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CONFIDENTIAL
FM MOSCOW
TO IMMEDIATE FCO
TELNO 2053
OF 031132Z DECEMBER 89
AND TO IMMEDIATE UKDEL STRASBOURG, WASHINGTON
AND TO PRIORITY BONN PARIS UKDEL NATO UKREP BRUSSELS

MALTA SUMMIT

1. THE AMERICAN AMBASSADOR HAS GIVEN ME A DESCRIPTION OF THE EXCHANGES AT MALTA, WHICH MAY SUPPLEMENT THE MASS OF INFORMATION ALREADY COMING FROM OTHER SOURCES.
2. MATLOCK SAID THAT, DESPITE THE CHUNK THAT HAD BEEN TORN OUT OF THE PROGRAMME BY THE WEATHER, PRESIDENT BUSH COVERED ALL THE POINTS IN HIS BRIEFING BOOK. MATLOCK THOUGHT THAT GORBACHEV HAD PROBABLY ALSO COVERED ALL THE GROUND HE INTENDED.
3. THE EXCHANGE ON CENTRAL AMERICAN HAD BEEN "VERY SHARP." GORBACHEV HAD BEEN LESS SHARP THAN THE AMERICANS HAD EXPECTED ON AFGHANISTAN. ON THE ISSUE OF NAVAL ARMS CONTROL, HE HAD BEEN "ARTFUL," AND HAD DEALT WITH THE AMERICAN COUNTER-ARGUMENTS COMPETENTLY. THE AMERICANS HAD, HOWEVER, OF COURSE REMAINED UNMOVED.
4. ON OTHER MATTERS THERE HAD BEEN MORE AGREEMENT THAN MATLOCK HAD EXPECTED. GORBACHEV HAD GONE VERY FAR ON EUROPEAN MATTERS: HE HAD SAID THAT THE ROLE OF THE US IN EUROPE WAS CONSTRUCTIVE, AND THAT ANY OTHER VIEW WAS "NEITHER WISE NOR CONSTRUCTIVE." HE HAD INSISTED ON THE ABSOLUTE RIGHT OF THE COUNTRIES OF EASTERN AND WESTERN EUROPE TO CHOOSE THEIR DESTINIES. BUT HE HAD SHOWN REAL SENSITIVITY AT THE PRESIDENT'S REFERENCE TO "WESTERN VALUES." HE ARGUED THAT THE VALUES OF DEMOCRACY AND HUMANISM WERE UNIVERSAL AND WERE NOT TO BE MONOPOLISED BY THE WEST. DRAMATIC CHANGES MIGHT BE TAKING PLACE IN EASTERN EUROPE: BUT THEY WERE OCCURRING IN WESTERN EUROPE AS WELL, AS THE PROCESS OF INTEGRATION CONTINUED THERE.
5. GORBACHEV MADE NO REFERENCE TO HIS EARLIER REMARKS ABOUT ABOLISHING THE TWO ALLIANCES. HE SAID VERY FIRMLY THAT THE WEST MUST NOT LOOK AS THOUGH IT WAS SITTING BACK TO WAIT FOR CHANGE TO FALL INTO ITS HANDS. THE WEST MUST COOPERATE WITH THE EAST IN MANAGING CHANGE.

6. GORBACHEV DESCRIBED HIS APPROACH TO HIS ECONOMIC PROBLEMS. HE SAID THAT THE ECONOMISTS HAD ADVISED HIM TO DO TWO THINGS WHICH WERE IN PRACTICE IMPOSSIBLE. THE FIRST WAS TO CHANGE THE PRICING SYSTEM RADICALLY: THIS WAS NOT FEASIBLE POLITICALLY. THE SECOND WAS TO RUN UP FOREIGN DEBT FOR IMPORTS OF CONSUMER GOODS: BUT THIS WAS UNACCEPTABLE BECAUSE IT WOULD 'PUT THE FATE OF THE SOVIET UNION INTO THEIR HANDS.' HE DESCRIBED HIS INTENTIONS FOR ECONOMIC CHANGE ON THE LINES WIDELY PUBLISHED BY DEPUTY PRIME MINISTER ABALKIN. ON THE ISSUE OF OWNERSHIP, HE COMMENTED THAT IT WAS NOT THE FORM OF OWNERSHIP (PRIVATE VS STATE) WHICH WAS IMPORTANT: WHAT WAS IMPORTANT WAS THE DEGREE OF ECONOMIC INDEPENDENCE ENJOYED BY ENTERPRISES.

7. GORBACHEV REACTED VERY FAVOURABLY TO BUSH'S CONCRETE PROPOSALS FOR COOPERATION. THESE INCLUDED TRAINING IN THE OPERATION OF STOCK MARKETS: THE CHAIRMAN OF THE STATE BANK, GERASHCHENKO, WAS SHORTLY GOING TO NEW YORK, AND THE CHAIRMAN OF THE NEW YORK STOCK EXCHANGE WOULD BE BRINGING A MISSION HERE NEXT SPRING. THE RUSSIANS WANTED TO KNOW MORE ABOUT HOW THE AMERICANS ENCOURAGED SMALL BUSINESS AND AGRICULTURAL COOPERATIVES. THERE WOULD BE A SEMINAR ON STATISTICS. A US FOUNDATION WAS PROPOSING TO ENDOW A PROFESSORSHIP AT MOSCOW UNIVERSITY

8. MATLOCK SAID THAT AS FAR AS HE KNEW COCOM WAS NOT RAISE AT ANY POINT.

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