



10 DOWNING STREET

Andrew Turnbull

The PM may find this interesting
recess reading. JG sent it to
me recently and says he has
had congratulatory notes from
Kissinger and Nixon.

GEORGE GUISE

27/7

~~SDP~~

To pass onto PM if you judge it
sufficiently interesting. I see no
reason to qualify his desire for
Compliments

Notes: Let ^{to} directly off an
earlier version & shown to
Mr. C. C.

SPEECH GIVEN BY SIR JAMES GOLDSMITH

AT THE SMITH NEW COURT DINNER

HELD ON TUESDAY, 4 JULY, 1989,

IN LONDON

To try to understand what is going on in Europe, either we can assess the situation as seen from Western Europe or, alternatively, as seen from Moscow. Tonight I will attempt the latter. Let's imagine that we are in the Kremlin at the time Gorbachev takes power. The new Soviet leadership assesses the state of the economy. In Western terms, it would seem totally unsatisfactory because it is incapable of satisfying the needs of the consumer. But that is a Western point of view. Traditionally, the Soviet Union has been more interested in the strength of its basic industry. According to this yardstick, it has been reasonably successful. For example, the Soviet Union is a world leader in such items as petroleum, coal mining, iron ore, cement, steel, manganese ore, mercury, nickel, fertilizers, etc. But the lack of consumer goods is beginning to be a serious problem. So much so that the rate of personal savings in the Soviet Union has become exceedingly high, not because consumers want to save, but because there is nothing to spend their money on.

When considering the economy, the new leadership would identify an even more fundamental problem. In periods of relative stability, the ability to change rapidly is not of paramount importance. For example, if two people are sitting down and one is able to run faster than the other, that is of no great use to the fast runner if they both continue to stay seated. But if there is a race, then obviously the capacity to run becomes important. In the 1980's, the world entered into a period of rapid change. We embarked on a great new industrial

revolution based, among other things, on breakthroughs in communications, robotisation and other frontier breaking technologies.

The structure of a society determines whether its citizens have the ability to adapt to and benefit from change. It is the societies based on individual freedom and motivation which have the capacity to innovate. A highly centralised, bureaucratic and totalitarian system stifles that capacity. So, despite the strength of the Soviet Union's basic economy, it would be clear that in a fast changing world, it is unable to compete. Even the Soviet Union's principal strength, its military machine, could ultimately become obsolete as a result of new technology. Star Wars is but one example.

No doubt the Soviet leadership then considered whether they could reconstruct the industrial system so as to modernize it, and make it able to compete in this period of rapid change.

Here, they hit two problems. On the one hand, Russia has no tradition of liberalism. I use that word in the old fashioned sense of individual liberty and free enterprise. Even in Britain, which has a long tradition of economic freedom, it has taken the Thatcher Government ten years to begin to reinvigorate the nation. One of Gorbachev's principal advisers, Mr. Aganbegyan, stated that it would take at least 20 to 30 years before significant results of industrial

reconstruction could be felt. This is an impossible timeframe. By that time, the remainder of the world would have moved further ahead. That is the trouble with trying to catch a fast moving target.

The other great problem is that, as I have said, to have an innovative economy, there must be individual freedom but individual freedom is the anti-thesis of Communism. So they find themselves in a sort of double Catch 22 situation. To have a viable economy, you need individual freedom; individual freedom destroys the Communist system; and, in any case, even if you start now, it would take too long.

Then the Soviet leadership would turn its attention to another major problem, that of the rising aspirations of the people in both its internal and external empires. Within the Soviet Union the peoples of the Ukraine, Georgia, Armenia, the Baltic nations, among others, are reaching out to find their ethnic and cultural identities. They are resentful of Russian ethnic domination within the Communist system. In the external empire, Poland and Hungary have awakened, and it will not be long before other colonialised people in Czechoslovakia, East Germany, and elsewhere start to stir.

Thus the leadership is forced to find a new strategy which avoids an explosion or an implosion of its Empire.

Like any logical group of people, the new leadership would turn to their one great strength, military supremacy, and determine whether they could use it to remedy their weakness, without blowing up the world in which they also live.

