

From: STEFAN TERLEZKI CFA.

Private & Confidential.

P.S.



Rt Hon Margaret Thatcher MP.,
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4th November 1989.

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Prime Minister
Absolutely fascinating

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Dear Prime Minister,

The events in the European Community, Eastern Europe, the Soviet Union and elsewhere are changing quite rapidly.

In the mist of all this, some politicians can't speak on anything positive and realistic, they only waffle in order to make themselves heard and seen on the box like the one you had to endure at the Commonwealth Conference. Then there are others, who think they have all the answers to all the problems, until they too, are proved wrong.

Having followed the events of the past three months or so as they unfold in political, social/economic terms, and looking into our future as to what it may or may not hold for us, I must say as I have always known, that you are the only leader in Britain and in the world on whom so much depends, to lead and guide us into the next century; it's only ten years away.

There is so much uncertainty and so much unpredictability amongst politicians and ordinary people alike, that your guidance and directives are invaluable and imperative for the next ten years.

I have great confidence that you will lead us to a fourth victory, which will be good for Britain, good for Europe, good for the Soviet Union and good for the rest of the world. And this brings me to the Soviet Union.

At first, glasnost and perestroika excited many people in the Soviet Union, but not the bulk of people who see indifference and scepticism is the inevitable result of decades of restriction, prosecution, tyranny, fear, slave-labour camps and the removal of a sense of responsibility.

It is Mr Gorbachev's most important challenge and has been over the past five years, to tell the people exactly what glasnost and perestroika means. He has somehow to fire the imagination and forge a sense of purpose. He has to deal with the feeling of inadequacy. A restaurant waitress said: "I am sorry I was rude, I was ashamed, because we have nothing to offer you".

Mr Gorbachev....



Mr Gorbachev has to deal too, with people who learn scepticism early on. "As children we were taught that we lived in paradise, ~~the~~ perfect system. Then we saw our first Western toys. We compared them with our own shoddy toys. We knew, even as children that we were being deceived." This is what the Russians are now saying.

Now Mr Gorbachev hears ~~the~~ grim news daily, that the economy has grown worse. Production has slumped and food supplies, in many areas has been reduced. The gloomy State shops have hardly ever been so empty. Food distribution remains deplorable. 176,000 containers and 22,000 railway vans holding food and other goods, are stuck in depots. In Moscow, the Business Magazine, clearly states that Moscow has sugar, soap and coffee rationing, and asks: "How has the government in peacetime, reduced the potentially richest country in the world, to economic ruin, to a semi-starved and good depleted existence, to production anarchy, to economic pathos? Totalitarian and enforced ownership by the State of all means of production is at the root of all means".

It must be a dilemma for the Russian fighting man too, from conscript to colonel, not knowing his duty is to protect the State or the system.

Over the past 5 years, Mr Gorbachev has sought to play down ideology while still insisting on the leading role of the party - which has caused a conflict of loyalty for working class people and simple soldiers.

Vorkuta lies about 1,300 miles north-east of Moscow, and was founded in 1932 as one of Stalin's forced labour camps - one of over 2,500. Vorkuta miners want food. They feel they have been pushed to the limit by appalling working conditions, and in particular they want the food that Moscow promised them three months ago. They are still waiting.

Food and better working conditions were part of the package that Siberian and Ukrainian miners accepted in return for ending their strike last summer. But they too, are still waiting and their working and housing conditions, as well as the food supply, have not been fulfilled by the authorities.

The 26,000 Vorkuta men feel very strongly that Moscow has not kept it's part of the bargain and talk of the non-arrival of food as "sabotage". It would not surprise me one iota, that is is sabotage. The newspaper Komsomolskay Pravda said recently, that the "miners had walked out because their living conditions had grown worse, because they had no hope and because they are desperate for a better life". "Their labour is paid for with increasingly mythical money which won't even buy a roof over their heads". I believe that newspaper.



My sister who still lives in Siberia and received £12 per week pension tells me that one kilo of fresh tomatoes cost £15. However, I do agree that the thick smog of Communism which once hung over the Russian empire and the satellite countries has now somewhat lifted. But, it will take quite a long time to see clearly from one side to another.

