

April 6, 1989

**Record of Negotiations between M.S. Gorbachev and
Prime Minister of Great Britain Margaret Thatcher,
London**

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Summary:

Negotiations between Gorbachev and Thatcher on U.S. and British concerns, as well as Britain's cautious optimism, about the Soviet Union's perestroika and glasnost policies.

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Russian

Contents:

Translation - English

Gorbachev. On the one hand, there is a point of view emerging in the White House that the success of our perestroika, the development of the new image of the Soviet Union, is not beneficial for the West. Secretary of State James Baker returned from his trip to Western Europe on the verge of panic. Europe, according to him, is ready to respond to our invitation to build new relations in Europe and in the entire world. The West Germans, in this sense, simply lost their minds. And so they begin to think about how to stop the influence of our policy, of our initiatives on the minds of the West.

Of course, these processes go through a struggle in the United States. There are a lot of people there who sympathize with our policy who think that the continuation of perestroika is good for American interests, because it would allow us to ensure security, development of the economy, cultural and other kinds of exchanges. These forces are sufficiently large and influential. However, there is also another wing, which thinks in the tradition of the known statements by Kissinger, Brzezinski, and other right-wing individuals, who have now got closer to the new American administration, and are trying their best. We receive letters from George Bush and we see entire passages there that are copied from known public statements by Kissinger. In short, there is a clear concern there that the West is losing public opinion. And so they are trying to dilute the mood of cooperation with us.

On the other hand, as we see from the negotiations that George Bush and James Baker had in Western Europe, the process of working out a response to our proposals is slowing down in the West. And from this fact comes the desire to undermine the interest in perestroika, in our initiatives, and to present it all under the cover of general considerations - let's see where perestroika will lead, how will it end, whether it is associated with the person of Gorbachev only, and if so, whether we should make the future of the West dependent on it. I am telling you frankly, we are concerned about it.

Even you, Mrs. Thatcher, as we can see, exhibit more reservations recently. We are informed that you are being advised, especially by the banking circles, not to rush, to be careful. And this shows, both in your statements, and in your practical policy.

Thatcher. If anybody made such a recommendation, it has not reached me. How did it reach you?

Gorbachev. That's how it happens. What an interesting world, isn't it?

Thatcher. That is why we are concerned about the immensity of your tasks. It is one thing to tell people what to do and where to work, and a quite different one to make it so that they would work properly in the conditions of large production and complex technology. People start feeling less confident of themselves and of their future. I saw it during my trip to the Soviet Union in 1987. The old order is being broken, and the people do not know what will come in its place. And how is it - to rely on one's own labor and entrepreneurship, whether it would bring a better life. This is what we are concerned about in your perestroika.

Gorbachev. Why are you so scared for our perestroika?

Thatcher. Precisely because I was the first to start an analogous perestroika in my country. And also because I was the first to say that your success is in our interest. It is in our interest that the Soviet Union would become more peaceful, more affluent, more open to change. So that it would go together with personal freedoms, with more openness, and exchanges. Continue your course, and we will support your line. The prize will be enormous. But you have to see economic difficulties. Not too long ago I discussed these issues in detail with one Soviet Academician. He said that Gorbachev would need our common support for ten years. I do not know the exact length of time, but in principle it is right.

We are glad to see the political changes in the Soviet Union. Your recent elections [on 26 March 1989 to the Congress of People's Deputies] were a real watershed. They showed that the people are not afraid of using political power. But in addition to this, you need finances, you need a strong economy, educated and capable managers. I know that you have enough talent, but it is not yet as clear as in the political sphere. And in the international sphere - I am thinking about your allies in Eastern Europe - promising changes are taking place. I visited Hungary, and I saw that that country is experiencing a stage of new freedom in politics and in the economy. But they have

already been moving two or three steps ahead of you in terms of introducing new economic forms and the freedom of enterprise for some time. Most interesting developments are under way in Poland. I met with Wojciech Jaruzelski. He is a prominent and honest politician who does everything he can for his country at a very difficult stage in its development. Let's take the latest events - the recognition of Solidarity. In my view, this is the beginning of political pluralism, because Solidarity is a political movement, not just a labor union. Young people, and the retired, take part in it, not only workers. I met with Solidarity leadership, and I repeatedly advised them to seek a dialogue with the government, not limit themselves to the confrontation. I said to them that you can never leave the negotiating chair empty, it would not lead to anything, and I can see that they have listened to my advice.

More complicated developments are under way in Czechoslovakia. In our analysis, everything is unclear there. And there is some evil irony in this, because Czechoslovakia was one of the affluent and democratic states in Europe.

In the more general international context I can see the first fruit of our joint effort and the new approaches. The Agreement on Independence of Namibia has been signed. We are working together in the United Nations, in the Security Council, in such a spirit of cooperation which was unimaginable only recently. It led to the cease-fires between Iran and Iraq, and to the positive changes in the Middle East peace process. There are fewer positive signs in Central America. The United States is very concerned about the situation in this region. Everything began there from the fact that when the Sandinistas overthrew Somoza, they did not deliver on their promise to restore democracy in Nicaragua. The rebels in El Salvador receive weapons above and beyond any reasonable limit. All in all, there are reasons to be concerned there, as well as in the situation in the Horn of Africa.

The world represents a calico picture. In some regions, there are more positive signs than in others. But we all want international success that would make the world safer, would stop the bloodshed in the hot spots.

You touched upon the policy of the new American administration. I know George Bush and James Baker very well. I do not see how they could make policy that would contradict President Reagan's course. Of course, Bush is a very different person from Reagan. Reagan was an idealist who firmly defended his convictions. But at the same time, it was very pleasant to deal with him, to have dialogue, and to negotiate. Bush is a more balanced person, he gives more attention to detail than Reagan did. But as a whole, he will continue the Reagan's line, including the Soviet-American relations. He will strive to achieve agreements that would be in our common interest.

Gorbachev. That is the question - in our common interests or in your Western interests?

Thatcher. I am convinced that in the common interest.

Gorbachev. Here you need a superpersuasion.

For example, we now have an imbalanced financial system, budget deficit. There is a large volume of free money in the country, that is not supported by consumer products. People's incomes grow faster than the production of consumer goods. This is where the deficit is coming from. I remember that only 15 years ago the shelves of these stores were overstocked with butter, milk, meat, and then we consumed 1/3 or even 1/2 less of those products than we do now. The demand was limited because the incomes were unlimited [sic - limited - trans.]. Now we have a new problem - not only to produce more goods of a better quality, but also to balance the incomes with the volume of production. We think that this is a task of primary importance; if this is not done, it is hard to hope for an economic improvement in general. That is why we are trying to regulate incomes under the control of the economic mechanism, and at the same time to stimulate entrepreneurship and initiative, self-financing. We cannot change the entire economic mechanism at once, it would simply blow up the economy. We could, of course, undertake some temporary measures in order to alleviate the situation for the people, for example, we could get foreign loans, and saturate the market with goods purchased with that money. Some people here advocate that.

Thatcher. But this is not a solution for your problem. This is not policy.

Gorbachev. Exactly. And in the situation of our budget deficit, it would be simply a violation of our obligations to our country. That is why we are developing a policy for building an economic, industrial base for the production of consumer goods, so that later we would be able to eliminate the deficit with our own goods.