

*cester*PRIME MINISTER

SECRETARY OF STATE FOR ENERGY

Mr. Walker has asked to see you about your visit to Moscow. He wrote to tell you that he has studied Gorbachev closely for the last three years, and has visited Moscow twice in the last ten months. He believes that your talks with Gorbachev will be vital for the whole future of Western Alliance.

You will want to let him get his views and advice off his chest. You might offer him a copy (in folder) of the note of your recent seminar on the Soviet Union.

You will want to ask him whether there are particular points which he wishes you to pursue on energy and Chernobyl.

CDP

CDP

9 March, 1987.

JD54

From: The Rt. Hon. Peter Walker, M.B.E., M.P.

11.30 am
Monday 9/3
Peter Walker



1. CP - to see 1
2. Prime Minister

HOUSE OF COMMONS

Agree X
over?

CP
Will you pl
fax up meeting
with P.W.

N.L.U 5.11 '87
9-2

One urgent
NLU 10.2

Wm

many thanks for your letter

note and the good wishes
from Dennis and yourself.

It is the first time
that I have been ill since
I was 10 years old - so I am
a very bad patient.

The doctors say that
I can return in about 10
Days time - so I will be

back in good time for
Dunsmuir.

I know how very busy

you are but some time
after I return I would like

X to talk with you to
discuss your proposed visit
and and to defeat the
alliance.

I believe your talks
with Garland are not just
important for the election - but
for the whole future of the
Western Alliance. You
may know that I have
studied Garland in great

From: The Rt. Hon. Peter Walker, M.B.E., M.P.



HOUSE OF COMMONS

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detached for the last three
years and have been to
moscows twice in the last
ten months and I would
appreciate having the opportunity
of a few words with you.

No great and good
wishes to most excellent
in every possible happiness
in the future.

Yours
Peter Walker

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PM has
all
CDP
ms

PRIME MINISTER

When we met the other day I promised you a copy of the essay I have written on the subject of Mr Gorbachev.

I enclose a copy of this in order that perhaps one of your staff can read through it and, if they feel there is anything of interest to you, bring it to your attention.

SECRETARY OF STATE FOR ENERGY
20 March 1987



Je VC

10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

22 March 1987

I should be grateful if you could tell your Secretary of State that the Prime Minister was extremely grateful to him for sending her a copy of his essay on the subject of Mr. Gorbachev. She read this over the weekend and found it of great interest and help in her preparations for her visit to the Soviet Union.

(CHARLES POWELL)

Geoff Dart, Esq.,
Department of Energy.

EC

The Soviet Union between Now and the Next Century

Perhaps the most significant change in the international scene of the 1980s is the emergence of Mr Gorbachev as the leader of the Soviet Union. The Soviet Union presents the economic and the military alternative to the western democracies. ^{The future of} The massive expenditure by the Soviet Union ~~on defence, and the colossal~~ ^{as well as} ~~expenditure~~ by Western Europe and the United States ^{in defence} will depend upon the attitudes of the Gorbachev ~~government~~ government in the coming decade. Economic relationships

between the Soviet Union and the West will be dominated by the degree to which Mr. Gorbachov succeeds in bringing real economic growth to the Soviet Union. The extensions of human freedom worldwide will depend very much on the attitudes of Mr. Gorbachov.

I first met Mr. Gorbachov in 1984 when he visited Britain, leading a high-powered group of Soviet officials and training experts with the purpose of trying to increase trade with the United Kingdom. At the time, however, it was speculated very strongly in the West that he could well be the next leader of the Soviet Union. If there was to be a generation change, Mr. Gorbachov was probably the leading contender.

I found myself next to Mr. Gorbachov at a dinner organised as part of his visit. For three hours we conversed together. They were for me an impressive three hours. I was greatly struck by the speed with which he reacted to any question or any argument. He was obviously a man of immense intelligence. If one studies his academic record in the Soviet Union it is a record that any leading academic would be proud of. I naturally questioned him on the controversial issues of the day.

