MAY INCLINE THE OTHER REPUBLICS TO GIVE STRONGER BACKING TO GORBACHEV AS A COUNTERWEIGHT TO YELTSIN.

7. AS LAPTEV SAID TO ME YESTERDAY (MY TELNO 1765) YELTSIN HAS PICKED UP A LOT OF THE POWER THE JUNTA TOOK FROM GORBACHEV AND DROPPED, AND GORBACHEV WOULD BE WISE TO LEAVE IT THERE. THE BALANCE OF POWER BETWEEN THE CENTRE AND REPUBLICS WILL NOW HAVE TO SHIFT AGAIN. THE COUP WAS BY AND FOR THE CENTRAL STRUCTURES OF POWER WHICH ARE NOW THOROUGHLY DISCREDITED. THERE WILL BE STRONG PRESSURE (ALREADY VOICED BY YELTSIN) TO AMEND THE UNION TREATY IN PARTICULAR TO DECENTRALISE CONTROL OF THE ARMY AND SECURITY FORCES. GORBACHEV HAS MOVED QUICKLY TO CONVENE A

MEETING OF THE NINE CORE REPUBLICS TODAY. HE WILL NEED TO MAKE SIGNIFICANT CONCESSIONS AND SET AN EARLY DATE FOR SIGNATURE OF A REVISED UNION TREATY. IT WILL BE DIFFICULT FOR GORBACHEV TO YIELD THE GROUND WHICH HE HAS DEFENDED SO STUBBORNLY. BUT THERE COULD BE THE BONUS THAT A REVISED UNION TREATY WOULD BE MUCH EASIER FOR THE UKRAINE TO SIGN. AND THE IMPLICATIONS FOR THE BALTIC STATES ALREADY LOOK MORE FAVOURABLE THAN BEFORE.

8. THE OTHER CRUCIAL AREA WHERE GORBACHEV MUST MOVE RAPIDLY AND DECISIVELY IS IN MAKING APPOINTMENTS TO REPLACE NOT ONLY THOSE DIRECTLY IMPLICATED IN THE COUP BUT THOSE WHO COLLABORATED WITH IT. THERE ARE ALREADY CALLS FOR A GOVERNMENT OF NATIONAL TRUST AND DEMANDS FROM THE RSFSR LEADERSHIP TO NOMINATE KEY POSTS INCLUDING PRIME MINISTER AND MINISTER OF DEFENCE.

9. WITH THE CENTRAL STATE AND GOVERNMENT STRUCTURES DISCREDITED GORBACHEV APPEARS TO HAVE NO POLITICAL BASE. IF HE PERSISTS IN TRYING TO PROP UP THE PARTY AND THE REMNANTS OF THE MILITARY INDUSTRIAL COMPLEX HE WILL FIND HIMSELF POLITICALLY ISOLATED.

10. IF GORBACHEV HAS SO FAR FAILED TO PERCEIVE THE EXTENT TO WHICH THE FAILED COUP HAS TRANSFORMED THE POLITICAL SITUATION ONE MUST MAKE ALLOWANCES FOR THE TREMENDOUS PSYCHOLOGICAL, PHYSICAL AND EMOTIONAL STRAIN HE HAS BEEN UNDER DURING THE PAST FEW DAYS: THOUGH THE SYMPATHY HE HAS GAINED WILL STAND HIM IN NO GREAT POLITICAL STEAD. AT A NUMBER OF EARLIER CRITICAL STAGES OF THE REFORM PROCESS IT HAS BEEN ARGUED THAT GORBACHEV HAD REACHED THE LIMITS OF HIS CAPACITY FOR POLITICAL CHANGE AND PERHAPS THE END OF HIS USEFUL POLITICAL LIFE. AGAIN AND AGAIN HE HAS PROVED HIS RESILIENCE AND HIS ABILITY TO ADAPT TO NEW REALITIES. HE MAY DO SO AGAIN. BUT TODAY THIS FEELS LIKE YELTSIN'S CITY, AND YELTSIN'S COUNTRY. GORBACHEV WILL NOW HAVE AN UPHILL STRUGGLE TO PREVENT THE SOVIET UNION APPEARING AS SHADOWY A CONCEPT AS THAT OF RUSSIA USED TO BE. LAST NIGHT THE RUSSIAN FLAG WAS FLYING OVER THE KREMLIN AS WELL AS OVER THE RSFSR PARLIAMENT BUILDING. RUSSIA HAS BEEN REBORN.

11. PLEASE PASS FLASH TO WALL, NO 10.

BRAITHWAITE

YYYY

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PAGE 4  
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forward to PM



10 DOWNING STREET  
LONDON SW1A 2AA

From the Private Secretary

23 August 1991

Dear Simon,

THE SOVIET UNION

The Prime Minister has been watching President Gorbachev's performance since his return to Moscow. It is clear that President Gorbachev has not yet got the measure of events and that, unless he does so, his position could erode pretty fast. A lot will depend upon today's meetings with the Heads of the Republics but the Prime Minister thinks we may need to sharpen up our own statements on what should now happen.

The Prime Minister would be grateful for very early advice on what he might say publicly later today on the kind of conditions which we might attach to future assistance to the Soviet Union. This might include reductions in defence expenditure, devolution to the Republics and the extension of political freedoms - though we would need to be a bit more specific about what we meant and perhaps to draw a distinction between emergency food relief and other forms of aid.

The Prime Minister also thinks we should take an early opportunity to put on record our slightly more forward line on the Baltic Republics as agreed at yesterday's meeting.

The Prime Minister will very probably be interviewed later today, around about 1600, and would like to put something on record then. I attach a note of the kind of things he might say. This is really just a framework and I should be grateful for a version, amended as necessary, to reach me by 1400 at the latest. The Prime Minister would of course want all this to be cleared on the telephone with the Foreign Secretary.


The Prime Minister thinks that he may need to tilt his visit to Moscow much more in the direction of democratic forces. I have already agreed with Sir Rodric Braithwaite that he would approach Mr Yeltsin last night to consult him about the Prime Minister's possible visit on 1 September. ~~We~~ might need to ensure that the Prime Minister also met Shevardnadze and Yakovlev. Could we invite the leaders of the Baltic Republics to meet the Prime Minister in Moscow? Alternatively, could the Prime Minister visit the Baltic Republics on his way back from China? *We are looking at the diary at this.*

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- 2 -

I am copying this letter to other members of OPD and to Sir Robin Butler (Cabinet Office).

  
J S WALL

S L Gass Esq  
Foreign and Commonwealth Office

CONFIDENTIAL

## POLICY TOWARDS THE SOVIET UNION

There is an enormous sense of relief that President Gorbachev is back in Moscow. But it will not just be business as before. The events of the last few days showed that, given the freedom to choose, the people of the Soviet Union chose freedom. For reform to succeed, and for us to be able to support reform, the Soviet Union has to be committed to the path of genuine democracy.

There can only be stability in the Soviet Union if the relationship between the centre and the Republics is worked out through negotiation. But the Baltic Republics have the right to independence and we want to see them achieve it.

The Soviet Union now has an unparalleled opportunity to achieve free political institutions and a genuine market economy. We are ~~also~~ <sup>already</sup> helping and want to help still further, but there are many steps which the Soviet Union could take to help itself and to demonstrate its commitment to reform. The Soviet Union spends more (per capita?) on defence than any other European power. It must cut its defence expenditure. The Baltic Republics must be allowed to negotiate their independence. The Communist Party should not be allowed a dominant role. It should take its chances in a democratic process.

These changes cannot happen overnight. Before the attempted coup, the reform process seemed stalled because of opposition from hard-liners. The hard-liners have now been defeated. *There is an unprecedented opportunity which must not be lost.*

We hope that President Gorbachev, in co-operation with the Republics, can re-launch his reforms and take the decisive measures necessary for the Soviet union to enjoy democracy and prosperity.





BALMORAL CASTLE

22nd August, 1991.

Dear Stephen,

Thank you for your letter of 20th August to Robert Fellowes about the Prime Minister's visit to the Hague on 23rd August. The Queen is pleased to give her permission for Mr. Major's absence from the country on that date.

Yours ever,  
Ken.

(KENNETH SCOTT)

J. S. Wall, Esq., LVO.



Feb  
ECL

b.c. PC

10 DOWNING STREET

LONDON SW1A 2AA

*From the Private Secretary*

22 August 1991

**LETTER FROM THE FOREIGN MINISTER OF  
ESTONIA**

I enclose a letter to the Prime Minister from the Foreign Minister of Estonia which reached me after Mr Meri's telephone call this morning.

I imagine that Mr Meri has also written to the Foreign Secretary and that the Foreign Secretary will be replying. If so, perhaps he could reply on the Prime Minister's behalf as well.

J S WALL

S L Gass Esq  
Foreign and Commonwealth Office

Jk



~~SECRET~~

MINISTRY OF FOREIGN AFFAIRS  
OF THE REPUBLIC OF ESTONIA

Tallinn, Estonia

Tallinn, August 21, 1991

H.E. John Major  
Prime Minister, First Lord of the Treasury and  
Minister for the Civil Service

Dear Mr. Minister:

The Ministry of Foreign Affairs of the Republic of Estonia appeals to all democratic governments of the world to recognize the restoration of the independence of the Republic of Estonia, as well as its legal organs of power and government.

Because such an appeal represents a change in our past policy, the Ministry of Foreign Affairs wished to take this opportunity to explain why it is now making this appeal.

The failed coup d'etat in the Soviet Union made impossible the realization of our goal, the restoration of independent Estonia through negotiations. The Supreme Council of the Republic of Estonia therefore resolved on August 10, 1991, to affirm the national independence of the Republic of Estonia.

On this basis, and in compliance with the principles of international law, the Republic of Estonia seeks the diplomatic recognition of its legal organs of power and government. The positions of these organs will be further affirmed by a constitutional assembly which will, by a democratic process, draft the constitution of the Republic of Estonia and submit it for approval in a referendum.

*[Handwritten signature]*

The recognition of the Republic of Estonia by your Government and the establishment of diplomatic relations with it would be consistent with the right accorded in international law to the national self-determination of people whose sovereignty has been forcibly deprived by a foreign power. The recognition of the Republic of Estonia by your Government would further reinforce the recent trend towards the collective protection of the right of small nations to full national independence and sovereignty. Such a recognition would also be consistent with the policy of non-recognition of the annexation of the Republic of Estonia by the Soviet Union in 1940. The recognition of the Republic of Estonia would serve the basic and inviolable principles of international law and support the development towards a more democratic, just and peaceful international order founded on respect for national independence and sovereignty.

On behalf of the Republic of Estonia.

Lennart Meri  
Foreign Minister,  
Republic of Estonia

The Honourable John Major  
Prime Minister,  
The United Kingdom of  
Great Britain and Northern Ireland

THE REPUBLIC OF ESTONIA  
SUPREME COUNCIL  
RESOLUTION  
ON THE NATIONAL INDEPENDENCE OF ESTONIA

Proceeding from the equality of the Republic of Estonia as a subject of international law,

Relying upon the strength of the Estonian population's clear expression of will in the March 3, 1991 referendum to restore the national independence of the Republic of Estonia,

Taking into account the March 30, 1990 Resolution of the Supreme Soviet of the Estonian SSR "On the State Status of Estonia" and the Declaration of the Supreme Soviet of the Estonian SSR "On Cooperation Between the Supreme Soviet of the Estonian SSR and the Congress of Estonia",

Taking into account that the coup d'etat in the USSR seriously impedes the democratic processes in Estonia and that it has made it impossible to restore the national independence of the Republic of Estonia through bilateral negotiations with the USSR,

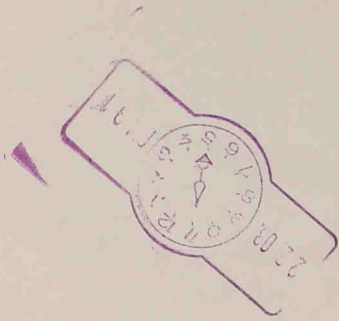
The Supreme Council of the Republic of Estonia resolves:

1. To affirm the national independence of the Republic of Estonia and to seek the restoration of the diplomatic relations of the Republic of Estonia;
2. To form a Constitutional Assembly, whose composition shall be determined by the highest legislative organ of state power, the Supreme Council of the Republic of Estonia, and by the representative body of the citizens of the Republic of Estonia, the Congress of Estonia, for the purpose of drafting the Constitution of the Republic of Estonia and presenting it to the people for a referendum;
3. To hold Republic of Estonia parliamentary elections during 1992, on the basis of the new Constitution of the Republic of Estonia.

A. Rüütel

Chairman of the Supreme Council  
Republic of Estonia

Tallinn, August 20, 1991





*se PC*

MINISTERIÖ  
OF FINLAND

H.E. John  
Prime Minister  
Minister

Dear Mr. Minister

The Ministry  
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10 DOWNING STREET  
LONDON SW1A 2AA

From the Private Secretary

Prime Minister (1)

Draft message to  
Sulzbacher = last enc.  
22 August 1991

Stephanie,  
Final pl. order  
of 23.8

JSW  
-48

Dear Lina,

SOVIET UNION

Thank you for your letter of 22 August enclosing draft messages from the Prime Minister.

- (i) the draft message to President Bush, with some amendments, will issue direct from here and I shall send you a copy separately; (now enclosed)
- (ii) the draft message to Mr. Lubbers is fine. I should be grateful if you could despatch it.

I enclose an amended version of the message from the Prime Minister to other G7 leaders. This too can issue, but after the message to President Bush has been received. I suggest, therefore, that you despatch it with a deskby to posts of first thing tomorrow morning (Friday).

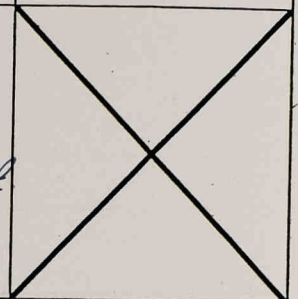
The Prime Minister has decided not to send a message to President Gorbachev today, but to wait until we are sure that a G7 meeting is to take place.

I enclose a draft to President Gorbachev which the Prime Minister will look at overnight.

Yours,  
Steph


J. S. WALL

Simon Gass, Esq.,  
Foreign and Commonwealth Office.

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DRAFT MESSAGE FROM THE PRIME MINISTER TO  
PRIME MINISTER LUBBERS

I am very glad the Presidency has proposed today by COREU telegram to revoke the decision of 20 August to suspend EC economic assistance to the Soviet Union. This is obviously right. We may need to examine in the next few weeks how best to deploy the technical assistance in particular, bearing in mind the likelihood of increased devolution of economic responsibility from the Union to the Republics.



MESSAGE FROM THE PRIME MINISTER TO OTHER G7 LEADERS INCLUDING FOR  
THE EUROPEAN COMMUNITY PRESIDENT DELORS AND PRIME MINISTER  
LUBBERS

The failure of the coup against President Gorbachev opens the way for faster and deeper reform in the Soviet Union. While it does not change the objective economic analysis overnight, it does raise the political question of what more, if anything, the West can do to enable the leadership in the Soviet Union to take advantage of this new breathing space.

I therefore propose that the G7 Sherpas should meet again in the near future to review the agreement we reached after the London Summit in July with President Gorbachev, and to make further recommendations. It will be important to examine in the context of the intensified technical assistance programme whether any particular priorities should be set among the sectors we identified during the London discussions, and what the best destinations for this assistance would be.

We shall be in touch with your people via the diplomatic channel on details for the Sherpa meeting.

C:\foreign\gorbachev

DRAFT MESSAGE FROM THE PRIME MINISTER TO PRESIDENT GORBACHEV

Dear Mikhail,

I cannot tell you how good it was to hear your voice on the telephone yesterday and to find you in such good heart after your ordeal.

The last few days have been an ordeal for all of the people of the Soviet Union, but you have emerged all the stronger. I cannot tell you with what gloom and dismay news of the attempted coup was greeted here and the enormous joy ~~at~~ its defeat. That is a well deserved tribute to the enormous impact you have made throughout the world and <sup>evidence</sup> of the stake which we all have in the success of the reforms. The failure of the coup shows that, when the people have freedom of choice, they choose freedom. The Soviet Union and its republics have taken a further decisive step along the road to a genuinely free and democratic society.

This is a victory for you and for the people of the Soviet Union. But it is a victory which we all share because all of us, in the European Community and in the North Atlantic Alliance, raised our voice to support you, your legitimate government and the cause of freedom.

As we agreed when we spoke, we would like to go on playing our part, in company with our partners and allies, to provide help and support. We talked about ~~the~~ building on what we achieved in London at the G7 Summit. I wanted to let you know that, as Chairman of the Group of Seven, I have asked the G7 Sherpas to meet early next week to look closely at what we agreed in London and to see how we can direct our help most effectively in support of your reforms and to help the changes in the Soviet Union and its republics which will now come about. That discussion among the Sherpas will be particularly valuable to me when you and I discuss these issues shortly thereafter. [I am

and we look forward to seeing you and Raisa again. We felt very strongly the pull of friendship in the dark days when you were help captive. We feel the joy of shared friendship now that you are free again.

cc Pg

HM Treasury



Parliament Street  
London SW1P 3AG  
Telephone 071-270 4380

Huw Evans  
Deputy Secretary

**CONFIDENTIAL**

S Wall Esq  
10 Downing Street  
LONDON SW1

22 August 1991

Dear Stephen,

AE

**USSR**

Following the meeting this morning with the Prime Minister, I have a few comments on the draft message to President Gorbachev and a contribution to the message to President Bush.

Gorbachev

In paragraph 3, second sentence: delete "at", substitute "after" (Gorbachev did not take part in the Summit, but in a special meeting afterwards). Redraft the third sentence of this paragraph to say: "The UK, in company with our partners and allies, will continue to provide help and support." This is to avoid the too open-ended nature of the original draft.

Bush

On the IMF issue, the message might say:

"We need to consider how, in present circumstances, we can reinforce support for the USSR's reform efforts. There are strong pressures to do so.

Following the London Summit, we agreed to welcome a special association for the USSR with the IMF and World Bank. I am sure we should now press for rapid progress on this.

Many of us thought we should go further by supporting the case in principle for the USSR's full membership of the IMF and World Bank. I know that you had strong reservations, but I believe that in the light of this week's events, we should re-examine this issue with a view to reaching unanimous agreement amongst the G7.

The USSR's application raises a number of difficult issues, for example over statistics of the USSR economy, the size of quota, the possible size of borrowing and the relationship between the union and the republics. It will take some time to resolve these issues, but I believe that we can and should give a new signal that would encourage

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the process of economic reform in the USSR. There is a tremendous opportunity, over the coming months, for the authorities in the USSR to push ahead faster and more credibly with the reform effort. Of all the ways open to us to support that effort, a signal from us to support full membership seems to me to be the most effective."

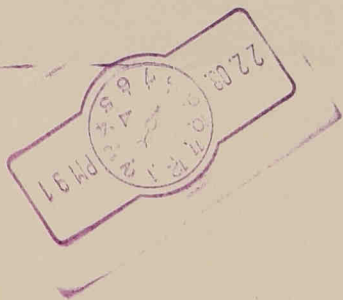
The draft refers, in the fourth paragraph, to the main difficulties of Soviet membership of the IMF, including a rather oblique reference to the relationship between the union and the republics. I do not think we should spell this out in detail now, but there is a possibility that the entity which joins the IMF might be something less than the present union of 15 republics.

I am copying this to Sir David Gilmore and John Weston in the FCO and to David Peretz (by fax).

*Has Hen*

H P EVANS

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SUBJECT

MASTER

MEETING RECORD

Filed on:

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10 DOWNING STREET  
LONDON SW1A 2AA

From the Private Secretary

22 August 1991

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Dear Sir,

PRIME MINISTER'S CONVERSATION WITH PRESIDENT GORBACHEV

President Gorbachev telephoned the Prime Minister at 1300 today. He sounded his usual robust self and appeared to be in good heart. He greeted the Prime Minister warmly by his christian name and said that he knew the Prime Minister had been trying to reach him. The Prime Minister said that everyone here was very thrilled that he and Raisa were safe and back in Moscow. We had been very worried at the start of the illegal coup but we had made clear that President Gorbachev should be returned to office and the coup brought to an end. We were delighted that that was how it had turned out. The Prime Minister hoped that the President and Raisa were fully fit.

Again referring to the Prime Minister by his christian name, President Gorbachev thanked him for his call. He wanted to thank the Prime Minister personally and to thank the British Government and the people of Britain for their firm support. He also thanked the other members of the European Community and the United States for their help in a difficult time of enormous significance. His view was that we now had a new kind of country and new relationships and a new influence on events. This would ensure that such adventurism could not happen again. He wanted in particular to mention the decisive position taken by the Russian Government and people. President Yeltsin, the Russian Supreme Soviet and the Government of Russia under Mr. Silayev had conducted a tremendous and courageous battle in the face of illegal actions. He could also tell the Prime Minister that a majority of the armed forces had decided very clearly not to support the illegal actions. For himself personally it had been and would perhaps continue to be a difficult time. He had been cut off for 72 hours. Attempts had been made to force him to resign. Certain sectors of the armed forces had cut him off. He had been in complete isolation.

President Gorbachev went on to say that of course now he must and would do many practical things to bring about improvements even if these were not major steps in the short term. He wanted to remind the Prime Minister of their conversations at the G7 Summit in London. Now we should move the whole level of our activity on to a higher plain.

The Prime Minister said that the whole world had admired the

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way the Soviet people had defied the coup. They had admired the personal courage of President Gorbachev under enormous pressure. The Prime Minister could not begin to tell President Gorbachev how enormous and overwhelming was the support in the UK for him and for his reform programme. Everyone accepted that things had been changed by President Gorbachev's actions and they would now have changed again as a result of the coup. The reform process was irreversible. The Prime Minister hoped and believed that with the removal of many of those who had opposed President Gorbachev the reform movement would be strengthened.

President Gorbachev said that he had already taken decisive measures against the perpetrators of the coup. He was making new appointments even if some of them were temporary. He had invited the leaders of the nine Republics to the Kremlin tomorrow for discussions on the Union Treaty. There were many practical steps to be taken, e.g. on fuel and markets. There would be new and different relations within the country and between the Soviet Union and other countries. Again calling the Prime Minister by his christian name, President Gorbachev said that he wanted to thank him for his help and cooperation.

The Prime Minister said he was very pleased to hear of the actions that President Gorbachev was taking. There was one point he wanted to add. He was due to travel to Hong Kong and China on Sunday week. If it was possible to arrange it he would, both as British Prime Minister and as Chairman of the G7, like to stop off in Moscow to have preliminary meetings about how to take matters forward. Perhaps our two offices could be in touch to see if that was a practical proposition.

President Gorbachev readily agreed. We should make the practical arrangements through our foreign ministries. The Prime Minister welcomed this. There would be great advantage in meeting swiftly so that he could report to G7 partners. President Gorbachev agreed.

The Prime Minister said that Norma sent her love to Raisa and hoped to see her soon. President Gorbachev expressed his gratitude. Raisa had been very courageous. She had had a very difficult time. He appreciated this mark of Mr. and Mrs. Major's very friendly attitude towards both of them. The Prime Minister said that it had been lovely to speak to President Gorbachev and he looked forward to seeing him shortly. President Gorbachev thanked the Prime Minister for his call, ending with words to the effect of "all power to you". The call ended at 1314.

The Prime Minister called President Gorbachev by his christian name throughout.

Comment

A number of points struck the Prime Minister:

- (i) President Gorbachev sounded cheerful and robust. His voice sounded much less tired than it had on television when he arrived back in Moscow in the middle of the night;

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- (ii) compared with his initial public interview President Gorbachev showed greater recognition of the crucial role played by President Yeltsin, the Russian Supreme Soviet and the people of Russia in defeating the coup;
- (iii) the implication of what President Gorbachev said about tomorrow's meeting with leaders of the Republics was that this would not just be a meeting to endorse the Union Treaty, but would have to reflect a changed relationship.

Follow-up

I should be grateful if our Ambassador in Moscow could now follow up with Mr. Chernayev to try to secure agreement for the Prime Minister to visit Moscow on Sunday 1 September.

At the moment the Prime Minister is due to leave RAF Alconbury at about 1850 on Sunday 1 September. If we left at 0930 that morning we would arrive in Moscow at about 1500 local time and would not need to leave Moscow until midnight. That would give time for a meeting with President Gorbachev and a meeting with Mr. Yeltsin before departure from Moscow at midnight. We could still meet our Peking timetable.

We have talked of linking the visit with the anniversary celebrations of the Baltic Convoy which involves a ship's visit to Archangel. That is still worth doing. I think, however, that the Prime Minister's meetings will need to be in Moscow, not least because of seeing Mr. Yeltsin. Once we know that the visit can go ahead the Prime Minister may wish to speak to Mr. Yeltsin on the telephone but Rodric Braithwaite may meanwhile want to speak to Mr. Yeltsin in parallel with his conversation with Mr. Chernayev.

I am copying this letter to the Private Secretaries to members of OPD and to Sir Robin Butler.

*Jans,*  
*Stephen*  
(J.S. WALL)

Simon Gass, Esq.,  
Foreign and Commonwealth Office.

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**SUBJECT**

**MASTER**

MEETING RECORD

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From the Private Secretary

22 August 1991

*John Major*

POLICY TOWARDS THE SOVIET UNION

The Prime Minister held a meeting with senior officials this morning to consider the action we now need to take following the end of the coup in the Soviet Union. The outcome of the meeting was as follows.

Immediate Action

- i. Once he has spoken to President Gorbachev the Prime Minister will follow up his personal message of yesterday with a more substantive message. I already have a draft which we will amend here as necessary. In the meantime I have, on the Prime Minister's instruction, asked our Embassy in Moscow to tell Mr. Chernayev that the Prime Minister proposes to visit Moscow both in his bilateral capacity and as Chairman of the G7 on his way to Peking on Sunday 1 September.
- ii. We should take immediate steps to reinstate the visit of HMS LONDON in the hope that its visit to Archangel would take place at the same time as the Prime Minister visits Moscow. This would have presentational impact given that the Prime Minister and President Gorbachev are joint Commodores of the commemorative events.
- iii. If President Gorbachev did invite the Prime Minister to visit the Soviet Union the Prime Minister would himself ring Mr. Yeltsin to say that he hoped to come and would of course seek a meeting with Mr. Yeltsin.

Economic Measures

- i. The Prime Minister would send a message to President Bush as early as possible today setting out the sort of areas where we would need to consider stepping up our relationship with the Soviet Union and announcing our intention of calling a meeting of G7 Sherpas next Tuesday, 27 August. Among the measures to be referred to for consideration would be full Soviet membership of the IMF and an increase in the Soviet EBRD borrowing limit. A similar message would also be drafted to go to other G7 heads of government but we would establish that there was no objection from the Americans before that message issued. (John Weston will speak to Bob Zoellich. I will speak to General Scowcroft.)

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- 2 -

- ii. The Prime Minister will send a message to Mr. Lubbers calling for the immediate reinstatement of the EC package. You have drafts of these three messages in hand.
- iii. The Prime Minister thought it inevitable that we would have to do more for the Soviet Union though the emphasis as far as possible should be on the kind of technical assistance and improvement of infrastructure that were identified at the G7 Summit. We should look particularly at food distribution. In this respect and more generally the proposed Sherpa meeting should focus on how to get our aid directly to the Republics. We should (though not in the Prime Minister's message to Mr. Lubbers) press the Community to put more of their effort into the Republics rather than concentrating on the centre. We should actively explore the redefinition of the proposed new EC/Soviet agreement to ensure more targeting on the Republics.
- iv. We would need to review ECGD cover for the Soviet Union. Economically the arguments against resuming medium term cover were good but it would be politically impossible to stand pat. We should work out a package and should look in particular at how the resumption of cover could be tied to performance.
- v. The proposed relaxation of COCOM controls due to come into force at the beginning of September should go ahead.
- vi. The Prime Minister favoured the idea (put forward in an article by Edward Mortimer of the Financial Times) of a managerial Marshall plan. The idea would be to co-ordinate with our partners the kind of managerial training and assistance which we were all doing separately so that it formed a coherent whole. This would have the advantage of being relatively low cost, effective and politically attractive.

The Baltic Republics

- i. Our policy should be that we had never recognised the incorporation of the Baltic Republics within the Soviet Union. We believed they should be independent but this should not become part of an East/West tug of war and we did not want to say or do anything to prejudice the discussions which the Baltic Republics themselves recognised to be necessary to achieve secure and lasting sovereignty and independence.
- ii. As far as the other Republics were concerned we should say that it would be for them to negotiate their relationship with the centre. We looked forward to developing our relationship with the individual Republics. There was already provision for this in the draft of the Union Treaty.

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- 3 -

- iii. We should consider our own diplomatic representation in the Soviet Union over the next few years.
- iv. We should conduct a review in Whitehall to see whether it might make more sense for the UK to reach agreements with individual Republics rather than the centre.

Other issues

- i. It was noted that the Foreign Secretary thought he should attend the CDH Conference in Moscow in September and the Prime Minister thought this was right.
- ii. We should continue privately to press the case of Mr. Gordievsky using the events of the last few days and the forthcoming CDH meeting as a lever to try to secure exit visas for Mrs. Gordievsky and her family. We should press this before the Prime Minister's visit to Moscow but he would make the case to President Gorbachev in Moscow as well if necessary.
- iii. We should reflect on the timing of President Gorbachev's possible visit to NATO. This would be a subject to discuss with the Americans to see if they thought a visit to NATO could be helpful for the ratification of the START Treaty. The Prime Minister's own instinctive reaction was that the political smell of such a visit was not right.
- iv. When the Prime Minister went to Moscow he would invite Mr. Yeltsin to visit the United Kingdom.
- v. We should in due course consider the timing of the possible State Visit to the Soviet Union.
- vi. We should consider whether to make policy towards the Soviet Union and Eastern Europe a major issue of our Presidency of the European Community.

The Prime Minister would be grateful if the Foreign Secretary, in consultation with the Chancellor and with other Whitehall Departments, would co-ordinate advice and follow-up on the lines set out in this letter.

I am sending copies of this letter to the Private Secretaries to members of OPD, and to David Rossington (MAFF) and Sonia Phippard (Cabinet Office).

  
J.S. WALL

Simon Gass, Esq.,  
Foreign and Commonwealth Office.

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## ADVANCE COPY

CONFIDENTIAL  
FM MOSCOW  
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**FLASH***Amil*

(AMENDED DIST. MR HALL NO 10 DOWNING ST. IN ADVANCES)

THE AFTERMATH: ANGLO/SOVIET RELATIONS

1. I RECOMMEND THAT THE EARLIEST POSSIBLE OPPORTUNITY BE TAKEN TO RESTORE THE EVENTS CANCELLED WHEN THE COUP BEGAN.
2. THE MOST URGENT, AND POLITICALLY MOST HIGH PROFILE, IS THE CELEBRATION OF THE 50TH ANNIVERSARY OF THE ARCTIC CONVOYS ('DERVISH'). I UNDERSTAND THAT IT IS STILL TECHNICALLY POSSIBLE FOR HMS LONDON TO SAIL IN TIME. I RECOMMEND THAT SHE NOW BE INSTRUCTED TO DO SO.
3. MUCH LESS IMPORTANT, BUT STILL A WORTHWHILE GESTURE, WOULD BE TO REVERSE THE DECISION TAKEN BY THE BRITISH COUNCIL AND THE HENRY MOORE FOUNDATION TO CANCEL THE OPENING OF THE HENRY MOORE EXHIBITION ON 3 SEPTEMBER. THE OWNERS OF THE EXHIBITS WERE UNDERSTANDABLY NERVOUS ABOUT THEIR SAFETY. THE DANGER IS NOW ENTIRELY PAST. BUT THE BRITISH COUNCIL WILL HAVE TO ACT THIS MORNING IF IT IS TO REVERSE THE DECISION.
4. THE RESTORATION OF THE KNOW HOW FUND AND COMMUNITY COOPERATION WITH THE SOVIET UNION IS OF LESS PRACTICAL URGENCY. NEVERTHELESS I HOPE THAT AN ANNOUNCEMENT OF THE RESTORATION OF OUR KNOW HOW FUND COULD BE MADE VERY SOON, PREFERABLY THIS MORNING.
5. OUR PARTNERS WILL BE RACING TO BUILD UP THEIR RELATIONSHIP WITH GORBACHEV AND YELTSIN. I RECOMMEND THAT ALL PROPOSED MINISTERIAL VISITS BE REINSTATED, ESPECIALLY THE PRIME MINISTER'S. IT MAY BE A WHOLLY IMPRACTICABLE SUGGESTION, BUT IF THE PRIME MINISTER WERE TO ACTIVATE HIS COMMODORE SHIP OF 'DERVISH' AND VISIT THE SOVIET UNION IN THE PERIOD WHEN HMS LONDON ARRIVES AT ARCHANGEL (31 AUGUST - 2 SEPTEMBER), IT WOULD HAVE THE GREATEST POSSIBLE POLITICAL IMPACT BOTH HERE AND (I SHOULD HAVE THOUGHT) AT HOME. IF THIS IDEA WERE TO FIND FAVOUR,



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Foreign &  
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Office

London SW1 2AH

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22 August 1991

*Dear Stephen,*


Soviet Union

Following the Prime Minister's meeting this morning, you asked for draft messages from the Prime Minister to:

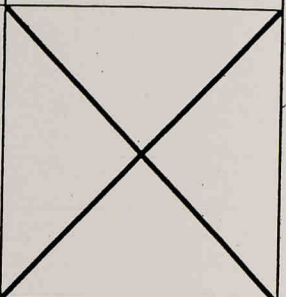
- (a) President Bush
- (b) Prime Minister Lubbers
- (c) other G7 leaders

/ These are enclosed herewith, along the lines agreed in discussion, cleared with Huw Evans.

I am copying this letter to the Private Secretary to the Chancellor of the Exchequer.

*Yours ever,*  
  
(S L Gass)  
Private Secretary

J S Wall Esq<sup>1</sup>  
10 Downing Street

DEPARTMENT/SERIES ..... <i>PREM 19</i> ..... PIECE/ITEM ..... <i>3558</i> ..... (one piece/item number)	Date and sign
Extract details:  <i>Draft of T 221/19 dated 22 August 1991</i>	
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I want to congratulate you very warmly on your safe return to Moscow and to your Constitutional Office as President of the Soviet Union. It is as you have said a very great achievement for perestroika and for the whole cause of reform. The Soviet Union and its Republics have taken a further decisive step along the road to a genuinely free and democratic society. That the difficulties of the recent days were so swiftly and triumphantly overcome is a great tribute to the courage, determination and clear-sightedness of ordinary Soviet citizens (who have shown that "when the people have freedom of choice they chose freedom"). They decisively rejected the failed prescriptions of yesterday's men.

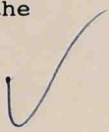
I hope you also feel that the solidarity and concern expressed so clearly by the free world this week, and in particular by the <sup>member states</sup> ~~Ministers~~ of the European Communities and the North Atlantic Alliance, played their part in helping secure the return to constitutionality and legality.

*the opponents of reform are discredited.*

The Soviet Union now has a great opportunity to move forward with renewed confidence along the road of reform. I am sure that, with our recent discussions at the London Summit in mind, you will wish to take full advantage of this. For my part I am anxious that the UK should do whatever it realistically can, in company with our partners and allies, to continue to provide help and support. I wish to keep under close review with the other G7 partners our recent agreement at the London Summit. If you consider that the new political situation in the Soviet Union opens new perspectives for the economic reform programme I shall be glad to hear from you about these. And I remain very ready to come to Moscow at your convenience to discuss my G7 mandate to review progress with you. The Chancellor of the Exchequer's visit a few weeks ago was an excellent prelude to this, and I had studied his report with great care.

DRAFT MESSAGE FROM THE PRIME MINISTER TO  
PRIME MINISTER LUBBERS

I am very glad the Presidency has proposed today by COREU telegram to revoke the decision of 20 August to suspend EC economic assistance to the Soviet Union. This is obviously right. We may need to examine in the next few weeks how best to deploy the technical assistance in particular, bearing in mind the likelihood of increased devolution of economic responsibility from the Union to the Republics.



MESSAGE FROM THE PRIME MINISTER TO OTHER G7 LEADERS INCLUDING FOR  
THE EUROPEAN COMMUNITY PRESIDENT DELORS AND PRIME MINISTER  
LUBBERS

The failure of the coup against President Gorbachev opens the way for faster and deeper reform in the Soviet Union. While it does not change the objective economic analysis overnight, it does raise the political question of what more, if anything, the West can do to enable the leadership in the Soviet Union to take advantage of this new breathing space.

I therefore propose that the G7 Sherpas should meet again in the near future to review the agreement we reached after the London Summit in July with President Gorbachev, and to make further recommendations. It will be important to examine in the context of the intensified technical assistance programme whether any particular priorities should be set among the sectors we identified during the London discussions, and what the best destinations for this assistance would be.

We shall be in touch with your people via the diplomatic channel on details for the Sherpa meeting.

C:\foreign\gorbachev

DRAFT MESSAGE FROM THE PRIME MINISTER TO PRESIDENT GORBACHEV

Dear Mikhail,

I cannot tell you how good it was to hear your voice on the telephone yesterday and to find you in such good heart after your ordeal.

The last few days have been an ordeal for all of the people of the Soviet Union, but you have emerged all the stronger. I cannot tell you with what gloom and dismay news of the attempted coup was greeted here and the enormous joy ~~at~~ its defeat. That is a well deserved tribute to the enormous impact you have made throughout the world and <sup>evidence</sup> of the stake which we all have in the success of the reforms. The failure of the coup shows that, when the people have freedom of choice, they choose freedom. The Soviet Union and its republics have taken a further decisive step along the road to a genuinely free and democratic society.

This is a victory for you and for the people of the Soviet Union. But it is a victory which we all share because all of us, in the European Community and in the North Atlantic Alliance, raised our voice to support you, your legitimate government and the cause of freedom.

As we agreed when we spoke, we would like to go on playing our part, in company with our partners and allies, to provide help and support. We talked about ~~the~~ building on what we achieved in London at the G7 Summit. I wanted to let you know that, as Chairman of the Group of Seven, I have asked the G7 Sherpas to meet early next week to look closely at what we agreed in London and to see how we can direct our help most effectively in support of your reforms and to help the changes in the Soviet Union and its republics which will now come about. That discussion among the Sherpas will be particularly valuable to me when you and I discuss these issues shortly. ~~thereafter.~~ [I am delighted that we can meet on 1 September.] Norma will be with me

and we look forward to seeing you and Raisa again. We felt very strongly the pull of friendship in the dark days when you were help captive. We feel the joy of shared friendship now that you are free again.



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SOVIET-GORBACHEV-TEXT=:

TEXT OF GORBACHEV INTERVIEW

Following is the text of an interview with Soviet President Mikhail Gorbachev broadcast by Moscow radio today.

The President of the Soviet Union Mikhail Sergeyevich Gorbachev has arrived in Moscow. The first interview for Soviet Television and Radio.

(Interviewer): Mikhail Sergeyevich, if I may, it is of course late in the day, you are very tired. Our country spent three days in dreadful tension and immense alarm for its President, for its future, for the fate of democracy. What can you say during these first, very first minutes on Soviet - excuse me - on Moscow soil, I am very much overcome with emotion.

(Gorbachev): The most important thing, everything that we have been doing since '85 has already yielded its real results. Society, our people have become different and this was the main obstacle impeding this adventure on which a group of persons embarked.

From the very outset it - I will speak about this later - society must know, the entire world must know, what they were up to and what they wanted to do with me and what they wanted from me and did not get from me. I shall tell you later, perhaps tomorrow, the day after tomorrow at the latest. I will convene a broad conference. They did not succeed.

I congratulate our Soviet people who have both a sense of responsibility and a sense of dignity and a concern for respecting all those to whom they entrust power.

This were pitiful handful of people, using attractive slogans and exploiting the difficulties which we all know and which we are all exercised about and which we intend to solve, there can be no two ways about it, wanted under those slogans to push the people onto a path which would have pushed the whole of our society into disaster.

They have not succeeded and this is a very great victory of perestroika.

What they attempted to do to the President and his family in these days, when for 72 hours they surrounded him with troops on sea and on land and wanted to break him - nothing came of it. Nothing came out of this, but this is one part of the matter.

MORE FOLLOWS BBC MON TB

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SOVIET-GORBACHEV-TEXT 2=1

TEXT OF GORBACHEV INTERVIEW: PART TWO

18/2

The second part is that I express my gratitude to the Soviet people.

I express my gratitude to the inhabitants of Russia, to Boris Nikolayevich Yeltsin, the President of Russia, to the Supreme Soviet of the Russian Federation, to all the deputies and all the labour collectives, who stood decisively in the path of this shady enterprise, for their fundamental stand.

This is something we can be proud of.

Alongside with them, there is the same uncompromising and resolute position in favour of those things which have emerged here. We have quite a few problems, and we are aware of them. They worry us. I was dealing with them when I was only planning my holidays, and I was dealing with the same issues every day during my holidays. Those things are food, fuel, financial affairs, our rouble, the situation on the market, and the situation our people may find themselves in tomorrow. We have to do all these things.

But those people, having used the difficulties of the transitional period, the extraordinary tension within society and the worries regarding our future, and being under the pressure of these difficulties, decided to implement their far-reaching plans in order to plunge our society into disaster.

It is a shady enterprise. I turned it down when emissaries came to me proposing that I should support this shady enterprise. I said that it would be ruinous for them and for the country - I am resolutely against it. I demanded that the Congress should be convened immediately, at least its Supreme Soviet.

I have yet to talk about the details of all that happened during these days. For seventy two days (as heard) the President of the country was blockaded and isolated from the people, from the country and from the world, and he had to withstand it.

Probably, their aim was to demolish the President morally, to break him and to exert influence on his family. Nothing came out of this. And first and foremost, it did not succeed because I was sure that this would not work. All the rest I will say later.

(Interviewer): Mikhail Sergeyevich, thank you.

END BBC MON TB

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FOLLOWING FOR WALL, PS/PRIME MINISTER, 10 DOWNING STREET

SOVIET UNION: SITREP

1. FOLLOWING IS SITUATION AS FAR AS WE CAN ESTABLISH IT AT 0815 HOURS LOCAL TIME ON 22 AUGUST.

GORBACHEV

2. GORBACHEV RETURNED TO MOSCOW SHORTLY AFTER 0200 HOURS LOCAL TIME THIS MORNING. HE RETURNED FROM THE CRIMEA WITH SILAEV (RSFSR PRIME MINISTER) AND RUTSKOI (DEPUTY PRESIDENT OF THE RSFSR) ON THE AIRCRAFT WHICH HAD TAKEN THEM TO THE CRIMEA YESTERDAY EVENING. IN AN INTERVIEW WITH MOSCOW RADIO HE DESCRIBED THE FAILURE OF THE COUP AS A VICTORY FOR PERESTROIKA AND FOR REFORM AND CONGRATULATED THE SOVIET PEOPLE. RUTSKOI HAS SAID THAT GORBACHEV IS IN GOOD HEALTH AND HEART.

3. ACCORDING TO UNCONFIRMED PRESS REPORTS, GORBACHEV WILL ADDRESS THE RSFSR PARLIAMENT LATER TODAY, IN THE RUSSIAN WHITE HOUSE, THANKING YELTSIN AND HIS GOVERNMENT FOR THEIR SUPPORT. (IF THIS GOES AHEAD, IT WILL FURTHER ENHANCE YELTSIN'S POSITION, ALREADY GREATLY STRENGTHENED BY HIS REACTION TO THE EVENTS OF THE PAST FEW DAYS.)

YELTSIN

4. YELTSIN ASSUMED ADDITIONAL POWERS YESTERDAY EVENING. ONE OF HIS FIRST ACTS WAS TO DISMISS THE HARDLINE CHAIRMAN OF UNION TELEVISION, KRAVCHENKO, PENDING GORBACHEV'S RETURN.

THE COUP LEADERS

5. OF THE EIGHT MAN 'EMERGENCY COMMITTEE', FIVE ARE NOW SAID TO BE UNDER ARREST, INCLUDING KRYUCHKOV (CHAIRMAN OF THE KGB). THE OTHER THREE LEADERS ARE EXPECTED TO BE ARRESTED SHORTLY. SOME RSFSR LEADERS HAVE CALLED FOR THEM TO BE PUT ON TRIAL WITHIN THE NEXT FEW DAYS. (THE LIKELY FATE OF LUKYANOV, CHAIRMAN OF THE SUPREME SOVIET, WHOSE STATEMENT ON THE ALLEGED INADEQUACIES OF THE DRAFT UNION TREATY WAS ISSUED ON THE MORNING OF THE COUP, IS UNCLEAR.)

THE SUPREME SOVIET (SOVIET PARLIAMENT)

5. A MEETING YESTERDAY EVENING OF THE PRESIDIUM (STEERING COMMITTEE OF TWO HOUSES OF THE SOVIET PARLIAMENT) DENOUNCED THE COUP AS UNLAWFUL AND CALLED FOR THE EMERGENCY SESSION OF THE SUPREME SOVIET TO BE HELD ON 26 AUGUST TO SET UP A COMMISSION OF INVESTIGATION.

SHCHERBAKOV

6. DEPUTY PRIME MINISTER SHCHERBAKOV GAVE AN UNCONVINCING PRESS CONFERENCE YESTERDAY EVENING (21 AUGUST) ATTEMPTING TO EXCULPATE PRIME MINISTER PAVLOV (ONE OF THE EMERGENCY COMMITTEE) FROM ALL BLAME. SHCHERBAKOV CLAIMED THAT PAVLOV HAD BEEN ILL-INFORMED AND UNWELL. HE ATTEMPTED TO DIVERT ATTENTION AWAY FROM PAVLOV AND FROM THE GOVERNMENT'S SPINELESS PERFORMANCE OVER THE PAST FEW DAYS, BY PLAYING UP THE SERIOUSNESS OF THE ECONOMIC

(RSFSR PRIME MINISTER) AND RUTSKOI DEPUTY PRESIDENT OF THE  
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FEW DAYS, BY PLAYING UP THE SERIOUSNESS OF THE ECONOMIC  
SITUATION AND WARNING OF DEEPENING CRISIS.

BESSMERTNYKH

7. BESSMERTNYKH (FOREIGN MINISTER), SILENT SINCE THE COUP TOOK  
PLACE, ALSO GAVE A PRESS CONFERENCE YESTERDAY EVENING (21  
AUGUST). HE SAID NO MOVE HAD BEEN MADE AGAINST HIM DURING THE  
COUP, WHICH HE DENOUNCED AS UNCONSTITUTIONAL. HE SAID FOREIGN  
POLICY WOULD REMAIN UNCHANGED. THE SOVIET UNION WOULD WORK FOR  
A MIDDLE EAST PEACE CONFERENCE. HE HOPED THAT THE MOSCOW HUMAN  
RIGHTS CONFERENCE (CDH) WOULD NOW GO AHEAD IN SEPTEMBER ALTHOUGH  
THIS WOULD OBVIOUSLY DEPEND ON THE ATTITUDE OF PARTICIPANTS. HE  
CONFIRMED THAT IT WOULD BE SOVIET POLICY TO PROCEED WITH ARMS  
CONTROL NEGOTIATIONS AS PLANNED.

PUBLIC MOOD

8. THERE IS AN AIR OF RELIEF AND ELATION IN MOSCOW. THERE HAVE  
BEEN SCENES OF JUBILATION ALL NIGHT AROUND THE RUSSIAN  
PARLIAMENT BUILDING. BUT THERE IS ALSO SOME EVIDENCE OF ANGER,  
NOT ONLY WITH THE COUP LEADERS, BUT ALSO WITH THOSE WHO EITHER  
ACTIVELY COLLABORATED, OR FAILED TO SPEAK OUT (THIS WAS  
PARTICULARLY CLEAR AT SHCHERBAKOV'S PRESS CONFERENCE LAST NIGHT:  
SEE PARAGRAPH 6 ABOVE).

BRAITHWAITE

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YELTSIN

4. YELTSIN ASSUMED ADDITIONAL POWERS YESTERDAY EVENING. ONE OF HIS FIRST ACTS WAS TO DISMISS THE HARDLINE CHAIRMAN OF UNION TELEVISION, KRAVCHENKO, PENDING GORBACHEV'S RETURN.

THE COUP LEADERS

5. OF THE EIGHT MAN 'EMERGENCY COMMITTEE', FIVE ARE NOW SAID TO BE UNDER ARREST, INCLUDING KRYUCHKOV (CHAIRMAN OF THE KGB). THE OTHER THREE LEADERS ARE EXPECTED TO BE ARRESTED SHORTLY. SOME RSFSR LEADERS HAVE CALLED FOR THEM TO BE PUT ON TRIAL WITHIN THE NEXT FEW DAYS. (THE LIKELY FATE OF LUKYANOV, CHAIRMAN OF THE SUPREME SOVIET, WHOSE STATEMENT ON THE ALLEGED INADEQUACIES OF THE DRAFT UNION TREATY WAS ISSUED ON THE MORNING OF THE COUP, IS UNCLEAR.)

THE SUPREME SOVIET (SOVIET PARLIAMENT)

5. A MEETING YESTERDAY EVENING OF THE PRESIDUM (STEERING COMMITTEE OF TWO HOUSES OF THE SOVIET PARLIAMENT) DENOUNCED THE COUP AS UNLAWFUL AND CALLED FOR THE EMERGENCY SESSION OF THE SUPREME SOVIET TO BE HELD ON 26 AUGUST TO SET UP A COMMISSION OF INVESTIGATION.

SHCHERBAKOV

6. DEPUTY PRIME MINISTER SHCHERBAKOV GAVE AN UNCONVINCING PRESS CONFERENCE YESTERDAY EVENING (21 AUGUST) ATTEMPTING TO EXCULPATE PRIME MINISTER PAVLOV (ONE OF THE EMERGENCY COMMITTEE) FROM ALL BLAME. SHCHERBAKOV CLAIMED THAT PAVLOV HAD BEEN ILL-INFORMED AND UNWELL. HE ATTEMPTED TO DIVERT ATTENTION AWAY FROM PAVLOV, AND FROM THE GOVERNMENT'S SPINELESS PERFORMANCE OVER THE PAST

2. GORBACHEV RETURNED TO MOSCOW SHORTLY AFTER 0200 HOURS LOCAL TIME THIS MORNING. HE RETURNED FROM THE CRIMEA WITH SILAEV (RSFSR PRIME MINISTER) AND RUTSKOI (DEPUTY PRESIDENT OF THE RSFSR) ON THE AIRCRAFT WHICH HAD TAKEN THEM TO THE CRIMEA YESTERDAY EVENING. IN AN INTERVIEW WITH MOSCOW RADIO HE DESCRIBED THE FAILURE OF THE COUP AS A VICTORY FOR PERESTROIKA AND FOR REFORM AND CONGRATULATED THE SOVIET PEOPLE. RUTSKOI HAS SAID THAT GORBACHEV IS IN GOOD HEALTH AND HEART.

3. ACCORDING TO UNCONFIRMED PRESS REPORTS, GORBACHEV WILL ADDRESS THE RSFSR PARLIAMENT LATER TODAY, IN THE RUSSIAN WHITE HOUSE, THANKING YELTSIN AND HIS GOVERNMENT FOR THEIR SUPPORT (IF THIS GOES AHEAD, IT WILL FURTHER ENHANCE YELTSIN'S POSITION, ALREADY GREATLY STRENGTHENED BY HIS REACTION TO THE EVENTS OF THE PAST FEW DAYS.)

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BESSMERTNYKH

7. BESSMERTNYKH (FOREIGN MINISTER), SILENT SINCE THE COUP TOOK PLACE, ALSO GAVE A PRESS CONFERENCE YESTERDAY EVENING (21 AUGUST). HE SAID NO MOVE HAD BEEN MADE AGAINST HIM DURING THE COUP, WHICH HE DENOUNCED AS UNCONSTITUTIONAL. HE SAID FOREIGN POLICY WOULD REMAIN UNCHANGED. THE SOVIET UNION WOULD WORK FOR A MIDDLE EAST PEACE CONFERENCE. HE HOPED THAT THE MOSCOW HUMAN RIGHTS CONFERENCE (CDH) WOULD NOW GO AHEAD IN SEPTEMBER ALTHOUGH THIS WOULD OBVIOUSLY DEPEND ON THE ATTITUDE OF PARTICIPANTS. HE CONFIRMED THAT IT WOULD BE SOVIET POLICY TO PROCEED WITH ARMS CONTROL NEGOTIATIONS AS PLANNED.

PUBLIC MOOD

8. THERE IS AN AIR OF RELIEF AND ELATION IN MOSCOW. THERE HAVE BEEN SCENES OF JUBILATION ALL NIGHT AROUND THE RUSSIAN PARLIAMENT BUILDING. BUT THERE IS ALSO SOME EVIDENCE OF ANGER, NOT ONLY WITH THE COUP LEADERS, BUT ALSO WITH THOSE WHO EITHER ACTIVELY COLLABORATED, OR FAILED TO SPEAK OUT (THIS WAS PARTICULARLY CLEAR AT SHCHERBAKOV'S PRESS CONFERENCE LAST NIGHT: SEE PARAGRAPH 6 ABOVE).

BRAITHWAITE

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SVLNAN 9996

NNNN



10 DOWNING STREET  
LONDON SW1A 2AA

From the Private Secretary

22 August 1991

Dear Simon,

ESTONIA

Mr. Meri, the Foreign Minister of Estonia, telephoned this morning. He apologised for the fact that the Prime Minister had been unable to get through to the Estonian Prime Minister as he had tried to do yesterday. The purpose of this call was to let us know that, during the course of this morning, Mr. Meri (who was in Helsinki) would contact our Ambassador in Helsinki to send him a letter conveying the Declaration of Independence of Estonia. The letter would go on to ask that, on this basis, and in compliance with the principles of international law, Estonia should receive diplomatic recognition for its legal organs of government. A constitution would be drafted. Mr. Meri was sending similar letters to the other member states of the CSCE. He hoped the Prime Minister might ring him (on Helsinki 179719).

The Prime Minister thinks it would be better if the Foreign Secretary were to speak to Mr. Meri and I would be grateful if you could arrange this.

Yours,  
Stephen

J. S. WALL

Simon Gass, Esq.,  
Foreign and Commonwealth Office.

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TO IMMEDIATE FCO

TELNO 837

OF 221002Z AUGUST 91

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SOVIET COUP : FRENCH REACTIONS

SUMMARY

1. MITTERRAND WIDELY CRITICISED FOR OVER-CAUTIOUS INITIAL RESPONSE. ATTEMPTS TO FIRM THIS UP NOT WHOLLY CONVINCING. ANALYSIS OF WHY MITTERRAND FAILED TO STRIKE THE RIGHT NOTE. TOO EARLY TO JUDGE HOW MUCH LASTING DAMAGE, BUT CREDIBILITY DENTED AT HOME.

DETAIL

2. MITTERRAND'S HANDLING OF THE CRISIS HAS NOT ENHANCED HIS DOMESTIC STANDING. AS NEWS EMERGED ON 20 AUGUST OF GROWING POPULAR RESISTANCE TO THE COUP AND OF THE FIRM PUBLIC LINE TAKEN BY BOTH PRESIDENT BUSH AND THE PRIME MINISTER (THE UK POSITION HAS BEEN FREQUENTLY AND APPROVINGLY REPORTED), FRENCH OPPOSITION LEADERS BECAME INCREASINGLY CRITICAL OF THE 'MODERATION' AND 'CAUTION' MITTERRAND DISPLAYED IN HIS MONDAY EVENING TV INTERVIEW (MY TELNO 828). IN A CLEAR REFERENCE TO MITTERRAND, GISCARD SAID HE WAS 'SHOCKED BY THE FEEBLENESS' OF SOME WESTERN LEADERS. SOME SOCIALISTS WERE ALSO UNHAPPY. PRESS COVERAGE HAS BEEN ALMOST UNIVERSALLY CRITICAL. EVEN OUR ELYSEE AND QUAI CONTACTS HAVE ADMITTED THAT MITTERRAND DID NOT GET IT QUITE RIGHT IN HIS INTERVIEW. THE CRITERIA HE LAID DOWN FOR JUDGING THE NEW GOVERNMENT WERE IMPECCABLE AND HE EXPRESSED CONFIDENCE THAT THE REFORM PROCESS WOULD PREVAIL. BUT HE CAME UNDER FIRE FOR FAILING TO CONDEMN THE COUP OUTRIGHT AND FOR HIS APPARENT WILLINGNESS TO GIVE THE NEW SOVIET GOVERNMENT A CHANCE TO PROVE ITSELF.

3. DUMAS' TOUGHER LINE AT THE EPC MINISTERIAL ON 20 AUGUST, DENOUNCING THE COUP AND CALLING FOR GORBACHEV'S RETURN, WAS WIDELY INTERPRETED AS AN ATTEMPT BY THE ELYSEE TO 'CORRECT ITS AIM'. BUT IT DID NOT ENTIRELY CONVINCe FRENCH MEDIA AND POLITICIANS THAT THE FRENCH LINE WAS SUFFICIENTLY FIRM AND COHERENT. MITTERRAND'S INABILITY TO CONTACT YELTSIN UNTIL 21 AUGUST (THE DAY AFTER THE

Prime Minister <sup>Ⓢ</sup>

✗

*This explains her crude criticism of 87 for not proceeding more. An attempt to get in front of dear!*

I



PRIME MINISTER AND PRESIDENT BUSH) SERVED TO COMPOUND WIDESPREAD FEELING THAT THE FRENCH GOVERNMENT WERE BEHIND THE GAME.

4. TO TRY TO RETRIEVE THE SITUATION, MITTERRAND WENT ON TELEVISION AGAIN LAST NIGHT. IT WAS A MORE VIGOROUS AND INVOLVED PERFORMANCE BUT NONETHELESS DEFENSIVE. MITTERRAND EMPHASISED THAT HE HAD FROM THE OUTSET JUDGED THAT THE COUP WOULD FAIL, SINCE IT WAS TRYING TO REVERSE AN UNSTOPPABLE MOVEMENT. HE SAW YESTERDAY'S EVENTS AS A VICTORY FOR THE SOVIET PEOPLE. HE MADE A POINT OF STRESSING HIS CLOSE FRIENDSHIP WITH GORBACHEV. SENSING THAT THE FRENCH HAVE GROUND TO MAKE UP WITH YELTSIN, MITTERRAND WAS LYRICAL IN HIS PRAISE OF THE RUSSIAN PRESIDENT. HE ACCUSED HIS OPPOSITION DETRACTORS OF LACKING SANG-FROID.

## COMMENT

5. WHY DID MITTERRAND SLIP UP ? HE WILL HAVE BEEN PARTICULARLY ANXIOUS ON MONDAY TO KEEP IN STEP WITH KOHL. HE NO DOUBT BELIEVED THAT THE TONE AND SUBSTANCE OF HIS TV INTERVIEW REFLECTED THE INITIAL, CIRCUMSPECT GERMAN REACTION (BONN TELNO 2 TO UKDEL NATO). PRESIDENT BUSH'S CALL FOR THE RESTORATION OF GORBACHEV TOOK THE FRENCH BY SURPRISE. THEY CLEARLY FELT ON TUESDAY MORNING THAT THEY COULD NOT ALLOW A GAP TO OPEN UP BETWEEN PARIS AND WASHINGTON. MITTERRAND'S INSTINCT HAD BEEN TO ADOPT A CAUTIOUS, WAIT-AND-SEE APPROACH. BUT THAT DID NOT LONG RESIST GROWING US ROBUSTNESS. IT WAS AN INTERESTING EXAMPLE OF THE FRENCH HAVING TO FALL IN BEHIND THE AMERICANS ON AN ISSUE OF INTERNATIONAL SIGNIFICANCE. IN A WAY IT WAS A TELESCOPED RE-RUN OF WHAT HAPPENED DURING THE GULF CRISIS.

6. THIS CAUTION IS TEMPERAMENTAL (AND HAS USUALLY WORKED TO MITTERRAND'S ADVANTAGE IN INTERNAL POLITICS). IT IS ALSO PARTLY A REFLECTION OF THE FRENCH DIFFICULTY IN DEVISING A NEW NATIONAL STRATEGY TO TAKE ACCOUNT OF THE END OF THE COLD WAR, AND THE CHANGING RELATIONSHIPS IN EUROPE. THE FRENCH HAVE STILL TO FIND A WAY OF RECONCILING A DESIRE TO RETAIN THE INITIATIVE IN EUROPEAN POLICY-MAKING WITH THE NEED (AS THEY SEE IT) TO KEEP GERMANY IN CHECK AND NOT APPEAR SUBSERVIENT TO THE US AS THE SOLE SUPERPOWER. ALL THIS REPOSING ON A CONCEPT OF MILITARY 'INDEPENDENCE' WHICH IS ILLUSORY AND OUTDATED, BUT WHICH IS DIFFICULT FOR INTERNAL POLITICAL REASONS TO ABANDON.

7. THE POLEMIC OVER FRENCH REACTIONS TO THE COUP IS A VERY FRANCO-FRENCH AFFAIR. SHIFTS IN THE FRENCH GOVERNMENT POSITION WILL HAVE BEEN LESS VISIBLE ABROAD. IT IS TOO SOON TO JUDGE WHETHER MITTERRAND'S PERCEIVED INDECISIVENESS WILL DO HIM LASTING DAMAGE AT

HOME. BUT IT IS ALREADY BEING ADDED TO THE LIST OF CRITICISMS OF HIS SLOWNESS IN RESPONDING TO MAJOR SHIFTS IN THE EUROPEAN POLITICAL SCENE OVER THE PAST 3 YEARS (IN PARTICULAR GERMAN REUNIFICATION). HE CERTAINLY HIT THE WRONG NOTE AT THE BEGINNING OF THE WEEK, AND THE SPEED WITH WHICH THE COUP ENDED WILL TEND TO REINFORCE THE IMPRESSION OF PRESIDENTIAL MISJUDGEMENT. THE FACT THAT WE HEARD MISGIVINGS EXPRESSED ON THE LEFT, AS WELL AS THE INEVITABLE CHORUS OF CRITICISM FROM THE RIGHT, IS SIGNIFICANT. THE CUMULATIVE EFFECT OF APPARENT FOREIGN POLICY MISCALCULATIONS OVER EUROPE (IN THE BROADEST SENSE) WILL DENT THE CREDIBILITY OF THE PRESIDENT. IT HAS COME AT A BAD MOMENT, WITH MITTERRAND ALREADY SUFFERING IN THE POLLS FROM THE POOR PERFORMANCE OF THE CRESSON GOVERNMENT.

8. SEE MIFT (NOT TO ALL) FOR SOME PRELIMINARY THOUGHTS ON THE IMPLICATIONS FOR FRENCH POLICY TOWARDS E. EUROPE AND THE SOVIET UNION.