The men of Leninist/Communist up-bringing who embark on reforming centralised entrenched monopolies - one party bureaucratic system, may not see light of day for some time yet.

President Gorbachev intends to speed up the re-cruitment of more reformers into the top ranks of the Soviet Communist party, and is determined to squeeze out his hardline opponents. He insists that the party has to remake itself urgently root and branch. He said: "We have to inject fresh blood... We cannot leave things as they are... Time is short". For whom I wonder? He made one re-assuring commitment to people like Ligachev, and hardliner, alarmed at the way the Russian political tide is running, that the Communist party would retain its unitary role as "the rallying and consolidating force". So I see no injection of fresh blood, but the old blood, injected for prolonged suffering, not cure. Mr Gorbachev further said: "That the West should not try to dictate what liberalizing countries ought to do. "It is dangerous and hopeless. "Every nation must determine its own fate, and have a free choice".

Indeed, it would be most interesting to hear from him which nation must determine its own fate, and have a free choice. I would respectfully suggest, he reads his own constitution of the USSR fundamental law of October 7th 1977, Charter 8 article 72.... "Each Union Republic shall retain the right freely to seced from the USSR". I believe Mr Gorbachev is a pragmatist and he faces the most serious crisis of his 5 year role. The answer I would like to hear is - will the Communist hierarchy accept his high-risk dissolution of the Soviet Union?

Now Hungary, she has the making of another Austria - stable, neutral, prosperous. Would the Russians worry very much if she even withdrew from the Warsaw Pact? I doubt it. I believe that Hungary will end up sooner than anyone thought, with proper Western Parliament and few, if any, communists at all.

What I find very interesting to note is that, many Hungarian communists have been careful to acquire shares in the nationalised industries that they used to run. When privatisation comes, they will be very rich. But it is the price that has to be paid for the end of Communism.



I hope the Hungarians will be encouraged to change in ways, through education. Hungary badly needs favourable trade-relations with the Common Market.

Given proper market and proper incentives, battered old Budapest could, within a few years, become once again, one of the splendored ornaments of the West.

Much will depend on political stability. In the past Hungarian politicians were not very good at democratic politics. There was a Catholic tradition, a Lutheran tradition, a Calvinist tradition and a Jewish tradition. Now a new democratic Hungary is born, and the light has gone out of the Red Star. It would be an independent nation dedicated to democracy and freedom, I am sure.

The re-written Constitution approved by the Hungarian parliament which replaced the phrases "people's republic" and "the dictatorship of the proletariat", with a pledge to create a multi-party parliamentary democracy, based on the sovereign will of the people. I am sure it is music to the Hungarian people, even if only gypsy music.

The Hungarian Communist Party is dead - long live democracy! That cry from Budapest has spread fear through Eastern Europe's corridors of power where the old guard are beginning to count their days. The Hungarians swept away four decades of Communism. Like a row of dominoes the Communist world is beginning to collapse.

Poland has already thrown off most of the Red shackles. Next to fall could be East Germany or even Bulgaria, a Balkan state long in the hands of Stalinists. I predict this as, not a long shot.

Bulgaria although still among the most rigid of hard-line states, has been quietly following the Hungarian economic reform model for years. But, I have no doubt, that the Bulgarian leaders fear an outbreak of freedom.

In Yugoslavia, the Communist Party is already tottering unable to halt 2,000 per cent inflation, and hit by ethnic demands for independence.

Czechoslovakia experienced a few weeks of freedom during Dubcek's Prague Spring in 1968. That was ruthlessly destroyed by Russian tanks and since then, the leadership has toed the hard line. But events in neighbouring Hungary, Poland and East Germany have sparked off a new thirst for reform.

People are no longer so afraid of the secret police and go on the streets to wish bon voyage to the fleeing tens of thousands of East Germans to West Germany. Only Rumania and Albania look like being able to resist the clamour for reforms. But history tells us that nothing lasts for ever, and I am highly optimistic that reforms will come in Rumania and Albania.



