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PAGE 01 MOSCOW 02962 01 OF 06 031858Z  
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SECRET SECTION 01 OF 06 MOSCOW 02962

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Col. B - Transform to UNCLASSIFIED  
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Col. C - Caption removed  
Reviewed by: E. Kelly  
9/8/94

S/S: PLEASE PASS TO NSC FOR GEN. SCOWCROFT

E.O. 12356; DECL: OADR  
TAGS: POV, ECON, UR  
SUBJECT: THE SOVIET UNION OVER THE NEXT FOUR YEARS

1. SECRET - ENTIRE TEXT.
2. BEGIN SUMMARY. IN MY PERSONAL ASSESSMENT, WE CAN PLAN OUR FOREIGN POLICY WITH A HIGH DEGREE OF CONFIDENCE THAT THE SOVIET LEADERSHIP'S PREOCCUPATION WITH INTERNAL REFORM WILL CONTINUE THROUGHOUT THE FIRST BUSH ADMINISTRATION. IT IS ALMOST AS CERTAIN THAT PERESTROIKA WILL NOT RPT NOT BRING MARKED IMPROVEMENTS TO THE SOVIET ECONOMY IN THIS PERIOD AND THAT INTERNAL RESISTANCE TO MAJOR ASPECTS OF THE REFORM PROGRAMS WILL FORCE THOSE AT THE SOVIET HELM TO TACK AGAINST THE WIND MUCH OF THE TIME. THE POTENTIAL FOR SEVERE OUTBREAKS OF PUBLIC DISORDER WILL GROW. THIS WILL CONTRIBUTE TO A SENSE OF AMXIETY IN THE SUPREME COUNCILS OF THE PARTY AND STATE, THOUGH I BELIEVE THAT THEY IN THE END WILL MAINTAIN ORDER.

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PAGE 02 MOSCOW 02962 01 OF 06 031858Z

3. MIKHAIL GOPPACHEV IS LIKELY TO REMAIN THE TOP

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SOVIET LEADER FOR AT LEAST FIVE (PROBABLY TEN) MORE YEARS, BUT MY CONFIDENCE IN THIS PROSPECT IS LOWER THAN THAT IN THE CONTINUATION OF A SOVIET PREOCCUPATION WITH INTERNAL REFORM. THAT PREOCCUPATION, COMBINED WITH THE MULTITUDINOUS DIFFICULTIES OF FORCING THE SOVIET MASTODON TO ADAPT TO THE MODERN TECHNOLOGICAL WORLD, WILL BRING AN INEXORABLE PRESSURE TO CURTAIL THE AMOUNT OF RESOURCES DEVOTED TO THE MILITARY SECTOR.

4. IN SUM, THE SOVIET UNION HAS, IN EFFECT, DECLARED THE BANKRUPTCY OF ITS SYSTEM, AND JUST AS WITH A CORPORATION WHICH HAS SOUGHT THE PROTECTION OF CHAPTER XI, THERE IS NO TURNING BACK. END SUMMARY.

5. CRYSTAL BALLS ARE NEVER AS CLEAR AS ONE WOULD LIKE, AND THEY TEND TO CLOUD OVER DURING TIMES OF RAPID AND FUNDAMENTAL CHANGE. NEVERTHELESS, IT SEEMS TO ME THAT WE CAN MAKE SOME ASSUMPTIONS ABOUT THE SOVIET DOMESTIC SCENE OVER THE NEXT FOUR YEARS WITH A HIGH LEVEL OF CONFIDENCE. THIS MESSAGE WILL ATTEMPT TO ENCAPSULATE MY PERSONAL ASSESSMENT OF THE MOST SALIENT TRENDS. SUBSEQUENT MESSAGES WILL LOOK AT PROSPECTS FOR SOVIET FOREIGN POLICY AND US-SOVIET RELATIONS.

FOCUS ON INTERNAL AFFAIRS

6. I BELIEVE WE CAN STATE WITH NEAR CERTAINTY THAT THE CURRENT SOVIET PREOCCUPATION WITH INTERNAL REFORM WILL CONTINUE AT LEAST FOR ANOTHER FOUR YEARS -- AND PROBABLY MUCH LONGER. THIS PREOCCUPATION WILL NOT  
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PAGE 03                    MOSCOW .02962 01 OF 06 031858Z

PRECLUDE AN ACTIVIST FOREIGN POLICY (AS WILL BE DISCUSSED IN A SEPARATE MESSAGE) BUT WILL MEAN THAT FOREIGN POLICY DECISIONS WILL BE HEAVILY -- AND OFTEN DECISIVELY -- INFLUENCED BY DOMESTIC NEEDS AND IMPERATIVES.