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TO FLASH FCO

TELNO 1760

OF 221245Z AUGUST 91

AND TO FLASH NO 10

INFO PRIORITY WASHINGTON, PARIS, BONN, UKDEL NATO, ACTOR

## MESSAGE FROM YELTSIN TO PRIME MINISTER

1. A SHORT WHILE AGO WE RECEIVED BY FAX A MESSAGE, DATED 22 AUGUST, FROM PRESIDENT YELTSIN FOR THE PRIME MINISTER. FOLLOWING IS AN UNOFFICIAL TRANSLATION OF THE MESSAGE. WE WILL SEND THE ORIGINAL UNTRANSLATED MESSAGE BY FAX TO SOVIET DEPARTMENT.

2. WE HAVE ALSO RECEIVED A MESSAGE FROM YELTSIN FOR MRS THATCHER. THE TEXTS OF THE TWO MESSAGES ARE IDENTICAL.

3. MESSAGE BEGINS:

FIRST OF ALL ALLOW ME TO THANK YOU FOR THE CONCERN FOR RUSSIA, FOR ITS STRUGGLE FOR FREEDOM, DEMOCRACY AND SOCIAL PROGRESS, THAT YOU EXPRESSED IN THE COURSE OF OUR CONVERSATION ON THE TELEPHONE.

I CONSIDER IT MY DUTY PERSONALLY TO INFORM YOU, AND ALSO THE STATE LEADERSHIP OF YOUR COUNTRY OF THE FOLLOWING:

1. THROUGHOUT THE TERRITORY OF THE USSR WE HAVE REINSTATED LEGAL AND CONSTITUTIONAL ORDER.

2. THANKS TO THE MEASURES WE TOOK, THE PRESIDENT OF THE USSR WAS RELEASED FROM ARREST UNDER WHICH HE HAD BEEN PLACED BY THE PLOTTERS (LITERAL TRANSLATION: THOSE WHO MOUNTED THE PUTSCH) AND CONVEYED TO MOSCOW. THE FORCES, BLOCKING THIS, HAVE BEEN ELIMINATED. AT THE PRESENT TIME M C GORBACHEV CAN CONTINUE TO FULFIL THE CONSTITUTIONAL OBLIGATIONS WITH WHICH HE HAS BEEN ENTRUSTED.

3. BY OUR ORDER THE INSTIGATORS OF THE STATE COUP WERE ARRESTED AND PLACED IN CUSTODY. THE GENERAL PROCURATOR HAS INSTITUTED CRIMINAL PROCEEDINGS AGAINST

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THEM. VERY SOON I INTEND, TOGETHER WITH THE PRESIDENT OF THE USSR, TO DEFINE THE PROCEDURE OF CALLING THEM TO ACCOUNT IN ACCORDANCE WITH THE LEGISLATION OF THE RSFSR.

AND FURTHERMORE, UP TO THE POINT WHEN PRESIDENT GORBACHEV STARTS TO FULFIL HIS DUTIES, SUPREME POWER IN THE COUNTRY WILL BE REALISED BY US. WE FULLY CONTROL THE SITUATION.

ALLOW ME ONCE AGAIN TO ASSURE YOU OF OUR ADHERENCE TO THE IDEALS OF DEMOCRACY AND FREEDOM. YOU CAN BE SURE THAT WE WILL NOT ALLOW RUSSIA ONCE AGAIN TO FALL INTO THE HANDS OF IDEOLOGICAL OBSCURANTISTS.

WITH SINCERE RESPECT

(SIGNED)

BORIS YELTSIN  
PRESIDENT OF THE RUSSIAN FEDERATION

THE KREMLIN, MOSCOW

MESSAGE ENDS.

4. GRATEFUL IF SOVIET DEPARTMENT COULD ARRANGE FOR ONWARD TRANSMISSION TO MRS THATCHER'S OFFICE.

BRAITHWAITE

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TO PRIORITY FCO

TELNO 1764

OF 221345Z AUGUST 91

## SOVIET REACTIONS TO BRITISH GOVERNMENT POLICY DURING CRISIS

## SUMMARY

1. LIBERAL SOVIET PRESS REPORTS BRITISH GOVERNMENT'S POLICY IN OPPOSING ATTEMPTED COUP. HIGHLIGHTS PRIME MINISTER'S STATEMENTS CONDEMNING ACTIONS OF STATE OF EMERGENCY COMMITTEE AND EXPRESSING PERSONAL CONCERN OVER GORBACHEV'S FATE. YELTSIN THANKS PRIME MINISTER AND MRS THATCHER FOR THEIR SUPPORT. EVIDENCE OF POPULAR AWARENESS AND APPRECIATION OF MR MAJOR'S SUPPORT FOR YELTSIN AND RSFSR LEADERSHIP.

## DETAIL

2. THE LIBERAL DAILY NEWSPAPER IZVESTIA, WHICH CONTINUED TO BE PUBLISHED THROUGHOUT THE CRISIS, REPORTED THE PRIME MINISTER'S STATEMENTS ON THE UNCONSTITUTIONAL NATURE OF THE COUP AND ITS REVERSIBILITY. ON 21 AUGUST THE PAPER ALSO PRINTED THE FOREIGN OFFICE'S CONDEMNATION OF THE USE OF TROOPS BY THE STATE OF EMERGENCY COMMITTEE AGAINST THE CIVILIAN POPULATION. THE INTERFAX NEWS AGENCY LATER REPORTED MR MAJOR'S FURTHER CONDEMNATION OF THE COUP IN HIS TELEPHONE CONVERSATION WITH SHEVARDNADZE.

3. THE JOURNALIST IVANOV-SMOLENSKIY, WHO COORDINATED THE SIGNING OF AN IZVESTIA PETITION IN SUPPORT OF YELTSIN AND CONDEMNING THE COUP, TOLD US HE BELIEVED THE UNAMBIGUOUS SUPPORT OF WESTERN LEADERS HAD BEEN NO LESS SIGNIFICANT IN BREAKING THE PLOTTERS' WILL TO CONTINUE THAN THE REFUSAL OF SOLDIERS TO FIRE ON CIVILIANS OR THE SOLIDARITY OF WORKERS. HE SINGLED OUT MR MAJOR AND PRESIDENT BUSH FOR PARTICULAR PRAISE.

4. RUSSIAN FEDERATION PRESIDENT YELTSIN ALSO PAID TRIBUTE TO THE PRIME MINISTER IN HIS SPEECH TO THE RSFSR SUPREME SOVIET ON 22 AUGUST. HE THANKED THEM, TOGETHER WITH OTHER WESTERN LEADERS, FOR THEIR STAUNCH SUPPORT DURING THE CRISIS.

5. WE HAVE ALSO ENCOUNTERED WIDESPREAD APPRECIATION OF THE BRITISH GOVERNMENT'S STANCE DURING THE CRISIS FROM PEOPLE ON THE

STREETS. DEMONSTRATORS AROUND THE RUSSIAN FEDERATION BUILDING TOLD US THEY WERE VERY PLEASED TO HEAR THAT BRITISH ECONOMIC ASSISTANCE HAD BEEN SUSPENDED IN RESPONSE TO THE COUP. IN ADDITION, FOLLOWING THE COUP'S COLLAPSE, MILITIAMEN ON DUTY IN RED SQUARE EXPRESSED GREAT ADMIRATION FOR THE PRIME MINISTER'S TOUGH STANCE AND SUPPORT FOR YELTSIN IN CONVERSATION WITH EMBASSY STAFF.

BRAITHWAITE

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SOVIET COUP: MEETING WITH LAPTEV

SUMMARY

1. IMPENDING SIGNATURE OF UNION TREATY WAS MAINSPRING FOR COUP. KEY ROLE OF BAKLANOV AND VARENNIKOV. MOISEEV PROTESTED AGAINST COUP. COUP COULD SIGN CPSU'S DEATH WARRANT. GRATITUDE FOR UK SUPPORT.

2. IVAN LAPTEV, CHAIRMAN OF THE COUNCIL OF THE UNION AND ONE OF THE LEADERS OF SHEVARDNADZE'S MOVEMENT FOR DEMOCRATIC REFORM SAW ME FOR ONE AND A HALF HOURS IN THE KREMLIN TODAY. HE SPOKE IN SOME DETAIL ABOUT THE CIRCUMSTANCES OF THE COUP AND DISCUSSED SOME OF THE POLITICAL CONSEQUENCES.

*Leahy  
Reference*

COUP DETAILS

3. THE IMMEDIATE TRIGGER OF THE COUP HAD BEEN THE IMMINENT SIGNATURE OF THE UNION TREATY. EARLY SIGNATURE HAD BEEN ARRANGED AMONG REPUBLIC LEADERS, PRINCIPALLY YELTSIN AND NAZARBAEV DURING PRESIDENT BUSH'S VISIT TO MOSCOW, WHILE LUKYANOV WAS VISITING SWITZERLAND. ON HIS RETURN LUKYANOV HAD BEEN FURIOUS TO DISCOVER THAT GORBACHEV HAD AGREED TO SIGNATURE ON 20 AUGUST. THE UNION TREATY SPELLED THE END OF THE OLD STRUCTURES AND THE DISINTEGRATION OF THE COMMUNIST PARTY INTO 50 OR 60 SMALL SEPARATE PARTIES. THERE HAD BEEN ENORMOUS PRESSURE FROM THE PARTY CENTRAL COMMITTEE, FROM SOYUZ DEPUTIES ETC TO HOLD UP THE SIGNATURE.

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*Kazakhstan*

4. THE REPRESENTATIVES OF THE JUNTA WHO HAD FLOWN TO THE CRIMEA ON SUNDAY 18 AUGUST TO PRESENT THE ULTIMATUM TO GORBACHEV HAD INCLUDED BAKLANOV, BOLDIN (FORMER GORBACHEV ADVISER AND CENTRAL COMMITTEE APPARAT MEMBER), SHEININ, VARENNIKOV (CHIEF OF GROUND FORCES) AND US. PLEKHANOV (FORMER HEAD OF THE 9TH ADMINISTRATION OF THE KGB AND HEAD OF GORBACHEV'S BODYGUARD). IT WAS UNCLEAR WHETHER PLEKHANOV HAD HELPED TO ORGANISE THE COUP

PAGE 1  
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OR HAD BEEN TAKEN IN ORDER TO GAIN ACCESS TO GORBACHEV. ON THEIR RETURN TO MOSCOW THIS GROUP HAD CONFERRED WITH OTHER MEMBERS OF THE JUNTA IN PAVLOV'S OFFICE (PAVLOV'S SUBSEQUENT ILLNESS WAS GENUINE). VARENNIKOV HAD THEN FLOWN TO KIEV TO MEET KRAVCHUK AND HAD DONE A DEAL WHEREBY THE JUNTA WOULD NOT INTERFERE WITH THE UKRAINE PROVIDED THE UKRAINE DID NOT OPPOSE THE COUP. HENCE THE AMBIVALENT STATEMENTS BY KRAVCHUK.

5. THE MEMBERS OF THE JUNTA HAD BEGUN TO REALISE THE COUP WOULD FAIL ON TUESDAY AFTERNOON AS THE CROWD DEFENDING THE RSFSR WHITE HOUSE INCREASED AND IT BECAME CLEAR THAT NO MILITARY UNIT IN MOSCOW COULD BE USED TO STORM THE BUILDING. NONE OF THE THREE ARMY DIVISIONS IN MOSCOW WERE REGARDED AS RELIABLE AND THE VITEBSK DIVISION OF KGB TROOPS WAS BROUGHT IN. BUT THERE WAS NO CONFIDENCE THAT THE VITEBSK DIVISION COULD GET THROUGH TO MOSCOW AND AT THIS POINT THE MEMBERS OF THE JUNTA STARTED FEELING ILL.

6. THE REACTIONS TO YELTSIN'S CALL FOR STRIKES, THOUGH NOT VERY EXTENSIVE ALSO PLAYED A PART, AS DID THE FACT THAT ONLY FOUR RSFSR OBLASTS OUT OF 24 WERE SUPPORTING THE STATE OF EMERGENCY. ~~LAPTEV SAID THAT~~ THE COUP LEADERS DID NOT ANTICIPATE THE POPULAR REACTION. THEY HAD PERSUADED THEMSELVES THAT PEOPLE REALLY WANTED AN IRON HAND AND THAT IF THEY ESTABLISHED A TIGHT GRIP ON MOSCOW AND PROMISED LAW AND ORDER AND LOWER PRICES THERE WOULD BE NO SIGNIFICANT RESISTANCE.

7. ON THE AFTERNOON OF WEDNESDAY 21 AUGUST LUKYANOV, IVASHKO, KRYUCHKOV AND YAZOV HAD FLOWN TOGETHER TO THE CRIMEA ARRIVING AT ABOUT 5 PM. GORBACHEV DID NOT RECEIVE THEM UNTIL HE HAD SEEN THE RSFSR DELEGATION AND THEN SAW LUKYANOV AND KRYUCHKOV SEPARATELY. HE WOULD NOT RECEIVE YAZOV OR BAKLANOV AND WALKED PAST THEM WITHOUT GREETING THEM.

8. LAPTEV WAS NOT YET SURE WHAT ROLE LUKYANOV HAD PLAYED BUT HE SUSPECTED THAT THE RUSSIAN DEPUTIES WHO DESCRIBED HIM AS THE 'CHIEF IDEOLOGIST' OF THE COUP WERE CLOSE TO THE TRUTH.

9. LAPTEV CONFIRMED THAT PUGO HAD SHOT HIMSELF. THE OTHER COUP LEADERS WERE UNDER ARREST EXCEPT THAT STARODUBTSEV AND BAKLANOV ENJOYED IMMUNITY AS DEPUTIES AND YANAEV AS VICE PRESIDENT COULD NOT FORMALLY BE ARRESTED. HOWEVER ALL THREE WERE BEING INTERROGATED AND YANAEV'S OFFICE HAD BEEN SEARCHED.

POLITICAL CONSEQUENCES OF COUP



10. LAPTEV AGREED WITH ME THAT THE MAIN ISSUES WHICH NOW AROSE WERE THE NEW APPOINTMENTS WHICH WOULD HAVE TO BE MADE: THE RELATIONS BETWEEN THE TWO PRESIDENTS: THE UNION TREATY AND THE ECONOMY.

11. LAPTEV SAID THAT THE JUNTA HAD TAKEN ALL GORBACHEV'S POWER AND DROPPED IT. YELTSIN HAD PICKED UP AS MUCH AS HE COULD. GORBACHEV WOULD BE WISE TO LEAVE YELTSIN THE POWERS HE HAD ACQUIRED. GORBACHEV WOULD NOW BE BETTER REGARDED BY THE PEOPLE THAN BEFORE. BUT IT HAD BECOME CLEAR TO THE SOVIET ESTABLISHMENT THAT GORBACHEV HAD BEEN NEGLIGENT IN APPOINTING UNRELIABLE PEOPLE. HE HAD SHOWN WEAKNESS IN THIS RESPECT AND THIS WOULD DAMAGE HIM. IT WOULD BE VERY IMPORTANT WHAT NEW TEAM HE NOW CHOSE. THEY MUST BE LARGELY NEW PEOPLE OR INCLUDE SOME WHOM HE HAD DISCARDED PREVIOUSLY.

12. GORBACHEV AND YELTSIN WOULD NOW HAVE TO AGREE A JOINT LINE OR EVENTUALLY ONE OF THEM WOULD HAVE TO GO. GORBACHEV'S POSITION WOULD BE WEAKER IN RELATION TO YELTSIN BUT FOR A LONG TIME THE USSR PRESIDENT WOULD NOT BE ONLY A SYMBOLIC FIGURE - THERE WAS A TRADITION OF CENTRALISM IN RUSSIA AND EVENTUALLY HE WOULD REACQUIRE SOME OF THE POWERS HE HAD YIELDED.

13. LAPTEV AGREED WITH ME THAT THERE HAD BEEN OVERTONES OF RUSSIAN IMPERIALISM AT THE MORNING'S SESSION OF THE RSFSR SUPREME SOVIET. THIS WAS A 'CHILDISH ILLNESS OF DEMOCRACY' BUT IT WOULD PROBABLY INCLINE SOME OTHER REPUBLICS TO GIVE MORE SUPPORT TO GORBACHEV. THE REPUBLICS WHICH HAD MOST CRITICISED GORBACHEV MUST NOW REALISE THAT HE HAD AFTER ALL PROTECTED THEM.

CPSU

14. LAPTEV SAID THAT THE COUP COULD SIGN THE DEATH WARRANT OF THE CPSU. THE PARTY HAD PLAYED NO OVERT ROLE BUT THE EIGHT MEMBERS OF THE JUNTA WERE ALL CENTRAL COMMITTEE MEMBERS. OF THE NINE PAPERS WHICH THE JUNTA HAD ALLOWED TO BE PUBLISHED SIX WERE PARTY NEWSPAPERS. THE CENTRAL COMMITTEE SECRETARIAT HAD BELATEDLY ISSUED A STATEMENT DEMANDING THAT THE GENERAL SECRETARY SHOULD BE ALLOWED TO ATTEND A CENTRAL COMMITTEE PLENUM. HOWEVER THE EARLIER DRAFT OF THE STATEMENT HAD INCLUDED APPROVAL FOR THE COUP. BUT THE DEPUTY LEADER OF THE PARTY, IVASHKO HAD EMERGED FROM HOSPITAL TO INSIST ON A STATEMENT WHICH THOUGH TOOTHLESS INCLUDED NO SUPPORT FOR IT.

KGB

15. LAPTEV SAID THAT DECISIVE MEASURES WERE NOW NEEDED TO REORGANISE THE KGB. IT SHOULD BE DIVIDED UP INTO TWO OR THREE ORGANISATIONS WHICH COULD CONTROL EACH OTHER AND A POLITICIAN SHOULD BE PUT IN CHARGE. LAPTEV ALSO SAID HOWEVER THAT NOT ALL SECTIONS OF THE KGB HAD BEEN REGARDED AS RELIABLE BY THE COUP ORGANISERS. KGB OFFICERS FROM SEVASTAPOL HAD RUNG THE KREMLIN TO PROTEST OF WHAT WAS HAPPENING AND SAID THEY HAD RECEIVED NO INSTRUCTIONS.

## ARMED FORCES

16. THE COUP HAD DEALT A GREAT BLOW TO THE SELF ESTEEM OF THE ARMED FORCES. HOWEVER MOISEEV, THE CHIEF OF THE GENERAL STAFF, HAD PLAYED AN ENTIRELY HONOURABLE ROLE. HE HAD BEEN ON LEAVE: HAD NOT BEEN INFORMED AND ON HIS RETURN HE HAD CATEGORICALLY PROTESTED AT THE COUP. (GORBACHEV HAS NOW APPOINTED MOISEEV MINISTER OF DEFENCE IN PLACE OF YAZOV.)

## UK ROLE

17. AT THE END OF OUR CONVERSATION LAPTEV EXPRESSED PROFOUND GRATITUDE TO THE UNITED KINGDOM AND IN PARTICULAR TO THE PRIME MINISTER WHOSE CLEAR AND DECISIVE STATEMENTS HAD GIVEN ENORMOUS MORAL SUPPORT. HE ADDED THAT THE PRIME MINISTER'S STATEMENTS HAD MADE A MUCH MORE FAVOURABLE IMPRESSION THAN THOSE OF PRESIDENT MITTERRAND.

## BRAITHWAITE

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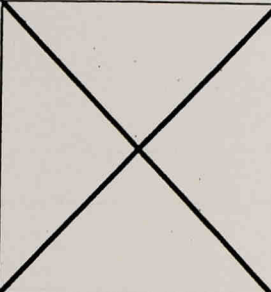
10 DOWNING STREET

Prime Minister

Now largely history  
but worth noting where  
Zarogatin's sympathies  
lay. He used to be  
Brecher's spokesman  
and is a frightful  
reactionary

St John

2/8

DEPARTMENT/SERIES ..... <i>PRM 19</i> ..... PIECE/ITEM ..... <i>3558</i> ..... (one piece/item number)	Date and sign
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10 DOWNING STREET  
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From the Private Secretary

21 August 1991

SOVIET UNION

I have not had a chance during the day to record the numerous telephone conversations which the Prime Minister has held, though we have spoken on the telephone about most of them. As you know, the Prime Minister had a meeting this morning with Dr Kagalovsky, Mr Yeltsin's Economic Adviser. In the course of the day he has spoken, in the following order to Prime Minister Hawke of Australia, President Bush, Mr Shevardnadze, Prime Minister Lubbers, Mr Yakovlev, Chancellor Kohl, President Yeltsin and Prime Minister Mulroney. The following is a summary of what transpired in the telephone calls. I am sending a separate record of the meeting with Dr Kagalovsky.

Prime Minister Hawke

Mr Hawke, who initiated the call, wanted to exchange views and to let the Prime Minister know that Australia had taken similarly robust measures to those taken by the European Council. Particular points of interest to him were:

- (i) The health of President Gorbachev. The Australians had had a report that he might have been injured. The Prime Minister was able to tell him that, from his own conversation with President Yeltsin, this did not appear to be the case.
- (ii) How we were seeking to help the countries of Eastern Europe. The Prime Minister explained how we were showing solidarity by emphasising the irreversibility of democracy in Eastern Europe and by speeding up progress on the proposed Association Agreements.

Mr Hawke speculated about the future relationship between President Gorbachev and President Yeltsin if the coup failed. The Prime Minister said that we were addressing ourselves to this issue. Yeltsin's people thought that the independence of the Republics was inevitable and that power would move to the Russian Republic. Mr Hawke said that even with the inevitable

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- 2 -

redistribution of power, it was in our interest to see some central control, eg of defence. The Prime Minister agreed. He and Mr Hawke also agreed that Mr Yeltsin's relative position was bound to be stronger since he would be seen as the central pillar of the successful resistance. Mr Hawke asked whether the Prime Minister judged that Mr Yeltsin's personal stature had already increased over the last six months. The Prime Minister said that he did. There was evidence for this in the comparison between Mr Yeltsin's two visits to the Soviet Union, the first of which had been a disaster and the second a success.

Comment: Mr Hawke was obviously very pleased to have this contact with the Prime Minister and on a future occasion the Prime Minister will, I think, initiate such contact himself. Mr Hawke made no mention of Maralinga but the Prime Minister was grateful for the briefing.

President Bush

President Bush telephoned at about 1500 to report on the conversation which he had had about half an hour earlier with Mr Yeltsin. Mr Yeltsin was feeling more confident but (at a time when it looked from the television as if the coup was crumbling) Yeltsin was evidently uncertain which way things would go. He gave the impression that there was something of a race to get to President Gorbachev between the coup leaders and a group from the Russian Parliament headed by Mr Silayev. The question was whether the President of the Ukraine, who was on Mr Yeltsin's side, could keep the five who were thought to be on their way to see Gorbachev, from actually getting to see him. Mr Yeltsin had himself tried to get through to President Gorbachev on the telephone, having been told that Mr Gorbachev has some special switching device that would enable him to get through. In fact, it was not possible to talk to President Gorbachev but contact had been made with his guards who had confirmed that President Gorbachev was healthy and that he would refuse to sign any document that was put in front of him. Mr Yeltsin had quoted Lukyanov as saying that he had never been part of the group leading the coup. Mr Pavlov had gone into hospital. His illness was entirely diplomatic. Much of this account was subsequently given to the press by President Bush.

Mr Shevardnadze

The Prime Minister spoke to Mr Shevardnadze (our initiative) shortly before 1700. The Prime Minister said that we had been watching events with enormous interest and concern. There was tremendous support in Britain for the reform movement. We had been very forthright in condemning the coup over the last two days. We were anxious to know whether President Gorbachev was all right. The Prime Minister said that he had been in very close touch with President Bush who was very keen to know Mr Shevardnadze's views on what was happening.

Mr Shevardnadze said he was very touched by the Prime Minister's understanding and by his call. He considered it a manifestation of solidarity and support. The worst time had been yesterday and yesterday night, when an attempt had been made to

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storm the Russian Parliament Building. Now, of course, there were tens of thousands of people on the streets and Mr Shevardnadze was one of them. Tragically, however, three people had died last night. Now, meetings were taking place which would condemn the actions of the self-appointed committee. Many changes had taken place in the army during the course of the day, the main development being an announcement by the army commander that the army would not carry out the orders of the Committee of Eight. There was overwhelming support for the legitimate government from the people of Leningrad, Sverdlovsk and other places. The Russian Supreme Soviet was in session and that was going well. The Supreme Soviet of the Soviet Union was due to meet from 26-28 August. Deputies were already gathering and Mr Shevardnadze was convinced that they would condemn the illegal committee. President Gorbachev was in the Crimea and a group of his comrades had left to talk to him. Mr Shevardnadze understood that some perpetrators of the putsch had also set out for the Crimea but he did not know exactly who had gone. There were divergences of view among the coup leaders who would not agree on how to continue the coup. The large majority of troops in Moscow had now left. There were still difficulties to overcome but he was very grateful for Britain's principled stand and the very great help from the Prime Minister. He expressed gratitude for the conversations which had taken place between Mr Yeltsin, President Bush and the Prime Minister. He was grateful for the support of the West: "we will try not to let you down".

The Prime Minister said that we had all admired Mr Shevardnadze's speech and his personal courage in making it. Those who had resisted the coup were very brave men, much admired in Britain for what they had done. We would continue to use the BBC to broadcast our complete support for the reform movement and condemnation of the coup. He hoped Mr Shevardnadze would let us know directly or via the Embassy of anything we could do to help in the present situation. We would do whatever we could.

Prime Minister Lubbers

Prime Minister Lubbers telephoned to seek the Prime Minister's view on whether the special European Council should go ahead on Friday 23 August. He had consulted President Mitterrand who thought it was no longer appropriate to meet. The Prime Minister agreed. Mr Lubbers saw a risk that if we met with representatives of the Soviet Union and Eastern Europe, then we would come under very strong pressure to give large sums of aid. The Prime Minister agreed that it would be better to keep open the possibility of a meeting but not to have a meeting on Friday. Mr Lubbers said that he would not consult other colleagues, he would simply tell them that this was how the Presidency was proposing to proceed.

Mr Yakovlev

The Prime Minister spoke to Mr Yakovlev, at our initiative, at about 1745. Mr Yakovlev said that events were moving swiftly and favourably. Troops were out of the city. Tanks were out. President Gorbachev would be back in Moscow very shortly. He was

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in good health, though tired. Preliminary information suggested that some people from the Junta had been arrested. The people were now out in the streets in vast numbers crying "freedom, freedom, victory". He was happy to accept the congratulations of the Prime Minister. He wished to congratulate the Prime Minister too on what he had done to achieve this outcome.

The Prime Minister said he was thrilled to hear this news. We had enormous admiration at the courage of everyone concerned and were delighted to learn that President Gorbachev was safe. Mr Yakovlev said that he himself and a number of colleagues had been under great threat. The Junta had wanted to kill some of them. He again expressed his gratitude for our support.

Chancellor Kohl

The Prime Minister spoke to Chancellor Kohl at our initiative at about 1800. Chancellor Kohl had just been speaking to President Yeltsin and was in ebullient form. They exchanged information. Chancellor Kohl said that the coup had achieved the exact opposite of what it intended. The Soviet Union would now become a true democracy and the G7 discussions would show their true meaning. It was a fantastic outcome and we must now help President Gorbachev and not hide our light under a bushel. If Gorbachev had not been invited to London to the G7 we could not have used the language that had been used then and over the last few days. It had made an enormous impression on Moscow that the West had said that the Constitution must be respected. This had had a particular impact on the army. Chancellor Kohl looked forward to seeing the Prime Minister on Friday. The Prime Minister said hastily that he understood from Mr Lubbers that a number of colleagues, including President Mitterrand, wanted to defer the meeting. Chancellor Kohl said that was fine by him. He would anyway talk to the Prime Minister on the telephone next week.

President Yeltsin

President Yeltsin telephoned at about 1830. The Prime Minister offered him his congratulations on a very remarkable two days. We had watched with huge admiration President Yeltsin's achievements and courage. He offered his warmest congratulations on what he had achieved. Mr Yeltsin expressed warm thanks. These had been very tragic days but with a successful outcome. Things were now set very firmly on course for decisions on economic reform, glasnost and measures to prevent such criminal actions in the future. President Yeltsin had spoken to President Gorbachev. For three days he had been completely cut off with no communications. But he was well and happy to be in contact. Mr Yeltsin had organised things so that President Gorbachev could return to Moscow, though he did not know at what time. The Soviet Procurator-General had opened a criminal case against the conspirators. Once again, he wanted to thank the Prime Minister very much for the very good things he had said. Russia was on the democratic path and ready to open relations with the United Kingdom. The Prime Minister said he was delighted with the news. It was a cause for celebration. He looked forward to seeing President Yeltsin in the very near future.

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Prime Minister Mulroney

The Prime Minister spoke to Mr Mulroney this evening (Mr Mulroney's initiative). Mr Mulroney congratulated the Prime Minister and his EC colleagues on the stance they had taken. The Prime Minister described what we knew of the latest developments. Although President Gorbachev and Mr Yeltsin now appeared to be issuing desires which ran across each other, it was hard to see how the reform process could be other than strengthened. No doubt the demands for money would be strengthened too. But, compared with forty-eight hours ago, this was a tremendous result. Broadcasts from Washington, London and other places calling for the restoration of legitimate government had had an immense effect. Mr Mulroney agreed - including that more money could be asked for.

I am copying this letter to the Private Secretaries to members of OPD and to Sir Robin Butler.

J. S. WALL

Richard Gozney, Esq.  
Foreign and Commonwealth Office

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file DT  
(C: Foreign Secy)  
bc: PC

10 DOWNING STREET  
LONDON SW1A 2AA

*From the Private Secretary*

21 August 1991

PRESIDENT GORBACHEV'S TELEPHONE CALL TO PRESIDENT BUSH.

Bob Gates (NSC) gave me the following account of President Gorbachev's telephone call to President Bush earlier this afternoon. President Gorbachev had initiated the call. Initially, he had got through only to President Bush's interpreter who had apologised that President Bush was not immediately available. Mr Gorbachev had said that did not matter at all. He was delighted to be talking to somebody again in the outside world.

The President had found Mr Gorbachev relieved, and invigorated. He said he had been blocked from all contact with the outside world for four days and had had no communications or news. His guards, however, had been totally loyal to him. The three rings of troop surrounding him were loyal and had protected him against the coup leaders. Mr Gorbachev had had his full powers back only for about an hour. In that time, he had talked to the leaders of all the Republics, starting with Mr Yeltsin. He had appointed Mr Moiseyev as Minister of Defence with instructions to take orders only from him. His first order had been for all troops to stand down. All the leaders of the Republics had been supportive, Mr Yeltsin above all. This had proved the value of the Union treaty process. Society would not let adventurers succeed. Democracy and glasnost had made the difference. Mr Gorbachev had said that the coup leaders were apparently on their way to see him, though he did not know more than that. For his part, there was much work to do. President Gorbachev was immensely grateful for the support he had had from the United States, Britain and the rest of the West. He would be returning to Moscow tonight or tomorrow morning. He would continue to work on the existing foreign policy agenda. This had been a victory for democracy.

The President had found Mr Gorbachev ebullient and sounding quite like his old self. The President said that he would restore all the suspended measures as soon as President Gorbachev told him that it was the right moment to do so.

J. S. WALL

Richard Gozney, Esq.  
Foreign and Commonwealth Office

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10 DOWNING STREET  
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From the Private Secretary

21 August 1991

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RECORD OF A MEETING BETWEEN THE PRIME MINISTER AND  
DR CONSTANTIN KAGALOVSKY

Dr Constantin Kagalovsky, Mr Yeltsin's senior Economic Adviser, called on the Prime Minister this morning. Dr Kagalovsky said that, before his meeting with the Prime Minister, he had telephoned the Russian Parliament and had spoken to Mr Burbulis (phon), Secretary of State for Russia. He had asked Dr Kagalovsky to give a message to the Prime Minister, asking him, following yesterday's conversation with Mr Yeltsin, to keep up pressure on the military Junta. Everything was in a delicate balance and everything we could say was of vital importance.

The Prime Minister described the steps we had taken following his conversation with Mr Yeltsin and the demands we had made of the Soviet authorities. He had broadcast on the BBC overseas service and had been very supportive of the Russian position, and very critical of the Group of Eight. He would make another broadcast today. There was no support abroad for the coup. There was strong support for the reform programme and for those who were building it. We would continue to keep up the pressure. EC Heads of Government were likely to meet on Friday. We would maintain a very strong and supportive position. People had a right to be free and to elect their Parliament. Now freedom was in the balance. The next few hours/days would be crucial. Our support was for reform, for Gorbachev and Yeltsin and for the brave men in the Russian Parliament.

Dr Kagalovsky said that there was constant movement of troops. There were reports that the Junta were trying to put in troops from the central Asian and other Republics. They were less likely to respond to the ordinary Russian people and more likely to be willing to take action against them. The Prime Minister said that he welcomed suggestions as to what more we might do. It was very helpful to have continuing contacts with the Russian White House and to be seen to have such contacts. Dr Kagalovsky hoped we could raise the threat of a potential economic blockade, which the Soviet economy could not survive. Such a threat would have a major impact. He hoped in any case that the military coup would fail within days or within months at the most. It would be impossible to restore the Soviet Union as it had been in the past. Power would shift irreversibly to the

Republics. There would be no place for a President of the Union with real power. Real power would be with the Republican authorities. Power would lie in the Russian White House rather than with Gorbachev. The Prime Minister said that we already had direct relations with the Republics and would accelerate them. Dr Kagalovsky said that the Junta now faced the choice of going back on the coup or pursuing a bloody road. They must understand that if they attacked the Russian Parliament they would face a severe reaction by the rest of the world. The Russian Parliament was now seen as a symbol of freedom for the entire Soviet Union.

Dr Kagalovsky said that the position of Mr Kryuchkov, the Head of the KGB, was not clear. He had negotiated with Mr Burbulis during the night and had promised there would be no attack on the White House during the course of the night. There was no one policy in the Junta. Many of them were now afraid. That was why atmospherics were so important.

The Prime Minister asked about the position of Mr Pavlov and General Yasov. Dr Kagalovsky said that Mr Pavlov had never been very active in the coup from the start, though it was not sure whether he had now actively changed sides.

The Prime Minister and Dr Kagalovsky then discussed the public line which they later took with the press in Downing Street.

I am copying this letter to Sonia Phippard (Cabinet Office).

J. S. WALL

Richard Gozney, Esq.  
Foreign and Commonwealth Office

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Foreign &  
Commonwealth  
Office

*CEPC*  
*Burke*

21 August 1991

London SW1A 2AH

*Dear Stephen,* *file 2*

Prime Minister's telephone call to the Australian  
Prime Minister

You asked for a report on the statement and decisions by Mr Hawke, in response to events in the Soviet Union. This I enclose.

You should also be aware that the long-running issue of compensation to Australia for British tests at Maralinga as re-surfaced in the last couple of days following an Australian television programme on 17 and 18 August. The Australian government are reported to have agreed that Mr Hawke should make a request to the Prime Minister for further talks on Maralinga, about a British contribution to clean-up costs (telegrams enclosed).

The department think it unlikely that Mr Hawke will raise this; if he does it should be to forewarn the Prime Minister that he will be writing to him about Maralinga. Once we see any letter from Mr Hawke, the MOD and we will need to consider a reply.

*Yours ever*

*Richard S.*

(R H T Gozney)  
Private Secretary

J S Wall Esq  
10 Downing Street

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MY TELNO 597: SOVIET COUP: AUSTRALIAN REACTIONS.

SUMMARY

1. THE AUSTRALIAN GOVERNMENT HAS SUSPENDED A AUS DOLLARS 500 MILLION LINE OF CREDIT TO THE SOVIET UNION.

DETAIL

2. IN ANNOUNCING THE SUSPENSION OF CREDIT THE AUSTRALIAN PRIME MINISTER (HAWKE) SAID THAT IT WAS IMPORTANT THAT COUNTRIES THROUGHOUT THE WORLD SEND THE SAME MESSAGE TO THE SOVIET UNION. HE EXPECTED THE REST OF THE WORLD TO TAKE SIMILAR STEPS TO PUT ECONOMIC ASSISTANCE ON HOLD. HAWKE IS REPORTED TO HAVE TOLD THE ALP CAUCUS THAT AUSTRALIA WOULD SUSPEND ALL COOPERATIVE ARRANGEMENTS WITH THE SOVIET UNION AND WOULD STAY IN CLOSE CONSULTATION WITH FRIENDS AND ALLIES SO THERE CAN BE SOME COORDINATION OF ECONOMIC ACTION AGAINST THE NEW REGIME.

3. THE CAUCUS PASSED A MOTION WITH MR HAWKE'S SUPPORT CONDEMNING THE COUP AS ILLEGAL AND CALLING ON AUSTRALIA TO REVIEW ITS POLITICAL, ECONOMIC AND CULTURAL RELATIONS WITH THE USSR.

4. IN RESPONSE TO REPORTS THAT GORBACHEV MAY HAVE BEEN INJURED HAWKE SAID THAT IT WOULD BE TOTALLY UNACCEPTABLE IF ANY HARM CAME TO GORBACHEV OR HIS FAMILY.

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MYTELNO 585 AND MODUK SIGNAL MISC 099 OF 160950Z: SBS  
TELEVISION PROGRAMME ON MARALINGA

## SUMMARY

1. TV PROGRAMME HIGHLIGHTS FAILURE OF 1967 CLEAN-UP (OPERATION BRUMBY) AND SUGGESTS POSSIBILITY OF BREACH OF NPT WITH BRITISH AND AUSTRALIAN GOVERNMENT COMPLICITY IN FURTHER COVER-UP. CABINET REPORTED TO HAVE AGREED ON A REQUEST BY MR HAWKE TO THE PRIME MINISTER FOR TALKS ON A BRITISH CONTRIBUTION TO THE CLEAN-UP.

## DETAIL

2. SBS (NON-COMMERCIAL TV STATION AIMED AT ETHNIC MINORITIES) BROADCAST A 40- MINUTE PROGRAMME ON MARALINGA ON 17 AUGUST, REPEATED NEXT DAY. A SUMMARY OF THE PROGRAMME IS IN MIFT. THE PROGRAMME PRODUCER, ROBERT COCKBURN, ALSO FILED A STORY WHICH APPEARED IN THE (LONDON) TIMES OF 17 AUGUST. BOTH HE AND THE DAILY TELEGRAPH CORRESPONDENT IN SYDNEY HAVE SUBSEQUENTLY BEEN IN TOUCH WITH US, SO FURTHER STORIES MAY APPEAR IN THE BRITISH PRESS. WE HAVE CONFIRMED THAT HMG'S POSITION ON REHABILITATION REMAINS UNCHANGED AND HAVE DRAWN ON POINTS 1 AND 2 OF PARA D OF MODUK TUR.

## COMMENT

3. THE PRODUCER EVIDENTLY ENJOYED GOOD ACCESS TO AUSTRALIAN GOVERNMENT SCIENTISTS AT THE AUSTRALIAN NUCLEAR SCIENCE AND TECHNOLOGY ORGANISATION (ANSTO) AND AUSTRALIAN RADIATION LABORATORY (ARL). THIS ACCESS AND THE FREEDOM WITH WHICH THE NATURALLY CAUTIOUS COSTELLO (TAG PROGRAMME MANAGER) AND DAVY



(TAG COVENOR) SPOKE MUST HAVE BEEN SANCTIONED BY THE DEPARTMENT OF PRIMARY INDUSTRIES AND ENERGY (DPIE). THE PROGRAMME WAS AT TIMES CRITICAL OF THE AUSTRALIAN GOVERNMENT, BUT ITS MAIN THRUST WAS AGAINST HMG:

- FOR FAILING TO CLEAN UP THE SITE ADEQUATELY IN 1967 WHEN IT CONDUCTED OPERATION BRUMBY:
- FOR NOT ACKNOWLEDGING A CONTINUING RESPONSIBILITY TO CONTRIBUTE TO REHABILITATION:
- FOR ALLEGEDLY DISREGARDING POSSIBLE PROLIFERATION RISKS ASSOCIATED WITH MATERIAL REMAINING ON SITE.

✓ THIS CRITICAL LINE IS NO DOUBT WELCOME TO DPIE. THE PROGRAMME MAY BE A FIRST SHOT IN AN AUSTRALIAN SOFTENING-UP STRATEGY DESIGNED TO PLAY THE PUBLIC OPINION CARD BOTH HERE AND POSSIBLY IN BRITAIN. COCKBURN BELIEVES SBS WILL TRY TO INTEREST ITN OR CHANNEL 4 IN THE PROGRAMME.

5. THE PROGRAMME CLAIMED THAT FEDERAL CABINET WOULD CONSIDER MARALINGA'S FUTURE THIS WEEK. ON 19 AUGUST DPIE DID NOT EXPECT THIS TO BE THE CASE, BUT ON 20 AUGUST THE AUSTRALIAN PRESS REPORTED THAT FEDERAL CABINET HAD AGREED THE PREVIOUS DAY (A) TO THE AUS DOLLARS 93 MILLION CLEAN-UP OPTION, (B) TO SEEK A SUBSTANTIAL CONTRIBUTION TOWARDS THIS FROM BRITAN, AND (C) THAT MR HAWKE SHOULD WRITE TO THE PRIME MINISTER TO PROPOSE TALKS ON THESE ISSUES. RAWSON (DPIE) HAS NOW CONFIRMED THAT CABINET DID CONSIDER MARALINGA ON 19 AUGUST BUT WOULD SAY NO MORE THAN THAT HE EXPECTED MR HAWKE TO WRITE TO THE PRIME MINISTER WITH A VIEW TO BILATERAL TALKS PERHAPS IN OCTOBER OR NOVEMBER. MR CREAN (MINISTER FOR PIE) PLANS TO VISIT EUROPE ON 7-20 NOVEMBER: RAWSON COMMENTED THAT THIS VISIT COULD BE AN OPPORTUNITY FOR MINISTERIAL LEVEL TALKS.

6. BECAUSE OF OUR SLOW BAG SERVICE, WE ARE SENDING A COPY OF THE SBS DATELINE PROGRAMME BY COMMERCIAL COURIER (TO SPD).

7. ALTHOUGH MODUK TUR IS RESTRICTED AND HAS A PASSAGE PREFACED 'FOR YOUR INFORMATION ONLY', IT WAS SENT TO BDRSS VIA AUSTRALIAN GOVERNMENT COMMUNICATIONS CHANNELS. I RECOMMEND THAT ALL FUTURE TELEGRAMS ON THIS SUBJECT, WHETHER ISSUED BY MOD OR BY FCO, BE SENT BY UK COMMS ONLY.

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20 AUG 1991

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MODUK FOR BEVANS (AUS(C))  
MCTAGGART DSC(NUC)  
HOWARD SEC(O)(C)

M.I.P.T.: MARALINGA: SBS PROGRAMME: SUMMARY OF CONTENTS.

1. THE PROGRAMME NOTED THAT BRITAIN HAD SO FAR REFUSED TO ACCEPT LIABILITY FOR FURTHER CLEAN-UP AND CLAIMED THAT FEDERAL CABINET WOULD CONSIDER A SUBMISSION THIS WEEK ON MARALINGA'S FUTURE WITH THE AIM OF FORCING HMG TO CONTRIBUTE TO REHABILITATION. A "SHOWDOWN" WAS FORECAST FOR LATER THIS YEAR WHEN THE TWO GOVERNMENTS MET TO DISCUSS THE ISSUE. FURTHER INFORMATION NOW AVAILABLE ABOUT EXTENT AND LEVEL OF CONTAMINATION AT MARALINGA WOULD BE EMBARRASSING TO HMG AND THE AUSTRALIAN GOVERNMENT WAS COOPERATING WITH THE BRITISH TO COVER UP THE REALITY. || !

2. ABORIGINES HAD BEEN SUMMARILY EVICTED FROM THE AREA AND KEY INFORMATION WITHHELD FROM THE AUSTRALIANS ABOUT MANY OF THE MINOR TRIALS. OPERATION BRUMBY HAD BEEN A FAILURE, BUT WHITEHALL HAD GIVEN MARALINGA A "DUBIOUS CLEAN BILL OF HEALTH". AUSTRALIA HAD RELEASED HMG FROM FUTURE LIABILITY ON THE BASIS OF INCOMPLETE INFORMATION. JOHN MORONEY, A MEMBER OF AWTSC (1957-72), EXPLAINED THAT COLLABORATION BETWEEN THE BRITISH AND AUSTRALIANS HAD BEEN VERY CLOSE EXCEPT IN THE AREA OF WEAPONS INFORMATION. COSTELLO (ANSTO, TAG PROGRAMME MANAGER) EXPLAINED THE CAUSE OF PLUTONIUM CONTAMINATION RESULTING FROM THE MINOR TRIALS. TAG'S INDICATIVE COSTS FOR THE VARIOUS OPTIONS WERE QUOTED.

3. PROGRAMME SHOWED PHOTOGRAPHS OF A 5KG PIECE OF SOLID URANIUM DISCOVERED DURING MY FAMILIARISATION VISIT. COSTELLO POINTED OUT THAT THIS HAD BEEN CAST AND MACHINED, WAS NATURALLY RADIO-ACTIVE, POSED A SIGNIFICANT HEALTH RISK AND SHOWED THAT THE SHALLOW BURIAL USED UNDER BRUMBY HAD BEEN INEFFECTIVE BECAUSE OF WEATHERING AND EROSION. THE COMMENTARY SPECULATED THAT THIS

URANIUM PIECE COULD HAVE BEEN PART OF AN ATOMIC BOMB AND SUGGESTED THAT THERE COULD HAVE BEEN A BREACH OF NUCLEAR WEAPON SECURITY BECAUSE OF THE RELATIVE EASE OF ACCESS TO THE AREA, AND THE FACT THAT THE SITE HAD NOT EVEN BEEN PATROLLED UNTIL THE MID 1970'S. THE 5KG URANIUM CORE SHOULD HAVE BEEN RETURNED TO THE UK FOR PROPER ANALYSIS RATHER THAN KEPT IN A SAFE AT MARALINGA. AUSTRALIA WAS REFRAINING FROM PRESSING ARGUMENTS ABOUT THE INEFFECTIVE BRUMBY CLEAN-UP TO SAVE BRITISH PRIDE, SO THAT HMG WOULD BE IN A POSITION TO PRESENT A BRITISH CONTRIBUTION TO REHABILITATION AS BEING ON ENVIRONMENTAL AND HUMANITARIAN GROUNDS ALONE.

4. PROGRAMME CLAIMED THAT 8 TONS OF URANIUM AND 20 TONS OF PLUTONIUM WERE STILL SCATTERED ABOUT THE RANGE. TAG HAD REVEALED THE ENORMITY OF THE PROBLEM. COSTELLO SAID THAT ALL UNNUMBERED PITS WOULD HAVE TO BE CHECKED. THE PROGRAMME SPECULATED THAT BOTH AUSTRALIA AND HMG COULD BE IN BREACH OF THE NPT, THOUGH DAVEY (TAG CONVENOR) MADE IT CLEAR THAT THE BRITISH HAD CLEARLY INDICATED THAT THEY BELIEVED THERE WAS NO MATERIAL OF PROLIFERATION SIGNIFICANCE REMAINING AT MARALINGA.

5. PROGRAMME DISCUSSED ROUNDING OF THE ISOTOPIC RATIOS BECAUSE OF HMG'S UNWILLINGNESS TO SEE THE DETAILED STATISTICAL INFORMATION RELEASED (ALTHOUGH AN ARL HEALTH PHYSICIST SAID THAT HE WAS NOT (NOT) DISTURBED BY THIS AS LONG AS THE SIGNIFICANCE OF THE WORK WAS NOT LOST).

6. LINKING MARALINGA WITH THE FRENCH NUCLEAR TESTS IN THE SOUTH PACIFIC, THE COMMENTATOR SAID THAT THE SINKING OF RAINBOW WARRIOR DEMONSTRATED THE LENGTHS TO WHICH SOME GOVERNMENTS WOULD GO TO PROTECT THEIR NUCLEAR TEST SITES, AND DWELT ON ELF-AQUITAINE ACTIVITIES IN AREAS BORDERING MARALINGA AT A TIME WHEN ELF WERE ALLEGEDLY PROSPECTING FOR COMMERCIAL URANIUM DEPOSITS. THE PROGRAMME INFERRED THAT ELF'S REAL MOTIVE HAD BEEN TO GATHER INTELLIGENCE FOR THE FRENCH GOVERNMENT ABOUT THE NUCLEAR TRIALS AT MARALINGA.

7. SOLICITORS REPRESENTING THE MARALINGA ABORIGINES ARGUED THAT THE (AUSTRALIAN) GOVERNMENT MUST COMPENSATE THE ABORIGINES FOR LOSS OF USE OF LARGE AREAS OF THEIR LANDS FOR THE NEXT 240,000 YEAR (THE ACTIVE LIFE OF PLUTONIUM), UNLESS CLEAN-UP WAS TOTAL. THE MARALINGA ABORIGINES MIGHT SEND A DELEGATION TO LONDON. PROGRAMME ALSO INCLUDED AN INTERVIEW WITH JUSTICE

MCCLELLAND, HEAD OF THE 1984 AUSTRALIAN ROYAL COMMISSION,  
WHO SAID THAT THE PROGRAMME REINFORCED HIS VIEW THAT A ''MIGHTY  
COVER-UP'' HAD TAKEN PLACE AND THAT THE ''COLONIAL CRINGE''  
OF AUSTRALIAN GOVERNMENTS TOWARDS WHITEHALL WAS STILL ALIVE  
AND WELL.

BARDER

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EC / NATO  
G7 in France  
[Shepa]

KNIGHT-RIDDER MoneyCenter News # 6394 Received at 4:57A on 20-Aug-91

USSR: Yeltsin demands to see Gorbachev within 24 hrs, PA reports  
London--Aug 20--KRF--Russian President Boris Yeltsin today delivered an ultimatum to the new Soviet government, demanding to see deposed Soviet President Mikhail Gorbachev within 24 hours, the UK domestic news agency Press Association reported.

Yeltsin delivered an ultimatum to the Soviet parliament demanding the repeal of all decisions by the emergency committee that seized power from Gorbachev early Monday, PA quoted Yeltsin aide Pavel Voshchanov as saying.

The ultimatum demanded the repeal of the 6-month state of emergency declared by the committee, the withdrawal of all troops to barracks, a meeting between Yeltsin and Gorbachev within 24 hours and a World Health Organization medical check on Gorbachev.

The emergency committee has said Gorbachev stepped down because he was medically unfit for office.

When asked what the Russian government would do if Yeltsin's demands were not met, Voshchanov replied: "Let us move step by step." End

KNIGHT-RIDDER MoneyCenter News # 6393 Received at 4:57A on 20-Aug-91  
USSR: Germany wants EC to call for Gorbachev re-instatement

Th... Aug 20 KRF Germany will today call on its EC

The Hague—Aug 20—KRI—Germany will today call on its EC partners to issue a statement calling for the re-instatement of Mikhail Gorbachev as Soviet President, a German Foreign Ministry spokesman said today.

German Foreign Minister Hans-Deitrich Genscher will put forward this view at a meeting of EC foreign ministers here this morning, he said.

"Germany is calling for a return to constitutional order in the USSR and the reinstatement of Gorbachev," the spokesman said.

The EC ministers are meeting to determine a common response to the ouster of Gorbachev by hard-line Communists early Monday. End

Gorbachev flown to Moscow Monday night, Yeltsin aide says  
Moscow--Aug 20--AFP/UPI--Mikhail Gorbachev was apparently brought back to Moscow late Monday on board a special military plane, a close aide of Russian President Boris Yeltsin said today, according to Agence France-Presse.

Cable News Network also reported the news.

Gennady Burbulis made the statement to Russian deputies.

He said that several special military aircraft arrived at Moscow's Vnukovo airport at 2145 local time (1845 GMT) Monday and that the Russian leadership thought that the ousted Soviet president was on board one of the planes.

UPI reported that Gorbachev may have been moved from his Crimean residence by the junta that overthrew him, and coal miners across the country voted to walk off their jobs in the first response to a general strike call by democratic-minded maverick Yeltsin.

"According to unconfirmed data, received by the correspondent of RIA, President Mikhail Gorbachev was flown from Simferopol Monday night," RIA, the Russian news agency, said. "The destination of flight is unknown. According to witnesses, the president looked quite healthy."

There has been no word from Gorbachev, 60, since the emergency committee headed by the Soviet vice president and now acting president Gennady Yanayev stunned the world early Monday by announcing he had taken over for an ill Gorbachev under Soviet constitutional rules. End



Karim / Handy

(I) To go y/day. (SAFE)

Plus May

(II) Yeltsin.  
(deport)

NY NATO For. Min. (Brandt)  
Tourenad.

SOVIET UNION

KEY POINTS

①

- Despite all the protestation to the contrary this was a hard line coup by people opposed to the reform process;

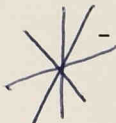
②

- They are claiming to be committed to reform but their actions so far point in the opposite direction.

(Green wave theory - not here happened - is future)

- The possibility that this might happen was ever present. Gorbachev himself was very conscious of walking the high wire.

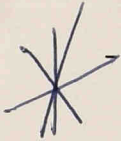
- Does not lessen the sense of shock at reversion to old style Soviet behaviour. We had seen the beginnings of democracy. This is the unacceptable face of reactionary Soviet Communism.



- When Brezhnev/Kosygin <sup>and others</sup> ousted Krushchev that was just one part of an ~~annihilated~~ dictatorship replacing another. This time it is different. New men have no democratic legitimacy leadership. Yeltsin, the Mayor of Leningrad, the Mayor of Moscow, the leaders of the Soviet Republics do. We want to see democratic legitimacy restored.

- We want assurances about the safety of President Gorbachev and about the safety of other, democratic, leaders.

- Cannot tell how events will unfold over the next few days. Coup leaders seem to have cut Yeltsin off from means of communication. We will see today whether he can mount effective opposition.



But whatever happens over the next few days/weeks, economic and political reality will not change. Gorbachev was on the right track, of economic reform. Freezing prices/raising wages a very short-term palliative. New leaders cannot have economic reform without political reform.

EC.

Our Objectives

- West must bring what pressure it can on the Soviet leaders to restore democratic legitimacy, avoid bloodshed and to return to reform. Must also hold the Soviet Union to its international obligations on human rights, non-interference <sup>in</sup> of the internal affairs of other countries <sup>Army Control</sup> and reduction in conventional forces.
- Natural anxiety in the countries of Eastern Europe. Important to bind those democracies closer to the West. Hence, our request that EC Foreign Ministers meeting should speed up progress on Association Agreements. *Talk to Hand.*
- Must not allow ourselves to be rattled by what is going on, however shocking. Not for us to incite people to risk their lives on the streets of Moscow. Our objectives must be irreversibility of reform in Eastern Europe; maintaining pressure for return to reform in the Soviet Union.

We should have done more for Gorbachev?

*+ decentralisation (i.e. Union breaking up)*

- Coup is a coup against reform/and by those who object to the whole trend of Gorbachev's policy so they would not have been deterred by action at G7 Summit. Never realistic to give large sums of money to Gorbachev. That money would now have been in the hands of coup leaders. My invitation to Gorbachev to attend the G7 Summit was the greatest demonstration of international support he could have had.

Options for change

*that was his view too*

- Our White Paper said: "We can make some reductions in defence but only in a careful and prudent way that recognises the risks and instabilities at this time of rapid change. The Soviet Union remains much of the largest European military power and continues to devote a greatly disproportionate share of its resources to its armed forces."

Our changes will be phased over <sup>four</sup>~~forty~~-five years. Of course we will take full account of developments in the Soviet Union. If the Soviet Union does not sustain its withdrawals we will reflect that fact in our own defence programme.



## FOREIGN SECRETARY - PC - THE HAGUE - 20 AUG 91

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FROM JAMES LEE FOR COI RADIO TECHNICAL SERVICES

## TRANSCRIPT OF PRESS CONFERENCE

GIVEN BY THE FOREIGN SECRETARY, MR. DOUGLAS HURD,  
AT THE HAGUE, ON TUESDAY, 20 AUGUST 1991

## FOREIGN SECRETARY:

We finished the discussion on the Soviet Union and a Statement has been agreed which you will see later; it is just having a few minor changes made to it and we are going on to discuss Yugoslavia over a working lunch.

The debate on the Soviet Union achieved, as I thought it would, a common view and agreement on a common line. There is no doubt about the condemnation of what happened yesterday, the concern over President Gorbachev personally and indeed over Foreign Minister Bessmertnykh, the wish of the Twelve to see constitutional order re-established and President Gorbachev reinstated and our clear rejection of those who still pretend to be reformers while in fact closing newspapers, appointing military commanders to great cities like Moscow and Leningrad, forbidding strikes, demonstrations and so forth, so there was no doubt, there were no dissensions about that.

As regards the decisions, we decided on the suspension of economic cooperation. That means that suspended are the food credit guarantees and the technical assistance programme. The food aid,

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we spent some time discussing - that is actually getting under way now - and we agreed that it could continue provided that it reached its destinations. The destinations have been identified; they include people who are particularly poorly-off, charitable institutions and so forth and that will clearly have to be monitored to make sure that the humanitarian food gets there, but the food credit guarantees and the technical assistance programme of the Community will be suspended and that of course is something which I urged following our suspension of the British Know-How Fund yesterday.

On the Human Dimension Conference in Moscow on September 10, we agreed that we would only go if the Soviet Union fulfilled its obligations; constitutional order and democratic freedom needs to be restored.

There will be a European Summit within the next few days, probably I think on Friday afternoon, by which time the situation in the Soviet Union itself will be somewhat clearer.

There is considerable concern, as I have said, about the safety and the wellbeing of Gorbachev himself and other elected representatives of the Soviet Union and the Presidency has a mandate to inquire after that and to pursue that particular point between now and the Summit.

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We paid some attention, at my urging and the urging of others, to reassurance to people who will be anxious as a result of what has occurred, the Poles, the Czechs and the Hungarians. As you know or may know, the Prime Minister spoke to the Polish Prime Minister yesterday. They are concerned about the slow rate, as they see it, of the negotiations for an Association Agreement between Poland and the Community. I raised this, the German Foreign Minister raised this and you will see in the Statement when you get it, a reaffirmation of the decision to conclude Cooperation Agreements with Hungary, Poland and Czechoslovakia in the near future.

There is also concern in Bulgaria, Roumania and to a slightly different extent in Albania and you will see what we say about our full support for the reform processes in those countries and the Commission to look for ways in which the Community can expand its cooperation with Bulgaria, Roumania and Albania.

I urged that we should make a specific reference to the Baltic States because of the historical and legal position which distinguishes them and that was agreed and you will see a reference to our concern at the reports of military actions in the Baltic States and an appeal to the Soviet Authorities to refrain from all threat or use of force against the democratically-elected governments and representations of the Baltic peoples.

Those are the main points which we covered. Let me now try and answer your questions.

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## QUESTIONS AND ANSWERS

## QUESTION (CHANNEL 4 NEWS):

You say that the technical assistance and the food credit guarantee scheme is being suspended. What are the conditions for renewing it again and from what point did you suspend it?

## FOREIGN SECRETARY:

The restoration of legitimacy and respect for human rights. These are obligations which the Soviet Union reassumed really very recently in November in the Paris Charter and the whole basis of our discussion today was the failure of the Soviet Union, the failure of the new Committee which appointed itself yesterday, to respect those obligations. That is the reason for the suspension of economic cooperation.

## DAVID OSBORN (THE INDEPENDENT):

On Mr. Gorbachev's whereabouts, just to be clear, are you demanding that you have sight of him? Was the suggestion that Mr. Lubbers try and go and see him taken up? Indeed, Mr. Bessmertnykh and others, is he also trying to make contact with them?

## FOREIGN SECRETARY:

Yes. The Presidency will try and do what it can to reassure us about the wellbeing of Mr. Gorbachev, Foreign Minister Mr. Bessmertnykh and indeed any others who may be detained or suffering as a result of the coup; we have no difficulty in describing this

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as a "coup d'etat". So the Presidency will take that in hand. I don't think there are plans for any immediate ministerial visits; indeed, we had some discussion of that. I think it is rather important that there should not be visits which give the impression at this stage that we accept the results of the coup, that we believe that the Committee which appointed itself yesterday is firmly in charge. That is not the position today.

PETER ALLEN (ITN):

While accepting you have probably got everything you could from this meeting, what do you think the impact of all this will actually be on the new Soviet leadership and what have you decided today?

FOREIGN SECRETARY:

I don't think we should deceive ourselves from outside the Soviet Union that from outside we are going to be decisive in swaying what happens inside the Soviet Union - we are not. We have a certain influence. Europe, the Community of Twelve, the United States, we have a certain influence. What we have decided today are the ways in which we can use that influence to encourage those who with a good deal of determination and bravery are persisting in the search for reform, Mr. Yeltsin, those who are following Mr. Yeltsin's advice, Mr. Sobjec (phon) in Leningrad and no doubt many others of whom we only hear imperfectly, the governments in the Baltic States.

There is a tussle: it is a tussle against heavy odds, brutally heavy odds. What we wish to do is to use our influence, knowing



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that it is not decisive but to use what influence we have as fellow Europeans to encourage those who are continuing to press the Soviet Union down the path of reform and trying to resist those who are trying to rewind history. That is what is going on: it is an attempt to rewind history. It won't work in the long run and we would like the delay in resuming reform to be as short as possible.

QUESTION:

Is it the case, therefore, that the Association Agreements with Hungary, Czechoslovakia and Poland are going to be speeded-up?

Secondly, at the meeting today, was there any sense of "mea culpa" about not having backed Gorbachev particularly after the G7 meeting?

FOREIGN SECRETARY:

No. The second point has not arisen and would be completely irrational. He has had full political support for reform. I can't think that the events of yesterday would have been in any way deflected had we decided at the G7 Summit or indeed earlier to give him a lot of financial help for a reform programme which did not then exist.

On the first point, the Community had already agreed to try and finalise the negotiations with Poland, Hungary and Czechoslovakia by the end of October, as you know, and the Commission made the point today that it was not really for this meeting to decide on an acceleration because an acceleration would only happen if the

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Commission had more flexibility and only the Council could give that; that is a technical point.

We British believe that there should be more flexibility. We believe that there should be trade concessions, we should be willing to open our markets extensively to the goods of those three countries.

The other point is, of course, that Bulgaria, Roumania and Albania are in a different category. We are not negotiating Association Agreements with them. They are not so far down the road of reform but precisely for that reason they may feel more fragile and threatened at what happened yesterday. There may be elements in those countries which might want to repeat in those countries what happened in Moscow yesterday and that is why they are specifically mentioned at my suggestion.

GEORGE BROCK (THE TIMES):

Was there any dissent from the consolidation or the agreement to go ahead with the Cooperation Agreements with Eastern Europe? I notice that your colleague, M. Dumas, made no mention of Eastern Europe in his briefing.

Secondly, how are you actually going to monitor the delivery of the food aid? The conditions for monitoring it don't sound very auspicious at the moment.

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FOREIGN SECRETARY:

No, there was no dissent on the first point.

