

PRIME MINISTER

EAST/WEST RELATIONS

I attach a letter and a paper from Michael Alexander.

As you would expect, the paper is very well written and is a most useful analysis of the state of affairs in the Soviet bloc.

Michael is most anxious that this initiative of his should remain private to No. 10 at this stage - i.e. that the FCO do not know about it. His object in writing to you is to find out whether you think the paper is of any use. If so, he will send it to the FCO as a contribution to their thinking.

If you agree, I shall tell him that his paper is not only very useful but very well timed; that you have decided to conduct a review of our strategy towards the Soviet bloc in September and that we need contributions of this kind for that review.

Agree?

My only slight criticism is that the paper stops just short of recommending what we should actually do. Michael calls for "steady but unspectacular pressure for increased human contacts" - but, as you have said before, we need to be clear as to what we can achieve by using all the forms of communication which are at our disposal. I shall encourage him to think more about this.

A.J.C.

17 June 1983

FUE 24



for Pol.

10 DOWNING STREET

From the Private Secretary

27 June, 1983

East/West Relations

Thank you for your letter of 9 June. I am sorry that it has taken me so long to reply but you will understand that, immediately following the Election, the Prime Minister has had little time for reading.

She has now read both your letter to her of 9 June and the paper on East/West Relations which you enclosed. She has not commented on it specifically but I have no doubt that she found much of interest in it. I should, in any case, like to encourage you to send your paper to the FCO. This is because the Prime Minister is planning to hold a 2-day session at Chequers in September on our strategy in international affairs and wishes our approach to East/West relations to be the principal topic for consideration.

The Prime Minister has been giving a good deal of thought to East/West Relations recently and is very much concerned, in her second term of office, to devise a more coherent strategy in this field than was possible during her first administration. You may be interested to see the enclosed extract from a speech which she made last Friday to the International Democrat Union which, I believe, provides some indication of the way her mind is moving (certainly, the language is very different from that of earlier speeches).

Before the Chequers discussion, I shall show the Prime Minister your letter again. I shall not mention it to the FCO or anyone else. Meanwhile, may I ask you to keep all the contents of this letter entirely to yourself - the plans for the Chequers discussion are being kept in a very close circle here and I should be grateful if you did not mention them to the FCO.

A.A. COLES

M. O'D. B. Alexander, Esq., C.M.G.

BRITISH EMBASSY,
VIENNA.

9 June, 1983

A J Coles Esq
No 10 Downing Street
LONDON SW1

Dear John,

1. I attach a self-explanatory letter and enclosure to the Prime Minister. I leave it to you to choose a suitable moment to put it to her - assuming, that is, that you agree to put it to her at all. Let me know if you decide not to do so!
2. I am very anxious that word of this initiative should not filter back to the FCO at this stage. The reasons for the most part are obvious: none of his business, what's EESD for etc. etc. They do not include concern about FCO reaction to the policy recommendations since I doubt whether there would be that much disagreement with them. They do include a desire not to have to bother with all the qualifications and justifications that would have to be put in if the paper were to be properly "staffed up" and cleared with the experts.
3. I can imagine a variety of Prime Ministerial reactions ranging from rage to boredom. I shall be well content if she simply reads the letter and paper to the end and broods on some of the points made in them. If by chance her reaction is one of interest and a desire to see some of the questions raised followed up, I would much rather that you let me know than that you (or the Prime Minister!) followed it up directly with the FCO. I would aim to send a copy of the paper to Julian Bullard as a contribution to the formulation of general policy. You or Tony Parsons (excuse my ignorance of how the new system functions), could subsequently let Julian know informally that the ideas in the paper were not totally unwelcome. I don't (to answer the obvious question more directly) see much point in doing this unless there is some interest at your end: the paper and recommendations are so general that they would, I fear, retain little punch once processed through the official machine.

Yours ever

Michael

(M O'D B Alexander)

Encs.

BRITISH EMBASSY,
VIENNA.

9 June, 1983

The Rt Hon Margaret Thatcher MP
No 10 Downing Street
LONDON SW1

Dear Prime Minister,

1. When I left your staff eighteen months ago, you suggested that I should write to you direct if I ever had any comments about HMG's policy overseas as seen from Vienna. I said that, while appreciative of the suggestion, I probably would not take it up - partly for the obvious hierarchical reasons and partly because I doubted whether anything sufficiently important to bother you with would come my way here.
2. Four visits to Eastern Europe (two to Czechoslovakia and one each to Poland and Hungary) have changed my mind. Taken together with my recollections of a ten months' negotiation with the Russians in Geneva (1974-75) and of two years' service in Moscow (1963-65), they have left me deeply worried about the prospects for East-West relations in the years immediately ahead. The enclosed paper tries, in somewhat schematic terms, to explain why. It also suggests some consequent modifications of Western policy. These last are addressed to our overall strategy and presentation rather than to pending decisions with the details of which I am completely out of touch.
3. My main concern is that we in the West take insufficient account of the more or less complete economic failure of state socialism in Eastern Europe and the Soviet Union. This failure, combined with the continuing success of the capitalist economies and traditional Russian feelings of material inferiority vis-à-vis Western Europe, has fuelled the Soviet Union's obsession with military development over the last fifteen years and more.
4. It is of course dangerous to assume that conditions in the Soviet Union are the same as those in Eastern Europe which I have been seeing at first hand. But even if different, I do not think they are better. Khrushchev was, in my view, the last Soviet leader who may genuinely have believed that Communism could engage successfully in a peaceful and primarily non-military competition with "capitalism". His successors have consistently sought to cloak their basic weakness by ever greater concentration of the military aspects of the competition.

