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LONDON SW1A 2AA

From the Private Secretary

8 June 1990

Dear Sophie,

PRIME MINISTER'S MEETING WITH PRESIDENT GORBACHEV
IN THE KREMLIN ON FRIDAY 8 JUNE

The Prime Minister had a two and a half hour talk with President Gorbachev in the Kremlin this morning. Gorbachev was accompanied only by his assistant, Anatoly Chernayev. The discussion continued over a working lunch which was attended in addition by Mr. Thatcher, Mr. Shevardnadze, the Soviet Ambassador in London and HM Ambassador in Moscow.

The Prime Minister commented afterwards that she found Mr. Gorbachev a bit less ebullient than usual, but nonetheless in good form and seemingly well in control of events. Certainly he was very equable and good-humoured throughout. Richard Pollock, who interpreted, thought the mood the best of any of the meetings between the Prime Minister and Gorbachev which he had attended. I would agree with that.

The main interest of the meeting lay in Gorbachev's views on Germany and NATO which are obviously still evolving. At no stage did he say that a united Germany in NATO was unacceptable. He appeared rather to be reaching round for ways to make this more palatable and explicable to his own people. But some of his comments were rather confused and hard to follow. Lithuania did not seem to be at all a high priority for him. He did not raise non-circumvention under the START Treaty, indeed did not dwell on nuclear matters much at all.

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Introduction

The meeting started with some banter about Gorbachev's visit to Washington. Gorbachev said that his body was still trying to recover from the effects of the journey and the eleven hour time difference between San Francisco and Moscow. He kept wanting to go to sleep at the wrong time: indeed he had almost dropped off during the Warsaw Pact meeting the previous afternoon.

Gorbachev said one of the reasons he always enjoyed meeting the Prime Minister was that she did not come trailed by a delegation. They could talk more intimately. The Prime Minister said she believed in having only a small staff. Gorbachev said

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that she was fortunate: in the Soviet Union the policy and the administration functions were combined, which made for a very complex bureaucracy. He was now engaged in trying to take the bureaucratic structure apart: the Prime Minister could probably hear the yelling even in the United Kingdom. Parkinson's Law was no exaggeration.

The Prime Minister congratulated Gorbachev on the success of the US/Soviet Summit in Washington. It had been very extensively and positively reported in the United Kingdom and there had clearly been an excellent rapport between Gorbachev and President Bush. Gorbachev said that he knew the President had telephoned the Prime Minister to give her an account of the meetings. Indeed he seemed to have telephoned everyone, including some of the East Europeans. But there was no harm in that, he was all for everyone having as much information as possible.

Becoming slightly more formal, Gorbachev then said that he was very happy to see the Prime Minister again. He had a feeling that her visit would be productive and successful. The Prime Minister said she was honoured that Gorbachev had taken the time to receive her at such a critical moment in the Soviet Union, when he had many pressing problems with which to deal. Gorbachev said that their meeting had been arranged long before the US/Soviet summit and he had been determined to keep his promise. The only aspect of the visit he could not manage was accompanying the Prime Minister to Kiev. He was genuinely very sorry about that, but hoped she would understand. He could assure her that he would much prefer to go with her to Kiev than be stuck with resolving his problems in Moscow. The Prime Minister said rather starchy that the problems must come first. Gorbachev observed that at least he and the Prime Minister were having a joint press conference for the first time in their six years of meetings: at last she had agreed. The Prime Minister said that she had not realised that she had been an obstacle to this. But she hoped they could both use the press conference to convey a positive and forward-looking view of the future. The task of those at the top was to point the way forward. Gorbachev said the Prime Minister was very experienced in handling the press: he would take his cue from her: together they would manage to give the right impression. The Prime Minister said that Gorbachev had managed the press extremely well in Washington: he could give her a few lessons.

