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10 DOWNING STREET

LONDON SW1A 2AA

From the Private Secretary

24 September 1989

Dear Stephen,

PRIME MINISTER'S MEETING WITH MR. GORBACHEV

The Prime Minister had a two and a half hour meeting with Mr. Gorbachev in St. Catherine's Hall in the Kremlin on 23 September, followed by a working lunch. Mr. Chernayev, Assistant to the President, was also present for the meeting. Mrs. Gorbachev, Mr. Primakov (Candidate Member of the Politburo), Mr. Albakain (Deputy Prime Minister), Mr. Kovalev (Deputy Foreign Minister), the Soviet Ambassador in London and Sir Rodric Braithwaite joined the lunch. You will have received separately the text of the Prime Minister's statement at her subsequent press conference, and the immediate briefing which we sent from Moscow for President Bush. This letter records the main discussions in the morning and some of the points covered at lunch. I am writing separately about another matter.

Introduction

The Prime Minister gave Mr. Gorbachev an account of her stop-over in Bratsk. The group who had come to the airport to meet her had been fervent supporters of perestroika. They had also asked her to say that, following her own visit, they hoped Mr. Gorbachev would find the time to come and visit them. Mr. Gorbachev took this in good part, suggesting that there was no need for him and the Prime Minister to discuss perestroika, since she had obviously done it all in Bratsk.

Mr. Gorbachev then welcomed the Prime Minister. It was quite a difficult moment for both of them and therefore a good time to meet. Their dialogue was a continuous one stretching over five years now, although the Prime Minister had sometimes tried to interrupt it (this said with much laughter). The Prime Minister said that other problems were small when set against the importance of their dialogue. Mr. Gorbachev said that he heartily agreed. It might not always be possible to avoid obstacles, but he and the Prime Minister should step over them and keep their dialogue going. It was of central importance in the world. He was not just saying this as a compliment - he meant it.

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Developments in the Soviet Union

Mr. Gorbachev said that the Prime Minister would have seen for herself some of the changes taking place in the Soviet Union. The Prime Minister agreed that she could feel a change in the atmosphere, with much of the tension gone. She was grateful to Mr. Gorbachev for meeting her mid-way between two very important meetings, the Central Committee Plenum and next week's session of the Supreme Soviet. She had been in close touch with President Bush and was fully in the picture about his meetings with Mr. Shevardnadze and the contents of Mr. Gorbachev's letter. But before discussing some of these issues, she would like to hear how Mr. Gorbachev himself saw the situation in the Soviet Union.

Mr. Gorbachev pushed his chair back from the table, observing that this was a simple question. Could he please have all day to answer it? The situation in the Soviet Union was unusual. The theoretical work of perestroika, in terms of political and economic reform as well as ideology and culture, was just about complete. A new direction had been set, with the aim of renewing Soviet society and the life of the Soviet people. Given the very wide range of opinion and views in the Soviet Union - far greater than in the United Kingdom - it was no mean achievement to have reached a consensus on this. The way ahead lay within the framework of socialism, while renouncing all the faults and errors of Stalinism, the administrative command system, dogmas, cliches and so on. The centre-piece was the policy of democratisation and decentralisation. This required far-reaching changes: but it was important not to go to the opposite extreme. This latter point was a worry and he would come back to it.

Mr. Gorbachev continued that the Prime Minister was familiar with many aspects of reform in the Soviet Union. For instance, there was the intention to re-define in a very substantial way the concept of property, so that people could enjoy private property as well as state and communal property, all within the framework of socialism. This would give individuals the opportunity to use their initiative and to be their own master. Another aspect was political reform, where the aim was a clear-cut division of powers and responsibilities between the state and the party on the one hand and between the central authorities and the local, provisional and municipal authorities on the other. Many powers would be transferred to the republics and the local authorities as part of the overall policy of devolving responsibility to lower levels. Hitherto all factories had allocated their production and their profits to the centre, and these were then redistributed the country as a whole. This gave plenty of scope for those who were inefficient to obtain more than their fair share from the central pot. There was no reward for effort. That was not something the Soviet Union could any longer afford. A new system was being worked out, under which every level of authority - central, regional, local - would be allocated certain portions of the output and profit from enterprises working in their territory. This would enable more rights and more responsibilities to be left with local bodies. Under the existing system whatever went wrong, even at the

remotest periphery of the Soviet Union, was blamed on the centre. In future, people would be able to benefit from their own efforts but must take the blame for their own mistakes.

