

Tuesday, 5 March

The Permanent Representatives in Moscow of the Baltic States come to breakfast: **Bickauskas** (Lithuania), **Peters** (Latvia) and **Kahn** (Estonia). Bickauskas is the fiercest. He says that yesterday's ratification in the supreme Soviet of the German treaties, which was meant to "draw a line under the Second World War", did no such thing, since the Balts - who had lost their freedom because of the war - were still not independent. He and Peters argued that the West should now formally recognise the independent status of the Baltic states. All are very pleased with the results of their various referenda. They agree with Major that they need to negotiate in good faith with Moscow, and that the outcome of the negotiations must cover the interests of the Russian and other minorities, Soviet security interests, and the complex tangle of economic links. But they all say that Moscow has so far shown no sign of being willing to start a genuine negotiation nor to accept that independence must in principle be one of the objects of negotiation. Peters remarks that the Balts need to make positive offers to Moscow, as well as insisting on their rights; and to be more tactful in the language they use about the Russians. Major promises to support their case with Gorbachev.

Four "influential liberals" then come to the Residence for a discussion: **Sobchak**, **Ryzhov**, **Boris Fedorov**, and **Aleksei Arbatov**. Fedorov says that, as far as the economic reform is concerned, the last five years have been wasted. Some microeconomic reforms had been made. But the government had no understanding of macroeconomics. No-one was making any real economic decisions. Gorbachev had abandoned the idea of radical reform when he saw that the military-industrial complex and the republics were against it. The result was a "drift to reform", rather than a deliberate policy of reform by the government. Meanwhile ordinary people are sick of all the talk. They will support anyone who could deliver, even if he does not use democratic means.

Sobchak says that 1991 marks the turning point: real economic and political change are now inevitable. But Gorbachev made a major error last year when he abandoned his strategy of splitting the Party - and its property and organisation - between the liberal and the conservative wings. Had he stuck to his guns, the liberals would have had a proper organisational base, and could have given Gorbachev their effective support. Instead, Gorbachev had chosen at the XXVIIIth Congress to hold the Party together at the cost of losing a few liberals, and was now trapped by the right. His main present obsessions are to preserve the Union and to fend off demands for private property in land. Opposition to private land ownership much antedates the Revolution: it is in the genetic makeup of the Russian people. Major comments that without private ownership the economic reform cannot possibly succeed: it would be like trying to produce milk without cows.

On his way out, Ryzhov remarks sourly that Sobchak has once again talked much too much.

After the usual wreath-laying ceremony, Major goes off to his tete-a-tete with Gorbachev (only Charles Powell accompanying) and I hang around with **Gus O'Donnell**, the PM's press spokesman, briefing the Press until it is time to go to the official lunch given by lunch in the Aleksei Tolstoy house. I stand around waiting for the two leaders with **Bessmertnykh** and **Yazov**, who are both still purring about

their performance in the ratification debate. Pavlov is also there. Gill doesn't agree that he is a garden gnome: she thinks he is something more sinister: I suggest he is perhaps a troll. We have indeed had a couple of reports recently that he is not to be underestimated: he is a powerful, ruthless, and effective politician, of whom even Gorbachev has reason to be wary.

Gorbachev bounces in, ahead of Major. He looks puffier than in the past. He comes straight up to thank me for my Turgenev quote. He says that Chernyaev's people have found him another quote, which he used in a speech on his sixtieth birthday on Saturday: Lincoln's remarks about his critics at the blackest moment of the Civil War.

Over lunch there is a rambling discussion of economic and political change in the Soviet Union. Gorbachev says it is not easy to establish the market in the Soviet Union: "market" had been a dirty word until recently. And only a handful of countries which had market economies managed to run them successfully. Land reform was particularly difficult: no one wanted to force people out of the collective farms, so repeating the experience of the nineteen thirties, when they had been forced into them. Meanwhile he had to impose tight restrictions to prevent the complete collapse of the economy: he was in the same position as Roosevelt had been in in 1929 and 1930 (not very accurate history or even chronology). He concludes that we should believe in his commitment to reform, despite the reporting of Western ambassadors who only hobnob with the opposition. "Not your ambassador, of course: we know that his reporting is objective. We appreciate his efforts. Now I've praised him, you'll probably decide to withdraw him immediately". Major laughs and asks if I want to leave. I say I'm happy to stay here for ever (or something like that).

