

SUBJECT cc MASTER



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Call

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23 June 1989

From the Private Secretary

Dear Richard,

PRIME MINISTER'S MEETING WITH DR. SAKHAROV

The Prime Minister had a talk this afternoon with Dr. Sakharov who was accompanied by his wife, Mrs. Bonner. The Prime Minister took the opportunity to thank Dr Sakharov for his message about China.

The Prime Minister recalled their last meeting in Washington in November. She noted that enormous political changes had taken place in the Soviet Union since then, but that economic reform was taking much longer to come through.

Dr. Sakharov said that even on the political front the position was not clear. No-one knew where political reform would lead. But he was sure of one thing: without further political changes, economic reform was simply not possible. The so-called new leadership and ministerial structure were in practice exactly the same as before. Agricultural reform would not work until a right of ownership was recognised and the whole rural system was liberated from party and state influence. The transfer of land to peasants would simply not happen under the present political arrangements. The result was that the Ligachev programme remained in place, propping up an untenable system. Collective farms remained a massive burden on the back of the rest of the agricultural sector and no real growth was possible. The Prime Minister commented that Gorbachev's plan for leases was meeting a poor response. Dr. Sakharov said this was because collective farms would offer the worst land, and were exploitative landlords. But the real reason was the absence of any political guarantee that the system would last. The Prime Minister said that she agreed that political freedom had to be backed up by private property.

Dr. Sakharov continued that the situation in industry was no better. Unless a centralised system of management was eliminated, there would be no improvement in production. Overall, a whole host of internal stresses were piling up and the economic system was falling apart: the old one was more and more ineffective and the new one was not yet in place. There was a vast budget deficit. Soviet economists were not arguing whether there would be an economic catastrophe, only when it would happen. Social, ecological

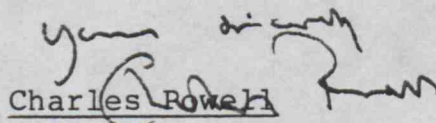
and nationality problems had been added on top of these other difficulties. There had been terrible events in Uzbekistan as well as in Kazakhstan and Northern Georgia. There was a general falling off of trust in the leadership. The massive vote for Yeltsin was not an expression of trust in him but of lack of trust in Gorbachev. Gorbachev's personal popularity had fallen substantially. All in all there was an extremely tense and dangerous situation. It was simply impossible to be sure which way the country would go. It was a time of great uncertainty.

Dr. Sakharov said that he could see this was a difficult situation for the West. They did not want the Soviet system to collapse altogether. On the other hand Western policies should not be such as to remove all incentive for further political change. His own conclusion was that the cautious policy pursued by the United Kingdom was much more appropriate than the euphoria of West Germany.

The Prime Minister reiterated that she supported what Mr. Gorbachev was trying to do in the Soviet Union. She was increasingly impressed by the scale of the difficulties facing him, particularly on economic reform. People simply had no experience of enterprise or management. Dr. Sakharov said the problem was not so much inexperience. The economists knew what had to be done. But their views could not be implemented under the present political set up. Mrs. Bonner said that she was not quite so pessimistic as her husband. The Congress of People's Deputies had been a vast school of political education. She did not know what would happen to the Soviet Union, but did not believe the Russian people would be driven back into the old ways of the Stalin era. Dr. Sakharov said that the people were indeed more politically active than he had ever imagined. There was a real desire to influence the fate of their country. The problem did not lie with the people it lay with the authorities. The situation was not as dramatically etched as in China, but there were elements of that kind of danger. The Prime Minister asked whether there were as many hard liners as in China. Dr. Sakharov said that he feared there were precisely the same kind of reactionary forces as had been seen there. That was another reason why it was so difficult to predict the course events would take.

The Prime Minister said that we should not talk ourselves into being too pessimistic. Dr. Sakharov said he was not a pessimist (!). But it was very important for the West to take a sober view of prospects in the Soviet Union. If he inclined towards pessimism in describing the situation, it was because he was worried about the euphoria in some western countries, above all West Germany.

I am copying this letter to Brian Hawtin (Ministry of Defence) and Trevor Woolley (Cabinet Office).

Your sincerely

Charles Powell

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Foreign and Commonwealth Office.