/5.



5. It is a great pity that more Western decision-makers do not have the opportunity to see at first hand and unescorted the dismaying backwardness of a city like Katowice in Southern Poland (where I spent 24 hours last month). The conditions there are Dickensian. This is not a Toxteth or a Pittsburgh which has been temporarily left behind by industrial and urban change. It lies at the heart of Upper Silesia, one of the most richly endowed industrial regions in Europe. As the home town of Poland's previous strong man, Gierek, it has been the beneficiary over the last decade of much of the investment which has now bankrupted the country. The results are grim: air so polluted (on a May morning) that it is uncomfortable to breathe; buildings less than ten years old which are falling down; streets and pavements so badly surfaced that they are difficult to walk or drive on; substantial numbers of men, mostly young, standing around on street corners; etc. etc.

6. The surrounding countryside is picturesque. But it is extraordinary to observe that square mile after square mile of the best agricultural land in Central Europe is being tilled in small plots by ploughs with a single ploughshare pulled by a single horse; and that the average dairy herd seems to consist of one or two cattle being led on a string by an old woman. My wife, who spent two years of her childhood in a village in the region during the last War (i.e. 40 years ago), says that nothing seems to have changed.

7. Similar evidence of the primitiveness of the economies of Eastern Europe occurs again and again. Obviously the impressions of a three-day visitor have to be compared with those of long term residents. But the latter, whether journalists or diplomats, too often take the scene around them for granted and focus on minor changes upwards or downwards. For a visitor from Austria - which, before the last War was by no means wealthy compared with, say, Czechoslovakia or Southern Poland - the comparison is devastating. The East Europeans have fallen a generation behind and are moving backwards. They have joined the Third World.

8. From one point of view all this could be said to be reassuring. There is nothing positive to learn from the Communist régimes and our prospects are rosy indeed compared with theirs. But in another sense the picture has to be a source of great concern. At some point the glaring and growing disparities in prosperity in the neighbouring countries of Central Europe will become intolerable for both governments and peoples in the East. With the passage of time the Soviet and other régimes are going to have ever less incentive to avoid high risk policies. This is a recipe for instability and irresponsibility.

/9.



9. There may be nothing much we can do about these problems. It may be that we shouldn't even try to do anything. For myself I think it too soon simply to resign ourselves to a drift into collision. I have drafted accordingly. My suggestions may well be implausible, impracticable or inadequate. They are certainly not exhaustive. What matters is that the implications of the developing situation should be constantly in the minds of those dealing with East-West relations in the years ahead.

10. You may have discussed all this with Solzhenitsyn when he called on you a few weeks ago. He, so far as I can gather from the press, sees the situation in even gloomier and considerably more apocalyptic terms than me. He appears to regard the West as too slothful and depraved to be capable of resisting the evil emanations from Moscow. Solzhenitsyn is indisputably a great man and a great novelist. But he is also a Slav prophet. At heart he wants to believe in the spiritual superiority of the Russians, whether for good or ill, and in the corruption and weakness of the West. I doubt whether either half of his belief was ever justified and I am sure it is wide of the mark now. It may of course be shared by Andropov, but somehow I doubt this!

I seem, largely by chance, to have chosen an auspicious day on which to write to you. It is a little early to congratulate you on a splendid result (let me do so anyway) but I can certainly congratulate you on a terrific campaign!

Yours

Michael.

(M O'D B Alexander)

Enc.



EAST-WEST RELATIONS

SOME PROPOSITIONS

1. While collapse may not be imminent, the economic failure of the State socialist system in Eastern Europe and the Soviet Union is irreversible. After almost 40 years of peace, large-scale investment and individual sacrifice the industrial, agricultural and distributive infrastructure of the various States remains backward in extreme. In some cases it is decaying. Performance, however measured, is dismal. Except in a few limited fields there is little or no innovation of any significance.
2. The standard of living of the people relative to those in the capitalist democracies has been declining for a generation. Latterly many Eastern Europeans have actually become poorer. Significant numbers may be worse off than their parents were in 1939.
3. No amount of tinkering with managerial autonomy or computerised planning; of successful industrial espionage; or indeed of overt Western aid will reverse this trend. The system will never work. Given the aspirations of their ideology, it is almost incredible that senior Communist economists should be saying openly that the future rôle of their countries is as suppliers of raw materials.
4. The political failure is equally comprehensive. There is a universal and palpable withholding of support from the existing political and administrative establishment in Eastern Europe. The epidemic of alcoholism is symptomatic. The present set up is sustained by vested interests, inertia and fear of the Soviet reaction to change.
5. Relationships between member states of the bloc range from indifference through dislike to hostility. Crossing a border within Eastern Europe is no less time consuming and adversarial, even for local people, than crossing a border between East and West.
6. The system has no capability for peaceful or piecemeal evolution. Attempts at reform have repeatedly revealed the fragility associated with rottenness. One day the system in Eastern Europe will break down completely. When it comes, the break down may well be sudden, unforeseen and comprehensive. The impact of such a break down on the Soviet Union would be traumatic.



7. It is inconceivable that these facts, evident to any reasonably close observer, should not long ago have become obvious to the men who run the régimes.