After lunch, we meet Pavlov in the Kremlin. Major opens with a stream of questions: what is the mechanism for transition from the command to the market economy? How is interest rate policy managed? Who controls the money supply and how is it measured? Over what period does Pavlov intend to cut subsidies? What is the inflation level and how is it measured? Pavlov says that the fundamental issue is whether state property should be sold off or given away. If it's given away, people won't appreciate it. If it's sold, people will acquire a sense of ownership and responsibility. But the process will take time: there is no scope for a revolutionary breakthrough. As for credit policy and the interest rate, this is settled by the central bank under the new legislation. The government controls money supply, both cash and credit: "We know the quantity, the composition, and the location of our money. But people are not psychologically prepared for a squeeze, so we are not currently applying the brakes." There is suppressed inflation: but last year the government actually reduced the budget deficit. The Soviet Union is entirely creditworthy: but British banks have been withdrawing their deposits from Soviet banks. Major complains about the failure of Soviet enterprises to pay their commercial debts to British firms. Pavlov says with a grin of sly triumph that the unpaid debt is almost exactly equal to the sum which the British banks have withdrawn from Moscow Narodny Bank in London. He favours joint ventures. But British firms have been very slow to sign up, and most of the joint ventures in which they are involved don't work.

Pavlov must know that Major can see straight through this appalling display of bullshit (= vranyo).

Next we go to meet the Generals. Yazov leads the pack, and is in fine form. He emphasises the value of military exchanges, and remarks that this is the first time since the war that East and West have not been afraid of one another. Major asks him what professional lessons he draws from the Gulf about the role of armed forces in the new world security situation. This gives him a chance to launch into a great harangue about the need for trust and security in Europe which rapidly evolves into a justification of the Soviet position on NATO and the CFE. He professes to be worried that the Czechs, Poles and Hungarians will join NATO: Havel has been making equivocal statements. Major assures him that nothing of the sort will happen. He complains about the unfairness of the CFE, which was lopsided right from the beginning, unlike the SNF and START negotiations, which had clear aims and took proper account of the interests of the two sides. He claims that Western figures for the equipment transferred East of the Urals are inflated by a factor of ten. As for the resubordination of three divisions to the Navy, this was decided before the CFE mandate had been finalised in the Vienna negotiations, and the Americans had been told as much at the time.

Yazov is thought of as a clod by the outside world. But as usual he is a fluent master of his brief, and adopts the same tactic of filibustering his interlocutor as Moiseev, though his manner is more urbane. Although many of his arguments seem implausible (and differ from previous attempts by the Soviet military to defend their position on CFE), he gives every appearance of believing them himself. Perhaps he has managed to convince himself that he is telling the truth. In any case it is a more attractive performance than Pavlov's.

Major shows his nervousness again as he prepares for the standard press conference. He copies out Charles' illegible notes himself. His performance in front of the journalists is worthy but dull.

Shevarnadze comes to supper, bringing Tarasenko with him. He seems rather unhappy, not only about Georgia (which, he tells Gill, he hasn't visited for a long time) but about his own role in life. He has lots of excellent ideas about what to do in the Middle East following the Gulf war: imaginative ideas which he would have been one of the few people with the guts to implement. But he no longer has the power. Major mentions Yazov's claim that the Americans were told ages ago about naval resubordination: Shevarnadze says that the first time he himself heard about it was last autumn. But some compromise will be needed. Shevarnadze says that in the end Gorbachev will have to negotiate personally with the leaders of those republics which are refusing to associate themselves with the draft Union treaty. The negotiation will have to be very detailed, very practical, and conducted as meticulously as a negotiation between East and West.

Major then flies off in his VC10 to the Gulf to review his victorious troops. Pavlov makes a kind remark about me "and my charming wife", which wouldn't please Gill if I told her. Zamyatin says that Gorbachev told him after lunch that he had been very pleased with his discussions with Major. Indeed I believe it has been a very successful and useful visit, despite the lack of histrionics.



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