

NOTE FOR THE FILE

CALL ON THE PUS BY MR GEORGE SOROS, 12.00 NOON,
THURSDAY 12 JANUARY 1989

Mr George Soros

PUS
Mr Hemans

1. The PUS asked Mr Soros how much political support his proposal for an Open Sector in the Soviet Union had. Mr Soros said that this was the crucial question. The top leadership in the Soviet Union, in contrast to China, had no understanding of economics. Currently Soviet Prime Minister Ryzhkov was in charge of the discussion on the Soviet side, having taken over from Deputy Prime Minister Kamentsev who lacked sufficient understanding of the issues, as had Politburo member Yakovlev with whom Mr Soros had discussed the question. It was now vital that Mr Gorbachev should be brought in to the equation. The Soviet Ambassador in Washington, Dubinin, had been very supportive throughout and was trying to arrange for Mr Gorbachev to receive Mr Soros. He would be in Moscow on 23 January when all six working groups would convene, but he did not know whether he would be received. In response to a question Mr Soros said that the broad nature of the proposal was quite widely known amongst Soviet academics. Outside the Soviet Union he had contacted the Italian, German and British governments but had not made contact with the US Administration. The Americans were more likely to be critical, as they had been over credits to the Soviet Union. Europe would have a potentially more significant role.

2. Mr Soros went on to talk briefly about prospects for the Soviet economy. He was very pessimistic. The Soviet economy was "disintegrating before our very eyes". Time was of the essence. It was important to get Mr Gorbachev focussed on the Open Sector proposal quickly without waiting for the full rigmarole of working groups and so on. A planning body needed to be established with international civil servants working with Russians. Mr Soros hoped that when she met Mr Gorbachev the Prime Minister would be able to encourage the Open Sector concept. The PUS suggested that if Mr Gorbachev could be persuaded to endorse the proposal it should perhaps be his initiative to outline it to the Prime Minister and seek her encouragement. Mr Soros said he had already spoken to Mr Powell at No 10 Downing Street, who had told him that the Prime Minister had read his paper and was very interested in the proposal.



3. The PUS referred to Mr Soros's draft article on the Soviet Union and queried whether it was true to say that the Soviet Union was no longer interested in superpower status. Mr Soros said that he had rephrased this now. What he had meant to say was that the Soviet Union was indeed vitally interested in maintaining the same status as the United States, but was no longer willing to pay the price in terms of armaments and support for allies and adventures which had characterised its foreign policy in the past. However, and here Mr Soros acknowledged that he differed from the Prime Minister, he believed that Mr Gorbachev had a vision of a world governed by international organisations, primarily the United Nations. He also spoke enthusiastically in favour of taking Mr Gorbachev at face value when he spoke of "reasonable sufficiency" in armaments. This should also enable arms control negotiations to push ahead much faster.

S N P Hemans
Soviet Department

12 January 1989

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Foreign and Commonwealth Office

London SW1A 2AH

16 January 1989

Dear Charles,

CD Powell

Mr George Soros

I understand that you had an opportunity for a word with Mr Soros at a social occasion this week. He called on Sir Patrick Wright on 12 January. You may be interested to see the attached note of the discussion.

We shall include reference to Mr Soros's ideas in the briefing for the Prime Minister for her next meeting with Mr Gorbachev.

I am copying this letter, with enclosure, to Alex Allan at HM Treasury.

Yours ever,

Richard Gozney

(R H T Gozney)
Private Secretary

C D Powell Esq
PS/No 10 Downing Street

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