

PRIME MINISTER

GORBACHEV VISIT: MEETING WITH OUTSIDE EXPERTS

You are meeting the experts at 1700 hours for 1/1½ hours.
Geoffrey Howe and Percy Cradock will also be present.

You have already read my brief (A). You might also like to see:

- Times article on Gorbachev (B)
- Paper circulated by Mr Wooding of Courtaulds (C)
- the official briefing for the talks with Gorbachev (D).

① Under Ray. Spgs

become thousands m.

Recommendations: 2

New instructions - Perry 11.5.84

Tuesday -

Removal survey

1) Prime minister
- other visits visit experience

2) Evidence in hand
conclusions by
Mills de

P.D.
D

3) With for - copy

C.D. Powell
13 December 1984

12% rise in the railway (2)

budget

New ballistic missiles

New missile

Auto-schedule

- Space

Limit auto-schedule wages

what ussr price is returned

Politics of the - was

Front Party?

E.E.C.

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Common

negotiations

EW ec. relations

Chancellor Kohl

W.C.

Response - not demonstrating weakness. (1)

Must observe the rules of the Kremlin.

Gorbachev - E.C. reform.

Need in monetary living standards

Mass control - person who really wants it.

Confidence building measures
- standard work
- political world problems

How difficult to change
to set rules.

where reform

Performance/record.

Political Bureau Committee
on E.C. Reform

What P's does

Opp - to reform lower down

President - S.A.L.T. Balance

Recognition - Party - Legitimacy

Two views from the East: Richard Owen assesses Mikhail Gorbachov, about to visit Britain, and Roger Boyes reports on the continuing strains in post-Solidarity Poland

The golden boy's first challenge

Moscow

When he steps onto British soil on Saturday for his talks with Mrs Thatcher, Mikhail Gorbachov will be stepping out of the Kremlin shadows and into the full glare of international publicity - and he knows it. "Our second general secretary", as officials here call him, is clocking up experience as Russia's probable future leader. He will have one eye on Mrs Thatcher and the television cameras, and the other on reaction back home.

Why have we not seen Gorbachov at recent meetings of the Soviet leadership, I asked one Soviet adviser the other day. Why did he not meet Neil Kinnock in Moscow? Is Gorbachov's position in the Politburo slipping? Not at all, came the reply: Mikhail Sergeevich is preparing for London.

To those who have watched his rise, Mikhail Gorbachov is the golden boy of Soviet politics. Still only 53 in a leadership of septuagenarians, Gorbachov was propelled into the central committee secretariat in 1978 from Provincial Stavropol, and into the Politburo itself only two years later, with a ready-made reputation for style and pragmatism.

Where most Soviet leaders can barely muster an evening class diploma between them Gorbachov has two degrees, one in law (from Moscow) and one in agronomy (Stavropol). When he went to Canada last year, on his first major foray westwards, Pierre Trudeau and his aides found Gorbachov "very impressive". Since then Gorbachov has consolidated his position as the Kremlin's second-in-command, standing at President Chernenko's elbow and acquiring control over the economy, ideology, internal appointments and some aspects of foreign affairs.

Sir Iain Sutherland, our man in Moscow, met Gorbachov for 40 minutes as part of preparations for London. All diplomats who have met Gorbachov describe him as brisk, businesslike, pleasant and well-informed. But does this make him a liberal, a modernizer, a man the West can do business with?

Most members of the Soviet apparatus are men of the older generation who made ruthless careers under Stalin. Even if they allowed a representative of the new post-war generation like Gorbachov to reach the top, resistance to change would still be deeply entrenched. Gorbachov is a fervent protégé of the late Yuri Andropov, and intends to revive the innovative, decentralizing ideas of his brief era.



Andropov found the bureaucracy immovable, however, and so might Gorbachov, even if he has 15 years rather than 15 months in power.

The road to supreme power in Russia is in any case littered with foregone conclusions. Gorbachov has powerful rivals, including Grigory Romanov, who is thought to appeal to hardliners more than the urbane Gorbachov. There is still a questionmark over his failure to speak at the October plenum on agriculture, or attend the key November Politburo meeting at which Chernenko circumvented the central committee and laid down economic policy. Gorbachov has reappeared at the Supreme Soviet, and his major speech this week on ideology has confirmed his powerful position in the leadership.

If Gorbachov does make it to the top it will be because he can combine urbane with politics as ruthless and hardline as anything Romanov can think up - if

necessary. Gorbachov is a child of the apparatus he hopes to reform. He was a boy during the war, and still a student when Stalin died, but he inherits a system which is still fundamentally Stalinist.

Gorbachov made his career exclusively as a Komsomol and party apparatchik in Stavropol before his ability brought him to the notice of Mikhail Suslov and to Moscow.

