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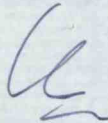
MR POWELL

CD 19/1

17 January 1990

DIPLOMATIC AND DEFENCE IMPLICATIONS OF RECENT DEVELOPMENTS
IN EAST WEST RELATIONS

We spoke about your commissioning letter of 8 January. *Rep*
The Foreign Office have suggested that I provide on Item
1 - present situation and prospects. As agreed, I attach
a very summary paper setting out the main elements of the
present situation. It is intended as little more than a
checklist which the meeting could note before moving on
to discussion of the consequent policy issues.



PERCY CRADOCK

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DIPLOMATIC AND DEFENCE IMPLICATIONS OF RECENT DEVELOPMENTS
IN EAST WEST RELATIONS

Paper 1: The Present Situation and Prospects

This paper sets out in summary form the main elements of the situation in which we are likely to have to operate.

Soviet Union

Gorbachev is pushing on with perestroika but in circumstances of deepening internal crisis. The economy is deteriorating; substantial improvement cannot be expected for many years. Independence demands by nationalities and Gorbachev's apparent rejection of force in this context raise real possibilities of the fragmentation of the Soviet Union. The Soviet Communist Party is split between conservative and liberal wings and also between its national components; the leading role of the Party is under serious, probably fatal, threat.

Gorbachev's institutional position is strong and he remains as resourceful and agile as ever. There is no obvious alternative leader. His survival is therefore rather more likely than not, but, in addition to the hazards of assassination and ill health, we have to allow for the possibility of his sudden fall as a result of an explosion of popular discontent or a nationality crisis or a combination of both.

If, as in the more likely hypothesis, he survives we can expect the continuation of present Soviet policies of detente and arms reduction, extending beyond CFE to further cuts in conventional arms and to an agreement on chemical

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weapons. Strategic nuclear weapons are also likely to be reduced and we can expect Soviet pressure for the reduction or elimination of short range nuclear missiles.

If Gorbachev were displaced, more authoritarian and traditional internal policies could be expected, international confidence would be severely damaged and the arms reduction process at least temporarily halted. But a successor government, however hostile, would be weakened and preoccupied by Soviet internal problems.

A re-imposition of Soviet control over Eastern Europe seems highly unlikely in any scenario.

The East/West Military Balance

Until the implementation of a satisfactory CFE agreement (say 1993) the Soviet Union will retain a heavy preponderance over NATO in conventional arms. It also currently enjoys great superiority in short range nuclear weapons, and possesses very large modernised strategic nuclear forces, biological weapons and large and undisclosed stocks of chemical weapons. While Gorbachev is in charge, however, a Soviet attack is highly unlikely in foreseeable circumstances and present and prospective changes in Eastern Europe will make a conventional attack very difficult.

After the implementation of a CFE agreement Soviet capability for a strategic conventional offensive would be greatly diminished, though still possible given lengthy and visible preparation. Soviet nuclear capability and possibly CW/BW capability would, however, remain and the Soviet Union, the largest and most heavily armed state in Europe, would probably retain its traditional long term

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ambitions to exercise predominant influence over the Western tip of the Eurasian land mass.

If Gorbachev felt the above military capability would be available to a government whose peaceful intentions could not be assumed but which would remain heavily preoccupied with Soviet internal problems.

Eastern Europe

In the elections to be held this year East European Communist parties are likely to lose any remaining control of governments. Several East European governments will press, probably successfully, for the removal of Soviet troops and the Warsaw Pact will cease to be an effective military organisation. At the same time in the new conditions of freedom old nationality/boundary disputes, hitherto overlaid by Soviet domination, will re-emerge and in combination with popular turbulence and possible large scale emigration could mean greater instability in the region. East European governments will insist on radical transformation in Comecon and increasingly develop trading links with the West, seeking in particular association with the European Community. Their energies will be concentrated on the painful and probably protracted transition from command to market economies, requiring considerable popular sacrifices not necessarily easy to obtain in democratic conditions. They will need massive Western help (including know-how, access to Western markets, debt relief and long term development finance). The Czechs, East Germans and Hungarians may be best placed to achieve a successful transition.

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German Unification

Kohl seeks a step-by-step approach leading from extensive cooperation, through 'confederal structures' to eventual federation. The present GDR government and coalition party leaders are prepared on grounds of expediency to accept some measure of confederation with the FRG but reject unification and would like to maintain separate national structures. At the same time, however, the popular tide in both East and West Germany is running strongly in favour of moves towards unification and economic pressures in East Germany and the coming West and East German elections are likely to encourage this trend.