That is the problem Gorbachev inherited. The solution seemed obvious and it lies in Europe. Europe itself is in a state of flux. Even the most complacent European has to realize that despite current economic prosperity, it is falling behind. For Europeans the solution appears to be the creation of a common market with greater internal cohesion and which is planned to emerge in 1992.

For Moscow that was the opportunity to be seized. Western Europe can provide the industrial, commercial and financial infrastructure which the Soviet Union has neither the social structure nor the time to create. And thus emerged the strategy of what should be popularly described as the honeytrap, as well as the tactics needed to entice Western Europe into that honeytrap. It is only by understanding this basic plan that we can piece together the individual moves which have taken place during the past few years.

This is what has happened:

First of all, the Soviet Union had to disorientate the West by eliminating the perception that the Soviet Union was an enemy.

Without a clearly defined enemy, the West would lose its will to remain strong and united. Instead of uniting against a common enemy, they would drift apart and quarrel over issues of trade. Instead of investing to remain strong, they would reduce military expenditures and increase welfarism. This was clearly understood by the Soviets. Indeed, Georgi Arbatov, Director of the Soviet Institute for the Study of the United States and Canada, said it quite openly. I quote: "We would deprive America of The Enemy. And then how would you justify the military expenditures..." That was the first and vital step and it was carried out brilliantly. Since then we have witnessed convulsions of Gorbimania and Gorbiphilia. Gorbachev has become one of the most popular politicians in the Western world. Polls show that in some countries, if he were to run for office, he would beat the local politicians. In West Germany, local opinion polls indicate that Gorbachev has a 90% approval rating, miles ahead of Bush or local leaders and that America is perceived as being more dangerous to peace than the Soviet Union. So, step one has been achieved.

Step two was to focus Soviet foreign policy onto Europe. This meant pulling out of adventures of the past. In the declining years of Brezjnev, the Soviets had pursued an unfocused policy intervening opportunistically worldwide. The Brezjnev doctrine stated that the Soviet Union would never give up, no matter the circumstances, any territories nor any people who might fall under their dominion. It was this policy that Gorbachev amended so as to concentrate on his prime target -- Europe.

To satisfy the Chinese, he conceded what the Chinese called the three obstacles: Afghanistan; the major military presence along the Sino-Russian border including Mongolia; and finally, Soviet support of the Vietnamese occupation of Cambodia.

Withdrawal from Afghanistan has taken place. Some weeks ago, in Peking, Gorbachev announced that Soviet troops would leave Mongolia and that there would be demilitarization along the Chinese Northern border. And, the compromise on Cambodia is under active negotiation.

In Africa, a process of withdrawal appears to be underway in Angola.

Another principal foreign policy objective is, of course, to decouple Europe from America. This has been initiated in a number of ways including:

- The Reykjavik meeting which demonstrated clearly that Europeans cannot rely forever on the U.S. nuclear umbrella.
- The INF treaty which created the conditions that would lead to disarray in Nato. The recent vacillation of West Germany has already demonstrated that this tactic is working satisfactorily.
- The constant anti-American and pro-Gorbachev propaganda in Western Europe which is creating a seismic shift in European public opinion.

All this is happening at a time when American politicians find it difficult to obtain the funds needed to maintain military strength. Without a perceived enemy, how do you justify such a cost? How do you justify the cost of maintaining troops in Europe? In any case, there is the very real question as to why 245 million Americans have to protect 325 million prosperous Europeans against 285 million Russians, - particularly, at a time when Germany has a vast trade surplus?

In Central America, the Soviets continue to hold a knife to America's throat. This threatens America's continental isolation and forces her to pay particular attention to her southern frontier.

Insofar as the rest of the world is concerned, the Soviet Union maintains good relations with India and now has obtained an improved situation in Pakistan.

The third phase of the overall Gorbachev strategy concerns the inner workings of the Soviet Union itself. Here, the objective was to get rid of the old guard and to consolidate Gorbachev's personal power. As General Secretary, Gorbachev's power depends on the rest of the Politburo. As "elected" President, he would hold the power personally.