7. WHILE THIS IS NOT THE FIRST TIME SOVIET LEADERS HAVE ATTEMPTED SOME CHANGE IN SOVIET POLITICAL AND ECONOMIC PRACTICE, TODAY'S PERESTROIKA IS POTENTIALLY THE MOST PROFOUND -- AND THEREFORE MOST DESTABILIZING

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PRESUMABLY, AN INITIAL ATTEMPT WOULD BE MADE TO APPLY THE THROTTLE TO THOSE ASPECTS OF THE REFORM PROCESS WHICH ARE CONSIDERED PARTICULARLY PAINFUL OR DESTABILIZING. MORE SEVERE LIMITS MIGHT BE PLACED ON THE EXPRESSION OF OPINION AND ON UNOFFICIAL GROUPS, NATIONALIST TENDENCIES MIGHT BE OPPOSED MORE FORCEFULLY, IMPLEMENTATION OF A MARKET PRICE MECHANISM POSTPONED FURTHER, AND PRIVATE ENTREPRENEURSHIP ACTIVELY DISCOURAGED. SUCH SLOWDOWNS OR REVERSALS OF POLICY COULD OCCUR. AS A MATTER OF FACT, THEY CAN OCCUR EVEN IF GORBACHEV STAYS IN POWER. BUT SUCH SHIFTS WOULD ONLY CAUSE THE ECONOMY TO SINK DEEPER INTO THE QUAGMIRE OF INEFFICIENCY, TECHNICAL BACKWARDNESS AND UNREQUITED HUMAN NEEDS. THE SOVIET LEADERSHIP'S PREOCCUPATION WITH DOMESTIC PROBLEMS WOULD CONTINUE AND EVENTUALLY ANOTHER RADICAL REFORMER WOULD LIKELY EMERGE. THERE IS A LOT OF TRUTH IN GORBACHEV'S FREQUENT ASSERTION THAT PERESTROIKA IS CONDITIONED BY OBJECTIVE

28

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PAGE 01 MOSCOW - 02962 02 OF 06 031858Z  
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SECRET SECTION 02 OF 06 MOSCOW 02962

EXDIS

S/S: PLEASE PASS TO NSC FOR GEN. SCOWCROFT

E.O. 12356: DECL: OADR  
TAGS: PQOV, ECON, UR  
SUBJECT: THE SOVIET UNION OVER THE NEXT FOUR YEARS

FUNDAMENTALS. EARLIER ATTEMPTS AT "REFORM" TRIED TO KEEP THE IDEOLOGY INTACT AND SIMPLY CHANGE THE WAY IT WAS IMPLEMENTED. THIS SUFFICED TO ELIMINATE THE GROSSER ASPECTS OF STALINIST TERROR, BUT NOT TO IMPROVE THE MANAGERIAL EFFICIENCY OF THE ECONOMY.

9. WHEN GORBACHEV FIRST CAME TO POWER IT APPEARED THAT HE, TOO, WAS GOING FOR SUPERFICIAL "FIXES" IN ECONOMIC MANAGEMENT. NEVERTHELESS, AS HIS PROGRAM DEVELOPED, IT BEGAN MORE AND MORE TO CONFRONT THE IDEOLOGICAL FOUNDATION OF THE OLD PRACTICES -- AND TO CHANGE THE OLD ASSUMPTIONS.

10. THIS PROCESS FOLLOWED SEVERAL PATHS. ONE WAS AN ALL-OUT ATTACK ON STALINISM, WHICH IMPLICITLY -- AND SOMETIMES EXPLICITLY -- DENIED THAT THE STALINIST SYSTEM OF STATE MONOPOLY WAS EVEN A LEGITIMATE FORM OF SOCIALISM. CONCOMITANTLY, A GRADUAL

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PAGE 02 MOSCOW 02962 02 OF 06 031858Z

REHABILITATION OF NON-STALINIST MARXIST THINKERS SUCH AS BUKHARIN HAS OCCURRED, WITH THE OBLIVIOUS INTENT OF

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PROVIDING VARIANT AND MORE CONGENIAL INTERPRETATIONS  
OF MARXIST PRINCIPLES.