Mr. Gorbachev went on that the transition was now being made from the stage of theoretical concepts to that of practical implementation. That was where the real difficulties began. The effects were being felt in the lives of every individual and of every institution. The process of rejuvenating the Communist Party and changing its role was painful and was causing Party members great concern. Then again, government bodies were being given more extensive rights. But many were not yet capable of exercising these rights, because they did not have the right calibre of people. Reform was being extended to the Armed Forces, and this was far from a simple process. The young officers welcomed it, but not everyone was exactly delighted about it, and special measures were necessary to take care of those who retired early. The Prime Minister interjected that she had discussed the matters with General Yazov during his visit to the United Kingdom.

Mr. Gorbachev continued that the process had also extended to the Soviet Foreign Ministry which Shevardnadze had shaken up thoroughly, bringing forward younger and more active people. These were just specific examples. The process was going on right across the board. Not surprisingly it was causing considerable ferment and heated discussions. A lot of people were asking whether the Soviet Union was moving in the right direction and whether it really needed perestroika. He would not conceal that such questions were being argued out with no holds barred. It had to be admitted that some miscalculations had been made in the way things had been explained to people. The illusion had gained ground that change could be carried through easily and painlessly.

The Prime Minister said that the impression from outside was that people had expected the results of economic reform to come through as easily as those of political reform. They seemed to think that the benefits would be handed to them on a plate, without their having to make much effort. In practice, the reforms were giving them the opportunity to work hard and benefit as a result. But people had not yet fully accepted their side of this bargain, indeed they were a bit fearful of the responsibility they were being asked to accept. She could understand the difficulties which Mr. Gorbachev was facing, and the opposition which would come from those who would lose their jobs and were uncertain about the future. She supposed there would be a difficult period of two to three years at least before the benefits would appear. In the meantime, we would continue to give support to the process from outside, because we were convinced it was the right way to move. In the long run it would mean not just a better life for people in the Soviet Union, but a better world.

Mr. Gorbachev said that he was grateful for this support, which was very important both to him and to the process of reform. He genuinely believed there was overwhelming support within the Soviet Union for perestroika. But there were also many critics, both on the left and on the right. Some argued that since the difficulties with reform were so great, it must be slowed down and a grip taken on the situation by using 'old methods'. He could not exclude having to use 'old methods' in some cases, but would do so only if it helped to keep up the momentum of change. The real purpose of those who advocated slowing down change was to bury perestroika or break it altogether. They did not dare say so, but that was their real aim. The truth was with the administrative command system had totally exhausted itself and must be rejected.

Mr. Gorbachev continued that there was an equal danger from those who advocated that the Soviet Union should gallop ahead and try to achieve progress by a sort of light cavalry charge. That would just bring chaos: the situation was complicated enough anyway. There was a lot of turmoil in people's minds, even at the highest levels, and they needed time to adapt. The Cultural Revolution in China had shown just how counter-productive such tactics were: it had set back China's development by fifteen years at least. The fact was that neither extreme was valid or stood up to scrutiny, and there was no great difficulty in exposing the fallacies of both trends. The only thing he had to guard against was that the two extremes should not converge or coalesce and exploit discontent in Soviet society. There was little doubt that some people were attempting to do this, witness the growth of populist slogans and demagoguery. The aim of these people was to play on the difficulties of perestroika to 'strike at us'. His own objective was to reduce the strains and tensions in society by solving economic and political problems. In the short term that meant overcoming inflation (or what he called 'loose money'). That was the biggest problem, it must be solved now, and it might be necessary to take administrative measures to control it, otherwise the situation could get out of hand. The causes of inflation were that wages were growing faster than productivity. In the old days, there had been rigid constraints on how much could go to wages, how much to investment, how much to the social fund and so on. In the new situation, companies were pumping all the money to wages and neglecting investment and modernisation. They did not seem to realise that they would face a very difficult situation in the future if this went on.