I particularly discussed with him the possibilities presented by a closer relationship between western capitalism and eastern communism in the years ahead. On these issues he took what one could anticipate to be the hard line Soviet view. He made no attempt to moderate his belief in the fundamental importance of the pure application of communism. But one was speaking to somebody whose future chances of the leadership depended at that moment on ensuring that no-one in the hierarchy of the Soviet Union was disturbed by his attitude or views. It was therefore unlikely that Mr. Gorbachev would elaborate any new theories to a western politician about how the Soviet Union of the future could be different from the Soviet Union of the past.

He did, however, leave me with the very firm impression that if this man was to become leader of the Soviet Union, then the country would be led by a man of great drive, ability, and energy. There was nothing in my conversation with him that gave any impression that he would pursue different objectives from Soviet leaders since the Revolution, but I felt that this may-be a necessary facade for a man who stood on the threshold of power. I felt that behind

and
 those intelligent eyes & quick sense of humour, *there may be*
 a person who would decide to take the Soviet Union
 into a different direction. After my meeting I took
 an immense interest in all that Mr Gorbachev had done
 and all that he had said on the public record for
 I felt that the destiny of the world was likely to be
 substantially influenced by the future application
 of this thinking.

We should not see that Gorbachev
~~I was not surprised when he~~ did become the leader of
 the Soviet Union. ~~For~~ There ⁿ ~~was~~ ^{is} no doubt that the
 Soviet Union was becoming increasingly depressed at
 the manner in which it was falling behind the western
 world in living standards, ~~the manner in which it was~~ ^{as is the}
~~far behind in high productivity, the sharp contrast~~
~~between the productivity of its agriculture and its~~
~~industry compared with what was going on in most of~~ ^{failed to match}
 western Europe, United States and those areas in the
 Pacific Basin which operated under the free enterprise
 system. One also sensed that the Soviet Union was
 depressed by the higher living standards and diversity
 of goods that were available in the more entrepreneurial
 eastern European countries. There was no doubt that
 Hungary and East Germany had devoted more attention to
 encouraging people to produce a diversity of consumer goods

of a higher quality and were reaping the benefits of productivity higher than anything that was occurring throughout most of the Soviet Union. These indeed had been matters that had been discussed by Mr Gorbachev during his visit. For the Soviet Union to continue with a further period of elderly leadership, ~~devoid~~^{without} of thrust, energy or imagination would indeed have been a dangerous thing for them and perhaps also dangerous for the world at large. What I wondered was the speed with which he was going to be able to make any inroads with the many fundamental problems which ^{would} face anyone wishing to change the direction of the Soviet Union.

The first ~~difficulty~~^{problem is how} is that seeking to influence opinion in such a massive country as the Soviet Union, and to effect change across the fifteen separate republics which form the USSR. Each republic has its own political system and its own political leaders, many of them having a stronger sense of identity with their own republic, than for the Soviet Union as a whole. In all of them there is a well established hierarchy, ~~and~~ well established bureaucracy and a well established KGB. Any change would need to be brought in across a range of different nations, different attitudes, different historic positions, and indeed different religious backgrounds.

Secondly there is the immense difficulty of transforming the social and economic attitudes of a nation that has had no other experience to that of the Soviet system. It is now nearly seventy years since any form of market mechanism was allowed to operate within the Soviet Union, and arguably ~~the~~ ^{even before} Russian people ~~have~~ ^{never} experienced political ~~or~~ ^{freedom} ~~and the consistent responsibility that works.~~ ^{freedom}

that the economic

This of course is a contrast to countries like Hungary and East Germany, and even countries like China where, within living memory, market forces and commercial activity have operated with enthusiasm and energy. There is nobody in the Soviet Union who can remember or recall such activities taking place. To introduce a change to a more market-orientated system would therefore mean to eradicate the attitudes and prejudices of the past seventy years and replace them with new attitudes. This would be a difficult task at any moment in history but an even more difficult task given the fast fluctuations of the international market place today, and in a nation which is so vast and is under such a massive bureaucracy as that of the Soviet Union.