US/Soviet Summit

Gorbachev said he would start by dealing with the US/Soviet summit since the Prime Minister had mentioned it. It had been a most important visit, with many issues discussed and significant agreements reached. There had been a lot of discussion of disarmament and neither he nor President Bush had failed to remember the Prime Minister's strong views on this subject. He recalled that the Prime Minister had once said that the British and French nuclear deterrents would not be involved in any negotiations, at least until after a START Agreement which reduced the US and Soviet strategic arsenals by 50 per cent. But that was by the way. He believed a treaty would be signed this year. There had also been progress on chemical weapons and

nuclear testing. There had been quite a sharp discussion about the future intentions of each party in the nuclear field. On CFE, they had agreed to aim at a treaty this year. The talks had also covered the whole range of bilateral problems. Discussion of a trade agreement had gone right up to the last day. By now he was accustomed to the American style of fighting your corner up to the last minute and had decided to hang in there himself. The Prime Minister was his only unpredictable interlocutor: he never knew what she was going to say next.

The Prime Minister said that she continued to believe passionately in what Gorbachev was trying to achieve in the Soviet Union. People - and particularly journalists - had become blasé about how much had already changed. He would have her full support, both privately and publicly. From their very first meeting, they had always agreed to speak frankly and on the basis of mutual respect, with each entitled to their own views. Generally speaking she was encouraged by the way things were moving. For instance the communique from the Warsaw Pact meeting the previous day would have been inconceivable even a year ago. Gorbachev said that he was now looking for some reciprocal move from the NATO summit in London. He had the feeling that NATO was rather lagging behind the Warsaw Pact. The Prime Minister said that she had looked in on the NATO Foreign Ministers meeting in Scotland the previous day, and in fact the views there had been very similar. But we must always keep strong defence: you never knew where the threat would come from next. Gorbachev said the aim must be for NATO and the Warsaw Pact to draw closer to each other. They must make the transition from confrontation to co-operation. We must mould European structures so that they helped us find the common European home. Neither side must be afraid of unorthodox solutions. He would be more specific about this later in their talk.

The Prime Minister said that when she and Gorbachev had first met some years ago, there had been two wholly different ideologies confronting each other. The Communist ideology had been expansionist and it was this that had caused the basic division of Europe and the confrontation between NATO and the Warsaw Pact. Much had changed since then, due in good part to Gorbachev, and several regional problems were well on the way to solution. There was one point on which the two of them had differences in the past: she believed that nuclear weapons were the most effective deterrent to war. We must keep nuclear weapons, including some in Europe. People asked her who the enemy was. The answer was: you never knew where or when a new tyrant might arise. But you had to be sure that whatever enemy might materialise, you had enough forces to make success impossible for him, so that he would never start a war. President Reagan had a vision of the world without nuclear weapons, but President Bush did not share this and he was right.

Gorbachev suggested that tyrants were pretty sophisticated these days and would understand that no one would actually use a nuclear weapon. The Prime Minister said that apparently sophisticated people sometimes had uncontrolled emotions and might over-step the mark. The fact was that thirteen countries

already had a missile capability, which could deliver chemical weapons. The odds must be that several of them would acquire nuclear weapons in the next 20 years. Gorbachev said that his view was rather different. He believed we should move towards a system of joint action to ensure security. If we could put that together, it would be a good start. The Prime Minister replied that, even then, you would need to keep a certain level of weapons, including nuclear weapons. Gorbachev commented that he and the Prime Minister were back on their old argument. The Prime Minister acknowledged this, but said she wanted Gorbachev to be quite clear that we intended to keep our independent nuclear deterrent, and she thought the same applied to France. Gorbachev said that the reference to France made him think the Prime Minister's view-point was rather like the Maginot Line. If there had been a joint security system in Europe between the wars, the Second World War would never have happened.

The Prime Minister said this led her on to the importance of keeping American forces in Europe. Gorbachev said he had discussed this in Washington with President Bush. The President saw NATO as the only way in which United States forces in Europe could be maintained. His reasoning seemed to be that without a unified Germany in NATO, there would be no NATO: without NATO, there would be no United States forces in Europe: and without that, the United States would have no political influence. He quite seriously and realistically understood that point of view. His own point of departure with President Bush - as it always had been with the Prime Minister - was that there could be no security unless it was equal for all. If one side felt disadvantaged there would be no movement forward. But he also accepted there could be no success without co-operation between the United States and the Soviet Union. That had been a constant in his thinking since 1985. He did not want to drive the United States out of Europe: that would be dangerous. But there was a bit of a paradox here. When tension started to rise, everyone was very keen to persuade the United States and the Soviet Union to patch up their differences. But as soon as relations improved, other countries began to suspect a condominium. He recalled the Prime Minister's expression: 'We can't afford another Reykjavik'. The Prime Minister said that she had been quite right: we could not afford another Reykjavik. But she agreed that we would only make progress if there was co-operation and understanding between the United States and the Soviet Union.

