

DOCUMENT OF INTERNATIONAL MONETARY FUND AND NOT FOR PUBLIC USE

MASTER FILES
ROOM C-525

0401

EBD/91/220
Supplement 1

July 18, 1991

To: Members of the Executive Board
From: The Secretary
Subject: Joint Press Conference Following the London Economic Summit 1991

There is attached for the information of Executive Directors the transcript of the Joint Press Conference given in London on July 17, 1991 by Prime Minister Major and President Gorbachev, together with a transcript of the Questions and Answers.

Att: (2)

Other Distribution:
Department Heads

- 1 -

FROM EGMG FOR COI RADIO TECHNICAL SERVICES

TRANSCRIPT OF JOINT PRESS CONFERENCE
GIVEN BY THE PRIME MINISTER, MR JOHN MAJOR,
AND THE SOVIET PRESIDENT, MR MIKHAEL GORBACHEV,
IN LONDON

ON 17 JULY 1991

=====

PRIME MINISTER:

Firstly, my apologies for arriving a little later than you had expected, our discussions went on a little longer than scheduled and I apologise for that short delay.

Let me say at the outset, as many of you will know, that this morning President Bush and President Gorbachev solved the remaining impediment to a START agreement, I think that is a very remarkable achievement, it was very well received by all the G7 Heads of Government and commenced our meeting this afternoon in an extremely admirable way.

Our summit theme over the last few days has been building world partnership and to follow up those words with deeds we have today I believe established our partnership with the Soviet Union on a new and better footing. It is an historic occasion, it demonstrated the importance the summit participants attach to cooperation with the Soviet Union and to helping integrate it into the world economy.

And I think it reflects something else as well, it reflects the recognition of new attitudes and new thinking in the Soviet Union. In keeping with the summit style the emphasis has been on

- 2 -

informal, frank and very direct discussions. Our exchanges have been workmanlike and practical, they have been across the table with questions put and answers given and not simply formal exchanges around the table, it has been a very positive meeting indeed. It has not been the occasion for specific negotiations or empty rhetoric, there has been an absolutely excellent climate and atmosphere throughout the whole meeting this afternoon.

Our discussions focused primarily on economic reform, but we all recognise behind that the importance of the political dimension, both national and international. President Gorbachev explained to us all the important changes under way in the Soviet Union, including the proposed new division of powers and responsibilities under the draft union treaty. Everyone agreed that these political and constitutional reforms would help to provide the necessary basis for a successful and irreversible economic reform.

President Gorbachev also set out the plans of the Soviet and Republican authorities for reform of the Soviet economy, he did so fully and frankly. All summit participants had been following the evolution of economic reform plans with a particularly close interest, we were all especially interested to hear how they would be implemented in practice, about their sequence and the comprehensive nature of their coverage.

We very strongly welcomed President Gorbachev's commitment to practical measures of both political and economic reform and pledged both our support and our encouragement for that process. We discussed in particular crucial areas for reform: property rights; market prices; control of government finances and money supply; the breaking up of monopolies and privatisation; and the establishment of a legal infrastructure.

- 3 -

Everyone around the table recognised that these moves are all in the best interests of the Soviet people themselves and that only the Soviet people themselves can achieve those changes. As I put it during the discussion, the challenges the Soviet leadership faces are formidable but the opportunities, if they are successful, are limitless.

We therefore all agreed to work together to promote the integration of the Soviet Union into the world economy. But we also agreed that our help would not have a lasting effect unless there was a clear political will in the Soviet Union to create the right environment for change. Our objective must be to help the Soviet Union mobilise its substantial resources, outside assistance can make a contribution, it can help catalyse the process, but it is the Soviet Union itself that must mobilise its resources. The primary contribution should come from inward private investment, the key is to create an environment, legal, political, economic, social, in which investment would be attracted and could flourish. Against that background, we reached agreement on six specific points.

The first relates to a special association with the International Monetary Fund and the World Bank. The Summit participants very much welcome a special association for the Soviet Union with the IMF and with the World Bank. We believe that will be an enormous step towards helping the Soviet Union become more closely integrated into the world economy. It will bring many benefits to the Soviet Union, it will enable the Fund and the Bank to offer expert help and advice in all the difficult areas of economic policy where President Gorbachev is working for reform. Both the Fund and the Bank have a wealth of experience in helping governments to work out their own economic reform programs and

- 4 -

especially have a wealth of experience in the crucial areas of fiscal, monetary and structural policies.

