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East/West Relations

1. Tom King and I will be discussing East/West relations with you before you go to Washington. It may be useful to set out in advance some of the main issues.

Support for Gorbachev

2. Gorbachev has real difficulties which could endanger his survival: political turmoil, strikes, shortages, and concealed hyper-inflation in the economy, and the nationality issue. Without Gorbachev, progress in democratising Eastern Europe and in arms control negotiations would certainly be slower and might come to a halt. Nothing we do can provide a quick solution to any of Gorbachev's problems but I believe we should look for a way of making a substantial gesture of Western commitment to perestroika. When he saw you, Gorbachev stressed the need for Western help with management training. Given the scale of the Soviet Union and its problems, a UK project along the lines of our Polish or Hungarian know-how funds would not go far. But there might be scope for a UK initiative to launch a multilateral effort. One element of this might be an international institute of management in Moscow. All OECD countries could contribute to this institute, which could organise management training inside and outside the Soviet Union as well as providing a pool of first-class management skills on which the Soviet Union could draw when it wished to look at specific industrial problems. If you think this worth pursuing, you might mention it to the President.



Gorbachev's line at Valletta

3. Some new initiatives might come from Mr Gorbachev at Valletta. The Americans believe that his margin for manoeuvre on this occasion is limited; and that he will not wish to give Mr Bush the appearance of being irresponsible. The Americans are expecting something on naval arms control (either a call for a nuclear free Mediterranean or a call for naval arms control in general). He may call for an accelerated reduction (conceivably, though less likely, even a complete withdrawal) of US and Soviet forces in the two Germanies; and/or a commitment to a CSCE Summit next year to sign a CFE Treaty. The Americans see no attraction for themselves in naval arms control (though there are some in Washington who might be disposed to go along with a few limited naval confidence building measures). They have assured us that they will not enter into any new CFE-related commitments without consulting their Allies, though Cheney's comments at the weekend tend to undermine the value of that assurance.

4. Other possibilities for Gorbachev at Valletta include a proposal for a conference of the four powers plus the two Germanies to negotiate a treaty settling European borders; or a proposal for the Soviet Union to join, or to participate in a meeting of, of the Summit seven. None of these is attractive. An attempt to turn the inner German border into an international boundary would be unacceptable in the FRG.

The Western Agenda

(a) General

5. The challenge on the Western side is to maintain the coherence of the security arrangements which have served us so well over the last 40 years and which are now bearing such remarkable political fruit in Eastern Europe; while taking account of popular expectations that some of the ways in which our security



requirements are translated into force levels may evolve. The domestic political and economic pressures on the US defence budget and in relation to burden-sharing within the Alliance are a further complicating factor.

6. The general message you might seek to impress upon President Bush before he sees Gorbachev is:-

- Decisions about Western security arrangements must be security led, not driven by budgetary/domestic considerations.
- The Soviet Union still enjoys massive military advantages in Europe. Now is not the time to encourage a belief that sound Western defence is no longer needed.
- NATO, in its present form and membership, will remain the foundation of Western security for the foreseeable future. Though it is not for us to prescribe to the members of the Warsaw Pact about the future of their alliance, we should do nothing to imply that we are encouraging or expecting its dissolution.
- As, but not before, the military threat declines, there can be changes in Western force structures, both nuclear and conventional. But flexible response, based on nuclear deterrence, and a substantial (ie not merely symbolic) presence of US forces in Europe remains the best security recipe.
- US force levels in Europe are not immutable and can be reduced. But this should happen in the context of a negotiated CFE Treaty, not through unilateral action. It will be helpful to have an early indication of how large a share of the prospective CFE cuts the United States would wish to take.



(b) At Valletta

7. You have already made clear to President Bush our view that we should re-assure Gorbachev that we do not wish to undermine his security, including by not pushing Baltic independence. Beyond this we shall not want the Valletta meeting to focus too exclusively on Eastern Europe. That would be reminiscent of Yalta. The Americans' suggestion that they should seek more co-operation on regional issues seems right. President Bush might also try to reach a private understanding with Gorbachev that nuclear weapons and US forces in Europe, albeit perhaps in smaller numbers in both cases than at present, are stabilising factors for security in Europe; and should be regarded as durable elements of the scene throughout the potentially turbulent 1990s.

Eastern Europe

8. The cumulative volume of assistance for Poland is now substantial. In addition to economic assistance, the access which the Community will give to Polish industrial and agricultural products from the beginning of next year is potentially of great importance. There may nevertheless be a crisis in Poland this winter and further crises beyond that; in addition to the colossal economic problems of that country, the coalition government is operated by inexperienced politicians. But it remains of enormous importance that this venture should not fail. I shall be sending you separate recommendations.

9. Less attention and resources have so far been devoted to Hungary. It is, however, of no less importance that we should help the Hungarians. There is a real chance that the Hungarians might succeed in the transition to a Western-style economy in the long run. If they did so, this would give others a model to follow. In many ways their chances of success are greater than those for Poland. It will be of critical importance to find ways of relieving Hungary of its burden of debt, after an IMF programme is in place.

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GDR

10. The line we have taken on the GDR has, I believe, been generally welcomed. We shall continue to emphasise the need for genuinely free elections there. Democracy and freedom of travel are at the top of the East German people's agenda; and Gorbachev has made clear that German unification is not on his agenda. I do not think that the question of assistance for the GDR arises at this stage. Even if the regime there introduces genuine measures of reform there will still be a case for caution since the GDR is much the richest of the COMECON countries. It is certainly not a poor country (not as poor, for example, as Portugal). If a need arises, we should make clear that the idea of a four-power meeting on Germany (with or without representatives of the two Germanies) is unwise at this stage. Such a meeting could only have as its purpose to re-examine the question of German borders. This is certainly not the moment to embark on such an exercise.

11. I am copying this minute to the Defence Secretary and the Cabinet Secretary.

DH.

(DOUGLAS HURD)

Foreign and Commonwealth Office

21 November 1989

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