Germany and NATO

The Prime Minister said she would like to be more specific on the subject of Germany and NATO. She recalled her discussion with Gorbachev last September. She had always been rather apprehensive about a unified Germany. So was President Mitterrand. The difference was that she expressed it publicly and Mitterrand did not. She had been aware of Gorbachev's view that there should be a long transitional period before unification to enable all the details to be worked out. She had supported that view publicly and taken a lot of criticism for it. She had not received much support, even from Gorbachev. It had subsequently become clear that Germany would unify quite rapidly

under Article 23 of the Federal German Constitution. Now that unification was almost upon us, ordinary people were beginning to express more doubts about it, particularly in the Soviet Union. We could not now stop or even slow down unification. The task was to find some way to make sure that it did not threaten anyone's security.

The Prime Minister continued that she was glad Gorbachev accepted the stabilising role that the United States played in Europe. Germany was just about the only place that American forces could be present in Europe in any significant numbers. And their presence there represented security not just for Europe but also for the Soviet Union. But that meant a unified Germany must be in NATO, otherwise there would be no justification for the presence of US forces. If we took that as the starting point, we could then look at ways to allay Soviet concerns. Various ideas had been put forward, in particular Secretary Baker's nine points. Gorbachev had himself proposed limits on the numbers of German forces and some sort of joint declaration between NATO and the Warsaw Pact. (At this point, Gorbachev asked Chernayev to go and fetch his briefcase, from which he produced a document.) We could look at that and she would be interested to hear more about the idea. She had set out her own view in her speech to NATO Foreign Ministers the previous day, which would be available to him. One way of strengthening confidence would be to develop the CSCE, making it a forum for regular political consultation between East and West. Mr Shevardnadze had made similar proposals. The history of central Europe was littered with conflicts and difficulties, and there had to be a forum to sort out problems before they became too troublesome. There should be regular meetings and consultations. None of this would obviate the need for continuing defence, which would in turn require us to keep some nuclear weapons in Germany - perhaps fewer than at present, but still some.

Gorbachev said that he would like to take up some of the Prime Minister's points on Germany. What was going to happen was going to happen: he did not dispute that. But they ought to analyse the situation. Europe used to be two armed camps. Now that was changed. The previous day's meeting of the Warsaw Pact had left no doubt about that. Indeed Europe had travelled a long way since 1985, and he was grateful for the Prime Minister's contribution to that. What he had to say on Germany might seem unorthodox or unusual. But ideas which had seemed utopian only a few years ago were now being realised in practice. If the two of them could join hands in seeking a solution, they would succeed. He was ready to back any option, whoever was the author, which would produce a solution. But it must be an option which did not undermine the progress which had already been made. And no nation must feel that its interests were not being taken into account.

Gorbachev continued that there were a number of processes in train which ought to be combined. First, there was the process of forming a unified Germany. It ought to be a calm and placid process. But Chancellor Kohl was being a bit hasty and

subordinating everything to the demands of his election campaign. Kohl was not exactly displaying a high class of politics. He desperately wanted to be father of a unified Germany. De Maziere, whom he had met the previous day, represented the same party as Kohl but took a more sober approach. His great concern was that his people should not be hit too hard in economic terms by unification. Opinion polls even in West Germany showed a growing number of people concerned that unification was going too fast. All the same he accepted that unification would be determined mostly by internal reasons in Germany.