8. Contrary to the generally held belief these leaders are well-informed about the West's performance in all the areas that matter to them. They probably do not believe what they read about our intentions. They have little choice other than to believe what they see and read of our material achievements.

9. They therefore know that in a contest for which their predecessors laid down the rules and in precisely those areas where they have most loudly asserted their superiority (social, political, ideological and economic progress), they are being comprehensively defeated. They cannot compete peacefully with the West. Their inability to do so will become more marked as we move into the era of commercially applied high technology.

10. The areas in which the Soviet Union is able to compete (by concentrating talent and ignoring cost) are those of military development and prestige research projects such as space exploration. In the absence of an effective industrial and scientific base the quality of this effort can hardly be sustained indefinitely. But in the short and medium term it must be a cause of deep concern to the West.

11. Soviet leaders undoubtedly entertain hopes that internal divisions, social unrest, a banking collapse or some similar self-inflicted setback, will slow the advance of the capitalist democracies. But they also know that in most of these areas their own rôle can be little more than incidental. The trouble they can cause e.g. in the Third World, is serious. But it matters ultimately only to the extent that it affects the central economic, ideological and strategic confrontation.

12. Unfortunately few Western decision-makers, particularly in the United States, have any first-hand knowledge of the state of affairs in Eastern Europe and the Soviet Union. The Berlin Wall and the riots in Poland are real enough but are not the reality. The Soviet system is lawless and morally degrading for rulers and ruled. It encourages and condones evil acts and to that extent is evil. But to talk of "an empire of evil" is to credit the Soviet Government with a self-confidence and a capacity for malefaction outside the Soviet Union that it does not possess. It is an empire of incompetence, dreariness, corruption and frustration.

/13.



13. It follows that the Soviet system, despite its leaders' posturing and their worldwide investment in subversion, is incapable of mounting a credible challenge to the supremacy of the capitalist democratic alternative in any except a military sense. (Hence in part the increasing tendency to Bonapartism in the Soviet bloc. General Jaruselski is a precursor, not an anachronism.)

14. This is not to say that the Soviet leadership want war. It means simply that they see their only chance of success as lying in a long drawn out confrontation in which their strengths - military capability and continuity of purpose - confront the democracies' weaknesses - popular anxiety about war and reluctance to pay for the means to prevent it.

15. The risks are as obvious to the Russians as to us. But they see little option other than to persist. For the Western democracies, by the mere fact of their existence and by the attractiveness of their material success, constitute a fundamental and inescapable challenge to the survival of the Soviet system. In this most basic sense, largely independent of the actions and intentions of individual leaders, the West is as responsible as the East for the continuing instability of East-West relations.

16. The men in the Kremlin are the inheritors of centuries-old convictions about Russian material and technological inferiority and about the dangers of encirclement. They have built their careers in an environment of intrigue, conspiracy and mistrust. They assume that Western leaders are no less duplicitous. Since they know their empire is essentially bankrupt, Western rhetoric about the threat from the East may often seem to bloc politicians no more than a cloak for our own aggressive intent.

17. Afghanistan encapsulates the dilemma of dealing with the USSR. The Kremlin resorted to military action because of its inability to secure an "acceptable" régime in Kabul by any other means. In that sense it was an action taken out of weakness, a political setback compounded by the subsequent military failure to subdue the Afghans. Nonetheless the criminality of the invasion, its strategic implications and the continuing barbarity of the occupying forces leave the rest of the world no choice but to interpret the Soviet action as expansionist, destabilising and threatening.

/SUMMARY



SUMMARY

18. The incongruity which has made détente an illusion and which will make a collision between East and West extremely difficult to avoid is clear.

19. On the one side there is a ruling group of long-serving bureaucrats, experienced and knowledgeable but also cynical, inflexible and conspiratorial; whose national and ideological inheritance of inferiority and suspicion towards the West is reinforced by a pressing consciousness of economic and political failure; who know they rule a collection (outside the Soviet Union and in its non-Russian areas) of disaffected and disunited peoples; but whose will to power is undiminished; who have few problems with public opinion; who possess, in their immense and growing military power, one trump card; and who are coming increasingly under the influence of their military colleagues.

20. On the other side, a constantly evolving group of elected civilian leaders who, however acute the immediate difficulties, preside over the most prosperous and dynamic society in human history; but whose natural chief does not now have, and has rarely ever had, first-hand knowledge of the situation in the Soviet bloc or of how the world looks through Soviet eyes; who find it difficult to accept that the Soviet colossus marches on feet of clay; who are rightly preoccupied with the need to match, and therefore to focus attention on, the Soviet military threat; and whose electorates are betraying increasing anxiety about the possibility that deterrence will break down.