On the second point, there has been a long discussion between the Commission and the Soviet Authorities on precisely this business of identifying destinations and it was a point that I pressed with the Commission and I got a certain degree of satisfaction about the monitoring that would take place but it will specifically be dependent on the Commission knowing that the food actually gets to those destinations and is not interrupted or diverted on the way. It is on that condition, specifically at my request, that the food aid will continue. The food aid credit is suspended.

BORIS JOHNSON (DAILY TELEGRAPH):

Did any speaker at this meeting reflect the possibility that there could be any positive aspects to the removal of President Gorbachev?

FOREIGN SECRETARY:

No.

QUESTION (BBC):

Foreign Secretary, I would just like to ask very specifically about this question of aid. You indicated that there can be the suspension of technical assistance and the food aid guarantees; the suspension will last as long as what you call the "illegitimate government" sits in Moscow. Does that mean there can be no resumption and no fresh aid until Mr. Gorbachev is back in the Kremlin?

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FOREIGN SECRETARY:

No, we have not been as specific as that. We will need to take a further decision. We will need to look at how the situation in the Soviet Union moves over coming weeks and months and then we will have to decide if and when we think that these two things - the technical assistance programme and the food credits - can be resumed, so we reserve our freedom to do that but the reason why they have been suspended is because we believe the self-appointed Committee is putting the Soviet Union in breach of its human rights obligations. That is the reason and therefore that is the test against which we will decide later on whether or not to resume. I don't think it would be sensible to be more specific than that; in fact, it obviously would not.

QUESTION (SAME MAN):

So you do reserve the right to resume these economic links with a government that isn't headed by Mr. Gorbachev?

FOREIGN SECRETARY:

No. We reserve our right to resume then when we believe the Soviet Union is fulfilling its obligations under the Paris Charter.

On the point of Gorbachev, read exactly what the Declaration says about restoration of legitimacy. There was a good deal of discussion about that and the Declaration accurately reflects it.

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SEAN HOLDEN (TV.AM):

Was there any discussion of the defence implications ahead of the NATO meeting tomorrow?

FOREIGN SECRETARY:

No, there wasn't and there shouldn't have been. I am very glad myself there is going to be a NATO Ministerial tomorrow. I talked to Jim Baker about this yesterday on the telephone and I think that, as it were, helps to complete the picture.

KEITH RAPPORT (JOURNAL OF COMMERCE):

Could you tell us, please, a little more specifically what it is that the Community expects to achieve at the Summit meeting of Heads later this week or is it a case of letting the dust settle and going on from there?

FOREIGN SECRETARY:

I think a good deal will happen in the Soviet Union between now and either Friday or Saturday, whenever the meeting is, but they will take stock again. I expect they will reinforce the principles we have laid down today because obviously we have all been in touch with our bosses but they will want to carry it further but it is for them to decide how they do that.

(END OF TRANSCRIPT)

## FOREIGN SECRETARY - INTERVIEW - BBC RADIO 4 - 20 AUG 91

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FROM JAMES LEE FOR COI RADIO TECHNICAL SERVICES

## TRANSCRIPT OF INTERVIEW

GIVEN BY THE FOREIGN SECRETARY, MR. DOUGLAS HURD,

ON TUESDAY, 20 AUGUST 1991

INTERVIEWER: JOHN HUMPHRIES (BBC RADIO 4 "TODAY" PROGRAMME)

INTERVIEWER:

You have had a lot of talks already with your European counterparts.  
Is there a common view amongst you?

FOREIGN SECRETARY:

I think so though we will know for sure in a few hours time. We have all, I think, been talking to the Russians, talking to each other in the last twenty-four hours - I had a long talk with the Soviet ambassador here yesterday - so what we will do in The Hague is compare notes on this and I hope agree a common line.

INTERVIEWER:

And what do you think it might be?

FOREIGN SECRETARY:

Our two aims are these: one, to make sure that the Soviets keep the international promises they have made. They spent a lot of time yesterday assuring us they were going to do that, that they were going to continue with the withdrawal of troops from Eastern Europe, that they were going to keep their conventional disarmament

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treaty and that is very important; but they have also got obligations on human rights which they entered into with all of us last November and that gives us the right to say to them that we expect reform to continue and that the different programmes of help which we have got for the Soviet Union are based on that assumption, they are help for reform, not help for any Soviet government.

INTERVIEWER:

You say you have talked to various Soviet people; have you or any of the other Foreign Ministers talked to Mr. Yeltsin or his people?

FOREIGN SECRETARY:

No, it has not been possible to do that but of course we are well aware of what Mr. Yeltsin has been saying and I think there is no doubt that he is taking a very brave and principled stand. He is elected, the Mayor of Moscow is elected, the Mayor of Leningrad is elected, we have met them all in the past, I know them and they are being, as it were, set aside by military commanders, people who have no basis either in law or in democracy and that is what makes the seriousness of the situation.

INTERVIEWER:

Does that mean that you are supporting Mr. Yeltsin against Mr. Yanayev, putting it very crudely?

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FOREIGN SECRETARY:

We are certainly supporting reform and democracy and there is no doubt that at the moment in Moscow they are personified in Boris Yeltsin and the stand which he is taking. He doesn't, of course, claim to speak for the Soviet Union as a whole, he speaks for Russia, for the biggest of the republics, and he is entitled to do that.

INTERVIEWER:

In the past, of course, we have never had any trouble recognising the new leadership in the Soviet Union even though it has not been a democratic one and most of them have come to power as a result of coups of some sort or another anyway.

FOREIGN SECRETARY:

Yes but we have now the beginnings of a democracy, don't we? That has been the amazing thing about Moscow for the last year or so. You go there and dozens of people come and talk to you and there has been a freedom of expression. Now we have, as I said to the Soviet ambassador yesterday, the shutting down of newspapers, the replacement of elected mayors by military commanders, the banning of demonstrations and strikes and the pretext that President Gorbachev has retired because of ill health. All that is just borrowing from the events of the past - excuses of the past - in a way which I think has no credibility at all.



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INTERVIEWER:

Mr. Bush says he won't recognise the new leadership, he wants Mr. Gorbachev to be reinstated. That is our formal position as well, is it?

FOREIGN SECRETARY:

We don't actually recognise governments, we recognise states, we recognise the Soviet Union and certainly our view is that legality should be restored, that President Gorbachev was illegally deposed, that it is highly desirable that he should be back in place.

INTERVIEWER:

It may be highly desirable but it is going to be pragmatic eventually isn't it, to recognise what has happened and to say: "Well, alright, we have got to do business with you!"?

FOREIGN SECRETARY:

But we are not at that point at the moment, are we?

INTERVIEWER:

When might that point come?

FOREIGN SECRETARY:

The news which Europe, which the BBC is reporting is very confused and that is quite right because the situation is confused. We can't, sitting in The Hague or sitting in the Foreign Office or sitting anywhere in the world, decide what is going to happen in the

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Soviet Union. Our influence is a limited one but we have got to make sure that our influence is a coherent one and that what influence we can exercise is exercised for legitimacy and for reform.

## INTERVIEWER:

Do you think there is any danger in us, I hesitate to use the word in a sense, but inciting Mr. Yeltsin and his supporters to rebel against the leadership if there is the slightest possibility that that might lead to a civil war?

## FOREIGN SECRETARY:

I think we do have to be very careful, sitting on the sidelines, in talking about the tactics which democrats in the Soviet Union should use. They must decide that; we can't decide that for them; they must decide that.

What we are entitled to say is that the Soviet Government has entered into certain commitments on human rights; that they have started to carry those through and we expect that process to be continued.

My own feeling is that at the end of the day reform will win. In a great European country like the Soviet Union, I think it is past the point where they will for ever be able to clamp down on all the kind of expressions we have seen in the last couple of years but I think over the next few weeks at least it is likely to be very bumpy

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and difficult and we do have to be careful about sitting comfortably  
on the sidelines and telling people who are actually on the streets  
or in real difficulty how they should handle themselves

(END OF TRANSCRIPT).



SOVIET OBLIGATIONS UNDER THE TREATY ON CONVENTIONAL ARMED FORCES IN EUROPE (CFE TREATY)

(The Treaty does not enter into force until ratified by all 22 signatories: so far, no signatory has ratified. The Treaty has not yet been submitted to the Supreme Soviet for approval for ratification.)

Principal Obligations on the Soviet Union

- To reduce, over a period of 3 years and 4 months following entry into force, holdings of military equipment west of the Urals to the following levels:

tanks	13,300
armoured combat vehicles	20,000
artillery	13,700
combat aircraft	5,150
attack helicopters	1,500

(Zonal sublimits apply within the Soviet Union to prevent major force concentrations.)

- To provide annually detailed information on precise whereabouts of all equipment limited by the Treaty.

- To accept visits by Inspectors to check that reduction to the CFE limits is being carried out according to CFE agreed procedures, to check that information given about equipment holdings is correct, and to check that no equipment is being held at sites other than those notified.



**The  
Conventional  
Armed Forces  
in Europe (CFE)  
Treaty**

# **The Conventional Armed Forces in Europe (CFE) Treaty**

Arms Control and Disarmament Research Unit, FCO,  
King Charles Street, London SW1A 2AL.  
Defence and Arms Control Unit, MoD,  
Main Building, Whitehall, London SW1A 2HB.

November 1990

On 19 November 1990 the twenty two nations of NATO and the Warsaw Pact signed an historic treaty limiting conventional land-based armed forces in Europe – the CFE Treaty.

## Background

For many years the Warsaw Pact had substantially more conventional armaments in Europe than NATO. In 1988, for example, they outnumbered NATO by:

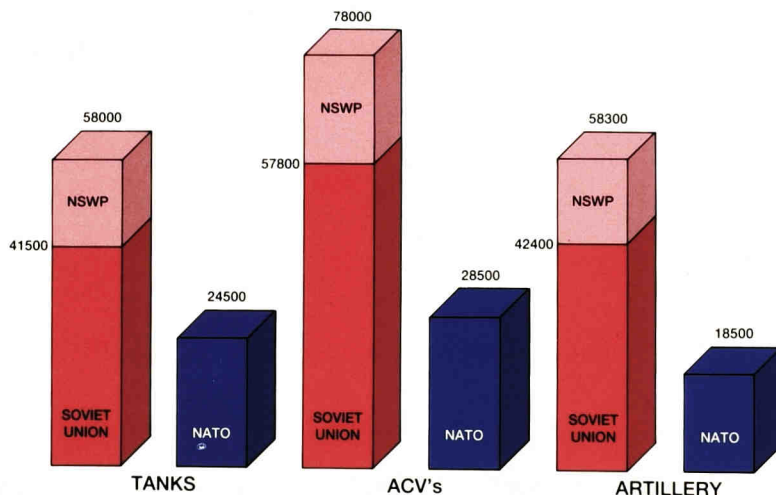
- over 2 to 1 in *Tanks*;
- 3 to 1 in *Artillery*; and
- over 2.5 to 1 in *Armoured Combat Vehicles*.

This imbalance posed a serious threat to peace.

Negotiations in the 70s and 80s to remove it got nowhere, largely because the Soviet Union denied that there was an imbalance. But two years ago Mr Gorbachev:

- agreed that the Soviet Union outnumbered NATO by a very wide margin;
- declared that they would withdraw some military units from Eastern Europe; and
- agreed that the Warsaw Pact and NATO should negotiate to *reduce* their forces to *equal* levels.

## NATO/WARSAW PACT IMBALANCES – MID 1988



Soviet Union – data as of July 1988

Non-Soviet Warsaw Pact (ie Poland, German Democratic Republic, Czechoslovakia, Hungary, Romania, Bulgaria) – data published in April 1990. Actual strength in mid-1988, before unilateral reductions, would have been slightly higher

Fig. 1

The negotiations began in March 1989. Their mandate was to reduce conventional armed forces in Europe between the Atlantic and the Ural mountains.

### Items limited by the Treaty

NATO initially identified *tanks*, *artillery* and *armoured combat vehicles* as the key weapon systems which enable an enemy to:

- mount a *surprise attack*;
- initiate large-scale *offensive action*; and
- seize and hold* territory.

Later, in response to Warsaw pact concerns, the scope of the negotiations was widened to include *combat aircraft* and *attack helicopters*.

The Treaty permanently limits each Alliance as follows:

Tanks	20,000
Artillery	20,000
Armoured Combat Vehicles	30,000
Combat Aircraft	6,800
Attack Helicopters	2,000

The members of the Warsaw Pact will still be subject to these limits even if the Pact itself ceases to exist.

These limits are shown in figure 2 alongside the actual amounts of equipment held by each Alliance in 1988.

## WARSAW PACT & NATO REDUCTIONS FROM 1988 STRENGTHS TO CFE LIMITS

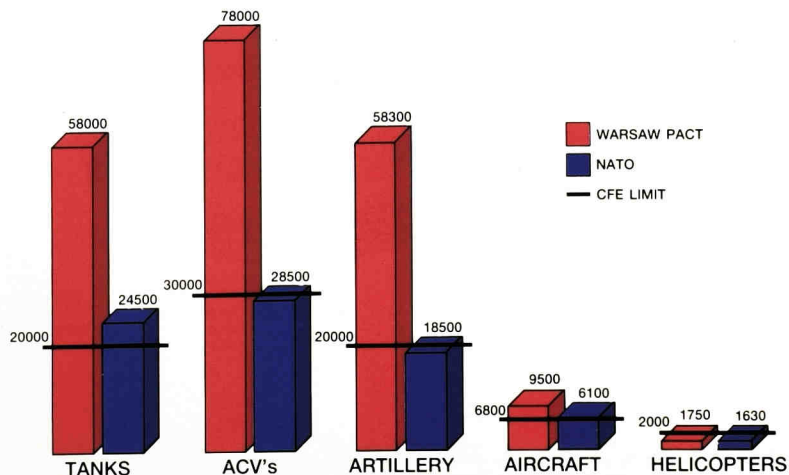


Fig. 2



## Reductions of excess equipment

Any equipment above the limits remaining in Europe when the Treaty is signed will have to be destroyed or converted to civilian use under international supervision.

## Naval and Paramilitary forces

Two types of armed forces presented special problems in the CFE talks: paramilitary and naval forces based on land. In order to prevent these from providing a way round the Treaty limits, all paramilitary equipment except armoured combat vehicles is limited by the Treaty, and there is a separate (political) limit on land-based naval combat aircraft of 430 a side (the Soviet Union's share of this is 400).

## Limits on what any one state may have

Just to limit each *Alliance*, however, would not be enough. In the post-Cold War Europe no one *country* should be in a position to dominate the Continent by force of arms. The Treaty therefore limits the amount of equipment any one country can hold. In practice this provides a further limit on the Soviet Union. The limits (known as the sufficiency rule) are:

Tanks	13,300
Artillery	13,700
Armoured Combat Vehicles	20,000
Combat Aircraft	5,150
Attack Helicopters	1,500

In this way, the Treaty establishes the important political principle that no one state in Europe should have more than one third of the conventional armed forces there.

The Soviet Union are in fact allowed slightly more than a third of the total number of aircraft in Europe because, with their enormous territory to defend, they do have a legitimate need for a higher total.

With the unilateral reductions and the limits imposed by CFE, the Soviet Union will have reduced its forces in Europe by nearly 100,000 heavy weapon systems since 1988, as shown in figure 3.

## PROGRESSIVE SOVIET REDUCTIONS TO CFE SUFFICIENCY LEVEL

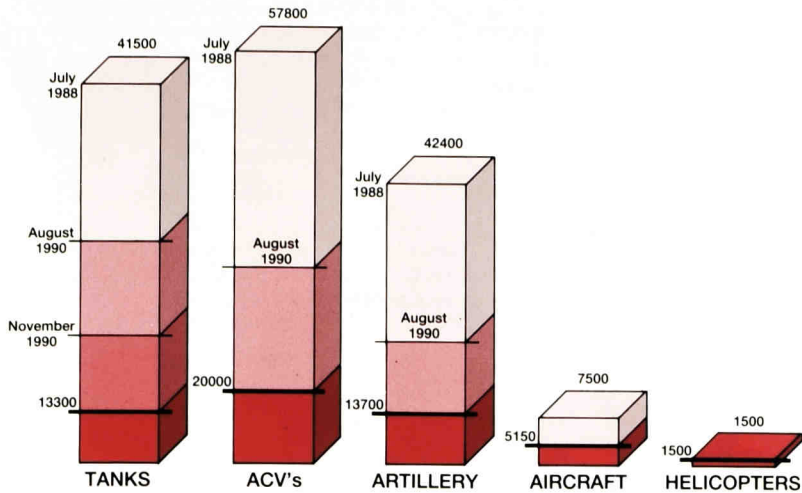


Fig. 3

Overall, the distribution of armed forces in Europe will be as shown in figure 4.

## CFE - MAXIMUM ENTITLEMENTS

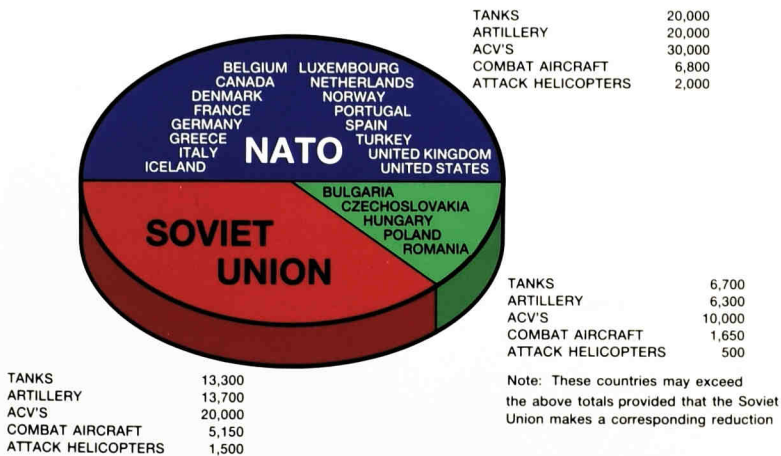


Fig. 4

### Zonal limits

Even with these limits, concentrations of force within Europe could still threaten stability. In order to prevent this the Treaty has divided Europe into four zones, with interlocking limits on ground forces, as shown on the map in figure 5.

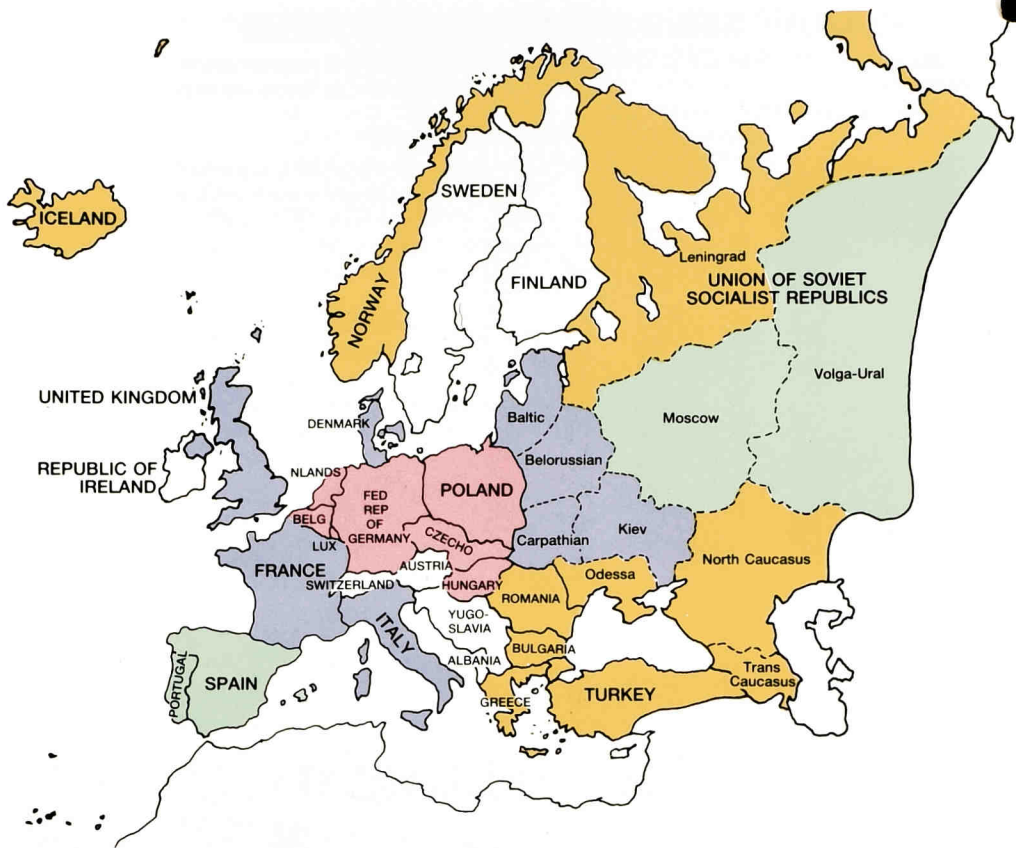


Fig. 5

The limits for each Alliance are:

	Tanks	ACVs	Artillery
- Cumulative limits on weapons in active units:			
RED Area	7,500	11,250	5,000
RED + BLUE Areas	10,300	19,260	9,100
RED + BLUE + GREEN Areas	11,800	21,400	11,000
- YELLOW Area Alone	4,700	5,900	6,000
- To be placed in storage	3,500	2,700	3,000
- Totals	20,000	30,000	20,000

## Monitoring the Treaty

Verification is at the heart of any arms control agreement. The CFE Treaty contains measures to verify that the limits it establishes are being observed. The key to this will be intrusive inspection. Each country will be obliged to give the others detailed information annually about the size and whereabouts of its forces in Europe. And each will be able to check this information by sending teams of inspectors to other countries. On the basis of figures currently available, the Soviet Union alone will have to be ready to receive about two hundred inspections a year even after all the CFE reductions have been completed.

These inspections will be of two kinds:

- to check that no more weapons are being held at a military site than have been declared as being held there; and
- to pay a surprise visit (a "challenge inspection") to check that weapons are not held anywhere else (including at non-military sites).

## Changes in Europe

Since the CFE talks began in March 1989, there have been tremendous changes in eastern Europe and the Soviet Union:

- Germany has unified;
- Soviet troops stationed in Eastern Europe are returning to the Soviet Union (all Soviet troops will, for example, have left the former East Germany by the end of 1994);
- Poland, Czechoslovakia and Hungary all have non-Communist governments and have been reducing the size of their armed forces;
- The Warsaw Pact has ceased to exist in all but name; and
- The Soviet Union have begun to make substantial unilateral reductions in their armed forces in Europe – see figure 3.

All this means that the Europe we see now is very different from the Europe of only two years ago. The CFE Treaty's target of removing disparities in conventional armaments has to a large extent been met by other means, but the Treaty takes these changes much further and puts them on a legal rather than a voluntary basis.

The CFE Treaty both reflects and is a cornerstone of the changes in Europe. It ensures much greater openness between countries about their military affairs. Countries are obliged by the Treaty to keep below the limits. We shall therefore have more knowledge than ever before of Soviet military deployments in Europe, and thus of Soviet intentions.

No country will be able to dominate, or threaten to dominate, Europe by force of arms without breaching the Treaty in ways which others will be able to detect.

The risk of conflict in Europe is now greatly reduced. In July the Secretary of State for Defence announced broad proposals stemming from Options for Change – a study of how Britain's Armed Forces might be restructured by the mid-1990's to match the new security situation in Europe. Work is continuing to refine and cost the broad proposals and to consult NATO and our allies. It is too early to predict the outcome but we envisage that in the changed circumstances of the mid-1990's our stationed forces in Germany could be roughly half their present strength. Although some further announcements on the progress of work may be possible later this year, clarification of the principal force structures is unlikely to be available until early next year. The Soviet Union will, however, remain the strongest military power in Europe. It will also have large forces east of the Ural mountains. The need for a credible defence remains.

### **The Future**

All these developments in the Soviet Union and Eastern Europe, underpinned by the CFE Treaty, promise a substantial increase to our security in Europe. But NATO has always made it clear that arms control negotiations would not end with the CFE Treaty. We shall begin negotiations on manpower, and on the possibility of verifying some aspects of the Treaty from the air, almost as soon as the Treaty is signed. To promote openness about forces beyond the CFE Treaty's area of application (the Atlantic to the Ural mountains) we shall pursue the goal of an "Open Skies" agreement, which would extend our ability to monitor deployments to include the Soviet Union east of the Ural mountains. In addition, we are already engaged in negotiations on Confidence and Security Building Measures between all 34 states of the Conference on Security and Co-operation in Europe. Further negotiations on European security are planned from 1992.



From: Charles Crawford  
Soviet Department

Date: 20 August 1991

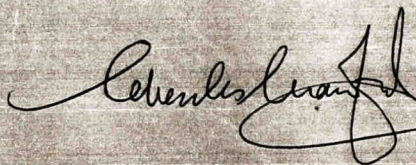
CC: PS/PUS  
Mr Weston  
Mr Tait

Private Secretary

**AID TO SOVIET UNION**

1. As requested, some rapid notes on UK and Western aid to the Soviet Union.

2. I think that we should rebut briskly any suggestions that the coup has happened because we did not "support Gorbachev" sufficiently. First, it was really only in the last few months that Gorbachev himself moved apparently wholeheartedly towards supporting a comprehensive reform programme. And second, we and our Western partners/allies were reluctant to put at risk large quantities of Western tax-payers' money in the form of economic assistance to the Soviet Union precisely because it was clear that confrontation between reformers and hard line Communists was likely at some stage to throw Gorbachev's reforms into disarray: this has now happened.



Charles Crawford

## UK AID TO THE USSR, 1990-91

### 1. Know-How Fund

The Know-How Fund for the USSR was increased in July from £20 million to £50 million. To date a total of some £3,383,000 has been spent or committed in 1991/92. The largest single expenditure was the £2 million agreed for projects undertaken by the British Food Consortium to improve food distribution in Kiev.

### 2. British Council aid

The British Council has increased its scholarships scheme for the USSR in 1991. There are now a total of about 50 British Council and FCO scholarships each year for students from the Ukraine, the Baltic States and Leningrad.

### 3. Health assistance

UK/USSR Health Cooperation Agreement enables patients from the USSR to come to the UK for treatment, and UK specialists to visit the Soviet Union. An estimated £129,000 was spent on the scheme in 1990/91.

### 4. Educational cooperation

Under the UK/USSR School Exchanges Programme, exchanges have increased from 10 in 1988/89 to 35 in 1990/91. The Lord Byron School in America, built in the wake of the earthquake in 1988, was opened in June 1990. The cost of the project, approximately £5.5 million, was met by the government and industrial spenders.



5. Training of bankers

The Bank of England ran a programme of training courses for officials of Gosbank (the State bank of the USSR) in 1990.

6. Chernobyl-related assistance

The Department of Energy has provided £230,000 in funding for reserach collaboration on nuclear safety between the UK Atomic Energy Authority and its Soviet counterpart. We have also contributed £25,000 via the FCO in response to the UN General Assembly's resolution on Chernobyl.

## WESTERN AID TO USSR

### European Community

- 250 mecu food aid
- 400 mecu technical assistance
- 500 mecu credit guarantee for food purchases

### United States

- \$1.5bn in agricultural credits
- Offers of help in food distribution
- Offer of medical help

### Germany

- DM 5bn (£1.6bn) in soft loans
- Help in management training

### France

- FF 5bn (£500m) in credits, guarantees and loans
- Help in management training and other specific areas (eg legal reform)

### Italy

- 3,200bn lire (about £1.5bn) in loans to pay outstanding debts, help with balance of payments and help with medium-term projects

### Spain

- 150 bn pesetas (£1.5bn) in credits for Spanish goods

### Japan

- Offers of technical assistance and training, including help with defence conversion

### South Korea

- \$3bn loans
- \$800m credit for South Korean goods

CSCE

"THE HELSINKI PROCESS"

1. The Final Act of the Conference on Security and Co-operation in Europe or CSCE (Cmnd 6198) was signed in Helsinki on 1 August 1975 by the Heads of State and Government of the 35 participating States ie all European countries (apart from Albania), the USA and Canada. The Final Act was not intended by any of the signatory States to be a binding international treaty, but instead a statement of political intent and commitment.
2. The Helsinki Final Act comprises three main sections or "Baskets".

Basket I ('Questions relating to security in Europe') contains the 'Principle Guiding Relations Between Participating States' eg respect for sovereign equality, renunciation of force, inviolability of frontiers, non-intervention in internal affairs, respect for human rights. It also contains a second section entitled 'Confidence-Building Measures and certain aspects of security and disarmament'. This section on CBMs sets out arrangements for prior notification of major military manoeuvres and certain other military activities and for the exchange of observers at manoeuvres.

Basket II ('Co-operation in the fields of Economics, of Science and Technology and of the Environment') is intended to promote the development of trade and a wide range of exchanges and co-operation in the fields is listed. In practice, much of the content is pursued multilaterally through the United Nations Economic Commission for Europe (ECE). Basket II is followed by a declaration of intent,

known as the Mediterranean Chapter, ('Questions relating to the Security and Co-operation in the Mediterranean').

Basket III ('Co-operation in Humanitarian and Other Fields') is designed to enlarge and liberalise human contacts; to increase the flow of information; and to encourage cultural/educational exchanges.

3. In addition to having three main Baskets, the Final Act has a closing Chapter, (the so-called "Fourth Basket") on 'Follow-up to the Conference'. Under this section review meetings at Belgrade (1977/78), Madrid (1980/83) and Vienna (1986/89) were convened. The Belgrade Meeting was largely inconclusive. Results of the Madrid and Vienna Meetings are set out in the Madrid Concluding Document (Cmnd 9066) and the Vienna Concluding Document (Cmnd 649).

4. The Madrid Concluding Document provided for a third CSCE Follow Up Meeting to be held in Vienna from 4 November 1986. The Madrid Concluding Document also provided for a series of specialised CSCE meetings between the end of Madrid and the start of Vienna. These were:

- (i) Stockholm Conference on Confidence and Security-building Measures in Europe (CDE)

A two and a half year meeting (17 January 1984 to 21 September 1986) which successfully concluded agreement (the "Stockholm Document") on a set of Confidence and Security Building Measures (CSBMs). This meeting provided the first important multilateral arms control agreement since 1979 and represented a significant step forward from the Confidence Building Measures contained in the Helsinki Final Act.

(ii) Athens Expert Meeting on the Peaceful Settlement of Disputes

A 6 week meeting of legal experts in 1984. Useful exchanges at legal/technical level took place but there was no progress on a mechanism for settling disputes.

(iii) Venice Seminar on Mediterranean Co-operation

A 10 day meeting in 1984 to discuss economic, scientific and cultural co-operation in the Mediterranean area.

(iv) Ottawa Expert Meeting on Human Rights and Fundamental Freedoms

A 6 week meeting in 1985 to consider: "Questions, concerning respect, in their States, for human rights and fundamental freedoms, in all their aspects, as embodied in the Final Act". This Meeting failed in its mandate to "draw up conclusions and recommendations to be submitted to the governments of all participating States" (the first CSCE meeting since the signing of the Final Act to fail to produce such a report). Western countries nevertheless judged it a success since it put the Eastern record on human rights under closer scrutiny than ever before.

(v) Helsinki Tenth Anniversary Commemoration

A 3 day meeting at Foreign Minister level in 1985. Most speakers emphasised the need for better implementation of existing Helsinki/Madrid provisions, especially those on human rights. Inter alia, Sir Geoffrey Howe acknowledged the disappointments of the previous 10 years but

expressed optimism in the Final Act's "potential to be a major force for good in European and East/West relations".

(vi) Budapest Cultural Forum

A 6 week meeting in 1985 to discuss "Interrelated problems of creation, dissemination and co-operation" in the field of culture. The UK delegation was led by Mr Norman St John Stevas MP, who was supported by cultural personalities. No concluding document was agreed but it was significant that the Cultural Forum took place at all. It was a unique event in which cultural personalities of participating States were able to speak their minds freely in a Warsaw Pact capital.

(vii) Berne Expert Meeting on Human Contacts

A 6 week meeting in April/May 1986 to discuss Basket III issues eg family reunification, marriage between citizens of different States. No concluding document was agreed (partly as a result of a US veto of a draft compromise text), but the meeting enabled a full and valuable review of the implementation of commitments to take place.

6. The Vienna Concluding Document provides for a further series of follow-up activities and a fourth (open-ended) Review Conference to be held in Helsinki from 24 March 1992. The intersessional meetings are as follows:-

(i) London Information Forum

A four-week meeting (18 April - 23 May 1989) attended by government officials and representatives of the media, academic/research institutions and communications specialists. No concluding document

was agreed but all the proposals discussed there are being forwarded to the Helsinki FUM.

(ii) First meeting of the Conference on the Human Dimension, Paris (CDH)

The first of three Meetings of the CDH, which lasted 4 weeks (28 May - 23 June 1989), carried out a review of implementation and generated a number of new ideas for improving human rights performance. No document was agreed but all proposals remained on the table for the following CDH Meetings.

(iii) Meeting on Environmental Protection, Sofia

(16 October - 3 November 1989)

This was the first meeting to study this topic under the aegis of the CSCE. The meeting reviewed work currently underway in the field of environmental protection and discussed a number of proposals for further measures. Romania's refusal to join consensus meant that no final document was agreed, but the proposals will be studied again at the Helsinki FUM.

(iv) Conference on Economic Co-operation in Europe, Bonn

(19 March - 11 April 1990)

This was the first CSCE intersessional meeting to address this question, and also the first meeting since the political transformation of much of Eastern Europe in the last months of 1989. It agreed by consensus a concluding document (drawn in large measure from proposals put forward by the Twelve) suggesting concrete measures to encourage still further the acceptance of liberal economic

principles by the states of Eastern Europe, and the development of East-West economic co-operation generally. The final document also took into account a UK proposal for continuing the dialogue established at Bonn by inviting the OECD to convene meetings of experts from the OECD states and non-OECD CSCE participants.

(v) Second meeting of the Conference on the Human Dimension, Copenhagen (CDH)

(5 June - 29 June 1990)

This meeting agreed a Concluding Document which represents a historic advance in CSCE participants' human rights commitments. It enshrines specific proposals which the United Kingdom, together with other Western countries, put forward, laying down the conditions which should be fulfilled for elections to be considered free and fair, and enumerating the principles for a sound legal system. The Document also extends existing CSCE undertakings on freedom of expression, of association and peaceful assembly, and of movement, and reaffirms the participating states' respect for the rights of minorities. The Copenhagen meeting also discussed participating states' implementation of their CSCE human rights commitments and reviewed the mechanism established at the 1989 Vienna CSCE Follow-up Meeting allowing participating states to monitor each others' human rights performance.

(vi) Meeting on the Mediterranean, Palma de Mallorca

(24 September - 19 October 1990)

The Concluding Document adopted expressed the participating states' commitment to promote trade



and economic co-operation in the region. It also recognised the need to provide ecological stability in the Mediterranean, setting out various measures to achieve environmental improvements.

(vii) Experts' Meeting on the Peaceful Settlement of Disputes, Valletta

(15 January - 8 February 1991)

The Concluding Report makes provision for a Dispute Settlement Mechanism within the CSCE process (final modalities to be agreed at the Berlin Meeting of CSCE Foreign Ministers in June 1991). The Mechanism would be a panel of suitably qualified figures who could offer the parties to a dispute non-binding "advice and comment" on both the procedure for settling a dispute, and on its substance. It could be invoked either by mutual agreement, or unilaterally. The Report also specifically allows for disputes to be raised within the CSCE's structures for political consultations. It furthermore contains a set of ten Principles which should govern the way in which participating States seek to settle disputes.

(viii) Cultural Heritage Symposium, Cracow

(28 May - 7 June 1991)

(ix) Third Conference on the Human Dimension, Moscow

(10 September - 4 October 1991)

In addition, agreement was reached at the Vienna Follow-up Meeting on mandates for negotiations between CSCE States on Confidence and Security Building Measures (CSBMs) and for negotiations between the NATO and Warsaw Pact countries on conventional forces in Europe (CFE).

## CSCE Paris Summit

7. At the Copenhagen Meeting in June 1990 it was agreed to hold a meeting of CSCE Heads of State or Government in Paris. This took place on 19-21 November 1990. This historic meeting adopted a Final Document - "The Charter of Paris for a New Europe" - which inter alia committed all CSCE States to democracy as their only system of government, and enumerated human rights and fundamental freedoms which must be guaranteed in a genuinely free and democratic society. It recorded agreement to economic liberty and free market economics. It also set up a regular pattern of meetings at Summit, Ministerial and Senior Official level, thus giving the CSCE a new enhanced rhythm of activity. A Secretariat, a Conflict Prevention Centre, and an Office for Free Elections were established. The Paris Charter recorded the desirability of setting up a parliamentary dimension to CSCE. This will be discussed by parliamentarians of the 34 states in the first half of 1991. A CFE Treaty was also signed in Paris on 19 November, together with a separate declaration by NATO countries and those of the Warsaw Pact, effectively ending the Cold War. The Paris Summit also endorsed a new package of CSBMs.

8. The Charter of Paris also provides for two further meetings before the 1992 Helsinki Summit:-

(i) Meeting of Experts on National Minorities Geneva

(1-19 July 1991); and

(ii) Meeting of Experts on Democratic Institutions, Oslo

(4-15 November 1991).

CSCE Unit  
March 1991

FLASH FAX

STEPHEN WALL

EPC Ministerial in The Hague:  
Soviet Union

In the first hour and a bit the Frenchman, German, Spaniard, Belgian and Foreign Secretary have spoken and agreed that the Ministers' statement at the end of the meeting should emphasise:

- the need to restore constitutional and legal order in the Soviet Union; ideally that means Gorbachev.
- the need to reassure the Eastern Europeans, including a specific call to accelerate the negotiations of the Association Agreements if possible
- that Western help can only be resumed if we see proof of a genuine programme of reform
- that a special European Council is probably needed
- that use of CSCE mechanisms may be for consideration, in slower time
- that the Soviet Union must be held to her international obligations, including troop withdrawals from Eastern Europe.

X  
The Ministers who have spoken have also agreed that the EC should, outside of their public statement today, ask after the personal safety of Gorbachev and the Foreign Minister, Bessmertnykh.

20 August 1991

RICHARD GOZNEY

PRIME MINISTER'S *file*

PERSONAL MESSAGE

UNCLASSIFIED

SERIAL No. *22(a)* FLASH

ZCZC

UNCLASSIFIED

FROM FCO

TO FLASH MOSCOW

TELNO

OF

**SUBJECT**

**MASTER**

**OPS**

**FILED ON:**

FROM PRIVATE SECRETARY

1. The following is the text of a message to be delivered to President Gorbachev:

BEGINS

Dear Mikhail

It is with enormous relief and pleasure that I send you this message.

The people of Britain have felt enormous solidarity with the people of the Soviet Union in the face of the attempted coup. We have called for the restoration of legitimate government. We have called for your safety and freedom. Above all, Norma and I were desperately anxious about your and Raisa's well-being. There is a tremendous sense of joy here today after two days of the deepest gloom.

We send our love and the heartfelt good wishes of the British people and we both look forward to seeing you very soon.

~~Yours ever~~

John Major

ENDS

nty  
A'Wan No 10

DECLARATION ON THE SITUATION IN THE SOVIET UNION

The European Community and its member States are deeply concerned at the coup d'état in the Soviet Union. They strongly condemn the removal of President Gorbachev from office and the seizure of all power by a "State Committee for the state of emergency" as a clearly unconstitutional act and a flagrant violation of the Soviet Union's obligations under the Helsinki Final Act and the Paris Charter. The Community and its member States demand that constitutional order be re-established forthwith and that President Gorbachev be reinstated in his functions and rights as Head of State of the Soviet Union.

Although the outcome of the current events in the Soviet Union remains unclear, the first decree of this State Committee, providing, inter alia, for the suspension of democratically elected bodies and censorship of the media, leaves no doubt as to the true nature of the regime that now holds the reins of power in the Soviet Union. Bearing in mind all the implications of the situation, they urge the Soviet authorities, in conformity with the commitments of their country under the Helsinki Final Act and the Charter of Paris, to refrain from any act of intimidation or violence.

The European Community and its member States believe that the continuation in power of the new regime cannot but bring to a halt the process of democratic reforms in the Soviet Union and the dramatic improvements in the international climate to which President Gorbachev has made such an important contribution and which they consider a prerequisite for fruitful cooperation between them and the Soviet Union.

They urge the present leaders to allow access to all elected representatives of the Soviet people as well as to President Gorbachev himself. The Presidency has been mandated to contact these people in order to assure itself of their wellbeing and their ability to exercise fully their rights and freedoms.

The Community and its member States hold those now in power accountable for the possible consequences of their action for the stability, security and cooperation in Europe and for international relations in general. They are aware of the special concerns of the countries of Central and Eastern Europe in this respect.

As a measure of their solidarity with these countries, the Community and its member States reaffirm their desire to conclude association agreements with Hungary, Poland and Czechoslovakia in the near future. In the same spirit, they reiterate their full support for the ongoing process of reform in Bulgaria and Romania. They also underline their commitment to reinforce contacts with Albania. The Commission will explore ways and means to further expand cooperation with Bulgaria, Romania and Albania.

They note that the coup d'état took place on the eve of the scheduled signing of a new Union Treaty, which would have been an important step towards improved internal relations and stability in the Soviet Union. They reiterate their view that the problems existing in the relations between the Soviet Union's constituent republics can only be overcome through negotiations and dialogue. In particular, they are seriously concerned at the reports of military actions in the Baltic States, and urgently appeal to the Soviet authorities to refrain from all threat or use of force against the democratically elected governments and representatives of the Baltic peoples.

The European Community and its member States insist that the Soviet Union abide by all its international commitments and treaties, including those concerning troop withdrawals and disarmament. They expect it to respect the integrity and security of all States in Europe. Until the Soviet Union returns to constitutional order and the full observance its international obligations under the Charter of Paris, the

Community will suspend its economic assistance in the form of credits for food supplies and technical assistance. However, it will continue humanitarian emergency aid provided that it reaches the population in need. The member States are invited to consider acting likewise.

Furthermore, the Community and its member States are of the opinion that until such time that constitutional order and democratic freedoms will have been restored, their participation in the meeting in Moscow of the Conference on the Human Dimension in the framework of the CSCE cannot be justified.



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OF 200750Z AUGUST 91  
INFO FLASH THE HAGUE (FOR PS/SECRETARY OF STATE)  
INFO IMMEDIATE PARIS, BONN, WASHINGTON, TOKYO, PEKING  
INFO IMMEDIATE UKMIS NEW YORK, UKDEL NATO, UKREP BRUSSELS  
INFO IMMEDIATE ROME, UKDEL VIENNA, OTTAWA, CANBERRA, MODUK  
INFO IMMEDIATE ACTOR, OTHER CSCE POSTS

MIPT: SOVIET COUP: MEETING OF EC FOREIGN MINISTERS:  
POSSIBLE BILATERAL MEASURES

1. THERE CAN CLEARLY BE NO QUESTION OF BUSINESS AS USUAL IN THE  
AFTERMATH OF THE COUP. WE THEREFORE NEED TO REVIEW OUR  
BILATERAL RELATIONS WITH THE SOVIET UNION TO DECIDE WHAT SHOULD  
GO AHEAD, WHAT SHOULD BE FROZEN AND WHAT SHOULD BE CANCELLED.  
BROADLY SPEAKING, WE SHOULD DISTINGUISH BETWEEN THOSE EVENTS/  
VISITS/PROGRAMMES WHICH ARE DESIGNED TO ENCOURAGE REFORM, AND  
THOSE WITH A HIGH MILITARY OR POLITICAL PROFILE. THE LATTER, IF  
MAINTAINED, WOULD APPEAR TO LEND OUR ENDORSEMENT TO THE NEW  
LEADERSHIP, THEREBY SENDING THE WRONG POLITICAL SIGNAL AND  
ATTRACTING PUBLIC CRITICISM. WE SHOULD ALSO MAINTAIN MONITORING  
VISITS RELATED TO ARMS CONTROL/CSCE AGREEMENTS. WE NEED TO TAKE  
DECISIONS ABOUT SOME EVENTS IMMEDIATELY. OTHERS WE CAN REVIEW  
IN THE LIGHT OF DEVELOPMENTS IN THE NEXT FEW DAYS AND WEEKS.

#### MINISTERIAL VISITS

NONE ARE SCHEDULED IN THE NEAR FUTURE. DECISIONS ON VISITS IN  
THE MEDIUM TERM (MR HOWARD AT THE END OF SEPTEMBER, BESSMERTNYKH  
TO THE UK IN NOVEMBER) CAN BE DEFERRED FOR THE MOMENT.

#### OPERATION DERVISH

I HAVE ALREADY TELEGRAPHED RECOMMENDING CANCELLATION.

#### POLITICAL VISITS

(I) PATRICK CORMACK MP, TALKS IN THE BALTICS 1-10 SEPTEMBER:  
KEEP UNDER REVIEW BUT ON PRESENT FORM LIKELY TO ADVISE AGAINST.

(II) IPU DELGATION, 16-23 SEPTEMBER  
LED BY SIR G HOWE: HIGH PROFILE POLITICAL VISIT. KEEP UNDER  
REVIEW BUT ON PRESENT FORM LIKELY TO ADVISE AGAINST.

(III) ANGLO/SOVIET ROUND TABLE: 15-20 SEPTEMBER  
KEEP UNDER REVIEW BUT ON PRESENT FORM LIKELY TO ADVISE AGAINST.

(IV) VISIT OF EXETER, BANK OF ENGLAND: MID/LATE SEPTEMBER  
KEEP UNDER REVIEW BUT IF PROSPECTS FOR ECONOMIC REFORM REMAIN,  
MAY WANT TO RECOMMEND THAT IT GOES AHEAD.

(V) MOSCOW MEETING OF CDH: 10 SEPTEMBER - 4 OCTOBER (NO UK

MINISTERIAL ATTENDANCE ENVISAGED). NEW SOVIET LEADERSHIP MAY CANCEL. IF NOT, WE SHOULD CONSIDER OFFICIAL ATTENDANCE CAREFULLY. THE 5 CONDITIONS WE SET FOR OUR ATTENDANCE ARE NOW IN DOUBT, AND NON-ATTENDANCE WOULD BE A STRONG SIGNAL OF DISAPPROVAL OF RECENT DEVELOPMENTS. (THE NEW SOVIET AUTHORITIES WOULD PROBABLY SEEK TO EXPLOIT ATTENDANCE AT THE CDH TO SUGGEST INTERNATIONAL APPROVAL OF THE REGIME.) AGAINST THIS, THE CDH WOULD PROVIDE A PLATFORM FOR A STRONG EXPRESSION OF WESTERN DISAPPROVAL IN THE HEART OF MOSCOW. RECOMMEND WE DEFER DECISION PENDING DEVELOPMENTS AND DISCUSSION WITH OUR PARTNERS.

(VI) KHF DIPLOMATIC TRAINING FOR UKRAINIAN, RSFSR AND BALTIC DIPLOMATS: THIS BEGINS IN SEPTEMBER. OFFERS POSITIVE ASSISTANCE TO REPUBLICS INDEPENDENT OF THE CENTRE. RECOMMEND AGAINST CANCELLATION IF POSSIBLE.

#### DEFENCE VISITS

(I) DELEGATION FROM THE ROYAL ARMOURD CENTRE IS DUE TO VISIT MOSCOW AND KIEV FROM 9-14 SEPTEMBER. A FINAL DECISION WILL BE NECESSARY BY 5 SEPTEMBER. NEVERTHELESS I RECOMMEND CANCELLATION.

(II) RCDS VISIT: 15-28 SEPTEMBER IN PRESENT CIRCUMSTANCES THEIR VISIT WOULD BE INAPPROPRIATE AND ALMOST CERTAINLY UNPRODUCTIVE. I RECOMMEND CANCELLATION.

(III) SOVIET AEROBATIC TEAM TO THE UK: 18-23 SEPTEMBER. A FINAL DECISION WILL BE NEEDED BY 15 SEPTEMBER. I RECOMMEND CANCELLATION.

(IV) CGS'S VISIT: END SEPTEMBER. DEFENCE STAFF TALKS NOVEMBER. DEFER DECISION FOR THE MOMENT (BUT ON PRESENT FORM A RECOMMENDATION TO CANCEL IS LIKELY). MOISEEV IS DUE TO VISIT THE UK IN DECEMBER. WE SHOULD PUT DISCUSSION OF HIS PROGRAMME ON ICE, BUT DEFER A FINAL DECISION FOR THE MOMENT.

#### BRITISH COUNCIL

(I) HENRY MOORE EXHIBITION: OPENS IN MOSCOW 3 SEPTEMBER. BARRING INSURMOUNTABLE PRACTICAL PROBLEMS, RECOMMEND THAT IT SHOULD GO AHEAD AS PLANNED.

(II) MOSCOW BOOK FAIR: OPENING 3 SEPTEMBER THIS IS AN INTERNATIONAL EVENT. IT REMAINS TO BE SEEN WHETHER IT WILL STILL GO AHEAD. BUT HMG NEED NOT TAKE A VIEW.

(III) RANK XEROX/BC MANAGEMENT TRAINING PROGRAMME: MID SEPTEMBER. 3 MAN VISIT FROM MANCHESTER BUSINESS SCHOOL TO MOSCOW AND LENINGRAD. KEEP UNDER REVIEW, BUT HOPE IT CAN PROCEED.

(IV) ELT CONFERENCE, ZVENIGOROD: LATE SEPTEMBER REMAINS TO BE SEEN WHETHER LOCAL ORGANISERS WILL PROCEED. AROUND 40 POSSIBLE PARTICIPANTS FROM THE UK. KEEP UNDER REVIEW: BUT HOPE IT CAN PROCEED.

#### SCIENTIFIC VISITS

(I) EUROPEAN CANCER PREVENTION CONFERENCE IN MOSCOW: 2-4 SEPTEMBER RECOMMEND THAT UK PARTICIPATION SHOULD GO AHEAD.

(II) ROYAL SOCIETY/ACADEMY OF SCIENCES: PROGRAMME OF EXCHANGE

VISITS. RECOMMEND THAT THESE SHOULD CONTINUE.

(III) USSR/UK HEALTH AGREEMENT  
VISITS OF SPECIALISTS SHOULD CONTINUE: INDIVIDUAL TREATMENTS  
SHOULD BE REVIEWED ON A CASE BY CASE BASIS.

(IV) NUCLEAR ENERGY (NUCLEAR ELEC, AEA, ENFC)  
EXCHANGE AGREEMENT VISITS SHOULD GO AHEAD WHERE THEY ARE  
CONCERNED WITH NUCLEAR SAFETY.

(V) HM CUSTOMS AND EXCISE: VISIT OF OVERSEAS TRAINING BOARD  
IN OCTOBER. KEEP UNDER REVIEW.

(VI) CROWN AGENTS: CUSTOMS CONTROL TECHNIQUES VISIT IN  
OCTOBER. KEEP UNDER REVIEW.

(VII) CATEGORY 2 SPONSORED VISIT TO UK BY SOVIET MINISTER OF  
ENVIRONMENT VORONTSEV AT END OF NOVEMBER: KEEP UNDER REVIEW.

(VIII) DELEGATION OF LATVIAN ACADEMY OF SCIENCES TO UK AS GUESTS  
OF ROYAL SOCIETY AT END OF OCTOBER. SHOULD GO AHEAD.

(IX) DELEGATION OF ESTONIAN ACADEMY OF SCIENCES TO THE UK AS  
GUESTS OF THE ROYAL SOCIETY AT THE END OF THIS YEAR OR EARLY  
NEXT. PLANNING SHOULD CONTINUE.

(X) DELEGATION FROM SOVIET ACADEMY OF SCIENCES TO VISIT UK IN  
OCTOBER/NOVEMBER TO SIGN AGREEMENT WITH SERC: SHOULD GO AHEAD.

COMMERCIAL VISITS

THESE SHOULD BE AT THE DISCRETION OF INDIVIDUAL BUSINESSMEN. IF  
THE LATTER ARE CONVINCED THEY CAN STILL DO IMPORTANT BUSINESS  
(EG FINALISE A DEAL) MAY STILL BE WORTH COMING. BUT NOT A GOOD  
MOMENT TO COME PROSPECTING.

BRAITHWAITE

YYYY

MXLNAN 5597

NNNN

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LNHAAN 4801 MXLNAN 5596  
CONFIDENTIAL  
ZZ THHAG  
FM MOSCO TO FCOLN  
200745Z AUG  
GRS 496

CONFIDENTIAL  
FM MOSCOW  
TO FLASH FCO  
TELNO 1721  
OF 200745Z AUGUST 91  
INFO FLASH THE HAGUE (FOR PS/SECRETARY OF STATE)  
INFO IMMEDIATE PARIS, BONN, WASHINGTON, TOKYO, PEKING  
INFO IMMEDIATE UKMIS NEW YORK, UKDEL NATO, UKREP BRUSSELS  
INFO IMMEDIATE ROME, UKDEL VIENNA, OTTAWA, CANBERRA, MODUK  
INFO IMMEDIATE ACTOR, OTHER CSCE POSTS

SOVIET COUP: MEETING OF EC FOREIGN MINISTERS

1. IT MAY BE USEFUL TO FEED IN THOUGHTS FROM HERE ON WHAT A STATEMENT BY EC MINISTERS MIGHT SAY ABOUT EVENTS IN THE PAST 24 HOURS:

(I) THE CONSTITUTIONAL POSITION: GORBACHEV'S REMOVAL AND THE ASSUMPTION OF POWER BY YANAEV AND THE EMERGENCY COMMITTEE IS UNCONSTITUTIONAL, INCOMPATIBLE WITH THE RULE OF LAW AND WITH INTERNATIONALLY RECOGNISED DEMOCRATIC PRINCIPLES. IT IS TO BE FIRMLY CONDEMNED. AS BUSH HAS SAID, GORBACHEV SHOULD BE RESTORED TO POWER.

(II) GORBACHEV: TRIBUTE SHOULD BE PAID TO GORBACHEV'S ACHIEVEMENTS AND THERE SHOULD BE A DEMAND FOR GUARANTEES FOR HIS PERSONAL SAFETY. HE SHOULD BE ALLOWED TO APPEAR PUBLICLY TO PROVE THAT HE IS SAFE.

(III) EAST/WEST RELATIONS: THE COUP THREATENS THE PROCESS OF ECONOMIC AND DEMOCRATIC REFORM WITHIN THE SOVIET UNION AND THEREBY JEOPARDISES THE RELATIONSHIP OF TRUST WHICH HAS BEEN BUILT UP BETWEEN EAST AND WEST. DEVELOPMENTS OF THE PAST 24 HOURS INEVITABLY CALL INTO QUESTION CONTINUING ECONOMIC COOPERATION BETWEEN THE WEST AND THE SOVIET AUTHORITIES, INCLUDING THE EC ASSISTANCE PROGRAMME.

(IV) INTERNATIONAL OBLIGATIONS: THE EC EXPECT THE SOVIET AUTHORITIES, AS YANAEV HAS PLEDGED, TO CONTINUE TO RESPECT THE SOVIET UNION'S INTERNATIONAL OBLIGATIONS UNDER EXISTING TREATIES AND AGREEMENTS BOTH IN THE LETTER AND THE SPIRIT.

(V) DEMOCRACY: WE LOOK FOR FULL RESPECT FOR HUMAN RIGHTS AND A RETURN TO DEMOCRATIC RULE IN THE SOVIET UNION, IN LINE WITH THE SOVIET UNION'S OBLIGATIONS UNDER THE PARIS CHARTER. WE ADMIRE THE COURAGE OF THOSE SUCH AS YELTSIN WHO HAVE SPOKEN OUT IN DEFENCE OF THOSE PRINCIPLES.

(VI) KNOW HOW FUND: I UNDERSTAND FROM THE BBC THAT THE DECISION HAS ALREADY BEEN TAKEN TO SUSPEND THE KNOW HOW FUND. I AM SURE THAT IS RIGHT AT THIS JUNCTURE. HOWEVER, WERE THE COUP TO FALTER OR ITS LEADERS TO ACHIEVE LESS THAN TOTAL CONTROL OVER REGIONS AND CITIES (EG UKRAINE OR LENINGRAD), I HOPE WE COULD REVIEW OUR POLICY WITH A VIEW TO ANNOUNCING THAT WE WOULD CONTINUE KHF ASSISTANCE TO DEMOCRATIC AUTHORITIES IN THOSE

AREAS.

2. THERE MAY NOW BE INCREASING PRESSURE FROM THE BALTIC STATES FOR FORMAL RECOGNITION. AT THIS STAGE, THIS WOULD PROBABLY DO THEM MORE HARM (BY PROVOKING THE HARDLINERS HERE) THAN GOOD. HOWEVER THE EC STATEMENT MIGHT REFER SPECIFICALLY TO THE NEED FOR THE SOVIET AUTHORITIES TO RESPECT THE RIGHTS OF THE REPUBLICS, MAKING SPECIFIC MENTION OF THE BALTIC STATES. THE QUESTION OF FORMAL RECOGNITION IS ONE THAT WE SHALL NEED TO KEEP UNDER REVIEW AS THE SITUATION DEVELOPS.

3. WE NEED TO BACK UP OUR CONDEMNATION OF WHAT HAPPENED HERE WITH SPECIFIC BILATERAL MEASURES. MY IMMEDIATELY FOLLOWING TELEGRAM MAKES RECOMMENDATIONS.

BRAITHWAITE

YYYY

MXLNAN 5596

NNNN



10 DOWNING STREET  
LONDON SW1A 2AA

*From the Private Secretary*

20 August 1991

The Prime Minister plans to visit The Hague on Friday 23 August.

I should be grateful if you could seek The Queen's permission for him to be absent from the country on this date.

J.S. WALL

The Rt. Hon. Sir Robert Fellowes, K.C.B.,  
K.C.V.O.

FILE  
JA



JCA

bc PC

10 DOWNING STREET  
LONDON SW1A 2AA

*From the Private Secretary*

20 August 1991

*Dear Sir,*

SOVIET UNION AND THE BBC WORLD SERVICE

We discussed the scope for the BBC to step up its Russian language coverage to the Soviet Union in the present crisis. The Prime Minister would be grateful to know what steps are being taken. He thinks it important that things being said by Yeltsin and other democratic leaders in the Soviet Union should be reported fully so that we maximise the chances of their views being heard in the Soviet Union despite the closure of local radio and television stations.

I am sending a copy of this letter to Sonia Phippard (Cabinet Office).

*Jane*  
*Stephe*

J.S. WALL

Simon Gass, Esq.,  
Foreign and Commonwealth Office.

*cc*

SOVIET COMMITMENTS ON DEMOCRACY, HUMAN RIGHTS AND THE RULE  
OF LAW IN CSCE DOCUMENTS

A. Charter of Paris

- An undertaking to build, consolidate and strengthen democracy as the only system of government of CSCE nations.
- Protection and promotion of human rights and fundamental freedoms is the first responsibility of government.
- Democratic government based on the will of the people and expressed regularly through free and fair elections.
- Democracy entails accountability to the electorate, the obligation of public authorities to comply with the law, and justice administered impartially.
- Every individual has the right to freedom of thought, conscience and religion or belief; of expression; of association and peaceful assembly; of movement.
- No-one shall be subject to arbitrary arrest, detention or torture.
- Everyone has the right to know and act upon his rights, to participate in free and fair elections, to fair and public trial if charged with an offence, to own property and exercise individual enterprise, and to enjoy his economic, social and cultural rights.

/B.



B. Copenhagen Document of the Conference on the Human Dimension

- Pluralistic democracy and the rule of law are essential for ensuring respect for all human rights and fundamental freedoms; democratic societies will be built based on free elections and the rule of law.
  
- Laws, regulations, practices and policies will conform with obligations under international law and be brought into harmony with the provisions of CSCE principles and commitments.
  
- Free elections, representative government, duty of the government and public authorities to comply with the Constitution and to act in a manner consistent with law, separation between State and political parties, military forces and police to be under the control of civil authorities, human rights to be guaranteed by law, effective means of redress against administrative decisions, the presumption of innocence until guilt is proved.
  
- The right of citizens to take part in the governing of their country.
  
- Freedom of expression and of information.
  
- Right of peaceful assembly and demonstration (restrictions to be prescribed by law and consistent with international standards).
  
- The right of association; freedom of association for workers, including the freedom to strike, (same limitations as in preceding para).

- Derogations from obligations relating to human rights during a state of public emergency must remain strictly within the limits provided for by international law; imposition of a state of public emergency must be proclaimed officially, publicly and in accordance with the provisions laid down by law.

PRIME MINISTER

BBC NEWS

Kohl...  
hubbers...  
Gross...  
Pchevachud...  
Yell...  
Mr. Grogan

Mr. Grogan  
Hyde  
Kuh...  
Yes

The Lord President would like a word with you on the telephone tomorrow. He said that he has a "political matter" he wishes to discuss with you.

In addition, although I have been keeping him in touch by phone with events while he has been on holiday in Yorkshire, I think he feels a bit apart from things and simply wants to touch base with you.

You will recall that he wanted to see you if you had been in town tomorrow to discuss the legislative programme among other things. A note is in your box separately on the legislative programme.

*DM*

DOMINIC MORRIS

20 August 1991

c:\parly\president (kk)

# Women's Campaign for Soviet Jewry

Co-Chairmen: RITA EKER, MARGARET RIGAL

Pannell House  
779 / 781 Finchley Road, London NW11 8DN  
Telephone 081 458 7148 / 9 Fax 081 458 9971

MESSAGE RECEIVED FROM :

ATTENTION FOREIGN NEWSDESK

Yevgeny PISAREVSKY of Leningrad,  
on behalf of the Refusenik Jews in Leningrad.  
20 August 1991 1.30 pm London time

We are alarmed and disturbed at the illegal actions of a group of people who have assumed the reins of government and who have arbitrarily and quite illegally overthrown the Soviet President.

We will never give our support to this self-appointed group who have no authority from the people and who are representative only of themselves and their desire for power.

We are very disturbed at the situation that has arisen and we earnestly pray that there will be no confrontation that could conceivably lead to bloodshed and we hope that a legal, democratically elected government will be peacefully restored.

## STATEMENT FOR THE BRITISH GOVERNMENT

For further contact ring this office  
or Rita on 081 458 6624.

Groups throughout: UK, Eire, European Continent, Israel, Canada, USA, Australia, New Zealand and Africa  
TRADE UNION AFFILIATES: Amalgamated Engineering Union (AEU), National Association of Local Government Officers (Nalگو) and Electricians Union (EETPU)

SUBJECT  
MASTER



Filed on:

10 DOWNING STREET  
LONDON SW1A 2AA

FILE  
JA  
cc HMT LOD  
MOD CO  
BT

From the Private Secretary

20 August 1991

Dear Sir,

PRIME MINISTER'S TELEPHONE CONVERSATION WITH THE  
JAPANESE PRIME MINISTER

The Prime Minister and Prime Minister Kaifu of Japan spoke on the telephone this morning, at our initiative.