The three Western allied powers are traditionally committed to the principle of German unification on the basis of free self-determination, but all have reservations and seek a step-by-step approach. The Americans have spoken of German unification in the context of continued German membership of NATO and back closer political integration in the European Community as a means of ensuring that a unified Germany is less inclined to go its own way. The French, despite considerable private reservations, will publicly back West German aspirations in order to preserve French influence over West German thinking and to bind the FRG more firmly to the European Community.

The Soviet Union fears a greater Germany and the unravelling of post-war boundaries and is likely to try everything possible short of force (excluded under the present leadership) to head off early unification. We do not know Gorbachev's bottom line. He might offer unification on the basis of neutrality and demilitarisation, but in the interests of stability might prefer as a lesser evil

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a Germany with greatly reduced forces which remained linked to the West.

Despite these great power reservations, the decisive factors lie in Germany itself and the progress towards unification may prove less orderly and gradual than governments would wish. A free East German vote in favour of some form of greater German unity, possibly even full unification, is likely this year. It would be prudent to allow for the possibility of a unified Germany in the near future, though there could be a significant interval between the decision in favour of unification and its full implementation.

Western Europe

The collapse of Communism in Eastern Europe has left the West uncertain and without any clear strategy for exploiting a historic triumph. On the defence side, NATO Governments have not yet come to terms with the new situation and its implications; in particular they are perplexed by the question of how to reconcile a meaningful NATO with a unified Germany. The concept of a benign, or at least harmless, Soviet Union is rapidly establishing itself in the popular mind and prudent defence policies will prove increasingly difficult to justify and fund. There will be a strong temptation for individual countries to carry out unilateral arms reductions and West German thinking of the softer kind on military issues is likely to prove influential. On the Community side, although the European Community will exert powerful economic attractions on the rest of Europe, its members are not clear on its long term direction or nature.

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United States

The US Administration are feeling their way in the new situation but will wish to take the unique opportunities afforded by it to move towards a post-war settlement in Europe and to achieve rapid progress in arms reduction. In US/European relations they will be inclined to place more weight than in the past on the European Community. They will naturally want British help; cooperation with Germany will also figure largely in their calculations, and while not wanting rapid change there, they see the process of unification as having its own momentum. They will be under great congressional and budgetary pressure to carry out substantial cuts in US military expenditure and the US military presence in Europe. They are currently disposed to a benign view of Soviet intentions under Gorbachev and while allowing that Soviet policy might change, believe their approach allows sufficiently wide safety margins to cope if the situation goes sour.

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PRIME MINISTER

SEMINAR ON DIPLOMATIC AND DEFENCE IMPLICATIONS OF RECENT DEVELOPMENTS IN EAST/WEST RELATIONS

This seminar will take place at Chequers next Saturday. You have already seen Alan Clark's paper for it. Tom King is also producing one, as is the Foreign Secretary. Meanwhile, Percy Cradock has produced a brief note on the Present Situation and Prospects which is intended to serve as an introduction to the discussion. I have circulated it to the other participants. You may like to look at it this weekend.

On a separate point, we have kept the numbers attending the meeting very small. There is one official each from FCO, MoD and Cabinet Office. But the result is that we have no military man taking part. I wonder if this is wise, if only for appearances's sake. Agree to add the Chief of the Defence Staff?

CDP

7/10/90

(C. D. POWELL)

19 January 1990

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10 DOWNING STREET
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From the Private Secretary

me from
a: east west
c/c
(revised)

17 January 1990

DIPLOMATIC AND DEFENCE IMPLICATIONS OF RECENT DEVELOPMENTS
IN EAST WEST RELATIONS

In my letter of 8 January, setting out the agenda for the meeting at Chequers on 27 January to discuss the diplomatic and defence implications of recent developments in East/West relations, I asked for a paper on the present situation and prospects.

I now enclose the paper which Sir Percy Cradock has kindly produced. I should be grateful if you could arrange for it to be given to those in the Foreign Office attending the Chequers meeting.

I am copying this letter and enclosure to Simon Webb (Ministry of Defence) with a similar request, and to Sir Robin Butler.

C. D. POWELL

J.S. Wall, Esq.,
Foreign and Commonwealth Office.