Despite the daunting scale of the problem, Mr. Gorbachov by Soviet standards has made a whole range of very swift changes. Many of the leading and elderly members of the Politburo have been re-tried. New and younger people have taken their places. Throughout the whole political system new and, by Soviet standards, younger activists, have been taking important and significant leadership positions.

The immediate result of their work and activities was expressed in the Twenty-Seventh Congress where Mr. Gorbachov set out the most ambitious plans for the Soviet Union, to cover the period between now and the end of the century. If Mr. Gorbachov succeeds with these plans, he will have doubled Soviet production in fifteen years. He will have improved the consumer standards of the Soviet people by a greater amount in those fifteen years than they have been improved in the last seventy years put together. He will have given the Soviet Union an international presence in world trade, both as an importer and an exporter on a scale that has never previously been contemplated by the Western union or indeed by the Western world.

What are the main emotions behind the personality of Mr Gorbachev? I ~~would~~ believe that he has a very passionate and deep sense of patriotism. He is very proud of the Soviet Union. He has a deep desire for his country to succeed. He resents the fact that over the past decades the Soviet Union has failed compared with the west to apply high technology to its commerce and its industry. He resents the failure of Soviet agriculture. He abhors the incompetence and inefficiency of the vast bureaucracy. He believes that within the Soviet Union there is a combination of human talent and ability combined with vast material resources that should make the Soviet Union the most powerful and prosperous country in the world.

His objective is quite simply to see that when the next century begins it begins with a Soviet Union that does not purely balance the United States and the western world in military strength but equals them, if not surpasses them, in economic performance.

~~To read~~ His speeches, his essays, his television ^{addresses} ~~articles~~,
^{all bear witness to his}
~~the reports of Soviet observers all confirm that it is~~
 passion to eradicate the gap between western performance and Soviet performance.

para

One of the words that enters his vocabulary more than most is discipline. He is a man who to achieve his rise to power has of course applied considerable discipline and application to himself. Those whom he has brought to power are all men one can recognise to have disciplined themselves so as to apply their considerable abilities to the full. He therefore resents the spectacle of incompetence, lethargy, inefficiency and alcoholism. He felt that the Soviet Union had moved to a situation where bad performance went unnoticed, dilatoriness and laziness were in no way prevented and indeed such weaknesses as massive alcoholism were affecting the whole momentum of the Soviet state.

In his very earliest days he launched a campaign against the Soviet people's massive indulgence in alcohol. The problem of alcohol abuse has meant that the Soviet Union is almost alone of developed countries in having a declining expectancy of life.

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 Life expectancy for the Soviet male, ^{for example} ~~expectancy of life of the male in the Soviet Union~~
^{in the last 10 years} declined from 68 to 61. Within a short period of
 coming to power it was he who laid down that all of
 those involved in official entertaining must eradicate
 the alcohol content. To be entertained to a major
 banquet or lunch by the Soviet Union is now an occasion
^{about} ~~of~~ which the temperance movement would rejoice.

The Gorbachev attack on alcoholism has been accompanied
 by a similar attack upon bureaucracy. In Britain one
 Department of Energy modestly staffed is responsible
 for coal, gas, electricity, oil and nuclear industries.
 It is responsible too for the energy efficiency campaigns
 and the foreign trade pursuits within this ^{sector} regard.
 The Soviet Union has an Energy Bureau, a Ministry
 responsible for oil refining, another ministry for oil
 development, a ministry for gas, a ministry for coal,
 a ministry for power and electrification, a ministry
 for the nuclear. It has another ministry responsible
 for the research and scientific applications, another
 ministry responsible for the foreign trade applications,
 another ministry responsible for preparation of the
 investment plans. A mass of correspondence takes place
 between all these ministries. Decisions are disputed
 and actions are not taken. The Gorbachev approach
 to this is that the Communist party must now take a far

more critical view of the bureaucracy. They must demand results and intervene to ensure that progress is made. He also seems keen to open up a dialogue with the bureaucracy and increase accountability. The problems and frustrations of the development of the Soviet machinery industry resulted in Mr Gorbachev at an early stage placing a prominent person to be responsible for progress - seeing that targets were reached and achieved in that industry.