This process was initiated by proposing to "elect" Gorbachev as Chairman of the Supreme Soviet, in other words as President. To get rid of the old guard, Gorbachev has said that Party leaders unable to get elected in the forthcoming elections could not continue to function in their Party positions. It should be noted that the elections themselves did not result in purges of favoured Party officials. For example, look at the Party officials who received the privilege of running unopposed in the recent elections. Even when they were defeated, apparently none of them have been removed from the Communist Central Committee. So the elections and Glasnost have resulted or should result in the consolidation of Gorbachev's personal power as President; in the purging of unfavoured Party leaders; and doing so in a way which makes the honeytrap shine in an apparently democratic glow. There is nothing new to this. It was Lenin who originally said that Glasnost, and he used that word, is a "two edged sword". One edge purges the unwanted and the other edge creates the illusion of democracy. The whole world watched on television to see elections in the Soviet Union. Regardless of the realities of the system being put into place, the world could bathe in its illusions.

Now, if the honeytrap strategy continues, we must expect a number of further symbolic gestures including:

- the pulling down of the Berlin wall. I am sure we can all imagine the moving scene in Berlin as the leaders of East and

West unite to see the wall being pulled down in a solemn ceremony. Then there will be the the formal proclamation of the end of the cold war. Perhaps that will be an appropriate occasion for Gorbachev to offer another double zero proposal. The Soviet Union will withdraw troops from Eastern Europe and America will withdraw troops from Western Europe. What could be fairer? Who will be so callous as to remind us that for the Soviets to bring back their troops, it will need a few planes and trains. For America to do so, it will need the de facto agreement of Congress, and secure sea lanes.

- Insofar as Japan is concerned, the Soviet Union will no doubt make a positive gesture and this will probably concern the occupied northern territories.

Then the Soviets will be able to concentrate more fully on Europe. The siren call will sound something like this:

- Europe is the common home of all Europeans, from the Atlantic to the Urals and beyond.

- We are all Europeans together. We share a common heritage.

- Each of us can contribute our particular attributes to this great , united and reinvigorated Europe.

- Together we will constitute a community of 826 million people, 407 million in Western Europe and 419 million in Eastern Europe. We will be the largest market in the world. We will represent 47% of the world's real GNP whereas North America including the USA, Canada and Mexico combined will represent only 29%

- You in Western Europe will be the Japanese of the enlarged Europe. You have the technology and the industrial strength. You will be the privileged supplier of goods and services to develop the Eastern countries.

- Not only will we ensure privileged access to our market place but also, we will provide stability and strength. We will contribute our military organisation. This will reduce the need to squander funds on defense which can be so much better spent on improving the welfare of all our people.

All this satisfies every conceivable soft option. And that is frighteningly attractive to those in Europe who have become addicted to welfare, corporatism, socialism as well as having become dependent on the defense umbrella provided by others. It allows such people to cease worrying about competition from Japan or from America. It allows them to build an economic Maginot line. It allows them to avoid the hard option of defense and to pursue the mirage of welfarism. What a dream!

In fact, Western Europe would not become another Soviet colony within the Soviet empire. It is likely that the Soviets realize that its colonies like Czechoslovakia and Poland have lost their economic usefulness. Rather Europe would become a great protectorate luxuriating in the apparent stability provided by a Pax Sovietica. Life would be quite agreeable for those who accept a certain loss of autonomy and freedom.

Such a strategy solves the Soviets other principal worry, that which concerns the national aspirations of the people of its internal and external colonies. To them, Gorbachev could say: we welcome your national and ethnic aspirations; we encourage you to develop your national identities; we will grant you great autonomy and we will do so within an enlarged greater Europe in which you, along with all other European nations, will be able to develop your national cultures. Of course, this means liberating people from a small cage into a larger one, an evolution from a colonial status to that of a protectorate. It is also within the greater Europe that the problem of the reunification of Germany can be resolved.

This is not fantasy. It has begun. Gorbachev, in his book, Perestroika, writes, I quote, "Europe is our common home"; "It is only together, collectively, and by following the sensible

norms of coexistence that the Europeans can save their home, protect it . . ."; "the idea of a common European home finds understanding among political and public figures of not only Eastern but also Western Europe . . . thus Foreign Minister Genscher of Federal Germany has declared a readiness to 'accept the concept of a common European home and to work together with the Soviet Union so as to make a really common home'; . . . other leaders have spoken to me in the same vein."