Secondly, we reached agreement on the need for continuing cooperation. The summit participants are therefore asking all the international institutions - the OECD, the European Bank for Reconstruction and Development, as well as the IMF and the World Bank - to work closely together and intensify their efforts in their support of the Soviet Union. They can provide the Soviet Union with practical advice, with know-how, with expertise to help create a market economy. There are all sorts of areas to which this will apply, for example price decontrol, creating the conditions for much greater private sector investment including investment from outside the Soviet Union into the Soviet Union, and all the difficult processes involved in privatisation.

Thirdly, we talked of technical assistance, we agreed on the importance of intensifying our technical assistance for the Soviet Union. We believe there should be greater cooperation and in particular greater cooperation in the following sectors: energy; defence conversion; food distribution; nuclear safety; and transport. Other areas suggest themselves as well but those were the key areas that we were able to discuss today. And we believe this technical assistance will be given both by governments directly, bilaterally and also through the international institutions.

Fourthly, we discussed trade. As President Gorbachev said during his remarks this afternoon, he was very conscious that trade had collapsed between the Soviet Union and its immediate neighbours and it would be desirable to re-establish it. We also wish to see improved trade access to markets for Soviet goods and services and

- 5 -

we believe that would help to attract more inward private investment and that will govern our policies.

Fifthly, and vitally I think, we discussed the follow-up to the meeting we had this afternoon. This afternoon is not a one-off occasion, it is not an occasion in which we come together just to examine the problem, consider it, go away and then let things go on as they were before. So we discussed how we would follow the matter up to ensure there was a continuing over-view and follow-up to the matters that concern us both. And we agreed after discussion that the Chairman of the G7 summit, on behalf of all summit colleagues, should keep in close touch with developments on behalf of the whole of the G7. There was a general wish following that, that as the current chairman I should visit Moscow before the end of the year to meet President Gorbachev, discuss with him the matters of mutual concern to us all and to review progress. I am happy to do so and I look forward to that visit. Next year my successor as Chairman of the G7, Chancellor Kohl, will liaise and will undertake similar visits. Both of us will report back to the G7 as part of a continuing over-view.

Sixthly, we decided to take this contact a little further. We will encourage our Finance Ministers and Ministers for Small Businesses to accept invitations to go to the Soviet Union and to discuss a range of matters with their counterparts in the Soviet government. We see this as a part of widening and deepening the continuing dialogue between the Soviet Union and the G7 governments.

As I said a few moments ago, this has been a day, I believe, that history may well see as a landmark. It will, I believe, be seen as a first step towards helping the Soviet Union become a full member of the world economic community. It was clear from this

- 6 -

afternoon's conversation that that is what President Gorbachev wants, that is what we want, it is what we will all work for and it is what we have put in train today. It was, I have no doubt, a very successful and historic meeting. I will now invite President Gorbachev to make a few observations to you and then we will be happy to take your questions.

- 7 -

PRESIDENT GORBACHEV:

Thank you, Mr Prime Minister. My task I think is very simple after your comprehensive statement.

Ladies and Gentlemen, today has meant a lot. We began at 8.00 this morning with talks with President Mitterrand which were very important and then we had a very intensive and productive dialogue with Prime Minister Kaifu, the Prime Minister of Japan.

And then there took place one of the most important meetings of our time, we completed a very complicated job which has taken ten years, the Agreement on the Reduction of Strategic Offensive Weapons - the START Agreement. The last issues were solved on the basis of constructive cooperation and you will understand what we have been doing all these years and how difficult it was to proceed to such a positive result. But now I can say, once again, as we have already said it, that everything that has been done and will enable us to submit this treaty for signature and to put it before the Supreme Soviet. At the same time we have agreed with President Bush to have a meeting in Moscow at the end of July, I have invited him to come to Moscow.

I think this is good news, not only for today, and it is evidence of the fact that in the world, despite all the difficulties and dangers and troubles there is taking place important changes which bring such results which a few years ago we could not even have been thought possible.

And in the same spirit, I would like to say that the present meetings of the Seven, and we have already reached agreement on the machinery for follow-up, are also unique events and in this sense I share the views of Mr Major, the chairman of this meeting, he has done a lot to ensure that it was well prepared and proceeded in a

- 8 -

good and constructive spirit and I would like to thank him for that and at the same time to thank the government of Great Britain for their welcome and hospitality and everything that they have done that has enabled us all to work well and to produce good results.

And like many of you, I have said this already in Moscow and I would like to confirm today, what has been happening in recent years has enabled us to achieve much and these achievements are unprecedented political dialogue and a successful outcome on disarmament negotiations which have produced these major documents; the development of the Helsinki Process, and I am referring in this case to the Paris Charter and this the resolution of many ancient acute conflicts; and what we have really succeeded in taking the road to perestroika, we have rejected the methods of the Cold War and we have realised that we are living in one civilisation and we have moved from confrontation and opposition to a search for this kind of achievement.