11. LENIN HAS REMAINED SACROSANCT, BUT HIS  
UTTERANCES ON TOPICS OF THE DAY WERE SO VARIED THAT  
THE DILIGENT RESEARCHER CAN FIND A QUOTE TO BOLSTER  
VIRTUALLY ANY PROPOSITION. "LENINISM" IN EFFECT  
BECOMES WHAT THE CURRENT LEADERS WANT IT TO BE --  
EVEN IF THIS REQUIRES AN UNACKNOWLEDGED  
TRANSFORMATION OF MARXISM ITSELF.

12. AMONG THE MAJOR IDEOLOGICAL POINTS WHICH THE  
REFORMERS ARE TRYING TO ESTABLISH ARE THE FUNDAMENTAL  
ROLE OF THE MARKET IN DETERMINING ECONOMIC VALUE (WE  
DON'T SEE MUCH ON MARK'S LABOR THEORY OF VALUE  
ANYMORE!); THE IMPORTANCE OF FOSTERING INDIVIDUAL  
INITIATIVE AND TAPPING INDIVIDUAL CREATIVITY; THE  
NECESSITY FOR MORE POWERFUL ECONOMIC INCENTIVES; THE  
NEED TO SHIFT FROM "ADMINISTRATIVE" TO "ECONOMIC"  
(READ MARKET) CONTROLS OF ECONOMIC LIFE; AND -- NOT  
LEAST -- A DOWNGRADING OF THE "CLASS STRUGGLE" TO A  
POSITION SUBORDINATE TO THE "COMMON INTERESTS OF  
HANKIND."

13. NONE OF THESE PROPOSITIONS HAS FIGURED  
PROMINENTLY IN PAST MARXIST THINKING -- TO PUT IT  
MILDLY -- AND AN INTENSE STRUGGLE IS STILL UNDERWAY  
HERE OVER THEM. MANY (INCLUDING LIGACHEV) ARE OPENLY  
SKEPTICAL ABOUT BASING SO MUCH ON MARKET FORCES, AND  
THE PRACTICAL EFFECTS OF MOVING IN THAT DIRECTION  
(RISING PRICES) ARE FIERCELY RESENTED BY AN

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PAGE 03                    MOSCOW 02962 02 OF 06 031858Z

OVERWHELMING MAJORITY. STILL, IT SEEMS CLEAR THAT IF  
PERESTROIKA EVER IS MADE TO WORK, ULTIMATE ADOPTION  
OF THESE VERY UN-MARXIST PRINCIPLES WILL BE ESSENTIAL.

"DIVIDENDS" SLOW TO MATERIALIZE

14. GIVEN THE DEPTH OF THE SOVIET UNION'S PROBLEMS,  
AND THE DIFFICULTY OF BREAKING THROUGH INSTITUTIONAL  
AND ATTITUDINAL BARRIERS, IT SHOULD NOT BE SURPRISING  
THAT CONCRETE ECONOMIC DIVIDENDS IN THE FORM OF FOOD  
AND GOODS IN THE SHOPS HAVE BEEN SLOW IN COMING. BUT

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WHILE IT SHOULD NOT BE SURPRISING, THE GORBACHEV LEADERSHIP SEEMS TO HAVE BEEN SURPRISED. THEY CLEARLY HAVE BEEN REQUIRED TO STRETCH OUT THEIR PLANS AND ADJUST THEIR INTERIM TARGETS DOWNWARD, EVEN AS THEY WERE DEVISING EVER MORE AMBITIOUS FINAL GOALS.

