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10 DOWNING STREET
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THE PRIME MINISTER

3 May 1989

Dear Kenneth,

Thank you very much for your letter about President Gorbachev's visit. Once again it is invaluable to have the benefit of your sources, and I am glad they take such a positive view of the visit as we do.

Yours ever

Margaret

Kenneth R. Warren, Esq., M.P.

pm



HOUSE OF COMMONS
LONDON SW1A 0AA

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CONFIDENTIAL

28 April 1989

My dear Margaret,

President Gorbachev's visit

I have received the following feed-back from the Soviet side so far.

1. Mr Gorbachev gave his oral report last week to the Politburo. They accepted his opinion that the visit was a great success. He stressed 'your passionate beliefs' on key issues, even when they were matters of difference, made it easy to identify each other's views without wasting time. He stated he values the personal camaraderie he has established with you. He is depending on you to link him to the West as they do not understand President Bush's intentions.
2. He was particularly pleased at the personal agreement on the reduction of regional conflicts (he knows they are not cost effective promotions of Communism). However, he stated he believes that you are still backing the Afghan guerillas and is upset that your overall agreement apparently has double values. (This appears to be both a statement to protect himself and a cry for help).
3. Despite your dramatic differences on nuclear weapons the Soviet leadership is not greatly exercised, in private, about military force modernisations by the West as they assume both sides accept that it is useless to have defences which are both expensive and obsolete. However, defence is included in the requirement to cut Government expenditure of all kinds, particularly State subsidies to the production of goods. A figure of 14% of industry is being stated as subsidised and the plan is to eliminate this.

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4. Arising from his several visits to the West he recognises that the current purges of Communist Party control over commercial and industrial policy and practice must continue if the Soviet economy is to become competitive. He is determined to delegate control to levels where management can practice accountability. (Whilst originally accepting the market theories of the Novosibirsk economists as commonsense he now realises they are the only way forward). His problem is that few of the Party bosses have the personal ability to contribute to industrial and commercial change.

5. The shortage of hard currency is a deterrent to Perestroika. He wishes to achieve convertability of the rouble, (hinted at in terms of Defence expenditure in his Guildhall speech) and accepts this will mean considerable human problems, including unemployment, which he is prepared to accept. There is to be rethinking of how best to trade with us, particularly in order to obtain essential imports to stimulate production of domestic goods.

None of the above is startling, but is proof of the practice of 'Glastnost' in your direction.

Yours ever,

Kenneth

Rt Hon Margaret Thatcher MP
The Prime Minister
10 Downing Street
London SW1