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10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

20 November 1990

Dear Sir,

PRIME MINISTER'S MEETING WITH PRESIDENT ZHELEV
OF BULGARIA

The Prime Minister had a meeting this afternoon in the margins of the CSCE Summit with President Zhelev of Bulgaria. The President was accompanied by Ivailo Trifonov (Private Secretary), Dimitav Ludjev (Political Adviser) and Stefan Tafrov (Diplomatic Adviser). Mr. Ludjev was introduced as the likely next Prime Minister.

President Zhelev said that he wished to express the gratitude of every democrat in Bulgaria for the enormous contribution which the Prime Minister had made to bringing freedom to Eastern Europe. She and President Reagan shared the responsibility for bringing about the changes in the Soviet Union and Eastern Europe, and no-one would ever forget that. The CSCE Summit crowned their efforts and those of all others who had worked for democracy.

Turning to the situation in Bulgaria, President Zhelev said that the elections in June had given Bulgaria its first democratic Parliament. Although his party had not won the Parliamentary elections, they were now about to enter a coalition Government which they would dominate. That said, they did not face an easy task. The economy had a massive deficit and a shortage of staples of all kinds. State ownership had crushed all motivation and paralysed initiative. On top of that, Bulgaria had been hard hit by the Gulf crisis, which coincided with efforts to switch to a market economy. He was not ashamed to solicit help, including humanitarian aid, from every possible source. A special agency was being set up under his control to coordinate all assistance from abroad.

President Zhelev continued that he hoped that he could look to the United Kingdom for support to get Bulgaria into European structures like the Council of Europe and the European Community. Their immediate aim was an Association Agreement with the EC. They also hoped for closer economic links with the United Kingdom, as well as for financial and economic assistance. The

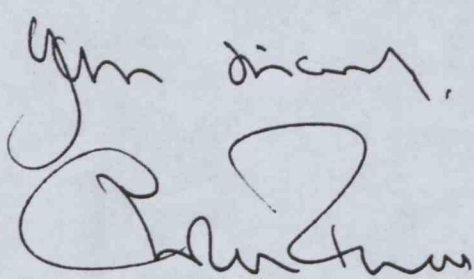
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Prime Minister said we were still contemplating the question of a Know-How Fund for Bulgaria but would be prepared to approach this in a positive spirit. The European Community was already providing aid. She took note of Bulgaria's interest in an Association Agreement. We would pursue this with other Community countries. President Zhelev said it was important to remember that changes had come later to Bulgaria than to countries like Hungary, Czechoslovakia and Poland. Bulgaria desperately needed help to get reform started. A stabilisation fund of the sort made available to Poland and Hungary would be extremely useful.

The Prime Minister asked whether all remnants of the old regime in Bulgaria had yet been removed. President Zhelev admitted that many were still in place. But the former institutions, in particular the security service, were being reformed. The Prime Minister said she understood that Bulgaria would be sending a new Ambassador to London. President Zhelev confirmed that he would personally nominate a candidate. Bulgaria badly needed Britain's help in the security and intelligence field. Several heads of departments in these agencies had already been removed. The Prime Minister observed that there was so much to do in Bulgaria that it was difficult to know where to start. President Zhelev said that draft laws to establish the structure of a market economy were already on their way through Parliament.

The Prime Minister said that she would reflect on her talk with the President and consider how Britain could best help, and in particular the possibility of extending the Know-How Fund to Bulgaria. She hoped that the President was also seeking help from other European Community governments. President Zhelev confirmed that this was the case.

I am copying this letter to John Gieve (HM Treasury), Martin Stanley (Department of Trade and Industry), Simon Webb (Ministry of Defence) and Sonia Phippard (Cabinet Office).



(C. D. POWELL) —

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