Gorbachev continued that we also had to consider the external front. It was premature to say that the Four Powers had given up their rights in Germany. There had first to be a final settlement. Only then would Germany be a fully sovereign state. There was also the issue of Germany in NATO. Chancellor Kohl claimed to speak for a unified Germany on this, and the Prime Minister supported him. But we did not yet have a unified Germany. Once it emerged, we could talk about it. But for now there could only be preliminary discussions, although he had nothing against them. In parallel, we should be looking at a new security structure for Europe. There were several aspects to this. We should change the nature of our respective alliances and make them more political. Germany should confirm its renunciation of nuclear, chemical and biological weapons. She should also agree to limits on the size of her forces. We should change our military strategies - and in this respect, he had high hopes of the NATO summit in July. If nothing tangible came of that, then suspicions would rise. It was in this general context that he had suggested that the two alliances might sign a declaration or agreement signalling a rapprochement between them. The document could record their intention to co-operate and interact. It might set up a body where the military leaders of the two alliances could talk to each other. As it was, he never saw Yazov these days: he always seemed to be travelling. The Prime Minister interjected that she had seen him. Gorbachev said that was just the trouble. But if we were both thinking of permanent bodies in the CSCE framework, then why not have one for the military, where all these matters could be discussed?

Gorbachev continued that he would like to pursue the point in rather greater detail. One aspect was that of limiting German forces. That could perhaps be pursued in a second stage CFE agreement. Another possibility to be explored was the nature of a unified Germany's membership of NATO. What about the French model? Or the Danish or Norwegian model, under which there were no stationed nuclear weapons or bases? Or even the UK model? His point was that there were many different models of NATO membership, and we should look for a form of membership for a united Germany which would reflect the interests of all of us. In the longer term, and once NATO and the Warsaw Pact were reformed, it might be possible for any European state to join either one of them. Perhaps the Soviet Union could join NATO. What he was saying was that we were in a transitional period, and should be discussing how to alleviate the concerns of everyone about the future status of Germany in defence matters. He had promised to put forward some more detailed ideas, and had agreed

with President Bush that their two Foreign Ministers would work on this.

The Prime Minister said that she would respond to some of these points. There was no prospect now of slowing down German unification. The escalator would start to move with German economic and monetary union on 1 July. The political parties in East and West Germany would unite in the autumn. We all had to accept that unification would happen in the timetable foreseen by Chancellor Kohl i.e. by the end of the year. The manner in which Germany would unite meant that East Germany would automatically inherit all the obligations and alliances of West Germany, including membership of the European Community and of NATO. She did not see any way in which Germany could be united for one purpose and not for another. NATO's Foreign Ministers had agreed to look at the Alliance's strategy and structure and consider how it could have a more substantial political role. We were also negotiating reductions in conventional forces. All this should help meet Soviet concerns. She did not think the French model of membership of NATO was at all relevant. The worst thing would be to have Germany in NATO but without its forces integrated into the Alliance's military structure.

The Prime Minister continued that she was interested by Gorbachev's idea of a NATO/Warsaw Pact declaration. But at the moment it was just a skeleton. We needed to put some clothes on it. What kind of declaration would it be? If it was a sort of confidence-building measure she would support it. She could also understand an institutionalisation of the present pattern of exchanges and visits. She could agree a declaration which emphasised that both the NATO and the Warsaw Pact were defensive alliances, which would keep the forces and weapons necessary for defence. Gorbachev interjected that his proposal might also involve the setting up of a centre for conflict prevention. The Prime Minister continued that the CSCE could provide the umbrella for all this, as well as being the forum which brought the Soviet Union fully into discussion about the future of Europe. An organisation in which the United States and the Soviet Union were also present would help balance the growing power of Germany. In short, it was no good fighting causes which had already been lost, such as a longer transitional period before unification. We should put all our efforts into increasing confidence between East and West.

Gorbachev said that he could support most of what the Prime Minister had said. By talking things through, he felt they were making progress. They should agree to put their Foreign Ministers to work on these new concepts and try and come up with a coherent formula. Things were becoming steadily clearer. But until discussion of these matters had been completed, Germany could not have full sovereignty. The Prime Minister said that it was not realistic to hold up German unification on these issues. We should be pressing ahead on all fronts: a final settlement between Germany and the Four Powers: a CFE Agreement: strengthening the CSCE: a NATO/Warsaw Pact declaration. Gorbachev said that he wanted to be completely frank with the Prime Minister. If discussion of the external aspects of unification went entirely normally, he was sure that all these

treaties and declarations could be signed. But if one side tried to go ahead unilaterally, there could be a very difficult situation. The Soviet Union would feel its security in jeopardy and might have to reconsider the whole concept of a CFE agreement. He thought that all would go well. But there should be no ultimatums. The Prime Minister said she understood this: it was in no one's interest to jeopardise the Soviet Union's security. But we had to be realistic. Certain consequences flowed from German unification, and membership of NATO was one of them. It was no good fighting it. But we must find ways to give the Soviet Union confidence that its security would be assured. She and Mr Gorbachev should put in hand further work on the basis of their discussion. Gorbachev said that he agreed with that.

