

RESTRICTED

112300  
MDLIAN 6426

PS TO PRIME MINISTER  
NO 18 DOWNING ST

RESTRICTED  
FM WASHINGTON  
TO ROUTINE FCO  
TELNO 2441  
OF 052350Z OCTOBER 90  
AND TO ROUTINE ACTOR  
INFO ROUTINE MOSCOW, PARIS, BONN, ROME, PEKING, TOKYO  
INFO ROUTINE EAST EUROPEAN POSTS, UKDEL NATO, UKMIS NEW YORK

US/SOVIET RELATIONS  
SUMMARY

1. GORBACHEV STILL THE AMERICANS' PREFERRED PARTNER. BUT HIS OBVIOUS AND SERIOUS PROBLEMS ARE BEGINNING TO CLOUD THE PICTURE. BUSH RUMINATED AFTER HELSINKI ABOUT WHAT MIGHT BE DONE TO HELP. US RESPONSE TO ARGUMENTS IN FAVOUR OF EARLY WESTERN ACTION MAY BE WEAKENING.

DETAIL

2. THE US-SOVIET RELATIONSHIP HAS BECOME AT ONE AND THE SAME TIME INCREASINGLY IMPORTANT TO THE ADMINISTRATION OVER THE PAST SEVERAL MONTHS AND POTENTIALLY MORE DIFFICULT TO MANAGE. GORBACHEV REMAINS THE CENTRAL FIGURE. BUT ALTHOUGH THEY WOULD STILL RATHER DO BUSINESS WITH HIM THAN ANYONE ELSE THE QUESTION OF HOW LONG HE WILL REMAIN ABLE TO DELIVER IS BEGINNING TO COME ONTO THE AGENDA.

3. US CONFIDENCE IN GORBACHEV AS A RESPONSIBLE DIPLOMATIC INTERLOCUTOR HAS GROWN STEADILY OVER THE PAST YEAR, AS THE RUSSIANS HAVE PLAYED OUT THEIR EAST EUROPEAN AND GERMAN HANDS. US-SOVIET HARMONY IS NOT (FOR NOW AT LEAST) DISTURBED BY LITHUANIA, LATVIA OR ESTONIA. US CONFIDENCE HAS BEEN POWERFULLY REINFORCED BY GORBACHEV'S APPROACH TO THE GULF CRISIS WHERE THE SOVIET APPROACH IS REGARDED AS SETTING THE PATTERN FOR A HOPED FOR POST COLD WAR ERA OF COOPERATION IN THE UNITED NATIONS, HERALDING THE NEW INTERNATIONAL ORDER.

4. FOR ALL THEIR COOPERATION, THE REAL CHANGES IN SOVIET FOREIGN POLICIES, AND US GOODWILL, HOWEVER, THE US-SOVIET RELATIONSHIP IS NOT ONE BETWEEN EQUALS - FAR FROM IT. THE DISPARITY HAS GROWN MORE EVIDENT AS 1990 HAS PASSED, WITH THE DIFFERENCE INCREASING AT A RATE LIKELY TO ACCELERATE. GORBACHEV AND HIS FUTURE ARE STILL THE PRISM THROUGH WHICH THE ADMINISTRATION VIEW THE US/SOVIET RELATIONSHIP. THE AMERICANS DO NOT YET SEE HIM AS A SPENT FORCE, OR AS UNDER PARTICULAR THREAT IN HIS PRESENT POSITION IN THE CENTRAL HIERARCHY. THEIR RESPECT FOR HIS VIGOUR, AS WELL AS FOR HIS POLITICAL SKILLS AS A

TACTICIAN, REMAINS HIGH. AND THE PRESIDENT FEELS HE HAS A PERSONAL TIE WITH HIM. BUT (AND IT IS AN IMPORTANT BUT) AMERICAN CONFIDENCE IN GORBACHEV'S ABILITY TO HANDLE EITHER THE ECONOMIC OR DOMESTIC POLITICAL CHALLENGES FACING MOSCOW HAS DIMINISHED, MAKING THE USSR, OVER THE LONGER HAUL, A LESS RELIABLE BET AS A FOREIGN POLICY PARTNER.

5. THE ADMINISTRATION HAS CAREFULLY AVOIDED PUBLIC COMMENT ON THE ECONOMIC DEBATE IN THE SOVIET UNION. THEY UNDERSTAND THAT ALMOST ANY CHOICE FACING GORBACHEV MAY HAVE FRIGHTENING CONSEQUENCES. THE SHATALIN PLAN IS SEEN AS A LEAP IN THE DARK. BUT GORBACHEV'S HESITATIONS NOW, ON TOP OF HIS FAILURE ADEQUATELY TO ADDRESS REFORM SINCE HE CAME TO POWER, UNDERMINE HIS ABILITY TO PRESENT HIMSELF TO WASHINGTON AS THE DETERMINANT FORCE IN THE USSR, ESPECIALLY GIVEN THE OBVIOUS DIFFICULTIES FOR HIM IN NEGOTIATING A VIABLE RELATIONSHIP BETWEEN THE REPUBLICS, OR BETWEEN THE REPUBLICS AND THE CENTRE. YELTSIN IS STILL REGARDED WITH SUSPICION IN MANY QUARTERS HERE, ALTHOUGH THE AMERICANS NOW AVOID SAYING SO TO JOURNALISTS. IT IS RECOGNISED HOWEVER THAT THE RELATIONSHIP BETWEEN THE UNION GOVERNMENT AND THE REPUBLICS MUST BE ADDRESSED.