Mr. Kaifu said that he was watching the situation in the Soviet Union with grave concern. What was happening ignored the constitutional framework and appeared to be unacceptable. Japan did not want to see perestroika reversed in any way. Japan was not a member of the EC or NATO. It was very important therefore to consult and co-ordinate among the G7. Since the Prime Minister was Chairman of the G7, Japan hoped he would take the initiative. It would be difficult for leaders to get together but he would be very grateful if there could be G7 consultation at Sherpa level.

The Prime Minister said that he particularly wanted to hear Mr. Kaifu's views on the Soviet Union especially as he was very conscious that Japan was not involved in the collective consultation mechanisms already being invoked. At the moment the situation was very unclear. The Prime Minister described the meeting of EC Ministers that was taking place in The Hague and the action we had taken to freeze our bilateral aid to the Soviet Union. It was likely that the Community would speed up progress on Association Agreements with the countries of Eastern Europe to make clear that they were part of the free world and were not to be brought back into the sphere of influence of the Soviet Union. We would make clear to the Soviet Union that she must honour the international commitments which President Gorbachev had entered into and respect human rights within the Soviet Union. The Prime Minister agreed that as events unfolded it would probably be right to take a G7 initiative, in the form of a Sherpa meeting in the first instance.

Follow-up

The Prime Minister thinks it is important for our overall relationship with Japan not to exclude them from international consultation at a time when they must feel the need for it. He therefore favours a G7 meeting at either Sherpa or Political Director level. He realises that the French may oppose but

provided others are on side (particularly the Americans) he will be prepared to go ahead and propose such a meeting and put the onus on the French to say no. The Prime Minister thinks that our argument with any doubters should be that we are always pressing the Japanese to play a fuller role internationally, e.g. in support of the Gulf operations. It is against our interests to rebuff them on this occasion.

If the Foreign Secretary is content the Prime Minister would therefore be grateful if we could take steps to try and set up the G7 meeting at Sherpa or Political Director level at some time over the coming days.

I am sending a copy of this letter to Private Secretaries to members of OPD and to Sonia Phippard (Cabinet Office).

A handwritten signature in cursive script, appearing to read 'J.S. Wall', written in dark ink.

J.S. WALL

Simon Gass, Esq.,  
Foreign and Commonwealth Office.

FILE

V8



SUBJECT  
MASTER

A: Russia 2. V8

10 DOWNING STREET  
LONDON SW1A 2AA

Filed on:

*From the Private Secretary*

20 August 1991

RECORD OF THE PRIME MINISTER'S CONVERSATION WITH MR. YELTSIN

I enclose a record of a telephone conversation between the Prime Minister and President Yeltsin at 1530 today.

I am copying this letter and enclosure to Private Secretaries to other members of OPD and to Sonia Phippard (Cabinet Office).

(J. S. WALL)

Simon Gass, Esq.,  
Foreign and Commonwealth Office.

V8

A: / Russia. V8

RECORD OF THE PRIME MINISTER'S CONVERSATION WITH MR. YELTSIN

The Prime Minister spoke to President Yeltsin at 1530 today (Tuesday 20 August).

The Prime Minister said that we were watching events in the Soviet Union with immense anxiety.

President Yeltsin said that matters were becoming more complicated even as they spoke. The anti-constitutional group were taking ever-more decisive measures to capture the Russian Republic's Building. They had completely isolated President Gorbachev. There were no telephone communications to President Gorbachev and the runway close to where he was being held had been blocked. Mr. Yeltsin said that he had declared the actions of the Committee an anti-constitutional coup and had issued a decree making clear that their decisions were not valid in the Russian republic and declaring the eight members of the committee criminals. He had passed a 10-point set of demands to Mr. Lukyanov, the Chairman of the Supreme Soviet, including the demand that the group be declared illegal and put on trial. ~~He~~ had also declared that all the armed forces of the Soviet Union (i.e. those of the Ministries of Interior and Defence and the KGB) who were on Russian soil should be subject to his authority as President of the Russian Republic.

Mr. Yeltsin said that today a curfew had been announced in Moscow. Intense efforts were being made to take the building in which he and his colleagues were blocked in for the second day running. The world community must do all it could to free President Gorbachev, to declare the Junta illegal, and to demand that they be brought to justice. The statement by Yanayev about President Gorbachev's health was untrue. President Gorbachev had been examined by a doctor on 19 August. He had been found to be in almost complete good health with only a few very minor complaints.

President Yeltsin went on to say that he could not rule out that his building would be stormed today though he hoped this could be



averted. Hundreds of thousands of his supporters were out on the streets. He hoped no extreme measures would be taken against him. He was deeply grateful to the Prime Minister for the support of the British Government and people. He hoped that the Prime Minister and President Bush (to whom he had spoken) would co-ordinate the activity of the world community.

The Prime Minister said there was immense support for President Yeltsin in this country as well as opposition to the hardline coup by the committee of eight. He had made clear publicly that we regarded the action of the committee as illegal and unconstitutional. The Prime Minister described the actions agreed today by the European Community.

President Yeltsin interrupted to say that tanks were moving towards the building from which he was speaking. He had only 5 minutes or so left. He was grateful to the Prime Minister for his support. The Prime Minister said we wanted constitutional law and justice to prevail. What additional action could the United States, Britain or our EC colleagues take? President Yeltsin asked that we demand that President Gorbachev be freed. He was the legal President of the Soviet Union. We should demand the establishment of communications between President Gorbachev and the Prime Minister or President Bush. In the face of the allegations that President Gorbachev was unwell, he had asked for a special independent group from the World Health Organisation to be able to examine him. President Yeltsin asked for as much support as possible for the democratic State of Russia. He hoped the present tragedy would be overcome so that democratic reform could prevail.

The Prime Minister said that we would do all we could in support of democracy and reform in the Soviet Union and would use whatever means we could to keep in touch with Mr. Yeltsin. He wished Mr. Yeltsin good luck and Godspeed and hoped to speak to him again very shortly. President Yeltsin repeated that he was very grateful for the Prime Minister's support. We must hope for a positive outcome.

RECORD OF THE PRIME MINISTER'S CONVERSATION WITH MR. YELTSIN

The Prime Minister spoke to President Yeltsin at 1530 today (Tuesday 20 August). *a short while ago*

The Prime Minister said that we were watching events in the Soviet Union with immense anxiety. *Agreed with him to make public our conversation.*

① *Reminded in Crimea*  
President Yeltsin said that matters were becoming more complicated even as they spoke. The anti-constitutional groups were taking ever-more decisive measures to capture the Russian Republic's Building. They had completely isolated President Gorbachev. There were no telephone communications to President Gorbachev and the runway close to where he was being held had been blocked. *referred to the decree he had issued*  
Mr. Yeltsin said that he had declared the actions of the Committee an anti-constitutional coup and had issued a decree making clear that their decisions were not valid in the Russian republic and declaring the eight members of the committee criminals. He had passed a 10-point set of demands to Mr. Lukyanov, the Chairman of the Supreme Soviet, including the demand that the group be declared illegal and put on trial. ~~He~~ had also declared that all the armed forces of the Soviet Union (i.e. those of the Ministries of Interior and Defence and the KGB) who were on Russian soil should be subject to his authority as President of the Russian Republic.

② *Yeu-1-ev*  
Mr. Yeltsin said that today a curfew had been announced in Moscow. Intense efforts were being made to take the building in which he and his colleagues were blocked in for the second day running. ~~The world community must do all it could to free President Gorbachev, to declare the Junta illegal, and to demand that they be brought to justice.~~ The statement by Yanayev about President Gorbachev's health was untrue. President Gorbachev had been examined by a doctor on 19 August. He had been found to be in almost complete good health with only a few very minor complaints.

③  
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Her to head  
white. Red. team. - 2 -

Boris Yeltsin

averted. Hundreds of thousands of his supporters were out on the streets. He hoped no extreme measures would be taken against him. He was deeply grateful to the Prime Minister for the support of the British Government and people. He hoped that the Prime Minister and President Bush (to whom he had spoken) would co-ordinate the activity of the world community.

The Prime Minister said there was immense support for President Yeltsin in this country as well as opposition to the hardline coup by the committee of eight. He had made clear publicly that we regarded the action of the committee as illegal and unconstitutional. The Prime Minister described the actions agreed today by the European Community.

*did not  
know  
we agreed  
to  
the treaty*

President Yeltsin interrupted to say that tanks were moving towards the building from which he was speaking. He <sup>believed he had not much</sup> had only 5 minutes or so left. He was grateful to the Prime Minister for his support. The Prime Minister said we wanted constitutional law and justice to prevail. What additional action could the United States, Britain or our EC colleagues take? President Yeltsin asked that we demand that President Gorbachev be freed. He was the legal President of the Soviet Union. We should demand the establishment of communications between President Gorbachev and the Prime Minister or President Bush. In the face of the allegations that President Gorbachev was unwell, he had asked for a special independent group from the World Health Organisation to be able to examine him. President Yeltsin asked for as much support as possible for the democratic State of Russia. He hoped the present tragedy would be overcome so that democratic reform could prevail.

The Prime Minister said that we would do all we could in support of democracy and reform in the Soviet Union and would use whatever means we could to keep in touch with Mr. Yeltsin. He wished Mr. Yeltsin good luck and Godspeed and hoped to speak to him again very shortly. President Yeltsin repeated that he was very grateful for the Prime Minister's support. We must hope for a positive outcome.

CONFIDENTIAL *RL* *eu*

**SUBJECT  
MASTER**



*bc PC*

**Filed on:** 10 DOWNING STREET  
LONDON SW1A 2AA

*From the Private Secretary*

20 August 1991

*Dear Richard,*

**CONVERSATION BETWEEN THE PRIME MINISTER AND PRESIDENT BUSH**

The Prime Minister and President Bush had a further telephone conversation this evening. The Prime Minister gave the President an account of the EC Foreign Ministers' meeting in The Hague (on which I had also briefed General Scowcroft earlier in the day). The President thought the results of the meeting were very good.

The Prime Minister gave President Bush an account of his telephone conversation with Mr. Yeltsin. The Prime Minister described the action we had subsequently taken with the Soviet Ambassador. The only additional piece of information that President Bush had was that Mr. Baker had been told by the Soviet Ambassador in Washington that the Soviet Foreign Minister, Mr. Bessmertnykh had been on holiday, was genuinely sick and would be in touch within the next couple of days. The Prime Minister said that it appeared from his conversation with Mr. Yeltsin that Mr. Yeltsin had had some contact with President Gorbachev perhaps through a third party. President Bush said that Mr. Yeltsin had told him that he had sent emissaries to Gorbachev and that they had been unable to see him because his house was surrounded by three rings of KGB and military.

The President and Prime Minister agreed to keep in close touch. It was most important that our two countries stand together.

In my earlier conversation with General Scowcroft I gave him an account of the Prime Minister's telephone conversation with Prime Minister Kaifu and said that the Prime Minister did want to try to arrange a meeting of the G7 at Sherpa level. I rehearsed the arguments in favour. General Scowcroft said that he agreed with these arguments but there were others in Washington who were nervous about giving the Sherpas a continuing role. I said that the meeting could be at political director level if necessary. General Scowcroft said he would consult and get back to me. I

CONFIDENTIAL *cu*

CONFIDENTIAL

- 2 -

think I ought to let General Scowcroft do that before we launch full consultations. I will telephone him tomorrow if he does not call first.

I am copying this letter to the Private Secretaries to members of OPD and to Sonia Phippard (Cabinet Office).

*Johns,*

*Stephen*

(J.S. WALL)

Richard Gozney, Esq.,  
Foreign and Commonwealth Office.

CONFIDENTIAL

CONFIDENTIAL

file

ecu

**SUBJECT  
MASTER**



cc PC

**Filed on:**

10 DOWNING STREET  
LONDON SW1A 2AA

*From the Private Secretary*

20 August 1991

*Dear Robert,*

**PRIME MINISTER'S MEETING WITH THE FOREIGN SECRETARY**

The Prime Minister and the Foreign Secretary had a meeting this evening to take stock of developments in the Soviet Union and in particular to think about Friday's meeting of EC Heads of Government.

The Foreign Secretary said that one possible outcome of the European Council might be an agreement that the Chairmen of the G7, CSCE and the European Community, i.e. the Prime Minister, Kohl and Lubbers should go to Moscow to see Gorbachev, Yeltsin and Lukyanov to establish the extent to which the Soviet Union was fulfilling its obligations.

The Prime Minister did not think this idea would run. He doubted if the visit would get off the ground and if it did he feared that it would be a shambles. He thought the idea would anyway run into opposition within the Community. He agreed with the Foreign Secretary that we needed to have a substantive result from Friday's meeting. One possibility that was discussed was whether to seek agreement that the Community would not have political level dealings with the Group of Eight but only working level meetings through embassies. This idea was not ruled out but the Foreign Secretary saw two problems:

- (i) that having established this policy it would be difficult to get out of it if the coup was sustained; and
- (ii) that we could be pressed to go further to say that there would be no dealings at all with the new regime unless and until President Gorbachev was restored. It would be helpful to have advice on this idea.

The Foreign Secretary also mentioned the possibility that Heads of Government or Foreign Ministers from East European countries might be invited to the meeting (or to the dinner). The invitation should include Romania and Bulgaria (who might be at risk from a copy-cat coup) as well as Czechoslovakia, Poland and Hungary. Albania might need to be included as well. The invitations might go to the Foreign Ministers of the countries concerned.

The Prime Minister thought this an excellent idea. He indicated to me after the meeting that he would be happy for the

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- 2 -

invitations to go at Head of Government level to the countries concerned. In presentational terms the meeting would obviously have more resonance if Presidents Walesa and Havel were there.

I am copying this letter to Sonia Phippard (Cabinet Office).

*Jans,*  
*Stephen*

(J.S. WALL)

Richard Gozney, Esq.,  
Foreign and Commonwealth Office.

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SUBJECT  
MASTER



RU  
JD  
cc PC

Filed on:

10 DOWNING STREET  
LONDON SW1A 2AA

*From the Private Secretary*

20 August 1991

*Dear Mr. Gass,*

**PRIME MINISTER'S CONVERSATION WITH PRESIDENT HAVEL OF  
CZECHOSLOVAKIA**

The Prime Minister and President Havel of Czechoslovakia spoke on the telephone at the President's initiative. The President said that news of the attempted coup in the Soviet Union had been received with strong opposition in Czechoslovakia. People were worried about the possible threat to Czechoslovak security. Czechoslovakia had taken all the necessary security measures to protect her facilities, and was strengthening her international contacts. President Havel had himself spoken to President Bush.

The President went on to thank the European Community for its decision to accelerate progress on the Association Agreements with Czechoslovakia, Poland and Hungary. He was particularly grateful to the British Government for taking the initiative.

The Prime Minister said that he had chaired a meeting in Downing Street the previous day at which we had decided to seek an acceleration of the Association Agreements. The EC had also agreed to suspend food credits and technical assistance to the Soviet Union. The Community would attend the Moscow Human Rights Conference if the Soviet Union met all her CSCE obligations. We were urgently considering a possible role for the CSCE. Heads of Government of the EC would probably meet on Friday.

The Prime Minister said that we were in no doubt that the integrity of the borders of Czechoslovakia must be sustained. It was with that in mind that we had decided to accelerate the progress on the Associated Agreements, i.e., in order to demonstrate our commitment.

President Havel expressed gratitude for the political support of the West for the people of Czechoslovakia. He had made clear that democracy in Czechoslovakia was irreversible. This was a very sensitive issue to the people of Czechoslovakia. What was happening in the Soviet Union was reminiscent of what had happened in 1968. This was very alive in the minds of the Czechoslovak people.

The Prime Minister urged President Havel to keep in touch. He could be assured that we would not overlook the need to stress

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- 2 -

the importance of the integrity of Czechoslovakia's borders as well as the irreversibility of reform in Czechoslovakia.

We have given a fairly full account of this conversation to the press.

Copies of this letter go to the Private Secretaries to the members of OPD and to Sonia Phippard (Cabinet Office).

*pp R. Lingham*  
J.S. WALL

Simon Gass, Esq.,  
Foreign and Commonwealth Office.

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*file*

## BUSH CALLS FOR RESTORATION OF POST OF SOVIET PRESIDENCY

(Text: Statement by the president)

Washington -- President Bush has expressed his deep concern over events in the Soviet Union and says he supports Russian President Yeltsin's "call for restoration of the legally elected organs of power and the reaffirmation of the post of USSR President M.S. Gorbachev."

In a statement released August 19 at the White House, Bush said "we believe the policies of reform in the Soviet Union must continue, including democratization, the process of peaceful reconciliation between the center and the republics and economic transformation."

Following is the text of the Bush statement:

We are deeply disturbed by the events of the last hours in the Soviet Union and condemn the unconstitutional resort to force. While the situation continues to evolve and information remains incomplete, the apparent unconstitutional removal of President Gorbachev, the declaration of a state of emergency, and the deployment of Soviet military forces in Moscow and other cities raise the most serious questions about the future course of the Soviet Union. This misguided and illegitimate effort by-passes both Soviet law and the will of the Soviet peoples.

Accordingly, we support President Yeltsin's call for "restoration of the legally elected organs of power and the reaffirmation of the post of USSR President M.S. Gorbachev."

Greater democracy and openness in Soviet society, including steps toward implementation of Soviet obligations under the Helsinki Final Act and the Charter of Paris have made a crucial contribution to the welcome improvement in East-West relations during the past few years.

In these circumstances, U.S. policy will be based on the following guidelines:

- We believe the policies of reform in the Soviet Union must continue, including democratization, the process of peaceful reconciliation between the center and the republics and economic transformation;
- We support all constitutionally elected leaders and oppose the use of force or intimidation to suppress them or restrict their right to free speech;
- We oppose the use of force in the Baltic States or against any republics to suppress or replace democratically elected governments;
- We call upon the USSR to abide by its international treaties and commitments, including its commitments to respect basic human rights and democratic practices under the Helsinki Accords, and the Charter of Paris;
- We will avoid in every possible way actions that would lend legitimacy or support to this coup effort;
- We have no interest in a new Cold War or in the exacerbation of East-West tensions;
- At the same time, we will not support economic aid programs if adherence to extra-constitutional means continues.

**BUSH BRIEFED ON SOVIET UNION SITUATION**

(Text: White House statement)

Washington -- President Bush met with his national security advisers August 19 for "an update on the situation in the Soviet Union," a White House statement noted.

Following is the text of the White House statement:

The president met with his national security advisers this afternoon in the Roosevelt Room for an update on the situation in the Soviet Union. Attending were Governor Sununu, General Scowcroft, Deputy National Security Adviser Robert Gates, Acting Secretary of State Eagleburger, Acting Secretary of Defense Atwood, Deputy Secretary of the Treasury Robson, Chairman of the Joint Chiefs of Staff Colin Powell, Deputy Secretary of Central Intelligence Kerr and Arms Control and Disarmament Agency Director Lehman. In addition, representatives from the National Security Council, Treasury and Department of Defense attended. The president stated the seriousness of the situation and discussed the phone calls he has had with various world leaders. The president has called the president of the EC Prime Minister Lubbers, Presidents Ozal, Havel and Walesa and Prime Minister Antall. Earlier the president had spoken with Chancellor Kohl, President Mitterrand and Prime Ministers Mulroney, Major, Andreotti, Kaifu and Gonzalez.

In the conversations with East European leaders, the irreversibility of the democratic process in Eastern Europe was emphasized. The president agreed to stay in close touch with the East European leaders and pledged continuing U.S. support for the economic and political reform process in the region.

Soviet Ambassador Komplektov, at his request, met with Acting Secretary Eagleburger at noon at the State Department and this afternoon with Robert Gates at the White House. In his meeting with Mr. Gates, Ambassador Komplektov also presented a letter for the president from Soviet Vice President Yanayev.

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PREM 19/3558/2

(Part 2 of 2)

POSSIBLE EC MEASURES AGAINST SOVIET GOVERNMENT

1. Cancellation of political cooperation discussions at Deputy Foreign Minister level (planned for 3 October.)
2. Cancellation of EC credit guarantee (worth 500 mecu) for food purchases. (Particularly attractive since it directly helps the central authorities with quasi balance of payments assistance. Various means available to stop the guarantee: either rescind the existing EC regulation or abrogate the three implementing agreements between the EC, the Soviet authorities and the commercial banks who will provide the loan.)
3. EBRD lending: cancel the recommendation made by the Luxembourg European Council to increase the limits on Soviet borrowing from EBRD. (Originally a political decision which requires no legal steps to rescind.)
4. Cancellation of political commitment to negotiate a major new agreement between EC and the Soviet Union.  
(Luxembourg European Council endorsed the proposal for a new EC Soviet Treaty including political, economic and cultural cooperation. This was originally a French idea and there has been no detailed work on what should be the precise contents of any agreement. The Commission has shown great reluctance to make any progress. Nevertheless it would be useful to remove this commitment from the agenda.)
5. Suspend/Cancel EC technical assistance programme. (The EC could rescind the EC regulation setting up the programme. Alternatively a case could be made to suspend implementation of this package (worth 400 mecu in 1991). Access to funding could be made conditional on adherence to stricter criteria than presently foreseen in the EC

regulation. The Soviet central authorities should be removed as potential beneficiaries and as the joint implementing authority with the Commission.)

6. Abrogate EC-Soviet Trade and Cooperation Agreement.

(Would require a legal decision and six months to come into effect).

7. Suspension of delivery of any EC food assistance not already disbursed. (Most of the food assistance requested by the Rome European Council worth 250 mecu has been disbursed. HMG made our agreement to implementation of this decision conditional on satisfactory guarantees about the destination and humanitarian nature of the gift. It would therefore seem inconsistent now to prevent completion as a sign of displeasure with the central authorities. In any case there may be little left undelivered.)

European Community Department (External)

19 August 1991

**STATEMENT TO BE MADE BY THE SECRETARY GENERAL ON BEHALF OF  
THE COUNCIL**

The North Atlantic Council met for a first discussion of today's disturbing developments in the Soviet Union and their implications.

The internal reforms and new thinking in foreign policy pursued by the Soviet leadership in the past years have led to the end of the Cold War era, and opened the way to building a Europe whole and free. The allies are deeply concerned that the latest developments foreshadow a grave deviation from the path of reform and the rule of law in the Soviet Union, with most serious consequences for the Soviet Union itself, its neighbours and the whole international community.

The Allies expect that the Soviet Union will adhere fully to its international commitments and obligations. With the signing of the Charter of Paris for a new Europe in November 1990, the Soviet Union, along with all participating states, committed itself to the advancement of democracy, based on free elections and human rights, as indispensable in strengthening peace and security among the member states of the CSCE. Any obstacles to further democratisation in the Soviet Union might not only endanger the essential domestic political and economic reforms, but could also weaken that country's ability to serve as one of the necessary underpinnings of the new co-operative order in Europe.

The Allies will continue to monitor developments in the Soviet Union very closely. We will follow with particular attention the manner in which the Soviet Union's human rights obligations are observed with regard to members of the reform movement and others who may be opposed to today's events.

The Allies are determined to ensure that the achievements of the last years in all fields of international policy, of equal importance for the security of all states of Europe and North America, are not reversed.

Copy:

Private Secretary

PS/ Mr Mags

PS/ PUS

Mr Weston

Mr Brownfield

Mr Tark

Mr Marshall News D

Mr Campbell (see 13)

Released in Brussels for evening

Delella 7/8

Mr. Crawford Soviet Dept

P.02

PS

PS/PUS

All USSR

cc PC

Mrs. Chalker Sir A. W. H. H. H. H.

Mr. Tait

BUP

SUMMARY OF 16-POINT DECLARATION BY THE USSR STATE COMMITTEE FOR THE STATE OF EMERGENCY, ANNOUNCED ON SOVIET TV AT 10.20am LONDON TIME, 19 AUGUST 1991.

Andropov Fedry  
 APS/PUS  
 19/8/91

1. All bodies of authority in the USSR at all levels shall ensure that the state of emergency is observed. If they fail to do so, then their authority will be terminated, and they will be replaced by appointees of the USSR State Committee for the State of Emergency (GKChP)
2. All militarized groupings whose activities contravene the USSR constitution shall be disbanded.
3. All organs of authority whose activities violate the laws and constitution of the USSR shall be disbanded
4. All public organizations and political parties whose activities prevent the normalization of the situation in the USSR shall cease to function.
5. The responsibilities of the Security Council have been taken on by the GKChP, and therefore the Sec. Council has now ceased to function.
6. All illegally held arms, weapons and ammunition are to be surrendered. The MVD, KGB and the Ministry of Defence will ensure, by force if necessary, that this is observed in practise.
7. Procuracies of the MVD, KGB and the Ministry of Defence to ensure the enforcement of law and order on Soviet territory, in accordance with the USSR law on states of emergency. Meetings, demonstrations and strikes shall be illegal. Curfews and compulsory searches may be introduced if necessary. Major state owned sites may be taken under direct control of the GKChP. The spreading of rumours, attempts at incitement and disobedience shall not be tolerated.
8. The Soviet press shall be placed under the control of a special governing body attached to the GKChP.
9. Discipline and observance of the law shall be raised in all areas of Soviet life. Vertical and horizontal lines of cooperation shall be improved in all areas of the economy. GKChP will ensure the economization of all resources, including hard-currency, in order to put a stop to economic mismanagement. Corruption, speculation, black marketeering and hoarding will not be tolerated. Favourable conditions will be created for encouraging various forms of entrepreneurial activity, acting in accordance with the law, to contribute to the country's economic potential.
10. Those occupying positions of authority in state organs of power shall not be allowed to engage in entrepreneurial activity as well.
11. Within 1 week, the USSR Council of Ministers will draw up an inventory of the nation's food, industrial and consumer goods resources. All restrictions on the movement of food supplies,



consumer goods and raw materials around the USSR shall be lifted. Priority will be given to ensuring supplies for schools, kindergartens, hospitals, educational establishments, pensioners and the disabled.

Within 1 week, measures will be announced to stabilize, or freeze in some cases, prices of vital food and consumer products. Within 2 weeks, measures will be drawn up to regulate the wages of employees in state organizations.

12. Emergency measures shall be adopted to ensure that the harvest is successfully gathered in, stored and processed. All resources necessary, including fuel and spare parts, will be made available. Immediate measures will be taken to make workers, students and conscripts available for harvesting work.

13. Within 1 week, a programme will be drawn up allowing for all urban residents to have a private allotment of no more than 0.15 hectares, if they wish to do so.

14. Within 2 weeks, a programme of essential measures for the fuel and oil industry will be drawn up, to allow for necessary preparations to be taken for the coming winter.

15. Within 6 months, a programme of specific measures will be drawn up for housing construction, which will cover state, cooperative and individual construction over the next 5 years.

16. Priority will be given to social programmes at all levels, with special emphasis placed on free education and health care.

(NB This is a summary, not an official translation).

Soviet Section  
RAD

19/8/91.



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**CABINET OFFICE**

**70 Whitehall London SW1A 2AS Telephone 071-270**

Simon Gass Esq  
Foreign and Commonwealth Office  
King Charles Street  
London SW1

19 August 1991

*Dear Simon*

SOVIET UNION - PRESS Q AND As

At OPD this afternoon I was asked to prepare a list of Q&As on the crisis for use by Ministers tonight. I attach a first shot, based on my notes of the meeting. I would be grateful for any comments over the telephone, and also if you and Bryan Wells could fill in the gaps. In particular, the Defence Secretary undertook to prepare a line on Q9, which he has no doubt done by now.

I propose to circulate a final version in the course of the evening.

W D REEVES

Copies to: J S Wall Esq LVO, No 10 ✓  
Bryan Wells Esq, MOD  
Sir Percy Cradock GCMG, Cabinet Office

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PRESS Q AND As

Q1. Does Britain recognise the new Soviet Government?

A. In strict legal terms the question does not arise since recognition is given to states, not to Governments. Diplomatic relations with the Soviet Union therefore continue.

Q2. Formal recognition apart, what is the Government's attitude to the new regime?

A. It remains to be seen whether the regime will succeed in making its writ run across the Soviet Union. If it does so, the crucial question will be not who is in charge but whether existing policies are maintained. The regime's statement that existing international commitments are unaffected is encouraging as far as it goes. Certainly the West has no interest in actively discouraging the new regime from continuing the policies on which President Gorbachev embarked.

Q3. Does the Government support Mr Yeltsin's call for popular resistance to the new regime?

A. It must be for the Soviet people themselves to decide how to respond to these events.

Q4. Is the Prime Minister still planning to visit Moscow?

A. Far too early to say.

Q5. Will economic assistance for the Soviet Union be reviewed?

A. The Foreign Secretary will be proposing to his European colleagues at The Hague tomorrow that EC technical assistance programmes

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should be suspended. Assistance to the Soviet Union from the UK's Know How Fund has already been suspended.

Q6. Are you satisfied that British citizens in the Soviet Union are safe? What advice is the Government giving them?

A. [FCO to provide].

Q7. Should the West impose a trade embargo?

A. Far too early to say; we must wait to see how events unfold.

Q8. Why has the goodwill visit by a Soviet warship to Plymouth been cancelled? Ditto the visit to Murmansk by veterans of the 1941 convoys?

A. In present circumstances it seemed inappropriate for either event to go ahead.

Q9. Is the Government in touch with President Gorbachev? Mr Yeltsin? the Baltic leaders?

A. President Gorbachev's communications with the outside world have apparently been broken. The Government have not been in touch with Mr Yeltsin. [FCO to advise on the Baltic leaders].

Q10. Does the coup undermine the rationale for the Options for Change defence cuts?

A. [MOD to provide formula].

Q11. Has the Government any fears for the new democracies in Eastern Europe?

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- A. The new regime has said that the Soviet Union's international commitments remain unaffected. We attach importance to the early signature of Association Agreements with Poland, Hungary and Czechoslovakia, and the Foreign Secretary will be raising this matter with his European colleagues at The Hague tomorrow.

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CABINET OFFICE

70 Whitehall London SW1A 2AS Telephone 071-270

TO1645

J S Wall Esq LVO  
No 10

19 August 1991

*Dev Stephen*

SOVIET UNION - PRESS QUESTIONS AND ANSWERS

Further to the discussion in OPD this afternoon, I attach a Questions and Answers brief for the use of Ministers. It has been cleared with the FCO and MOD.

*Yours sincerely  
Bill Cross*

Copies to: Simon Gass Esq, FCO  
Bryan Wells Esq, MOD  
Ms Sue Bishop, DTI  
Jeremy Heywood Esq, HM Treasury  
Colin Pipe Esq, Private Secretary to the Law Officers  
T J Sutton Esq, Lord President's Office  
Murdo MacLean Esq, Government Chief Whip's Office  
Sir Percy Cradock GCMG, Cabinet Office

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PRESS Q AND AS

Q1. Does Britain recognise the new Soviet Government?

A. In strict legal terms the question does not arise since recognition is given to states, not to Governments. Diplomatic relations with the Soviet Union therefore continue.

Q2. Formal recognition apart, what is the Government's attitude to the new regime?

A. The regime has clearly come to power unconstitutionally. It remains to be seen whether it will succeed in making its writ run across the Soviet Union. So far its actions have been reactionary and repressive. The only positive feature of the situation at this stage is the regime's statement that existing international commitments are unaffected. We expect them to stand by that statement. Certainly the West has no interest in actively discouraging the new regime from continuing the policies on which President Gorbachev embarked.

Q3. Does the Government support Mr Yeltsin's call for popular resistance to the new regime?

A. It must be for the Soviet people themselves to decide how to respond to these events.

Q4. Is the Prime Minister still planning to visit Moscow?

A. Far too early to say.

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Q5. Will economic assistance for the Soviet Union be reviewed?

A. All western aid was approved on the assumption that the Soviet Union was moving towards economic and political reform. We must now question that assumption. The Foreign Secretary will be proposing to his European colleagues at The Hague tomorrow that EC technical assistance programmes should be suspended. Assistance to the Soviet Union from the UK's Know How Fund has already been suspended.

Q6. Are you satisfied that British citizens in the Soviet Union are safe? What advice is the Government giving them?

A. We are advising postponement of non-essential travel for the moment. However, there are no immediate grounds for alarm, or for British citizens already in the Soviet Union to leave. They should use their common sense, avoid public disturbances and stay in touch with the Embassy.

Q7. Should the West impose a trade embargo?

A. Far too early to say; we must wait to see how events unfold.

Q8. Why has the goodwill visit by a Soviet warship to Plymouth been cancelled? Ditto the visit to Murmansk by veterans of the 1941 convoys?

A. In present circumstances it seemed inappropriate for either event to go ahead.



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Q9. Is the Government in touch with President Gorbachev? Mr Yeltsin? the Baltic leaders?

A. President Gorbachev's communications with the outside world have apparently been broken. The Government have not been in touch with Mr Yeltsin. We have spoken with representatives of Baltic states in London. Any armed suppression in the Baltic states would be a disastrous development.

Q10. Does the coup undermine the rationale for the Options for Change defence cuts?

A. "Options for Change" recognised the risk of instability in the Soviet Union. It underlined the need for well equipped and mobile forces in an uncertain world.

Q11. Has the Government any fears for the new democracies in Eastern Europe?

A. The new regime has said that the Soviet Union's international commitments remain unaffected, and we expect them to stand by this statement. As far as our relations with Eastern Europe are concerned, we attach importance to the early signature of Association Agreements with Poland, Hungary and Czechoslovakia, and the Foreign Secretary will be raising this matter with his European colleagues at The Hague tomorrow.

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Q12. Are not the Government and West to blame for giving too little help to Gorbachev?

A. The Soviet Union is not a poor country. It is a rich country which has wasted its own resources for ideological reasons. At the G7 summit in July, Mr Gorbachev did not seek a massive transfer of Western resources. Rather he sought (and we were ready to give) advice on how the Soviet Union should join the world economy.

Q13. Western help a poisoned chalice?

A. Our support for the process of reform was a response to the real needs of the Soviet Union. It was in harmony with Mr Gorbachev's approach, which still in our view offers the only way forward.

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PRIME MINISTER

EVENTS IN THE SOVIET UNION  
OPD Meeting at 3.00 pm on MONDAY 19 AUGUST 1991

The following will be attending: Foreign Secretary, Defence Secretary, Attorney General, Financial Secretary and Minister for Trade (Mr Sainsbury).

2. The Foreign Secretary will be briefed to report on the progress of the coup and reactions to it, including the Government's own response. He will be attending the meeting of EC Foreign Ministers in The Hague tomorrow morning. NATO Permanent Representatives are to meet in Brussels this afternoon, and will consider whether a meeting of NATO Foreign Ministers should be convened.

3. You might ask Sir Percy Cradock whether he has anything to add to the Foreign Secretary's account of events, and then invite the Defence Secretary, the Financial Secretary and the Minister for Trade to report on the implications for their Departments as they see them. The Defence Secretary could be encouraged to make an early public statement that these events do not invalidate the Options for Change programme, which took account of Soviet capabilities even under less benign leadership. The Financial Secretary is expected to comment on the reactions of the financial markets, including any need for intervention. He is also likely to raise the question of assistance programmes for the Soviet Union, EC and bilateral (eg the Know How Fund): do they need to be reviewed? On wider economic co-operation, he may suggest that the follow-up with G7 proposed by the Chancellor of the Exchequer in the wake of his visit to the Soviet Union should be put on ice for the moment. The Minister for Trade is likely to argue for keeping trading links open, but in the circumstances is unlikely

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to press for restoration of export credit cover. He may also mention COCOM controls, the case for relaxing which is now weakened.

4. You may wish to discuss arrangements for co-ordinating the Government's response to the crisis as it develops. Sir Robin Butler is anxious that Whitehall machine should respond as rapidly and efficiently as possible to Ministers' needs. Sir Percy Cradock can comment on the contribution of the JIC to reporting and analysing events. At official level, GEN 19 (the Official Group on policy towards selected non-Community countries), which brings together a wide range of Departments under Cabinet Office chairmanship, is available if needed to provide support for the FCO in pulling the threads together. You may wish to consider whether any further Ministerial meetings are needed this week, under your own chairmanship or that of the Foreign Secretary.

*WDR*

W D REEVES

Cabinet Office  
19 August 1991

## ADVANCE COPY

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SOVIET UNION: STATE OF EMERGENCY: SITREP FOUR

## SUMMARY

1. DEMONSTRATORS RALLY AT TWO POINTS IN MOSCOW. EXPECTATION OF POSSIBLE MILITARY ATTAACK ON THE RSFSR PARLIAMENT BUILDING. A COMMITTEE HAS BEEN SET UP IN LENINGRAD IN SUPPORT OF THE STATE OF EMERGENCY. PREPARATIONS FOR STRIKES CONTINUE. REPORTS OF TROOP MOVEMENTS IN LITHUANIA. KIEV SO FAR QUIET. KRAVCHUK ABOUT TO MAKE A STATEMENT.

## DETAIL

## MOSCOW

2. DEMOCRATIC FORCES ARE DEMONSTRATING IN TWO AREAS OF MOSCOW, DESPITE THE PRESENCE OF MILITARY FORCES. THERE IS OBVIOUS SCOPE FOR CONFRONTATION AND VIOLENCE.

3. ONE OF THE AREAS IS ON THE MANEZH SQUARE, NEAR THE KREMLIN, A TRADITIONAL RALLYING POINT FOR THE DEMOCRATIC FORCES. ABOUT 3,000 DEMONSTRATORS HAVE BLOCKADED THEMSELVES WITH TROLLEYBUSES AGAINST ARMoured PERSONNEL CARRIERS. PRELIMINARY EYE-WITNESS REPORTS SUGGEST THAT 5 ARMoured PERSONNEL CARRIERS MAY HAVE GONE OVER TO THE SIDE OF THE DEMONSTRATORS WHO ARE BEING LED BY A DEPUTY FROM THE RADICAL MOSCOW CITY SOVIET. THE OTHER MAIN AREA OF DEMONSTRATION IS IN FRONT OF THE RSFSR PARLIAMENT BUILDING, FROM WHERE YELTSIN HAS CALLED FOR A POPULAR DEMONSTRATION AT 1600 LOCAL TIME. A CONTACT IN MOSCOW CITY SOVIET HAS TOLD US THAT THEY BELIEVE THE MILITARY MAY STORM THE RSFSR BUILDING WHICH IS CURRENTLY BLOCKADED BY TROLLEYBUSES AGAINST THE POSSIBILITY OF AN ATTACK.

4. THE DEMOCRATIC UMBRELLA GROUP ''DEMOCRATIC RUSSIA'' HAS ISSUED AN APPEAL ECHOING YELTSIN'S CALL FOR A GENERAL STRIKE AND CALLING ON SERVICEMEN TO OVERTHROW THE ''REBELS''.

## RSFSR

5. IN THE RUSSIAN REGIONS, TWO TOWN COMMITTEES HAVE BEEN SET UP IN SUPPORT OF YANAYEV'S DECLARATION. ONE OF THESE, IN LENINGRAD, IS HEADED BY THE LOCAL HARD LINE PARTY LEADER GIDASPOV. THE LEADERSHIP INCLUDES SOBCHAK'S DEPUTY AND LOCAL KGB COMMANDERS. ANOTHER HAS BEEN SET UP IN THE SIBERIAN TOWN OF IRKUTSK. IN MOSCOW THE KGB "INTERNAL DEFECTOR" KALUGIN HAS TOLD DEMONSTRATORS THAT LENINGRAD HAS BEEN "TAKEN OVER BY MILITARY COMMANDERS". THE COMMANDER OF THE LENINGRAD MILITARY DISTRICT APPEARED ON LOCAL TELEVISION THIS MORNING TO READ OUT THE STATEMENT OF THE INTRODUCTION OF A STATE OF EMERGENCY. THERE HAVE SO FAR APPARENTLY BEEN NO TROOP MOVEMENTS IN LENINGRAD, AND NO OFFICIAL REACTION FROM THE CITY AUTHORITIES. WE HAVE BEEN TOLD THAT THE SITUATION IN MOST OTHER TOWNS IN THE RUSSIAN FEDERATION IS CALM.

## UKRAINE

6. ALL IS REPORTED QUIET SO FAR IN KIEV. KRAVCHUK WAS TO MAKE A STATEMENT AT 1600 LOCAL TIME.

## STRIKES

7. THE WORKERS' COMMITTEES IN THE RADICAL INDUSTRIAL AREAS OF THE KUZBASS AND VORKUTA ARE NOW IN SESSION. WE HAVE BEEN TOLD BY OUR CONTACTS THAT THERE HAS BEEN NO DEPLOYMENT OF ARMED PERSONNEL IN THE STREETS. THE DONETSK STRIKE COMMITTEE (UKRAINE) REPORTED THAT THE SITUATION IS CALM AT PRESENT IN THE DONBASS, AND THERE HAS BEEN NO SIGN OF MILITARY ACTIVITY. THE STRIKE COMMITTEE HAVE SENT A MESSAGE TO THE UKRAINIAN SUPREME SOVIET SAYING THAT THEY DO NOT RECOGNISE THE COUP OR ITS PERPETRATORS. THE MINERS THERE WELCOMED YELTSIN'S CALL FOR A GENERAL STRIKE, AND SAID THEY AWAIT A DECISION FROM THE PRESIDUM OF THE UKRAINIAN SUPREME SOVIET ON WHETHER TO BACK UP YELTSIN ON THE STRIKE CALL AND NON-RECOGNITION OF THE NEW REGIME.

## LITHUANIA

8. WE HEARD FROM A LANDSBERGIS ADVISOR AT 1430 LOCAL TIME THAT A HANDFUL OF ARMURED PERSONNEL CARRIERS HAD GATHERED 300-400 METRES AWAY FROM THE SUPREME COUNCIL BUILDING IN VILNIUS. OUR INTERLOCUTOR SAID THAT HE HAD ALSO RECEIVED REPORTS OF MAJOR TROOP MOVEMENTS IN PARTS OF LITHUANIA. LITHUANIAN RADIO AND TELEVISION WERE TRANSMITTING BROADCASTS FROM WITHIN THE

SUPREME COUNCIL BUILDING BUT THESE WOULD ONLY BE RECEIVED IN VILNIUS. HE CONFIRMED THAT KAUNAS TELEVISION HAD BEEN TAKEN OFF THE AIR.

9. THE HEAD OF THE INTERIOR MINISTRY'S PUBLIC RELATIONS CENTRE HAS ISSUED A STATEMENT VIA TASS SAYING THAT THE MVD LEADERSHIP WAS NOW FOCUSING ATTENTION ON THE NEED TO RESTORE PUBLIC ORDER. HE REFERRED TO THE NEED TO RESTORE UNCONDITIONALLY THE VERTICAL STRUCTURE OF THE COUNTRY'S INTERIOR MINISTRY BODIES. REGIONAL INTERIOR MINISTRY DEPARTMENTS WERE BEING INSTRUCTED TO THAT EFFECT.

10. AN UNCONFIRMED REPORT FROM THE DEMOCRATS IN MOSCOW CITY SOVIET INDICATES THAT THE AIR FORCE HAS NOT BEEN INVOLVED IN THE COUP ATTEMPT. OUR INTERLOCUTORS SPECULATED THAT THIS MAY HAVE BEEN BECAUSE THE AIR FORCE WAS CONSIDERED 'UNRELIABLE'.

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EMERGENCY COMMITTEE'S FIRST DECREE

SUMMARY

1. STATE OF EMERGENCY COMMITTEE ISSUES DECREE NO 1: POLITICAL PARTIES SUSPENDED: USSR SECURITY COUNCIL SUSPENDED: DEMONSTRATIONS AND RALLIES BANNED: MASS MEDIA PUT UNDER CONTROL OF SPECIAL COMMITTEE: CONTROLS OVER STOCKS AND DISTRIBUTION OF FOOD AND ESSENTIAL GOODS: BANS ON MOVEMENT OF FOOD ACROSS REPUBLICAN BORDERS ANNULLED.

DETAIL

2. FOLLOWING IS SUMMARY OF FIRST DECREE ISSUED BY THE STATE COMMITTEE FOR STATE OF EMERGENCY:

(I) ORGANS OF AUTHORITY AT ALL LEVELS TO COMPLY WITH STATE OF EMERGENCY REGULATIONS AND DECREES OF THE EMERGENCY COMMITTEE. THOSE WHICH FAIL TO DO SO TO BE REPLACED BY SPECIALLY APPOINTED OFFICIALS.

(II) STRUCTURES OF POWER AND MILITARISED UNITS ACTING CONTRARY TO THE CONSTITUTION TO BE DISBANDED.

(III) LAWS AND INSTRUCTIONS BY ADMINISTRATIVE ORGANS WHICH CONTRADICT THE CONSTITUTION DECLARED INVALID.

(IV) POLITICAL PARTIES AND MASS MOVEMENTS WHICH 'PREVENT THE NORMALISATION OF THE SITUATION' TO BE SUSPENDED.

(V) USSR SECURITY COUNCIL TO BE SUSPENDED.

(VI) ALL TYPES OF FIREARMS, MUNITIONS, ETC, TO BE HANDED IN OR CONFISCATED.



(VII) RALLIES, MARCHES, DEMONSTRATIONS AND STRIKES BANNED. CURFEWS AND PATROLS TO BE INTRODUCED WHERE NECESSARY. CONTROLS TO BE ESTABLISHED OVER MAJOR STATE AND ECONOMIC FACILITIES.

(VIII) CONTROL OVER THE MASS MEDIA ENTRUSTED TO SPECIAL AGENCY UNDER THE EMERGENCY COMMITTEE.

(IX) SERIES OF MEASURES ANNOUNCED TO RESTORE ORDER AND DISCIPLINE TO THE ECONOMY: PLAN TARGETS TO BE STRICTLY FULFILLED: DECISIVE STRUGGLE AGAINST SHADOW ECONOMY: BAN ON MOONLIGHTING.

(X) CABINET INSTRUCTED TO TAKE CONTROL OVER STOCKS AND DISTRIBUTION OF FOOD AND ESSENTIAL GOODS. RESTRICTIONS ON MOVEMENT OF FOOD AND CONSUMER GOODS ACROSS REPUBLICAN BORDERS TO BE ANNULLED.

(XI) MEASURES PROMISED TO FREEZE OR REDUCE PRICES OF CONSUMER GOODS AND FOOD STUFFS AND RAISE WAGES AND PENSIONS OF CERTAIN CATEGORIES OF CITIZENS.

(XII) IN VIEW OF 'THREAT OF FAMINE' EXTRAORDINARY MEASURES ORDERED TO BRING IN THE HARVEST INCLUDING USE OF STUDENTS AND SERVICEMEN.

(XIII) CABINET INSTRUCTED TO ADOPT MEASURES TO ALLOCATE PLOTS OF LAND FOR FRUIT AND VEGETABLE GROWING TO TOWN-DWELLERS: DRAW UP PLANS FOR EMERGENCY MEASURES TO DEAL WITH FUEL CRISIS: IMPROVE HOUSING AND HEALTH SERVICES.

COMMENT

3. IF IMPLEMENTED THESE MEASURES WILL BRING THE COUP AUTHORITIES INTO DIRECT COLLISION WITH YELTSIN AND MINERS' LEADERS WHO HAVE CALLED FOR PROTEST STRIKES, AND WITH REPUBLIC LEADERS WHOSE ECONOMIC POWERS AND POLICIES ARE CHALLENGED IN THE DECREE.

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SOVIET UNION : STATE OF EMERGENCY : FRENCH REACTIONS

SUMMARY

1. FOLLOWING HOLDING LINE EARLY THIS MORNING, FRENCH GOVERNMENT STATEMENT EXPECTED THIS AFTERNOON. FRENCH POLITICAL DIRECTOR STRESSES DIFFICULTY OF TWELVE'S FORMULATING A DETAILED REACTION IN FACE OF SO MANY UNCERTAINTIES.

DETAIL

2. THE QUAI ISSUED A SHORT STATEMENT AT 0800 LOCAL THIS MORNING SAYING THAT, IF CONFIRMED, THE REMOVAL OF MR GORBACHEV WAS 'A CONSIDERABLE EVENT'. IT WOULD BE NECESSARY TO WAIT FOR DETAILS ABOUT THE CIRCUMSTANCES IN WHICH THE REMOVAL HAD TAKEN PLACE, AND PARTICULARLY ABOUT THE MEASURES THAT WOULD NOW BE TAKEN, IN ORDER TO ASSESS THE IMPACT OF THE EVENT BOTH WITHIN THE SOVIET UNION AND INTERNATIONALLY.

3. DUMAS HAS RETURNED FROM HOLIDAY AND SAW THE PRESIDENT THIS MORNING. A FULLER GOVERNMENT STATEMENT IS EXPECTED LATER THIS AFTERNOON.

4. I COMPARED NOTES THIS MORNING WITH DEJAMMET (POLITICAL DIRECTOR, QUAI). I GAVE HIM THE TEXT OF MRS CHALKER'S RADIO INTERVIEW. HE SAID THAT HE HAD PERSONALLY NOT BEEN ENTIRELY SURPRISED BY THE COUP, EVEN THOUGH GORBACHEV'S POSITION HAD SEEMED STRONGER SINCE THE SPRING, AND HE HAD RECEIVED A NOTABLE BOOST AT THE LONDON ECONOMIC SUMMIT. THE IMMEDIATE TRIGGER WAS UNDOUBTEDLY THE IMMINENT SIGNATURE OF THE UNION TREATY. IT WAS DIFFICULT TO SEE CLEARLY AT THIS STAGE HOW THE WEST SHOULD RESPOND. THERE WERE TOO MANY UNCERTAINTIES IN THE SITUATION (WE WENT THROUGH THE POINTS IN PARA 6 OF MOSCOW TELNO 1698). EVEN THOUGH THE YANAEV MESSAGE WENT OUT OF ITS WAY TO REASSURE THE OUTSIDE WORLD ABOUT SOVIET RESPECT FOR EXISTING INTERNATIONAL OBLIGATIONS, THE MANNER OF THE TAKEOVER AND THE LIE ABOUT GORBACHEV RESIGNING FOR HEALTH REASONS INEVITABLY

GENERATED LITTLE CONFIDENCE IN THE NEW LEADERS' GOOD FAITH.

5. DEJAMMET THOUGHT THAT, BEYOND EXPRESSING SERIOUS CONCERN AT DEVELOPMENTS, TOMORROW'S MEETING OF THE TWELVE WOULD NEED TO BE A BRAINSTORMING SESSION COVERING IN PARTICULAR:

- THE EFFECT ON THE SOVIET UNION'S INTERNATIONAL RELATIONS. VON WALSUM HAD TOLD DEJAMMET THIS MORNING THAT THE GERMANS WERE PREOCCUPIED ABOUT SOVIET RESPECT FOR EXISTING TREATIES:

- THE INTERNAL SITUATION. DEJAMMET DID NOT RULE OUT A WARNING TO THE SOVIET UNION NOT TO TAKE MILITARY ACTION AGAINST EG THE BALTIC STATES.

- GORBACHEV'S FATE. DEJAMMET THOUGHT THAT THE WEST WOULD NEED TO SHOW CONCERN FOR THE PERSON OF GORBACHEV GIVEN HIS ROLE AND THE WEST'S INVESTMENT IN HIM OVER THE PAST 6 YEARS.

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**PRESS RELEASE**

EMBASSY OF THE FEDERAL REPUBLIC OF GERMANY  
23 BELGRAVE SQUARE LONDON SW1X 8PZ TELEPHONE 071-235 5033



August 19 1991

EXTRACT FROM THE STATEMENT ISSUED IN BONN TODAY BY FOREIGN  
MINISTER HANS-DIETRICH GENSCHER IN AGREEMENT WITH HIS  
GUEST FROM PORTUGAL, FOREIGN MINISTER JOAO DE DEUS PINHEIRO:

The developments in the Soviet Union, which give rise to concern, lie at the heart of our deliberation. We have just had telephone contact with our Dutch colleague as chairman in the European Community. We regard the developments in the Soviet Union with great concern.

We expect that the Soviet Union will carry out correctly all its international obligations and treaty undertakings. We remind those responsible in the Soviet Union that all signatories to the Charter of Paris are committed to the principles of democracy based on free elections. We have once again drawn attention to the great confidence which President Gorbachev has inspired worldwide. We are convinced that the fundamental changes in international politics, above all in European politics, which have come about in recent years are irreversible and that it is in the interests of all peoples that this path of peace, understanding, co-operation, democracy and respect for human rights be pursued.



Pm.  
(bcc PC)

10 DOWNING STREET  
LONDON SW1A 2AA

From the Private Secretary

19 August 1991

Dear Sir,

LETTER FROM THE SOVIET AMBASSADOR

I enclose a copy of a letter and enclosure from the Soviet Ambassador. I should be grateful for advice on the terms of any reply.

(dated 18.8.91)

Jans,  
Stephen

J. S. WALL

Simon Gass, Esq.,  
Foreign and Commonwealth Office.

men

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*ministerial meeting so we may not have heard  
the last word from the Americans.*

*Stephen*

*17/8*

MIPT: SOVIET UNION: NATO CONSULTATIONS, NAC 19 AUGUST

SUMMARY

1. COUNCIL AGREES PRESS STATEMENT FOR IMMEDIATE RELEASE. AGREEMENT ON NECESSITY FOR A MINISTERIAL MEETING, POSSIBLY IN AFTERNOON OF 20 AUGUST. POLITICAL COMMITTEE TO MONITOR SITUATION AND TO PLAN ALLIANCE REACTION.

DETAIL

2. THE DEPUTY SECRETARY GENERAL (DE FRANCHIS) OUTLINED THE MAIN AIMS OF THE MEETING AS THE EXCHANGE OF INFORMATION, DISCUSSION OF THE PRESS STATEMENT AND A DECISION ON A MINISTERIAL MEETING. THE IMS (LT-GEN DANGERFIELD) CONFIRMED THAT THE EVENTS IN THE SOVIET UNION HAD BEEN A COMPLETE SURPRISE: AIR, SEA AND EXERCISE ACTIVITY HAD BEEN NORMAL. HE APPEALED TO ALLIES TO KEEP THE NATO MILITARY AUTHORITIES INFORMED OF EVENTS.

3. I SAID THAT THE GRAVITY OF TODAY'S EVENTS WAS OBVIOUS, THOUGH WE COULD NOT TAKE A DEFINITIVE VIEW OF THE OUTCOME. THE COUNCIL'S REACTION SHOULD TAKE ACCOUNT OF VARIOUS FACTORS. THE FACTS AVAILABLE WERE FAR FROM COMPLETE: WE SHOULD NOT SPEND MUCH TIME ON SPECULATION. WESTERN NATIONS IN GENERAL AND, PERHAPS THE ALLIANCE IN PARTICULAR HAD TO CHART A CAREFUL COURSE BETWEEN APPEARING TO INTERFERE, AND APPEARING INDIFFERENT. THE MORE UNITED, COHERENT, COORDINATED AND PROMPT THE ALLIED REACTION TO THE EVENTS IN THE SOVIET UNION, THE MORE LIKELY WE WERE TO HAVE SOME INFLUENCE - THOUGH WE SHOULD BE REALISTIC ABOUT THE EXTENT OF THAT INFLUENCE IN PRESENT CIRCUMSTANCES. THIS WAS A COUP DRIVEN BY INTERNAL NOT EXTERNAL CONSIDERATIONS. IT WAS A MATTER OF ENORMOUS SIGNIFICANCE FOR US. WE COULD NOT REMAIN SILENT. IT WAS AN INTERNAL AFFAIR BUT ITS EFFECT ON THE CONDUCT OF SOVIET FOREIGN POLICY, ON THE CSCE PROCESS, ON THE SITUATION ON THE PERIPHERY OF THE USSR, AND ON OUR

ABILITY TO DO BUSINESS WITH THE SOVIET UNION COULD BE VERY GREAT INDEED.

4. I AGREED THAT THE COUNCIL SHOULD ISSUE A STATEMENT. IT SHOULD HIGHLIGHT THE GRAVE PREOCCUPATIONS TO WHICH THE COUP GAVE RISE, OUR CONCERN FOR THE DEMOCRATIC PROCESS IN THE SOVIET UNION, OUR WORRY ABOUT THE CONSEQUENCES OF THE COUP FOR THE SITUATION ON THE PERIPHERY OF THE USSR, OUR EXPECTATION THAT THE SOVIET UNION WOULD INDEED OBSERVE THE INTERNATIONAL OBLIGATIONS IT HAD ASSUMED, NOT ONLY IN THE FIELD OF ARMS CONTROL, AND OUR INTENTION TO FOLLOW PARTICULARLY CLOSELY THE IMPLEMENTATION OF THOSE OBLIGATIONS IN THE FIELD OF HUMAN RIGHTS - WITH PARTICULAR REFERENCE TO MEMBERS OF THE REFORM MOVEMENT AND TO THE FORMER LEADERS OF THE COUNTRY.

5. IN OUR VIEW, A MINISTERIAL MEETING OF THE COUNCIL SHOULD BE CONVENED AS SOON AS POSSIBLE. YOU WOULD BE PREPARED TO ATTEND ON 20 AUGUST. OBVIOUSLY, AVAILABILITY OF MINISTERS FROM NORTH AMERICA WAS A KEY CONSIDERATION. AT SUCH A MEETING, MINISTERS WOULD DOUBTLESS WISH TO DISCUSS WHAT ACTION TO TAKE IN THE LIGHT OF THE SITUATION THEN OBTAINING. (I SAID, IN CONFIDENCE, THAT WE WERE CONSIDERING THE SUSPENSION OF BILATERAL AID AND OUR KNOW-HOW PROGRAMME PENDING A FULL ASSESSMENT OF THE MOTIVES AND ACTIONS OF THE STATE COMMITTEE). AT THE SAME TIME MINISTERS WOULD NO DOUBT WISH TO CONSIDER WAYS OF REASSURING THE COUNTRIES OF CENTRAL AND EASTERN EUROPE ABOUT OUR ATTITUDE TOWARDS THEM. IN THE SLIGHTLY LONGER TERM WE WOULD NO DOUBT WANT TO CONSIDER HOW TO COORDINATE OUR POLICY TOWARDS THE SOVIET UNION IN OTHER FIELDS, EG NATO/SOVIET CONTACTS IN GENERAL (THESE MIGHT WELL HAVE TO BE FROZEN BOTH ON THE MILITARY AND OFFICIAL LEVELS), MINISTERIAL VISITS TO AND FROM THE SOVIET UNION, OUR PARTICIPATION IN THE MOSCOW HUMAN RIGHTS CONFERENCE, AND THE CONDUCT OF ARMS CONTROL NEGOTIATIONS. I MENTIONED THAT AS A CURIOUS SIDELIGHT ON THE PRESENT DRAMA, THE SOVIET MFA, WITH THE AGREEMENT OF THE SOVIET MOD, HAD CONFIRMED THAT THE PLANNED CSBM EVALUATION VISIT BY THE UK TO LVOV COULD TAKE PLACE AS PLANNED TOMORROW.

6. ALLIES BROADLY AGREED WITH THESE POINTS: THE COUNCIL SHOULD ISSUE A PUBLIC STATEMENT IMMEDIATELY AND MEET AT MINISTERIAL LEVEL AS SOON AS POSSIBLE (WITH AS MANY NON-EC MINISTERS AS POSSIBLE). THUYSBAERT (BELGIUM) SAID THAT NATO'S INFLUENCE ON EVENTS WOULD BE ENHANCED IF IT ACTED RAPIDLY AND IN UNISON. BARTLEMAN (CANADA) STRESSED THE NEED TO SAFEGUARD THE SECURITY OF THE CENTRAL AND EASTERN EUROPEAN COUNTRIES AND TO PROMOTE A PEACEFUL SETTLEMENT TO THE CRISIS. THE REACTION OF YELTSIN AND OTHER REPUBLICAN LEADERS



WOULD BE CRUCIAL, AS WOULD THAT OF THE ARMED FORCES AND THE POPULATION AS A WHOLE. HIS MINISTER WOULD BE ABLE TO ATTEND A MEETING ON 21 AUGUST, THOUGH NOT ON 20 AUGUST (BUT THIS SHOULD NOT BLOCK A MEETING ON 20 AUGUST IF OTHER MINISTERS COULD ATTEND). JACOBOVITS (NETHERLANDS) SUGGESTED THAT NATO'S PUBLIC STATEMENT SHOULD BE GIVEN FORMALLY TO THOSE COUNTRIES IN THE DIPLOMATIC LIAISON PROGRAMME, INCLUDING THE SOVIET UNION. BUT THE ALLIANCE SHOULD KEEP ITS TOUGHEST LANGUAGE IN RESERVE IN CASE THE SITUATION DETERIORATED.

7. VON PLOETZ (GERMANY) STRESSED THE UNCERTAINTY OF THE SITUATION: THE MAIN CONCLUSION TO BE DRAWN WAS THAT THE STATE COMMITTEE WAS UNCONSTITUTIONAL. MUCH WOULD DEPEND ON THE LOYALTY (AND TO WHOM) OF THE ARMED FORCES IN THE REPUBLICS. CHANCELLOR KOHL HAD ALREADY SAID THAT AID TO THE SOVIET UNION SHOULD DEPEND ON THEIR RESPECT FOR THEIR INTERNATIONAL OBLIGATIONS, HUMAN RIGHTS, AND THE TREATMENT OF GORBACHEV HIMSELF. PERLOT (ITALY) EXPRESSED CONCERN FOR THE REPERCUSSIONS ON YUGOSLAVIA AND THE CEES.

8. TAFT (US) VIEWED THE SITUATION WITH GRAVE CONCERN AND ALSO STRESSED ITS UNCERTAINTY. NATO SHOULD BE CLEAR IN ITS OBJECTIVES EVEN IF ITS ABILITY TO INFLUENCE THE OUTCOME WAS ONLY ONE OF MANY FACTORS. A MEETING OF MINISTERS TO DECIDE ON A COURSE OF ACTION WAS THEREFORE ESSENTIAL: THIS SHOULD BE PRECEDED BY WORK IN THE POLITICAL COMMITTEE ON THE VARIOUS OPTIONS AVAILABLE. MORALI (TURKEY) SAID THAT THE RUSSIAN REPUBLIC WOULD BE THE BAROMETER OF THE SOVIET EMPIRE: A TIMELY REACTION FROM NATO WOULD BE CRITICAL. DUQUE (FRANCE) AGREED ON THE SERIOUSNESS OF THE SITUATION AND ON THE NECESSITY FOR A SHORT STATEMENT.

9. DE FRANCHIS CONCLUDED THAT THE PRESS STATEMENT SHOULD ISSUE (SEE MIPT FOR TEXT: THIS REFLECTS ALL THE DESIDERATA IN MY INTERVENTION). ON THE MINISTERIAL MEETING, IT WAS AGREED AFTER SOME DISCUSSION TO AIM FOR TUESDAY 20 AUGUST AT 1400Z, WITH THE MORNING OF WEDNESDAY 21 AUGUST AS A FALL-BACK. THE US AND CANADA UNDERTOOK TO INFORM ALLIES THIS EVENING IF AND WHEN THEY COULD ATTEND.