CONCLUSIONS

21. On this analysis it is not easy to be optimistic about the future of East-West relations. But some conclusions can be drawn:-

- (a) the idea that a unilateral weakening of our military stance might lead the Soviet Union to follow suit is wildly misconceived. The Soviet leaders do not deal in goodwill. Anything which allows them to increase their advantage in the military element of the East-West equation will be pocketed by them with relief;
- (b) the idea that by making the choice stark enough one can force the Soviet leadership to allocate resources to civil rather than to military development is equally misconceived. Why should they do so if the military race is the only one in which they have a chance of success? There is no evidence that the

/Soviet



Soviet leaders have lost the will either to impose economic hardship on those they rule or to deal harshly and effectively with discontent and dissent when they judge this necessary;

- (c) in the long run the amount of Western economic help they receive will not have a major impact on the functioning of the Communist economies. Their failure is systemic. However attractive - or even necessary - in terms of domestic politics Western sanctions and trade restrictions may be, they serve little purpose. They hurt those who impose them at least as much as the intended victims. The COCOM list makes it a little harder and a little more expensive for the Soviet Union to obtain the equipment it wants but eventually it gets it anyway;
- (d) it is a truism, but also consistent with the analysis above, that the West's interest is to conduct the East-West struggle on virtually any basis other than a military one. To tempt the Soviet Union to accept a change of terrain will at best be a long-term process. Western Governments collectively will have to pursue more consistent and pragmatic policies; show more self-confidence about their own position; and take more account of Soviet weakness and paranoia.

POLICY IMPLICATIONS

22. The Western strategy with which Soviet and East European Governments would find it most difficult to cope would be one which combined:-

- a very firm military stance and a consistently robust response to Soviet action outside the bloc;
- a studied indifference to Soviet bluster and a refusal to respond in kind. Feel contempt without showing condescension;
- a low-key governmental reaction to events within the Soviet bloc and an avoidance of public "linkages";
- a willingness to negotiate toughly, persistently and regularly, about virtually anything;
- entirely un sentimental commercial and economic relations in which we would make explicit our intention to pursue our own advantage without discrimination and without favours vis-à-vis the bloc as a whole or its individual members; and

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- steady but unspectacular pressure for increased "human contacts" of every kind.

Put baldly this sounds, and is, cold-blooded. It implies that Governments (as opposed to private citizens, the press etc.) should pay less attention to the Walesas and Sakharovs of the future. It implies a greater degree of coordination than Western Governments have succeeded in maintaining in the past. To that extent it may be unrealistic. Nonetheless it is hard to see a better way of bringing the Soviet Government to change its policies and of achieving the dissolution of the Soviet bloc in something like a controlled manner than by increasing the prosperity and information available to the subject peoples and depriving the régimes of excuses for the blatant failure of their economic and social policies.

COUNTER-ARGUMENTS

23. A number of arguments might be advanced against an adjustment of policy in this direction. These would include:

- (i) that if it brings additional prosperity to Eastern Europe, the present régimes will claim the credit and strengthen their positions accordingly.

Answer: The benefits will be limited by the inefficiency of the system and in any case disillusion with State socialism is far too advanced to be susceptible of cure. The much more likely consequence will be to arouse expectations that State socialism is incapable of satisfying. The upheavals in Czechoslovakia in 1968 and in Poland in 1981 followed periods of relaxation and slightly increased prosperity.

- (ii) that extra resources and "know how" will be ploughed into defence.

Answer: This may well happen initially. But it is doubtful whether at present levels the additional input will make more than a marginal difference. The limiting factors on Soviet military capability are not now those of resource availability or knowledge.

- (iii) that while it might eventually undermine the Soviet bloc, it would undermine more rapidly the will of Western electorates to support an adequate defence effort.

/Answer:



Answer: What one is now seeing in Western Europe and North America is less a growing reluctance to pay for an adequate nuclear and conventional armoury than a growing fear that the armouries on both sides are going to be used. It is, in part, to this fear that the foregoing recommendations are addressed.

9 June, 1983



10 DOWNING STREET

Prime Minister

You asked to see this paper by
Richard Alexander again.

I have thanked him
on your behalf.

Could I just remind you
that he would rather the F./C.O.
did not know that he has
sent this paper to you direct.

A. J. C. $\frac{27}{7}$



BRITISH EMBASSY,
VIENNA.

19 July, 1983

A J Coles Esq
No 10 Downing Street
LONDON SW1

Dear John,

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f.a.

EAST-WEST RELATIONS

1. I enclose a copy of a letter I have just received from Julian Bullard.
2. As you will see, Julian confirms my original feeling that the broad lines of my note would not be unwelcome in the FCO. In fact, there is a rather surprising convergence between Julian's approach and mine - though his is expressed in very different terms and has a very different starting point (I also happen to think that the point "which we forgot to put in" is absolutely fundamental). In case you have not already had a black market copy, I enclose a copy of Julian's minute.
3. So far as I am concerned, we can now draw a line under what had threatened to become a rather complicated exercise. My paper will disappear into the FCO machine and will have no official existence, so the chance of embarrassment should be small. I will suggest to Julian that he shows the paper to Antony Acland some time - but only to prove that I have not become completely besotted with the problems of the Residence! I leave it entirely to your discretion to decide whether or not to tell the Prime Minister that one or two people in the FCO have seen the paper - and vice versa.
4. For sake of completeness, I enclose a copy of the paper in the form in which it went to Julian Bullard.
5. I hope that some marginally useful purpose may have been served: I also hope that it was not renewed acquaintance with my prose that led the Prime Minister to decide not to come to Vienna.

Have a good holiday: it doesn't look like being a very restful Autumn.

Yours

Richard

(M O'D B Alexander)

Encs.