Lithuania

The Prime Minister said she would like to hear how Gorbachev saw the situation in the Baltic Republics. She took the line that they were entitled to self-determination: and since the Soviet Union also accepted the principle of self determination, it was just a question of settling practical details. She was disappointed that discussions had not yet got under way and she hoped the two sides were not getting hung up on semantic differences. Gorbachev seemed to be saying that the Lithuanians must suspend their declaration of independence. The Lithuanians were saying that they would suspend all the consequences of it. In reality there was not much difference. She wondered how Gorbachev saw the way ahead.

Gorbachev said he was endlessly having to talk about this and was beginning to regret that he had not settled the whole matter within twenty-four hours of it happening. But dealing with it by force or by diktat would be contrary to everything else he was trying to achieve in the Soviet Union. In the old days it really would not have taken more than a few minutes to resolve a problem like this, but he wanted to find a way that was compatible with perestroika. He was literally taking Soviet society apart, politically, economically, and constitutionally. It required tremendous intellectual effort and will-power, a strong head and a strong mind. He was trying to use this approach in his relations with the Baltics. But he had a mandate from the Congress of Peoples Deputies, which said that the Lithuanian action was illegal and they must follow the constitution. A lot of people talked about the history. But the history had happened and there was not much they could do about it now. Lithuania had been part of the Soviet Union for 50 years and that could not be ignored either. The Prime Minister was right: he recognised the right of self-determination for any republic in the Soviet Union. But the Lithuanians had not gone about it the right way. There had been no referendum. They had taken no account of the interests of 800,000 non-Lithuanians. Now all sorts of problems were being stirred up. Byelorussia wanted some of its territory back. The Poles wanted to form a Polish region round Vilnius which would join the Russian Republic.

Gorbachev continued that the only way to settle the matter was to go slowly but surely, as the constitution provided. There

were many issues to resolve. Sometimes - slamming his hand on the table for effect - he was heartily tempted to resolve it all in twenty four hours. He and the Prime Minister were bound to be asked about the matter at their press conference (actually they weren't). He would reaffirm his position that he was in favour of self-determination by constitutional means and was ready to be patient. The Prime Minister said she would agree on self-determination and say she hoped to see the matter settled by discussion. Gorbachev added that a Federation Council had been summoned for 12 June to discuss a new treaty between the Union and the Republics. He had invited President Landsbergis to come and take part. That would be an opportunity to hold discussions. It would be the third time he had invited him and he could not understand why Landsbergis would not come.

Biological Warfare

The Prime Minister said she had a difficult issue to raise. We had evidence that the Soviet Union was doing some work on biological weapons and this disturbed us greatly. She knew that President Bush had raised the matter with Mr Gorbachev and he had undertaken to look into it. She had the impression that the work might have been undertaken as a sort of response to the SDI. Whatever the reason, it was a very serious matter and she wanted to know whether the reports were correct.

Mr Gorbachev said emphatically that they were not. He had called for a report on his return from Washington and could tell the Prime Minister that it was simply not true. What were under suspicion were facilities related to this area, but with other purposes. The Soviet Union was ready to present its information on this to the United Kingdom and the United States to allay their suspicions. Still, he believed it would be important that he should himself summon those concerned and quiz them thoroughly. The matter had never been raised with him before, so he felt it necessary to verify it thoroughly. The Prime Minister said she looked forward to hearing more.

Mrs Gordievsky

The Prime Minister said there was a further tricky matter and that concerned Mrs Gordievsky. We had heard she wished to leave the Soviet Union and needed help. We had therefore got in touch, to help her fill in a visa application, but had been careful to keep the Soviet Foreign Ministry fully informed. We did not wish to do anything underhand. She hoped very much that the case for letting Mrs Gordievsky go could be considered.