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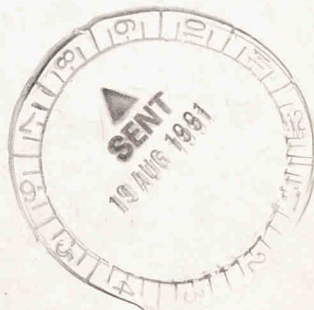
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*PRESIDENT BUSH SPEECH*

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Duration: 21 mins



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PATRICK GREENLAW (Presenter):

Once again updating you on the events in the Soviet Union. There has been a coup. Mikhail Gorbachev reportedly is under house arrest in Crimea. For the very latest reaction let's go to President Bush who's is live right now in Kennebunkport, Maine. But there is no video. Let's listen in.

GEORGE BUSH (President, USA):

This move was extra-constitutional, outside of the constitutional provisions for governmental change. Clearly it is a disturbing development, there's no question about that. And it could have serious consequences for the Soviet society and in Soviet relations with other countries including the United States. President Gorbachev is clearly an historic figure, one who's led the Soviet Union toward reform domestically and toward a constructive and cooperative role in the international arena. And it's important to keep in mind the enormous changes that have taken place towards openness, towards reform, the changes in eastern Europe, the new-found cooperation with the United States and others in the Gulf, and many other areas. There's a whole new era of cooperation and we don't want to see that change obviously.

Now, Gorbachev's contributions have laid a foundation for progress that I am convinced that people in the Soviet Union will want to see continue. This morning I have been in touch with other world leaders, I've just hung up from talking to Chancellor Kohl, I talked to President Mitterrand, I talked to Prime Minister John Major, I'm sure I'll be talking to others today. I talked to the Secretary of State and I've talked to our DCM in Moscow who incidentally tells me that all of our people there are safe and all are properly accounted for. I say that to reassure



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any families that are involved. Their information there, as you can imagine, is probably as sketchy as the rest of the world's at this time. So what we'll do is follow the events very carefully as they unfold in order to determine the appropriate response that we in consultation with our allies should make. And we expect that the Soviet Union will live up fully to its international obligations and clearly any commitments that are outstanding on the part of the west will be judged and acted on in accordance with that statement that the Soviet government must live up to its obligations. Obviously the west is not going to retreat from its principles of reform, openness, commitment to democracy, and there's a lot at stake here. I don't know whether to take heart or not from Yanayev's statement that this does not mean turning back the reforms. But there was such a statement made by him.

So the situation is still quite murky inside the Soviet Union. I have the notes here of my calls from - the calls I made to Kohl, Mitterrand and Major and I think it's fair to say that all of us are in total agreement with what I've said, with what John Major has said. President Mitterrand will be talking to the French television in a few hours, I'm told. And so I think at this point what we do is simply watch the situation unfold and we'll state and restate our principles and we'll see where matters go. It's all still unfolding. Yes?

REPORTER:

Mr President, you know Yanayev, you met him the last time you were in Moscow. What do you make of him? What does your gut tell you about him?



GEORGE BUSH:

Well, my gut instinct was that he has a certain commitment to reform. The book on it so far has been something to the contrary, but I think it's not he that is calling the shots, and you see some of the other individuals involved, they have been real hard liners. One of the reasons that we have conducted our policy the way we have is to encourage reform and democracy, and I've said over and over again that we did not want to see a coup backed by the KGB and the military. And apparently that is what is under way. I think it's also important to know that coups can fail, they can take over at first and then they run up against the will of the people, so it's too early to say but let's hope that Yanayev when he made his statement was speaking from conviction, his statement being that this will not mean setting back, as I understand it, setting back reform and commitment to go forward.

REPORTER:

Mr President, -

GEORGE BUSH:

Let me finish. We've got a follow-up over here.

REPORTER:

Mr President, have you or will you try to reach Gorbachev, Yanayev or Yeltsin?

GEORGE BUSH:

Well, I've not called them yet. John Major placed a call and I believe was told that lines were down or that it was impossible to get through to him. But we may try to do that. We'll wait, all this stuff is unfolding, it just happened and we will take a calm approach to it, but a firm stand based on principle. Yes?



REPORTER:

Mr President, have US forces been placed in any heightened alert because of this?

GEORGE BUSH:

No.

REPORTER:

And do you plan to cut short your vacation because of this?

GEORGE BUSH:

Well, I will do what is necessary and what I think will be helpful in making clear the United States' position and I'm not interested in show business, not interested in make work. I am interested in following this with - based on the principles that we hold dear and I will follow it very, very closely. Whether I go back to Washington or not has yet to be decided. If I thought it would help in any way, I would do that. But, as you know, we have very good communications, we are in touch with everybody here both by secure line and by unsecure, just open, line. So it's a little early to say what I'll be doing but you can rest assured I will do what is in the best interests of the United States foreign policy.

REPORTER:

Mr President, has the United States detected any heightened alert on the part of the Soviet forces in central Europe or in the Soviet Union?

GEORGE BUSH:

Well, I don't think there have been any changes there but certainly we've seen heightened use of Soviet force in Moscow and outside which concern us.



REPORTER:

Mr President, do you know who is actually -

REPORTER:

What do you believe the motivation is, sir, behind this [unclear]? Why did they remove him?

GEORGE BUSH:

We don't know that, we don't know that. Clearly some of the hard liners have been concerned about the rapidity of reform. They've been concerned about the demise of the Communist party per se, and I think they've also been concerned about the Soviet economy. But on a coup of this matter, you never know what's going to happen. I think Gorbachev was as surprised as anybody obviously and let's just remain open on this as to whether it's going to succeed or not. We're seeing the first returns, you might say, coming in. But the people's commitment to reform and democracy and openness is very profound and I think that it's awful early to say that those changes are reversible. I'm inclined to believe that when people understand freedom and taste freedom and see democracy in action that they're not going to want to change. And you have, of course, the whole force and conviction of the Russian republic and what happened through its elections. And so it's still early, it's very early to have a lot of final answers. Yes, Tom?

REPORTER:

Mr President, do you actually know who's in charge right now? And who's in charge of the Soviet nuclear arsenal?

GEORGE BUSH:

Well, I don't imagine there's been any changes in that. And we don't know who's in charge except that they say Mr Yanayev is in charge.





REPORTER:

Mr President, has the government or whatever it is, has it contacted the States in any way at all?

GEORGE BUSH:

So far no, but we may contact them. But I don't want to do anything that would give approval to these extra-constitutional, outside the constitution, changes that have taken place.

REPORTER:

Are you going to stop the process of economic cooperation which has been unfolding in recent months?

GEORGE BUSH:

I think things will be on hold. If we're going to set back democracy, set back reform, obviously not only the United States but Europe will put things on hold as well. There's a lot at stake in all of this and certainly I wouldn't go forward with aid or assistance when you have this kind of extra-constitutional action taken by a handful of people backed up by the military there. We know most of the people that are involved in all of this and this is a fairly hard line, a very hard line group that is elected to take matters into their own hands. But what hasn't been heard from yet are the people in the Soviet Union.

REPORTER:

Mr Yeltsin seems to have called for a general strike in protest. Would you support this?

GEORGE BUSH:

Well, we'll just see what happens on that.



REPORTER:

Mr Yeltsin has said that the Russian Federation will not abide by the new decree. Do you support that, sir?

GEORGE BUSH:

Well, I support what I've outlined here as our principles and certainly I can understand where an elected leader like Mr Yeltsin is coming from. One of the reasons his visit to the United States was so successful - and it was and I've said it over and over again - is because he was elected by an overwhelming number of people in the largest republic. And I think what he's doing is simply expressing the will of the people there to have these reforms and have democracy, the steps already taken to democracy, strengthened. And I hope that people heed his call. Yes?

REPORTER:

Mr President, in your conversations with Gorbachev a couple of weeks ago, did he give any suggestion that this was a possibility? And did US intelligence detect any preparation?

GEORGE BUSH:

I don't know of any intelligence that predicted that there would be a coup at midnight US time, or whatever it was, yesterday. There has always been a concern. I think if we go back, you will see that I've expressed concern about the hard liners taking over. But no, Gorbachev didn't mention that to me and Gorbachev feels, and I expect he still feels this way, that the taste of democracy is such that people aren't going to regurgitate it if they want it to go forward in spite of the very difficult economic times that are extant in the Soviet Union. Yes?



REPORTER:

Mr President, what do you feel you could do at this point to affect events in the Soviet Union, if anything?

GEORGE BUSH:

There is very little we can do except to reiterate in total cooperation with the European allies our commitment to these principles of reform and openness and democratic change. And that's what we are going to continue to do. I have indicated that business will not be business as usual because we will not support economic aid programmes, for example, if adherence to extra-constitutional means goes forward. Yes, Tom?

REPORTER:

Mr President, you said the economic aid was on hold. What about the Start Treaty? Will you hold back on that as well?

GEORGE BUSH:

No, these treaties are in the interests of the United States clearly and they have said that all treaties will be abided by and that's good. We don't want to go back to the cold war days and we're not going to do that. This is a very frustrating and unconstructive step, but we're not going to go back to that, we're not going to go back to seeing Europe as it used to be with Soviet forces into all through eastern Europe. And so we're not trying to go back to square one. What we're trying to do is say let the situation clear up, but adhere to certain fundamental principles.

REPORTER:

How can you be sure the hard line government will honour these terms of the treaties?



GEORGE BUSH:

Well, hard line governments in the past adhered to certain treaties that were enacted and so I don't think we need to raise that spectre at this point. Obviously if they weren't adhering to the treaty, that would be a whole different - to treaties, a series of treaties - that would be a whole different ball game.

REPORTER:

Sir, can you tell us whether our Embassy has made any effort to get through there, or whether there has been any official contact between our Government and theirs at any level that you know of?

GEORGE BUSH:

Right now, they...I don't know, as I said, I talked to Jim Collins over there and I think that there is a...I think they are watching matters unfold. But whether they have talked to anybody in the hierarchy there, I simply don't know.

REPORTER:

Mr President, the people who seem most vulnerable at this point are probably the Republican leaders. Is there anything that the US or the West can do to help the Republics from being pulled back in by a military coup?

GEORGE BUSH:

[Interrupting]...Very little that we can do right now, except to reiterate what I've said here: that we will support those who adhere to these principles, democratic principles, and that includes reform and Perestroika and Glasnost as they're referred to. But we're going to watch this situation unfold and if we see ways to be helpful, of course we will be. But we're dealing with a situation that,



at best, is murky at this point, and it's very disturbing at this point.

REPORTER:

Sir, could you just give us a detail or two on when you learned of this; how late you stayed up on it, how early you got up this morning?

GEORGE BUSH:

Well, I learned about it last night around - what was it Brent - 1150 or 12 o'clock or something like that, and then I talked to the Situation Room early this morning; I've been talking to General Scowcroft from the early hours on-five on. And, I said what can you do, Brent? - is it showbusiness or should we really spell out these principles? And I know there's a lot of...I've heard some of the commentators telling me how I ought to conduct this business, but my mind goes back to how it was a year ago in another very troubling international situation. So we will follow it closely, we will conduct ourselves appropriately; be in touch with these foreign leaders, act with them to do whatever we can do to further the...to keep the reforms going forward. And it's not a time for flamboyance or showbusiness or posturing on the part of any country, certainly the United States. We have disproportionate responsibilities in handling these matters with confidence and in a cool and I think informed way. And we're still gathering a great deal of information.

REPORTER:

Mr President, our representation in Moscow is in transition right now; is that causing a bit of a problem....?



GEORGE BUSH:

[Interrupting]....No, it's causing none. The Embassy is in very firm hands and I expect that Ambassador Strauss will hit the ground running when he gets over there.

REPORTER:

I'm sorry, Sir, do you expect that he will continue to be...?

GEORGE BUSH:

[Interrupting]...Well, as I say, if I have any announcements along those lines or any other lines, I'll be sure to let you guys know right away, because it's a matter of importance, but it just happened, as you know a few hours ago and a lot of wheels are starting to turn, yeah.

REPORTER:

Mr President, you say you don't want to go back to the Cold War days. At this point, do you feel that the Soviet Union may again be a threat to the United States?

GEORGE BUSH:

A threat in what sense?

REPORTER:

Military threat.

GEORGE BUSH:

Well, I think we've always based our defence posture on the fact that Soviet missiles are aimed against the United States. One of the reasons I rejoiced in getting a strategic arms talk is that there were fewer...there will be fewer missiles aimed against the United States. But



nobody in their wildest dreams has suggested that that is not a problem. We have other areas for...we have divergent interests - Cuba is one of them.

We've had...I don't want to see us overstate things here so as to wipe out the progress that has been made in international co-operations on many fronts. And if you think there are some concerns here about this, try talking to the Germans about it; they don't want to see the clock set back, nor do the Eastern Europeans and I don't think that will happen, but I don't want to...I don't want to, in the wake of a very unfortunate and bad series of events taking place, act like we're going to go back into a status quo anti; go back and encourage through wreckless statements, something to take place that would set the clock back to what it was before these changes under Gorbachev took place. Yeah, Gerry.

REPORTER:

Would your preferred course of action at this point be for a return of Gorbachev to power?

GEORGE BUSH:

Well, I've always felt that he represented the best opportunity to see reform go forward. He's been a bit of a balancing act, as we all know; one of the reasons we supported him - two reasons - one, he was the President of the Soviet Union and thus we conducted our business as we should through the President; but secondly, he represented enormous productive and fantastic change. And I think throwing him out in this manner is counter-productive, totally, and I'm sure that the Western European leaders agree with that; so if he were there, obviously I think the world would be sighing with relief now and they understand, I think more clearly why we have been trying to keep our



foreign policy based on the fact that he offered the best hope. But we have other democratic forces there now and we want to give them the kind of support we can without being counter productive.

REPORTER:

Mr President, have you tried the hot line? And who's on the other end?

GEORGE BUSH:

No, we haven't tried the hot line; we're not going to over-excite the American people or the world and so we will conduct our diplomacy in a prudent fashion, not driven by excess, not driven by extreme.

REPORTER:

How do you see this situation affecting the prospects for a hostage release and the prospects for a Middle East peace conference in October?

GEORGE BUSH:

Well, I don't know, but there was one area where we'd been working very co-operatively with the Soviet Union. Foreign Minister Bessmertnykh has been extraordinarily constructive in that and so was President Gorbachev; but it is way too early. But here's an area where co-operation between the Soviet Union and the United States was extraordinarily important and remains important. But as the situation unfolds, I don't know how this new leadership, if this coup is successful, are going to treat these matters. But I think it would be very counter-productive to have it go back to square one in the Middle East when we have an opportunity for a breakthrough and for peace. It's a good question, but it is way too early to give a definitive answer to it.





REPORTER:

Mr President, do you have any facts now or intelligence on the whereabouts of Mr Gorbachev?

GEORGE BUSH:

No, we have not.

REPORTER:

Mr President, why do you say that using the hot line, attempting direct contact, why do you suggest that might be some flamboyant kind of gesture?

GEORGE BUSH:

Because I think the hot line....there's other ways to call, that's one thing. Secondly, the hot line, people connect with some kind of military problem between the Soviet Union and the United States, and do you think I want to suggest that to the American people or to the people in Europe? Absolutely not. And there's other ways to communicate other than the so-called hot line.

REPORTER:

Thank you Sir.

GEORGE BUSH:

Alright, you got it.

PATRICK GREENLAW:

What we are listening to is President Bush, his reaction to the events unfolding in the Soviet Union calling them a disturbing development that could have serious consequences for the Soviet society as well as other countries,



including the United States. Reacting to the ousting of President Mikhail Gorbachev earlier today and the reports that he is under house arrest in the Crimea.

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**PRIME MINISTER - SECOND STATEMENT - DOWNING ST - 19 AUG 91****- 1 -****FROM JAMES LEE FOR COI RADIO TECHNICAL SERVICES****TRANSCRIPT OF SECOND STATEMENT (AND A FEW QUESTIONS)****GIVEN BY THE PRIME MINISTER, MR. JOHN MAJOR,****IN DOWNING STREET,****ON MONDAY, 19 AUGUST 1991****QUESTION:**

Prime Minister, any further developments you can tell us about?

**PRIME MINISTER:**

There isn't a great deal I can add to what I had to say earlier today. As today has progressed, I think it has become clearer that what we have actually seen in the Soviet Union is a straightforward common-or-garden old-fashioned coup; that is actually what has happened there.

I have had two conversations today with President Bush and a number of conversations with European leaders in both East and West Europe. I think it is very important we coordinate our position, very important that we pool our information over the days and weeks ahead.

I had a particularly interesting conversation with the Prime Minister of Poland and I think tomorrow at the discussions at the European Community Foreign Ministers' meetings a number of matters will be raised. I think the question of speeding-up the European

**PRIME MINISTER - SECOND STATEMENT - DOWNING ST - 19 AUG 91**

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Community Cooperation Agreements with Poland, Hungary and Czechoslovakia will be raised - Douglas Hurd will raise that; he will also raise the question of freezing Community aid to the Soviet Union in precisely the same way that we have frozen our Know-How aid and I think also that we will be very likely to have a European Community Heads of Government meeting some time in the next few days but beyond that there are no fresh events to report.

**QUESTION:**

Have you had any indication at all about the nature of the new regime and are you any less gloomy about the prospects?

**PRIME MINISTER:**

No, I have had no particularly fresh information about that. It is clearly, as I said earlier, a hard-line and reactionary coup but beyond that we have no details of what is going to happen. I think we are, like everyone else, waiting on events for the time being.

**QUESTION:**

What do you think will be the next most significant event?

**PRIME MINISTER:**

I can't tell you yet. Events may move very swiftly. It is impossible to say. I think we will have to wait and see.

**PRIME MINISTER - SECOND STATEMENT - DOWNING ST - 19 AUG 91****- 3 -****QUESTION:**

What do you make of the ambassador in this country's apparent assertion that there are going to be continued reforms and so on in the Soviet Union?

**PRIME MINISTER:**

Well I hope that is true. We have supported reform in the Soviet Union for many years in the past; we hope we are going to see reform. The future prosperity of the Soviet Union depends upon there being reform. It is in their interest to have reform; it is in the West's interest to see reform; whether it happens, we must wait and see. The omens at the moment are not propitious.

**(END OF TRANSCRIPT)**

FOREIGN SECRETARY - DOORSTEP - LONDON - 19 AUGUST 1991

- 1 -

FROM EGMG FOR COI RADIO TECHNICAL SERVICES

TRANSCRIPT OF DOORSTEP INTERVIEW

GIVEN BY THE FOREIGN SECRETARY, MR DOUGLAS HURD,

IN LONDON,

ON MONDAY, 19 AUGUST 1991

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FOREIGN SECRETARY:

As you know, the Prime Minister held a meeting of Ministers this afternoon and he has been in touch with many leaders across the world by telephone and I have been in touch with others and we all feel, everyone to whom we have spoken, believes that we are faced with a very serious situation as a result of what has been happening today in the Soviet Union. I am going to a meeting of the European Foreign Ministers in The Hague tomorrow morning, as you know, there has been a NATO meeting of Ambassadors this afternoon which has issued a statement. I believe both the Community and the NATO aspects of this are very important. There may well be a European Council, that is to say a European Summit, later on, no dates or plans have been fixed but we think it is quite a likely thing.

I asked the Soviet Ambassador, Mr Zamyatin, to come and see me this afternoon and I apologise for keeping you waiting, he was a little late because he had just received a message for the Prime Minister from Yernayev (phon) and he read that out to me, it was a message which contained reassurances about the Soviet Union keeping its international commitments and also phrases about its commitment to political and economic reform.

FOREIGN SECRETARY - DOORSTEP - LONDON - 19 AUGUST 1991

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I said to Mr Zamyatin that I had asked him to come and see me because of the very deep anxiety which we felt in Britain about what had been happening in the Soviet Union, what was happening hour by hour. Our concern was first of all that the Soviet Union should keep its international commitments, that was crucial; second, the Soviet Union had entered into certain agreements and obligations about human rights, it did this in the Helsinki Final Act and it did it most recently and most fully last November when President Gorbachev signed the Paris Charter. And I asked how those obligations could be reconciled with what has been announced and what is clearly going on in the Soviet Union today, the declaration of a state of emergency, the declaring illegal of strikes and meetings, the closure of newspapers, the installation of military commanders apparently in the place of the elected mayors whom many of us have met. how that could be reconciled with the obligations which the Soviet Union had.

In reply the Ambassador drew on some of the points in Yernayev's letter without I think adding to them very substantially, it is very hard to imagine what credibility can be given to these assurances about continued reform when the actual action on the streets is as described.

we also discussed the economic side and I asked how the measures now being announced, the command measures now being announced could be squared with the approach which President Gorbachev brought to London only a few weeks ago and I told the Ambassador that in the present circumstances we would be in Britain suspending the operation of the British Know-How Fund which as you know we set up a few months ago to provide technical assistance to the Soviet Union.

## FOREIGN SECRETARY - DOORSTEP - LONDON - 19 AUGUST 1991

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There is a good deal of concern among the countries of Eastern Europe. The Prime Minister has talked to the Prime Minister of Poland and at the meeting in The Hague tomorrow I shall be pressing for the Twelve, for the Community, to give reassurance to those countries, in particular by speeding up, accelerating the negotiations now going on for association agreements between the Community and Poland, Hungary and Czechoslovakia.

So this is a time of anxiety, we are expressing that here today on behalf of Britain as I have done with Ambassador Zamyatin, we shall be expressing it tomorrow on behalf of Europe and the reason for that is clear, the policy of reform which is associated with President Gorbachev covered both foreign policy and the way the Soviet Union itself is run. We in the West, we in Britain, have benefited hugely from the changes in foreign policy, the reduction in the threat to our own security as a result of those changes. The Soviet people have found the benefits coming to them more slowly, mainly so far in the form of greater freedom rather than greater prosperity.

I do not myself believe that the hopes of the peoples of the Soviet Union, which have been very clearly and definitely expressed, can be stifled, obliterated in the long term. But I must say that in the short term I fear that they and indeed we may be in for a difficult and a bumpy time.

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## FOREIGN SECRETARY - DOORSTEP - LONDON - 19 AUGUST 1991

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## (QUESTIONS AND ANSWERS)

QUESTION (Mike Brunson, ITN):

Could you categorise how you found Mr Zamyatin's replies to you, did you find them in any way convincing, and secondly can you say that if things do not improve, if they break their human rights obligations, whether there are further sanctions like cancelling a further fund you might want to take?

FOREIGN SECRETARY:

I think Ambassador Zamyatin is starved of accurate information, we have been trying, everyone has been trying to get in touch with the Soviet Foreign Minister for example without success through today. Ambassador Zamyatin was relying on the message that he had just received and what he has seen on the television, so I do not think that either he or I found the explanations which he gave wholly satisfactory.

As regards the human rights obligations, the developments today have been deeply worrying and indeed as I have said impossible in my view to reconcile with the obligations of the Soviet Union on which the ink is hardly dry. If the Soviet Union relapses into repression then of course that will have an effect, not just on the British Know-How Fund which we have suspended today, but on quite a wide range of measures which the European Community and others have taken to help forward the process of reform, it is reform which we have been helping, if reform collapses or is cancelled then of course the whole basis for helping the Soviet Union collapses also.

FOREIGN SECRETARY - DOORSTEP - LONDON - 19 AUGUST 1991

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QUESTION:

Do you think that the West should openly support Boris Yeltsin, the democratic forces within the Soviet Union?

FOREIGN SECRETARY:

I think that it must be for those democratic forces to decide for themselves how to carry on their struggle, how to work for the aspirations of the Soviet peoples, I do not think it is for us from outside to say to them what their tactics should be. I have said what I believe. I do not believe that in the long run the aspirations of these peoples which have now been so clearly expressed over the last year or two are going to be stifled, but I think in the short-run that it will be a difficult time.

QUESTION:

Did the Ambassador give you any indication about the fate of Mr Gorbachev and did you make any particular reference to it?

FOREIGN SECRETARY:

Yes I asked about that, he told me that he had made enquiries and that President Gorbachev was in the Crimea, was continuing his holiday and was safe.

QUESTION:

Some of us a few minutes gave a very rough time indeed to Mr Zamyatin in that corner over there and he was asked but could not explain and he stopped the interview by what law all that was done, he said it was done legally, it was done by law, but he could not explain it. Did he explain to you exactly by what law that was done

FOREIGN SECRETARY - DOORSTEP - LONDON - 19 AUGUST 1991

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because their parliament was not even informed of it?

FOREIGN SECRETARY:

No and I think it would be very difficult to do so. We have the announcement which bases the retirement, replacement of President Gorbachev on health reasons and I did say to the Ambassador that this seemed to me to be burrowing back into the past, trying to find phrases and devices from the past which people had hoped would be banished forever, would never be brought forward again, that kind of device.

QUESTION:

Do you regard the 50 million pounds Know-How Fund suspension as a sanction that Britain is taking now against the new government in the Soviet Union?

FOREIGN SECRETARY:

It is the suspension while the situation is so unclear and while in particular the outlook for human rights based on the experience of one day is so unpromising. But of course we will keep a close eye on that and the Community no doubt when we meet tomorrow will keep a close eye on the measures which it has taken. I myself believe that the European Community should suspend the technical assistance programme of which you know.

QUESTION:

Is the Prime Minister's visit and other Ministerial visits off?

FOREIGN SECRETARY - DOORSTEP - LONDON - 19 AUGUST 1991

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FOREIGN SECRETARY:

The Prime Minister was not planning to visit until towards the end of the year so I think it is too soon to be clear about that. There are no other Ministerial visits in the immediate offing.

(END OF TRANSCRIPT)

FOREIGN SECRETARY - INT - NEWSNIGHT - 19 AUGUST 1991

- 1 -

FROM EGMG FOR COI RADIO TECHNICAL SERVICES

TRANSCRIPT OF INTERVIEW

GIVEN BY THE FOREIGN SECRETARY, MR DOUGLAS HURD,

IN LONDON,

ON MONDAY, 19 AUGUST 1991

INTERVIEWER: PETER SNOW, NEWSNIGHT

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INTERVIEWER:

Foreign Secretary, how completely surprised were you by this?

FOREIGN SECRETARY:

Obviously President Gorbachev had his political problems and there has been a power contest going on for some time but certainly I had no inkling that he was going to be dislodged last night.

INTERVIEWER:

Mr Yanaev says he is for democracy and reform, do you believe him?

FOREIGN SECRETARY:

No I do not. I think what has been happening today makes it very hard to believe those kind of professions. newspapers have been closed. military commanders have taken the place of elected mayors, meetings and strikes have been declared illegal under the state of emergency. it is not possible to imagine that this is compatible with the kind of promises the Soviet Union made really very recently.

FOREIGN SECRETARY - INT - NEWSNIGHT - 19 AUGUST 1991

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INTERVIEWER:

What then do you think we are in for, is this an outright reversal of all that Gorbachev has done?

FOREIGN SECRETARY:

I think they are trying to turn the clock back, I do not think they know quite to what point. I do not think it will work in the long run because what we have seen in the last 2 or 3 years is a great outpouring of what the Russian people want and I do not think the Soviet people will put up with repression of the old style or these kind of phrases which are now being used which clearly carry no conviction at all.

INTERVIEWER:

Is there any way you feel able to support President Yeltsin, the elected President of Russia, in what is clearly open defiance of this new regime?

FOREIGN SECRETARY:

I do not think it is for us sitting here in a studio, us sitting in the Foreign Offices of the West, to tell democrats in the Soviet Union what their tactics should be. I think we have to make it clear that our anxiety goes beyond simply the keeping of international agreements, obviously we are concerned about that, but when I saw the Soviet Ambassador this afternoon I said our concerns went wider into human rights because the Soviet Union as a European country has just signed a whole set of obligations about a free press, about free elections, about a free society.

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INTERVIEWER:

But is there not a question of recognition here. at least a question of moral recognition? Boris Yeltsin is the elected President of Russia, he says that all security forces on the territory of the Russian federation should now obey him?

FOREIGN SECRETARY:

I think we have, as I said to the Ambassador, Boris Yeltsin is elected. the mayors of Moscow and Leningrad are elected, we know that, they are being pushed aside by military commanders, by people who have not been elected and of whom we know very little and little that is good. So our position is perfectly clear but what I do not think we can do, and I certainly do not think Boris Yeltsin would expect us or want us to do, is to advise him on how in fact he should conduct his tactics.

INTERVIEWER:

But bluntly who do you support, Yeltsin or Yanaev?

FOREIGN SECRETARY:

It is not for us to say who should run the Soviet Union. What we can say, what we must say, is that the Soviet Union should meet its obligations to the West, that is completing the withdrawal of troops from Eastern Europe, and also its obligations to its own people which are an international obligation. Now how that is done is up to them but I made clear for example today that we are suspending our own British Know-How Fund to the Soviet Union because it is impossible, we decided, to reconcile that with the kind of economic and political steps which have been announced by this self-

FOREIGN SECRETARY - INT - NEWSNIGHT - 19 AUGUST 1991

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appointed committee today. So I think our stance is a clear one.

INTERVIEWER:

Let me just press you once again though, are you at least sympathetic to Boris Yeltsin as opposed to the regime?

FOREIGN SECRETARY:

Of course, of course, he is an elected leader who is taking a courageous stand.

INTERVIEWER:

And that is about as far as you can go in giving him any clear support?

FOREIGN SECRETARY:

Political support is all I think that he would expect.

INTERVIEWER:

What happens now if this does come, and it is not far away from it, to open bloodshed, to an open battle, civil war between the regime and the people of the Soviet Union?

FOREIGN SECRETARY:

We cannot run the Soviet Union, we can influence to some extent at the margin for good or for bad. We have tried to use that influence to support reform and we shall continue to do that and when we get to The Hague tomorrow when European Ministers meet we will make that clear and I hope myself that just as Britain has suspended the working of its Know-How Fund so the European Community



## FOREIGN SECRETARY - INT - NEWSNIGHT - 19 AUGUST 1991

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will suspend the working of its technical assistance programme. There is another important thing we have got to do which is to give some reassurance to countries like Poland, Hungary and Czechoslovakia who have left the Warsaw Pact, started a new page in their own history and the history of Europe and who will be feeling anxious.

INTERVIEWER:

We spoke today to the President of Georgia's close spokesman in Tibilisi and he said that Georgia was now effectively saying to the Soviet Union: "We have finished with this, we do not recognise this new government, we do not recognise its authority, we are independent, we will have nothing to do with you at all." Are you prepared to think of recognising a republic like Georgia that says that?

FOREIGN SECRETARY:

Obviously not this afternoon but at the end of the day, as we have said as regards the Baltic States, we do not believe that the Republics of the Soviet Union can be held by repression. Gorbachev was negotiating a union treaty and obviously the timing of this coup is connected with the fact that that treaty was going to be signed. If the Soviet Union, if the authorities in Moscow are going back to repression, to tanks in the streets as a way of keeping together the Soviet Union, then they will fail.

INTERVIEWER:

What about external policy, they say they will stick to their treaties and international obligations but do you believe that?

FOREIGN SECRETARY - INT - NEWSNIGHT - 19 AUGUST 1991

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FOREIGN SECRETARY:

That just remains to be tested, they cannot recreate the Warsaw Pact, it is crucial they should do what they said today they will do which is complete the withdrawal from Eastern Germany, the withdrawal from Poland, they are already out of Hungary and Czechoslovakia and of course the troops of those countries are no longer their allies or working with them. They have got to carry through the CFE Treaty, the very important conventional disarmament treaty.

INTERVIEWER:

They have got to? But could they not slow it down? We have talked to Henry Kissinger who does have his doubts about whether they will stick to it.

FOREIGN SECRETARY:

They must be held to that otherwise their chances of the West resuming friendship with them are nil.

INTERVIEWER:

But do they bluntly care that much about the West's friendship if what they want is control of the Soviet Union even if that is the cost of it?

FOREIGN SECRETARY:

But they have to run the Soviet Union do they not and the kind of economic constraints which weigh down on the Soviet Union, which made Gorbachev move away from a policy based on command, tanks, aircraft, those economic constraints are a result of the

FOREIGN SECRETARY - INT - NEWSNIGHT - 19 AUGUST 1991

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failure of communism, they are not going to be solved by reinventing communism, indeed quite the reverse.

(END OF TRANSCRIPT)

FOREIGN SECRETARY - INTERVIEW - LONDON - CH.4 TV NEWS - 19 AUG 91

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FROM JAMES LEE FOR COI RADIO TECHNICAL SERVICES

TRANSCRIPT OF INTERVIEW

GIVEN BY THE FOREIGN SECRETARY, MR. DOUGLAS HURD,  
IN LONDON, ON MONDAY, 19 AUGUST 1991  
INTERVIEWED ON CH4 TV NEWS

INTERVIEWER:

Foreign Secretary, is it your impression that the people who ousted Mr. Gorbachev are now firmly in charge in the Soviet Union?

FOREIGN SECRETARY:

It is too soon to say. They seem to be in charge of parts of Moscow and Leningrad but it is too soon to say. I think we are only at the beginning of a long chapter.

INTERVIEWER:

You have just seen the Soviet ambassador. What came of that meeting? Did he have positive news of Mr. Gorbachev?

FOREIGN SECRETARY:

He told me that Mr. Gorbachev was safe and in the Crimea. He brought quite a long letter from Mr. Yanayev to the Prime Minister but that merely repeated the kind of reassurances that were broadcast this morning. I did not find it reassuring myself. I think we are in a thoroughly dangerous and worrying situation.

FOREIGN SECRETARY - INTERVIEW - LONDON - CH.4 TV NEWS - 19 AUG 91

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INTERVIEWER:

Did the West do enough, do you think in retrospect, to support Mr. Gorbachev, particularly economically, particularly at the recent G7 summit? Couldn't more have been done?

FOREIGN SECRETARY:

Of course, more could have been done. What would have been the result? It would have meant that the present new Committee would have been in possession of a lot of dollars which it does not now have. No, I think we were very wise to be cautious. It wasn't lack of economic resources that caused the present trouble; it is basically a political attempt to put the clock back though I don't think those who are making it really know quite where they want the clock to stop.

INTERVIEWER:

Do you think that attempting to go on dealing with Mr. Yeltsin is important? What do you make of the remarks that he has been making today?

FOREIGN SECRETARY:

I have a lot of sympathy for him. He is a courageous man; he is an elected leader and he is striving for democracy. He will decide his own tactics but he certainly deserves our sympathy.

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INTERVIEWER:

Mrs. Thatcher says that the present round of defence cuts should not be implemented. Do you think they should at least be reviewed in the light of today's developments?

FOREIGN SECRETARY:

Not in the light of today's developments because of course they were not based on any assumption about Mr. Gorbachev staying in power; they were based on the threat from a Warsaw Pact of several countries, of a huge concentration of tanks and aircraft and infantry along the Iron Curtain. That threat has not been re-created today.

INTERVIEWER:

Does that mean that you are absolutely certain that the democratic gains in Eastern Europe can be maintained, that the Soviets won't seek to reassert any influence in that area?

FOREIGN SECRETARY:

I don't think they will succeed in reimposing Soviet rule on the Poles, Hungarians and Czechs or in splitting Germany in two again but of course we have to watch very carefully the way the Soviet Union under whatever government performs its international obligations. Of course we have to do that and match our own defence and political strategy accordingly.

FOREIGN SECRETARY - INTERVIEW - LONDON - CH.4 TV NEWS - 19 AUG 91

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INTERVIEWER:

Mrs. Thatcher also urged the Soviet people to take to the streets to protest. Do you agree? Is that what you would like to see them do?

FOREIGN SECRETARY:

When I said that I think that they must decide their own tactics rather than we sitting in Foreign Offices or Government Offices in London, I believe that is very true. They know and we made clear today and we shall make clear at the European meeting tomorrow - President Bush has already made clear to the Americans - what our anxieties are, where our sympathies lie and we will do our best to back that up but how democrats in Russia striving to keep what they have gained and gain more, how they actually carry on that struggle, that must be for them to decide.

INTERVIEWER:

In the end, if Mr. Gorbachev's era really has closed and we do have to work with new people or rather perhaps one should say old people who have come back into power, shouldn't we be encouraging any sort of reform process that might still be around, that they say they want to proceed with? Can we take them at all seriously?

FOREIGN SECRETARY:

I think what has been said today is not credible but we have to watch it and we are only in the first half-day of what I think is going to be a long chapter. I don't think in the long run all

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those hopes which so many people in the Soviet Union have been expressing and working on in the last few years are going to be for nothing; I don't think all that is going to be suppressed but I think in the short run we are in for a bumpy ride and so more emphatically are they.

(END OF TRANSCRIPT)



MINISTRY OF DEFENCE  
Our Ref. BOK. 22765

PAT PEARSON  
Your Ref.

**TOM KING ON SOVIET CRISIS**

Programme: PM  
Station: RADIO 4  
Date: 19.8.91  
Time: 1740  
Duration: 3 mins 40 secs



THE BROADCAST MONITORING COMPANY  
Register House, 4 Holford Yard, Cruikshank Street, London WC1X 9HD Tel: 071 833 1055 Fax: 071-278 9538

VALERIE SINGLETON: (Presenter)

And we've been joined now on the telephone by the Defence Secretary Tom King. Good afternoon Mr King.

TOM KING MP: (Secretary of State for Defence)

Hello.

VALERIE SINGLETON:

Hello Mr King, can you hear me?

TOM KING MP:

Yes.

VALERIE SINGLETON:

Yes, good afternoon. What response are we going to make to what is happening in the Soviet Union?

TOM KING MP:

Well, Douglas Hurd is speaking on behalf of the Government this evening about that. But various comments have been made on the defence side: I just want to make one thing clear. When we planned the changes that we did, we didn't plan them on the basis of whether or not Mr Gorbachev survived. We did it on the basis of the massive strategic changes that are taking place in the Soviet Union and the disappearance of the Warsaw Pact. That's the background against which we've been working and, indeed, I've heard some people talking as though they thought it was the most unexpected news they've have ever had.

VALERIE SINGLETON:

well, it...

TOM KING MP:

I think anybody who looked at the Soviet Union and the



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huge pressures and tensions realised that for some time this has been, sadly, a very real possibility.

VALERIE SINGLETON:

But you can't say, surely, Mr King, that it didn't catch everybody rather unawares this morning when we woke up this morning to hear the news?

TOM KING MP:

That's quite different to saying that the idea that it might happen at some time was totally unexpected and couldn't be allowed for in any strategic planning. Our planning is based on the NATO strategy that the Warsaw Pact has gone, we see no prospect of the Warsaw Pact being recreated in the shape of an East Germany reappearing, in the shape of Czechoslovakia and Hungary willingly supplying troops to a force led by the Soviet Union.

VALERIE SINGLETON:

But we...

TOM KING MP:

The problems now we face are problems within the Soviet Union and our defence planning takes that into account.

VALERIE SINGLETON:

But we weren't...I mean, any plans we had surely were with a man like Mr Gorbachev at the helm, who was trying to make reforms. We weren't surely intending to do business with a hard-line, eight-man emergency committee who were clamping down as they are today?

TOM KING MP:

Well, I've met Marshall Yazov. I'd think anybody who'd been to the Soviet Union realised people who were there who had



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their concerns about the speed of the reforms and the tensions and difficulties that they were causing within the Soviet Union.

VALERIE SINGLETON:

So are you saying we shouldn't be quite as worried about it as perhaps people...

TOM KING MP:

No, obviously it is a serious development, but the important point to make is that what is...matters, although important as President Gorbachev was - and hopefully will still continue to be, as we hope that that situation could possibly be restored, we can't be certain at this time - but what does matter is whether the continuation of the withdrawal of forces, whether the continuation of the withdrawal of their armaments from the former Warsaw Pact countries continues. If that happens, and remember, we're not making our changes overnight, we're making our changes over a period of years and we shall watch very carefully to see that the Soviet Union honours the agreements that it has made.

VALERIE SINGLETON:

Do you think it will?

TOM KING MP:

I believe that the economic realities are so enormous now that the...whoever sits in the Kremlin has no prospect but to actually reduce their expenditure on military equipment and the troop levels, and to carry on with the withdrawals, carry on with the agreements that have been made.

VALERIE SINGLETON:

So we have to do business with whoever is in power in the

Soviet Union?

TOM KING MP:

Well, we obviously bitterly regret the news that has happened, but we have to look objectively at our own interests as well and look and ensure that at all times we maintain defences that are adequate for our needs.

VALERIE SINGLETON:

Mr King, thank you very much for joining us.

TOM KING MP:

Thank you.

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[During an item concerning the recent cuts in the British armed forces in the lights of events in the Soviet Union, including brief interviews with Margaret Thatcher and Michael Dewar of the Institute of Strategic Studies]

GEOFFREY ARCHER: (Reporter)

Defence Secretary Tom King says Britain's force reductions will proceed.

TOM KING MP: (Defence Secretary)

Our changes take place over the next three to four years. During that time the Soviet Union will be due to have withdrawn the remaining forces that it has, already out of Czechoslovakia and Hungary as I said, out of Poland in two years time, finish their withdrawal out of Germany in the year after that; and we shall watch, as we make our reductions, that they are carrying forward their plans as well.

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PRIME MINISTER

SOVIET UNION

i. Special Meeting of the European Council

At tomorrow's meeting of EC Foreign Ministers the Dutch will (somewhat reluctantly) propose a meeting of EC Heads of Government. The Dutch order of precedence is:

- i. Friday 23: afternoon and dinner
- ii. Saturday 24: morning and lunch
- iii. Monday 26: lunch or dinner.

*FRI (jwr)*  
I have said that the Foreign Secretary should argue for Monday. Do you have any preference between Friday and Saturday? Your programme is attached.

ii. Defence Monitoring: Visit to the Soviet Union

*OK.*  
The Foreign Secretary has discussed with Jim Baker whether our monitoring visit of Soviet troop manoeuvres in the Ukraine should go ahead. Contrary to what was thought at OPD this afternoon, this is a bilateral inspection visit under CSCE rules. The Americans have already had such a visit. Baker was keen that ours should go ahead. Two British Army Officers would go on the visit. The Foreign Secretary and Defence Secretary are both in favour and, because the Army Officers have to leave Germany at 0100 on Tuesday, I have said that they should go ahead. The visit will not be given publicity but I think is perfectly defensible if it becomes known.

*J.S. Wall*

J.S. WALL

19 AUGUST 1991

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*Doty Clerk*

10 DOWNING STREET

LONDON SW1A 2AA

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PRIME MINISTER'S ENGAGEMENTS FOR THE WEEK BEGINNING  
TUESDAY 20 AUGUST 1991

Tuesday 20 August

AM DEPART FOR HUNTINGDON

Wednesday 21 August

HUNTINGDON

Thursday 22 August

HUNTINGDON  
PM RETURN TO NO.10

Friday 23 August

0900-1000 Sir Percy Cradock (Briefing for Washington visit)  
1000 Ray Seitz, US Ambassador  
1030 DEPART FOR LORD'S  
(ENGLAND v SRI LANKA - GUEST OF PAUL GETTY)  
OVERNIGHT AT NO.10

Saturday 24 August

0900-1015 DENTIST  
DEPART FOR LORD'S  
(ENGLAND v SRI LANKA - GUEST OF MCC)  
RETURN TO HUNTINGDON

Sunday 25 August

HUNTINGDON

Monday 26 August

HUNTINGDON  
? OVERNIGHT AT NO.10

Tuesday 27 August

1000 DEPART HEATHROW FOR WASHINGTON  
1330 ARRIVE ANDREWS AIRFORCE BASE  
SUPPER AT KENNEDY CENTRE  
FOLLOWED BY  
'PHANTOM OF THE OPERA'

Wednesday 28 August

AM PROGRAMME IN WASHINGTON  
PM DEPART FOR MAINE  
1700 ARRIVE KENNEBUNKPORT

Thursday 29 August

KENNEBUNKPORT

Friday 30 August

?0800 DEPART FOR UK (RAF ALCONBURY?)

Saturday 31 August

? HUNTINGDON

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10 DOWNING STREET ✓

Pine Mistle

This is the message  
handed over by  
Zanogata to the foreign  
Secretary. It is probably  
a hand-written.

Stephen

19/8

oto

cjk

[Unofficial translation]

MESSAGE FROM ACTING PRESIDENT YANAEV TO THE PRIME MINISTER

Dear Mr Prime Minister,

I address you at a crucial moment for the Soviet Union and the whole world. The Soviet Union has encountered an extraordinary problem on the path to reform. It is now facing a severe crisis, a worsening of which could cast doubt on the future of the reform process and lead to a serious catastrophe in international life.

It is no secret to you that there has been a sharp fall in production, posing a real threat to the existence and future of the peoples of the USSR. The country was becoming ungovernable; there were too many authorities; there was widespread discontent among the population.

There was also a real threat of the very disintegration of the country - the possible collapse of unified policies in economics, human rights, defence and foreign affairs. Normal life in these conditions was impossible. In many regions of the USSR as a result of inter-ethnic conflict, blood was being spilt. The disintegration of the Soviet Union would have extremely serious consequences not only internally but also internationally.

Under the circumstances, there had been no choice other than to take decisive measures in order to avert catastrophe. It was therefore incumbent upon us to introduce the state of emergency in certain areas of the country for six months. This was a temporary measure, but was necessary at present. This step was not a denial of the reforms begun by Mikhail Sergeyevich Gorbachev. The reforms would be continued; our choice has been made, and we will support it. On the basis of democracy and glasnost we will build a pluralistic economy, including private enterprise, and we will continue

the policy of improving human rights and freedom. In the international sphere all agreements and treaties will remain in force and the external policy of our country will continue on the same course. We will fulfil our obligations and further develop the Helsinki process, and widen cooperation with our foreign partners. But in order for this policy to be successful and in order that the policies begun by M S Gorbachev not be discredited it is necessary for us to attain political stability in the country.

I would like to stress particularly that all the actions we have taken are in accordance with the existing constitutional arrangements and within the framework of existing laws.

I would like to rely not only on the understanding but also on the support of all our foreign partners; above all, of your country.

We value our good relations and believe that the cooperation between our two nations was and remains in our mutual interest and in the interests of the stability and peace of the whole world.

I promise to you that Mikhail Sergeyevich is no danger, and there is no threat to him.

Yours &c,

G Yanaev.

Г-ну Дж.Мейджору  
Премьер-министру Великобритании

Уважаемый господин Премьер-министр,

Обращаюсь к Вам в ответственный для судеб Советского Союза и международной обстановки во всем мире момент. Вступив на путь глубоких реформ и пройдя в этом направлении значительный отрезок, СССР оказался сейчас перед глубоким кризисом, дальнейшее развитие которого может поставить под вопрос как сам курс реформ, так и привести к серьезным катаклизмам в международной жизни.

Для Вас, разумеется, не является секретом, что резкое падение производства в стране, не восполняемое пока деятельностью альтернативных промышленных и сельскохозяйственных структур, создает реальную угрозу дальнейшему существованию и развитию народов Советского Союза. В стране возникла обстановка неуправляемости и многовластия. Все это не может не вызывать широкого недовольства населения.

Возникла также реальная угроза дезинтеграции страны, развала единого экономического пространства, единого пространства гражданских прав, единой обороны и единой внешней политики. Нормальная жизнь в этих условиях невозможна. Во многих районах СССР в результате межнациональных столкновений льется кровь. Распад СССР имел бы самые тяжелые не только внутренние, но и международные последствия.

В этих условиях у нас нет иного выбора, кроме как принять решительные меры, чтобы остановить сползание к катастрофе. Мы были вынуждены пойти на введение чрезвычайного положения в

отдельных местностях СССР на 6 месяцев. Это временная, но необходимая сегодня мера. Этот шаг не есть отказ от реформ, начатых М.С.Горбачевым. Реформы будут продолжены, наш выбор сделан, и мы его выдержим. Мы будем стоять на почве демократии и гласности, мы будем строить многоукладную экономику, включая и частное предпринимательство, мы будем продолжать линию на обеспечение гражданских прав и свобод. В международной области остаются в силе все договоры и соглашения, будет продолжен внешнеполитический курс нашей страны. Мы преисполнены решимости и далее развивать Хельсинкский процесс, расширять взаимовыгодное сотрудничество с нашими зарубежными партнерами. Но для того, чтобы эта линия имела успех, для того, чтобы дело, начатое М.С.Горбачевым, не было окончательно дискредитировано, нам нужно восстановить политическую стабильность в стране и перейти, наконец, к управляемому процессу преобразований.

Хотел бы особо подчеркнуть, что все эти действия предпринимаются нами в условиях сохранения и функционирования всех конституционных органов власти в стране и в рамках существующих законов.

Хотелось бы рассчитывать не только на понимание, но и на поддержку всех наших зарубежных партнеров и, разумеется, прежде всего вашей страны. Хотя основная часть работы может быть сделана только нами самими, мы дорожим Вашим добрым отношением и полагаем, что поддержание сотрудничества между нашими государствами было и остается в обоюдных интересах, в интересах стабильности и спокойствия во всем мире.

Для Вашего сведения сообщаю, что Михаил Сергеевич находится в полной безопасности, и ему ничто не угрожает.

С уважением

Г. Янаев

19 августа 1991 года  
г. Москва



FILE

10 DOWNING STREET  
LONDON SW1A 2AA

*From the Private Secretary*

19 August 1991

*Dear Sir,*

KAPITZA FOUNDATION

Please refer to John Duncan's letter to me of 12 August.

In the light of developments in the Soviet Union I doubt if we can now write as proposed about the Kapitza Foundation. Perhaps you could let me have further advice in due course.

I am copying this letter to Jeremy Heywood (HM Treasury), Martin Stanley (Department of Trade and Industry), Steven Crowne (DES) and Sonia Phippard (Cabinet Office).

*Yours  
Stephen*

J.S. WALL

Simon Gass, Esq.,  
Foreign and Commonwealth Office

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FILE: C/BUSL/MAN.

bcc R



Filed on:

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LONDON SW1A 2AA

*From the Private Secretary*

19 August 1991

*Dear Richard,*

PRIME MINISTER'S TELEPHONE CONVERSATION  
WITH PRESIDENT BUSH

When the Prime Minister and President Bush spoke this morning they agreed that they might have another word during the course of the day. They spoke again (at our initiative) earlier this evening. The President was at that stage en route by air from Kennebunkport to Washington.

The Prime Minister described his conversation with Prime Minister Bieleki and the fact that the Polish Government were seeking reassurances from the West. He said what we were proposing to speed up conclusions to the Association Agreement between Poland and the EC. The President took note.

The Prime Minister went on to say he could see some advantage in a NATO Ministerial meeting to discuss events in the Soviet Union. This was the best political forum for discussion between Europe and the USA. Moreover, we did not want the countries of the Community to be thought to be starting to take a stance based on the notion of a European defence posture. Such a meeting could also make it easier for us to deal with criticisms that our defence policy had been based on too optimistic a view of the likely Soviet trend.

The President (as Bob Gates had earlier warned me) showed some concern about a NATO Ministerial meeting. He did not want to give the impression of military confrontation. He was also worried that the Baltic Leaders might in those circumstances push the Soviet Leadership towards action, ie his aim was to cool the situation. The President said he would reflect on the Prime Minister's suggestion. The Prime Minister is not unsympathetic to the President's concerns and would not want us to press for a meeting. We have made the case for it. We should not allow the perception to grow that there is a difference between us and the United States on this.

U President Bush referred to Mr. Yeltsin's suggestion that the UN should meet to discuss events in the Soviet Union. What did the Prime Minister think? The Prime Minister said he doubted whether such a meeting would be productive. The President was inclined to share this view. The Prime Minister would be grateful for advice on this point.

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I am copying this letter to Private Secretaries to members of OPD and to Sir Robin Butler.

*Jaw.*  
*Stephen*

J.S. WALL

Richard Gozney, Esq.,  
Foreign and Commonwealth Office

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*file*

Filed on:

10 DOWNING STREET  
LONDON SW1A 2AA

*From the Private Secretary*

19 August 1991

*Dear Sir,*

THE SOVIET UNION

The Prime Minister has this morning spoken to President Mitterrand, President Bush, Chancellor Kohl, the UN Secretary General, the Prime Minister of Poland and Prime Minister Lubbers in that order. All the conversations, apart from that with the Polish Prime Minister, were at our initiative. I am recording the conversation with the UN Secretary General separately. The other conversations are covered in this letter.

President Mitterrand

President Mitterrand said that the Prime Minister was the first Head of Government he was speaking to about events in the Soviet Union. He would be following up that conversation with President Bush and Chancellor Kohl. EC Ministers were meeting in the Hague tomorrow and the Twelve should use that occasion to recall some of the principles and criteria covering relations with the Soviet Union. If necessary, there should be a European Council after a short delay and he knew Mr. Lubbers had that in mind. We should bear in mind the need for such a meeting over the next few days. The Prime Minister agreed. We needed to ask whether we could influence events in the Soviet Union; whether the overnight developments were reversible or, if not, whether their effect could be contained. It was impossible to overstate the importance for Europe of what was going on. President Mitterrand agreed. He attached importance to the Prime Minister's opinion. We could be in the midst of historic events. Every scenario was possible. The situation was a dangerous one.

President Bush

The President, describing this as a "troubling day", had seen the Prime Minister's Downing Street press conference live and thought that the Prime Minister had "said it all". They exchanged information and the Prime Minister told the President that the Twelve would be meeting tomorrow. The President said that he had met Mr. Yanayev, who was his host on his recent visit to the Ukraine. He had seemed a pleasant enough individual but would clearly be nothing more than a figurehead. The Prime Minister agreed. We had no real information on President Gorbachev's fate. We had tried this morning to obtain information but that had not been possible. The President

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thought that the behaviour of Yeltsin and what the new regime would allow Yeltsin to do were crucial issues. The President said he had heard the Prime Minister's answer to the press on the question of defence expenditure. He agreed with it. We should not get into the business of stepping up defence expenditure in response to what had happened.

The President said that he was thinking of accelerating Ambassador Strauss's arrival in Moscow, though he had not discussed that internally.

Chancellor Kohl

Chancellor Kohl had broken his holiday and returned to Bonn but was evidently planning to resume his holiday. Chancellor Kohl has spoken to President Bush and had agreed with him on the importance of sending the same message. This should be:

- (i) that we must ask that the Soviet Union strictly adhere to all international agreements. This was very important.
- (ii) we must assume that the Soviet Union would respect human and civil rights. She must continue her policy on controlled disarmament and détente. Future assistance to the Soviet Union would depend crucially on the Soviet Union fulfilling these points.

Germany, said Chancellor Kohl, had every reason to be grateful to President Gorbachev over what he had done to further the cause of German unity. President Gorbachev's personal integrity must be respected. The Prime Minister agreed on all these points. He referred to his conversation with President Mitterrand and of the possibility of a meeting of the European Council before too long.

The Prime Minister thought we would want to wait a few days but a meeting of Heads of Government level would probably be the right thing to do. Chancellor Kohl agreed, but thought it would make little sense to convene such a meeting "within a few hours".

Prime Minister Bielecki

Prime Minister Bielecki said that there was no panic in the Soviet Union but there was anxiety. It was important for the West to express support for Poland to show that Poland was part of the Western democracies. He was speaking to other European Heads of Government and expected President Bush and President Walesa to talk later in the day. The Prime Minister agreed. He described his own telephone conversation with other leaders and said that Poland was very much in our minds and we would reflect the situation in our public statements. Prime Minister Bielecki said that the Soviet Union had closed one border crossing, though he did not at this stage attach particular significance to it. He went on to ask that the European Community should accelerate the negotiations on the proposed Association Agreement. It was due to be discussed at the Foreign Affairs Council at the end of

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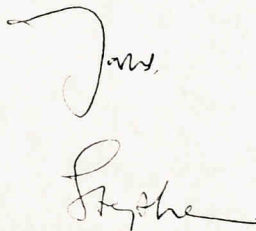
September. The Prime Minister agreed that we should try to bring matters forward. He would have it put on the agenda for tomorrow's meeting of EC Foreign Ministers. Prime Minister Bielecki was grateful. Poland already knew that they had Britain's support on the Association Agreement. He hoped others could now recognise the importance of the case. The Prime Minister asked Mr. Bielecki to let him have any particular points of relevance to the meeting.

Prime Minister Lubbers

The Prime Minister and Mr. Lubbers discussed the possible timing of the European Council meeting. The Prime Minister pointed out that he was going to the United States on Tuesday 27 August and that a meeting would really have to take place before then.

The Prime Minister went on to describe his conversation with Mr. Bielecki and that we were asking for the Association Agreement to be put on the agenda of tomorrow's EC Foreign Ministers meeting. Mr. Lubbers endorsed this idea. The Dutch had already been pressing the Commission for early progress. Mr. Delors had not liked this, claiming that it was undermining his negotiating hand. Mr. Lubbers said the politics of the situation were more important. The Prime Minister thought that Mr. Delors would now see that.

I am copying this letter to the Private Secretaries to members of OPD and to Sonia Phippard (Cabinet Office).



J. S. WALL

Simon Gass, Esq.,  
Foreign and Commonwealth Office.

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Filed on:

10 DOWNING STREET  
LONDON SW1A 2AA

From the Private Secretary

19 August 1991

Dear Sir,

PRIME MINISTER'S TELEPHONE CONVERSATION WITH THE  
UN SECRETARY GENERAL

The Prime Minister spoke to the UN Secretary General on the telephone this morning. He expressed his gratitude for all that the Secretary General had done over hostages in recent weeks. This had been immensely productive and very well received in the UK. We were delighted at the release of John McCarthy. The Secretary General said that, although the problem of the hostages still remained, he hoped to be able to put a end to it over the next few weeks. He was pressing privately. The Israelis had been very helpful so far and it was now for the other side to give evidence of the fate of the Israeli hostages. The Prime Minister described his own contact with Mr. Shamir and said that Mr. Arad might be the key. The Secretary General agreed. He wanted the Prime Minister to know that Iran's support for his efforts had been "very precious".

The Prime Minister said that we would give the Secretary General all possible help. We remained very concerned about Ian Richter. The Secretary General described his contact with the Iraqi Ambassador in Geneva (Saddam Hussein's brother). He realised that the conditions which the Iraqis were setting for Ian Richter's release (unfreezing of Iraqi assets and the release of bank notes) were not acceptable in the UK. This was of course a matter for us. The Prime Minister confirmed our position.

Soviet Union

The Prime Minister and the Secretary General agreed that the news from the Soviet Union was extremely bleak (though it was clear that the Secretary General did not want to get involved in detailed discussion). The Prime Minister said that we would need to find out shortly whether the Soviet authorities would continue to be as helpful as they had been over the hostage situation. That was one area which could give the Secretary General locus. The Secretary General agreed that we had to insist that the Soviet Union honour its international obligations.

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I am copying this letter to the Private Secretaries to members of OPD and to Sonia Phippard (Cabinet Office).

*Jans,*  
*Stephen*  
J. S. WALL

Simon Gass, Esq.,  
Foreign and Commonwealth Office.

CONFIDENTIAL

## PRIME MINISTER - STATEMENT - DOWNING ST - 19 AUG 91

- 1 -

FROM JAMES LEE FOR COI RADIO TECHNICAL SERVICES

TRANSCRIPT OF STATEMENT (AND SOME QUESTIONS AND ANSWERS)  
BY THE PRIME MINISTER, MR. JOHN MAJOR,  
IN DOWNING STREET,  
ON MONDAY, 19 AUGUST 1991

## PRIME MINISTER:

Events overnight are clearly a very ominous development indeed. I will be consulting our friends and allies over the next few hours and I would expect to have a meeting of senior colleagues at No. 10 in the middle of the afternoon.

There seems little doubt that President Gorbachev has been removed from power by an unconstitutional seizure of power. There are constitutional ways of removing the President of the Soviet Union; they have not been used.

Whatever the future may hold for President Gorbachev, I hope there is no doubt in anyone's mind about the immense contribution that he has made over recent years both to the prospects for people within the Soviet Union and to the rapprochement that has taken place between East and West as a result of his efforts and those of Presidents Reagan, Bush and others. He has, therefore, a very proud record indeed.

**PRIME MINISTER - STATEMENT - DOWNING ST - 19 AUG 91****- 2 -**

I believe that the whole world has a very serious stake in the events currently taking place in the Soviet Union; the reform process there is of vital importance to the whole world and of most vital importance of course to the Soviet people themselves and I hope that is fully understood by everyone.

There is a great deal of information we don't yet have but I would like to make clear above all that we will expect the Soviet Union to respect and honour all those commitments that President Gorbachev has made on its behalf.

I hope we will be able to say more later on today. I will take one or two questions but very few.



**PRIME MINISTER - STATEMENT - DOWNING ST - 19 AUG 91**

- 3 -

**QUESTIONS AND ANSWERS****QUESTION:**

Prime Minister, given what you say, do you believe it is too late now to influence events and if it is, who does the West do business with?

**PRIME MINISTER:**

We simply don't know the answer to that question yes. I hope we will find out more information during the course of the day.

**QUESTION:**

Prime Minister, the G7 Summit offered moral support to Mr. Gorbachev. Do you now feel in retrospect that you should have given him much more, especially hard cash?

**PRIME MINISTER:**

No, I don't believe that is the case and neither is that the cause of the present difficulties in the Soviet Union today so far as we can see.

What we were seeking to do and indeed I was going to Moscow in order to further that later on this year, was to help along the reform progress. What appears to have happened is a strike against the reform process in the Soviet Union.

**PRIME MINISTER - STATEMENT - DOWNING ST - 19 AUG 91**

- 4 -

**QUESTION:**

Mr. Major, do you believe you will still be going to Moscow?

**PRIME MINISTER:**

It is too early to say.

**QUESTION:**

Does the international crisis enhance the Conservatives' election chances?

**PRIME MINISTER:**

I have had no chance of contemplating that matter this morning.

**QUESTION:**

Were you forewarned in any way at all?

**PRIME MINISTER:**

No, we were not forewarned. Of course, the possibility of some action of this sort has been around and has been considered for some considerable time but there was no immediate knowledge that it was going to happen at this particular moment. As background, clearly one realised the possibility of this happening at some stage.

**QUESTION:**

Given the fall in the FT index today, how worried are you about the implications for the British economy?

## PRIME MINISTER - STATEMENT - DOWNING ST - 19 AUG 91

- 5 -

## PRIME MINISTER:

It is very early stages in terms of the fall in the FT index; we will have to see how it will stabilise. I think there is no reason for people to panic in terms of the international markets, either the exchange markets or the stock exchanges and I hope people won't.

## QUESTION:

Prime Minister, will there have to be some reconsideration given to the planned defence cuts?

## PRIME MINISTER:

I see no reason for us to do that. The prospects of events in the Soviet Union were amongst those matters that were considered and considered very carefully in terms of the defence reductions that were made. It is quite wrong for people to suggest, as sometime they have done, that they were Treasury-driven cuts; those changes in our defence posture were made as a result of changing circumstances, changing needs, changing capacity and changing nature of weaponry so there were a whole series of other reasons for making the changes that were in hand.

## QUESTION:

Do you fear a return to the Cold War, then, Prime Minister? Is that what we are looking at?