As Karl Marx never said what comes after Communism, Hungary's new constitution says that: "The values of bourgeois democracy and democratic socialism prevail in equal measure."

Czechoslovakia holds little sign of change. Mr Milos Jakes, threw a few crumbs to the populace by cutting conscription from two years to 18 months, but he also warned against the "destruction of the Socialist system" in Poland and Hungary. Yet Czechoslovakia may prove yet, to be the first of the orthodox Marxist states to follow the Hungarian path.

In Romania, Ceausecu will certainly go down with his ship, and take the rest of the crew with him if he can. Since there is no prospect of the Romanian Communists restoring the reputation which their leader has forfeited over the past two decades, with his "systematisation" policy of turning the country into a desert of agro-industrial complexes, there would be little to gain by following the Hungarian model.

To add to Mr Gorbachev's splitting headache, the Baltic nationalist surge for independence and the problems in Azerbaijan, Armenia, Georgia and Moldavia, as well as insistent for political, social, religious, educational and economical reforms in Ukraine. To Mr Gorbachev, Ukraine is more worrying than the rest of the Soviet Union. Ukraine is not only very rich in resources, it also makes a significant contribution to Slavic domination of the Soviet Union. After Russia it is the largest of the republics with 50 million people.

In mid-September last, the Kremlin could not but note that more than 250,000 Ukrainians marched under their blue and yellow national flag in the city of L'vov, historic centre of the Ukrainian Catholic Church, with over 5 million members, which was banned by Stalin in 1946, and now seeks re-instatement and recognition. It is said to be the largest banned religious organisation in the world.

The church is seen by many Ukrainians as part of their national identity, and the march was as much a nationalist demonstration as a religious one. It marked the day, 50 years ago, when the western Ukraine was absorbed into the Soviet Union, as the Baltic republics and Moldavia were.

President Gorbachev articulated the Soviet leadership's anxieties about unrest in Ukraine when he said at a meeting with writers in L'vov in February this year. "We Slavs - Russians, Ukrainians and Byelorrussians - must stick together. The future of the Soviet Union depends on our unity."

In Kiev polytechnic, a leader of Poland's Solidarity movement supported calls for freedom. "Long live ~~the~~ free, just Ukraine". Adman Michnik, a Solidarity



Member of Parliament, told about 1,500 people who had gathered for the founding congress of "Ruch" a radical mass movement modelled on those demanding autonomy in the Baltic republics, that Solidarity was pleased to see the growth of a national movement in the Ukraine.

At last Moscow has admitted for the first time that building a giant-radar facility in Krasnoyarsk in Siberia had been a breach of the 1972 ABM Treaty. Mr Shevardnadze told the Supreme Soviet that the country's leadership had known this for some time. Yet, at the same time the construction of this station^N equal in size to the Egyptian pyramids, constituted an open violation of the ABM.

Supports your view.
Mr Shevardnadze also admitted that the "leadership had not been fully aware of the station's real function". Well, after nearly 5 years of glasnost, it only renders his statement the more remarkable. Only the generals and the KGB must have been fully aware of it.

Now, reluctantly, Mr Gorbachev has conceded that it will be dismantled. But, two years ago he said, that work on the station would cease and offered to destroy it. I would be inclined to take at face value Mr Shervadnadze's contention that the main plank of Soviet foreign policy is "not to conceal, but to acknowledge and correct mistakes".

Will the Krasnoyarsk station be dismantled forthwith, or will Shevardnadze's admission turn out to be another of Moscow's "unilateral concessions which is deemed to require a Western response - perhaps in the form of a concession?

I ask myself how certain can we be, when we deal with the Kremlin, that Moscow negotiators are passing all the facts? How certain can we be that the Moscow side is not bargaining illegitimate defence facilities against legitimate ones - that is, is it not trying to use a treaty violation of it's own to gain benefit in the next round? This business of pulling out tanks from Eastern Europe by the 1000s hold no water for me - these tanks are obsolete in any case.