Gorbachev commented jovially that the Prime Minister said she did not wish to do anything underhand, but we had smuggled Mr Gordievsky out of the Soviet Union in the boot of a car. Was that not underhand? The Prime Minister said that some of our people had defected to the Soviet Union in the past and we had not stopped their families from joining them. We hoped that Mr Gorbachev would look at the case of Mrs Gordievsky again. Gorbachev, now more serious, said that he had involved himself in this case in the past but so far not very successfully. He would make a note of it.

Embassy Residence

The Prime Minister said she now had something more congenial to raise. We loved our Ambassador's house in Moscow, and the Soviet Ambassador loved his house in Kensington Palace Gardens. For some reason, it had been proposed that both of them should be given up. It seemed much more sensible to her to keep them. If that could be agreed, we would put money into doing up our Residence rather than building a new one. We would restore it well. She could promise Mr Gorbachev that it would be used only as a Residence and we would build our offices elsewhere. We would also do everything we could in London to see that the Soviet Ambassador could keep his house. She understood there had been earlier discussions, but no conclusion could be reached without Mr Gorbachev's agreement.

Mr Gorbachev said that he would involve himself in the matter and get to know the details. He would give the Prime Minister an answer soon. He had a vague memory of having been consulted about it before, but could not quite remember when. He liked the idea in principle.

Soviet Internal Developments

The Prime Minister said she would like to hear more about internal developments in the Soviet Union over lunch. They were the biggest thing which had happened in the last half century. Gorbachev said he would be very happy to talk further about this. He was impressed by the degree of public support abroad for what he was doing, and by the public response in the United States to his visit.

Lunchtime Discussion

The discussion continued over lunch, in rather more disjointed form.

Gorbachev begun by announcing to the assembled company that his talk with the Prime Minister had been excellent as always. The Prime Minister said that Mr Gorbachev had agreed to do further work on the idea of a NATO/Warsaw Pact declaration and clothe it with some details. Gorbachev said that Shevardnadze should co-operate with his British colleague to come up with some proposals. Shevardnadze said he would be happy to make contact with the Foreign Secretary.

The Prime Minister continued that she had been impressed by the communique which had emerged from the Warsaw Pact meeting. Gorbachev said it had been a very democratic and open meeting. There had been a lot of new faces. But they had all acted very responsibly. There was a general feeling that we were only at the beginning of the changes. The general direction was clear: it was towards democratisation of our societies and more openness. The Warsaw Pact wanted active co-operation in all spheres with NATO.

The Prime Minister recalled that Gorbachev had last year sent a letter to the Economic Summit in Paris. We would be expecting another letter for the meeting in Houston. Gorbachev said perhaps he would come himself. Seeing the Prime Minister's startled expression, he chortled that his suggestion had only been a trial balloon. The Prime Minister said it might be a bit soon for him to visit the United States again: in any case, he had much to occupy him at home.

Turning to Soviet affairs, Gorbachev said that internal politics were at the heart of everything. Success depended on this. He was always grateful for the support and solidarity which he received from No 10 Downing Street. No 10 took an independent position, despite the contacts which our Embassy in Moscow had with extremists.

Gorbachev then said to Shevardnadze that the Prime Minister had raised with him the question of the Embassy residence. He had not been quite sure of his ground and did not know all the details, but it seemed a good idea. Shevardnadze said that in principle we could keep our Residence. The Soviet Union was interested in a deal. Gorbachev said there should be something in writing about this. Shevardnadze repeated that it could be done and the papers were on their way to Gorbachev.

Gorbachev commented that the Princess Royal's recent visit had been very successful. He had liked her very much. Her visit drew a line under the old conflict about the Romanov dynasty.

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There was a brief exchange about environmental problems and population growth. Gorbachev observed that the highest rates of growth in the Soviet Union were in the Moslem Republics.

Gorbachev said that Ryzhkov would tell the Prime Minister about the Soviet Union's economic problems. They were a decisive aspect of the Soviet Union's development: 'we are turning round to face the market'. The trouble was that people focused only on the retail price rises without considering the underlying changes. The Prime Minister agreed that people did not stop to think what it cost to produce something, only what it cost them to buy it. There had to be a change of attitude. Gorbachev said that was the focal point. People thought you could have capitalism immediately. They were not even interested in the details, just the idea. There were many psychological problems to be overcome. So far, everyone had been guaranteed at least something by the State. That would have to change. The Prime Minister said she understood that private ownership and success tended to provoke jealousy. Gorbachev agreed this was the case, although he had seen a delegation of people who had profited least from recent changes and found them full of ideas and initiatives. Someone who had taken a lease on a farm was now

producing a thousand litres more milk from his cows than previously. But all his neighbours referred to him as Rockefeller.