**PRIME MINISTER - STATEMENT - DOWNING ST - 19 AUG 91****- 6 -****PRIME MINISTER:**

I don't believe that we are in a position to make a firm judgement on that yet; clearly, one would hope not. I don't think one is going back to the position that existed pre-Mr. Gorbachev but of course it is very early to make any judgements of this sort and although it is perhaps not the answer you would wish, I think we will have to wait and see how events unfold and be a little better informed than we are at the present over what is actually happening. I hope we will know more later on today; if we do, of course we will say so.

**(END OF TRANSCRIPT)**

*The events of tonight are*

This is a very ominous development. It is particularly serious that the legitimate government of President Gorbachev looks to have been removed in an unconstitutional seizure of power. We are in urgent touch with our partners and allies. The whole world has a vital stake in the continuation of the reform process within the Soviet Union. So do the people of the Soviet Union themselves. We expect the Soviet Union to stand by its international commitments.

These are early days. We cannot be sure how the situation will develop. We shall naturally remain in very close contact with our partners and allies and I shall be meeting Ministerial colleagues later today.

This is a very ominous development. It is particularly serious that President Gorbachev has been removed in what looks like an unconstitutional seizure of power. We are making an urgent assessment in consultation with our partners and allies. The whole world has a vital stake in the continuation of the reform process within the Soviet Union. So do the people of the Soviet Union themselves. We expect the Soviet Union to stand by its international commitments.

These are early days. We cannot be sure how the situation will evolve. We shall naturally remain in very close touch with our partners and allies.

STATEMENT TO THE PRESS BY THE FOREIGN SECRETARY, 1740 HRS,  
19 AUGUST

- Today's developments in the Soviet Union are extremely serious.
- We are now analysing what is happening in that country, and consulting our friends and allies. For that reason I am going to a special meeting of the Foreign Affairs Council in The Hague tomorrow.
- There may, before very long, need to be a special European Council, too.
- All the NATO Ambassadors are meeting in Brussels today. Consideration of the latest events by the North Atlantic Alliance is a crucial element in our collective assessment.
- The Soviet Ambassador, Mr Zamyatin, has just been to see me at my request. I underlined the importance of the points which the Prime Minister had made publicly this morning, especially the crucial importance of the Soviet Union honouring all her international commitments. These include a series of obligations to respect standards of human rights as laid down in the Helsinki Final Act, Paris Charter and other CSCE agreements. In particular we shall want to know how the Soviet Union's obligations under the CSCE provisions can be squared with the declaration made by the new, self-styled State Committee in Moscow earlier today. That declaration included what appears to be a blanket ban on a range of public organisations and political parties and declares illegal meetings and demonstrations as well as strikes. It also places the Soviet press under close control of the new State Committee. I told Ambassador Zamyatin that in the

circumstances we were suspending operation of the British Know How Fund.

- This is a time of anxiety for governments throughout the world. We are especially conscious of the worries of our friends in eastern Europe. One of the suggestions we shall make at the meeting of EC Foreign Ministers in The Hague tomorrow is that we should do all we can to speed up the negotiations of Association Agreements between the EC and Czechoslovakia, Poland and Hungary.
  
- Today in Britain, and tomorrow in the EC, we set out our anxieties. The policy of reform in the Soviet Union covered both foreign policy and the way the USSR was run. It has brought great benefits to the West, including Britain. Benefits to the people of the USSR were slower to come; so far apparent in greater freedom rather than prosperity. I do not believe in the long run that the hopes of peoples can be repressed and obliterated. But in the short term we and they may be in for a difficult and bumpy time.





STATEMENT AND INTERVIEW BY MRS THATCHER FOLLOWING THE OVERTHROW  
OF MR GORBACHEV: 11.00am, AUGUST 19TH 1991

First, I think the situation is very grave indeed.

Mr Gorbachev has brought new hope to the Soviet people, he has brought democracy, freedom of speech, freedom of worship, freedom of travel, he brought new hope to the World. To the countries of Eastern Europe, to the World, we are going into a new era of international cooperation. A great deal of that is due to his courage and his determination and also to the strength of the West and its realisation that there were these changes in the Soviet Union. So the whole World will be watching very carefully indeed what happens to Mr Gorbachev. This is an old fashioned style attempt at a coup belonging to the Stalin and Brezhnev era to keep people down by tanks and the army and the KGB.

Now that brings me to my second point, the real battle going on in the Soviet Union now is the battle for democracy. Democracy was coming. Mr Yeltsin was elected, the Mayor of Moscow was elected and the Mayor of Leningrad was elected, the Congress of People's Deputies were elected, the parliament in the Ukraine was elected, one of the Presidents of one of the republics has been elected. The people have got used to democracy. I doubt whether

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they will give it up easily. And we, let there be no doubt, in Britain and I believe in the United States, we are on the side of continuing democracy. We hope that it will continue to grow and that it cannot be snuffed out. We have seen elsewhere in the World, no power in the World can stop people who want democracy and are determined to have their civil rights.

It brings me to the third point, which is very important indeed. It concerns defence. We in Paris in November, signed defence agreements with the Soviet Union in the faith that under the old Helsinki Agreement she was putting into place far more action on human rights and so we signed an agreement to cut conventional forces very substantially and as you know the United States and Soviet Union signed one on nuclear weapons. Pursuant of that, there was a defence review in this country and also a big defence review in NATO. Those cuts which were going to be implemented should not be implemented now, we must pause to see what happens. It is strength and determination on a military context which brought about the changes in the Soviet Union. It is not a time for weakness so we should not implement those cuts, we must pause to reflect and see what happens. That will effect this country and it, of course, will also effect the NATO review and it reminds us once again that the defence of our freedom and liberty has been the strength of NATO and foremost in that has been the strength of the Anglo-American Alliance.

Not a Western European Union or anything like that, but NATO. And I am glad that the NATO ministers will meet soon and urgently

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and they too must consider whether it is a time to go ahead with cuts; in my view it is not, we should wait. So we have to hope that the forces of democracy will prevail in the Soviet Union and the hope which the World had seen, and was almost relying upon, may once again come.

Finally, there will of course be many countries in the World deeply worried. The countries of Eastern Europe and we hope that they will draw ever more closer to the European Community, that has been our objective. The countries of the Middle East who were relying on the new found agreement between the countries of the West and the single communist world. The communist hard liners want to take time. We shall judge whether the Soviet Union will keep her international agreements or not by how she treats her people at home. What she has done is unconstitutional by the rules of the new Soviet Union. We will have to consider very carefully how we react internationally because constitutional matters, keeping your agreements, upholding the law, matters very much indeed.

Now your questions:

Q: "Mrs Thatcher, shouldn't the West have seen this coming, first the warning of a potential coup from Mr Shevardnaze then only last week from Mr Yakovlev. Did you see this coming?"

A: "I don't think anyone saw it coming, and we still hope that

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democracy will prevail. Don't forget there is an elected President of Russia, elected by a great majority, an elected Mayor of Moscow, there is an elected Mayor of Leningrad. I have had this morning an invitation to speak in Leningrad to the newly formed Association of Leaseholders and Entrepreneurs to speak there in October. There have been elections in the Ukraine, very important the Ukraine is going ahead with her own ideas. There have been elections in other places as well. Do not assume that this coup will be successful".

Q: "Mrs Thatcher, how do you think that people should resist what has happened?"

A: "In the only way they can, by making their views known as the people of East Europe made their views known. They came out on the streets to make them known, they came out in great masses. It is for those who have led democracy - and, of course, the congress of the Soviet Union, they too have been elected".

Q: "Mrs Thatcher, Mr Yeltsin has called for a general strike against the state of emergency. Would you support him in that view?"

A: "Mr Yeltsin as a leading democrat and as an elected President of Russia will decide how best he can fight the coup. It is not for me to say that, it is for the

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democrats there to decide how best to fight it. I think it is a great sorrow that Sakharov has died, he would have been very forthright in speaking out. It is for them to decide how they should do it."

Q: "Mrs Thatcher, do you know any of the people now in charge?"

A: "I don't know the new vice President. I know Mr Yakovlev as you know. I know Mr Shatalin who was the Economic adviser, and Mr Shevardnaze. These people will be very prominent now in deciding what to do and also so will many of the republics because they said that they don't want a looser Soviet Union, they allege it is ungovernable and I do not believe that for one moment. They may find they have brought about the desire in some of the republics, the very situation ~~that~~ they say this coup is made to ...."

Q: "What does this mean for democracy now?"

A: "This means those that have gone to democracy [ ].

Q: "Should the West have given more money to help economically Mr Gorbachev?"

A: "I had hoped and it is far from .... and perhaps just before then that we should through the IMF be able to give some help, what I call structural help. Not just in

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economic credits, that would not help make very much difference, they would have spent them and some of them would have gone on to the black market. I had hoped that as Mr Gorbachev was doing the very changes which he promised to do - all of the reforms, private property, freedom of speech, freedom of worship, elections, elected presidency, putting in place all of those, putting in place the law for business of contract and trying to go to independent courts. We would say you are doing what you promised to do therefore we must help you now to get a distribution system for food, how to set up a law of contract. Because what industry wants and much industry was going there, they will have to wait now. What they wanted was certainty that the law would be upheld but to have an unconstitutional coup it will be difficult. And I would have hoped that we would say that you are doing your bit, we therefore, make no mistake, will do ours. I think that would have helped."

Q: "Mrs Thatcher, you met Mr Gorbachev many times, and most recently at a time when he was becoming increasingly unpopular at home, did he ever talk to you of the possibility of being overthrown?"

A: "No, of course he didn't. Nor would you expect him to do that. But just make no mistake the economy is in difficulty in the Soviet Union. It has been in difficulty for years because communism does not produce plenty for the

people. It only produces privileges for those in charge and in power. Communism came to power by a coup, a coup against Sherenki who had just had an election. The Soviets did not like the result of that election. There was a coup in 1917. That was the first one. Secondly, Kruschev was trying to make some reforms as you know. They got rid of his power in a similar kind of way and thirdly, no one has done as much for the World and for increasing freedom in the Soviet Union as Mr Gorbachev. So I don't think we did expect it. I, myself, do not conclude that it will be successful. I think democracy has got too far but even if it were, that would be terrible, they wouldn't have sorted out the economic problem. The way to sort out the economic problem is to disperse power and responsibility as was just about to come about with the nine plus one agreement to be signed today - and that is why they probably had the coup, they didn't ~~not~~ dispersal of responsibility - and by getting far more enterprise going and that is the invitation I have had to go and speak to a Conference of the Soviet Enterprises in Leningrad."

Q: "Mrs Thatcher, I was just wondering what you thought this would mean for the rest of the World?"

A: "At the moment are waiting for more information, but we are not merely waiting, we have to use the power of words. Firstly, to condemn what has happened. Secondly, to say that we are very concerned as to what has happened to Mr

Gorbachev. Thirdly, to make it clear that it is quite unconstitutional - even by the Soviet Union rules, they have acted unconstitutionally - if they do that then what they are going to do with keeping their international agreements and we have to pause with disarmament to see what will happen. And also there will be many people in the Middle East that will be concerned because there was a new rapprochement there between the United States and the Soviet Union hoping to bring about a Middle Eastern conference. So we clearly, totally and utterly condemn, we hold up the defence cuts to see what will happen and we are totally behind those who believe in democracy in the Soviet Union and we hope that they will manage to rally and their views will prevail."

Q: "Mrs Thatcher, you got to know Mr Gorbachev very well, what part do you expect him to play now? What do you expect him to do?"

A: "Poor man, I don't believe that he is in a position to play a part, that is why the World must look very carefully. He brought new hope to the whole of the World. We had the settlement in Namibia, in Africa, that would not have come without Russia's cooperation. A new settlement in Angola, we are looking forward to a settlement in South Africa, which I believe, myself, will come about. The whole World has brought .... and we are very concerned to see that he



is treated properly and that he is able to speak freely."

Q: "Do you see a danger, Mrs Thatcher, that there could be a return to the Cold War"

A: "A coup is a military coup by tanks and soldiers inside the Soviet Union. Whether or not it will succeed we do not know. We hope that democracy will win. Not only is it a military coup but it is unconstitutional by the new rules of the Soviet Union - if they wish to change their President there are ways of doing it. And, of course, next year the president too is going to have to be elected. If we ....

I think that they will make their own mind about it. But I expect that the Ministry of Defence and Foreign Office will be very much aware of the views that I hold. Don't forget we would never never never have had the new period in the Soviet Union unless we had made it quite clear to them that they could never win militarily. It was on the basis of the new regime of the Soviet Union that made for lower defence expenditure. They are having unconstitutional moves in the Soviet Union then we have to see clearly whether they will truly honour the agreements which have been made. I think I must leave you to go and get some more comments. Thank you."

MICHAEL WILSON: (Presenter)

President Gorbachev, former President Gorbachev perhaps, was a person with whom one of our former Prime Minister's said she could do business with. This is Margaret Thatcher's first reaction to Mr Gorbachev's present precarious position.

MARGARET THATCHER MP: (Former Prime Minister)

May I start by making three points. First, I think this situation is very grave indeed. Mr Gorbachev had brought new hope to the Soviet people, he brought democracy, freedom of speech, freedom of worship, freedom of travel. He brought new hope to the world, to the countries of Eastern Europe, to the world that we were going into a new era of international cooperation. A great deal of that was due to his courage and his determination and also to the strength of the West, and its realisation that there were these changes in the Soviet Union. So the whole world will be watching very carefully indeed what happens to Mr Gorbachev. This is an old fashioned style attempt at a coup belonging to the Stalin and Brezhnev era to keep people down by tanks and the army and the KGB.

Now that brings me to my second point. The real battle going on in the Soviet Union now is the battle for democracy. Democracy was coming, Mr Yeltsin was elected, the mayor of Moscow was elected, the mayor of Leningrad was elected, the Congress of People's Deputies was elected, the Parliament in Ukraine was elected, one or two presidents of the states, republics have been elected. The people had got used to democracy, I doubt if they will give it up easily. And we, let there be no doubt, in Britain, and I believe the United States will speak for themselves and the Prime Minister will speak for ... we are on the side of continuing democracy.



We hope that it will continue to grow and it can not be snuffed out. We've seen elsewhere in the world, no power in the world can stop people who want democracy and are determined to have their civil rights.

That brings me to the third point which is very important indeed. It concerns defence. We, in Paris in November signed defence agreements with the Soviet Union in the face that under the old Helsinki agreement she was putting into place far more action on human rights, and so we signed an agreement to cut conventional forces very substantially. And as you know United States and Soviet Union signed one on nuclear weapons. Pursuant to that there was a defence review in this country and also, of course, there was a big defence review in NATO.

[Transmission was cut to live coverage from Moscow.]

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FOLLOWING FOR FCO RESIDENT CLERK, NEWS DEPARTMENT AND CONSULAR DEPARTMENT

SOVIET UNION: STATE OF EMERGENCY: CONSULAR ADVICE

1. FOLLOWING IS THE CONSULAR ADVICE THAT WE ARE OFFERING BRITISH CITIZENS.

ADVICE TO BRITISH CITIZENS: 1000 (MOSCOW TIME) 19TH AUGUST

GENERAL:

THE SOVIET LEADERSHIP HAS DECLARED A STATE OF EMERGENCY: IT IS NOT YET CLEAR WHICH AREAS ARE AFFECTED. AT PRESENT, THE SITUATION IN MOSCOW IS CALM. WE SEE NO IMMEDIATE REASON FOR ALARM. YOU SHOULD USE YOUR COMMONSENSE, LISTEN TO THE RADIO AND CONTACT THE BRITISH EMBASSY FOR FURTHER GUIDANCE.

IF ASKED ABOUT TRAVEL TO THE USSR:

FURTHER DETAILS ABOUT THE STATE OF EMERGENCY AND THE AREAS AFFECTED BY IT HAVE NOT YET EMERGED. IN THE MEANTIME HOWEVER, WE SUGGEST THAT YOU THINK VERY HARD ABOUT GOING AHEAD WITH UNNECESSARY TRAVEL TO THE BALTIC STATES OR ARMENIA.

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MY 4 IPTS: GORBACHEV OVERTHROWN

1. HARDLINERS IN THE MILITARY INDUSTRIAL COMPLEX HAVE CHOSEN TO MOVE AGAINST GORBACHEV SOME TWO WEEKS AFTER HE WENT ON HOLIDAY TO THE CRIMEA AND ON THE EVE OF THE FIRST SIGNATURES TO THE NEW UNION TREATY.

2. IT IS NOT YET CLEAR THAT GORBACHEV HAS BEEN DEFINITELY OVERTHROWN (HIS PRESENT LOCATION AND CIRCUMSTANCES ARE UNCERTAIN). HOWEVER, THE INITIAL ASSUMPTION MUST BE THAT THE EMERGENCY COMMITTEE IS NOW IN CHARGE GIVEN THAT IT CAN DRAW UPON THE RESOURCES OF THE ARMY (YAZOV), THE KGB (KRYUCHKOV) AND THE INTERIOR MINISTRY (PUGO). THERE WAS LITTLE SIGN OF COUP ACTIVITY IN MOSCOW. EARLY THIS MORNING BUT LATEST REPORTS ARE THAT TROOPS AND TANKS ARE MOVING INTO THE CENTRE OF THE CITY.

3. THE EMERGENCY COMMITTEE HAVE JUSTIFIED THEIR ACTION ON THE TRANSPARENTLY IMPLAUSIBLE PRETEXT OF GORBACHEV'S HEALTH, AND ON THE GROUNDS THAT THE COUNTRY IS IN MORTAL DANGER AND THAT THE REFORM POLICY HAS PRODUCED LEGAL AND ECONOMIC CHAOS. ON THIS BASIS, THEY HAVE INTRODUCED A STATE OF EMERGENCY FOR SIX MONTHS, TO APPLY TO UNSPECIFIED AREAS OF THE SOVIET UNION. DURING THIS THEY WILL EXERCISE ALL POWER. (IT IS CLEAR, HOWEVER, THAT THE STATE OF EMERGENCY COMMITTEE HAS NO CONSTITUTIONAL BASIS IN SOVIET LAW).

4. YANAEV MAKES IT CLEAR THAT THE COMMITTEE INTENDS TO REIMPOSE CENTRAL CONTROL, NOT LEAST IN LIQUIDATING 'ANTI-CONSTITUTIONAL, UNGOVERNABLE AND ESSENTIALLY CRIMINAL MILITARY FORMATIONS SPREADING ... TERROR IN SEVERAL REGIONS OF THE USSR AND SERVING AS A CATALYST FOR DISINTEGRATION PROCESSES'. THIS SEEMS LIKELY TO PRESAGE ATTEMPTED ACTION IN THE BALTIC STATES AND IN THE TRANSCAUCASUS. AT THE SAME TIME YANAEV PAYS LIP SERVICE TO CONTINUING REFORM, AND SEEKS TO REASSURE INTERNATIONAL OPINION

BY CLAIMING THAT THE ASSUMPTION OF POWER BY THE COMMITTEE FOR THE EMERGENCY WILL NOT AFFECT THE SOVIET UNION'S INTERNATIONAL COMMITMENTS UNDER EXISTING TREATIES AND AGREEMENTS (OBVIOUSLY INTENDED TO PROVIDE REASSURANCE ON START, CFE, THE GERMAN TREATIES, ETC). THERE IS ALSO THE COMMITMENT TO CONTINUE TO DEVELOP INTERNATIONAL RELATIONS ON THE BASIS OF GOOD NEIGHBOURLINESS AND NON-INTERFERENCE IN INTERNAL AFFAIRS. THE NEW LEADERSHIP WILL HOWEVER HAVE FEW ILLUSIONS ABOUT THE LIKELY INTERNATIONAL REACTION TO DEVELOPMENTS.

5. LUKYANOV'S STATEMENT ALSO MAKES MUCH OF THE RISK OF DISINTEGRATION AND CHAOS, BUT IN THE CONTEXT OF THE UNION TREATY. HE CRITICISES THE DRAFT WHICH WAS TO HAVE BEEN SIGNED BY FIVE REPUBLICS TOMORROW, INCLUDING THE RSFSR, AS RISKING THE PRESERVATION OF THE UNION, FAILING TO GUARANTEE A UNION-BASED ECONOMIC SYSTEM AND FAILING TO ENSURE THE SUPREMACY OF THE UNION OVER REPUBLICAN LAW. HE SAYS THE TREATY WILL NOW NEED FURTHER DISCUSSION IN THE SUPREME SOVIET (WHICH BEGS THE QUESTION OF WHETHER THE SUPREME SOVIET WILL BE ABLE TO FUNCTION IN FUTURE AND IF SO IN WHAT FORM). (ALTHOUGH LUKYANOV IS NOT NAMED AS A MEMBER OF THE STATE OF EMERGENCY COMMITTEE HIS STATEMENT IMPLIES HIS INVOLVEMENT IN THE COUP.)

6. ASSUMING THAT THE COUP IS SUSTAINED, IT RAISES MANY QUESTIONS TO WHICH THERE ARE AS YET NO ANSWERS:

- WILL THE SECURITY FORCES BE ABLE AND WILLING TO IMPOSE THE DIKTAT OF THE NEW EMERGENCY COMMITTEE THROUGHOUT THE COUNTRY?

- HOW WILL THE PUBLIC REACT? (GORBACHEV IS DEEPLY UNPOPULAR BUT THERE WILL BE LITTLE ENTHUSIASM FOR THE PROSPECT OF A NEW CLIQUE HEADED BY YANAEV, PAVLOV, YAZOV AND PUGO, PARTICULARLY IN THE EXPECTATION THAT THAT WILL HAVE TO RULE BY FEAR):

- HOW WILL THE REPUBLICS REACT, AND IN PARTICULAR YELTSIN AND THE RSFSR? (YELTSIN IS IN MOSCOW AND HAS JUST ANNOUNCED THAT HE WILL GIVE A PRESS CONFERENCE AT 1100 HOURS LOCAL TIME, WHICH WE SHALL ATTEND. HIS RESPONSE NOW MAY HAVE A CRUCIAL BEARING ON THE OUTCOME OF THE CRISIS.)

7. WE HAVE ALREADY BEEN IN TOUCH WITH THE MFA WHO PROMISE US SOME SORT OF STATEMENT WITHIN THE NEXT FEW HOURS. MEANWHILE, WE SHALL COMPARE NOTES WITH CONTACTS AND COLLEAGUES AND REPORT AS APPROPRIATE. WE SHALL NEED TO REVIEW CONSULAR ADVICE LATER

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012417  
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TODAY WHEN/IF THE POSITION BECOMES CLEARER, NOT LEAST WHEN  
WE KNOW WHAT THE STATE OF EMERGENCY INVOLVES.

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## ADVANCE COPY

I. FOLLOWING IS TEXT OF STATEMENT BY SUPREME SOVIET CHAIRMAN LUKYANOV RELEASED AT 0547Z TODAY.

'IN CONNECTION WITH NUMEROUS LETTERS FROM WORKERS REQUESTING ME TO EXPRESS MY ATTITUDE TOWARDS THE DRAFT TREATY OF UNION OF SOVEREIGN STATES PUBLISHED THREE DAYS AGO, I CONSIDER IT NECESSARY TO DECLARE THE FOLLOWING:

THE DRAFT TREATY WAS SUPPORTED ON THE WHOLE BY THE USSR SUPREME SOVIET ON JULY 12, 1991. THE SUPREME SOVIET HAS FORMED A PLENIPOTENTIARY UNION DELEGATION AND ASSIGNED IT TO PROCEED, IN ADDING FINAL TOUCHES TO AND CO-ORDINATING THE DRAFT TREATY, FROM A NUMBER OF PROVISIONS FORMULATED BY THE SUPREME BODY OF AUTHORITY IN THE COUNTRY.

FIRST OF ALL, THE NEED WAS STRESSED TO REFLECT IN THE TITLE AND BASIC PRINCIPLES OF THE TREATY THE RESULTS OF THE ALL-UNION REFERENDUM IN THE COURSE OF WHICH THE ABSOLUTE MAJORITY OF THE COUNTRY'S CITIZENS SUPPORTED THE PRESERVATION OF THE UNION OF SOVIET SOCIALIST REPUBLICS AS A RENOVATED FEDERATION OF EQUAL SOVEREIGN REPUBLICS.

A SIMILAR APPROACH TO THE TITLE AND CHARACTER OF THE UNION STATE WAS FORMULATED BY THE CONGRESS OF PEOPLE'S DEPUTIES OF THE USSR.

DETAILED ARGUMENTATION OF THIS POSITION OF THE USSR SUPREME SOVIET WAS MADE AT A MEETING OF THE HEADS OF PLENIPOTENTIARY DELEGATIONS IN NOVO-OGAREVO,' THE STATEMENT READS.

'NONETHELESS, IT WAS NOT REFLECTED IN THE FINAL TEXT OF THE TREATY.. NATURALLY, THIS ISSUE WILL UNDOUBTEDLY DEMAND EXTRA DISCUSSION BY THE CONGRESS OF PEOPLE'S DEPUTIES OF THE USSR AND, PROBABLY, AN ALL-UNION REFERENDUM CONNECTED WITH THE ADOPTION OF A NEW CONSTITUTION.

THE USSR SUPREME SOVIET FOUND IT EXPEDIENT TO ENVISAGE IN THE DRAFT



UNION TREATY THE PRESENCE IN THE USSR OF A SINGLE ECONOMIC SPACE, A SINGLE BANKING SYSTEM AND THE PRESERVATION AS PROPERTY OF THE UNION OF PROPERTY THAT IS REQUIRED FOR ITS NORMAL FUNCTIONING AS A FEDERAL STATE.

THE DEMAND FOR THE INTRODUCTION OF INDEPENDENT TAX DEDUCTIONS INTO THE UNION BUDGET WAS STIPULATED SPECIALLY.

REGRETTABLY, THESE MAJOR PROVISIONS WERE NOT SUFFICIENTLY CLEAR REFLECTED IN THE PUBLISHED TEXT OF THE TREATY. THIS IS ALSO EVIDENCED FROM RECENT STATEMENTS BY THE USSR CABINET OF MINISTERS, THE BOARD OF THE USSR STATE BANK AND SEVERAL OTHER UNION BODIES. THIS WILL PROBABLY DEMAND CONSIDERABLE AMENDMENTS TO THE TEXT OF THE TREATY,' THE STATEMENT SAYS.

' THE USSR SUPREME SOVIET PAID EXCLUSIVELY SERIOUS ATTENTION TO THE TERMINATION OF THE SO-CALLED 'WAR OF LAWS'', IN FACT GLARING LAWLESSNESS. IN THIS CONNECTION, A NORM WAS PROPOSED FOR INCLUSION INTO THE TREATY TO PREVENT THE SUSPENSION BY THE USSR OF REPUBLICAN LAWS AND BY THE REPUBLICS OF UNION LAWS, AND THE RESOLUTION OF POSSIBLE DISPUTES THROUGH CONCILIATORY PROCEDURES OR RULINGS BY THE USSR CONSTITUTIONAL COURT.

DESPITE THE FACT THAT THIS PROPOSAL WAS BACKED BY LEADING SOVIET LAWYERS, IT FAILED TO FIND PROPER REFLECTION IN THE TEXT OF THE TREATY PREPARED IN NOVO-OGAREVO. THERE IS NO NEED TO PROVE HOW DANGEROUS THIS IS FOR THE FORMATION OF A STABLE LEGAL SYSTEM IN OUR COUNTRY.

THE ORDER OF IMPLEMENTING THE TREATY DURING THE TRANSITIONAL PERIOD TO SECURE CONTINUITY IN THE OPERATION OF BODIES OF STATE AUTHORITY AND GOVERNMENT DEMANDS A CONSIDERABLY CLEARER DEFINITION OF THE TREATY.

WITHOUT THIS IT IS IMPOSSIBLE TO MAINTAIN, AT LEAST TO THE MINIMUM EXTENT, THE FUNCTIONING OF THE NATIONAL ECONOMY IN THE EXTREMELY GRAVE CRISIS SITUATION IN THE COUNTRY.

ALL THESE PROBLEMS DEMAND, IN MY OPINION, EXTRA DISCUSSION AT A SESSION OF THE USSR SUPREME SOVIET AND THE, PROBABLY, AT THE CONGRESS OF PEOPLE'S DEPUTIES OF THE USSR.

WITHOUT THIS, SUCH A DOCUMENT OF CRUCIAL IMPORTANCE TO THE DESTINIES OF OUR STATE AS THE UNION TREATY CANNOT FULLY REFLECT THE

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SOVIET PEOPLE'S WILL TO PRESERVE THE USSR, A GREAT POWER CALLED UPON TO SERVE THE INTERESTS OF CITIZENS OF ALL NATIONALITIES AND EXERTING MOST SERIOUS INFLUENCE ON THE INTERNATIONAL SITUATION THROUGHOUT THE WORLD.

A LUKYANOV  
CHAIRMAN OF THE SUPREME SOVIET OF THE USSR

AUGUST 18, 1991.''

BRAITHWAITE

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OF 190620Z AUGUST 91

FOLLOWING IS TEXT OF VICE PRESIDENT YANAYEV'S ADDRESS TO THE HEADS OF STATE AND GOVERNMENT AND TO THE UN SECRETARY-GENERAL ISSUED AT 0531Z TODAY.

AT THE INSTRUCTION OF THE SOVIET LEADERSHIP I THEREBY NOTIFY THAT A STATE OF EMERGENCY IS INTRODUCED IN INDIVIDUAL LOCALITIES OF THE UNION OF SOVIET SOCIALIST REPUBLICS FOR A PERIOD OF SIX MONTHS FROM AUGUST 19, 1991 IN KEEPING WITH THE CONSTITUTION AND LAWS OF THE USSR.

ALL POWER IN THE COUNTRY IS TRANSFERRED FOR THIS PERIOD TO THE STATE COMMITTEE FOR THE STATE OF EMERGENCY IN THE USSR.

THE MEASURES THAT ARE BEING ADOPTED ARE TEMPORARY. THEY IN NO WAY MEAN RENUNCIATION OF THE COURSE TOWARDS PROFOUND REFORMS IN ALL SPHERES OF LIFE OF THE STATE AND SOCIETY.

THESE ARE FORCED MEASURES, DICTATED BY THE VITAL NEED TO SAVE THE ECONOMY FROM RUIN AND THE COUNTRY FROM HUNGER. TO PREVENT THE ESCALATION OF THE THREAT OF A LARGE-SCALE CIVIL CONFLICT WITH UNPREDICTABLE CONSEQUENCES FOR THE PEOPLES OF THE USSR AND THE ENTIRE INTERNATIONAL COMMUNITY.

THE MOST IMPORTANT OBJECTIVE OF THE STATE OF EMERGENCY IS TO SECURE CONDITIONS THAT WOULD GUARANTEE EACH CITIZEN PERSONAL SAFETY AND THE SAFETY OF HIS OR HER PROPERTY.

IT IS ENVISAGED TO LIQUIDATE ANTI-CONSTITUTIONAL, UNGOVERNABLE AND ESSENTIALLY CRIMINAL MILITARY FORMATIONS SPREADING MORAL AND PHYSICAL TERROR IN SEVERAL REGIONS OF THE USSR AND SERVING AS A CATALYST FOR DISINTEGRATION PROCESSES.

THE ENTIRE RANGE OF MEASURES ADOPTED IS DIRECTED AT THE EARLIEST STABILISATION OF THE SITUATION IN THE USSR, THE NORMALISATION OF SOCIO-ECONOMIC LIFE, THE IMPLEMENTATION OF NECESSARY TRANSFORMATIONS AND THE CREATION OF CONDITIONS FOR THE COUNTRY'S ALL-ROUND DEVELOPMENT.

ANY OTHER WAY WOULD LEAD TO ENHANCED CONFRONTATION AND VIOLENCE, TO THE INNUMERABLE SUFFERING OF OUR PEOPLES AND THE CREATION OF A DANGEROUS FOCUS OF TENSION FROM THE VIEWPOINT OF INTERNATIONAL SECURITY.

THE TEMPORARY EMERGENCY MEASURES IN NO MEAN AFFECT INTERNATIONAL COMMITMENTS ASSUMED BY THE SOVIET UNION UNDER EXISTING TREATIES AND

AGREEMENTS.

THE USSR IS PREPARED TO DEVELOP FURTHER ITS RELATIONS WITH ALL STATES ON THE BASIS OF UNIVERSALLY RECOGNISED PRINCIPLES OF GOOD-NEIGHBOURLINESS, EQUALITY, MUTUAL BENEFIT AND NON-INTERFERENCE IN INTERNAL AFFAIRS OF EACH OTHER.

WE ARE CONVINCED THAT OUR CURRENT DIFFICULTIES ARE TRANSITORY IN CHARACTER AND THE SOVIET UNION'S CONTRIBUTION TO PRESERVING PEACE AND CONSOLIDATING INTERNATIONAL SECURITY WILL REMAIN SUBSTANTIAL.

THE LEADERSHIP OF THE USSR HOPES THAT THE TEMPORARY EMERGENCY MEASURES WILL FIND PROPER UNDERSTANDING ON THE PART OF THE PEOPLES AND GOVERNMENTS, AND THE UNITED NATIONS ORGANISATION.

GENNADY YANAYEV  
ACTING PRESIDENT OF THE USSR

AUGUST 18, 1991.

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I. FOLLOWING IS THE STATEMENT BY THE SOVIET LEADERSHIP, ESTABLISHING A STATE COMMITTEE FOR THE STATE OF EMERGENCY, RELEASED AT 0613Z TODAY.

IN VIEW OF MIKHAIL SERGEYEVICH GORBACHEV'S INABILITY, FOR HEALTH REASONS, TO PERFORM THE DUTIES OF THE USSR PRESIDENT AND OF THE TRANSFER OF THE USSR PRESIDENT'S POWERS, IN KEEPING WITH PARAGRAPH 7, ARTICLE 127, OF THE USSR CONSTITUTION, TO USSR VICE-PRESIDENT GENNADY IVANOVICH YANAYEV,

- WITH THE AIM OF OVERCOMING THE PROFOUND AND COMPREHENSIVE CRISIS, POLITICAL, ETHNIC AND CIVIL STRIFE, CHAOS AND ANARCHY THAT THREATEN THE LIVES AND SECURITY OF THE SOVIET UNION'S CITIZENS AND THE SOVEREIGNTY, TERRITORY INTEGRITY, FREEDOM AND INDEPENDENCE OF OUR FATHERLAND.
- PROCEEDING FROM THE RESULTS OF THE NATIONWIDE REFERENDUM ON THE PRESERVATION OF THE UNION OF SOVIET SOCIALIST REPUBLICS.
- AND GUIDED BY THE VITAL INTERESTS OF ALL ETHNIC GROUPS LIVING IN OUR FATHERLAND AND ALL SOVIET PEOPLE,

WE RESOLVE:

1. IN ACCORDANCE WITH PARAGRAPH 3, ARTICLE 127, OF THE USSR CONSTITUTION AND ARTICLE 2 OF THE USSR LAW "ON THE LEGAL REGIME OF A STATE OF EMERGENCY" AND WITH DEMANDS BY BROAD POPULAR MASSES TO ADOPT THE MOST DECISIVE MEASURES TO PREVENT SOCIETY FROM SLIDING INTO A NATIONAL CATASTROPHE AND ENSURE LAW AND ORDER, TO DECLARE A STATE OF EMERGENCY IN SOME PARTS OF THE SOVIET UNION FOR SIX MONTHS FROM 04.00 MOSCOW TIME ON AUGUST 19, 1991.
2. TO ESTABLISH THAT THE CONSTITUTION AND LAWS OF THE USSR HAVE UNCONDITIONAL PRIORITY THROUGHOUT THE TERRITORY OF THE USSR.
3. TO FORM A STATE COMMITTEE FOR THE STATE OF EMERGENCY IN THE USSR IN ORDER TO RUN THE COUNTRY AND EFFECTIVELY EXERCISE THE

## STATE-OF-EMERGENCY REGIME, CONSISTING OF:

O D BAKLANOV, FIRST DEPUTY CHAIRMAN OF THE USSR DEFENCE COUNCIL  
V A KRYUCHKOV, CHAIRMAN OF THE KGB  
V S PAVLOV, PRIME MINISTER OF THE USSR  
B K PUGO, INTERIOR MINISTER OF THE USSR  
V A STARODUBTSEV, CHAIRMAN OF THE FARMERS' UNION OF THE USSR  
A I TIZYAKOV, PRESIDENT OF THE ASSOCIATION OF STATE ENTERPRISES AND INDUSTRIAL, CONSTRUCTION, TRANSPORT AND COMMUNICATIONS FACILITIES OF THE USSR  
D T YAZOV, DEFENCE MINISTER OF THE USSR  
G I YANAYEV, ACTING PRESIDENT OF THE USSR.

4. TO ESTABLISH THAT THE USSR STATE COMMITTEE FOR THE STATE OF EMERGENCY'S DECISIONS ARE MANDATORY FOR UNSWERVING FULFILMENT BY ALL AGENCIES OF POWER AND ADMINISTRATION, OFFICIALS AND CITIZENS THROUGHOUT THE TERRITORY OF THE USSR.

SIGNED: G YANAYEV  
V PAVLOV  
O BAKLANOV

II. FOLLOWING IS TASS' SUMMARY OF THE STATE OF EMERGENCY COMMITTEE'S ADDRESS TO THE NATION (THE FULL TEXT HAS NOT YET BEEN PUBLISHED)

THE NEWLY-FORMED FEDERAL STATE-OF-EMERGENCY COMMITTEE TOLD SOVIET PEOPLE TODAY THAT AS THE REFORM POLICY INITIATED BY MIKHAIL GORBACHEV HAS COME TO A DEADLOCK, THE COMMITTEE ASSUMES RESPONSIBILITY FOR THE DESTINY OF THE COUNTRY.

IN AN ADDRESS TO THE NATION, THE COMMITTEE SAID THAT ''A MORTAL DANGER HAS COME TO LOOM LARGE'' OVER THE COUNTRY AND THE REFORM POLICY STARTED ON GORBACHEV'S INITIATIVE ''HAS GONE INTO A BLIND ALLEY''.

''EXTREMIST FORCES HAVE EMERGED, WHICH HAVE SET OUT TO DISMANTLE THE SOVIET UNION, BREAK UP THE STATE AND SEIZE POWER AT ALL COSTS. THE RESULTS OF THE NATIONWIDE REFERENDUM ON THE FATHERLAND'S UNITY HAVE BEEN TRAMPLED UNDERFOOT'' IT ADDED.

THE POWER CRISIS HAS HAD CATASTROPHIC EFFECTS ON THE ECONOMY AND IF

URGENT AND DECISIVE MEASURES ARE NOT TAKEN TO STABILISE IT, HUNGER AND ANOTHER SPIRAL OF IMPOVERISHMENT ARE IMMINENT IN THE NEAR FUTURE, WHICH ARE JUST A STEP AWAY FROM MASS MANIFESTATIONS OF SPONTANEOUS DISCONTENT WITH DEVASTATING CONSEQUENCES, THE COMMITTEE SAID.

THE INCREASING DESTABILISATION OF THE POLITICAL AND ECONOMIC SITUATION IN THE SOVIET UNION, IT WARNED, IS UNDERCUTTING ITS POSITIONS IN THE WORLD.

THE COMMITTEE DECLARED THAT FOR THESE REASONS, IT IS ASSUMING RESPONSIBILITY FOR THE FATE OF THE FATHERLAND AND IS FULLY RESOLVED TO TAKE THE MOST SERIOUS MEASURES TO STEER THE STATE AND SOCIETY OUR OF CRISIS AS SOON AS POSSIBLE.

'WE ADVOCATE TRULY DEMOCRATIC PROCESSES AND CONSISTENT REFORM POLICIES HELPING UPDATE OUR FATHERLAND AND ACHIEVE ITS ECONOMIC AND SOCIAL PROSPERITY, WHICH WILL ENABLE IT TO TAKE A WORTHY PLACE IN THE WORLD COMMUNITY OF NATIONS,' THE ADDRESS SAID.

'WE ARE A PEACE-LOVING NATION AND WILL UNFAILINGLY HONOUR ALL ASSUMED COMMITMENTS,' THE COMMITTEE STRESSED. 'ANY ATTEMPTS AT TALKING TO OUR COUNTRY IN THE LANGUAGE OF DICTATES, NO MATTER BY WHOM, WILL BE DECISIVELY CUT SHORT,' IT ADDED.

THE ADDRESS CALLED ON ALL SOVIET CITIZENS TO REALISE THEIR DUTY TO THE FATHERLAND AND GIVE ALL-ROUND SUPPORT TO THE FEDERAL COMMITTEE FOR THE STATE OF EMERGENCY AND EFFORTS TO LEAD THE NATION OUT OF THE CRISIS.

III. FOLLOWING IS TEXT OF VICE-PRESIDENT YANAYEV'S DECREE.

'IN CONNECTION WITH THE INABILITY FOR HEALTH REASONS FOR MIKHAIL SERGEYEVICH GORBACHEV TO PERFORM HIS DUTIES AS USSR PRESIDENT, I HAVE ASSUMED THE DUTIES OF USSR PRESIDENT FROM AUGUST 19, 1991 ON THE BASIS OF ARTICLE 127(7) OF THE USSR CONSTITUTION.

GENNADY I YANAYEV  
VICE-PRESIDENT OF THE USSR

AUGUST 18, 1991''

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FOLLOWING FROM MANNING IN AMBASSADOR'S ABSENCE ON TOUR: GORBACHEV  
OVERTHROWN

1. VICE PRESIDENT YANAEV HAS ANNOUNCED THAT HE HAS TAKEN OVER  
FROM GORBACHEV AS PRESIDENT, WITH EFFECT FROM TODAY 19 AUGUST, IN  
KEEPING WITH ARTICLE 127 CLAUSE 7, OF THE CONSTITUTION. THE PRETEXT  
IS THAT GORBACHEV IS UNABLE TO CONTINUE ON HEALTH GROUNDS. YANAEV  
HAS ASSUMED POWER TOGETHER WITH A STATE OF EMERGENCY COMMITTEE,  
INTRODUCING A STATE OF EMERGENCY FROM 0400 HRS LOCAL TIME. THIS  
IS TO APPLY TO SOME PARTS (UNSPECIFIED) OF THE USSR FOR SIX MONTHS.

2. MY IMMEDIATELY FOLLOWING TELEGRAMS GIVE THE TEXT OF THE  
STATEMENT THE EMERGENCY COMMITTEE AND THEIR ADDRESS TO THE NATION BY  
THE STATE OF EMERGENCY COMMITTEE, TOGETHER WITH YANAEV'S  
ANNOUNCEMENT THAT HE HAS TAKEN OVER AS PRESIDENT: YANAEV'S ADDRESS  
TO HEADS OF STATE AND GOVERNMENT: LUKYANOV'S STATEMENT ON THE UNION  
TREATY: AND INITIAL COMMENT.

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Dear Prime Minister,

I have the honour to submit to you two documents, relating to the change of leadership in the Soviet Union. The first statement confirms that due to the deteriorated health condition M.S.Gorbachev is unable to continue in performing his duties as the President of the USSR. In these circumstances in accordance with Article 127 of the Constitution of the USSR the authority of the President passes to the Vice-President Mr.G.Yanaev.

I am also submitting the address of Mr.G.Yanaev to the heads of state and Government and the Secretary General of the United Nations. From this document I would like to draw your special attention to the confirmation that the extraordinary measures being taken in no mean affect international commitments assumed by the Soviet Union under existing treaties and agreements.

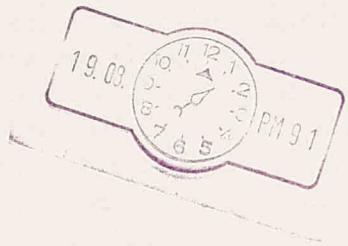
Sincerely yours,

*L. Zamyatin*  
L.ZAMYATIN

Ambassador the USSR  
to the United  
Kingdom

The Rt.Hon. John Major, MP  
Prime Minister of the United Kingdom  
of Great Britain and Northern Ireland

СЕРТИФИКАТ  
ПОСЛУЖИТЕЛЯ  
РАССУДИТЕЛЬНО-ПРЕДВЫБОРНОГО  
СОВЕЩАНИЯ





ПОСОЛЬСТВО  
СОЮЗА СОВЕТСКИХ  
СОЦИАЛИСТИЧЕСКИХ РЕСПУБЛИК

Press Release 1991 -- August 19, 1991

### DECREE BY SOVIET VICE-PRESIDENT

Moscow August 19 TASS - In connection with the inability for health reasons by Mikhail Sergeyevich Gorbachev to perform his duties as USSR President, I have assumed the duties of USSR President from August 19, 1991 on the basis of Article 127 (7) of the USSR Constitution.

Gennady I. Yanayev  
Vice-President of the USSR  
August 18, 1991

Yanayev's address to heads of state  
and government and the UN Secretary-general

"At the instruction of the Soviet leadership thereby notify that a state of emergency is introduced in individual localities of the Union of Soviet Socialist Republics for a period of six months from August 19, 1991 in keeping with the constitution and laws of the USSR.

All power in the country is transferred for this period to the State Committee for the state of emergency in the USSR.

The measures that are being adopted are temporary. They in no way mean renunciation of the course towards profound reforms in all spheres of life of the state and society.

These are forced measures, dictated by the vital need to save the economy from ruin and the country from hunger, to prevent the escalation of the threat of a large-scale civil conflict with unpredictable consequences for the peoples of the USSR and the entire international community.

The most important objective of the state of emergency is to secure conditions that would guarantee each citizen personal safety and the safety of his or her property.

It is envisaged to liquidate anti-constitutional, ungovernable and essentially criminal military formations spreading moral and physical terror in several regions of the USSR and serving as a catalyst for disintegration processes.

The entire range of measures adopted is directed at the earliest stabilisation of the situation in the USSR, the normalisation of socio-economic life, the implementation of necessary transformations and the creation of conditions for the country's all-round development.

Any other way would lead to enhanced confrontation and violence, to the innumerable suffering of our peoples and the creation of a dangerous focus of tension from the viewpoint of international security.

The temporary emergency measures in no mean affect international commitments assumed by the Soviet Union under existing treaties and agreements.

The USSR is prepared to develop further its relations with all states on the basis of universally recognised principles of good-neighbourliness, equality, mutual benefit and non-interference in internal affairs of each other.

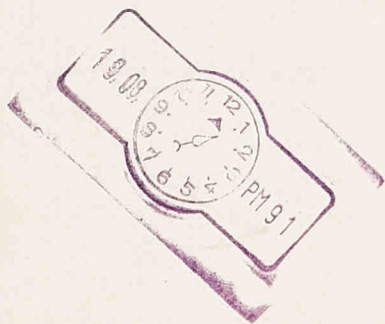
We are convinced that our current difficulties are transitory in character and the Soviet Union's contribution to preserving peace and consolidating international security will remain substantial.

The leadership of the USSR hopes that the temporary emergency measures will find proper understanding on the part of the peoples and governments, and the United Nations organisation.

Gennady Yanayev

Acting president of the USSR

18 August, 1991"





Treasury Chambers, Parliament Street, SW1P 3AG  
071-270 3000

August 1991

Mr Ryutaro Hashimoto  
Minister of Finance  
Ministry of Finance  
3-1-1 Kasumigaseki  
Chiyoda-ku  
Tokyo 100  
JAPAN

*Chancellor's proposed  
replying letter to G7  
finance ministers*

*Dear Mr Hashimoto*

Following President Gorbachev's invitation to G7 Finance Ministers at the meeting following the London Summit I visited the USSR from 31 July to 4 August. I thought it would be helpful to let you and my other G7 Finance Minister colleagues have my impressions.

During my visit I met President Gorbachev, Deputy Prime Minister Shcherbakov (who appears to be the most influential figure on the economic side) and many other representatives of the Union Government. I saw President Yeltsin of the RSPSR, visited the Ukraine, and saw representatives of the other republics. I also met numerous people from outside government - including representatives of the private sector, individual entrepreneurs, and academics.

My visit has left me more convinced than ever that the political transformation that has occurred in recent years, with the economic transformation that is just beginning, together represent the most important political developments of the last fifty years. The great uncertainty is whether the transformation to a market economy will be successful, and thereby underpin and strengthen further the political transformation. There remains a substantial gap between what the Soviets say about their reform intentions and what they actually do.





### ***The Soviet Economy***

The problems facing the economy are profound. The old centrally planned system has visibly collapsed, but the core elements of a market economy have not yet begun to be put in place. There is now a real threat of hyperinflation as the budget deficit has reached enormous proportions and is being financed exclusively by the central banking system. The Soviet authorities at both Union and republic levels are acutely aware of these problems. But what I found of much greater interest was the testimony of those outside government - entrepreneurs, academics, factory managers and others. All were agreed on the extreme nature of the crisis and the urgent need for change.

### ***Union and republics***

There is, however, much less agreement on and understanding of the precise form that change should take. One dispute that is, I hope, now moving towards resolution is that of the allocation of economic powers between republics and the Union government. In the week that I was in the Soviet Union a number of the republics reached agreement with President Gorbachev on the vital area of tax raising powers.

It now looks as if much power over economic policy - particularly at the micro level - looks set to be devolved to the republics. While such a devolution of power is in many ways highly desirable, there is a real risk that it will make some of the most important macroeconomic problems more difficult to resolve. Many asserted that President Yeltsin's numerous pledges on public expenditure - particularly social expenditure - made fiscal and monetary control in the Union extremely difficult. There also remains continuing confusion over the extent to which the State Bank will be able to control monetary creation in the Union as a whole, and whether the Union will have sufficient revenue overall to cover its expenditure commitments.

### ***The IMF and World Bank***

I discussed with Soviet ministers the question of their involvement with the IMF and World Bank. The Soviet application for full membership - which I support as a long term goal - has confused and delayed the follow-up to the London meeting with President Gorbachev. I told the Soviet authorities that it was essential for them to have special associate status with the Bretton Woods institutions as soon as possible. I was assured that they have now accepted this, and that they intend to make the necessary arrangements with the IMF and World Bank, although the Soviets are clearly hoping that the timetable for full membership will not be too drawn out. The IMF Mission currently in Moscow is hoping to be in a position to put a firm proposal to the Executive Board in mid-September.



### *Convertibility of the rouble*

The need for early rouble convertibility is one recurring feature of Soviet ideas for economic reform: Shcherbakov was particularly insistent on this point. He and others think that convertibility is a vital step towards the removal of distortions in the domestic economy and to integrating Soviet industry into the world trading and financial system. Against this Gosbank officials were sceptical about early progress to convertibility, mainly because of the extreme weakness of the USSR balance of payments position.

I am sure that convertibility is a vital step that the USSR must take, in order to allow domestic prices to adjust fully to world levels and for foreign investors to be allowed to repatriate their profits. But it would only make sense in the context of a comprehensive package of reforms that includes a sharp fiscal tightening, the end to monetary financing of any remaining fiscal deficit, and the sweeping away of state controls on both production and prices.

### *Privatisation*

Since visiting the Soviet Union I am more convinced than ever that the key to a long term solution to its economic problems lies in the complete dismantling of the old command system and its replacement by a privatised market economy. It is essential that the Soviet authorities privatise immediately and extensively in those areas where early progress is possible, though they should not lose sight of the need for massive privatisation of larger scale industry in the medium term. The obvious areas in the immediate future are small businesses, the retail and distributive sectors, and agriculture. Privatisation could bring a large boost to output, productivity, and incomes in the agricultural sector without massive quantities of investment being needed.

There are, however, fears among many in Government about taking the first decisive steps in this direction. President Yeltsin and the RSFSR government appeared most keen on early and imaginative privatisation, while the Union and Ukraine governments emphasised the difficulties in a way that was not very convincing. Most of those I spoke to made the obvious point that privatisation must be accompanied by the establishment of what they called a full market infrastructure.

### *Technical assistance*

I received a number of specific requests for technical assistance from the UK relating to privatisation techniques, setting up commodity exchanges, agriculture, and a number of other areas. I will be examining these requests in detail. I am convinced that well targeted technical assistance - usually involving modest



amounts of money - is the most useful form of financial assistance for the Soviet economy. Such assistance does not need to go to the Union government, but can - and in my view should - go direct to republics, municipalities, and above all the emerging private sector.

**Maintaining the momentum of reform**

I very much hope that all the G7 Finance Ministers will be able to visit the USSR in the months ahead. We need to do what we can at this crucial turning point to convince the Soviet authorities of the need for early and ambitious reform. I received the strong impression that the more reform-minded in the Union and republic governments would welcome moral pressure as well as advice from us, which in turn would help them to persuade the Soviet population of the need for drastic measures.

In the light of this I believe that we should consider now how our dealings with the Soviet authorities can best help genuine reform. Shcherbakov requested the establishment of a forum in which G7 Finance Ministers and the international institutions might continue the dialogue on reform, and review in detail the Soviets' proposals for reform.

I think we should consider some - fairly informal - arrangement by which G7 Finance Ministers can provide a political input to this process, which would complement and strengthen the crucial work of the IMF and other institutions. Our deputies will no doubt want to consider this at their mid-September meeting.

One approach might be something along the following lines:

- A small working group might be set up, comprising our senior officials, representatives of the financial institutions, and the Soviet authorities (maybe including republics).
- The group could prepare a report for Ministers before the Bangkok meetings which would consider all aspects of economic reform in the USSR. We could then discuss this at our meeting in October, and perhaps also collectively with the Soviets themselves, who are intending to attend the Annual Meetings.

Such a process would reinforce the efforts of the IMF and others, and would provide valuable encouragement to reform in the USSR. The purpose of this process would be to buttress reform and not to provide large scale financial assistance. Indeed I made it quite clear to the Soviets that large scale financial assistance was not on the agenda.



I look forward to hearing your views on my proposals and your views on developments in the USSR.

*Norman Lamont*

NORMAN LAMONT



10 DOWNING STREET

Rose Mester

Interestip report. See  
also Percy's comment  
attached. <sup>dated 15/8</sup> The suggested  
follow-up action (p. 11)  
looks sensible and, subject  
to clearance with the Fed,  
the Chacalla's letter (draft  
also attached) will issue  
on Monday.

The idea of a Whitehall  
committee chaired by Nigel  
Nichols seems a good one. Sept 16/8

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PRIME MINISTER

15 AUGUST 1991

CHANCELLOR'S MINUTE OF 8 AUGUST ON HIS VISIT TO THE  
SOVIET UNION

1 I am struck by the contrast between the strategic optimism of the covering minute and the detail of the attached note, which indicates that, despite repeated professions, the Soviet authorities are still doing relatively little about transforming the economy. For example:

Page 1 of the note - "there remains a substantial gap between what the Soviets say about their reform intentions and what they actually do".

Page 2 - Prime Minister Pavlov makes no effort to conceal his negative views on radical reform and the involvement of the G7.

Pages 3 and 4 - although page 3 claims that the Union Treaty may now be moving towards resolution, the draft is said to be still very vague. On page 4 it is "unclear what the exact provisions of the draft treaty are".

Pages 7 and 8 - no evidence that the Soviet authorities have started to consider how to implement their stated target of privatising 40-50% of enterprises by the beginning of next year. Fears among many in the government about taking the first decisive steps in the direction of privatisation.

2 The note is generally in tune with the JIC's assessment of the economic situation.

3 The Chancellor may nonetheless be right in saying in his covering minute that we should give Gorbachev and his

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colleagues the benefit of the doubt and push them further in the direction of reform and that the G7 should maintain a dialogue with the Soviet Union to this end. But given the gap between words and deeds, we shall have to be very clear in our own minds:

- (a) what in fact the Soviet Union is doing, as distinct from saying;
- (b) what Western objectives and capabilities are; and
- (c) the limits to any UK contribution.

There will be a risk otherwise that we get drawn into deeper involvement than we want in what is so far a phoney reform programme or series of programmes, an aspiration rather than a reality we can monitor.

4 Subject to the above, I do not see difficulty about the Chancellor's proposals for follow-up (page 9 onward).



**PERCY CRADOCK**



R16/8

Foreign &  
Commonwealth  
Office

London SW1A 2AH

*From The Minister of State*

12 August 1991

J S Wall Esq CMG LVO  
10 Downing Street  
LONDON SW1A 2AA

*Dear Stephen*

KAPITZA FOUNDATION

Thank you for your letter of 1 August to Christopher Prentice enclosing one to the Prime Minister from the Soviet Ambassador. I am replying in his absence.

The background to the Soviet proposal for a Foundation in memory of Academician Kapitza is set out Richard Gozney's letter of 25 July. Our approach to the proposed Foundation is positive, though without commitment to funding. The Chancellor discussed it briefly during his recent visit to Moscow. The next step should be for its Russian sponsors to get round the table with their British counterparts. I enclose a draft reply to Mr Zamyatin's letter. *pl-r*

Copies of this letter and of Mr Zamyatin's go to Jeremy Heywood (HMT), Martin Stanley (DTI), Steven Crowne (DES) and Sonia Phippard (Cabinet Office).

*Yours Ever*  
*John*

John Duncan  
Assistant Private Secretary



SOVIET UNION : Relations Pt 20

DRAFT LETTER FOR SIGNATURE BY PRIVATE SECRETARY

He Mr Leonid M Zamyatin  
Ambassador of the Embassy of the  
Union of the Soviet Socialist Republic  
13 Kensington Palace Gardens  
LONDON W8 4QX

Thank you for your letter of 30 July to the Prime Minister. The extra background on the proposed Kapitza Foundation was very helpful. As you may know, the Chancellor of the Exchequer was able to discuss this project briefly during his recent visit to Moscow.

We believe that the proposal might now best be taken forward by direct discussions between the Soviet organisers and their counterparts in the British scientific community. We hope that will happen quite quickly, and that you will keep us in touch with this very welcome venture as it progresses.



Treasury Chambers, Parliament Street, SW1P 3AG  
071-270 3000

9 August 1991

William Chapman Esq  
Private Secretary  
10 Downing Street  
LONDON  
SW1A 2AA

*file*  
*[Signature]*  
*1991*

Dear William,

**CHANCELLOR'S VISIT TO THE SOVIET UNION**

The Chancellor's minute to the Prime Minister of 8 August indicated that I would be sending over to you a comprehensive set of the records of meetings the Chancellor held in the Soviet Union. For good measure I have thrown in the note of a telephone conversation the Chancellor had with US Secretary Brady, on his return to the UK.

I am copying this, with attachments, to Richard Gozney and Sonia Phippard.

Yours ever,

*[Signature]*

JEREMY HEYWOOD



NOTE OF A MEETING HELD ON 31 JULY 1991  
WITH SOVIET BUSINESSMEN AT THE CHARGE'S RESIDENCE

.....

The Chancellor thanked the businessmen for coming. He was deeply interested in everything that was happening in the Soviet Union and wanted to know what was happening behind the words. Members of the Soviet Government talked in London in bold terms. He wanted to see the integration of the Soviet economy with the world economy. What he wanted to know was whether private ownership was really going to happen in the Soviet Union and how far it would go. He didn't see collective ownership as the only answer - ownership had to independent of the State.

2. Mr Tikhonov, Chairman of the Union of Cooperatives of the USSR said what the Chancellor had said was quite close to the truth. There was one factor which would turn privatisation into either a formality or an impossibility. For over 70 years the economy had been the highest form of state ownership and monopoly. To think that in the near future private entrepreneurial activity would occur quickly would be unrealistic - first because people were poor and had no capital and, second, because while it was full of slogans, the State really wanted to retain control. The slogan of transformation to the market was a false one. What the State wanted was transformation to a monopolistic market. Instead of liberalised prices, new monopolised State prices were being imposed. In retaining the monopoly the State was not allowing free competition, and a market with no competition was a monopolised market.



3. Mr Tikhonov was convinced that the creation of a genuine free market would take a considerable amount of time. The challenge in the short-term was to break down monopolies. There were some progressive elements in the Soviet Union but 14-16 million small businesses were needed. This would create a balance between the large and small-scale businesses. Currently the Soviet Union had only 400,000 small businesses, but they accounted for something between 12-13 per cent of GNP. Three years ago their contribution was zero.

4. The small-scale free enterprise sector in the economy was the only sector showing any growth at all. The State economy would fall between 18-20 per cent in 1991. The only conclusion to be drawn was that the Government must get rid of remnants of a monopolistic system and create a system of material support for small businesses, reducing the burdens that were still being created.

5. Mr Tikhonov said that he would like the West to try and find ways of co-operating with small private firms. Only the development of small businesses would facilitate privatisation.

6. The Chancellor asked Mr Tikhonov whether the Government was going to sell small businesses; for example, what about shops? Mr Tikhonov said they would, but this was very difficult to carry out in practice. A private shop was only effective if it had access to a supply. The State was happy to sell off shops but wanted to keep control of wholesale supply. There were 255,000 production co-ops of which 60 per cent were industrial. The vast majority had low levels of technology. In relation to cooperatives, the State was showing no desire to give them access to new technology. Their only hope was to buy technology with exports to the west.



7. Mr Kurakin, Deputy Chairman of the Scientific and Industrial Union of the USSR said that Mr Baker's sherpa Mr Zoehick and he had discussed the same subject. He had meetings with the top five leaders of the Soviet Union who had said they were all in favour of the market economy. But when the practical side was discussed, he felt the discussion stopped. The first task was to teach the teachers; when one of the Leaders said he was in favour of the market, this was dangerous.

8. The Chancellor asked Mr Kurakin why it was dangerous. He replied that it was better to admit that one did not understand than to make mistakes through lack of understanding.

9. If there were a feeling that the UK experience of privatisation could offer a blue-print, that would be a mistake. 80 per cent of the property in the USSR was owned by the State, down from 92 per cent a year ago. He believed that there were now 6<sup>1</sup>/<sub>2</sub> million private entrepreneurs in the USSR, and 11 million members of the Union of Leaseholders. 18 million of the best workers were now in the non-State sector. That already meant that it would be impossible to return to the old way.

10. It was important not to allow privatisation to become a false target, and there was a danger of a good idea being profaned. The instruments of privatisation were crucial. The first requirement was a proper banking system. The 2,400 commercial banks that existed in the USSR were not private banks. They were not banks in the classic British definition. Out of these 2,400 banks there were 60 which could own equity - some were 100 per cent owned by enterprises. His view was that the UK could make its biggest contribution in the creation of a proper banking system. There was no method of insuring



entrepreneurial risk in the USSR. A joint venture had been set up with an Italian company but he thought that Lloyds of London and the Prudential could play a part.

11. There was also the absence of a real estate market. Property valuation was done by people who had no idea - this was a real hot-spot of debate, because hyper-inflation made property the best hedge. Banks hedged themselves by charging 35 per cent interest rates and they did not lend for 12 to 16 months. Success did not depend on small businesses. The country might have 50,000 small shops and 100,000 small enterprises, but while the large companies were not made joint stock and privatised, even in a Russian way, the shadow of the return to the old system would remain.

12. If a factory dominated a city, the city must see that the success of the company was good for everyone. British companies had a role to play in conversion. Companies in the Soviet system were like dogs who never saw their masters - they bayed at the moon. The military factories currently employed the cream of the workforce.

13. The Chancellor pointed out that in Poland, Czechoslovakia and Hungary, some large companies have been sold off. Why could that not happen in the Soviet Union?