This is the basis on which it will be possible to build so that we can extend this process and extend these positive trends, so that on the basis of this we can have new processes and we can build on these big changes and get rid of everything that causes concern and alarm. And it is very important that no-one should be tempted to try to use this for not in the interests of the process itself, that we expect the process that will lead to new international relations.

So the discussions about this have begun today and taking into account the declaration that we have, I read it and I think in the coming days these topics, the global topics and regional arrangements and everything that is happening in the real world, everything will be the focus of attention at this kind of meeting.

- 9 -

This really has been a unique meeting. We are ready to cooperate and to bear our responsibility together with all peoples in this case with the peoples who were represented here in the Group of Seven, in order to ensure that this positive process continues and that despite all the difficulties we can move further towards agreement and the development of international relations and their improvement.

But thinking about this at home, about everything that is happening now, we reached the conclusion that this process will be more stable and reliable and predictable if both the spheres of economic cooperation are taken into account, they must be carefully thought out and restructured and much that we have been talking about has been taken into account.

These are matters that we have to take account of all the time and think about them and what comes up inbetween countries in bilateral relations and in regions, everything that develops in the Third World, I know that this is an old-fashioned term now but I will still use it, we must find a way of systematising these procedures and among these problems that we include and which must be solved if we are to restructure international relations, we think one of the key problems is the organic integration of the Soviet Union in world relations. We do have relations with the world economy, we trade with the whole world, and we enjoy the fruits of the labour of our peoples. This is trade, this is good.

This is the implementation of various projects, it is also good, but we are working in various approaches, we do not consider ourselves an organic part of the world economy, it would be better to talk about economic relations. Of course we are part of the economy and to a considerable extent we are on the margin of this

we are an autarchy (phon) if you like.

This is our approach in a few words and we have put forward a concept for the way in which the Soviet Union might move towards and be integrated in the world economy. This means far reaching reforms, not just economic but also political reforms which is what we are now engaged in; so that we may be capable of adopting rules of the game, let us say, that are practised and preached in all countries of the world.

This organic integration of the Soviet Union into the world economy will not work if we continue to be seen from the standpoint, from the point of view that grew up during the years of confrontation, and there was a great deal that was piled up over those years of confrontation so there is a need to remove the road blocks, there is need for a movement from the other side..

There are very many of those roadblocks, I could read out to you, I shall not do that now, but I could read out a list of dozens of projects which have been elaborated by business people in our country, from other countries, that have been brought to the stage of general understanding but which were not able to be implemented because they came up against barriers of various sorts, obstacles, impediments. There are customs barriers, there are requirements of the International Monetary Fund, there are GATT requirements, International Bank for Reconstruction and Development and on and on.

I have summarised this but there are whole tons of this material. So there is need for movement from the other side, these are the two essential points which we put to our colleagues. We have put our plan of action to our colleagues as to how we intend to proceed in terms of political reforms and how we intend to act now at this stage within the framework of our economic reforms of

the federation and on that basis the hope has been expressed for understanding.

I put the emphasis on that word - understanding - that is how I started my book on the new thinking, we want to be properly understood. I have been cooperating with my colleagues for many years and I think that without any exaggeration I could look in their eyes today and say to them: inasmuch as we have now been understood this has opened up the possibility of joint action and as a result of the new political thinking we have now come to that level of cooperation, to a degree of trust, and the possibility of the sort of discussions that we have been having lately and that we had this afternoon.

I have also said it should be understood that it is our choice that is to be made, we shall proceed along the path that we have chosen because we wish through the reform of the economic system, through the union, through reforming our property relations, to provide a powerful impetus for the action of political, democratic, economic, social forces of our people. We wish to move away from the predominance of the command administrative system and away from the system where we are state-ownership predominant, we wish to provide vital oxygen for society, that is as necessary for society as it is for individuals and when we propose new thinking in external and foreign policy, just as we today offer cooperation on the basis of movement from the other side of accommodation, that is something that we all need and this will constitute a major contribution to stabilisation and further encouragement to all the positive processes that are now going forward in the world. That is what we hope for, that is what we look forward to.

We are going through a difficult time now, we shall find our way through this, we shall extricate ourselves, whether you help us or not. That is not the point, and we are not even talking about assistance, we are talking about the new quality of cooperation when we are an organic part of this world economic space.