Gorbachev said that he had been very impressed by his visit to Stanford University. The faculty had included six Nobel prize-winners. He had been particularly attracted by Milton Friedman, who had given him one of his books.

The Prime Minister said we were still experiencing some problems with joint ventures. Gorbachev said that the Soviet Union was building on experience gained. In future, foreigners would be allowed to own 100 per cent of a company and have the Chairman of the Board. There would also be the right to repatriate profits. He thought everything would fall into place. Indeed, before 1 January 1991 the government would be putting into place the full infrastructure for a market economy. It was a massive task. The Prime Minister asked whether consultants from abroad were being used. Gorbachev said that some help was being given in setting up centres for management training, mostly by the United States and Germany.

Gorbachev reverted to his visit to the United States. He had met a great number of American businessmen. He agreed with the Prime Minister that the Americans were very generous people. He had received no less than 50,000 birthday greetings from Americans. He had been amused to find that the Governor of California was Armenian and the Mayor of San Francisco Greek. The latter had told him that if he had any problems with Greeks in the Soviet Union, he would sort them out. He must have been thinking of Popov. Gorbachev added equably that he knew the Prime Minister had met Popov that morning.

The Prime Minister enquired after former President Reagan. Gorbachev said he had been in good form and glad to see the things which they had started together continue. Nancy had been 'terrific'. He had the impression that the Reagans were certainly no poorer than they were before!

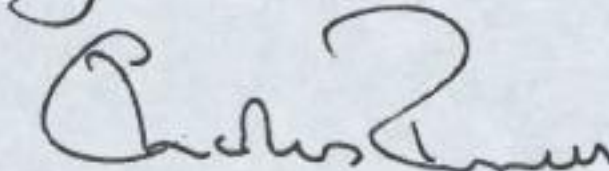
The Prime Minister asked about the Middle East and whether it had been discussed in Washington. Gorbachev replied that all regional problems had been discussed at Camp David, and on the majority of them his views and those of President Bush had coincided. The exception was Cuba. The Prime Minister said that Gorbachev would eventually come round on this too. Gorbachev observed ruefully that you could not give Castro orders.


The Prime Minister said that she understood Gorbachev's problems over emigration of Soviet Jews. These were not the fault of the Soviet Union but of the Israelis for allowing settlement in the occupied territories. Gorbachev agreed and quoted Mubarak in support. The Prime Minister said that only the United States could really bring pressure to bear on the Israelis on this matter.

The lunch broke up at this point. I subsequently handed to Chernayev a list of unresolved emigration cases. Chernayev

observed stoically that he supposed no meeting could be complete without this.

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

Yours sincerely,


CHARLES POWELL 

Stephen Wall Esq
Foreign and Commonwealth Office

Remarks at dinner in honour
of Prime Minister M.Thatcher
8 June 1990

Prime Minister Thatcher,
Mr. Denis Thatcher,
Ladies and gentlemen, comrades

We are pleased to see you again in Moscow. It is good indeed that such meetings are becoming regular and routine in the literal, not only diplomatic sense of the word.

For each meeting produces something new and useful while expanding trust, openness, interest in each other's views and willingness for mutual action.

We cannot imagine present-day international relations without active Soviet-British cooperation. This cooperation can and must play its indispensable role at the current watershed in European and world history.

The visit of the British Prime Minister to this country is the first occasion for us to meet a Western leader after the Soviet-Canadian and Soviet-US summit meetings.

The whole world knows that Great Britain is bound to the United States and Canada by special relations which are rooted deep in history.

We know that you have been informed at first hand about the course and outcome of the talks. And yet I would like to reiterate once again our high assessment of the meetings

in Canada and in the United States. This time it is identical in many ways on both sides.