Mr. Gorbachev went on that one had to bear in mind that these tremendous changes were taking place in a country inhabited by 120 different nations and peoples. This aspect had been discussed at the Central Committee Plenum in the previous few days and a new balance between the centre and the regions agreed. On the one hand the concept of federation had to be given real content which it had lacked in the past. But on the other, the whole of Soviet society must be kept together as one. There was no doubt about the difficulty of the nationalities problem. If it blew up, it would be curtains for perestroika. Some people were asking why on earth Gorbachev insisted in opening up change

on so many fronts at once. The fact was that you couldn't have economic reform without political reform. Khrushchev, Brezhnev and Kosygin had all tried that, and it didn't work. You simply had to involve people through great openness and democracy, and solving the nationalities problem was all part of this, as was reforming the Party. If the Party didn't understand its new role 'we will all be in trouble'. All in all, it was a second revolution and required vast effort and determination. The Soviet Union was passing through a very acute and painful transition. The old and the new were side by side. The important thing was not to panic but to continue to make progress step by step, following the strategic path he had mapped out. And that, said Mr. Gorbachev, answers your question Prime Minister in just one hour flat.

The Prime Minister said she was very grateful for this full account. She would sum up what Mr. Gorbachev was doing as maximum economic and political devolution within a unitary state and a unitary party. There were those who were using greater openness simply in order to criticise and put reform at risk. Mr. Gorbachev said that it would be naive to think that reform would be an easy stroll along the Nevsky Prospect or Piccadilly but there was no doubt it was happening. Society was already different, the whole environment was different. People might have some regrets but there was no doubt about the difference. Many crucial decisions were in the pipeline: property law, reform of the tax system, land ownership, republican and local self-government, economic reform: all would be taken up during the session of the Supreme Soviet starting on Monday.

Human Rights

The Prime Minister asked whether this would involve postponing legislation on human rights, including emigration and legal reform. What would become of the Emigration Law, about which Mr. Gorbachev had spoken at the United Nations? Mr. Gorbachev said that it was on the way. At least 50 Bills were wending their way through the process. The Emigration Law would certainly be adopted. The Foreign Ministry were trying to get it accelerated, but had been told to be patient. There were no real practical problems with emigration (or entry to the Soviet Union). Other problems were more urgent.

The Prime Minister said that some of the refuseniks had wanted to see her, but unfortunately there had not been time. The Ambassador had seen them on her behalf and they had raised a number of continuing difficulties over emigration, including the continued invocation of 'secrecy' and the 'poor relations' clause to restrict emigration. This was unfortunate. No doubt it was due to problems within the bureaucracy rather than any overall political decision. She would like to propose that individual cases should be followed up with the Foreign Ministry. Mr. Gorbachev said that generally speaking there should be no problems. Indeed, it was the United States and the Federal Republic who had problems with the influx of Soviet emigres. The general mood in the Soviet Union on emigration could be summed up as: "those who do not want to live here, let them go". The

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Prime Minister said that our experience of raising individual cases had hitherto been quite positive and she suggested that we continue along this path, in the hope of getting them unblocked. Mr. Gorbachev said that the Emigration Law, when it came into force, would create an entirely different situation.

Eastern Europe

The Prime Minister said that the changes which Mr. Gorbachev was making in the Soviet Union were clearly having an impact in Eastern Europe. She thought that General Jaruzelski had dealt very skilfully with the situation in Poland. She had got to know him well during her visit to Poland in November and his subsequent visit to Chequers. He clearly valued his close links with Mr. Gorbachev. General Jaruzelski struck us as a great patriot and someone who wanted to find a way forward. We would do our best to provide practical help for Poland. The West wanted to help the emergence of prosperous, democratic societies in Poland and Hungary. But it was not our intention to undermine Soviet security interests in Eastern Europe. She knew that she spoke for President Bush as well in saying this. Mr. Gorbachev replied that internal reform was a matter for the countries themselves, but the structure of the Warsaw Pact must hold. Otherwise the situation would be much more difficult. Eastern Europe was potentially explosive and if things went too far, all the achievements of perestroika and the Soviet Union would be put at risk.

United States/Soviet relations

The Prime Minister said that President Bush had asked her to reassure Mr. Gorbachev of his support for perestroika and his desire to work for further improvement in East/West relations. We welcomed the intention to hold a US/Soviet summit meeting in the first half of next year. Mr. Gorbachev said rather grumpily that President Bush had taken his time about it. The Prime Minister said he was the sort of person who would not be rushed. He believed in patient and methodical negotiation. Mr. Gorbachev said that President Bush seemed to find it difficult to make up his mind sometimes and there were those around him who definitely did not wish the Soviet Union well. 'Everything gets through to me, even things he does not want to reach me - just as you get to hear points I do not wish you to hear!'