A week or so before I arrived in Moscow a new Deputy Prime Minister was appointed to be head of the new Energy Bureau. The objective was not to create policy; that was to continue to be the task of the Council of Ministers. The power of the Bureau was to ensure the full and efficient implementation of that policy. The previous year was the first time Soviet production had dropped - not due to any lack of oil - but due to the incompetence and inefficiency of those conducting the business. The new Energy Bureau will have the task of seeing ~~whether it is coal, gas, electricity,~~ ^{across the whole energy} ~~oil or nuclear~~ that the programmes are achieved and ^{fields} the liveliest and ablest men are put in charge, replacing if necessary those who had displayed their incompetence. Only pr is being analysed in terms of relative cost and efficiency.

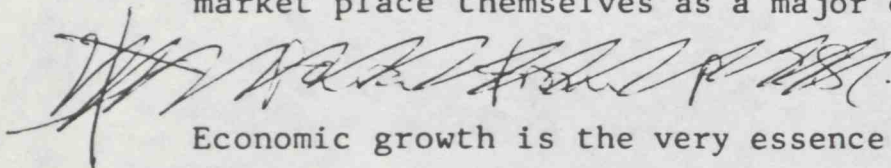
But perhaps the most interesting aspect of the Gorbachev change is his emphasis upon the need to work, the need to work hard. He describes it as working in a disciplined manner but he also recognises the role of incentive if this task is to be achieved.

In Marxist theory the achievement of communism is said to be a two-stage process. The first phase, socialism, is based upon the principle of from each according to his ability, to each according to his work until the full communist state is arrived at when ~~resources are allocated~~ ^{resources are allocated} ~~will be~~ "from each according to his ability, to each according to his need". Gorbachev clearly emphasised in his first year in power the need to operate the socialist principle of ^{allocating resources to} ~~to~~ each according to his work. Soviet agriculture has never attained anything like the results of western agriculture due to the total lack of incentive. The great collective farms are given targets and if the targets were reached the targets were then raised. Soviet farmers did not exceed their targets for they received no reward if they did other than having higher targets to achieve in the future. A major new radical approach has been brought by Mr Gorbachev to this problem. He now states that if the targets are achieved the surplus obtained ~~after~~ ^{above}

the targets can be sold in the market place and the proceeds can go to the benefit of those operating the farms concerned. ^{He} He has witnessed the manner in which Chinese agriculture has been totally reformed through inducements and incentives. Chinese food production soared when it moved from the communist principle of collective farms, with no disparity and reward, to more market ^{oriented} principles. In addition the diversity of goods in the shops has been massively transformed and a new tolerably wealthy class has been created. Mr Gorbachev is not moving as far as the Chinese moved, but to move at all to a system of direct financial inducement and a market place for surplus foods to be sold is a very fundamental transformation which may well bring some dramatic results to the improvement of Soviet agriculture. He has also agreed to joint ventures in agriculture on a very considerable scale.

For example, ICI, have been given great tracts of land to experiment with the application of their earth advisory techniques with the result that in certain locations where they have operated there has been a massive increase in the productivity of the wheat production. If there is a transformation in Soviet cereal production it will of course have a major world impact. The United States has in recent years exported to the Soviet Union an average \$? billion of grain per year. United States farmers are already faced with the severe problems of disposing of their

surplus production but nothing compared to the problems that will affect them if the Soviet Union achieves its potential as a grain producer. In such a case, the Soviet Union could not only eradicate ~~the~~ ~~United States'~~ imports ^{from the U.S.} but they could enter the market place themselves as a major exporter.

 Economic growth is the very essence of the Gorbachev policy. When he addressed the Twenty Seventh Congress he made his position clear:

"There is no other way. In the absence of accelerated economic growth our social programmes will remain wishful thinking. In radical terms the main targets of this intensive development are that by the end of the century national income should nearly double, energy consumption per unit of output should drop by more than a quarter, better consumption per unit of output by nearly half, while labour productivity should nearly double. Throughout the period a major emphasis will be put upon investment, for modernisation and greater efficiency and production. More than £200 billion in capital investment under the 1986-95 year plan with the accent upon new resources saving technologies, higher labour productivity and better quality."