Foreign and Commonwealth Office

London SW1A 2AH

15 July 1983

M D O'B Alexander Esq CMG
VIENNA

EAST/WEST RELATIONS

1. I was most interested in your letter of 7 July and the enclosure. As I said on the telephone, it was a timely contribution. The new Secretary of State held a five hour meeting on East/West relations earlier this month, for which extensive preparations were made. A copy of my own contribution to this is attached and you will see how close my thinking is to yours. It was an excellent meeting leading to some useful conclusions. Since then we have been doing some more work with a view to talks in the autumn with the Prime Minister, who has shown signs of greatly increased interest in the whole subject since the election. This gives us the opportunity to raid your paper for thoughts which may have been at the back of our minds but which we forgot to put in, like your important point that although we do not see ourselves as threatening the Soviet Union, the very existence of our obviously superior and more attractive system constitutes a perpetual threat to theirs, and one of which their leaders must be acutely conscious.

2. You offer various suggestions as to what I should not do with your paper, but I should not like to be the only beneficiary. I am therefore showing it to Kenneth James and Nigel Broomfield, both of whom are much involved in this whole affair: the former will be watching my interests during the next three weeks while I am on leave. But it will be in the spirit of your letter if I do not enter it or this reply, nor refer to it in entered correspondence.

3. Mind you, I do not agree with absolutely everything you say

Yours ever

Julian

J L Bullard

CONFIDENTIAL

Private Secretary

From: Sir J Bullard

Date: 1 July 1983

cc PSS/All Ministers
PS/PUS
Mr Wright
Mr Evans
Mr James
Mr Cartledge
Mr Thomas
Miss Neville-Jones
EESD
Defence Dept
Mr Bishop, Research Dept
Mr Elliott, FED

EAST/WEST RELATIONS

1. From the mass of possible material I have selected three papers which the Secretary of State and other Ministers may like to read before his meeting on East/West relations next Tuesday 5 July.

A 2. JIC(79)5 dated May 1979 was an attempt to set out the objectives and priorities of the Soviet Union in international relations, attributing weights to the various motive factors: Russian national interests, communist ideology, etc. The illustrations are four years old but the basic judgements are still valid.

B 3. The NATO paper on trends in Soviet foreign policy and their implications for the Alliance is one of two studies which arose out of the pipeline dispute. It is up to date (May 1983) and tackles the central question how far the West is able to influence Soviet policies, and by what means.

C 4. The other NATO study, on East/West economic relations and their implications for the security of the Alliance, is even more directly related to the pipeline dispute. It concludes evasively but contains a great deal of wisdom.

5. What these three papers have in common is that they seek to hold the balance: to steer between the two errors implied in the old saying 'Russia is never so strong as she seems, nor so weak'. The United States has traditionally fallen into the first of these traps, the Europeans into the second. (Some Americans make both mistakes simultaneously, arguing that the Soviet Union is in danger of taking over the world but that it can be brought to its knees by economic sanctions.) I myself have believed at different times that there was a real risk of the Soviet Union building up a position of global dominance country by country in the Third World; and of them capturing the allegiance of public opinion in the countries of Western Europe. I no longer believe either of these things - but nor do I go quite so far as some who would cross out the expression 'Soviet threat' whenever they see it.

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6. To add another aphorism: the Soviet Union is never so hostile as it seems, nor so friendly. Here too the Atlantic partners have tended to fall into opposite errors, with American administrations swinging from one to the other. My 30 years of service have covered the well known postwar peaks (Macmillan in Moscow, SALT, Helsinki) and troughs (Hungary, Czechoslovakia, Afghanistan) - a series of false dawns and false dusks. The models of the Soviet tanks have changed in one set of pictures, the faces under the fur hats in the other. But in my view the nature of East/West relations has remained much the same. Excessive gloom and excessive hope are as rife as ever, and as wrong.

7. In this revolving constellation I would identify seven fixed stars:-

(i) East/West relations are governed by relations between the United States and the Soviet Union. This fact cannot be changed by any amount of talk of filling the vacuum, honest brokerage, third force, interpreting the East to the West and vice versa, etc. So long as the bells in Washington were ringing the funeral of detente, it was no use Europe putting on wedding clothes. Equally, if the United States is now turning back towards dialogue, it would be folly for statesmen in Europe to continue to beat the warning drum. European governments can safely and successfully pursue their interests with the East only when there is a reasonably satisfactory climate between the two superpowers.

(ii) Within that superpower relationship, a central position is occupied by arms control. Here too there have been errors in both directions. Kissinger was right to call SALT the 'iron pole' of the US-Soviet relationship, but wrong to allow this to take his eye off what was happening in Angola. Reagan was right to re-emphasise the need for Soviet responsibility and restraint in regional situations, but wrong to give the world the impression that his only concern in the arms race was to win it. (Mr Wright is submitting separately some papers on the current agenda in the field of arms control.)

(iii) Whatever else is done or not done, it must always be right for Western governments, including our own, to be in contact with the Soviet Union. Since Russia is a huge, ancient and complicated country, this requires serious study and application over many years, at many levels and across a broad front, outside as well as inside the government service. President Kennedy was perhaps naive to order a crash programme in American universities to discover what had enabled the Soviet Union to put the first man in space: but this was a wiser approach than the one which has led to today's situation, where it is said that only five people are taking PhDs in Soviet studies in the entire United States. The basis of any successful British policy towards the Soviet Union is a young man or woman with Pravda open on the desk and a volume of Russian history on the table at home. This is the foundation of the pyramid, whatever the apex.