Now the social, economic and political developments in East Germany. It is being said that the only difference between the old Honescker and the new Krenz is that "Krenz's gall-bladder was still working". Krenz may promise more of many things, but he is powerless to act against the renaissance of the bourgeois parties. Power sharing is not something that comes easily to an organisation as monolithic as the Communist party, nor to individuals like Krenz, nurtured in it ascendancy. The East German public have no confidence in him as a leader.

On his.....



On his visit to Moscow, Krenz said political demonstrations in his country were "a sign that everything was alright." In East Germany we have socialist pluralism". Many of those demonstrating are on the streets to show they are in favour of the renovation of socialism". It is a sign that gives all the differences that exist. People have one and the same aim", he said. Well, if this is not a distortion of the truth, then Krenz is most definitely one of the favourite sons of Marx and Lenin.

About the Berlin Wall, Krenz said; "These border facilities have other functions than to prevent people meeting each other. It is not just a border between two states, but a border between two social systems and two military blocks".

All I can say is, that with these kinds of col-blooded words "to prevent people meeting each other" - it is a killing wall, provocative wall, blood and murder wall, a prison wall for millions of people.

Then we come to the re-unification of the two Germanies. In the days of Stalin, Khrushchev and Brezhnev, German re-unification was not on any serious political agenda, because pursuit of it was thought to risk precipitating a third world war. Today, with the abandonment of Moscow's internationalist policy in Eastern Europe, at least I hope so, and wish I could be sure, German re-unification is not only on the agenda, but moving towards the top of it. President Bush's "re-affirmation" is in reality a warning to us that the United States would oppose efforts on our part, to put obstacles in the way of re-unification.

I find this quite disturbing and very worrying. It's significance should not be under-estimated. German re-unification I believe, will dominate the closing decade of our century. The dissolution of the Russian empire and German re-unification, the two together, are likely to result in the advent of a German economic and political hegemony, extending from Madrid to Moscow. I feel a deep disquiet and great concern at the prospect.

I ask myself, are we now on the road to the Fourth Reich? A pan-German entity, commanding the full allegiance of German nationalists, and constituting a focus for national pride?

In an opinion poll published by the sample institute in Munich, 87% of West Germans said they want re-unification and the traditional German sentiment "drag nach Osten" more room for expansion in the East.

I am.....



I am not surprised, but concerned at the number of West Germans who believe re-unification will occur before the turn of the century. Tension is building between the elite, the intellectuals and politicians and the public who say: "We've waited 50 years for this, why should we shut up now?" West German people are asking how much longer are we going to prop up a disgraced regime with economic aid? We throw nearly £2 billion at East Germany every year, including £286 million for the use of the autobahn through East Germany to Berlin and untold sums to help jaied dissidents to reach the West. So far this year 190,000.

I would not at all be surprised if re-unification will be celebrated with an explosion of national enthusiasm, and a rejection of everything thought to have been imposed on Germany. The nationalists will proclaim the Fourth Reich, and I would expect a re-united Germany may well bring back the black-white and red flag, and all that goes with it.

I suspect we would see nationalists set about re-habilitation of National Socialism and of Adolf Hitler. With the Holocaust, we could be told that great man Adolf Hitler left the German nation it's most precious heritage, racial purity. The self-awarded not guilty verdict would not surprise me, and I believe it would be welcomed by many of the German people. I've seen it all before.

While Dr Kohl has repeatedly emphasised that West Germany has "no territorial claims" on Poland ect. The mere fact that such statements need to be made by him, underlines my grave suspicions.

I foresee that a re-united Germany could or even would destroy the political and economic balance of theEEC. Recently, Genscher spoke against the idea of a common EEC defence policy. Worse still, the German finance ministry, is suddenly going cold on the idea of monetary union. So am I, but why the Germans?

Also, Finance Minister Weigal, has warned against anything that could make the integration of the two Germanies more difficult.

Somehow, I feel very strongly that the present situation in East Germany is for the first time threatening to turn the combustible issues or re-unification and financial aid into the studd of party politics at next year's West German general election. Events have finally overtaken politics in West Germany, and the major parties will have to address the fundamental question that everyone else in Europe had been talking about for years. Re-unification.