Para from 1.28

Mr Gorbachev and his new technocratic colleagues in the Politburo intend to improve the quality and practical application of Soviet science and technology. The research potential of higher education is to be used more effectively and to this end there will be greater reliance upon material incentives for research collectives and individual researchers who make a real contribution to solving the problems of production.

The improvement of the consumer's lot is perhaps the foundation upon which Mr Gorbachev will be given greater political support by the establishment of the Soviet Union as time goes on. The consumer standards of the Soviet Union are deplorably low. Moscow itself has a very narrow choice of food. There are frequently queues and an appallingly bad diet. There are long queues when fundamentals such as shoes come into the shops. Many people in the Soviet Union know from their television screens, know from visits perhaps to eastern Europe, if not to the west, the disparity in their consumer standards and those of other nations.

Para ~~Mr Gorbachev's intention is not to satisfy the need by swift imports, for~~ He does not have the hard currency with which to purchase them, and in any case his sense of patriotism ^{leads} ~~makes~~ him ~~always inclined~~ to

Despite his desire to see consumer standards, Mr Gorbachev will not allow consumer demands to be met by imports.

say that there is no need ~~for us~~ to import when the Soviet people have the ability, the talent, the raw materials to see that they produce them themselves.

For the observer of the Soviet scene the most fascinating factor of the next few years is the degree to which Mr Gorbachev is able to give a personal inducement and to see that the reality of the market place is recognised. He told the Twenty Seventh Congress:

"Prices must be made more flexible. Price levels must be linked not only with outlays but also to go with the consumer properties of goods, their effectiveness and the degree to which products meet the needs of society and consumer demand."

Individual economic enterprise is to be given more freedom to take their own commercial decisions. Major parts of Soviet industry are going to have their own accounting so that one can make a judgement from their direct accounting of their effectiveness and performance and he has promised that out of the results of that accounting those involved in producing good results will personally benefit from those results.

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In other words the best way to increase incentives is to introduce some market reward in what is still very much a non market system. There will undoubtedly be those of the old guard of the Soviet Union who feel that this is a fundamental assault upon the system laid down by Lenin and operated by the Soviet Union since the Revolution. There will also be those who will find that their rewards from having been part of a static bureaucracy will deteriorate relatively and they too will be opposed to such a change of system. The educational system and the propaganda of the teaching over these past sixty years will all operate against the recognition of the part that the market place has in objective decision-taking. It will be interesting to see the degree to which trade unions, limited as they are with any powers of any description, will take to the new system. It will be interesting to see that when the food that comes from the surplusses beyond the targets that have been given is priced at different prices from the basic food supplies; and the objections or the approval by the public at large to such radical changes.

This passage belongs at top of p. 24.

Mr. Gorbachev is perhaps one of the first Soviet leaders to make perfectly clear the degree to which the improvement of the social conditions of the people is related to their economic performance. He has held out ^{the prospect} that if the economy ~~improves~~ improves in accordance with the scale he lays down it will include

a plan to double the volume of resources allocated for the improvement of the conditions of life over the next fifteen years. He wishes to see real per capita incomes rise by between 60 and 80 per cent but has pointed out that these plans will only become a reality if every Soviet person works hard and efficiently. He recognises the hostility to the deplorable housing conditions in much of the Soviet Union and has stressed his desire to see a major improvement take place. He has pledged to provide every family with a house or flat of its own by the year 2000. He recognises that in the Soviet Union at the present time one in four families is sharing accommodation with another family.

In the Gorbachev plan there is a great desire that all pupils should learn how to use computers and throughout the whole system he wishes to put a far greater emphasis upon the training of engineers and technicians. In health greater emphasis is to be put upon preventive techniques and the maintenance of more healthy life. "Health cannot be bought in a pharmacy" was how Mr Gorbachev put it, and his campaign against drinking and alcoholism is an important contribution to this viewpoint.