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(iv) Eastern Europe is a special case, or rather six special cases, or seven if Albania is included. Ten years ago a conference of HM Ambassadors from Eastern Europe concluded, not for the first time, that 'the relationship between the East European countries and Moscow is unnatural, unwelcome and in the long run unstable'. Events in Poland speak for themselves. Less eloquently, so does the course charted by Hungary in recent years: as Mr Cartledge wrote presciently from Budapest, the Hungarian objective seems to be a state of affairs where the important features of Hungary will be Central European, and only the superficial ones East European.

(v) China is potentially a serious factor in relations with the Soviet Union, but not yet. It is more than a pawn on the board but not more than a knight. I say this because, if the problem of Hong Kong can be solved, there could be a prospect of our relations with China developing with dynamic speed. This must not revive with China the illusions through which we passed with the Soviet Union, or make us lose sight of the fact that the Soviet Union matters much more to Britain, for good or ill, than China is likely to do this century.

(vi) Coordination within the Western Alliance is the ideal, to be striven for even if never attained. This week the Russians have shown how much mistrust they can create in the Western camp simply by writing letters to some of our leaders but not all. The work of the Eastern European Working Group in the Ten, and of the various organs of NATO, is humdrum but essential. With our more important allies we need closer and more profound discussions than these. Under different management NATO could be not just the flywheel of this coordination, as it is now, but one of its engines.

(vii) Tone and style matter. The impassive face of the Soviet Union conceals a sensitive and pedantic nature. It was right to agonise over who should sign the condolence book at the Soviet Embassy after Brezhnev's death, over the wording of the first message to his successor, over how to reply to the cryptic telegrams of congratulation from Moscow after the recent election. There is no such thing as an unimportant speech on East/West relations by a British Minister. The first major speech on this subject by a new Foreign Secretary will have particular significance.

D 8. Lest it be thought that I speak for nobody but myself, I attach a fourth paper written this month by EESD and circulated within the Office at departmental level. It covers the same ground as the foregoing paragraphs, and comes to similar conclusions.

9. In the present phase, three facts stand out. The first is that the coming months are going to be a period of exceptional gravity, in which the West will need both the coolest statesmanship and the strongest nerves. I believe the Russians are very close to recognising that they are not going to be able to frustrate the deployment of new INF systems in Western Europe; that they plan to make one last push, concentrating on the Germans and on the two

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opportunities handed to them by Kohl in his own visit next week and the Bundestag debate in November; that if this fails they will turn to counter-moves; and that they will then face exactly the same problems as we did in 1979, but with much less chance of solving them within their alliance than we have been able to do within ours. All this will take place at a time when Andropov is consolidating his position and trying to hold on to his health. In these circumstances the Soviet Union will be deeply suspicious, fearful and prone to over-react to anything that looks like a provocation or an attempt to take advantage of Soviet weakness. To prevent misunderstandings and misreadings it will be important to talk to the Russians as never before. This would be true even if it were not the case, as I believe it is, that the West needs urgently to get a grip on the arms race.

10. Second, it is plain that the United States administration is moving out of the phase when it had no interest in the Soviet Union except to defame it. Shultz's testimony on 15 June makes this clear: so does the talk in Washington about a Reagan/Andropov summit. I do not believe that the Soviet Union will be able indefinitely to brush this American mood aside, hoping for a defeat for Reagan in the presidential election. However reluctantly, the two superpowers seem destined to start talking to each other again.

11. Third, I doubt if Britain has ever been better placed than we are now to take advantage of these opportunities. The Prime Minister has established her credentials with the United States and her strength in the eyes of Moscow. She has like-minded colleagues in Washington and Bonn, and no serious rival in Paris. We have all noted the interest which she is starting to express in the study and practice of East/West relations.

12. There is however one difficulty, not just of presentation. At various black moments in the past we and other Western governments have restricted our relations with Moscow as a mark of disapproval. It was easier to take such steps than it will be to put together the rationale for reversing them, with Afghanistan still under the Soviet boot and Poland under martial law. What we do from now on must be made consistent with what we have said in the past.

Conclusions

13. At the meeting on 5 July the Secretary of State may wish to work through the summary of conclusions at the front of Mr Broomfield's paper, and then go on to consider a possible action programme on the lines of that suggested.

J L Bullard

1 July 1983

J L Bullard

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EAST-WEST RELATIONS

SOME PROPOSITIONS

1. While collapse is not imminent, the economic failure of the state socialist system in Eastern Europe and the Soviet Union is irreversible. After almost 40 years of peace, large-scale investment and individual sacrifice the industrial, agricultural and distributive infrastructure of the various states remains backward in extreme. In some cases it is decaying. Performance, however measured, is dismal. Except in a few limited fields there is little or no innovation of any significance.
2. The standard of living of the people relative to those in the capitalist democracies has been declining for a generation. Latterly many Eastern Europeans have actually become poorer. Some may be worse off than their parents were in 1939.
3. No amount of tinkering with managerial autonomy or computerised planning; of successful industrial espionage; or indeed of overt Western aid will reverse this trend. The system will never work. Given the aspirations of their ideology, it is almost incredible that senior Communist economists should be saying openly that the future rôle of their countries is as suppliers of raw materials.
4. The political failure is equally comprehensive. There is a universal and palpable withholding of support from the existing political and administrative establishment in Eastern Europe. The epidemic of alcoholism is symptomatic. The present set up is sustained by vested interests, inertia and fear of the Soviet reaction to change.
5. Relationships between member states of the bloc range from indifference through dislike to hostility. Crossing a border within Eastern Europe is barely less time consuming and adventurous, even for local people, than crossing a border between East and West.
6. The system has no capability for peaceful or piecemeal evolution. Attempts at reform have repeatedly revealed the rigidity and fragility associated with rottenness in complex structures. One day the system in Eastern Europe will break down completely. When it comes, the break down may well be sudden, unforeseen and comprehensive. The impact of such a break down on the Soviet Union would be traumatic.