In France, "Le Monde", the most influential newspaper, published an editorial stating that the good idea to emerge from the recent French presidential election campaign is the creation by Western Europe of a Marshall Plan for the Soviet satellite states. The editorial concluded that Europe should be "enlarged to the East".

And regularly, on television, you can see professional Soviet spokesmen, like Vladimir Posner, stating that the Soviet Union welcomes the development of national identities and encourages their progress.

What could go wrong? Obviously, words have consequences. Ideas can trigger forces that become difficult to control. Today, in China, we begin to see some of the problems of awakening the

aspiration to liberty. The words and the ideas which are key to the overall strategy, could unleash great forces in the Soviet Union. If Gorbachev moves brutally to subjugate these forces, then he would have to use methods wholly incompatible with the honey trap. Xanadu would lose its beauty. On the other hand, if he does not move decisively, there could be serious disorders, serious enough to create a reaction led by elements of the Party, the KGB and the army. Such a reaction could easily be forced to use the excuse of the foreign devil. Then we could be in a great new era of turbulence.

What are the consequences for the rest of the world?

In view of the uncertainty, Japan has a duty to be in a position to protect herself. Japan's problem is the mirror image of that of the Soviet Union. It must convert economic might into military strength and that is what it is doing. It has increased its official defense budget so that it is now the third largest in the world. But, in addition, as part of its commercial research, it has spent huge amounts on development which could be used in innovative military equipment. In a number of years, it could leapfrog Western and Soviet military technology. In any case, Japan will progressively re-establish a co-prosperity area in Asia.

In the Western hemisphere, the risk is that the United States might retreat into North America. Excluded from Europe and competing with the Japanese co-prosperity area, it could find

it more congenial to withdraw into a North American common market englobing the United States, Canada and Mexico consisting of 350 million people and representing 29% of the world's GNP. This trend might also be encouraged by the lack of bipartisanship which now exists in United States foreign policy and which makes it very difficult to project a coherent geopolitical vision.

That was the downside risk. Now let's look at the opportunities.

The changes in the Soviet Union could create deep and widespread disturbances which even the forces of reaction would be unable to subjugate. This could lead to chaos and paralysis and even to the collapse of the Soviet Empire and the Communist system. But we are not there yet. Those who prematurely herald the end of the cold war and the victory of democracy, do not serve the cause of freedom.

To reach the ultimate objective, we need strong leadership in America and Europe with an unerring sense of mission. Only then will we be able to maintain an alliance of free and independent nations.

That leadership must reject the fashionable idea that a nation's greatness depends primarily on its material wealth. As with most fashionable ideas, it is wrong. A nation's strength depends on its will, its pride and its principles.

Recent history proves this over and again. During the early years of the Reagan administration and with the Thatcher Government, America and Britain fulfilled their most important role, that of being an example for the world. Democracy, individual freedom, free enterprise began to return to favor. The mood was contagious. Nations throughout the world which had almost forgotten freedom, rediscovered democracy. Everywhere local politicians campaigned to roll back the intrusion of the State.

Even Socialists and those living in the shadow of Communist totalitarianism were compelled to question the inevitability of their condition. To this day and every day, we see the continuing worldwide effects of the great counterrevolution of the 1980's.

If we, in the West, lose our will to act as a shining example; if we throw away our vision in exchange for a platter of easy popularity; if we react to events without a clear and coordinated strategy and do so just to obtain favourable comment; if we compromise on fundamental principles so as to receive the approval of those who have been infected with the very ideas that we are combatting, then we will fail.

We must remain strong economically and militarily and even more important we must remain strong and united in our conviction that individual freedom in a responsible community, is the best example for human society.

If we do, we will attain a noble objective. The alternative could be the emergence, after the turn of the century, of two superpowers: the Soviet protectorate of Europe and Japan's Pacific. The United States could withdraw into the North American Common Market. Britain, for her part, could be forced into a role vis a vis Continental Europe, somewhat akin to that of Taiwan or Hong Kong or perhaps Japan vis a vis their mainland, China. And the world would be a darker and more dangerous place.