14. Mr Kurakin said that until 1940 Czechoslovakia had been one of the most developed countries in Europe. In Hungary the banking and legal system was comparable to that of Austria. These countries had deep roots in the market. Mr Kurakin's group had proposed that Ford buy out the Gorki car factory. Ford had been in favour; but now Fiat were going to buy a 40 per cent share. The factory employed 200,000 people. The estimated equity was



\$1.5 billion and \$2.5 billion was needed for new investment. Mr Kurakin's union had cooperated with IBM who would have 100 per cent of a new factory outside Moscow on a 99 year lease. Other companies such as Dupont, Exxon and Konika were investing, but there were no British companies yet.

15. Mr Kurakin's union was intending to present a draft law on concessions that would give foreign companies an opportunity. Soviet law now envisaged 100 per cent ownership and they had given the Japanese a list of 86 military factories where 100 per cent ownership would be offered. After this was proposed there had been reports in the US press that Japan was helping to increase the Soviet military.

16. Mr Crockett asked what was meant by the insurance of companies. Mr Tikhonov responded by saying that he wanted some guarantees for overseas companies' investments.

17. Mr Simokov from the Department for Innovation and Scientific Technical Policy at the Ministry of Foreign Economic Relations concentrated on two aspects of privatisation. First there was no serious opposition group that could carry out privatisation. What was frightening was that where proper privatisation has gone ahead, there had been outrage. The main problem was that there is no hard currency; the rouble was not convertible and ridiculous valuations are put on companies.

18. The worst thing about the Soviet Union was that there was no infrastructure. In answer to the question as to whether an entrepreneur could own land, Mr Simokov said not yet. As a result he feared that making long-term commitments was impossible for an entrepreneur. He concluded that there was a need to move to rouble convertibility as soon as possible.





19. Mr Vasiliev, Deputy Director of Mossoviet Privatisation Committee pointed out that some businesses were under Union control, some under republican control and some under the control of the City Council. In Moscow 18,000 businesses were owned by the City, from hairdressers to factories. The leadership of Moscow City Council was very much in favour of a privatisation programme but there were problem of putting this into practice. Theoretically a distinction could be made between small businesses and the rest. For small businesses feasibility studies were not needed. But so many of these small businesses were connected that buy outs had proved difficult. Hairdressers were fine, but dry cleaners for instance were linked to the factories. It was difficult to find buyers that were prepared to invest in new equipment, and supplies of raw materials were still centralised and out of the enterprises' control.

20. Mr Vasiliev had initiated contacts with Western companies and an EBRD group had been over in the previous week. They had come up against two problems. The first was legal status. The law of privatisation in the Russian Federation had only been adopted two weeks earlier. Moreover, the economic structures and traditions in the Soviet Union were such that there was no respect for existing legislation.

21. The second problem was that of attracting foreign capital. The EBRD wanted to select one or two medium-sized pilot projects. One identified by them was the Red October Confectionery Factory, very well known in the Soviet Union. But once the group had looked at it, they had concluded that it was better to knock down the factory and build a five-star hotel.



22. The Chancellor asked why there were no private restaurants - they could buy food on the open markets and would be very popular. Mr Vasiliev responded that this was feasible for both restaurants and cafes - indeed he was working with a French company and he hoped an agreement would be reached within a few weeks.

23. Mr Tikhonov said that he had listened to what had been said; but the answers to the questions had not really been given. There were many problems and obstacles. Did the current apparatus really want a free market? His main answer to that question was that neither the Government nor the State apparatus wanted de-monopolisation of the economy. Furthermore they supported existing obstacles and created more to make sure that de-monopolisation did not take place. He was convinced that transferring large companies into joint-stock companies could be done effectively. The State held controlling shares and that enabled them to assess the value of the enterprises that were to be privatised. The answer to the question of whether the Government really wanted to privatise and move to free enterprise was "No". The main issue was why they didn't want these things and whether the Soviet Union could find a group to force that to happen.

24. Mr Simokov said that he was an optimist. He wanted to add something on personnel and convertibility. He was prepared to get in contact with any firm which had competitive equipment particularly in the field of materials, textiles and agricultural engineering.. There was a distinct lack of well trained, qualified personnel.



25. On the visit on the morrow of the Chancellor to the Russian Commodity Exchange, he would see that deals effectively had to be done by barter because there was no convertibility of the rouble.

ALASTAIR ROSS GOOBEY

August 1991



FROM: JEREMY HEYWOOD  
DATE: 6 AUGUST 1991  
EXTN: 4330

## NOTE FOR THE RECORD

cc Sir T Burns  
Mr Wicks  
Mr H P Evans  
Mr Sedgwick  
Mr Pickering  
Mr Saunders  
Mr Ross Goobey  
  
Mr Logan - Moscow

CHANCELLOR'S VISIT TO THE SOVIET UNION: DINNER WITH SHCHERBAKOV  
ON 31 JULY

The Chancellor had dinner with Shcherbakov, Orlov, Gerashchenko and others on 31 July. This note records the main points.

2. Shcherbakov said that the agricultural sector was in poor shape. Investment had been neglected, and the whole distribution system from field to shop was in chaos. Storage space was inadequate, processing was backward, and the retail end was poorly organised.

3. The Chancellor wondered whether there were plans to liberalise and privatise the truck/haulage sector - why couldn't the state's trucks simply be sold off? Shcherbakov said that the population was against the privatisation of transport. In any event there were complications. The country was deficient in repairs, maintenance, packing space and fuel. The numbers wanting to own their own lorries was falling dramatically. The privatisation of taxis had gone badly - there were now fewer cabs than before. Orlov said that the same problems arose in the retail sector. Shops could not be sold off because they would have nothing to sell.

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4. The Chancellor asked how negotiations on the Union Treaty were progressing. Shcherbakov described the state of play on the tax issue, saying that Yeltsin had agreed to a uniform tax on all audited companies that would be paid to the centre. The Chancellor wondered whether the republics would be prepared to continue to finance the Union Budget over the medium-term. Did the Union Treaty offer a sustainable solution?

5. Shcherbakov thought the position was not quite as bad as the Chancellor was implying - but he would not seek to dissuade the Chancellor from raising the point with Gorbachev. Political interests had to be accommodated.

6. Shcherbakov said that, under the new Treaty, the centre would continue to be responsible for defence spending, some science projects, a few "special purpose investment Funds", foreign affairs, medical insurance and the pension fund. Except for precious metals all raw materials would come under the jurisdiction of the republics. But the overall volume of exports of these commodities would be determined by the centre - each republic would be given an export quota. As for profit remittances, these would be governed by a general Union law, but the republics could pass more generous laws if they so chose.

7. Shcherbakov then began a long monologue on the republics which had hitherto been pressing to leave the Union.

8. On Georgia, Shcherbakov noted that the republic was almost wholly dependent upon the Union. None of the other republics would be prepared to trade with Georgia were it to leave the Union. The people would starve. While Georgia was not a "cohesive nation", the current leadership was fascist. They were not negotiating seriously at all.

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9. By contrast the Armenians were now showing a greater willingness to talk to the centre.

10. As for the Baltics, the position was different in each case. On Lithuania, the Soviet Government was asking the republic to develop a joint approach. Either Lithuania should accept that the original annexation was null and void, in which case the republic should leave the Union with its pre-occupation borders (ie excluding the six districts Stalin gave to Lithuania from Belorussia); or Lithuania should accept that it was governed by the new Union Treaty. The republic was currently rejecting both approaches. The only thing the Lithuanians had was agriculture. But they only produced about half of what they needed.

11. The Chancellor asked why it would not be possible to trade with Lithuania even if they left the Union. Shcherbakov said that if they slammed the door the Lithuanians would get a strong response from Belorussia and the Ukraine.

12. Estonia was in a more favourable position - they were self-sufficient in food, and there were no territorial complications. So this case should be soluble in a more objective manner. On the other hand 30 per cent of the population was Russian and 48 per cent were Russian speakers. It was a matter for conjecture which way a referendum would go. But if they did leave the Union there would be no ruptures - trade would continue.

13. Latvia was nearly 60 per cent Russian and had always had very close relations with the USSR. The Government did not wish the Latvians to secede, but in the final analysis the choice was theirs, provided everything was done in line with the Law of Secession.

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14. Finally as far as Moldavia was concerned, part of the republic used to be Romanian. They also had a large Russian population, which would want to secede from Moldavia if Moldavia left the Union. The republican government had begun to co-operate and talk more constructively.

15. In general, Shcherbakov concluded, the trend was positive.

16. The Chancellor offered no comment.

9.11

JEREMY HEYWOOD

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## VISIT TO USSR BY THE CHANCELLOR OF THE EXCHEQUER

CALL ON V SHCHERBAKOV, FIRST DEPUTY PRIME MINISTER AND  
MINISTER OF THE ECONOMY, 1 AUGUST 1991

1. Mr Shcherbakov, who was accompanied by a large team of officials, welcomed the Chancellor and described the background to the creation of his Ministry of Forecasting and of the Economy. Its predecessor organisation, Gosplan, had thought of the country as a huge corporation, of which it acted as the Board of Directors. It had been responsible for both the achievements and deficiencies of the Soviet economy. This system had now, fortunately, been left behind; but the Ministry retained responsibility for preparing financial statistics and economic forecasts. It prepared social-economic decisions.

2. Mr Shcherbakov introduced two of his team: Mr Bezdrobov, whom he described as the senior link in the decision-making chain within his Ministry; and one of his Deputy Ministers, Vladimir Gribov, who had responsibility for economic coordination. Gribov oversaw the preparation of economic statistics and of the plans for the distribution of resources, property and foreign exchange. These were passed in to the Ministry of Finance; whose decisions were, in turn, passed back to Gribov for ratification. The Minister of Finance and Gribov were the "siamese twins" at the head of economic policy.

3. The Chancellor proposed discussion of three subjects: economic relations between the centre and the republics; the macro-economy; and enterprise and the small business sector. On the first, the Chancellor stated that his concerns were economic and financial but that he it would be wrong to let the meeting pass without a mention of the events in Lithuania. These were regrettable and he welcomed the setting up of an enquiry - he hoped this would produce concrete results.

Centre/Republican Economic Relations

4. The Chancellor asked if final agreement had been achieved on the question of tax collection; if so, whether the arrangements would be the same for all Republics or whether the RSFSR and the Ukraine would be treated differently to the others; and on what principles the tax arrangements would work. Mr Shcherbakov said that until 1989 there had been a single national budget which was supplemented by the budgets of the constituent republics. Whilst republican budgets had in theory been approved by the Republican Supreme Soviets, the Union Ministry of Finance had in fact had total control



over them, even down to their finer details. Such a system could not have survived the political reforms and had therefore been restructured. But the restructuring had been badly carried out; it provided for equality of rights between the republics and the centre, with joint levying of taxes. For example, all-union enterprises paid a 35% profit tax which was split 17% to the Union and 18% to the Republics: republican owned enterprises paid taxes to the republican government only. At the same time, ownership of industries was being redistributed to Republican governments; in 1987, republics had owned an average of 17 - 18% of enterprises on their territory. Following the transfer of enterprises in the food, light industry, building and services and agricultural sectors to the republics, this figure had gone up to an average of 50%. From 1992 all industry except for the defence sector, precious metals and mining industries, communications, pipelines, transport and dangerous industries would be transferred to the republics. This would significantly reduce the centre's tax income.

#### Budgets

5. The Chancellor asked about the social security budget. Mr Shcherbakov explained that enterprises paid a 37% social security tax (calculated on wages) to the republics; 10% was then transferred to the Union government. Health, education and culture were funded at republican level whilst the centre retained responsibility for about 30 universities and some other important institutions (such as the Bolshoi Theatre). Mr Shcherbakov agreed with the Chancellor that the only areas left under central government control would be foreign policy, defence and some elements of macro-economic policy.

6. The Chancellor asked about central budget formation. First, how would a dispute between the republics and the centre over the size of, for example, the defence budget be resolved? Secondly, how was the government proposing to tackle the budget deficit? Mr Shcherbakov answered that the maintenance of a two-tier tax system, under which current expenditure would be financed by a federal tax (a principle with which the RSFSR had now agreed) would ensure that central expenditure could not be blocked by the republics.

7. On the budget deficit, Mr Shcherbakov said that the aggregate deficit (central and republican budgets) now stood at Rbs 160 billion. Meanwhile, industry held Rbs 180 billion in bank accounts. The first task, therefore, was to alter the tax system to allocate these resources more effectively. A second point was that the allocation of income and expenditure between different tiers of government was out of balance; local authorities had surplus funds: he gave as an example a local council in Moscow with an annual budget of Rbs 30 million who had already received Rbs 65 million by 1 July. Two politically unpopular decisions would have to be

taken - to raise industrial taxes and to reallocate resources. This would greatly ease the budgetary situation.

8. Additionally, Mr Shcherbakov said that the industrial recession had bottomed out and an upturn would be visible from October; this would generate increased revenues. Social programmes, greatly boosted by politicians' populist campaign promises, would have to be reduced.

9. Mr Shcherbakov agreed with Mr Wicks that the financing of Government deficits by central bank credits could lead to a dangerously inflationary situation. He hoped that a meeting to be held on 3 August between the President and the Republican Prime Ministers would approve decisions on reducing social spending and producing a new tax system.

#### Small Businesses

10. The Chancellor said that the potential importance of small businesses to economic recovery could not be overestimated. Mr Shcherbakov had spoken of popular opposition to private entrepreneurship. It was essential to change such views at every level. Mr Shcherbakov said that the government would undertake an active privatisation programme, following the approval of privatisation laws in the USSR and RSFSR Supreme Soviets. Seventy-five percent of small businesses would be privatised in 1991-92. To help this process a new Commission on Small Businesses had been created and credit lines and other funds to support these businesses had been set up. But potential entrepreneurs were treading carefully, as the structure of the economy was weighted against them; for example, farm produce was channelled to huge state storage facilities which preferred to deal with state owned retail outlets rather than small private shops. Similarly in the transportation sector, small enterprises had no alternative but to turn to the huge state run fleets of lorries, which had no interest in dealing with individual entrepreneurs. But Mr Shcherbakov claimed that entrepreneurs faced no bureaucratic difficulties in setting up businesses.

British Embassy  
Moscow

## VISIT OF THE CHANCELLOR OF THE EXCHEQUER TO MOSCOW

## CALL ON MINISTER OF FINANCE ORLOV, 1 AUGUST 1991

1. The Chancellor called on the Soviet Minister of Finance, V Ye Orlov, on 1 August 1991. Mr Orlov was accompanied by Deputy Ministers of Finance Barchuk (responsible for domestic finances) and Sitnin (responsible for foreign exchange matters) and by Mr Zemskov, a tax specialist in the Ministry.

## BUDGET DEFICIT

2. The Chancellor opened by asking about two fundamental macroeconomic questions: the budget deficit and the relationship between the Union Central Bank and the Republics. He understood that the deficit in the first half of 1991 was R 60 billion, which Mr Shcherbakov had said was partly due to the fall in production levels and partly due to the wrong division of resources.

3. Mr Orlov put the deficit in a historical perspective: the Soviet government had always run a budget deficit but had kept it hidden until 1985. But he conceded that the deficit in the 1970's was a minor problem in comparison with today's. He confirmed that the budget deficit now stood at R60 billion, against an approved deficit for the year of R26.7 billion. As the Chancellor had indicated, this could be attributed partly to economic reasons: the economic downturn, which accounted for roughly 50% of the deficit, and the reduction in corporate tax levels from 55% to 35% (to be split between the republics (18%) and the Centre (17%)).

4. The second problem was the violation by republics of economic agreements, responsible for the other 50% of the deficit. This problem was discussed almost daily with the republics and he hoped it would be solved by the Union Treaty which provided for a two-channel tax system. As Mr Shcherbakov had told the Chancellor, this aspect of the Treaty had now been agreed by Yeltsin; only the Ukraine had still to agree a federal tax. Mr Orlov said that if this problem was not sorted out, it would be impossible to manage the Union budget. Some of the Republics had over R30 billion in their accounts but might spend the money as they were having to fulfil commitments made by populist political leaders.

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5. Mr Orlov claimed that the expenditure contained in the budget was reasonable. Military spending was not unreasonably high and the Ministry of Finance was hoping to achieve a further 5-6% reduction in the defence budget. (Comment: Mr Orlov claimed that there had already been a reduction in the defence budget from 1990 (R70 billion) to 1991 (R63 billion), but did not comment on the subsequent upward amendment to R92 billion at the time of the price reforms.) The Ministry of Finance was taking a firm line on public spending and hoped to achieve a further R10-12 billion cuts on top of the R17 billion already achieved this year. He also hoped that the RSFSR would realise the need to increase their contributions to the Union budget - the republic accounted for 50% of the population of the Union but only contributed R23bn of the R150bn budget.

6. Mr Wicks said that federal budgets served two functions - the financing of federal expenditure (defence, foreign aid, etc) and the redistribution of resources within the federation. How would the second task be approached in future? Mr Orlov said that it would be necessary to improve the industrial production levels of the republics - this would both increase resources available for redistribution and increase individual republics' self sufficiency.

INFLATION

7. The Chancellor asked about inflation: how did the Ministry of Finance address the problem, particularly with regard to the non-state sector or the black market? Mr Orlov said that, for practical purposes, the discussion about the budget deficit had been about inflation. Central budget expenditures, such as that incurred in the Chernobyl clean up and the Aral Sea project, were funded through bank borrowings. The republics were also injecting new money into the system, as were enterprises, who no longer operated under the old monetary disciplines. The government was thus unable to control inflation.

PRICES

8. A further problem was the lack of an agreed policy on prices; all the republics (bar the Baltics) had agreed the April 2nd price rises but they now failed to adhere to a common policy. Government policy was to continue the liberalisation of retail prices - 40% were currently free, and the target was to reach 70% by the year end. However the shortage of key consumer goods meant that price controls

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would be maintained on a limited number of goods (perhaps 6-12 products). Mr Orlov agreed with the Chancellor that it would be necessary to liberalise wholesale as well as retain prices.

**SECONDMENTS**

9. In conclusion, the Chancellor said that he was keen to follow up the six points agreed at the G7 meeting. One idea would be for UK officials to work in Soviet economic ministries to offer their expertise; Mr Orlov said this was a healthy idea - perhaps Soviet officials could also work in British ministries. The Chancellor said he would ask officials to follow the idea up.

British Embassy

Moscow

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NOTE OF A MEETING WITH SOVIET ENTREPRENEURS  
ON 1 AUGUST 1991

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The Chancellor asked the group three questions. First, was the government serious about moving to a free enterprise economy? Second, what could the West do to help? Third, what should the G7 be saying to the Soviet and Republican Governments?

2. Mr Tumanov said that he had spent 35 years in the co-operative movement. He pointed out that if a person wanted to reconstruct himself he could do so overnight. Companies might have done it but highly placed officials had blocked it. Bad decisions had been taken and Prime Minister Pavlov had been the Finance Minister at the time, so he was largely to blame.

3. The Soviet Union needed people to work harder. The Chancellor wondered how this could be achieved. Mr Tumanov said that the government hadn't increased productivity they had just increased wages. Somebody needed to give the Soviet people faith in the future, and that meant giving people land and houses.

4. Mr Bocharov, head of Butek, said that the Governments had not taken any practical steps. He thought that the Soviet Union needed assistance. The Soviet and republican governments needed to remove all restrictions on investment; the country also needed modern technology and equipment, and the training of entrepreneurs, particularly in banking. Not just seminars and lectures, but on-site training in Western companies for three to six months.



5. Investment should not be done through the Ministries, it should be done enterprise to enterprise, particularly through the private companies being set up - even Peter the Great had recognised this. The wellbeing of the Soviet Union was in their own hands and not in the hands of the G7. It had always been one of the richest territories in the world.

6. Mr Bocharov saw the most difficult period as being between November and February. After February they would come to some understanding of the problems. They needed one currency, one foreign economic policy and one foreign policy. It would involve a change in approach. Politics should serve economics and not the other way round. But he thought the possibilities were enormous.

7. The Chancellor asked why land was not being given to the people. He had been told that he didn't understand Russian history.

8. Mr Fyodorov, the eye surgeon, answered the Chancellor's three questions. He thought that the Government did believe in moving towards privatisation and free markets but in such a way that the child would be born with the mother remaining a virgin. They didn't want land to be owned. All the laws did not link with genuine market economics. There were plenty of conversations, but so far all reform was talk.

9. What the Government wanted was a false market economy where bureaucrats dealt with foreign companies. And the question was how to force them to adopt pro-investment laws. He believed that the UK and the US governments should not sign agreements with Ministries, but with independent companies, co-operatives and leaseholders. He felt that the dependent psychology of the Soviet



people was one of the main barriers to progress. The only thing that might change that was starvation - it would make people think. It was as if the population were locked away in a prison.

10. So the Chancellor asked from whom should reform be looked for. Was it the republics and not the Soviet Union? Mr Fyodorov said "absolutely". The Union only served the bureaucrats.

11. The Chancellor asked whether there was a danger that creating a centralised system in the republics might recreate the Union bureaucracy. Mr Fyodorov thought the republics were copying the Union system. But some republics would take a more enlightened route and the republics had no armies or KGB networks. He particularly mentioned Kazhakstan and the Russian Federation. And in reply to the Chancellor's point that the Kazhak Government was Communist, Mr Fyodorov said that nevertheless people would be able to own land in Kazhakstan within three years. He believed that the Kazhak Prime Minister portrayed himself as a centralist, but was actually getting on with privatisation.

12. Mr Rubetsov, the General Director of the joint venture for Vnesh Consult said that in the whole of the Soviet Union only one republic, the Russian Federation, had an export surplus. The Ukraine would just about break even, but everyone else was in the red. So that although of idea of republics being independent was fine, the reality was different. The laws being adopted by Russia were not necessarily bad. They were actually a good basis upon which to build. The real problem was the inability of the people involved to use the instruments of market economies, credits and taxation, guarantees and subsidies.

13. The trouble with the law of privatisation already adopted was that nobody could say how to make it work. 80 per cent of the population would like to participate, but there were no means to





enable this to be carried forward. There was a need for a middle link which he defined as middle management and local administrators.

14. The idea of achieving internal convertibility of the rouble by 1992 was just decoration. Assistance was needed to make it feasible because Ministers had never worked in financial markets. When Mr Rubetsov himself had been asked by a Minister how much capital he owned, and answered 1 million roubles, he was asked "is it in a bank account"? This showed the level of ignorance.

15. Mr Sigalov, acting Director General of Komport Division of the Co-operative Kontingent, said that the fledgling business community was coming up against massive barriers. The laws so far were not clear. There were fears that if hunger came to the Soviet Union it might be used by reactionary forces. He agreed it was hopeless trying to help individual republics or the Union, and that the companies must be the target for help.

16. The Chancellor asked about the EC food aid agreed last winter. He had been told that there was no need for the food; that it was the distribution system that was wrong; and that the aid provided was just shoring up the state distribution system. Was that a correct view?

17. Mr Sigalov said that he absolutely agreed that providing the food simply propped up the old system. And when the Chancellor asked whether there would have been starvation, Sigalov replied he could not answer that.

18. Mr Bocharov said he was involved with an official food import organisation, the Chairman of which had said that 50-60 per cent of the aid should have been spent on equipment not food.



19. Mr Bukato was President of Mos Businessbank. Being a banker, he said, he analysed things in a sober fashion. It had been rightly said that the major task was to explain what a market economy was. The people had imbibed the idea that banks, exchanges and shares were bad, and that attitude could not be changed overnight. A lot of people said that it must be done overnight, but even in the UK, privatisation had taken over 10 years. Poland had only done bits, and it was important to look at Yugoslavia and Bulgaria for depressing examples of some privatisation. It didn't lead to real progress.

20. Technical assistance was needed before land could be privatised. The farmers needed decent, and not Soviet, equipment. A more balanced approach was required. They really did need assistance in banking, broking, and consultancy. To take an example, it took 10 days to transfer money out of Moscow. He thought it wasn't a matter of personalities - consistency was needed. It was no good adopting laws one day and repealing them the next.

ALASTAIR ROSS GOOBEY

August 1991

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THE CHANCELLOR OF THE EXCHEQUER'S VISIT TO THE SOVIET UNION:  
MEETING WITH PRESIDENT GORBACHEV

SUMMARY

1. GORBACHEV REPORTS AGREEMENT ON UNION TREATY, INCLUDING ON TAXATION ISSUE. COMPLAINS ABOUT COCOM. EMPHASISES NEED FOR CONVERTIBLE ROUBLE AND DESCRIBES INITIATIVES TO EARN HARD CURRENCY. HIS COMMITMENT TO REFORM AND TO ACHIEVING CHANGE IN SCEPTICAL PUBLIC ATTITUDES TO MARKET.

DETAIL

2. THE CHANCELLOR OF THE EXCHQUER CALLED ON PRESIDENT GORBACHEV ON 1 AUGUST. THE LATTER WAS ACCOMPANIED BY CHERNAYEV AND AN INTERPRETER. THE MEETING LASTED FOR ONE HOUR TWENTY MINUTES.

THE UNION TREATY

3. GORBACHEV SAID THAT HE HAD MET REPUBLICAN LEADERS EARLIER IN THE DAY. THE TEXT OF THE DRAFT UNION TREATY HAD BEEN AGREED. IT WOULD NOW BE OPEN FOR SIGNATURE, WITH EFFECT FROM 15 AUGUST. THE RSFSR, KAZAKHSTAN AND OTHER CENTRAL ASIAN REPUBLICS COULD BE EXPECTED TO SIGN SHORTLY THEREAFTER. A PARLIAMENTARY DEBATE ON THE TREATY WOULD HAVE TO BE HELD IN THE UKRAINE BEFORE UKRANIAN SIGNATURE. GORBACHEV DID NOT WANT TO PRESS THE UKRAINIANS FASTER THAN THEY WISHED TO GO, BUT WAS CONFIDENT THAT THEY WOULD BE READY TO SIGN IN THE AUTUMN. REFERENDA WERE IN PROSPECT IN MOLDAVIA AND ARMENIA. THERE TOO SENTIMENT WAS EVOLVING IN FAVOUR OF UNION MEMBERSHIP. SOCIAL TENSIONS, ECONOMIC PROBLEMS ETC HAD LED SOME REPUBLICS TO THINK THEY COULD DO BETTER BY THEMSELVES. BUT THERE WAS INTELLECTUAL RECOGNITION OF THE NEED FOR A COMMON ECONOMIC SPACE, COMMON CURRENCY ETC. THE LOGIC OF THIS WAS GRADUALLY BEING ACCEPTED.

UNION'S NEW AND PROGRESSIVE INVESTMENT LAWS. HE HOPED THAT THE CHANCELLOR WOULD CONSIDER, IN COOPERATION WITH SCHERBAKOV WAYS OF ACCELERATING ACHIEVEMENT OF CONVERTIBILITY. THE CHANCELLOR AGREED THAT CONVERTIBILITY WAS A KEY ISSUE. IT WAS HOWEVER A VERY BIG STEP. THE SOVIET UNION NEEDED ALSO TO DEAL WITH MAJOR DIFFICULTIES SUCH AS INFLATION AND THE BUDGETARY DEFICIT. WITHOUT A SOLUTION TO THESE, CONVERTIBILITY WOULD BE DANGEROUS. WHAT WAS NEEDED WAS A SIMULTANEOUS SOLUTION OF THESE PROBLEMS.

#### THE SOVIET ECONOMIC STRUCTURE

8. GORBACHEV SAID THAT SOVIET INDUSTRY HAD TO PRODUCE MORE CONSUMER GOODS. WITHOUT THESE, AND IF PRICE LIBERALISATION CONTINUED, INFLATION WOULD BE AGGRAVATED. THE SOVIET UNION NEEDED PROJECTS TO EARN HARD CURRENCY. BUT IF THE HARD CURRENCY WHICH THE SOVIET UNION EARNED WAS NOT JUST TO BE USED TO PAY OFF DEBTS, BUT FOR BADLY NEEDED INDUSTRIAL MODERNISATION, THIS WOULD RAISE THE ISSUE OF RESTRUCTURING THE SOVIET FOREIGN DEBT.

9. ENERGY WAS ONE HARD CURRENCY EARNER. THERE WERE 8,000 IDLE OIL WELLS WHICH WERE PARTIALLY RESPONSIBLE FOR THE DECLINE IN OIL PRODUCTION. THEY WOULD BE ALLOCATED FOR DEALS WITH FOREIGN FIRMS (INCLUDING BP AND OTHER BRITISH FIRMS) WITH THE AIM OF BRINGING THEM BACK ON STREAM. ANOTHER POTENTIAL HARD CURRENCY EARNER WAS THE SATELLITE LAUNCHING MARKET. IT WAS ESTIMATED THAT THIS WAS WORTH SOME 12-14 BILLION DOLLARS. THE SOVIET UNION HAD THE CAPABILITY TO MEET THIS REQUIREMENT.

10. THE CHANCELLOR EMPHASISED THE IMPORTANCE OF MEDIUM AND SMALL ENTERPRISES AS WELL AS LARGE. HE REPEATED THAT WHAT WAS NEEDED WAS COMPANY TO COMPANY COOPERATION BETWEEN THE SOVIET UNION AND THE WEST. GORBACHEV AGREED. THE WORST OUTCOME WOULD BE SUBSTITUTING 15 BUREAUCRATIC CENTRES (THE REPUBLICS) FOR THE ONE WHICH EXISTED AT PRESENT (THE UNION). BUREAUCRATIC TENDENCIES HAD TO BE OVERCOME BUT AT THE SAME TIME THE REPUBLICS HAD TO COOPERATE AS A SINGLE ECONOMIC SPACE.

#### PUBLIC ATTITUDES TO MARKET REFORM

11. THE CHANCELLOR SAID THAT HE HAD BEEN IMPRESSED BY THE NEW SOVIET LAWS WHICH WOULD UNDER-PIN SMALL BUSINESSES, AS WELL AS BY THE COMMITMENT OF SOVIET MINISTERS. HE HAD HEARD, HOWEVER, THAT AT LOWER LEVELS BUSINESSMEN WERE OFTEN OBSTRUCTED BY BUREAUCRATIC INTERFERENCE. THERE WAS ALSO PUBLIC SCEPTICISM

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FROM: JEREMY HEYWOOD  
DATE: 6 AUGUST 1991  
EXTN: 4330

NOTE FOR THE RECORD

cc Sir T Burns  
Mr Wicks  
Mr H P Evans  
Mr Sedgwick  
Mr Pickering  
Mr Ross Goobey

Mr Logan - Moscow

**CHANCELLOR'S VISIT TO THE SOVIET UNION: DINNER WITH ECONOMISTS:  
1 AUGUST**

The Chancellor had dinner with a number of Soviet economists at Mr Logan's residence on 1 August.

2. The Chancellor said that he wanted to start by discussing structural reform issues. He assumed there was general agreement around the table to the proposition that there should be a rapid shift to private ownership. But some of the people he had spoken to in the Soviet Government had stressed the need for gradualism. This argument appeared to rest on two considerations - first, the need to keep public opinion on side; and second, the sheer complexity of the privatisation process in a country where each state enterprise was closely linked to and dependent on others, and where the state order system remained pervasive. The Chancellor did not find either of these arguments very convincing. But he wanted to hear the views of the Soviet experts.

3. Yavlinsky (joint author of the "Grand Bargain") said that his own views were well-known. Privatisation was of the essence. People needed to get a taste of privatisation. The Government should start with smaller enterprises, which would have an immediate impact; and land and housing should be high on the list. But it was not clear that the political will existed. As for large enterprises, there was no doubt that there were real



problems in making rapid progress on privatisation. But a start could be made by breaking up the larger concerns, to promote competition.

4. Simonyan (Head of the Department of Industrial Complexes and Capitalist Economics in IMEMO) agreed with the Chancellor's assessment, but noted how few enterprises had been privatised in Hungary and Czechoslovakia. He shared Yavlinsky's view that land was a key sector.

5. Shatalin (author of the "500 day" plan) agreed that the emphasis should be on privatising small scale enterprises. But this should be accompanied by the establishment of a market infrastructure - reforms were required in the securities market, the labour market and in housing. There was a real need to promote competition. Why was privatisation necessary? It was because state enterprises simply did not work - an alternative system was required to improve motivation and management. The first sectors to be reformed should be agriculture and the retail/distribution system; but the liberalisation of trade was a key priority too.

6. Shatalin did, however, see problems in a wholesale one-off transfer of property. This would conjure up visions of the 1930s. The development of joint-stock companies was important; but ownership could also be handed to the workers or to foreign buyers.

7. One key question that needed resolution was the relationship between the Union and the republics. Until this was settled it was misguided to talk about reform. There was a critical need to sort out where the ownership of land, housing and enterprises lay - with the Union Government, the republics or the municipalities? One difficulty was that each of the republics had



passed its own law on privatisation; and each law was different. Yavlinsky added that he thought the republics had established that they had the main role on enterprise reform.

8. The Chancellor asked about the concept of de-statisation. Would this keep the state out of the enterprise sector? Was it irreversible? Was it radical enough?

9. Shatalin said that in practice there could be no way back now. De-statisation might work in the context of a full market economy. The key challenge was to de-ideologise enterprises and to get the state out of the running of businesses. What was clear was that in different parts of the Union, different forms of ownership had evolved; and any reform programme should work with the grain of those traditions. But leasehold was not enough. In the agricultural sector it was particularly worrying that the task of privatisation was being placed in the hands of the collectives. That was a "real mafia situation". Local municipal councils should be given a role.

10. Milner (Deputy Chairman of the Institute of Economics of the Academy of Sciences) judged that the country was ready for privatisation, particularly the privatisation of light industry, food processing and services. But there were major impediments - the lack of a market structure, poor information and communication flows, the absence of a stock market. And the transfer of ownership did not imply better management - management education was crucial. But textbooks and trainers only taught how to manage a western company. To be private was not necessarily to be effective.

11. As for the bigger enterprises, even the UK had had problems in implementing rapid privatisation. Military conversion was a





key factor, because even the civil factories worked for the military.

12. The Chancellor raised the question of price liberalisation. Were prices actually being liberalised or were they just being raised? What were the politics of this?

13. Ambartsumov (Head of Politics and Economics at Bogomolov Institute) commented that the Russian people had lost any notion of private enterprise - indeed the word "private" in Russian implied "dangerous" or "anti-systemic". As for prices, these had not been liberalised. But possibly in the end price liberalisation would lead to lower prices, depending on the reaction of suppliers. It was important to note that privatisation was being effected by the nomenklatura. Managers, members of the Communist Party, were turning themselves into owners. Simonyan added that BP's attempt to help by funding scholarships to the London Business School had benefited only the Soviet elite - these were the only people who could speak English.

14. In Simonyan's view price liberalisation could only be effective if it were combined with privatisation and competition. Yavlinsky agreed - price liberalisation could not be contemplated except in the context of a package of macroeconomic stabilisation, privatisation and rouble convertibility.

15. Shatalin commented that Pavlov's price increases of 2 April were fiscal robbery since there was no protection given to the people.

16. Berger (Izvestiya) thought that in its early stages privatisation would simply benefit the rich. The key question was whether the rest of the population would be prepared to wait for the benefits. The Chancellor questioned this - he could not



accept that the population as a whole would not see early benefits from deregulation, competition and privatisation.

17. Simonyan agreed but noted that there were 1,800 enterprises in the Soviet Union that were monopoly producers, closed to competition from abroad.

18. Mr Wicks wondered whether there was a deliberate policy of reducing the level of state orders.

19. Milner said that in 1991 on average 50 per cent of production would go in fulfilment of state orders - but in some sectors the proportion was much lower (eg in the steel sector it was 14 per cent).

20. The falling proportion was due to the lack of customers. Excess production was sold on contract, largely at prices fixed by the Government.

21. Shatalin concluded with a little homily to capitalism, noting that it was a good and happy phenomenon that Moscow now had a "Millionaires' Club".

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CHANCELLOR'S VISIT TO THE SOVIET UNION: CALL ON YELTSIN

SUMMARY

1. YELTSIN PLEASSED WITH OUTCOME OF LONDON SUMMIT. CLAIMS GORBACHEV FOLLOWED HIS ADVICE NOT TO GO WITH A BEGGING BOWL. EMPHASIZES NEED FOR SELF-HELP.
2. SAYS RSFSR AND KAZAKHSTAN LIKELY TO BE THE FIRST TO SIGN THE NEW UNION TREATY ON 20 AUGUST. GREATLY ENHANCED ROLE/POWERS FOR THE REPUBLICS.
3. YELTSIN DESCRIBES COMMITMENT TO PRIVATE PROPERTY AND PRIVATE AGRICULTURE, AND STAGED PROGRESS TO FREE PRICES. WANTS TO CREATE LEGAL FRAMEWORK IN RSFSR TO PROMOTE 'MFN STATUS FOR FOREIGN INVESTORS'. URGES BRITISH COMPANIES TO COME IN LARGE NUMBERS.
4. ASKS FOR SPECIFIC UK HELP WITH PRIVATE FARMING, FOOD PROCESSING, ~~LEGAL~~ AND MANAGEMENT TRAINING, AND ADDITIVES FOR POULTRY FEEDSTUFFS. PROPOSES JOINT WORKING GROUP AND JOINT AGREEMENT BY END OF THE YEAR. CHANCELLOR DESCRIBES WHAT WE ARE ALREADY DOING THROUGH KHf. UNDERTAKES TO REFLECT FURTHER.

DETAIL

5. THE CHANCELLOR HAD A MEETING WITH YELTSIN THIS MORNING (2 AUGUST) WHICH LASTED AN HOUR AND A HALF. YELTSIN WAS IN CONFIDENT MOOD. HE SPOKE WITHOUT NOTES, OCCASIONALLY REFERRING TO SILAEV (PRIME MINISTER, RSFSR), AT HIS SIDE.

THE G7

6. YELTSIN BEGAN BY SAYING HE WAS PLEASSED WITH THE OUTCOME OF THE LONDON SUMMIT. AT HIS INSISTENCE, GORBACHEV HAD CONSULTED THE LEADERS OF THE NINE REPUBLICS COMMITTED TO THE NEW UNION TREATY (THE 9 + 1 PROCESS). THEY HAD AGREED ON THE APPROACH HE SHOULD ADOPT IN LONDON AND GORBACHEV HAD STUCK TO IT. YELTSIN HAD WARNED HIM NOT TO GO WITH A BEGGING BOWL: IT WAS NO GOOD THE SOVIET UNION EXPECTING OTHERS TO COME UP WITH LARGE CHEQUES. PEOPLE HERE HAD TO UNDERSTAND THAT THEY MUST LOOK TO THEIR OWN RESOURCES, AS WELL AS OUTSIDE, IN EXTRACTING THE COUNTRY FROM ITS PRESENT QUAGMIRE. THERE WAS, HOWEVER, ONE CRITICISM THAT YELTSIN WOULD MAKE OF THE G7 SUMMIT: WESTERN LEADERS HAD SERIOUSLY UNDERESTIMATED THE DEGREE TO WHICH THE REPUBLICS HAD NOW ESTABLISHED THEIR OWN SOVEREIGNTY. THIS WOULD BECOME CLEAR

ONCE THE NEW UNION TREATY WAS SIGNED. THE CHANCELLOR COMMENTED THAT HE WAS GLAD YELTSIN CONSIDERED LONDON HAD BEEN A SUCCESS. IT HAD MARKED THE BEGINNING OF A PROCESS WHICH WOULD NOW HAVE TO DEVELOP. HE WAS ALSO GLAD THAT YELTSIN HAD EMPHASISED THE NEED FOR THE SOVIET UNION TO LOOK TO ITS OWN RESOURCES: SELF-HELP WAS VERY IMPORTANT IN FINDING A WAY OUT OF THE CURRENT CRISIS. THE UNION TREATY

7. YELTSIN SAID THE UNION TREATY WOULD BE OPEN FOR SIGNATURE FROM 20 AUGUST. THE RSFSR AND KAZAKHSTAN WERE LIKELY TO BE THE FIRST SIGNATORIES. THE TREATY WOULD PROVIDE FOR THE DEVOLUTION OF MANY CENTRAL GOVERNMENT POWERS TO THE REPUBLICS:

(I) FOREIGN POLICY: THIS WOULD BE A TWO-TIER PROCESS IN FUTURE. THE UNION WOULD SET THE OVERALL FRAMEWORK WHILE THE REPUBLICS WOULD FILL IN THE DETAILS IN ACCORDANCE WITH THEIR OWN INTERESTS. YELTSIN HAD ALREADY EXPLAINED THIS TO BUSH WHO HAD BEEN UNDERSTANDING. A DIFFICULT PROCESS OF ADJUSTMENT WAS INVOLVED FOR FOREIGN COUNTRIES AS THEY CAME TO TERMS WITH THIS NEW TWO-TIER ARRANGEMENT. THEY SHOULD HOWEVER BE ASSISTED BY THE FACT THAT THE UNION WOULD RETAIN RESPONSIBILITY FOR THE OVERALL COORDINATION OF FOREIGN ECONOMIC RELATIONS:

(II) COMPETENCIES: THE UNION WOULD RETAIN CONTROL OVER THE RAILWAYS, DEFENCE EQUIPMENT, AND ENERGY (INCLUDING NUCLEAR). ALL OTHER AREAS WOULD BECOME THE RESPONSIBILITY OF THE REPUBLICS. EG THE UNION WOULD NO LONGER HAVE ANY RIGHT TO DETERMINE THE SALES POLICY FOR RUSSIAN OIL, WITHOUT RSFSR AGREEMENT:

(III) PROPERTY: THE RSFSR WAS DETERMINED THAT ALL FORMS OF PROPERTY OWNERSHIP SHOULD BE EQUAL (AND HAD LEGISLATED ACCORDINGLY). IN THIS IT WAS AHEAD OF THE UNION, NOT LEAST SINCE THE UNION TREATY MADE NO PROVISION FOR PRIVATE OWNERSHIP. YELTSIN SAID THAT HE WAS DETERMINED TO PROMOTE THE GROWTH OF PRIVATE FARMING: THERE WERE NOW 30,000 PRIVATE FARMS IN THE RSFSR WITH A TOTAL OF 2.4 MILLION ACRES OF LAND. HE HAD SET ASIDE A FURTHER 20 MILLION ACRES FOR FUTURE SALE TO SMALL FARMERS. AT PRESENT THE RSFSR WAS FOLLOWING A TWO YEAR PRIVATISATION PROGRAMME CONCENTRATING ON ALL ASPECTS OF AGRICULTURE, EG OWNERSHIP, PROCESSING, STORAGE, TRANSPORT AND RETAILING. SUBSEQUENTLY, THE REPUBLIC WOULD TURN ITS ATTENTION TO THE PRIVATISATION OF MAJOR INDUSTRIAL ENTERPRISES:

(IV) TAXATION: THIS HAD BEEN THE LAST OBSTACLE TO THE CONCLUSION OF THE NEW UNION TREATY. IT HAD NOW BEEN RESOLVED. THE RSFSR HAD TAKEN A TOUGH LINE GIVEN THE FACT THAT IT SUPPLIED 60% OF THE SOVIET UNION'S TOTAL GNP (AND 70% OF THE GNP OF THE 9 REPUBLICS THAT WERE LIKELY TO SIGN THE NEW TREATY). THE RSFSR HAD THIS YEAR UNDERTAKEN TO PAY 23.4 BILLION ROUBLES TO THE CENTRE AND HAD BEEN SCRUPULOUS IN PAYING 11.7 BILLION BY 1 JULY. HOWEVER THEY HAD NO IDEA HOW THE UNION SPENT THE MONEY THEY PROVIDED, AND NO CONTROL OVER THEIR CONTRIBUTION. THIS WAS UNACCEPTABLE. THEY HAD THEREFORE BEEN DETERMINED TO CHANGE THE OLD SYSTEM: UNDER THE TERMS OF THE UNION TREATY, INDIVIDUAL REPUBLICS WOULD PAY A FIXED PERCENTAGE OF THE BUDGET, TO BE AGREED MUTUALLY WITH THE CENTRE.

#### ECONOMIC REFORM

8. THE CHANCELLOR EMPHASISED THE NEED FOR RADICAL REFORM: PRIVATISATION OF SMALL BUSINESSES AND LAND WAS VITAL, AS WAS AVOIDING THE ESTABLISHMENT OF NEW BUREAUCRACIES. YELTSIN AGREED. AS FAR AS BUREAUCRACY WAS CONCERNED, THE RSFSR'S INDUSTRIAL MINISTRIES WOULD BE RESPONSIBLE FOR COORDINATION, NOT

FOR MANAGEMENT. POWER WOULD LIE WITH THE PRODUCERS.

## PRICES

9. IN RESPONSE TO A QUESTION FROM THE CHANCELLOR, YELTSIN SAID THAT PRICE LIBERALISATION WAS GOING AHEAD IN STAGES. 30-40% OF PRICES IN THE RSFSR WOULD BE FREED THIS YEAR: THIS WOULD BE TRUE OF NEARLY ALL PRICES BY THE END OF 1992. THE SOVIET UNION WAS STILL SUFFERING FROM THE EFFECTS OF PAVLOV'S PRICE INCREASES OF 2 APRIL. THESE HAD BEEN A MAJOR BLUNDER, FUELLING A WAGE PRICE SPIRAL. YELTSIN THOUGHT THE SOVIET UNION MIGHT BE ON THE VERGE OF ANOTHER SHARP INCREASE IN INFLATION: IT WAS A MOOT POINT HOW LONG PEOPLE'S PATIENCE WOULD LAST. HE ADDED THAT, WHATEVER THE DIFFICULTIES, THE RSFSR WAS DETERMINED TO PRESS ON WITH REFORM. THEY HAD PASSED 350 LAWS IN THE LAST YEAR TO THIS END. HE HAD NOW SET UP A SPECIAL UNIT, UNDER SILAEV, CONCENTRATING ON LAND REFORM AND PRIVATISATION. REFORM WAS WHAT PEOPLE HAD VOTED FOR WHEN THEY HAD ELECTED HIM PRESIDENT, AND REFORM WAS WHAT THEY WOULD GET.

## FOREIGN INVESTORS

10. THE RSFSR WAS READY TO MAKE LAND AND BUILDINGS AVAILABLE TO ANY FOREIGN FIRMS THAT WERE INTERESTED. IT HAD ESTABLISHED LAWS THAT PROTECTED FOREIGN INVESTORS FROM NATIONALISATION OR SEQUESTRATION: IT WAS A REGIME OF 'MFN STATUS FOR FOREIGN INVESTORS'. PAVLOV HAD RECENTLY PUT UP CUSTOMS DUTIES BUT THE RSFSR WOULD ANNUL THESE ONCE THE UNION TREATY WAS IN FORCE (UNDER POWERS PROVIDED BY THE TREATY). HE HOPED BRITISH COMPANIES WOULD COME TO THE RSFSR IN LARGE NUMBERS. HE COULD MAKE A LIST OF SITES AVAILABLE WHICH THEY COULD STUDY. LOCATIONS WOULD BE OFFERED FREE OF CHARGE AND IN PERPETUITY IN RETURN FOR PARTNERSHIP AND A SHARE OF PROFITS. THE RSFSR WAS A HUGE, IN MANY RESPECTS UNDEVELOPED, TERRITORY WITH A HIGH PROPORTION OF DEFENCE INDUSTRIES LOCATED ON IT. THESE WERE NOW UNDERGOING CONVERSION AND OFFERED GREAT SCOPE EG THE KIROV TANK FACTORY IN LENINGRAD WHICH NOW HAD MUCH IDLE CAPACITY. YELTSIN HOPED IT MIGHT SOON START MANUFACTURING SMALL TRACTORS, WHICH WAS WHAT SMALL FARMERS NEEDED.

## REQUEST FOR UK ASSISTANCE

11. YELTSIN SAID HE HOPED THAT THE UK MIGHT HELP THE RSFSR IN THREE AREAS IN PARTICULAR:

(I) PRIVATE FARMS: PRIVATE FARMERS IN THE RSFSR NEEDED SUITABLE EQUIPMENT AND INPUTS. THE BRITISH 'RANGER' COMPANY WAS SHOWING WHAT COULD BE DONE. HE HOPED OTHER BRITISH COMPANIES WOULD FOLLOW:

(II) FOOD PROCESSING: HELP WAS NEEDED IN THE STORAGE AND PROCESSING OF AGRICULTURAL PRODUCTS. AT PRESENT 25-35% OF AGRICULTURAL PRODUCTION WAS WASTED:

(III) TRAINING: TRAINED MANAGERS WERE IN DESPERATELY SHORT SUPPLY. IT WAS CRUCIAL THAT THE RSFSR SHOULD ESTABLISH A POOL OF PEOPLE IN THE 25-35 AGE RANGE WHO WERE ABLE TO MANAGE BUSINESSES AND TO OPERATE WITHIN THE LEGAL FRAMEWORK OF A MARKET ECONOMY. THE UK HAD ALREADY MADE A CONTRIBUTION IN THIS DIRECTION BUT ON A VERY SMALL SCALE (A COUPLE OF DOZEN PEOPLE). THE NEED WAS TO TRAIN PEOPLE IN THEIR THOUSANDS, PERHAPS 3000 IN THE UNITED STATES, 2000 IN THE UK AND 2000 IN JAPAN.

12. THE CHANCELLOR COMMENTED THAT THESE WERE THREE IMPORTANT AREAS. THERE WERE FOOD PROCESSING COMPANIES IN THE UK WHO MIGHT BE ABLE TO HELP. THIS, LIKE TRAINING, WAS AN AREA THAT WE HAD ALREADY IDENTIFIED UNDER THE KNOW HOW FUND. HE WOULD REFLECT ON WHERE MORE COULD BE DONE. MR HOWARD, THE SECRETARY OF STATE FOR EMPLOYMENT, WOULD SHORTLY BE VISITING THE SOVIET UNION TOO. HE MIGHT ALSO HAVE SUGGESTIONS TO MAKE ON SMALL BUSINESSES.

13. YELTSIN SAID HE HOPED WE COULD ACT QUICKLY. HE WOULD LIKE TO PROPOSE THE SETTING UP OF A JOINT WORKING GROUP TO EXAMINE THE POSSIBILITIES, WITH A VIEW TO SIGNING A JOINT UK/RFSFR AGREEMENT OR DECLARATION OF INTENT BY THE END OF THE YEAR. HE WAS CONFIDENT THAT GORBACHEV WOULD NOT BE OPPOSED.

14. YELTSIN ADDED THAT, IN ADDITION TO THE AREAS HE HAD ALREADY IDENTIFIED, IT WOULD BE USEFUL IF WE COULD HELP WITH THE SUPPLY OF ADDITIVES FOR POULTRY FEED. IT WAS IMPORTANT THAT THE PRODUCTION OF POULTRY SHOULD NOT DECLINE. INCREASED SHORTAGES IN THIS AREA WOULD ADD TO POPULAR DISCONTENT. THE CHANCELLOR COMMENTED THAT IT MIGHT BE POSSIBLE TO TAP EC ASSISTANCE. SILAEV SAID THAT, SO FAR, EC ASSISTANCE HAD BEEN MADE AVAILABLE ON A UNION BASIS. IF IT WERE NOW MADE AVAILABLE TO THE REPUBLICS, THE RFSFR WOULD BE QUICK TO DRAW UPON IT. YELTSIN STRESSED THAT HE WOULD NOT WANT ANY ASSISTANCE TO BE DESCRIBED AS AID: THIS WAS HUMILIATING. IT MUST BE PRESENTED IN TERMS OF PARTNERSHIP AND RECIPROCAL BENEFIT.

15. THE CHANCELLOR CONCLUDED BY SAYING HE WAS MUCH IMPRESSED BY YELTSIN'S COMMITMENT TO REFORM. HE WOULD REFLECT ON THE IDEAS THAT HAD BEEN PUT FORWARD AND WOULD DISCUSS THEM WITH HIS COLLEAGUES. HE WOULD ASK OFFICIALS TO FOLLOW THEM UP IN DUE COURSE. YELTSIN AGREED THAT THIS WAS THE WAY FORWARD. HE WAS VERY GLAD TO HAVE HAD THE OPPORTUNITY OF DESCRIBING THE RFSFR'S REFORM PROGRAMME TO THE CHANCELLOR.

COMMENT

16. A GOOD MEETING. YELTSIN'S COMMITMENT TO FAR-REACHING REFORM WAS IMPRESSIVE, AND CONVINCING. HIS REQUEST FOR UK ASSISTANCE IS CONSISTENT WITH THIS: BUT HIS SUGGESTION FOR A JOINT WORKING GROUP AND A JOINT AGREEMENT/ DECLARATION BY THE END OF THE YEAR IS OF COURSE ALSO DESIGNED TO ENHANCE HIS OWN INTERNATIONAL STATUS, AND THAT OF THE RFSFR.

LOGAN

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## VISIT OF THE CHANCELLOR OF THE EXCHEQUER TO MOSCOW

CALL ON V V GERASCHENKO, CHAIRMAN OF GOSBANK  
2 AUGUST 1991

1. The Chancellor called on Mr Geraschenko, the Chairman of Gosbank, on 2 August. Mr Geraschenko was accompanied by Mr Mozhaiskov (Head of the Monetary Department), Mr Leschinsky (Head of the Foreign Relations Department) and Mr Matkin of the Ministry of the Economy.

## THE CENTRAL BANK

2. Mr Geraschenko opened by explaining some of the current problems affecting the work of his Bank. His principal complaint was that the growth of the number and functions of Republican central banks was diluting his Bank's control over the monetary policy. For as long as the Soviet Union had a single currency, it was necessary to have a single central bank. This could in future be managed by a council consisting of representatives of each of the Republics. The Chancellor asked if this would be modelled on the American Federal Reserve system; Mr Geraschenko said that it would be more democratic, in that it would be more responsive to Republican needs. It would exercise a similar central control over the money supply.

3. The Chancellor asked about the potential conflict between fiscal policy (to be controlled by Republics) and monetary policy which would, under these proposals, rest with the Centre. Mr Geraschenko argued that Republican governments should in future be required to finance their expenditure through tax revenues and public borrowings; they should not be able to borrow from their own central banks. This would introduce some discipline into Republican financial affairs.

4. A second problem was the republics' wish to run their own independent budgets. It was necessary for them to work together, either through the Centre or through direct, horizontal links.

5. Mr Wicks asked whether Republican governments could be stopped from taking credits from their own central banks. Mr Geraschenko said not: the central bank of Russia was currently funding the RSFSR Republican government. Gosbank had no sanction available to prevent this, apart from closing down the settlements system within the

/Republic

Republic; he did not think this an appropriate step. The Chancellor mentioned that the draft intergovernmental agreement on the proposed European central bank would prevent national governments from accumulating deficits above a certain level. He suggested this would be a useful measure for the Soviet Union to adopt.

#### CONVERTIBILITY

6. The Chancellor asked about the prospects for rouble convertibility. Mr Geraschenko said that the government's declaration of intent to achieve convertibility by 1 January 1992 would be useful in generating a debate on the steps necessary to achieve convertibility. But it was premature. Enterprises had a great appetite for hard currency. Having paid their 40% "Presidential Foreign Debt Fund" tax on export earnings, the current "retention system", enabled them to retain the balance. This meant little foreign currency was sold in the Gosbank market; for this market to develop, it would be necessary to introduce compulsory sale of hard currency resources. The Republics were opposed to this, preferring to keep hard currency earnings within their borders; they had now therefore declared themselves opposed to convertibility in 1992.

7. Mr Mozhaiskov then explained the background to the convertibility debate in more detail. Gosbank had calculated an appropriate exchange rate to be approximately R3-5: US\$1. But even at a higher rate of, say, R10: US\$1, many enterprises would go bankrupt. But the problem was not one of competitiveness - in some markets (eg oil) the relative levels of domestic and world prices implied an exchange rate of less than R1 to the dollar. There were two main obstacles to convertibility - one internal and one external. The first was the domestic price structure, which was wholly out of step with relative world price levels. The introduction of convertibility would lead to massive arbitrage possibilities but would not help the economy. A fundamental price reform, to broaden the base of the market, was a precondition to convertibility. The second (external) problem was the balance of payments and the level of foreign debt. The country could not currently support a convertible rouble. Agreeing with the Chancellor, Mr Mozhaiskov said that convertibility would have to be achieved in stages and could only follow certain economic preconditions.

8. He added that there were also technical difficulties: although some 200 banks were now licensed to deal in

/foreign



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foreign currency, most had no relevant experience. Technical assistance from the West in this area would be useful. The Chancellor asked if the creation of joint venture banks would be a useful means of offering this assistance. Mr Geraschenko said that it was not for him to make such decisions for banks, and commented that it would be essential to find strong Western partners if such a scheme were to produce results.

#### THE BANKING SYSTEM

9. Mr Geraschenko explained that the weakness of the banking system resulted from the fact that, prior to 1988, there had been no banking system at all. State-owned banks had simply financed short term requirements in accordance with the plan or with governmental instructions, under a government guarantee of repayment.

10. The Chancellor asked about recent banking developments. He had heard that many new banks were being created. Mr Geraschenko said that the rate of growth was not as great as some implied; but, since 1988, it had been prohibited for ministries to transfer resources between enterprises under their control. This was the creation, by the enterprises, of sectoral banks to service their shareholders. The Gosbank was pushing for the creation of an auditing company which would have to approve commercial banks' annual accounts.

#### TRAINING/SECONDMENT

11. Finally, Mr Geraschenko supported the idea of the secondment of Ministry of Finance employees to Foreign Ministries of Finance. He cited as an example of similar cooperation the Bank of England's training of some Gosbank officials, and the proposal that the Bank should organise seminars for Gosbank managers.

British Embassy

Moscow

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VISIT OF CHANCELLOR OF THE EXCHEQUER

MEETING WITH REPUBLICAN REPRESENTATIVES: 2 AUGUST 1991

1. Deputy Prime Minister Scherbakov opened the meeting and noted that representatives of 13 republics were present. Lithuania and Estonia were not represented. The Chancellor explained that he was visiting the Soviet Union to see for himself the process of reform and economic change, in response to the invitation made by Gorbachev at the London Summit. He was particularly interested in the interaction of political and economic change and in how the outside world could contribute to the reform process.

2. The Chancellor heard that all republics had passed or were discussing privatisation legislation. The Kirghiz Prime Minister outlined some of the recent laws passed in his republic. Kirghizstan wanted to create favourable conditions for private businesses and foreign investment. Sadly, no British firms were yet involved in Kirghizstan. The Kirghiz government were considering setting up free economic zones and had already introduced the right of life long leaseholding. They would also be developing channels for better communication with foreign countries.

3. The Chancellor asked the Kazakh Finance Minister to describe how his republic would exploit greater economic independence. The Kazakh confirmed that his republic was making rapid progress on privatisation of housing. The relevant law had come into effect on 1 July, coupons exchangeable against property would be issued at no charge. Privatisation of industrial enterprises was also underway. To begin with enterprises would be sold to their work collectives but more widespread shareholding would be encouraged. As far as land was concerned the Kazakhs preferred a system of long-term leasing to private ownership. Kazakhstan was also encouraging foreign investment; investors would be able to export their profit in the form of raw materials.

4. The Uzbek Permanent Representative outlined his republic's more conservative stance on economic reform. He emphasised the importance of the Union Treaty and market reform on the Union level. But he also recognized the importance of bilateral agreements and supported the creation of inter-republican commercial networks.

5. The deputy chairman of the RSFSR State Economic Committee took a stronger line on privatisation. He rated it as the most vital question to be resolved. He had studied British privatisation experience during a recent visit to the UK. Even in Britain the process had not been simple; here the

task was even more complicated. People naturally were more interested in the privatisation of highly visible public services and less concerned by high-technology producers. About 400 joint-stock companies were operating in the RSFSR and as yet they had no legal guidelines within which to work. A law on joint stock companies would probably come into effect in the autumn. As an example of the scale of problems being faced Zapalsky cited the massive KAMAZ works. A Russian law on land privatisation had already been passed which allowed buying and selling. It also allowed leasing to foreigners. Laws permitting and protecting foreign investment had also been passed.

6. Zapalsky confirmed that Yeltsin was ready to sign the Union Treaty. It was a very important document. Bilateral agreements were important too. He himself had accompanied Yeltsin to Kirghizstan to conclude the Russian-Kirghiz bilateral agreement and they hoped to make a similar visit to Moldova in the near future. The Chancellor asked about the significance of bilateral treaties. Zapalsky said that speaking only of their economic usefulness they regulated the conduct of barter between republics. For example Russia would trade timber for Kirghiz wool.

7. The deputy Georgian representative expressed the hope that the Chancellor would not construe the absence of a law on land privatisation in Georgia as a lack of respect for

private ownership. On the contrary Georgians had great respect for the concept of private ownership and aspired to reintroduce it. But they saw the uneven quality of available land as an obstacle to smooth privatisation. The Chancellor asked about the economic viability of republics seeking independence. Mesabishvili said that these republics were frightened that they would not be viable and self-sufficient. But he considered these fears unjustified after all Georgia had survived as an independent nation in an earlier era.

8. The Chancellor continued his discussions with individual republican representatives over a buffet lunch.

Sian MacLeod

2 August 1991



FROM: JEREMY HEYWOOD  
DATE: 5 AUGUST 1991  
EXTN: 4330

MR SEDGWICK (IF)

cc Sir T Burns  
Mr Wicks  
Mr H P Evans  
Mr Pickering  
  
Mr Peretz - UKDel

CHANCELLOR'S VISIT TO THE SOVIET UNION: MEETING WITH IMF

The Chancellor met John Odling-Smee (IMF Mission Chief) and Tom Wolfe (Division Chief) in Moscow, at their request, on 2 August. Mr Wicks was also present.

2. Odling-Smee said that the Managing Director had asked him to keep in touch with the UK, as Chairman of the G7. The IMF mission was focusing on the issue of special association; they were seeking to get the Soviets to agree a timetable for concluding discussions. The aim was to get the Soviets to visit Washington in late August, and for a paper to be put to the Fund Board in mid-September.

3. The IMF envisaged that the special association would involve two main strands. First, the Soviets would agree to receive regular, Article IV style, missions and to have a continuing dialogue about policy; second, the IMF would provide technical assistance. In addition, the Soviets would be able to attend the occasional Executive Board meeting; they would have access to Fund publications; and the IMF would set up an office in Moscow.

4. Mr Wicks noted that it would be highly desirable if a special association could be agreed before the Bangkok meetings. Odling-Smee said that there was no problem with this as far as Fund management were concerned; and he assumed that the G7 countries were firmly on side. The main problem as far the Fund



Board was concerned was the developing countries' reluctance to see Fund technical assistance financed out of the Operational Budget.

5. The Chancellor asked whether the IMF's relationship was solely with the Union Government. Odling-Smee confirmed that formally this was the position; but he had requested discussions with the republican governments. His impression was that this would not be a problem. The Chancellor emphasised that it was important that the IMF should talk to the republics. His meeting with Yeltsin suggested that the latter were significantly more positive about Soviet reform than some elements in the Union Government. In addition, the Union Treaty was likely to bring about a significant transfer of economic responsibilities to the republics.