15. AN OBJECTIVE LOOK AT THE MAJOR ECONOMIC INITIATIVES LAUNCHED UNDER THE BANNER OF PERESTROIKA SHOWS A RECURRENT FLAW. TOP SOVIET LEADERSHIP IS HAVING TO REVISIT EACH INITIATIVE IN ORDER TO SUSTAIN OR REBUILD MOMENTUM WHICH IS OTHERWISE LOST WHEN THE LEADERSHIP ITSELF IS NOT FOCUSED ON IT. THE POLITICAL THRUSTS OF EACH MAJOR ECONOMIC INITIATIVE (E.G., LAND-LEASING, CONSUMER GOODS, FREE TRADE ZONES, FINANCIAL AUTONOMY, INDUSTRIAL POLICY, CONSUMER GOOD PRODUCTION) HAVE FAR OUTDISTANCED ECONOMIC SUBSTANCE, AND PROVISION OF THE SPECIFICS NECESSARY FOR IMPLEMENTATION AND OVERCOMING RESISTANCE TO REFORM AT ALL LEVELS. MOREOVER, THE

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PAGE 01 MOSCOW 02962 03 OF 06 031859Z  
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S E C R E T SECTION 03 OF 06 MOSCOW 02962

EXDIS

S/S: PLEASE PASS TO NSC FOR GEN. SCOWCROFT

E.O. 12356; DECL; OADR

TAGS: PGOV, ECON, UR

SUBJECT: THE SOVIET UNION OVER THE NEXT FOUR YEARS

FAILURE TO ENGAGE ADEQUATELY ON KEY REFORM ISSUES LIKE MONETARY AND PRICE REFORM, CREATION OF WHOLESALE MARKETS, EXTERNAL COMPETITIVENESS AND CONVERTIBILITY, COMBINES WITH THE MOMENTUM PROBLEM TO ENSURE THAT THERE IS EFFECTIVELY NO INTEGRATED, MUTUALLY REINFORCING, SEQUENTIALLY SENSITIVE ECONOMIC REFORM PROGRAM.

16. AS THE INTRACTABILITY OF THE ECONOMIC PROBLEMS BECAME EVER MORE EVIDENT, LEADERSHIP ATTENTION FOCUSED INCREASINGLY ON POLITICAL AND SOCIAL REFORM. MOST SOVIET OBSERVERS I TALK TO ATTRIBUTE THIS TO A RECOGNITION THAT POLITICAL REFORM IS A PRECONDITION FOR EFFECTIVE ECONOMIC REFORM. (SINCE ONE OF THE ROOT PROBLEMS IN THE ECONOMY IS THE STRANGLEHOLD EXERCISED BY THE RIGID PARTY BUREAUCRACY, ONE MUST LIMIT THE POWERS OF PARTY OFFICIALS, PARE DOWN THE BUREAUCRACY, AND MAKE WHAT IS LEFT MORE RESPONSIVE TO  
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Reviewed by	<i>E. Kelly</i>
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PAGE 02 MOSCOW 02962 03 OF 06 031859Z

PUBLIC OPINION IF THE ECONOMIC REFORMS ARE TO BE FEASIBLE.) IN ADDITION, ONE SUSPECTS THAT ANOTHER

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MOTIVATION FOR SOME OF THE POLITICAL REFORMS WAS A DESIRE TO PROVIDE POPULAR BENEFITS TO THE PUBLIC AT A TIME WHEN ECONOMIC RESULTS WERE DISAPPOINTING. IF BREAD WAS SHORT, AT LEAST THERE COULD BE CIRCUSES: LOCAL MEETINGS TO "NOMINATE" CANDIDATES TO A BRAND-NEW "PARLIAMENT," FOR EXAMPLE. BUT POLITICAL REFORM IS PROCEEDING NEITHER SMOOTHLY NOR AUTOMATICALLY. ITS ACHIEVEMENTS ARE PARTIAL AND QUALIFIED ONES, AND THE INITIAL ENTHUSIASM OF MANY IS TURNING INTO FRUSTRATION AND EVEN DESPAIR AS THEY SENSE THE MAGNITUDE OF THE TASK AHEAD.

