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From the Private Secretary

7 February 1990

Joe Stople.

PRIME MINISTER'S MEETING WITH MR MEDVEDEV

The Prime Minister had an hour's talk this evening with Mr Medvedev, leader of the delegation from the Supreme Soviet of the USSR which is visiting the United Kingdom at the invitation of the IPU. Mr Medvedev was accompanied by the Soviet Ambassador and Mr Uspensky. Sir Rodric Braithwaite was also present. Mr Medvedev came over as a rather unremarkable man, and not at ease on international issues, on which he was occasionally prompted by the Soviet Ambassador.

The early part of the meeting was conducted in front of the television cameras and I enclose a transcript of the remarks made by the Prime Minister and Mr Medvedev. When the meeting proper started, the Prime Minister said that we were very excited about the outcome of the Central Committee Plenum and she was looking forward to a first hand account. She also wanted to discuss President Gorbachev's recent message to her about Germany. She would like Mr Medvedev to take back with him a message of continuing warm support and admiration for Mr Gorbachev. She was confident that he would surmount every difficulty in the way of his reforms, as he had done so far.

Mr Medvedev said that his first task was to hand over a message from Mr Gorbachev (copy enclosed). The Prime Minister read this immediately and commented that it corresponded very closely with her own views. Perhaps she and Mr Medvedev should start by discussing the subject of German unification.

German Unification

The Prime Minister continued that it was not surprising that she and Mr Gorbachev thought in much the same way. They had discussed these problems at their meeting in September. Her main concern was that developments over German unification were taking place piecemeal. There were those in West Germany who wanted to make very rapid progress towards unification. We had to devise a framework within which the other countries concerned could discuss the implications for European's security and stability. It was not right for leading politicians just to sit and watch things happen, they must exercise their leadership. She had no

fixed idea as to the right forum in which to discuss these matters. One suggestion was it should be the Four Powers together with the two Germanies. She could agree to that. Indeed she was less averse than some others to discussion in the Four Power framework alone. Whatever it was, we had to find a way to sort out the issues raised by unification rapidly. She could agree that the Foreign Secretary should discuss the problem with Mr Shevardnaze during his visit to Moscow in April, as proposed in Mr. Gorbachev's message. But we needed to make progress before then. She had said openly that the process of unification needed to be slowed down, with a substantial transitional period between a decision in principle and its implementation, so that the concerns of others could be properly considered. She was much criticised for this in Germany, but she was sure it was right from the point of view of the wider interests of Europe as a whole. In short, her views and those of Mr Gorbachev as expressed in his message were very close: he was knocking at an open door.

Mr Medvedev said that the German question was a source of concern to all of us. We should not let some governments just push ahead, in ways which might have unpredictable results. To an extent unification was a spontaneous process. But he agreed with the Prime Minister that the key was to find a way to shape and control it. One way would be to widen the scope of the discussions between ambassadors of the Four Powers. This could be supplemented by bilateral discussions. The proposals put forward by Mr Modrow deserved consideration. The Prime Minister interjected that we were constantly told that the GDR was on the point of collapse and might not even get through to the elections in March. The West German Government was now proposing early steps to monetary union. Her own view was that the GDR probably would get through to elections. She assumed that whatever government was elected would prefer to negotiate about its future rather than just be submerged into the FRG. Certainly we could not stop unification and it would be fruitless to try. Our task was to create a framework for it which maintained the peace and stability of Europe. We considered it vital that American forces should remain in Germany: that would contribute to stability. She kept coming back to the point that we needed to sit down together, work out options in relation to existing Alliances, the Helsinki process and Four Power rights and reach agreement. She wanted to see us get some proposals down on paper.

Mr Medvedev agreed that this was the central task: to create a framework to keep things under control and exert influence on the FRG to prevent any rash steps. The Prime Minister said that we had seen reports that some people wanted a united Germany to be neutral, but she did not believe that this would be in the Soviet Union's own interest. It would be much better for Germany to be bound into an alliance, with American troops remaining in the existing FRG. The Prime Minister continued that we would support a CSCE summit later this year. But the communique must be agreed in advance and should, among other things, confirm the Oder-Neisse line as Germany's eastern frontier. Mr Medvedev said he would convey what the Prime Minister had said on these points to Mr Gorbachev, who would want to discuss all these problems with her in June. Mr Gorbachev

attached great importance to her visit.

Central Committee Plenum

The Prime Minister said that she was anxious to hear more about the Central Committee Plenum, which had been top of the news in the United Kingdom for several days. Personally she had never had no doubt that Mr Gorbachev would prevail.

Mr Medvedev said that the adoption of the draft programme for the Party Congress was of immense importance. The Soviet Union was making a radical turn in the right direction. Clear guidelines for action in all the main areas of crisis had been established. In the economy, the priority would be to restructure the consumer market and soak up excess money in private hands. Politically, the main task was to strengthen central authority by moving to a presidential form of government. The Prime Minister commented that abolition of Article 6 of the Constitution was a fundamental step. She appreciated that economic reform would continue to be very difficult. She understood that production had increased, but much of it was finding its way on to the black market. Mr Medvedev said that an attempt was being made to introduce the market into the Soviet economy, but the mechanisms were not yet working. There was a good deal of social turmoil and demonstrations were becoming a fact of life. He would not conceal that opposition was gaining momentum. Tangible improvements in the economy were needed to calm people down a bit. Fundamental measures were being prepared, including a new tax system and a new system of pricing.

Mr Medvedev continued that ethnic problems were very painful, but the Central Committee Plenum had taken a step forward here too. The fact was there was vast differences between the republics, for instance between the Baltic Republics and Khirgizia. This should be reflected in their status. The Union would continue as a framework, embracing sovereign republics which would be part of the Union by agreement. Any problems would be resolved by political means only, although there had been pressure at the Plenum for the leadership to be firmer in restoring law and order. It was regrettable that it had been necessary to use the army in Azerbaijan. Mr Gorbachev was grateful for the understanding shown by the Prime Minister over this. The Prime Minister said that there had to be law and order or the innocent would suffer.

The Prime Minister thanked Mr Medvedev for his account. She repeated her various messages for Mr Gorbachev. We needed to intensify our discussions on how to manage Germany's unification: at present we were constantly being overtaken by developments and being fobbed off by the Germans. We needed to get a grip on the situation. Meanwhile we hoped that Mr Ryzhkov would visit Britain later in the year.

Finally, the Prime Minister added that we were very anxious to retain our embassy residence in Moscow and understood that the Soviet Union wished to do the same in London. She hoped that discussions would soon take place on this.

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I am copying this letter to Simon Webb (Ministry of Defence)
and to Sonia Phippard (Cabinet Office).

Yours sincerely,
Charles Powell
Charles Powell

Stephen Wall Esq
Foreign and Commonwealth Office