Arms control

The Prime Minister suggested that she and Mr. Gorbachev should review the state of the various arms control negotiations. They might start with Chemical Weapons. She was aware of the discussions going on between the US and the Soviet Union on exchange of data and verification, and approved of these. She was also briefed on the proposals which President Bush had described to Mr. Shevernadze in Washington and would be making public in his United Nations speech. It looked to her as though the position on CW was more hopeful than for a long time, always provided it was possible to get the agreement of other Chemical

Weapons-capable states to a global ban. But the problems of verification should not be under-estimated. Mr. Gorbachev observed that the Prime Minister was a chemist by training and no doubt understood these matters much better than he did. The Prime Minister continued that both sides would have to act with total integrity if there was to be confidence in a Convention. She hoped that the proposed data exchange with the United States would help to eliminate the doubts which she had expressed to Mr. Gorbachev at their last meeting about the accuracy of Soviet statements about their CW stocks. So long as countries like Libya, Syria and Iraq had chemical weapons and were not part of a Convention, it was vital that the United States should retain some deterrent capability, even more so now that so many countries had a ballistic missile capability. This consideration lay behind the President's proposals for phasing of reductions. Mr. Gorbachev said that one should certainly not over-simplify the problem of verification: it was a serious matter. Each side must be certain of the other. He would like to see close Soviet-British consultations continue. They had proved very influential in the past.

The Prime Minister said that she understood that the Soviet Union had not yet begun destruction of its chemical weapons because there were difficulties over the plant at Chapayevsk. Mr. Gorbachev said the problem lay with the Greens. They were very unhappy. The Prime Minister said that, on her return, she would look into the methods we had used to destroy our own chemical weapons in 1958, to see if there were any lessons to be learned. Reverting to the main point, she concluded that, provided Secretary Baker and Mr. Shevernadze completed their discussions in Wyoming successfully, we would all have taken an important step forward.

Mr. Gorbachev said that he could see the Prime Minister was fully in the know. But he would just check that President Bush was informing her correctly, by taking her through the latest Soviet proposals on START. He had written to President Bush because the Americans seemed to be marking time in these discussions. There had been good progress with START under President Reagan and it was important to reinvigorate the negotiations. His letter had therefore contained a number of new proposals. On the linkage between START and the ABM Treaty, he had proposed that both sides agree that any violation of the ABM Treaty by one side would give the other side the right to withdraw from a START agreement. If the United States could not bring itself to say this, then the Soviet side would state it unilaterally. He had put forward other proposals dealing with the counting rules for ALCMs and options on SCLCMs, which were intended to overcome American concerns. These proposals should create the conditions for serious negotiations. They had been formulated following private and free-wheeling discussions between General Scowcroft and General Akromeyev. These talks would continue: it was important that the military should understand each other.

The Prime Minister said that these were principally matters for the United States and the Soviet Union, although we did of course take a very close interest. She believed that President

Bush wanted an agreement on strategic arms, but it was very important to get the technicalities right. She understood that the United States, for its part, was putting forward new proposals on mobile ICBMs. She interpreted the Soviet proposal on the linkage between START and the ABM Treaty as a means of enforcing observance of the Treaty. Mr. Gorbachev said that it was an attempt to take account of US concerns.

Mr. Gorbachev said that on CFE, the Warsaw Pact had reacted favourably to NATO's proposals in July. But they would stick to their position on a common ceiling for personnel of 1,350,000 for each side, with a ceiling for stationed forces of 300,000. But on the NATO side this latter ceiling must include not only US forces, but also those of Britain, France, Canada and Belgium. The Prime Minister said crisply that this would not be acceptable. The position of the United States and the Soviet Union was entirely different from that of the European countries, in that they had large areas of territory which would not be covered by the CFE negotiation, in which they could keep their forces. Mr. Gorbachev said that if the necessary overall reduction was to be achieved, then everyone would have to reduce their forces, not just some. The Prime Minister insisted that a clear distinction must be drawn between US and Soviet forces and those of other countries. Europe was very small and very vulnerable and must be allowed the forces necessary to maintain its defensive strategy. Mr. Gorbachev observed that everything was changing and that Europe must change too. The Soviet Union had changed its strategy and the structure of its forces. The United Kingdom must do its bit. After all, Britain had nothing like the internal problems facing the Soviet Union. The Prime Minister said her point was you could not reduce everything at once. The United States and the Soviet Union were unique in having substantial forces both in Europe and elsewhere. If Mr. Gorbachev insisted on the position he was putting forward, it would cause immense problems and hold up the negotiations. Mr. Gorbachev urged the Prime Minister to think again: one should never say never. The Prime Minister said that Mr. Gorbachev should not create new difficulties. We wanted to see an agreement next year. But we had to take account of the fact that, even after the unilateral reductions announced by Mr. Gorbachev, Warsaw Pact forces would be far stronger and numerous than those of NATO.