## STRUCTURAL AND ATTITUDINAL BARRIERS

17. FUNDAMENTALLY, SOVIET REFORMERS HAVE TO CONTEND WITH MUCH MORE THAN THE FAMILIAR AND DAUNTING PROBLEMS OF OVER CENTRALIZATION, RED-TAPE, BUREAUCRATIC RESISTANCE, PARTY ARROGANCE, UNREALISTIC PLANS, CORRUPTION, AND ALL THE OTHER ILLS WHICH HAVE RECEIVED SO MUCH ATTENTION OF LATE. THE (FOR THEM) SAD FACT IS THAT THE SOVIET POLITICAL AND ECONOMIC SYSTEM HAS DESIGNED TO WORK ONLY FROM TOP DOWN, ON A COMMAND BASIS, AND TO RESIST CHANGE AND SPONTANEITY, MUCH AS THE BODY'S IMMUNE SYSTEM RESISTS INFECTIONS. MOVING TO A SYSTEM WITH THE OPPOSITE ORIENTATION -- CLEARLY IMPLIED BY PERESTROIKA -- MAY NOT BE POSSIBLE ON THE BASIS OF INCREMENTAL CHANGE. TO PUT IT ANOTHER WAY, EACH CHANGE TENDS EITHER TO BE SMOTHERED BY THE SYSTEM ITSELF OR -- IF IT IS PRESSED RELENTLESSLY -- TO THREATEN COLLAPSE OF THE ENTIRE SYSTEM.

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PAGE 03            MOSCOW 02962 03 OF 06 031859Z

18. IF THE BULK OF THE POPULATION HAD A BETTER UNDERSTANDING OF WHAT IS REQUIRED TO GET OUT OF THE MESS ALL ACKNOWLEDGE THEY ARE IN, THE STRUCTURAL BARRIERS NOTED MIGHT SEEM SOMEHOW ERODABLE. ALAS, MOST PEOPLE HERE HAVE NOT THE FOGGIEST NOTION OF WHAT CONSTITUTES MARKET ECONOMICS. NURTURED FOR DECADES ON THE MYTH THAT THERE IS A "FREE LUNCH" (SOCIALIST "BENEFITS" OF "FREE" EDUCATION, "FREE" MEDICAL CARE, CHEAP FOOD AND HOUSING) AND THAT IT IS IMMORAL TO LIVE BETTER THAN ONE'S NEIGHBOR, THERE IS FIERCE

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RESISTANCE TO MARKET PRICES, IF THEY MEAN HIGHER PRICES -- AS THEY INEVITABLY DO IN AN ECONOMY OF SCARCITY AND PRINTING-PRESS MONEY. .THUS, WE NOW WITNESS THE PHENOMENON OF THE PUBLIC DEMANDING PRICE AND OTHER CONTROLS ON THE FLEDGLING COOPERATIVE (I.E., PRIVATE) SECTOR, WHICH WOULD AT BEST FORCE UPON THEM THE SAME INEFFICIENCIES AS THE STATE SECTOR AND MORE LIKELY KILL THEM OFF ALTOGETHER.

POPULAR EXPLOSIONS MAY OCCUR

19. DIFFICULT AS THE CURRENT PROBLEMS ARE, THEY ARE LIKELY TO GET WORSE. THE EXASPERATION OF THE SOVIET CONSUMER IS ALMOST PALPABLE. THE COMBINATION OF SHORTAGES AND INFLATION, THE LATTER RAPIDLY BECOMING A MAJOR PROBLEM, ARE MOVING THE SOVIET UNION TOWARD A BARTER ECONOMY. SOVIETS, FROM TAXI DRIVERS TO INTELLECTUALS, ARE NOT INTERESTED IN HAVING RUBLES; THEY WANT GOODS. LARGE-SCALE STRIKES AND RIOTS ARE CONCEIVABLE IF THE SITUATION DETERIORATES FURTHER AND THE LEGENDARY PATIENCE OF THE SOVIET PEOPLE IS

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PAGE 01 MOSCOW 02962 04 OF 06 031859Z  
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EXHAUSTED. MOST LIKELY, SUCH OUTBURSTS CAN BE  
CONTROLLED -- BUT AT ENORMOUS COST TO THE FORWARD  
MOMENTUM OF REFORM.

20. MORE SERIOUS IS THE POTENTIAL FOR MAJOR  
ERUPTIONS OF NATIONALIST FEELING, AS THE BALTICS AND  
THE CAUCASUS HAVE SHOWN OVER THE PAST YEAR. INDEED,  
DESPITE ALL OF THE CHANGES IN SOVIET SOCIETY OVER THE  
PAST SEVERAL YEARS, THE GLASNOST AND THE PERESTROIKA,  
ONLY NATIONALISM HAS BEEN CAPABLE OF IGNITING POPULAR  
PASSIONS. AND WE MUST REMEMBER THAT THE UKRAINE AND  
CENTRAL ASIA -- AREAS WHERE, BECAUSE OF POPULATION  
SIZE, RESOURCES AND RELIGION, NATIONALISM COULD  
REPRESENT A MAJOR DANGER TO THE SOVIET EMPIRE -- HAVE  
REMAINED THUS FAR ALMOST EERILY QUIET, A CALM THAT  
NEITHER WE NOR THE SOVIET LEADERSHIP SHOULD EXPECT TO  
CONTINUE.