7. It is inconceivable that these facts, evident to any reasonably close observer, should not long ago have become obvious to the men who run the régimes.
8. Contrary to the generally held belief these leaders are well-informed about the West's performance in all the areas that matter to them. They probably do not believe what they read about our intentions. They have little choice other than to believe what they see and read of our material achievements.
9. Their protestations to the contrary notwithstanding, the Soviet leaders know that in a contest for which their prophets laid down the rules and in precisely those areas where they most loudly assert their superiority (social, political, ideological and economic development), they are being comprehensively defeated. They cannot compete peacefully with the West. Their inability to do so will become more marked as we move into the era of commercially applied high technology.
10. The areas in which the Soviet Union is able to compete (by concentrating talent and ignoring cost) are those of military development and prestige research projects such as space exploration. In the absence of an effective industrial and scientific base the quality of this effort can hardly be sustained indefinitely. But in the short and medium term it must be a cause of deep concern to the West.
11. Soviet leaders undoubtedly entertain hopes that internal divisions, social unrest, a banking collapse or some similar self-inflicted setback, will slow the advance of the capitalist democracies. But they also know that in most of these areas their own rôle can be little more than incidental. The trouble they can cause e.g. in the Third World, is serious. But it matters ultimately only to the extent that it affects the central economic, ideological and strategic confrontation.
12. Unfortunately few Western decision-makers, particularly in the United States, have any first-hand knowledge of the state of affairs in Eastern Europe and the Soviet Union. The Berlin Wall and the riots in Poland are real enough but are not the reality. The Soviet system is lawless and morally degrading for rulers and ruled. It encourages and condones evil acts and to that extent is evil. But to talk of "an empire of evil" is to credit the Soviet Government with a self-confidence and a capacity for malefaction outside the Soviet Union that it does not possess. It is an empire of incompetence, dreariness, corruption and frustration.
13. It follows that the Soviet system, despite its leaders' posturing and their worldwide investment in subversion, is incapable of mounting a credible challenge to the supremacy of the



capitalist democratic alternative in any except a military sense. (Hence in part the increasing tendency to Bonapartism in the Soviet bloc. General Jaruselski may be a precursor rather than an anachronism.)

14. This is not to say that the Soviet leadership want war. They do not. It means simply that they see their best chance of success as lying in a long drawn out confrontation in which their strengths - military capability and continuity of purpose - confront the democracies' weaknesses - popular anxiety about war and reluctance to pay for the means to prevent it.

15. The risks are as obvious to the Russians as to us. But they see little option other than to persist. For the Western democracies, by the mere fact of their existence and by the attractiveness of their material success, constitute a fundamental and inescapable challenge to the survival of the Soviet system. In this most basic sense, largely independent of the actions and intentions of individual leaders, the West shares responsibility with the East for the continuing instability of East-West relations.

16. The men in the Kremlin are the inheritors of centuries-old convictions about Russian material and technological inferiority and about the threat of encirclement. They have built their careers in an environment of intrigue, conspiracy and mistrust. They assume that Western leaders are no less duplicitous. Since they know their empire is essentially bankrupt, Western rhetoric about the threat from the East may often seem to bloc politicians no more than a cloak for our own aggressive intent.

17. Afghanistan encapsulates the dilemma of dealing with the USSR. The Kremlin resorted to military action because of its inability to secure an "acceptable" régime in Kabul by any other means. In that sense it was an action taken out of weakness, a political setback compounded by the subsequent military failure to subdue the Afghans. Nonetheless the criminality of the invasion, its strategic implications and the continuing barbarity of the occupying forces leave the rest of the world no choice but to interpret the Soviet action as expansionist, destabilising and threatening.

SUMMARY

18. The lack of congruity which has made détente an illusion and which will make a collision between East and West extremely difficult to avoid is clear.

19. On the one side there is a ruling group of long-serving bureaucrats, experienced and knowledgeable but also touchy, cynical, inflexible and conspiratorial; whose national and

/ideological



ideological inheritance of inferiority and suspicion towards the West is reinforced by a pressing consciousness of economic and political failure; who know they rule a collection (outside the Soviet Union and in its non-Russian areas) of disaffected and disunited peoples; but whose pride and will to power is undiminished; who have few problems with public opinion; who possess, in their immense and growing military power, one trump card; and who are coming increasingly under the influence of their military colleagues.

20. On the other side, a constantly changing group of elected civilian leaders who, however acute the immediate difficulties, preside over the most prosperous and dynamic society in human history; but whose natural chief does not now have, and has rarely ever had, first-hand knowledge of the situation in the Soviet bloc or of how the world looks through Soviet eyes; who find it difficult to accept that the Soviet colossus marches on feet of clay; who are rightly preoccupied with the need to match, and therefore to focus attention on, the Soviet military threat; and whose electorates are betraying increasing anxiety about the possibility that deterrence will break down.

