

UNCLASSIFIED
FM MOSCOW
TO IMMEDIATE FCO
TELNO 1305
OF 161150Z JULY 90
AND TO IMMEDIATE PARIS, BONN, WASHINGTON, UKDEL NATO,
AND TO IMMEDIATE UKREP BRUSSELS, ACTOR

VISIT OF KOHL TO USSR : FINANCIAL AID

SUMMARY

1. GORBACHEV REJECTS FINANCIAL AID WITH STRINGS ATTACHED.

DETAIL

2. TODAY'S PRAVDA CARRIES A SUMMARY OF THE PRESS CONFERENCE HELD IN MOSCOW ON 15 JULY BY PRESIDENT GORBACHEV AND CHACELLOR KOHL ON THE EVE OF THEIR DEPARTURE TO STAVROPOL. IN ANSWER TO A QUESTION ABOUT PROVISION OF FINANCIAL AID TO THE SOVIET UNION, GORBACHEV RECALLED THAT WHEN HUNGARY HAD TURNED TO THE IMF FOR HELP SEVERAL YEARS AGO, THE IMF HAD LAID DOWN A LIST OF CONDITIONS FOR KADAR TO OBSERVE. A SIMILAR APPROACH TO THE SOVIET UNION WOULD BE UNACCEPTABLE. THE SOVIET UNION WAS NOT IN ANY CASE ASKING FOR CHARITY. IT WAS UNDERTAKING A FUNDAMENTAL RE-ORIENTATION OF ITS DOMESTIC ECONOMY - A MOVE THAT HAD WIDE IMPLICATIONS FOR ALL OTHER COUNTRIES. THE PRESENT POLITICAL LEADERSHIP WAS CAPABLE OF DEALING WITH WHAT WAS AN HISTORICAL OPPORTUNITY FOR THE COUNTRY.

3. RADICAL POLITICAL COMMENTATOR ALEXNADR BOVIN, WRITING ON THE RESULTS OF THE SUMMIT IN FRIDAY'S IZVESTIYA, WARNS OF THE DANGERS OF ACCEPTING LARGE AMOUNTS OF CREDIT WHICH COULD ONLY ADD TO THE COUNTRY'S FOREIGN DEBT PROBLEM. WESTERN AID MIGHT IN THE END DO MORE TO HINDER THAN TO HELP THE ADVANCE OF PERESTROIKA IN THE COUNTRY. BUT HE THEN GOES ON TO ECHO GORBACHEV'S REJECTION OF 'OUTSIDE INTERFERENCE' IN THE SOVIET UNION'S AFFAIRS BY MEANS OF LINKING CREDIT WITH CONDITIONS OF USE.

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