We are ringside spectators of these events, and we may be torn by conflicting emotions. On the one hand, is the satisfaction of watching the self-proclaimed

unstoppable.....



unstoppable force of history, which once asserted that it will bury capitalism, being undermined by the concepts of political pluralism and economic liberalism espoused by its punitive victim. On the other, the Cold War may have gone and that nothing settled has emerged in its place.

I believe that all this presents as much opportunity as uncertainty for us. The crippling upheavals in the Soviet Union have created a vacuum in Eastern Europe which the West could fill. Mr Gorbachev is in no position to enforce the Brezhnev doctrine, even if he wanted to, which I don't think he does. In the meantime, both Poland and Hungary have made clear that their choice of democracy must be underpinned by substantial Western aid, if it is to succeed.

I believe the West should go on sharing its experience of democratic institutions, and backing this up with training programmes, practical assistance and investment. A start has been made in this direction, but we have still to take full advantage of the turn of the political tide.

In the Soviet Union, the events are very much on the move. Armenia and Azerbaijan became involved in near-civil war. The Baltic republics have produced popular fronts whose spokesmen talk of independence. Nationalist separatism sweeps Moldavia.

The greatest of these nationalist movements is in Ukraine, a territory stretching from Poland to the Black Sea. If Ukraine begins to move and this is no longer unthinkable, I wonder how Mr Gorbachev would respond? He has already had more time than the constitution gives an American president, yet in material and economic terms, he has less than nothing to show for it. Glasnost had demonstrably created turmoil where previously deceptive peace used to reign. Even some of his government allies are wondering how long all this can go on.

The workers are restive and distrustful, though some still support Mr Gorbachev's long-term goals. But for how long? The situation after 72 years of Communism is so bad that there is no risk-free road to the future. Does he know exactly where he is going? His opponents have linked perestroika to an air-craft which has taken off without knowing whether it has any run-way to land on. I ask myself, how long can an air-craft stay up in the air?

I am of the opinion that over the next 10 years the political agenda for you Prime Minister and for other European leaders, will be set by the stability or indeed, instability in the Soviet Union and Eastern Europe, by the political and economic developments, by increasing social contacts, and by progress (or absence of progress) in reshaping Europe's security arrangements.

I think....



I think the core of Europe could well be Germany. The institutional structure of post-war Europe - NATO, the European Community - were erected to hold back a reviving Germany, as well as to protect the West from the Soviet threat.

I believe that the re-unification of Germany, will make the balance shift. It could well be that Europe's structure in 1990, could focus on the European Community more than on NATO, adjusting its political arrangements to fit new economics. What we could be witnessing is fear giving way to attraction.

Isn't Europe already moving back without waiting for the super-powers to pronounce on the reduction of tactical nuclear weapons, and all that disarmament entails?

As we are already discovering, Germany and its immediate neighbours - France, the Netherlands, Belgium, Italy and increasingly following their own interests as they see them.

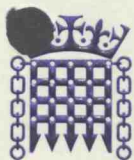
I am extremely unhappy about Delors. If we go back to the Soviet Union situation and just look at the Russian co-operative, a tiny army of free-enterprise businessmen at the sharp end of Gorbachev's reforms. For the past two years or so, he has encouraged them in their capitalism as a way of putting energy into the stagnant economy. They are Gorbachev's seedlings, the most visible component of the programme on which he has staked everything. They now account for about 3% of national income and employ nearly three million people. Those free-enterprise businessmen are rouble-millionaires in a poverty trap.

The co-operatives provide a wide range of services that the hopelessly inefficient state does not. They are mostly small business restaurants, food shops, food producers, repairers and craftsmen. But they have many enemies.

The Russians are used to low prices in heavily subsidised State shops. Businessmen say their prices reflect the realities of the market, and they are quite right. On the other hand, there is a significant anti-business mood in the Soviet Parliament and there was a strong move by the MPs to close the co-operatives. This would be a set-back for Gorbachev, but he himself has complained of over-charging. It's typical of Socialist insubordination. Just like the Labour Party, they just don't know what's best for the people.