6. GORBACHEV HIMSELF INCREASED AMERICAN CONCERNS BY THE TONE OF HIS REMARKS TO THE PRESIDENT AT THEIR HELSINKI MEETING, AND PARTICULARLY HIS REFERENCES TO THE POSSIBILITY OF EVEN MORE WIDESPREAD CIVIL STRIFE. ACCORDING TO THE SENIOR SOVIET SPECIALIST AT THE NSC THIS HAS SET THE PRESIDENT TO RUMINATING ABOUT WHAT SHOULD BE DONE TO HELP. DR RICE TOLD WOOD ON 2 OCTOBER THAT THERE WERE LEGAL CONSTRAINTS AND THE AMERICANS HAD LITTLE MONEY TO SPARE. AT THE SAME TIME SHE QUESTIONED WHETHER, IF THE POSITION BECAME MORE DESPERATE, AS SHE EXPECTED IT WOULD BY DECEMBER, WE WOULD BE ABLE TO LOOK GORBACHEV IN THE EYE AND SAY QUOTE NOTHING DOING UNQUOTE. THIS APPRECIATION LAY BEHIND BAKER'S REMARK AT THE G-7 MINISTERIAL DINNER ON 26 SEPTEMBER (UKMIS NEW YORK TELNO. 1441) THAT FOR THE UNITED STATES THE DIFFICULTIES OVER DIRECT FINANCIAL AID WERE A QUESTION OF LOCAL REQUIREMENTS QUOTE MORE THAN OF POLICY UNQUOTE. DR RICE ALSO SAID THAT THE AMERICANS WERE LOOKING SERIOUSLY AT THE POSSIBILITY OF HELPING IN PARTICULAR SECTORS, PARTICULARLY OVER FOOD DISTRIBUTION.

7. THE AMERICANS DO NOT SEEM TO BE CONTEMPLATING EARLY ACTION, AND IF THERE IS A SHIFT IN THEIR POSITION, IT IS MORE ONE OF EMPHASIS THAN ONE WITH IMMEDIATE PRACTICAL CONSEQUENCES. THEY AGREE THAT IF WE ARE TO START ON THE SLIPPERY SLOPE OF AID TOWARDS THE SOVIET UNION, CONDITIONALITY WILL BE IMPORTANT AND THAT WE SHALL HAVE TO HAVE BOTH CONCRETE REFORM PLANS TO WORK

WITH AND AUTHORITATIVE INDIVIDUALS WITH WHOM TO COOPERATE. BUT THEIR RESISTANCE TO ARGUMENTS FROM PARTNERS DISPOSED TO HELP THE RUSSIANS SOONER RATHER THAN LATER MAY BE WEAKENING.

8. FEDERAL BUDGETARY DIFFICULTIES AND SOME LINGERING CONCERN ABOUT OUTSTANDING COLD WAR ISSUES IN CONGRESS WOULD STILL MAKE IT DIFFICULT TO GIVE DIRECT FINANCIAL ASSISTANCE TO THE RUSSIANS EXCEPT PERHAPS IN THE CASE OF EMERGENCY ASSISTANCE FOR SPECIFIC PROJECTS, IF THERE WERE REAL HARDSHIP THIS WINTER. THIS COULD BE DONE ON THE AUTHORISATION OF THE PRESIDENT AND IN THE ABSENCE OF A JACKSON/VANIK WAIVER. THE ARMENIAN EARTHQUAKE RELIEF EFFORT SET A PRECEDENT.

9. THE ADMINISTRATION, LASTLY, AIM TO DEVELOP A NORMAL TRADING RELATIONSHIP WITH THE SOVIET UNION OVER THE NEXT SIX MONTHS. BUT MOSCOW MUST FIRST PASS ITS EMIGRATION LAW. ALTHOUGH THERE HAS BEEN SOME DEBATE ABOUT WHETHER TO WAIVE THIS REQUIREMENT, THE ADMINISTRATION HAS DECIDED TO INSIST ON IT, NOT LEAST BECAUSE IT WAS PART OF THE DEAL WORKED OUT WITH GORBACHEV AT THE JUNE SUMMIT (WHEN THE PRESIDENT AGREED TO SIGN THE TRADE AGREEMENT.) THE ADMINISTRATION IS ALSO HOPING THAT MOSCOW WILL SOON SETTLE OUTSTANDING CLAIMS ISSUES, WHICH WOULD REMOVE THE LEGAL OBSTACLE TO SOVIET ACCESS TO US FINANCIAL MARKETS. ONE AMERICAN GESTURE WHICH IS UNDER ACTIVE CONSIDERATION IS TO LIFT CEILINGS ON POSSIBLE CREDIT FOR THE SOVIET UNION.

ACLAND

YYYY

DISTRIBUTION

164

MAIN

150

SOVIET INTERNAL/SOVIET ECONOMY	WED
LIMITED	ECD(E)
SOVIET D	ILA
COMED	PS
CSCE UNIT	PS/MR WALDEGRAVE
SED	PS/PUS
MED	MR P J WESTON
CONSULAR D	MR FAIRWEATHER
EED	MR BAYNE
JAU/EED	MR TAIT
ECONOMIC ADVISERS	MR GOULDEN

RESTRICTED

112300  
MDLIAN 6426

ERD  
INFO D  
NEWS D  
PPD  
PUSD  
PLANNERS  
RAD

MR MILES  
MISS SPENCER  
MR GREENSTOCK  
MR LING  
MRS SUTHERLAND  
MR JAY

ADDITIONAL 14

SOVIET INTERNAL/SOVIET ECONOMY

NNNN

PAGE 4  
RESTRICTED