Mr. Gorbachev continued that the Soviet Union would put forward arguments in Vienna which he hoped would convince NATO that Warsaw Pact proposals represented enormous progress. Another area in which they wanted to meet the West's concern was over aircraft. Here they would propose a limit of 4,700 for each side, with a separate ceiling for air defence aircraft. NATO must understand that the Soviet Union had to be able to provide proper air defence for its security. The Prime Minister said that she recognised this proposal marked a substantial step forward. But air defence was only a role assigned to an aircraft and did not prevent it being used for other tasks. It was the capability which was crucial. Mr. Gorbachev said he was not qualified to discuss the functional designation of particular aircraft. That was a matter for the military. The important

thing was that the Soviet Union was prepared to consider a ceiling of numbers of aircraft quite close to NATO's own proposals. Come to that, he wondered why the West was so timid about Soviet ideas for including carrier-borne aircraft. There ought to be limits on these as well as on naval forces. Their might never again be such a good opportunity to limit forces of all kinds. The Prime Minister said she agreed that the appropriate place to resolve these issues was in the negotiations in Vienna. She had already explained to Mr. Gorbachev at their last meeting why we could not contemplate limits on naval forces and carrier-borne aircraft. The important point was that both sides wanted a CFE agreement by the end of next year. Mr. Gorbachev said he was sure we would have one.

The Prime Minister said that she supposed that Mr. Gorbachev would want to raise SNF. If so, they would of course disagree. Mr. Gorbachev retorted that people would think they had gone mad if they did not have their customary disagreement on the subject. The Soviet Union wanted the total elimination of SNF. But it was clear from his earlier discussions with the Prime Minister and the strong position which she had taken on the subject in NATO, that this objective could not be achieved now. So as an intermediate step, he could accept a compromise under which each side would retain a certain level of SNF to give reliability to its defence. Anything in excess of this agreed level would be eliminated. There was no need to wait for a CFE agreement to be completed before beginning negotiations on this. They should proceed in parallel with the CFE negotiations. Once talks started, the Soviet Union would be ready to make unilateral cuts in its SNF missiles. The Soviet and British Defence Ministers had started to discuss this issue during General Yazov's visit to London. It might be useful to have further talks, to kick the problem around.

The Prime Minister said that SNF were vital to NATO's strategy, because they demonstrated to anyone considering an attack that they might have to face nuclear retaliation. Their purpose was to prevent war and there was no question of eliminating them. This had been agreed by NATO as a whole at its Summit in the spring. It had also been agreed that, once a CFE agreement had been reached and implementation was under way, then negotiations could start on reductions in SNF to common ceilings above zero. Meanwhile the Soviet Union could afford to make substantial unilateral reductions, given its very considerable superiority. Mr. Gorbachev said that he was trying to meet the concerns expressed in the NATO Summit communique. Since NATO admitted that there could be negotiations at some stage, why not at least start to talk about the form which these negotiations would take? He must warn the Prime Minister that the Soviet Union would continue to press this point of view strongly, as a matter of common humanity. He thought that other European countries would be receptive. No doubt the Prime Minister would continue to resist and he would have to make clear that Mrs. Thatcher was determined to devote her life to the defence of nuclear weapons. The Prime Minister said she was not daunted by this. So long as she was Prime Minister Britain and NATO would have a sure defence. The right mix of weapons was the best guarantee against war. One never knew where the challenge might

come from, particularly now that so many countries had a ballistic missile capability. Mr. Gorbachev said he had no problem in admitting everyone's right to be sure of their security. That had been clearly understood between him and the Prime Minister since their first meeting. The Soviet Union would never allow its security to be undermined. It was therefore an argument he understood and would take into account, as indeed he had already shown by dropping the Soviet Union's insistence on involving the British and French deterrents in the START negotiations. But SNF could not be presented as a deterrent against a threat from any quarter: it was relevant only to a limited area in central Europe and people on both sides of Europe wanted to get rid of these weapons. The Prime Minister concluded that there were enormous possibilities for progress over the next year on CFE, CW and START. We should focus on these negotiations and leave SNF out of account, not necessarily for ever but until we could see how the world looked when agreements had been reached and implemented in these other areas.