These are the arguments that I have put forward to my colleagues, I am most grateful that what I had to say was received openly, directly, and honestly, that great interest was shown, everybody spoke up after I had my say, we had ten contributions and there was a lively conversation that then ensued. I tried to be brief, I have to say, although I did not altogether succeed, I tried to practise some self-discipline but this is an enormous subject that we had to address and I would say that we have reached the first stage of understanding which will enable us now to move to the start of a process, a new form, a new kind of cooperation, and I think that if we move along the lines indicated by Mr Major, these six conditions, then we will not say that we simply come together, we have had a talk and then we have gone our ways, but that we have come to some important political conclusions and that we have reflected on a mechanism for ensuring our cooperation, our joint action in following up on those important political conclusions.

(END OF TRANSCRIPT A, CONTINUED ON TRANSCRIPT B)

- 1 -

FROM JAMES LEE FOR COI RADIO TECHNICAL SERVICES

TRANSCRIPT OF JOINT PRESS CONFERENCE

GIVEN BY THE PRIME MINISTER, MR. JOHN MAJOR,

- AND -

PRESIDENT GORBACHEV OF RUSSIA

IN LONDON, ON WEDNESDAY, 17 JULY 1991

TRANSCRIPT B - (CONTINUED FROM TRANSCRIPT A)

QUESTIONS AND ANSWERS

EDWARD STURTON (ITN):

The Seven were apparently not satisfied with the original reform proposals that were put to them by Mr. Gorbachev. Can I ask Mr. Gorbachev whether he brought anything new in terms of reform proposals today and the Prime Minister whether he heard anything new that convinced him that reform will really happen?

PRIME MINISTER:

Let me start with that, Edward. The great advantage this afternoon was that we were actually able to talk across a table; not just look at a document but actually speak face-to-face, actually ask detailed questions about a document and make an assessment of how that document was going to be carried forward. That is just not an opportunity that the G7 collectively have had before with President Gorbachev; it was a very valuable opportunity.

- 2 -

Not all our problems were solved today; none of us expected that they would be. What we did expect would happen today was that we would begin the process of a dialogue and would decide a proper way in which we could carry it forward. That is in practice what we have done and I really cannot overstate the value of that. I think it is vitally important that we are now engaged on this dialogue and that it will be a continuing dialogue.

The reforms that the Soviet Union are engaged in are enormous reforms. One only has to go back and look at the immense interest and difficulties there were just in some elements of the privatisation programme for example we had in the United Kingdom over the last ten years and then match that against the scale of the changes that the Soviet Union are seeking to put in place at the present time. So of course we did not solve all the problems today and of course there will be many matters that we will want to come back to but what we did satisfy ourselves about today was the intensity and direction of reform the Soviet Union are engaged on and the necessity of following that through with a continuing dialogue.

PRESIDENT GORBACHEV:

(NOTE: LONG GAP BEFORE INTERPRETATION BEGAN)

....the need for constructive cooperation with all democratic forces between the Republican authorities and the Union with a view to successful implementation of radical reform in all areas.

- 1 -

QUESTION (SOVIET TV):

A question to the Prime Minister of the United Kingdom as well as to the President of the USSR: can we consider that after today's meeting London will have represented a start on a new relationship between East and West?

PRIME MINISTER:

I believe I can answer that question very briefly and very directly. Yes, I believe it has. I believe it is a new start and I believe it is a very valuable one.

PRESIDENT GORBACHEV:

Yes, I take the same view. London has represented a start on movement towards a new quality of cooperation.

BRIAN HANRAHAN (BBC TV):

Mr. Gorbachev, there has been much talk from some of your envoys of the need for large-scale funds to assist the Soviet Union out of its current difficulties. Are you disappointed you have not received them? Do you think it will have an effect on the progress of the reforms, possibly causing social instability as Mr. Primakov mentioned the other day and Mr. Major, is that an argument you have taken into account?

- 4 -

PRESIDENT GORBACHEV:

I already gave a reply to this question in Moscow; that it was not a meeting of Finance Ministers but rather of Heads of State that was expected in London and I think that that has taken place and as we take stock of the political results, we can see that this goes rather beyond what was being discussed in the press recently.

What we are talking about here, as I have said before, is cooperation and cooperation presupposes re-thinking and moving on to qualitatively new forms of cooperation in all areas.

QUESTION (NOVEVRINIA (PHON) MOSCOW):

A question to the Prime Minister and to the President:

Here in London, both of you were participating for the first time for various reasons in a meeting of the G7 and again for various reasons you found yourselves the focus of attention. I would like to know what you think about the G7 process and what the future prospects are. What do you think will happen in two or three or let us say five years? How do you see the relationship between the seven most industrialised countries and the Soviet Union, looking ahead a few years?