Will Mr. Gorbachov succeed ? If he does succeed, what are the implications for the West ? The likelihood is that he will neither succeed nor fail. He will achieve an improvement in the performance, but not of the dimension he anticipates and hopes for.

There will undoubtedly be those of the old guard of the Soviet Union who feel that this is a fundamental assault upon the system laid down by Lenin and operated by the Soviet Union since the Revolution. There will also be those who will find that their rewards from having been part of a static bureaucracy will deteriorate relatively and they too will be opposed to such a change of system. The educational system and the propaganda of the teaching over these past sixty years will all operate against the recognition of the part that the market place has in objective decision-making. It will be interesting to see the degree to which trade unions, limited as they are with any power of any description, will take to the new system. It will be interesting to see that when the food that comes from the surpluses beyond the targets that have been given is priced at different prices from the basic food supplies; and the objectives or the approval by the public at large to such radical changes.

Mr. Gorbachov shares the traditional Soviet anxiety about the development of nationalist and religious feelings in the various republics of the Soviet Union.

He warned :

"Certain works of literature and art and scholarly writings were under the guise of national originality . Attempts are being made to depict in idyllic tones reactionary nationalist and religious revivals contrary to our ideology - the Socialist way of life and our scientific world outlook" In other words, he and his colleagues of the new Politburo seem no more likely to look kindly upon the aspirations of Moslems, Christians, Jews, or descendent artists or intellectuals than any of their predecessors did. In all such cases, it is freedom of thought, belief in expression which remain the most disturbing challenges to the whole of the Communist party upon the hearts and minds of the Soviet people.

Recently in Moscow there have been suggestions that there has been greater freedom given to the theatre and to the films, but an analysis of this greater freedom shows that in many cases the objective was not to create a criticism of the Soviet position or a greater degree of freedom, but a subtle analysis of the horror and evil of capitalism.

This conformity of view is, however, somewhat challenged by Mr. Gorbachov's desire to have what he describes as "a further development of all the aspects and manifestations of Socialist democracy". He

has endeavoured to encourage increased participation which is to encourage a flow of views and a more active role from the trade union movement. Mr. Gorbachev has argued, "the Socialist system can develop successfully only when the people really run their own affairs, when millions of people are involved in political life". But of course if millions of people were involved in political life they would, as is natural in the human race, have differences of viewpoint and some of those viewpoints would almost certainly be in stark contrast to the ideology propounded since the Revolution took place. The new leadership undoubtedly wants to initiate something 'close to a dialogue between people and government. It wishes to increase the influence of local political control over the bureaucracy and to overcome the administrative shortcomings which Mr Gorbachev has described as "a departmental approach and localism^{t?} irresponsibility, red tape and formal indifference to people". For the west it is difficult to ascertain what in reality this means. The west is incredibly ignorant and illinformed upon the realities of the party system. We do not know how bureaucratic the party system itself is. We do know how ~~devoid~~^{much} of talent ~~the trade union~~^{exists within the} ~~is or is not~~^{trade unions}. We do not know the degree to which there is already a close interconnection between the establishment interests of the party and the establishment interests of the existing bureaucracy. Mr. Gorbachev undoubtedly wishes to see that all those in authority at every level, and especially ~~in~~ the party cardersth encouraging^e and responding to fuller participation in the elaboration and adoption and execution of official decisions. He wants to spread what he describes as,