Many Russian authorities charge co-operatives punitive taxes. Some officials demand bribes for planning permission. In the envy of the new businessmen there is a story of a farmer who, saddened by the news that his cow had died, was

cheered.....



cheered by the news that his neighbour's cow had died too. people laugh when asked about coffee. Can't remember when I last had a cup! As one man put it: "Co-operatives charge a lot, but without them we would starve."

And so to disarmament. there are the so-called experts and appeasers who tell us that there is no Russian military threat. They don't want to know or hear that the Russian military production lines have been rolling out 3,500 tanks a year, 600 a year more on average than during nasty Brezhev's days.

Indeed, Soviet spending on defence (which gobbles up 20% of Soviet wealth every year, compared with an average of less than 5% in the NATO countries) has risen 3% a year in real terms after allowing for inflation, throughout Mr Gorbachev's five years at the helm. So perestroika works for the armed forces, but not for the ordinary Soviet citizen's consumer demands.

The Russian Army continues to modernise and expand. A third guided-missile cruiser, three destroyers and a frigate were added last year, while two air-craft carriers are under construction.

The Russian strategic nuclear arsenal is also more formidable than it was pre-Gorbachev. It's first strike SS-18s, each with 10 warheads, are being modernised. The new mobile SS-24s and 25s (of which there are no American equivalents) are being deployed. The production of long-range cruise missiles had tripled, and though it already has the world's largest submarine fleet, new and quieter nuclear subs are being added all the time, and also chemical weapons.

Sure, Gorbachev's intentions are considerably more benign. The Russian leader does seem to want to sue for peace with the West so that he can concentrate on trying to save his country from the economic knacker's yard. But under that same Gorbachev, Russian military capabilities have undoubtedly increased, and that is the reality on which we must base our defence and foreign policy responses, if we want to avoid a nasty shock one day.

Intentions are hard to fathom, and I very much doubt who in the West really knows what the Kremlin really thinks.

That is why, Kinnock's rambling speeches criticising you for saying that events in Eastern Europe were fraught with "uncertainty and danger". In my opinion Prime Minister, you have given Mr Gorbachev all the good advice and chances he needs. But that hasn't stopped you from realising that the present situation is indeed one of uncertainty and dangerous.

What concerns me also, is the key issues in chemical weapons and its verifications. The Russians have a stock pile of chemical weapons of about 500,000

tonnes.....



tonnes. And it's Army has more than 80,000 officers and enlisted specialists trained in chemical warfare, a force that could be doubled in war-time.

Other countries known to have chemical weapons too, despite often veciferous denials are Isreal, Syria, Egypt, Iraq and Libya. Syria has one of the most highly advanced chemical weapon capabilities in the world. As a delivery system it has the Soviet SS-21 missile, and some of the SS-21s are armed with nerve-gas warheads.

It is also known that China has a small chemical warfare capability. Tiawan also has an aggressive programme for both offensive and defensive capability so has North and South Korea, Burma, Vietnam, South Africa, Laos, Angola and Sudan.

Perhaps I shouldn't, but I find it incredible that on the one hand the Kremlin talks of banning chemical weapons, but on the other hand it steals a lead in the race for araments, that could change warfare. Russia is secretly developing genetically engineered poison weapons that can destroy the ability of troops to fight at a time when, publicaly, they are proposing to do away with all chemical araments.

The question is, whether the development and production of such weapons can be halted by the 40-nation talks in Geneva aimed at producing a comprehensive treaty banning chemical weapons. Some countries now see chemical weapons which are relatively easy to make, as a cheap equivalent of the nuclear bomb.

The latest pledge from Mr Gorbachev is to withdraw all Soviet Golf-class nuclear submarines from the Baltic Sea by 1991. I don't think it makes any difference. This is very old, very out-dated equipment. What Mr Gorbachev is doing is making merit out of something that had to be done anyway. The Russians have colossal stocks of out-dated ships.

The Golf-class submarines are more than 30 years old. Some carried liquid fuel missiles, too dangerous for submarines. And weapons with a range of about 800 nautical miles are of little use after submarines capable of hitting targets thousands of miles away. I am of the opinion, that Russia can afford to scrap perhaps 100 surface vessels, and 50 older nuclear submarines, and possibly over 100 diesel-powered submarines without weakening in the slightest it's fleet.