Bilateral questions

The Prime Minister observed that time was running out. She had a few bilateral matters to raise briefly. We were concerned that the Simon Carves plant in Yerevan was running into problems, because the Soviet Union was a year behind with the supply of micro-chips. She wanted Mr. Gorbachev to be aware that the difficulties were no fault of ours. Mr. Gorbachev said the point was taken (adding in an aside to Mr. Chernayev 'We must act').

The Prime Minister continued that there were also some delays in getting the school in Armenia built because of the problems in that region. She understood that progress with the foundations had been held up, as had the delivery of some of the pre-fabricated parts. Mr. Gorbachev said that, once again, he took the Prime Minister's point. There were very difficult problems in the area. He wanted at all costs to avoid having to use force where passions were already white-hot, but making progress by political means took time. People were actually blocking the railway lines using women and children. But he noted what the Prime Minister had said and would see that everything possible was done to get deliveries there.

The Prime Minister noted that Mr. Gorbachev had referred indirectly at the very beginning of their talk to the problem of expulsions which had affected relations between Britain and the Soviet Union a few months earlier. We had only taken action when there had been no alternative: and we had tried to make it possible to keep things quiet. Unfortunately the Soviet side had reacted in such a way to make this impossible. She proposed that the two Foreign Ministers should be instructed to discuss the problem and find a solution which was reasonable, reciprocal and lasting. She did not wish to be confronted with the same difficulties again. Mr. Gorbachev said that was fine with him. He showed no interest in pursuing discussion further.

Lunchtime Discussions

Discussion over the lunch which followed was lively, darting about from topic to topic. I did not take a record but recall the following points.

Mrs. Gorbachev reminisced about her visit to Chequers in 1984 and the pleasure they had both derived from this.

The Prime Minister referred to our hope that Mr. Ryzkhov would pay a visit to Britain soon. Mr. Gorbachev said that he would be very tied up with the meetings of the Supreme Soviet for the remainder of this year at least. The Soviet Ambassador subsequently said that Ryzkhov had told him that he would like to come in January/February 1990.

Mrs. Gorbachev said she was sure the Prime Minister had noted the great changes which were taking place in the Soviet Union. It sometimes seemed there were now 300 million newspaper readers. Mr. Gorbachev said one should not believe everything one read in the newspapers, with which the Prime Minister strongly concurred. Mrs. Gorbachev said there were also now 300 million specialists on every aspect of politics and society, which was making life very difficult.

Conversation then moved to Mr. Primakov's promotion. Mr. Primakov said that he put it down entirely to his good fortune in having been selected to meet the Prime Minister on her way to Tokyo. He had no inkling then that he was about to be elevated. Mr. Gorbachev chortled and said that he thought perhaps he had played a part too. Mrs. Gorbachev hushed him, saying that was top secret.

Mr. Gorbachev, toasting the Prime Minister, said that he was grateful for the great interest which she took in developments in the Soviet Union. He did not want to be immodest but he really believed they were of world-wide importance. The Prime Minister agreed, saying she thought the changes Mr. Gorbachev was making would have a bigger effect in the end than the October Revolution. Mr. Gorbachev said that the October Revolution had been a start. The task now was to unfold it and at the same time to get rid of a lot of undesirable things in the Soviet Union.

The Prime Minister talked about her visit to Bratsk and how those whom she had met had complained about the difficulties being caused for them by environmentalists. It was generally agreed by all the Soviet guests present that the Greens in the Soviet Union were something of a pain, with no idea of the problems of managing a modern society.

Mr. Gorbachev said that he would be visiting the GDR on 6-7 October. In reply to the Prime Minister's question, he said that he understood Herr Honecker would pay a full part in the programme. He seemed to be recovering well from his operation.

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There was a lot of talk about the nationalities problem in the Soviet Union of which I cannot recall all the details. It left a strong impression of Russian nationalism, not to say chauvinism. Mr. Gorbachev referred at one point to the way in which he and Mr. Shevardnadze had worked together, at the time when he was in Stavropol and Mr. Shevardnadze in Georgia, making clear their friendship went back a long way. He also recalled how General de Gaulle had once complained about the difficulty of ruling a country with 200 cheeses: how much worse to have 120 nationalities. 'Especially when there is a shortage of cheese' added Mr. Albakin morosely.

