

UNCLASSIFIED  
FM WASHINGTON  
TO IMMEDIATE FCO  
TELNO 1554

ADVANCE COPY

OF 282330Z JUNE 90  
INFO IMMEDIATE MOSCOW, PARIS, BONN, ROME, TOKYO, OTTAWA  
INFO IMMEDIATE UKDEL NATO, ACTOR

ASSISTANCE TO THE SOVIET UNION  
SUMMARY

1. BAKER REITERATES US APPROACH TO ASSISTANCE TO THE SOVIET UNION. EMPHASISES THE IMPORTANCE OF ECONOMIC REFORM, AND THE NEED FOR GUIDELINES AGREED AMONG THE WEST ON WHAT IS REQUIRED. DOES NOT RULE OUT THE POSSIBILITY THAT A MULTILATERAL APPROACH MIGHT NOT BE POSSIBLE.

DETAIL

2. AT A PRESS CONFERENCE ON 28 JUNE TO SET THE SCENE FOR THE NATO SUMMIT, BAKER WAS ASKED ABOUT THE US ATTITUDE ON AID FOR THE SOVIET UNION. HE REPLIED THAT THERE WERE QUOTE MAJOR IMPEDIMENTS UNQUOTE TO OPEN-ENDED ASSISTANCE. NEITHER THE US, NOR, HE THOUGHT, OTHER WESTERN COUNTRIES, WANTED TO MAKE THE SAME MISTAKES THAT WERE MADE IN THE 1970S IN POLAND WHEN MONEY WAS POURED IN WITHOUT INSISTING ON REFORM AND WAS NOT THEREFORE PUT TO THE BEST USE. QUOTE WE ARE SEEING THE RESULTS OF THAT NOW IN TERMS OF POLAND'S STRUGGLE TO DO SOMETHING WITH ITS ECONOMY UNQUOTE.

OTHER PROBLEMS INCLUDED THOSE ASSOCIATED WITH THE DEFENCE EXPENDITURES IN THE SOVIET UNION: LEGAL OBSTACLES IN THE US: POLITICAL PROBLEMS ARISING OUT OF SOVIET ASSISTANCE TO REGIMES WHICH IN THE PAST HAD NOT BEEN FRIENDLY TO THE US.

3. ASKED WHETHER HE HAD ANY EVIDENCE OF SOVIET PROGRESS TOWARDS ECONOMIC REFORM, HE SAID HE THOUGHT THE SOVIET UNION WANTED TO MOVE TO A MARKET ECONOMY. HE THOUGHT THERE WAS A GREATER DETERMINATION NOW THAN BEFORE TO MAKE THE HARD CHOICES THAT WERE NECESSARY TO INTRODUCE A PRICE SYSTEM, TO DEAL WITH THE ROUBLE OVERHANG, TO CREATE A SOCIAL SAFETY NET, AND TO INSTIL A SENSE OF COMPETITION AND INCENTIVE. BUT IT WAS A DIFFICULT TASK. HE DID NOT THINK THE SOVIET UNION WAS YET AT THE POINT OF TAKING THE NECESSARY STEPS, ALTHOUGH THEY HAD IDENTIFIED SOME AND SEEMED WILLING TO QUOTE APPROACH THEM UNQUOTE.

4. IN RESPONSE TO QUESTIONS, BAKER SAID THAT BY ADOPTING A CONCERTED APPROACH THE WEST COULD BE A FORCE FOR GOOD IN MOVING THE SOVIET UNION TO CONVERT A COMMAND ECONOMY TO A

MARKET ECONOMY. BUT QUOTE THE QUESTION IS WHAT ARE THE PRINCIPLES, WHAT ARE THE GUIDELINES, HOW SHOULD IT ALL BE MANAGED, AND HOW SHOULD IT EVOLVE? UNQUOTE THERE HAD TO BE SOME QUOTE STUDIED DEFINITION OR PRESENTATION UNQUOTE OF WHAT WAS REQUIRED. HE SAID THAT, PUTTING ASIDE POLITICAL PROBLEMS, THERE HAD TO BE AGREEMENT AS TO HOW YOU QUOTE COME UP WITH WHAT IT IS THAT REALLY IS REQUIRED UNQUOTE. QUOTE IF WE SEE THE KIND OF REFORMS THAT ARE REALLY REQUIRED TO MOVE TOWARDS A MARKET ECONOMY, THAT IS THE TIME AT WHICH I THINK WE SHOULD REALLY ADDRESS THE QUESTION DIRECTLY, OR MORE DIRECTLY PERHAPS UNQUOTE. IT WAS VERY IMPORTANT THAT THE REFORM EFFORT SHOULD BE CARRIED THROUGH TO A CONCLUSION. THE ADMINISTRATION WAS STILL IN THE PROCESS OF DEVISING WHAT THE GUIDELINES AND PRINCIPLES MIGHT BE AND HAD NOT YET DISCUSSED THEM WITH ALLIES. HE SAID, FOLLOWING THE EC SUMMIT, THE EUROPEANS HAD ENGAGED TO A GREATER EXTENT IN THIS DEBATE SO FAR THAN THE US.

5. HE DID NOT THINK THIS ISSUE WOULD BE ADDRESSED AS DIRECTLY AT THE NATO SUMMIT AS AT THE ECONOMIC SUMMIT, ALTHOUGH THERE MIGHT BE DISCUSSIONS IN THE NATO MARGINS. IT WOULD BE VERY HELPFUL IF THE MAJOR INDUSTRIALISED DEMOCRACIES COULD AGREE ON PRINCIPLES. THE US WANTED TO DEVELOP THEIR POSITION IN CONCERT WITH ALLIES. HE COULD NOT PREJUDGE WHAT PRINCIPLES THE US WOULD SAY MIGHT NEED TO BE APPLIED, OR WHAT THEIR POSITION WOULD BE AT THE ECONOMIC SUMMIT. HE DENIED THAT THE US WAS TRYING TO RESTRAIN THE GERMAN RUSH TO AID THE SOVIET UNION. THE US WOULD GET A FULL READ OUT AT THE SUMMIT ON THE POSITIONS OF ALLIES. EACH COUNTRY HAD TO EXAMINE THE PROBLEM IN THE LIGHT OF ITS OWN CIRCUMSTANCES. IT MIGHT BE A CASE OF EACH COUNTRY GOING ITS OWN WAY, BUT IF THERE WAS TO BE A MULTILATERAL APPROACH THEN IT WOULD HAVE TO BE DONE THE BASIS OF CERTAIN PRINCIPLES THAT COULD BE SUBSCRIBED TO BY ALL.

ACLAND

YYYY

UNCLASSIFIED

104302  
MDADAN 3324

DISTRIBUTION

22

ADVANCE 22

.EAST WEST SOVIET AFFAIRS  
PS  
PS/MR MAUDE  
PS/LORD BRABAZON  
PS/MR WALDEGRAVE  
PS/PUS  
MR P J WESTON  
MR TAIT  
MR GOULDEN  
MR BEAMISH  
HD/SOVIET D

HD/NAD  
HD/SECPOL D  
HD/ACDD  
HD/DEFENCE D  
HD/WED  
RESIDENT CLERK  
MR POWELL 10 DOWNING ST  
MR D NICHOLLS DUS(P) MODUK  
D. NUC(POL)SY MODUK  
DACU MODUK  
CDI MODUK

NNNN