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PAGE 02 MOSCOW 02962 04 OF 06 031859Z

21. A BACKLASH OF RUSSIAN NATIONALISM HAS ALREADY  
BEGUN. WE CAN EXPECT IT TO INTENSIFY OVER THE NEXT

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SEVERAL YEARS AS THE MINORITY NATIONALITIES BECOME MORE ASSERTIVE, EITHER IN THE PRESS OR IN THE STREETS. NO MATTER WHAT THE DANGER TO HIS REFORM PROGRAM, THERE ARE LIMITS BEYOND WHICH NO SOVIET LEADER WILL BE ABLE TO GO, AND STILL RETAIN HIS JOB, IN TOLERATING NATIONALIST OUTBURSTS. FOR THAT VERY REASON, GORBACHEV AND THE SOVIET LEADERSHIP WILL INVEST GREAT ENERGY AND RESOURCES IN THE EFFORT TO HEAD OFF OR MANAGE NATIONALIST EXPLOSIONS.

GORBACHEV'S POSITION

22. THE GLOOMY OUTLOOK FOR TANGIBLE IMPROVEMENTS IN SOVIET ECONOMIC PERFORMANCE HAS LED MANY TO QUESTION GORBACHEV'S STAYING POWER. MINDFUL ESPECIALLY OF KHRUSHCHEV'S FATE AND ALSO, PERHAPS, INFLUENCED BY THE LOGIC OF WESTERN POLITICAL PROCESSES, SOME OBSERVERS FEEL THAT WITHOUT AN UPTURN IN THE AVAILABILITY OF FOOD AND CONSUMER GOODS FAIRLY SOON, GORBACHEV COULD BE SUCCESSFULLY CHALLENGED BY RIVALS.

23. THIS IS POSSIBLE, BUT I DO NOT CONSIDER IT LIKELY. MY GUESS IS THAT GORBACHEV WILL REMAIN THE SOVIET LEADER FOR A CONSIDERABLE TIME TO COME, WHETHER OR NOT HIS DOMESTIC POLICIES ARE SUCCESSFUL. IN THE FIRST PLACE, THE SOVIET UNION IS BY NO MEANS A PARLIAMENTARY DEMOCRACY. GORBACHEV WILL NOT BE VOTED OUT BY A PUBLIC IMPATIENT FOR TANGIBLE REWARDS. IF HE IS REMOVED, THE ONLY PLAUSIBLE SCENARIO FOR HIS REMOVAL BY POLITICAL MEANS WOULD INVOLVE A CONSPIRACY AGAINST HIM IN THE CENTRAL COMMITTEE. ANY SUCCESSFUL

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PAGE 03 MOSCOW 02962 04 OF 06 031859Z

CONSPIRACY WOULD HAVE TO INVOLVE A FAIRLY WIDE CIRCLE; SO THAT THE ORGANIZERS COULD BE CONFIDENT OF OVERWHELMING SUPPORT ONCE THE ISSUE WERE JOINED. KHRUSHCHEV FELL VICTIM TO SUCH A CONSPIRACY, SO WE KNOW IT CAN HAPPEN. SO DOES GORBACHEV, OF COURSE, AND THAT IS PROBABLY WHY HE HAS PLACED THE KGB AND (LESS IMPORTANTLY) THE ARMY IN LOYAL HANDS. SO LONG AS THE KGB CHAIRMAN, THE COMMANDER OF THE KREMLIN GUARD AND THE MINISTER OF DEFENSE ARE LOYAL TO HIM, IT IS DIFFICULT TO SEE HOW A CONSPIRACY COULD BE MOUNTED SUCCESSFULLY. SINCE HE WOULD BE WARNED IN

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TIME TO TAKE "PROPHYLACTIC" STEPS -- AND WOULD HAVE THE MEANS TO DO SO. EVEN THE FIRST TWO OF THE TRIO NAMED WOULD PROBABLY PROVIDE ADEQUATE INSURANCE.