Until quite recently the relations between the Soviet Union and the United States were a source of tension in the world. Nowadays they are becoming a factor of international stability.

The stage is now set to move Soviet-U.S. relations toward cooperation based on partnership. Orwell's anti-utopia regarding permanent hostility in relations between major powers has been proven wrong.

During the North American meetings we put in place what I hope, will be the solid piers of a giant bridge that will link the Soviet Union, the United States and Canada across two oceans.

It will support heavy two-way traffic between the two extreme points of European civilization in the Northern hemisphere.

By bridging them to form one single ring, we will restore its normal circulation which has been artificially obstructed by the ups and downs of history.

The outcome of Soviet-U.S. summit meetings are the patrimony of the entire world community. It would have been inconceivable without positive contributions from other powers.

We discussed this at yesterday's meeting of the Political Consultative Committee of the Warsaw Treaty Organization. I am gratified to note that important

agreement was reached there to drastically transform that international organization by making it a political body.

It would be good to see this process evoke a positive response from NATO and indeed it would be desirable to have this process synchronized on both sides.

The ways of transforming military blocks into bodies for cooperation will not be easy. But it is essential for them to converge, if the objective is to be attained. Then the elimination of military confrontation will become an integral part of the overall positive process.

Then we will be able to go over smoothly to new European security structures. We have received with interest the suggestions to that effect that you, Mrs. Thatcher, made at the Cambridge conference, for they have a lot in common with our own approaches.

Europe is now amidst deep change. Common legal, economic, cultural, and informational areas are now becoming meaningful concepts.

The German problem with its external aspects has moved to the centerstage of European politics. If one is to be honest to oneself and to others, then one should admit that a solution acceptable to all nations as regards the future of Germany is yet to be found.

Therefore our search should go on and we should work on various options together and examine all arguments closely. We propose that we do that without delay. We live at a very

dynamic time which sets its own pace for international politics to keep up with.

At the same time, we should not allow the status of a new German state to be affected by any deformation; otherwise the historically shaped balance of all States' interests in the common European system will be upset and a common European home will not be resting on a solid foundation.

Our allies in the anti-Nazi coalition should be aware of the Soviet people's sensitivity to a resolution of the German problem. Our people have made unheard-of sacrifices at the altar of our common victory. And they are morally entitled to expect a fair and final settlement to the outcome of the Second World War.

However authoritative they may appear, no amount of assurances of good intentions from those who insist bluntly on Germany's incorporation into NATO will suffice. Nobody will feel convinced, or relieved. No concerns, or even suspicions will be allayed.

Real guarantees are needed to keep Europe's strategic stability intact. Such guarantees may be provided only if the reunification of Germany proceeds in close coordination with the CSCE process.

We are pleased to see perestroika not only herald an age of renewal in our country but also become a catalyst for sweeping positive changes in world development.

This, I believe, is a major reason why you, Mrs. Thatcher, never fail to show your support for reforms underway in the USSR.

Today we are clearly conscious that perestroika is not our exclusive property but is shared by European nations, too. We appreciate the attitude of those who support our efforts sincerely and are willing to contribute to implementing our plans.

The close attention which is focused on the reforms underway in our society demonstrates that all parts of Europe and the world are growing increasingly integrated and interdependent.

Perestroika in our country has reached the peak load. It is not exactly plain sailing for any of us over here.

I think you know the feeling, for your country has recently gone through reforms in your long-established structures, although you acted in a different situation and used different methods.

We believe that the pledge of success for such an awesome enterprise as our perestroika is national concord and democratic consolidation of all diverse and conflicting forces concerned over the future of our country, of our great people and our state.

I am positive that the Soviet people will show enough resolve, common sense and intellectual power to implement the choice they have made.

Tomorrow you will be leaving for Kiev where the British Days in the USSR have commenced. Your participation, Mrs. Thatcher, in this momentous action in the history of our relations makes it very special.

I wish success to the British Days in the USSR and hope that they will help Soviet people to learn more about your country, which is remarkably rich in history and culture, and about your outstanding achievements.

I have no doubt that the action will be highly conducive to promoting understanding, trust and cooperation among the nations of the USSR and Great Britain.

To progressing and flourishing Soviet-British relations, to the health of Mrs. Thatcher and Mr. Denis Thatcher.