6. The Chancellor wondered whether the Fund Mission was looking mainly at the Soviets' macroeconomic problems: in many ways supply side reform was the key. Odling-Smee said that a World Bank Mission was currently in Moscow looking at privatisation. The Fund's own involvement on the micro side was largely confined to tax issues, trade, the foreign exchange market and price controls. The OECD, EBRD, IBRD, and IMF were covering the ground between them.

7. The Chancellor asked whether there had been much progress on privatisation in Eastern Europe. Wolfe said that progress had been very slow, even in East Germany. Relatively good progress had been made on the smaller scale enterprises (eg retail outlets); but barely a start had been made in selling the larger state enterprises. There had been some move to establish joint-stock companies. But this had not been accompanied by a change in ownership or indeed management.



8. Nor had there yet been much inward investment. The Hungarians had attracted the most, probably because their reform programme had been in train over quite a long period. Conditions were still very tough indeed in both Poland and Czechoslovakia. The Fund was worried that Poland might not get through.

9. Odling-Smee noted that the Fund were having a meeting later that day on rouble convertibility. This was an essential ingredient in the process of reform. But it could only be contemplated as part of a comprehensive macro/micro adjustment.

10. Finally, Odling-Smee said that one issue which might hold up agreement on a special association was the Soviets' continuing reluctance to come clean on the full extent of their gold holdings. The Fund had been told that the Soviets hoped to make a decision on this soon.

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JEREMY HEYWOOD



**RESTRICTED**

FROM: JEREMY HEYWOOD  
DATE: 5 August 1991  
EXT: 4330

NOTE FOR THE RECORD

cc Sir T Burns  
Mr Wicks  
Mr H P Evans  
Mr Sedgwick  
Mr Pickering

**CHANCELLOR'S VISIT TO SOVIET UNION: CALL ON MR PRIMAKOV**

The Chancellor called on Mr Primakov (Special Adviser to the President) on 2 August. Mr Wicks, Mr Logan and Academician Osypian were also present.

2. Primakov said that the Chancellor's visit had a special significance in the wake of the G7 meeting. He had a number of questions to ask. First he wanted to talk about the Soviet Union's relationship with the IMF and World Bank.

**IMF/IBRD**

3. He recognised that some damage had been done by Gorbachev's signing of the application for membership before his meeting with the G7. But no one knew precisely when the President had signed the application request. This was a "bona fide misunderstanding" and he hoped it could be forgotten.

4. The Chancellor reiterated that the UK was not opposed to the Soviet Union's joining the IMF. But other countries were not so relaxed - and Primakov should speak to them directly. In the meantime, it would be sensible for the Soviets to reach early agreement on a special association. This would bring with it a number of advantages.

5. Primakov said that a policy decision had now been taken "to join the IMF as an associate member". But there were two points he should emphasise. First, the Soviets wanted to get as much

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17. The Chancellor said that he did not know why they were sitting there talking about British venture capitalism and the activities of British banks. These were not the real issues. Could he ask Mr Pavlov a question - why did he think the Soviet Union was drowning?

18. Pavlov embarked on a long, rambling and largely incomprehensible explanation. The Soviet Union had been late starting perestroika. This should have been started in the late 1970s; in particular "production relations" should have been restructured at that time. Because there had been no reform then the Soviet Union now faced crisis. What should have been an evolutionary process would now cause pain and suffering.

19. The problem were also caused by the historic division between those who gave promises and those who had to carry out these promises - a division between those with rights and those with responsibilities. Ultimately the promises that had been given were incompatible with the economy.

20. Today's political leaders talked of sovereignty and nationhood. They thought it was sufficient to get nationhood, and that that gave "him" (sic) the right to unlimited economic power. He (sic) promised things and ordered people around. There was now a conflict - a war of laws - which was an attempt to bring politics down to earth.

21. But perestroika was a domestic affair. The Soviets had started it and they would bring it to an end. There was no alternative. Regardless of whether the West helped or not. The only question was what price ordinary men and women would have to pay and how long the process would take. If help was provided, that would imply one sort of relationship with the West; if not,



the Soviet Union was not going to launch a war, but relations would be different.

22. The Chancellor said that what President Gorbachev had already achieved in the USSR was quite remarkable. The Chancellor was not ~~there to preach, but he did believe that the Soviets should~~ continue to be bold. The Chancellor had been impressed by what he had seen; he would take a positive message back with him. He was deeply interested in continuing the process of integrating the Soviet Union into the world economy.

23. Pavlov said that for a foreigner it was sometimes impossible to appreciate the scale of the psychological change in the Soviet Union since 1917. Foreigners tended to lose sight of this when offering their prescriptions. Soviet experts did not make the same mistake. If the Government acted too harshly this might threaten the whole fabric of society. That was why they had to tread carefully where foreign experts plunged.

24. Take the case of privatisation. The Soviet people believed that if industry was privatised it would end up in the hands of either thieves or foreigners. This was not a matter of technique, it was a psychological issue.

25. Looking well pleased with his own performance, Pavlov concluded by asking that when the Chancellor gave his report to the G7 could he please preface his remarks by the small statement: "Hurt not".

JEREMY HEYWOOD



FROM: JEREMY HEYWOOD  
DATE: 6 AUGUST 1991  
EXTN: 4330

NOTE FOR THE RECORD

cc Sir T Burns  
Mr Wicks  
Mr H P Evans  
Mr Sedgwick  
Mr Pickering  
Mr Saunders  
Mr Ross Goobey  
  
Mr Logan - Moscow

CHANCELLOR'S VISIT TO THE SOVIET UNION: MEETING WITH MR PAVLOV ON  
2 AUGUST

The Chancellor met Prime Minister Pavlov on 2 August. Pavlov was supported by Shcherbakov, Orlov and Gerashchenko. Mr Wicks, Mr Sedgwick and Mr Logan were also present.

2. The Chancellor said that he was grateful to Pavlov for receiving him. He had had an excellent visit. Its purpose had been to find out for himself what was going on. He would then discuss the position with his G7 colleagues.

3. Pavlov - rather abruptly - said that he was interested to hear the Chancellor's personal position. If a man was drowning would the Chancellor throw him a rope, or would he read out the instructions teaching him how to swim?

4. The Chancellor said that the Soviet Union's problems were not simply a matter of resources or lack of assistance - financial assistance was not available, and in any event this was not the answer. What was required was a solution to the country's deep-seated structural problems. The G7 were deeply interested in the Soviets' reform plans. Progress would not be dramatic, but it would be there.



5. Pavlov said that he himself was not disappointed - why should he be? He had predicted all along what the G7's attitude would be. He had been subjected to a barrage of criticism at home; but he personally did not find the Chancellor's attitude remotely unexpected.
6. The Chancellor repeated that the scale of the Soviet Union's problems was such that a transfer of resources would not solve them. President Gorbachev appeared to recognise this. The Chancellor thought that Pavlov should not be so pessimistic about the incremental approach agreed with the G7. Contact with the IMF would be valuable.
7. At this point Shcherbakov intervened, with emphasis, to say that the Chancellor had possibly "misunderstood" what Pavlov had meant. The Prime Minister had been referring to the Harvard Plan. What was, and always had been, a "fantasy" was the idea that the G7 would provide help of \$30 billion per annum. Pavlov had been attacked at home for criticising the Harvard Plan.
8. Pavlov interrupted to affirm that there had been absolutely no chance of the west's ever giving the Soviet Union help on that scale. The Harvard Plan was not even a sand-castle!
9. The Chancellor agreed that the financial assistance elements in the Harvard Plan were indeed unrealistic. But the key issue for the Soviets was how to put in place a private sector. That would be difficult but, in his judgement, it was possible. That was not fantasy. It could be the real world if the Soviets wanted it. But, the Chancellor said, he was not sure that that was what Pavlov wanted.
10. Pavlov wondered whether the UK's interest in the Soviet economy explained why they had withdrawn export credit cover.



11. The Chancellor reminded Pavlov that ECGD was still open for short-term business. The position on medium-term cover was being reviewed. He was sure Pavlov was aware of why the UK was concerned - some of our companies had not been paid; and this was causing real difficulties.

12. Pavlov remarked acidly that he was indeed in the know. He knew, for instance, that British banks had withdrawn deposits from the Soviet Union - in fact more deposits had been withdrawn than the amount of arrears outstanding.

13. He also knew about the Articles of the IMF. As far as information was concerned, all this had been provided three years ago - the IMF had all the information it wanted. If they needed more, they only had to ask.

14. As for foreign business, the UK was lagging behind. Had British venture capitalism died?

15. The Chancellor reminded Pavlov that Britain remained a very large overseas investor. British business was very active. But their willingness to invest would depend on there being a proper economic framework in place and an environment conducive to investment. As far as the IMF was concerned, there was a mission in Moscow. Information had to be updated - the Mission had come to see the Chancellor asking him questions.

16. Pavlov said that the IMF team had not asked him any questions - so they clearly did not have any problems. (In unison Pavlov's colleagues confirmed that they had not been asked any questions either!) Gerashchenko had opened up the Central Bank's balance sheet for the IMF.



17. The Chancellor said that he did not know why they were sitting there talking about British venture capitalism and the activities of British banks. These were not the real issues. Could he ask Mr Pavlov a question - why did he think the Soviet Union was drowning?

18. Paylov embarked on a long, rambling and largely incomprehensible explanation. The Soviet Union had been late starting perestroika. This should have been started in the late 1970s; in particular "production relations" should have been restructured at that time. Because there had been no reform then the Soviet Union now faced crisis. What should have been an evolutionary process would now cause pain and suffering.

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JEREMY HEYWOOD



## CHANCELLOR OF THE EXCHEQUER'S VISIT

BREAKFAST WITH BALTIC MINISTERS: 3 AUGUST 1991

Those Present

Chancellor of the Exchequer

Mr Wicks

Chargé

Rein Miller, Estonian Minister of Finance

Alar Streimann, Estonian Foreign Ministry, Economic Section

Janis Abolins, Latvian Minister of the Economy

Elvyra Kuneviciene, Lithuanian Minister of Finance

Antonas Ivanauskas, Lithuanian 1st Deputy Minister of Finance  
PS/Chancellor of the Exchequer

1. Following the Charge's opening welcome the Chancellor thanked the Baltic Ministers for travelling to Moscow to meet him and apologised that time constraints had prevented him accepting an invitation to visit the Baltic States. But it would have been unthinkable for him to have visited Moscow without taking the opportunity to hear their views. The British government fully supported the aims of the Baltic States and refused to recognize the incorporation of the Baltic States into the Soviet Union. The Chancellor said that after three years of plans, his impression was that there were real moves for change. He was interested to hear how far the Baltic governments had been able to push forward with economic reform given the restraints of their links with the Union and asked about their experience of privatisation for example.

2. Mr Abolins described the legal framework which Latvia was setting up to encourage business development. In the past six months under the benefit of new legislation, decline in industrial production in Latvia had been less than the Soviet average. Price liberalisation was also under way. Initial statistics showed that fears that Latvia would be unable to survive a transfer to the market without Moscow's support were ungrounded. On the contrary the Latvian trade balance was improving. The main problem was monetary emission. No real economic reform was possible unless the republics could control this. Price and wage inflation would lead to reduced productivity, a problem exacerbated by the large proportion of enterprises under state control managed by people with only short term interests.

3. There was an urgent need for privatisation. An overwhelming number of Latvians had applied for plots of land in a recent scheme. Agricultural reform was presenting some problems but the net result was land-owning farmers were more efficient. Latvia hoped to be self sufficient in vegetables and milk by the start of 1992. The retail system was also being put on a new legal footing. So far there were two

dozen private shops in the republic. A number of state enterprises had been converted into joint-stock companies, some with individual private share holders (in addition to work-collective holdings). A register of small production companies had also been set up. Economic reform was proceeding in its 'normal complex way'.

4. The Chancellor mentioned the problems faced by small businesses in the RSFSR because of the state supply system. He wondered whether this was also a problem for Baltic firms. Mr Aboltins said that the state supply organisations were indeed an obstacle to reform. Latvia wanted to privatise the wholesale supply system, offering new opportunities for competition. Mr Miller noted that enterprises were increasingly setting up direct links to circumvent the state supply system. The ministers agreed that re-education was needed to persuade managers to accept responsibility for their own businesses and to stop regarding the government as a supply warehouse. There was a need to develop a feeling of property ownership.

5. Mrs Kuneviciene said that the situation in Lithuania differed little from that described by her Estonia and Latvian colleagues. The Lithuanian attempt to re-establish statehood immediately had meant some steps in the longer term all three states would be moving in the same direction. Lithuania currently had very substantial plans for step by step privatisation. These would reintroduce legal safeguards for both former and new property owners.

6. Mr Miller said that there were no major differences between the current economic situation in Latvia and Estonia except the recent freeing of agricultural prices in Estonia. In answer to a question from the Chancellor, Mr Miller said that other prices would be raised gradually. Mr Aboltins said that the property prices and rents had been held artificially low and needed to be increased, perhaps 10-fold. This was bound to cause both serious pricing and social problems.

7. Returning to the development of private business Mr Aboltins said that credit guarantees were a major obstacle. Foreign investors had lost confidence in Vnesheconombank, and in any case Vnesheconombank were reluctant to supply credits for projects in the secessionist Baltic States.

8. The Chancellor asked about Baltic plans for currency and convertibility. Mr Miller said that unfortunately Estonian convertibility was still a joke but that, like their Baltic neighbours, the Estonians considered an independent currency an essential feature of restoring political independence. A special commission comprising the Prime Minister, the Chairman of the Bank of Estonia, Mr Miller himself and

independent academics, had been charged with drawing up a timetable for measures leading towards the introduction of the new currency. This itself should take place in 1993 at the latest. The Chargé explained to the Chancellor that Estonian residents were already able to buy hard currency for roubles at Estonian banks. Mr Miller added that the auction rate had been as high as US \$ 1:75 roubles in the Estonian currency auctions. The bank rate was pretty stable at around US \$ 128/30 roubles. This was available at the new Estonian commercial banks.

9. Mr Aboltins pointed out that it was not yet clear that the Soviet authorities would permit the import of Baltic currencies printed abroad. Latvia was currently looking at an alternative idea of introducing a credit card system in which the Bank of Latvia would act as a clearing centre. This would enable the Bank to keep track of the amount of hard currency circulating in the republic. He returned to the money supply problem: Latvia would like to keep supply down in order to stimulate production, but this was impossible whilst the printing machines were in Moscow and residents of neighbouring oblasts could import roubles into Latvia. Until Soviet Union failed to sort out its financial problems the Balts might as well suspend their reform programme. The rouble was becoming completely

10. The Chancellor asked how the Balts planned to conduct trade with the Soviet Union in the future. Mr Aboltins thought that this could either be in hard currency or in roubles at an exchange rate set by the Balts themselves. Mr Streimann observed that if the Soviet Union were to make the rouble convertible from 1 January 1992 all republics would face a completely new situation. He feared that the Union might attempt to force all 15 republics to sell their foreign currency to the Union central banks. The Chargé reported that Gosbank Chairman Geraschenko had told the Chancellor that rouble convertibility might slip to 1993. Mr Streimann said that one option being considered by Estonia was to propose a Soviet-Baltic bilateral clearing centre which would guarantee deals between the Baltic States and the Soviet Union, possibly backed by a neutral guarantor. The Chancellor said that this sounded an interesting idea.

11. Mr Wicks asked for clarification on the likely fate of hard currency available to the republics in the next two years. Mrs Kuneviciene was adamant that the Union should not get hold of Lithuanian hard currency resources. Mr Miller, unlike his colleague, doubted that the centre would try to control all the hard currency funds.

12. The Chancellor repeated his regret that he had not been able to visit the Baltic States on this occasion and said that he hoped that he would be able to at a future date.

British Embassy  
Moscow



FROM: JEREMY HEYWOOD  
DATE: 5 AUGUST 1991  
EXTN: 4330

NOTE FOR THE RECORD

cc Sir T Burns  
Mr Wicks  
Mr H P Evans  
Mr Sedgwick  
Mr Pickering  
  
Mr Logan - Moscow  
  
Mr Peretz - UKDel

CHANCELLOR'S VISIT TO SOVIET UNION: MEETING WITH MR SHCHERBAKOV  
ON 3 AUGUST

The Chancellor had a wind-up meeting with Shcherbakov on 3 August.  
I was also present.

2. Shcherbakov asked the Chancellor to sum up his findings.
3. The Chancellor said that the Soviet Union faced big problems. The authorities were saying the right things - the challenge now was to turn words into action. Shcherbakov's intentions on macroeconomic and structural policy made sense; but actually putting these policies into effect would be enormously difficult. The approach was the right one - the only way forward was to work through the international financial institutions and to integrate the Soviet Union into the world economy. Progress would be incremental and undramatic; the Soviet people would become impatient. But the nettle had to be grasped.
4. The Chancellor said that he would be reporting back to the British Prime Minister and to his G7 colleagues in a positive way. The Soviet Union had been trapped in a misconceived system for seventy years. But free economic spirits remained and these must



now be allowed to roam and fly. His trip had been fascinating. And on his return to London he would reflect further.

5. Shcherbakov asked the Chancellor to try to get his G7 colleagues over to Moscow for similar visits. It would be helpful if all the G7 Finance Ministers were able to visit before the Bangkok meetings. Then Shcherbakov would like to meet the Chancellor again. The Chancellor said that he would talk to his G7 colleagues; he was more than ready to meet Shcherbakov in Bangkok.

6. Shcherbakov said that he wanted the Chancellor to consider a way of building on the recent discussions and the Soviets' meeting with the G7. What he had in mind was an ad hoc group of experts, including top academics, professionals and officials. This group could look at the Soviets' reform programme, their privatisation proposals, the question of direct inward investment and of rouble convertibility. It could assess whether these plans were adequate. The group might comprise 15-20 people, including representatives from the IMF, IBRD, EBRD, OECD and EC. It might meet once every two months or so.

7. The Chancellor saw merit in this idea and wanted to respond positively. But it would be important to ensure that there was no overlap with the IMF.

8. Shcherbakov then moved on to the question of rouble convertibility. Opinion was divided on this within the Soviet Union, and he was aware that there was a long road to travel before convertibility could be introduced. But the Soviet Union could not do without it. Unless a way could be found to make the rouble convertible by 1 January 1992, the following year would be disastrous.



9. Shcherbakov wanted the Chancellor to agree to a Stabilisation Fund. Convertibility was the only way to dismantle the domestic price structure; and to eliminate the division between exporters and importers. At present he had to rob Peter to pay Paul. Sustaining the present distortions required an avalanche of undesirable measures. ~~Whatever the difficulties, he had to take~~ the jump. Convertibility was the key. And it could not be contemplated without the help of the West.

10. The Chancellor said that convertibility was indeed a central issue, a key pre-requisite for opening up the economy. But, speaking bluntly, it would be a disaster for the Soviet Union to take that step unless it was accompanied by decisive action on the budget deficit, full price liberalisation and a comprehensive restructuring of the economy. He would discuss the issue with his ~~G7 colleagues~~. But he was sure they would take the same view. They, like he, would be sceptical about the prospects for putting in place a comprehensive package of supporting measures by 1 January 1992.

11. Shcherbakov then handed over on a personal basis what he described as the latest version of the Government's economic plan. This had been approved by President Gorbachev. As the Chancellor would see, the Government recognised the need to put convertibility in a proper policy context. The proposed expert group should look at the reform programme; and then Shcherbakov could discuss the group's conclusions with the Chancellor at Bangkok.

12. Shcherbakov said that he would not be able to get these plans accepted domestically unless he could say that they were expressly endorsed by the G7 Finance Ministers. He was committed to action on price liberalisation, on privatisation, on inflation control, on slashing arms expenditure. But he wanted the Chancellor to



look at his proposals and evaluate whether they would work. He would have to face Parliament and tell them what legislation was required. It would not cut any ice to say that his proposals were backed by the IMF - for years the Soviet people had been told that the IMF was not something they should have anything to do with. But if he could stand up in Parliament and say that his proposals were backed by the G7 this would have an altogether different impact.

13. The Chancellor said that he would, of course, look carefully at Shcherbakov's proposals and he would think further about the idea of an ad hoc group. He was positive about the Soviet's intentions; and he would work hard on returning to London. His deep interest in what Shcherbakov was trying to achieve would not lapse when the visit came to an end.

14. Summarising, the Chancellor reiterated that he would:

- (i) try to get the other G7 Ministers to visit the Soviet Union;
- (ii) think further about the establishment of an ad hoc group;
- (iii) talk to the G7 about convertibility, and report Shcherbakov's recognition that this could only be contemplated as part of a package of measures; and
- (iv) meet Shcherbakov in Bangkok.

15. Shcherbakov turned finally to the question of Soviet membership of the IMF. There had been a misunderstanding about this. The Soviets were well aware that joining the IMF was a long process. They wanted to accelerate the process but life was life!



They agreed that there would be an interim period of "association" and he himself would write a letter to the IMF accepting this. But the interim period should be of specific duration.

JEREMY HEYWOOD





FROM: JEREMY HEYWOOD  
DATE: 6 August 1991  
EXT: 4330

NOTE FOR THE RECORD

cc Sir T Burns  
Mr Wicks  
Mr H P Evans  
Mr Sedgwick  
Mr Pickering  
Mr Logan - Moscow

#### CHANCELLOR'S VISIT TO THE UKRAINE

The Chancellor met a number of Ukrainian Ministers during the course of his visit. This note pulls together some of the main points made to him. The Chancellor's dinner with Fokin (Prime Minister) is recorded separately.

#### Conversation with Minister of Conversion

2. Mr Antony said that the Ukraine had two main routes out of its current crisis: first the establishment of the Ukraine as a sovereign nation; and second a move towards a market economy. The former did not preclude joining a Union. The Ukraine would join the Union. The Union Government would be responsible for defence issues, space research and general laws regulating the common economic space. But the main issues of internal economic legislation would be entirely determined by the republican government.
3. A key requirement was to divide up the internal and external Union debt. The Ukraine wanted to service its own debt, but it was a complex problem determining how much of the Soviet Union's outstanding debt should be allocated to the Ukraine. To take a recent example, a large South Korean credit had been used by Moscow for 43 separate projects. Of these, 41 were in Russia and only one in the Ukraine. Yet all the republics had to pay for the servicing of the debt.



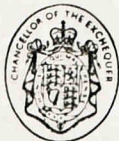
4. It was likely that in the end the Ukraine would agree to take on \$10 billion roubles of the outstanding Soviet debt stock.

5. As for the process of market reform, in the Ukraine the main emphasis was on the establishment of diverse forms of property. The Government was particularly interested in creating joint stock companies and worker-collectives.

6. Turning to the military conversion programme, Antonov noted that the Ukraine had 1,500 military factories, worth 60 billion roubles. These factories employed the elite of the Ukraine's work-force and had some of the best capital equipment in the republic.

7. His Ministry was engaged in an exercise to establish what these military complexes should be converted into. The priority areas were food processing, medical goods and consumer goods. He himself was attempting to get foreign firms to invest in these areas.

8. The Chancellor then proceeded to visit a new industrial complex, which had originally been intended to produce optical systems for SS20 missiles. Somewhat oddly, the Government was continuing to build the complex even though - they said - there was now no need to provide equipment for SS20s. The Chancellor wondered why the factory was being built at all. His interlocutors were more concerned to emphasise to the Chancellor the importance of his telling British businessmen about the potential for investment in the Ukraine.



Conversation with the Minister of Finance

9. Returning from a visit to a collectivised farm for which ICI were continuing to provide technical assistance largely free of charge, the Chancellor had a conversation with Mr Kovalenko. The latter asked the Chancellor to consider ~~providing the Ukraine with~~ technical assistance in the areas of tax administration, budget financing and privatisation, as well as in agriculture. The Ukraine had already had contact with the EBRD, with one or two US banks and a French auditing firm. The Chancellor should make contact with a Mr Peter Hackett of Concorde Consultants in London.
10. Kovalenko said that 380 joint ventures with foreign companies had already been established in the Ukraine, but only nine British companies were involved. All joint ventures were exempt from tax for the first two years of operation. Kovalenko also noted that 20,000 enterprises employing 200 people or less had been set up in the Ukraine in the last year or so.
11. One area of potential growth was tourism. The republican government had recently established a Tourism Association. They were intending to focus on the Odessa/Crimea region. Tourism could prove a significant hard currency earner in a short period of time.
12. Kovalenko said that what was holding everything up in the Ukraine was the continuing conflict between separate republics and between the Union Government and the republics. Four years earlier, the Union Government had passed the entire burden of the budget deficit down to the republic and municipal level. This had led the republican government of the Ukraine to set up an independent budget and banking system. But the first to object to this had been Yeltsin, who was now refusing to pay additional revenue to the Union. Previously Russia had contributed



120 billion roubles to the State Budget. Now Yeltsin was refusing to pay more than 25 billion roubles. The Ukraine was prepared to pay about 20 billion roubles.

13. Turning to the idea that the Ukraine might issue its own currency, the Chancellor said that this was surely incompatible with the Ukraine's signing a new Union Treaty. Kovalenko agreed, but said that some members of the republican government thought that a separate currency was still compatible with membership of the Union. For him the main problem was economic. At present people came from all over the Soviet Union to buy goods in the Ukraine. This meant that there was less for the Ukrainians - all they got in return was a pile of useless roubles. Something had to be done to stop this - if another way could be found there would, in his view, be no need for a separate currency. Another possibility, which he had discussed with Pavlov, was to continue to use the rouble, but to stamp a 'U' on the front of each note.

#### Conversation with the Minister for External Economic Relations

14. At this point Mr Kravchenko joined the discussion, together with Mr Matkin (Shcherbakov's deputy).

15. Kravchenko asked the Chancellor to look into the possibility of setting up direct flights from Kiev to London (and from Kiev to Israel). There were already two direct flights a week to Paris and also direct flights to New York.

16. Kravchenko then outlined the conditions under which joint ventures could establish themselves in the Ukraine. He said that it would be helpful to set up a joint UK-Ukraine trading office with two Director-Generals (one from each country). The Ukraine Director-General could become the Ukraine's Permanent Representative in the UK.



17. The Chancellor said that he would look at this idea. But the main problem the Ukraine had to confront was that businesses found the complex web of restrictions, regulations and concessions much too complicated and bureaucratic. This was not the real world; ~~it was not the market. He would have a look at the idea of a~~ joint trading office but in the west governments did not control their industries. It was important that contacts should be enterprise-to-enterprise, not Government-to-Government.

18. The conversation turned to the Ukraine's relationship with the Union. Kravchenko said that no one in the Ukraine really wanted to secede. A recent referendum had revealed 79 per cent of Ukrainians to be in favour of remaining in the Union. However, significantly, 85 per cent had also expressed themselves to be in favour of the Ukraine's being "a sovereign state within the framework of the Union". Matkin said that he would have no difficulty with that formulation.

19. Matkin then raised the question of training. He thought it would be immensely beneficial if Soviet graduates could come over to study in UK business schools - it would change their psychology, in a way that short courses or seminars could not.

20. Mr Logan recalled that the British Council, the FCO and BP already funded scholarships to the UK. The Chancellor noted, too, that there was a difference between managers and entrepreneurs. Those going to business schools often came out as good managers; but entrepreneurship was not something one could teach. Matkin agreed, but nevertheless felt that considerable benefits could come from Soviets attending UK business courses - not just those whose parents could pull strings, but ordinary students, selected on merit, from various republics. It was noted that it might well

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be more cost-effective to send UK trainers to the USSR rather than sending Soviets to the UK.

**JEREMY HEYWOOD**

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NOTE OF A MEETING WITH PRIME MINISTER FOKIN,  
PRIME MINISTER OF THE UKRAINE ON 3 AUGUST 1991

Present:

Mr Kravchenko - Minister for External Economic Relations  
Mr Antonov - Minister of Conversion  
Mr Yevremenko - Deputy Minister of Culture

.....

Mr Fokin said he had already been informed of the Chancellor's meeting with the Republic's representative in Moscow. His view was that if you were going to change direction, you did not need to be quite so fast on the corners. But he was optimistic. The Ukraine had industry and multi-product agriculture with natural resources.

2. To make progress in fulfilling the idea of perestroika and the move to a market economy, the Ukraine needed an external impetus and the West's assistance. It did not mean that they were looking for credits, which just left problems for the children. What they wanted was to be partners for those who would take the risk. There was a Russian expression amongst card players that those who were not risk-takers did not drink the champagne.

3. The Chancellor said he was pleased that so many Republic representatives had come to the meeting in Moscow. He could never understand why people thought that national identities would disappear. The mission and visit was economic and he had not come to draw conclusions about the political arrangements.



Nevertheless he recognised a strong force when he saw one. He asked Mr Fokin about the Ukraine's plan for its own currency. Mr Fokin replied that the currency was a big issue, a key issue, but they did not yet have an answer. If there was a possibility that they could have their own currency within half a year then they should have it. He did not agree to others printing money on behalf of the Ukraine.

4. Mr Matkin, the Deputy Minister in the Economics Ministry of the Soviet Union, made some comment that in 1948 Stalin had secretly printed bank notes before currency reform.

5. Mr Fokin said that the market belonged to him who controlled taxation, privileges and licences. If you let the Centre do all this, what was left for the Republics? ~~Only social development.~~

6. He likened the Soviet Union to a large bowl of porridge. He worried about other people taking all the porridge before the Ukraine got its share. The great problem was that if one Republic was too greedy, what was left for the others?

7. Mr Matkin pointed out that Mr Yeltsin was making promises that the Russian Federation could not keep. A strong central bank could force Yeltsin to mend his ways.

8. The Chancellor said that markets and ownership would give a better standard of living to the people and would be the only way to integrate into the world economy.

9. Mr Fokin said that when there were two polar views, the real answer lay in the middle. More haste, less speed. Privatisation would be done decisively and those who were advocating a step-by-step approach would be wrong. But it was very





complicated. The Ukraine would watch very carefully the privatisation of coal in the UK. However their view of private ownership of land was that land belonged to everyone. If you went back to the beginning of time you wouldn't have invented land ownership. It was possible they would let land tenancy pass on from generation to generation. Although at the moment everyone in the Ukraine owned the land, they did not feel richer. But if it was owned by black-market speculators, the land would be taken out of production. The West didn't understand the psychology of the people. He was not against the idea that private ownership gave us some advantages, but forceful de-collectivisation would be as bad as forceful collectivisation had been.

10. The Chancellor asked why Armenia was prepared to privatise land. Mr Fokin replied that they had nothing to lose. He thought it might also be the right thing for Russia, but if the Ukraine sold off the collectives, it would lose 50 per cent of its output. He believed his people did not want to own land.

11. The Chancellor pointed out that a very small percentage of land produced a very high percentage of output because it was controlled by individuals. Mr Fokin disputed the numbers and said that anyway they only produced the easy things like potatoes and flowers, not oats, sugar beet and wheat. Agriculture was owned co-operatively and not by the State.

12. Mr Matkin said that he himself was not against land ownership, but were the pre-requisites present - especially the psychological pre-condition? In his own generation and the prior generation, they remembered compulsory collectivisation, and they were once-bitten twice-shy about moving in the opposite direction. There was a tremendous problem in moving from very large collectives to smaller-scale farms and the Soviet Union needed



smaller-scale grain elevators and other equipment. He said that Mr Fokin being an economist understood all this. The best way forward would be for foreign experts to come and study the problems.

ALASTAIR ROSS GOOBEY

August 1991



FROM: JEREMY HEYWOOD  
DATE: 6 AUGUST 1991  
EXTN: 4330

MR SEDGWICK (IP)

cc Sir T Burns  
Mr Wicks  
Mr H P Evans  
Mr Mortimer  
Mr Pickering  
Mr Saunders  
Mr Ross Goobey

CHANCELLOR'S TELEPHONE CALL WITH SECRETARY BRADY: 5 AUGUST

US Treasury Secretary Brady called the Chancellor on 5 August to de-brief him on his trip to the Soviet Union. Brady said that President Bush had come back from the Soviet Union saying that Brady should get over there and "do his stuff".

2. The Chancellor said that the Soviets were making the right noises; talking about markets and privatisation; and promising to get inflation down and to reduce their budget deficit. Gorbachev's words had been impressive; and Shcherbokov's too, although he occasionally lapsed into "old-speak". Pavlov, by contrast, had been dreadful. (Brady concurred - Pavlov was "a real old Soviet bully").

3. At the end of his Moscow trip Shcherbokov had put some questions to him. His main thrust had been that while the IMF's advice was valuable and important, there would be resistance in the Supreme Soviet to anything that looked like an IMF-designed reform programme. It would be much more politically persuasive if the programme had received the imprimatur of the G7 Finance Ministers. Shcherbokov also wanted all the G7 Finance Ministers to visit Moscow - it would be good if Brady himself could get out there.



4. Brady said that Bush had gained the impression that the Soviets were looking for the G7 to visit Moscow seriatim. That suited him fine. But he did wonder whether the Soviets were just intending to use these visits as a media ramp, and a way of postponing serious action.
5. The Chancellor could not rule that out; but he thought the G7 should take the Soviets at face value and put pressure on them to reform.
6. Shcherbokov was convinced that rouble convertibility was an essential element in the reform programme. In the Chancellor's judgement that was right. But he had made it clear to Shcherbokov that convertibility could only be sustained if it was part of a comprehensive package. Shcherbokov had argued that it was critical to introduce a convertible rouble by 1 January 1992. The Chancellor thought that this was an absurdly unrealistic ambition. Brady agreed, noting that the question was who would pay for it?
7. The Chancellor reported that both Primakov and Shcherbokov had asked for Western help in the form of a Stabilisation Fund. The Chancellor had not given them any cause for hope on this. Only Gorbachev had raised the question of debt restructuring. The Chancellor had kept off this altogether.
8. The Chancellor said that in his view a continuing dialogue with the Soviets would be valuable - some of them were definitely listening. He was aware that Brady was reluctant to institutionalise the process of dialogue. But he did think that there was a need to think further about this. If all the G7 Finance Ministers had visited the Soviet Union by the time of the Bangkok meetings he himself saw advantage in the G7's having a collective discussion at that time. They could also see the

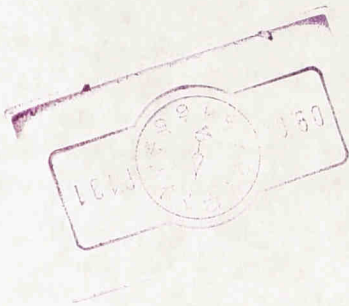


Soviets in the margins of the Bangkok meetings. Brady indicated that this would not cause him any problems.

9. Brady said that he thought he would try to get out to Moscow sometime in the period 5-15 September. He might want to talk to the Chancellor or his advisers about whom it would be worth seeing. The Chancellor said that Shcherbokov seemed to be more influential than Orlov, and that Primakov was worth seeing. Brady said that he thought he would probably take Greenspan with him, together with two or three businessmen.

10. Brady concluded by reiterating that he did not think that anyone could really tell whether the Soviets were deceiving the West, just stringing the G7 along or using them to stall reform domestically. The Chancellor agreed that it was difficult to read the Soviets' minds. But he did not believe that Shcherbokov was under great domestic political pressure to reform. So it was not clear that he needed to find a way of stalling. In any event, the Chancellor thought that it was important to keep up the dialogue.

JEREMY HEYWOOD





FROM: JEREMY HEYWOOD

DATE: 5 August 1991

EXT: 4330

NOTE FOR THE RECORD

cc Sir T Burns  
Mr Wicks  
Mr H P Evans  
Mr Sedgwick  
Mr Pickering

~~CHANCELLOR'S VISIT TO SOVIET UNION: CALL ON MR PRIMAKOV~~

The Chancellor called on Mr Primakov (Special Adviser to the President) on 2 August. Mr Wicks, Mr Logan and Academician Osypian were also present.

2. Primakov said that the Chancellor's visit had a special significance in the wake of the G7 meeting. He had a number of questions to ask. First he wanted to talk about the Soviet Union's relationship with the IMF and World Bank.

IMF/IBRD

3. He recognised that some damage had been done by Gorbachev's signing of the application for membership before his meeting with the G7. But no one knew precisely when the President had signed the application request. This was a "bona fide misunderstanding" and he hoped it could be forgotten.

4. The Chancellor reiterated that the UK was not opposed to the Soviet Union's joining the IMF. But other countries were not so relaxed - and Primakov should speak to them directly. In the meantime, it would be sensible for the Soviets to reach early agreement on a special association. This would bring with it a number of advantages.

5. Primakov said that a policy decision had now been taken "to join the IMF as an associate member". But there were two points he should emphasise. First, the Soviets wanted to get as much

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benefit as possible from associate status. Since the latter was a new concept, with G7 support it should be possible to meet the Soviet's aspirations on this point. Second, it was essential that this special association be put in the context of full membership over the longer-term. What had really put the Soviets on their guard was the recent US view that they could become only associate members of the "~~Pacific Economic Co-ordination Committee~~". It was insulting and denigrating to suggest that the Soviets had to be associate members of all international organisations. He had made clear this view to the US.

6. The Chancellor noted that Primakov might also wish to discuss this with the Japanese.

#### Investment projects

7. Primakov said that that government was working on a final draft of its proposals on investment projects. It would be important to put in place some machinery to take this forward - there should be a G7 framework, not a series of bilateral agreements. The programme would need to cover, inter alia, Energy, Military Conversion, and Agricultural Produce projects.

8. The Chancellor said that it would indeed be helpful to know what the Government had in mind for these sectors.

9. Primakov said there were two possible approaches for taking this forward. One would be for the Soviets to outline what they had in mind, emphasising where foreign investment and assistance was required, and calling on the G7 to help with this. The second approach would be to hand over the whole programme to a joint Soviet/G7 body. This new body could then mobilise investors from the West. He himself favoured the second approach.

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10. The Chancellor agreed that it would be a good idea for the Soviets to make clear the areas in which they were looking for foreign collaboration. Each of the G7 countries had industries and businesses with different expertise. No doubt the private sector would be interested in investing in the Soviet Union - but this would depend largely on whether the climate was conducive to enterprise. ~~Reform was a key pre-requisite.~~

11. Primakov said that he was well aware of the limits of the G7 process. But the choice lay between either letting things drift or attempting to co-ordinate action and assistance. He hoped the Chancellor would agree to the establishment of a joint G7/Soviet working group to promote investment projects in the Soviet Union, and to engage and co-ordinate private sector activity.

12. The Chancellor said that he would be happy for officials to talk further about this idea; but he would want to reflect. He would also wish to discuss follow up issues with his G7 colleagues.

### Convertibility

13. Primakov said that there had been an attempt to hold foreign exchange auctions. But the process had come up against a brick wall. The demand for foreign exchange was enormous; and the authorities had no means of intervening. As a result, the auction exchange rate was ridiculously low - it was "pure speculation". At the auction exchange rate a return sleeper ticket from Moscow to Leningrad would cost less than \$2. This was incredible - and did not reflect underlying realities.

14. The Soviet Union would move towards convertibility - but Western support was required. Many of the republics were opposed to convertibility because it would remove the advantage of holding

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hard currency. The republics wanted to keep the reins of economic power in their own hands.

15. The Chancellor said that he was sure Primakov was right to emphasise the importance of rouble convertibility - without this, foreign trade and inward investment would be strictly limited. ~~But if convertibility were to work it had to go hand-in-hand with~~ macro-economic reforms - control over the budget deficit, and the introduction of a tight monetary framework - and with structural reform - the liberalisation of trade and prices. Without action on these lines, rouble convertibility would be highly damaging.

16. Primakov agreed - it was essential to put a market infrastructure in place. But without foreign exchange, they were facing a brick wall. The Government was committed to convertibility. ~~But they would need a Stabilisation Fund and additional support measures.~~

17. The Chancellor said that he thought his own views would be echoed by his G7 colleagues.

#### Scientific collaboration

18. Academician Osypian said that he had recently attended a meeting in the USA of scientific and technical experts from the G7 countries and the EC. He maintained extremely good contact with Professor Bill Stewart and Dr Thompson. The group had already developed a common strategy on scientific collaboration, including work on accelerators and space research. But still closer co-operation was required, and there would be a further meeting of experts later in the year.

19. In the meantime he wanted to take the Chancellor's mind on the Kapitsa Foundation. This was an opportunity not to be missed. The proposal had received support from several leading Cambridge

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figures, including Lord Adrian. He hoped the British Government could invest money into the project. The fields covered would include computer science, physics, banking and management.

20. Primakov said that the Soviets were intending to seek private sector financing as well. But support from the British Government would provide the needed impetus.

21. The Chancellor said that he took a positive view of the project, and wanted to see it go ahead. But he would want to look at two issues before concluding that the Government should make a financial contribution. First, it was important to be clear what the Foundation would cover - was it science or business? Second, it would be vital to secure contributions from the private sector (eg oil companies). He would be happy to help the Soviets in approaching British companies.

22. Primakov said that Osylian and Professor Stewart should be asked to provide a joint report on the scope of the Foundation, and report to the Chancellor. On the second point, he would certainly do his best to secure a contribution from the oil companies.

JM  
12

JEREMY HEYWOOD

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cc pg

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*Deputy/Good - and helpful.  
We shd. make the specificity  
so I have  
some concrete proposals for when  
I go.*

Treasury Chambers, Parliament Street, SW1P 3AG  
071-270 3000

**PRIME MINISTER**

*② We'll need a meeting with  
Nigel W. on part - G7 activities.  
Pl. refer. F17A*

**VISIT TO THE SOVIET UNION**

I attach a note which reports on my recent visit to the Soviet Union and provides some initial thoughts on follow up.

2. I believe that as a country we have an excellent political and diplomatic opportunity to play a leading role at this critical turning point in Soviet, European and, indeed, world history. We should now work strenuously to follow up the success of the London Summit, to build on my visit and pave the way for your own. We must also start preparing now to ensure that our Presidency of the EC next year is put to the maximum political effect in bringing the Soviet Union into the European fold.

3. I do not pretend that it will be easy for the Soviet Union to transform itself rapidly into a fully-fledged democracy with a well-functioning market economy. This is an enormous task and the road ahead will be difficult and halting. Nor do I pretend that the Soviets speak with one voice on the need and scope for reform.

4. But the Soviet leadership are making the right noises and I believe we must take them at face value. An overly negative approach now could deal a decisive blow to the cause of reform, just at the moment when the private sector and the reformists are looking to the West for a lead.

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5. I am copying this minute and the attachments to Douglas Hurd, John Gummer, Peter Lilley, Michael Howard, Robin Leigh Pemberton and to Sir Robin Butler.

A handwritten signature in blue ink, appearing to be "N.L.".

[N.L.]

8 August 1991

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**MY VISIT TO THE USSR AND THE FOLLOW UP TO THE LONDON SUMMIT****Introduction**

I visited the USSR from 31 July to 4 August following President Gorbachev's invitation to G7 Finance Ministers at the London meeting. During my visit I met President Gorbachev, Prime Minister Pavlov, Deputy Prime Minister Shcherbakov (who appears to be the most influential figure on the economic side) and many other representatives of the Union Government. I also saw President Yeltsin of the RSFSR, visited the Ukraine, and saw representatives of the other republics. I met numerous people from outside government - including representatives of the private sector, individual entrepreneurs, and academics.

**A : IMPRESSIONS OF THE SOVIET ECONOMY**

My visit has left me more convinced than ever that the political transformation that has occurred in recent years, and the economic transformation that is just beginning, together represent the most important political developments of the last fifty years. The great uncertainty is whether the transformation to a market economy will be successful, and will thereby underpin and strengthen further the political transformation. There remains a substantial gap between what the Soviets say about their reform intentions and what they actually do.



***The Soviet Economy and reform***

The problems facing the Soviet economy are profound. The old centrally planned system has visibly collapsed, but the core elements of a market economy have not yet begun to be put in place. There is now a real threat of hyperinflation - the budget deficit has reached enormous proportions and is being financed exclusively by the central banking system. The Soviet authorities at both Union and republic levels are acutely aware of these problems. But what I found of much greater interest was the testimony of those outside government - entrepreneurs, academics, factory managers and others. All were agreed on the extreme nature of the crisis and the urgent need for change.

Gorbachev, Shcherbakov, Yeltsin and others inside the Union and republic governments say that they are committed to market reform, but even if they are sincere I am not convinced that they fully understand their goal, still less how to get to it. There is likely to be a continuing gulf between their aspirations for reform and their actions. On my departure Shcherbakov, in a great parting gesture, passed me a note which he said contained the latest Soviet thinking on reform. Disappointingly, this turned out to be simply a reiteration of the relatively unambitious "anti-crisis/Joint Action" plan, which we discussed with President Gorbachev in London. This incident illustrates why a degree of scepticism about underlying Soviet attitudes to economic reform is appropriate.

Moreover the attitude of Gorbachev, Shcherbakov and Yeltsin contrasted sharply with that of Prime Minister Pavlov, who made no effort to conceal his negative views on radical reform and the involvement of the G7. I was also disappointed with the attitude



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of the government of the Ukraine. Its commitment to a substantial degree of independence from Moscow is beyond dispute, but it was only lukewarm on radical market reform.

But while the various layers of government do not always speak with one voice on the need for or the urgency of reform, I believe that we must take Gorbachev's commitment to reform at face value. In my view, we should do everything possible to encourage the Soviets to press vigorously ahead with reform.

***Union and republics***

There is no doubt that the dispute between the Union and republics on the allocation of powers between them has damaged and delayed the process of reform. This dispute is, I hope, now moving towards resolution through the 9+1 process. However, the draft Union treaty, which Gorbachev told me is ready to be signed, is still very vague on how decisions will be taken on areas of "joint responsibility". We should also remember that there are six republics that are not fully participating in these discussions.

In the week I was in the Soviet Union, the RSFSR and several other republics - though not the Ukraine - reached provisional agreement with President Gorbachev on the vital area of tax raising powers. This agreement apparently specifies that the republics will collect all tax revenues and then pass 10 per cent of these to the Union. Gorbachev appears to have convinced himself that this amounts to a direct federal tax though it is not clear who will set the rate and what role the republics will have. A crucial question that remains is whether this arrangement will be adequate to ensure that Union expenditures are covered, particularly on the military side. Much will depend upon the final agreement on the division of expenditure responsibilities.

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Despite claims that it has now been agreed it is still very unclear what the exact provisions of the draft Union treaty are. The most recent draft has not been published, but is supposed to be open for signature from 20 August. Previously published drafts have given the republics considerable powers, including rights over their land and natural resources. The main powers retained exclusively by the Union include the provision of defence and the right to issue currency (although the Ukraine is considering issuing a separate currency). Based on my discussions with Yeltsin it seems that the Union will also retain control over railways, defence equipment and energy production (including nuclear). All the other areas will become the responsibility of the republics. Significantly the Union will no longer have the right to determine the sales policy for Russian oil, without RSFSR agreement. Foreign policy will operate on a two-tier basis with the Union setting the overall framework and the republics filling in the details. Yeltsin's views aside, it would seem likely that, in order to secure agreement, the treaty will provide for control to be exercised "jointly" in many areas. How this will work in practice will then no doubt be subject to further complicated negotiations and disputes.

But what already seems clear is that much of the power over economic policy - particularly at the micro level - looks set to be devolved to the republics. While such a devolution of power is in many ways highly desirable, there is a real risk that it will make some of the most important macroeconomic problems more difficult to resolve. For example, many asserted that Yeltsin's numerous pledges on public expenditure - particularly social expenditure - made fiscal and monetary control in the Union extremely difficult. There also remains continuing confusion over the extent to which the State Bank will be able to control

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monetary creation in the Union as a whole, and whether the Union will have sufficient revenue overall to cover its expenditure commitments. There is thus a real danger of continuing monetisation of budget deficits, with the inevitable inflationary consequences.

One message that came over very strongly is that business - homegrown entrepreneurs and foreign firms - needs certainty. They need to know who is in authority, which laws apply to their operations, and how the various levels of government - Union, Republic and municipal - relate to one another and those they govern. One ICI representative told me of the problems he had had in grappling with different layers of government. BP have written to me in similar terms.

***Soviet debt***

While fortunately we did not have to discuss the matter in any detail, it was quite clear that the external payments position of the USSR remains extremely difficult. I did not come under pressure during my visit in relation to our current position on either the provision of export credits or the question of a rescheduling of Soviet debts. An announcement since I left the Soviet Union that greater emphasis would be placed on imports of food and consumer goods is worrying in the context of debt service.

***The IMF and World Bank***

I discussed with Soviet ministers the question of their involvement with the IMF and World Bank. The Soviet application for full membership - which we, of course, support as a long term goal - has confused and delayed the follow-up to the London

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meeting with President Gorbachev. I told the Soviet authorities that it was essential for them to have special associate status with the Bretton Woods institutions as soon as possible. I was assured that they have now accepted this, and that they intend to make the necessary arrangements with the IMF and World Bank, although the Soviets are clearly hoping that the timetable for full membership will not be too drawn out. The IMF Mission currently in Moscow (led by John Odling-Smee) is hoping to be in a position to put a firm proposal to the Executive Board in mid-September. I intend to set contingency work in hand to establish how full Soviet membership might impact on the UK's own position in the Fund.

*Convertibility of the rouble*

The need for early rouble convertibility is one recurring feature of Soviet ideas for economic reform: Shcherbakov was particularly insistent on this point. He and others think that convertibility is a vital step towards the removal of distortions in the domestic economy and towards the integration of the Soviet economy into the world trading and financial system. He also repeated the Soviet request for a stabilisation fund to support the move to convertibility. Against this Gosbank officials were sceptical about early progress to convertibility, mainly because of the extreme weakness of the USSR balance of payments position. Gosbank also seemed disturbed by the very low rate to which the rouble had fallen in recent foreign exchange auctions, much prestige being attached to a strong exchange rate.

I am sure that convertibility is a vital step that the USSR must take in order to allow domestic prices to adjust fully to world levels and for foreign investors to be allowed to repatriate their profits. But it would only make sense in the context of a

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comprehensive package of reforms that includes a sharp fiscal tightening, the end to monetary financing of any remaining fiscal deficit, and the sweeping away of state controls on both production and prices. You will recall that the stabilisation fund for Poland came only after a comprehensive and radical programme of reform had been agreed with the IMF. In the event, of course, the Poles have not yet had needed to draw on the Fund - indeed in the first year Poland's foreign exchange reserves increased, reflecting the tightness of monetary policy and the greater than expected improvement in the current account.

#### ***Privatisation***

Since visiting the Soviet Union I am more convinced than ever that the key to a long term solution to its economic problems lies in the complete dismantling of the old command system and its replacement by a privatised market economy. It is essential that the Soviet authorities privatise immediately and extensively in those areas where early progress is possible, although they should not lose sight of the need for massive privatisation of larger firms in the medium term. The obvious areas in the immediate future are small businesses, the retail and distribution sectors, and agriculture. Privatisation could bring a large boost to output, productivity, and incomes in the agricultural sector without massive quantities of investment being needed.

There are, however, fears among many in Government about taking the first decisive steps in this direction. Yeltsin and the RSFSR government appeared most keen on early and imaginative privatisation, while the Union and Ukraine governments emphasised the difficulties in a way that was not very convincing. Most of those I spoke to made the obvious point that privatisation must be accompanied by the establishment of what they called a full market infrastructure.

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During my visit I came across no evidence that the Soviet authorities had started to consider seriously how to implement their stated target of privatising 40-50 per cent of enterprises (presumably mainly shops and small firms) by the end of next year. Indeed, there seemed to be a great deal of confusion over the distinction between the processes of de-statisation (ie the conversion of firms into joint stock companies with most of the shares held by the State) and genuine privatisation. It is clear, however, that responsibility for privatisation will rest largely with the republics, and it is likely that some will proceed more rapidly than others. It was equally clear that thinking was at a very early stage and that Western advice is badly needed.

*The emerging private sector*

For all the difficulties and uncertainties about economic reform voiced by the Union and republic governments, it is possible to be over-pessimistic about entrepreneurship and whether it can thrive in the USSR; the need is for the authorities to stop stifling enterprise and allow the private sector to operate freely. I visited a commodity exchange in Moscow where a brisk business had rapidly developed as enterprises bought and sold in huge quantities products not easily obtainable elsewhere, everything from underwear to aircraft. I also visited a co-operative factory in Moscow which had freed itself from state ownership and control. What was so impressive was that, in the chaotic state of the Soviet economy, management and labour were often vigorously seeking out new markets and creating new products to ensure the survival and expansion of their enterprises.

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**B: FOLLOW UP**

The future of the Soviet economy is critically important for the world. For a variety of reasons, not least the success of the London Summit, the Soviets are looking to the UK government for a lead. In my view there are significant political attractions for us in taking on a high profile role, culminating in your visit to the USSR on behalf of the G7 later this year. There are a number of initiatives that we should develop between now and then.

**Technical and other assistance to the USSR**

I received a number of specific requests for UK technical assistance relating to privatisation techniques, the functioning of the new commodity exchanges, agriculture, and other areas. I will be examining these requests in detail in collaboration with the interested government departments. I hope that we can provide early assistance where it is justified. We have long-recognised that well targeted technical assistance - usually involving only modest amounts of money - is the most useful form of assistance for the Soviet economy. Such assistance does not need to go to the Union government, but can - and in my view should - go direct to republics, municipalities, and above all to the emerging private sector. The recent enhancement of the Know How Fund for the Soviet Union leaves us well placed to deal with these particular requests. I also received requests for other types of assistance, such as exchange visits for finance ministries and central banks, and for working groups on particular projects. I attach a list of all such requests.

I think that we need to set up a high level interdepartmental group of officials to consider these requests and economic relations with the USSR in general. It could deal with the work

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on IMF quotas mentioned above and the proposals on follow up which I set out below. I propose that Nigel Wicks should chair such a group.

*C: International follow up*

**Maintaining the momentum of reform**

I am convinced that the G7 should consider again how to respond to the challenge of economic reform in the USSR. You will recall that at the G7 meeting with President Gorbachev at Lancaster House the US and France blocked the proposals for follow-up machinery that Nigel Wicks and others had put together.

I have spoken to US Treasury Secretary Brady since my return from the USSR and am more hopeful that some form of informal follow-up arrangements can now be agreed. The G7 needs to do what it can at this crucial turning point to convince the Soviet authorities of the need for early and ambitious reform. I received the clear impression that the more reform-minded people in the Union and republic governments would welcome pressure as well as advice from us, which in turn would help them to persuade the Soviet population of the need for drastic measures.

I very much hope that all the other G7 Finance Ministers will be able to visit the USSR in the months ahead. I know that Brady and Mazankowski intend to visit in September. I hope that the Japanese will be less opposed to follow up action now that the US is shifting its stance.

I believe that we should consider now how our dealings with the Soviet authorities can best help genuine reform. Shcherbakov passed on to me a request for the establishment of a forum in

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which G7 Finance Ministers and the international institutions might continue the dialogue on reform and review in detail the Soviets' proposals for reform.

I think that we should consider some - fairly informal - arrangement by which G7 Finance Ministers can provide a political input to this process, which would complement and strengthen the crucial work of the IMF and other institutions.

One approach might be something along the following lines:

- A small working group might be set up, comprising senior G7 officials, representatives of the international financial institutions, and the Soviet authorities (maybe including republics).
- The group could prepare a report for Ministers, before the Bangkok meetings of the IMF and World Bank, which would consider all aspects of economic reform in the USSR. We could then discuss this at the meeting of G7 Finance Ministers at Bangkok and perhaps also collectively with the Soviet representatives who will be attending the Annual Meetings.

Such a process would reinforce the efforts of the IMF and others, and would provide valuable encouragement to reform in the USSR. The purpose of this process would be to buttress reform and not to provide large scale financial assistance. Indeed I made it quite clear to the Soviets that large scale financial assistance was not on the agenda.

If you agree I will sound out G7 Finance Ministers (to whom I have promised to report on my visit) on these proposals for

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follow up. I propose also that Nigel Wicks' interdepartmental group of officials should work up these proposals, building on work already started by Treasury and FCO officials under Nigel's guidance.

***The European Community***

I intend to report on the trip to ECOFIN when it next meets in September.

There is one area where I think we should propose a change in the thrust of the Community's dealings with the USSR. As the Soviets approach final agreement on the new Union Treaty, it is quite clear that substantial powers have shifted to the republics. In its dealings with the USSR - particularly its programmes for technical assistance and food credits - the Community has shown an excessive tendency to channel its efforts through the Union Government. If he agrees, I suggest that the Foreign Secretary takes this matter up in the Foreign Affairs Council and pushes for a much greater emphasis within the Community on direct contacts with the republics.

***Other action***

I intend to hold a seminar, later this summer, with those British businesses which have a close interest in the Soviet Union. I understand that the FCO will be writing separately with regard to the proposed Kapitsa foundation.

My office will be sending to yours a comprehensive set of minutes of the meetings I held in the USSR. You may wish to glance at these to get a feel for the problems and challenges the country faces at this critical juncture.

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**ANNEX**

**CHANCELLOR'S VISIT TO THE SOVIET UNION: FOLLOW UP**

The Chancellor promised to pursue a number of issues during his visit to the Soviet Union:

(a) Procedural

- (i) to try to make sure his G7 colleagues visited the Soviet Union before the Bangkok meeting;
- (ii) to consider - in a positive spirit - Shcherbakov's request for the establishment of a working group of experts to review the Soviet reform proposals;

Technical assistance and training

- (iii) Possible expert help from the UK private sector for the Moscow commodity exchanges (especially in the areas of information technology, and legal and accounting systems);
- (iv) possible support for the RSFSR, in the form of help for the small private farmer (especially vehicles and additives);
- (v) help with agricultural storage/processing: and help in training and educating managers. President Yeltsin asked for a joint working group;
- (vi) to take a positive line on the Kapitsa Foundation and to help the Soviets to approach British companies;

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- (vii) to consider the Ukrainian request for technical assistance in the areas of tax administration, privatisation, budget finance and agriculture;
- (viii) to consider providing scholarships for Soviet students to study at UK business schools, or sending British trainers out to the USSR;

**Privatisation**

- (ix) to get UK companies to provide advice on the RSFSR privatisation programme;

**Other**

- (x) officials should consider Primakov's proposal for a G7/Soviet working group on investment programmes;
- (xi) to relay Shcherbakov's views on convertibility to the G7.
- (xii) the Chancellor reiterated, in his meeting with President Gorbachev, the Prime Minister's promise to review COCOM.
- (xiii) possible secondment of UK Treasury officials to the USSR (and visa versa). Similar exchanges between the Bank of England and Gosbank;
- (xiv) to look into the possibility of establishing a direct flight from London to Kiev;
- (xv) to consider the idea of a joint UK - Ukrainian training office.

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*Handwritten initials*

ZAMYATIN

15/8

10 DOWNING STREET

LONDON SW1A 2AA

*From the Private Secretary*

*Adm* 1 August 1991

I enclose a copy of a letter which the Prime Minister has received from Mr Leonid Zamyatin.

( I should be grateful if you would let me have a draft Private Secretary reply, to reach this office by Thursday 15 August.

*JEW*

WILLIAM E CHAPMAN

C N R Prentice Esq  
Foreign and Commonwealth Office

*VR*



ПОСОЛЬСТВО  
СОЮЗА СОВЕТСКИХ  
СОЦИАЛИСТИЧЕСКИХ РЕСПУБЛИК

USSR Embassy  
13, Kensington Palace Gardens  
London W8

12317

The Rt.Hon. Mr.John Major, MP  
Prime Minister  
10, Downing Street  
London

30 July 1991

Dear Prime Minister,

Further to the conversation you had with President Gorbachev during his recent visit to London, I now have the honour to provide some background information on the "Kapitsa Foundation".

Academician Peter Kapitsa, Nobel Prize winner in nuclear physics, a world renown figure in that field, worked at the Radcliffe Laboratories in Cambridge in 1922-1934.

His research was conducted in cooperation with the leading British scientists of the time, which resulted in close personal relationship between scientific establishments of the two countries.

In 1930 Dr.Kapitsa, employed a local construction firm to build a house at Huntingdon Road in Cambridge. He draw the plans himself as to take into account the growing family - his older son Sergey was born in Cambridge. He also bought a freehold on the land and held the title even after he left Britain in 1934. The result was a traditional two-storey cottage with 8 rooms, a garden and a garage. At the time of the last insurance evaluation in 1986 the property was valued at approximately 150 thousand pounds.

After Dr.Kapitsa's death in 1966 it was discovered that he had left the property to the Soviet government, in the person of the Academy of Sciences of the USSR. The proper transfer of the title was accomplished in 1969, and the USSR Academy of Sciences is presently the sole proprietor.

In his will, Dr.Kapitsa suggested that his gift should be used "for the benefit of the Soviet science and to further Soviet-British scientific cooperation". Until last year, that wish of the scientist was considered to be effectively carried out through an arrangement between the Academy and Churchill College, Cambridge, which used the house for accomodation purposes.

With the new page in the relations between our countries opened, discussion was initiated last year about finding a use for the house, that would be more in line with what Dr.Kapitsa originally intended. It found whole-hearted support both with Dr.Kapitsa's family - his two sons Sergey and Peter are both physicists, well-known in this country, and the Academy of Sciences. The general idea is to use the property to facilitate regular visits to this country of scientists from the Soviet Union, as accomodation costs normally constitute a large part of the expenses involved.

As I am sure, you would agree, Mr. Prime Minister, Cambridge is rather a favourable location for such a scheme. Not only has it a powerful research base, but the city offers excellent possibilities for scientific and management training. The concept of the "science village" is also an interesting "export item", as there are many Soviet scientific institutions seeking ways to link-up effectively with industries.

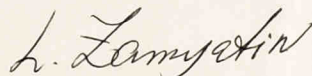
It was suggested that the most effective way to approach this programme would be by setting up a Kapitsa Foundation. Such an organisation could undertake to finance the visits to this country of various Soviet scientists, managers or businessmen.

The USSR Academy of Sciences, on its part, would put in the Kapitsa House as its contribution to the Foundation and undertake to organise the procedures at the Soviet end.

That is, indeed, a modest project. Yet, in some way, it may be a good impulse for new forms of cooperation between the scientists of our two countries. It can provide a useful infrastructure for the great amount of good-will and mutual interest that has been demonstrated so vividly over the last few years. Academician Yuri Osipyan, the Scientific Advisor to President Gorbachev, has already had some preliminary discussions on this subject in the British scientific community. Likewise, the two sons of Academician Kapitsa are frequent visitors to this country and have discussed the proposal at length with some leading British academics. I am certain that the proposal to establish a memorial Foundation would meet with wide-spread public support in the Soviet Union. Yet, it is only with the support of the science community in Britain that it can hope to be successful.

I thank you, Mr. Prime Minister, for your time and interest in this affair. Dr. Osipyan is under instructions from President Gorbachev to make himself available for further discussions of the project whenever the British side demonstrates its readiness. In my view, the idea itself can prove to be of great symbolic and practical value to both our countries.

Yours faithfully,



L. ZAMYATIN



PART 20 ends:-

JSW to FEO

29.7.91

PART 21 begins:-

Ch/Exch to PM

8.8.91