24. IN ADDITION, THE CONSTITUTIONAL CHANGES NOW PLANNED WILL CREATE AN ADDED INSTITUTIONAL BARRIER TO A SUDDEN, CONSPIRATORIAL REMOVAL OF THE SOVIET LEADER. ONCE GORBACHEV OCCUPIES THE REVAMPED OFFICE OF PRESIDENT, THOSE WHO WOULD PLAN HIS REMOVAL BY OTHER THAN CONSTITUTIONAL MEANS WOULD FACE A POSSIBLE HURDLE WHICH DOES NOT EXIST TODAY. SINCE STRICT ADHERENCE TO CONSTITUTIONAL PROCEDURE HAS NEVER BEEN A NOTICEABLE SOVIET OR RUSSIAN TRAIT, ONE CANNOT SAY THAT HE COULD NOT BE REMOVED BY A CONSPIRATORIAL CLIQUE WITH THE SUPPORT OF THE CENTRAL COMMITTEE, BUT IT WOULD BE A MORE COMPLICATED TASK THAN THAT FACING BREZHNEV AND HIS ASSOCIATES WHEN THEY MOVED AGAINST KHRUSHCHEV. THIS IS PROBABLY THE MOST IMPORTANT OF GORBACHEV'S MOTIVATIONS IN PESSING SO HARD FOR THE CREATION OF A STRONGER PRESIDENCY WITH A FIXED TERM, TO BE HELD SIMULTANEOUSLY WITH THE OFFICE

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PAGE 01 MOSCOW 02962 05 OF 06 031900Z  
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S E C R E T SECTION 05 OF 06 MOSCOW 02962

EXDIS

S/S: PLEASE PASS TO NSC FOR GEN. SCOWCROFT

Col. A	Captain (ungraded)
	transferred to EMIR/FPC
Col. D	Transferred to EMIR/FPC
	with additional access
	control in C/S
Col. C	Captain (ungraded)
	rotated
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E.O. 12356; DECL: OADR  
TAGS: PGOV, ECON, UR  
SUBJECT: THE SOVIET UNION OVER THE NEXT FOUR YEARS  
OF PARTY GENERAL SECRETARY.

THE MILITARY BURDEN

25. AS PERESTROIKA FOUNDERS AND PRESSURES ON GORBACHEV TO DELIVER INCREASE, ONE FACT LOOMS LARGER AND LARGER: THE POLICY OF ALLOCATING DISPROPORTIONATELY LARGE RESOURCES TO THE MILITARY SECTOR HAS IMPOVERISHED THE CIVILIAN SECTOR AND IS ONE OF THE ROOTS OF TODAY'S ECONOMIC DISARRAY. FURTHERMORE, GIVEN ITS SIZE AND TECHNICAL SOPHISTICATION, THE MILITARY SECTOR PROVIDES A TEMPTING "REERVE" WHICH CAN BE TAPPED TO ALLEVIATE TODAY'S SHORTAGES. THUS, THE RECENT DECISION TO PROCEED WITH THE UNILATERAL ARMS REDUCTIONS -- AND EVEN MORE SUBSTANTIAL CUTBACKS IN THE INDUSTRIAL CAPACITY DEVOTED TO MILITARY PRODUCTION -- ARE A REACTION TO WHAT THE GORBACHEV LEADERSHIP MUST VIEW  
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PAGE 02 MOSCOW 02962 05 OF 06 031900Z

AS AN URGENT NECESSITY.

26. THE MILITARY -- AND THE MILITARY INDUSTRIAL

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COMPLEX AS A WHOLE -- CAN HARDLY BE ENTHUSIASTIC OVER SUCH MOVES, AND WE CAN ASSUME THAT THOSE ELEMENTS OF SOCIETY WILL PUT UP A STIFF FIGHT, ESPECIALLY IF ATTEMPTS ARE MADE TO CONTINUE RETRENCHMENTS BEYOND THOSE ALREADY ANNOUNCED. THIS WOULD NOT BE TRIVIAL RESISTANCE, BUT IT MIGHT NOT AUTOMATICALLY CARRY THE DAY.