CONCLUSIONS

21. On this analysis it is not easy to be optimistic about the future of East-West relations. But some conclusions can be drawn:-

- (a) the idea that a unilateral weakening of our military stance might lead the Soviet Union to follow suit is wildly misconceived. The Soviet leaders do not deal in goodwill. Anything which allows them to increase their advantage in the military element of the East-West equation will be pocketed by them with relief;
- (b) the idea that by making the choice stark enough one can force the Soviet leadership to allocate resources to civil rather than to military development is equally misconceived. Why should they do so if the military race is the only one in which they have a chance of success? There is no evidence that the Soviet leaders have lost the will either to impose economic hardship on those they rule or to deal harshly and effectively with discontent and dissent when they judge this necessary;
- (c) in the long run the amount of Western economic help they receive will not have a major impact on the functioning of the Communist economies. Their failure is systemic. However attractive - or even necessary - in terms of domestic politics Western sanctions and trade restrictions may be, they serve little purpose. They hurt those who impose them at least as much as the intended victims. The COCOM list makes it a little harder and a little more



expensive for the Soviet Union to obtain the information and equipment it wants but eventually it gets both anyway;

- (d) it is a truism, but also consistent with the analysis above, that the West's interest is to conduct the East-West struggle on virtually any basis other than a military one. To tempt the Soviet Union to accept a change of terrain will at best be a long-term process. Western Governments collectively will have to pursue more consistent and pragmatic policies; show more self-confidence about their own position; and take more account of Soviet weakness and paranoia.

POLICY IMPLICATIONS

22. The Western strategy with which Soviet and East European Governments would find it most difficult to cope would be one which combined:

- a very firm military stance and a consistently robust response, with deeds rather than words, to unacceptable Soviet activity outside the bloc;
- a studied indifference to Soviet bluster and a refusal to respond in kind. Contempt without condescension;
- a low-key governmental reaction to events within the Soviet bloc and an avoidance of public "linkages";
- the active pursuit of a sensible relationship with China (easier to achieve than with the USSR). The West should consciously eschew "China policies" directed against the Soviet Union while refusing to allow its policies to be determined by Moscow's anxieties.
- a willingness to negotiate toughly, persistently and regularly, about virtually anything;
- entirely unsentimental commercial and economic relations in which we would make explicit our intention to pursue our own advantage without discrimination and without favours vis-à-vis the bloc as a whole or as between its individual members; and
- steady but unspectacular pressure for increased "human contacts" and "information exchange" of every kind.

Put baldly this sounds, and is, cold-blooded. It implies that Governments (as opposed to private citizens, the press etc.) should pay less attention to the Walesas and Sakharovs of the future. It implies a greater degree of coordination than Western Governments have succeeded in maintaining in the past.



To that extent it may be unrealistic. Nonetheless it is hard to see a better way of bringing the Soviet Government to change its policies and of achieving the dissolution of the Soviet bloc in something like a controlled manner than by increasing the prosperity and information available to the subject peoples and depriving the régimes of excuses for the blatant failure of their economic and social policies.

COUNTER-ARGUMENTS

23. A number of arguments might be advanced against an adjustment of policy in this direction. These would include:

- (i) that if it brings additional prosperity to Eastern Europe, the present régimes will claim the credit and strengthen their positions accordingly.

Answer: The benefits will be limited by the inefficiency of the system and in any case disillusion with state socialism is far too advanced to be susceptible of cure. The much more likely consequence will be to arouse expectations that state socialism is incapable of satisfying. The upheavals in Czechoslovakia in 1968 and in Poland in 1980 followed periods of relaxation and slightly increased prosperity.

- (ii) that extra resources and "know how" will be ploughed into defence.

Answer: This may well happen initially. But it is doubtful whether at present levels the additional input will make more than a marginal difference. The limiting factors on Soviet military capability are not now those of resource availability or knowledge.

- (iii) that while it might eventually undermine the Soviet bloc, it would undermine more rapidly the will of Western electorates to support an adequate defence effort.

Answer: What one is now seeing in Western Europe and North America is less a growing reluctance to pay for an adequate nuclear and conventional armoury than a growing fear that the armouries on both sides are going to be used. It is, in part, to this fear that the foregoing recommendations are addressed.

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BRITISH EMBASSY,
VIENNA.

8 July, 1983

A J Coles Esq
No 10 Downing Street
LONDON SW1

AK 4/7

D.U. 5/9.

Dear John,

EAST-WEST RELATIONS

1. Thank you for your letter of 27 June. After some hesitation I have done as you suggested and sent the paper to Julian Bullard. On re-reading it, I felt moved to change thirty or forty words and put in two sentences about China. But the amendments are not worth troubling you with.

2. I feel a bit nervous at having left myself without a mechanism for bringing left and right-hand together. Nine chances in ten Julian will regard the paper as "interesting" and consign it to the nether regions. But I suppose there is a slight chance that he will make some other use of it, e.g. in the context of preparations for the meeting you mention. In the latter eventuality there is an evident possibility of embarrassment sooner or later. Could you keep your ear to the ground and, if necessary, tell a suitably-timed white lie of some kind about "Michael's paper which you had heard about and of which you had obtained a copy because you thought it might interest the Prime Minister"? If Julian tells me that he intends to circulate the paper or put it up, I will let you know — & perhaps confess my misdeemeanor without more ado!

Yours ever

Michael.

(M O'D B Alexander)

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