He shares many of the attitudes held by the old guard with whom he rubs shoulders. He supports Chernenko's drive to reduce arms costs (the defence budget has just gone up by 12 per cent), releasing resources to "meet the needs of the people", as Gorbachov put it this week in his address on ideology. But in the same speech he demanded "class vigilance" against bourgeois propaganda. During his visit to Canada he praised detente, but also attacked what he called Nato's insatiable war machine and the "feverish" deploy-

ment of missiles against a purely defensive Soviet arsenal.

He seemed baffled and angered by what had to be explained as the normal "give and take" of debate, and seemed to resent questions from parliamentarians on Jewish emigration or Afghanistan.

He exploded when asked why Russia maintained such a large number of KGB agents in Soviet embassies in the West. "You are prisoners of the spy mania America is whipping up", he retorted in a flash of true feeling. "Do you think we are simpletons? This is calculated ideological sabotage to discredit the Soviet Union, to strike a blow at her prestige and authority."

An aberration, or had the mask slipped? In discussing arms control and East-West issues Gorbachov usually shows an impressive grasp of detail, and his ideas on home and foreign policy are often sharp and imaginative. In a key speech at Simolensk during the summer - long before the Politburo made its historic decision to attempt a rapprochement with a re-elected Ronald Reagan - Gorbachov urged a return to detente. In Sofia in September he again showed the way forward by remarking that a "constructive dialogue" and a "change for the better" in East-West relations were on the cards, provided there was "goodwill and determination" on both sides.

But the same man, perhaps with the need to keep Moscow's allies in line uppermost in his mind, lashed out at American imperialism, spoke of feverish western warmongering, attacked "revanchism" in West Germany and accused the West of trying to "loosen" the Warsaw Pact by differentiating between liberal and hardline Soviet-bloc states.

Seen from Moscow, the reality appears to be that Gorbachov combines the world view of a Chernenko or Gromyko with a sharp mind and potential freshness of thought, even political vision. He and his generation are now feeling their way forward. Whether the conservative or the reformer in Gorbachov comes to the fore, suspicion or trust, hostility or dialogue, could very largely depend on how he reacts to the West, and how the West reacts to him.

"The London visit is important not only because of the Gromyko and Shultz meeting in January, about restarting arms talks", commented a Soviet source. "It is not just a question of immediate results. It is also a question of sowing the seeds of future relations - perhaps for the next 20 years."

Past and projected Soviet GNP

Percentage annual growth

	1961-5	1971-5		1981-5		1990-5		
	1966-70	1976-80	1986-90	A	B	B		
Labour input in manhours	1.6	2.0	1.7	1.1	0.7	0.3	0.3	0.2
Capital input	2.9	2.2	2.5	2.3	1.9	1.9	1.7	1.5
Capital and labour productivity	0.6	1.1	-0.5	-0.8	-0.6	-0.7	-0.7	-1.0
Gross national product	5.1	5.3	3.7	2.6	2.6	1.5	1.3	0.7
Population	1.6	1.0	0.9	0.9	0.9	0.8	0.8	0.7
GNP per capita	3.5	4.3	2.8	1.7	1.7	0.7	0.5	0.0

Labour is the population of working age adjusted to date for actual changes in working hours. From 1981-5 to 1990-5 input declines in the 'industrial areas' (RSRSR, Ukraine, Baltic States), assuming negligible migration from the non-industrial areas (Transcaucasia, Central Asia), where input continues to rise.

Capital input is reduced below trend (column A) in B by the transfer of resources from investment to defence equivalent to 0.2 percent p.a. (the effect of the budget rise of 17 percent for 1985 applied to all defence expenditure and continued throughout; a further fall is applied in 1990-5 to allow for reduced imports of equipment (up to one-third of equipment invested) due both to CoCom restrictions and to the reduced hard-currency earnings from oil sales.

Productivity declines from 1971-5 because each unit of investment yields a smaller return as more natural resources have to be extracted in remote regions, as more capital has to be put into infrastructure such as transport and into environmental protection, and because bureaucratic planning (assumed unchanged) inhibits adaptive innovation. As GNP per capita increments decline, the supply of consumer goods and services rises more slowly and labour, farming and managerial incentives weaken. Productivity also falls because capital has to be invested in the Transcaucasus and Central Asia, where natural resources, existing capital and an industrially-skilled labour force are scarcer than in the 'industrial areas', but where job creation is politically essential to avoid unemployment. In the 'industrial areas' some capital has to replace labour because the manpower supply is falling (though it will rise again from 1996-2000).

Population in aggregate rises in the projection faster than working-age manpower because of the more rapid rise in dependents (children in the non-industrial and the retired in the industrial areas).