27. THE SOVIET CONCENTRATION ON BUILDING UP THEIR MILITARY MACHINE HAS LED MANY TO CONCLUDE THAT THE SOVIET MILITARY IS AN INVINCIBLY POWERFUL POLITICAL FORCE WITHIN THE COUNTRY. HOWEVER, THE SOVIET MILITARY BUILD-UP MAY HAVE BEEN CAUSED MORE BY THE MILITARIZED THINKING OF THE PREVIOUS PARTY LEADERSHIP THAN BY THE DISPROPORTIONATE INFLUENCE OF THE SOVIET MARSHALS. THE POLITICAL LEADERS MOST LIKELY ORDERED UP THE MILITARY HARDWARE BECAUSE IT SERVED THEIR PERCEIVED POLITICAL NEEDS AND NOT BECAUSE THE GENERAL STAFF FORCED THEM TO PROCURE MORE THAN THEY WANTED.

28. IF THIS IS THE CASE, THEN GORBACHEV IN FACT MAY HAVE A FREER HAND TO SQUEEZE THE MILITARY-INDUSTRIAL COMPLEX THAN MANY HAVE SUPPOSED.

IS PERESTROIKA IRREVERSIBLE?

29. I, OF COURSE, MAY BE GUESSING WRONG IN PREDICTING GORBACHEV'S POLITICAL LONGEVITY -- AND IT WOULD BE JUST MY LUCK IF I WAKE UP THE DAY AFTER THIS CABLE IS DISPATCHED TO LEARN THAT THE CC HAS ELECTED

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PAGE 03                    MOSCOW 02962 05 OF 06 031900Z

A NEW GENERAL SECRETARY IN AN UNANNOUNCED SESSION AND MIKHAIL SERGEYEVICH HAS ASSUMED THE DUTIES OF KOLKHOZ CHAIRMAN AT SOME LOCATION TO THE EAST.

30. THOUGH I DOUBT THAT THIS WILL HAPPEN, LET US ASSUME THAT THIS DOES -- IF NOT TOMORROW, THEN NEXT YEAR OR THE YEAR AFTER. WHAT THEN? WOULD THAT BE THE END OF PERESTROIKA?

31. ESSENTIALLY, ANY SUCCESSOR OVER THE NEXT FOUR YEARS WOULD FACE PRECISELY THE SAME PROBLEMS GORBACHEV DOES -- POSSIBLY IN MORE ACUTE FORM.

SECRET

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PAGE 01 MOSCOW 02962 06 OF 06  
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INFO MOSCOW POLITICAL COLLECTIVE

S E C R E T SECTION 06 OF 06 MOSCOW 02962

EXDIS

S/S: PLEASE PASS TO NSC FOR GEN. SCOWCROFT

E.O. 12356: DECL, OADR  
TAGS: PCOV, ECON, UR  
SUBJECT: THE SOVIET UNION OVER THE NEXT FOUR YEARS

NECESSITY AND IS NOT DEPENDENT ON ANY INDIVIDUAL.  
OVER THE LONG RUN, THIS IS PROBABLY RIGHT.

32. ONE THING A SUCCESSOR REGIME COULD NOT DO IS PUT THINGS BACK LIKE THEY WERE, VINTAGE LATE 70'S OR EARLY 80'S. THE SOVIET UNION HAS, IN EFFECT, DECLARED THE BANKRUPTCY OF ITS SYSTEM, BUT IS STICKING STUBBORNLY TO MOST OF ITS PRIMARY SOCIAL GOALS, AND LIKE A CORPORATION UNDER CHAPTER XI, IS NOW SEEKING TO REORGANIZE ITS MODE OF OPERATION IN ORDER TO ACHIEVE THOSE OBJECTIVES. THERE IS NO TURNING BACK, HOWEVER, AND IN TIME, EVEN IDEOLOGICALLY-BASED GUARANTEES OF SOCIAL EQUITY MAY HAVE TO GIVE GROUND TO MARKET-BASED EFFICIENCIES, WITH ALL THE IMPLICATIONS THAT CARRIES FOR A REORIENTATION OF GOVERNMENT AND SOCIETY.

33. LENINGRAD MINIMIZE CONSIDERED. MATLOCK  
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PAGE 02 MOSCOW 02962 06 OF 06 031859Z

CLASSIFIED  
Cat. A - Caption removed:  
transferred to Embassy  
Cat. B - Transferred to Embassy  
with additional review  
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