We then got on to the merits of various sorts of Soviet cognac, with the general consensus being that the Armenian variety was best.

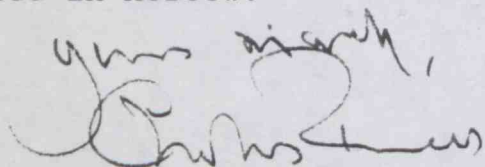
The Prime Minister tried to introduce some discussion of China, but Mrs. Gorbachev said rather prissily that this was a matter for the Chinese. The Prime Minister talked about the difficulties facing Hong Kong. Mr. Gorbachev said that his impression from all the Chinese leaders whom he had met was that they were determined to comply with the Joint Declaration in full, so that one country, two systems became a reality.

There was a very brief reference to the Middle East. Mr. Gorbachev maintained there was some movement towards a political solution. He referred to the development of Soviet contacts with Saudi Arabia. He had been told that Rafsanjani in Iran was not really of a clerical turn of mind. He was a rational man, not a fanatic.

The Prime Minister referred to her visit to Japan and this got Mr. Gorbachev quite heated. He very much agreed with the Prime Minister that Japan should not be encouraged to play a bigger role in defence. The Japanese wanted to bring the Soviet Union to its knees on the question of the northern islands. They wanted to re-open the territorial question, and would have to learn that the Soviet Union had no territory which was surplus to requirements. They were not prepared to fiddle with the borders agreed at the end of the War. The Japanese were keen to re-open discussions, but the Soviet intention was to give them time to take a different view.

This letter should be given only a very limited distribution within Departments.

I am copying this letter to John Gieve (HM Treasury), Brian Hawtin (Ministry of Defence) and Trevor Woolley (Cabinet Office). I should be grateful if you could also arrange for a copy to be sent to Sir Rodric Braithwaite in Moscow.


CHARLES POWELL

Stephen Wall, Esq.,
Foreign and Commonwealth Office

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10 DOWNING STREET
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24 September 1989

From the Private Secretary

Dear Stepler,

PRIME MINISTER'S MEETING WITH MR. GORBACHEV

I have recorded separately the main details of the Prime Minister's talks with Mr. Gorbachev in Moscow on 23 September. There was one part of the talks for which it was agreed between the Prime Minister and Mr. Gorbachev that no notes should be taken. Nevertheless, I think their remarks should be recorded and this letter does so. But it should be seen only by the Foreign Secretary and the Permanent Under Secretary. I will also arrange for Sir Percy Cradock to be informed.

The discussion concerned the situation in Eastern Europe and the possibility of German reunification. As I have recorded elsewhere, the Prime Minister said that the help we were giving to Poland and Hungary was not intended to undermine Soviet security interests in Eastern Europe. Mr. Gorbachev said that the Soviet Union had already done what was necessary to take care of its security. But the situation was potentially explosive and it was important that everyone should proceed with caution. The Prime Minister said that she could understand the fear that, if changes were made too rapidly, then the situation might blow up in all our faces. She assumed this was what Mr. Gorbachev meant. Mr. Gorbachev said that it was up to each country to choose how it wanted to develop internally, but the structure of the Warsaw Pact must remain intact. He assumed that the Prime Minister recognised this when she said that there was no intention to undermine Soviet security interests. If the situation did get out of hand, everything which he had achieved would be put at risk. It was as well this should be clearly understood, not just in theory but in practice.

The Prime Minister then asked Mr. Gorbachev's assessment of the prospects in the GDR. Surely there would be changes in the direction of greater democracy there as well. That would awaken fears in some quarters of German reunification. Although NATO traditionally made statements supporting Germany's aspiration to be reunited, in practice we would not welcome it at all. She was not speaking for herself alone. She had discussed the matter with at least one other western leader. She would welcome some

TOP SECRET

reassurance about Mr. Gorbachev's attitude. Mr. Gorbachev said that he could see what the Prime Minister was driving at. The Soviet Union understood the problem very well and she could be reassured. They did not want German reunification any more than Britain did. It was useful that the matter had been raised and that he and the Prime Minister knew each other's mind on this delicate subject. He agreed that no mention should be made of their exchange and no record kept (while speaking, he ordered Uspensky, who was interpreting, to translate from memory and not to take any notes).

*Yours sincerely,
C. D. Powell*

(C. D. POWELL)

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