Together with his disarmament proposals, Mr Gorbachev also calls for greater economic co-operation with the West adn especially with teh European Community and the European Free Trade Association. In whose interests would that be?

He has also said "the fact that the various integration groups are moving

ahead....



ahead at different pace need not stand in the way of our quest for common ground, especially since we already have quite a few problems in common". He suggested a commission of experts from the EEC., EFTA and the East European trade bloc, Comecon, to discuss compatability and harmonizing economic mechanism.

I believe that first priority should be for Russia to "harmonise" disarmament. The rest could follow. After all, the Soviet Union is one of the richest countries and now it cannot feed it's own people.

I would like to say something about Poland, namely that I believe Warsaw hasn't removed doubts about the Poles ability to run their country efficiently. These sentiments are surprisingly widespread in Poland today, as a free government with semi-demi independence from Russia takes shape. The queues of young people at the German and American visa departments grow longer every day. Do they believe in Poland's future?

Nowadays, these are frequent echoes of Poland's past, before the Communists took over.

Nationalism, Catholicism and economic troubles edged over into anti-semitism and campaigns against minorities - whether Ukrainian, Lithuanian or German.

Some Poles go in for black pessimism, and doubt whether they can really run a State at all. Warsaw, is a grim city full of grim Stalinist architecture. Poverty is clearly growing. Inflation has reached an annual rate of 250 per cent and no one expects it to do anything but climb. Empty shops, overwhelmingly State-owned.

Poles look enviously at Hungary where the transformation from Communism is being sensibly managed with Austrian help. They also look enviously at East Germany which received enormous amounts of West German financial help. Poland's financial problems on the brink of the 1990s remain around \$39 billion in debt.

Also, in Poland, as everywhere-else in Eastern Europe and the Soviet Union, the old Communist network was inefficient, but no one seems to think as yet, that the new Solidarity one, even with the help of the church is any better.

A fund established by the West Germans to offer immediate help in August - 250 million Deutschemarks - was converted at once, into inflatable zloty and then just kept idly in a bank account.

It look as if this is going to be a very grim winter indeed for the Poles, and the worse thing of all is that the Solidarity government will find itself with the blame. If it is discredited, then the way will be open for Communist counter-attack, for Communist power is still strong in the army and the police.



The insecurity of money, of law, of taxation and even of police run protection rackets makes sure in Poland as in the Soviet Union, that any kind of private initiative turns into profiteering and sharp practice. Profiteers, spending hundreds of thousands of zloty on a dinner that cost more than two months of a doctor's salary. ZL 100 million =£7,500 or ZL 40,000 = £3.

But, to get rid of spivs, one has to get rid of silly controls, State interference and establish a credible currency and a credible legal framework.

Some Poles think that their situation is comparable to that of post-Franco Spain. I doubt this, for Franco did follow sensible technocrats in his later stages, and set Spain up for her current Euro-boom. I wish the Poles well.

The young Poles are assessing the new Prime Minister Mazowiecki on the basis of his performance, not his beliefs, almost all of which they share. Solidarity may have political power, but it's survival depends on Poland's youth.

The young Poles of 1989 are putting their own survival first, if only because they saw the collective euphoria of a decade ago evaporate.

Their idea of freedom is not just public and political, but private and commercial. These sober young people who were still children in 1980-81, when the dream of a free and independent Poland was interrupted by martial law, don't like naive enthusiasm.

They want to be able to afford the luxury of democracy. Something for which their parents and grandparents merely yearned. Western super-markets, Western technology, Western kind of living standards. That is the ambition of the young Poles, and they are prepared to work for it.

And that kind of ambition coupled with hard work, that the young people in the Soviet Union Republics and all over Eastern Europe hope for. Freedom and independent minds, so that they can go and do what is right for them and their countries, and not be told what they must or must not do by the State.

Let us hope that their ambition will be fulfilled.

Warm Regards
yours ever
Stephen