PRESIDENT GORBACHEV:

First of all, let me begin by saying that Mr. Major and I have already had an opportunity to meet. He has visited us and it really did not take long for us to reach an understanding on the most important matter and to initiate a very active dialogue and I welcome the fact that we did not waste any time.

- 5 -

The Soviet-British dialogue has reached a very high level now and I may say that it is continuing, it is on-going; it is continuing thanks to our joint efforts. In particular this is also true of our meeting today, the Gorbachev-Major meeting today, so I think we may say that we find ourselves in a very good situation and I look forward to tomorrow's visit and I am sure it will be even easier for us to reach understanding on our bilateral relations.

As concerns our view of the future development of this process, the Seven-plus-One as I have called it, I think it will develop. There was Paris, there was Houston and then there was the talk about inviting Gorbachev to come and meet the Seven. Well now the English are our hosts; I am here and it has been a very important event and an important meeting. You have already heard from Mr. Major an outline of what he thinks is going to happen in the future. Once again I say that a start has been made on future developments. The ice has started moving, as somebody put it and the ice-breaker is on its way towards renewal.

PRIME MINISTER:

When we invited President Gorbachev to come and join the G7, it was of course with the expectation that this would play a part in deepening the process and continuing the process in the years to come so of course we extended this invitation never with the intention that it would be a one-off occasion but that in one form or another we would continue to widen and deepen the closer relationship there has been between the Western industrial nations and the Soviet Union in recent years.

- 6 -

We take a very great interest in the changes there have been in the Soviet Union in the last few years and we admire very greatly the way in which those changes have been brought about so of course we see a dialogue continuing; that was our intention; happily it has proved possible for that intention actually to be turned into a systematic form through the chairmanship of the G7. I think that is going to continue.

ADAM BOULTON (SKY NEWS):

Clearly, this was not the occasion but do both of you accept that to make the Soviet Union that organic part of the world economy, at some point there will have to be large fund transfers from the G7 countries to the Soviet Union?

PRIME MINISTER:

Let me answer that first, Adam. There is a great deal that needs to be done and we discussed the whole range of those things today. Today was not the occasion to address the question of large-scale nation-to-nation funding. A great deal of the help and encouragement that there will be for the Soviet economy in the years to come will, we hope, be generated quite naturally by the levels of private sector investment that the present reforms will encourage to come into the Soviet Union and I was very encouraged today by the emphasis that President Gorbachev gave that in our discussions, but we were not today in a dialogue about the transfer of large-scale funds. As the President said a moment or so ago, that was not the subject for today and it lies a little way ahead.

- 7 -

PRESIDENT GORBACHEV:

Let me add to that! The USSR is an enormous market and a very promising one with an enormous potential and to a considerable extent not yet opened up, not yet developed. That is the first point.

Secondly, if the obstacles to which I made reference are removed then it is possible that major projects can be deployed in the field of energy, transport, food, petrochemicals and many other areas and these are multi-billion projects I am talking about and that would be very mutually advantageous.

This process will go forward even more successfully if we do not delay decisions on vital problems such as the problem of rouble convertibility. This is a problem which has been discussed today, the convertibility of the rouble, and there is a mutual understanding that this problem has got to be resolved.

QUESTIONS (IZVESTIA)

I would like to come back to the formula 7 plus 1. I imagine that the plus sign is very symbolic here. Could I ask Mr. Prime Minister and Comrade President what this plus is going to lead to? What is the significance of that plus for both parties?

- 8 -

PRIME MINISTER:

The seven Western industrial democracies have decided that it is in our interests and the interests of the Soviet Union for us to have a continuing dialogue. What that leads to institutionally other than the nature of dialogue I have set out it is too early to say but that there will be a continuing dialogue in this forum is beyond doubt. What that dialogue may develop into, I can't say at the moment and neither can anyone else; we must await events, I am afraid, for that.

PRESIDENT GORBACHEV:

This dialogue is on-going. The Group of Seven has existed for seventeen years but for the last six years other fora have also come into being outside the G7 to help resolve problems but the fact that today it has been possible to move on to this "plus" Comrade Ojenko (phon), this is symbolic of great changes, I think. It is a symbol of the move from confrontation to cooperation which was a "minus" and worse than a "minus". Now the "plus" means that we are going to unite our efforts in the quest for dialogue and that we are going to come up with a mechanism, and that "plus" means that we are going to move on to projects and results so I think it is a very very promising process.

(END OF TRANSCRIPT B AND END OF WHOLE TRANSCRIPT)