"the electivity principle" to all team leaders at work and subsequently to some other categories of management, since he believes this to be the best way of making a success of "democratic centralism" in the Soviet Union. He also urged more publicity of decisions taken at all levels of administration on the grounds that "without publicity there is not, nor even can there be, democracy, political creativity by the citizen and participation in administration and management". Indeed quite extraordinarily he has even canvassed the possibility of introducing a new law to provide for the holding of national referenda on some major issues of policy. It will be staggering to see such referenda take place in which there would be a vigorous propounding of the issue to be put and a vigorous opposition, ^{with} ~~and for~~ the government to be taking no view whatsoever other than a desire to carry out the people's choice. But such developments have not yet taken place, nor is there any sign of them taking place. One thing is certain is that if Mr. Gorbachev is to achieve his economic and social objectives

then
 this does mean he must have fifteen years in which rearmament and foreign friction is not the dominant aspect of his government. One could therefore argue that this may well be a time ^{when} /no matter what the long term motives of the Soviet leader may be, he will wish to move resources from the military to the domestic. When he will wish to see that vast investment programmes go into not just the industries essential for military superiority,

but go into industries necessary for economic equality with the West and consumer standards begin to catch up with the West.

Mr. Gorbachov has been very active in communicating to the world at large his view that the Soviet Union has a great desire for disarmament, and that it is the Americans who are the warmongering nation. Whether it be a much pre-advertised nuclear test in which the Soviet Union will be invited to be in attendance or whether it be actions by the American Government to try and prevent and curtail terrorism being launched from countries like Libya, every opportunity is used by Mr. Gorbachov to present each incident to the Soviet people as an example of American militarism and Soviet peace-loving.

For Mr Gorbachev to succeed in his objective of the economic revival of the Soviet Union he knows in the first place he will have to import a great deal of western technology. He will have to reach agreements with western powers for the exchange of scientific and technological information which could not be done in an atmosphere of hostility and ~~me~~ for friction between the west and the Soviet Union. If the Soviet Union is left without the ability to import technology and the new machinery and plants that are required for improving their industrial performance, then the gap between the economic performance of the Soviet Union and the western world will in fact increase and not narrow. On my visit to Moscow I recognised in the sphere of energy a whole range of areas where the Soviet Union would be ~~in desperate~~ ^{as anxious to} ~~need~~ ^{sense} of our expertise and know-how.

This para belongs in P. # 19

In foreign policy Mr. Gorbachev set out his ultimate objective in his statement of 15th January¹⁹⁸². It was a statement in which he asked for the abolition of all weapons of mass destruction by the end of the century. This is almost certainly a position adopted for rhetorical and propaganda purposes. Mr. Gorbachev has also maintained that it is

given inspired by certain important principles and considerations.

The first of these he argued is that the character of modern nuclear weaponry effectively rules out any hope of safeguarding national security solely by military or technical means. The second is that the relations between the Soviet Union and the United States must be based upon mutual and universal security. The third is that the two super powers in Mr Gorbachev's words, "have quite a few points of coincidence" and that "there is the objective need to limit peace with each other to cooperate on a basis of equality and mutual benefit and there is no other basis." The fourth is that the maintenance of a perpetual status quo is no longer possible while equally it is no longer possible to think in terms of winning an arms race or a nuclear war. Thus he maintained that "The confrontation between capitalism and socialism can proceed only and exclusively in forms of peaceful competition and peaceful contest."

Mr Mr Gorbachev stressed the unilateral steps which have been taken by the Soviet Union, the moratorium of the deployment of intermediate range missiles in Europe but of course a moratorium imposed after the advantage had been given to the Soviet Union.

He repeated the familiar assertion that Soviet military doctrine is unequivocally defensive and the Soviet Union will not be the first to use nuclear weapons and of course he has always expressed his strong opposition to the development of the Starwars technology. ~~Again~~ This is an area where the Soviet Union are aware that the United States is well ahead on research and development ~~from~~ anything that the Soviet Union can ~~meet~~ and therefore it is ^{important to him} ~~his desire~~ to see that it does not continue and develop. What is significant however is that many will judge that Mr. Gorbachev although conceding nothing which in any way decreases the relative strength of the Soviet Union has created an atmosphere that he is the person desiring peace and the Americans the people who are not taking the appropriate action. It is easy ^{for him} to proclaim a moratorium of the deployment of intermediate range missiles when ^{his} yours are in place and ^{his} your opponents are not. It is easy ^{for him} to condemn ~~a thing like~~ Starwars when ^{he is} you are secretly carrying out such a programme ^{himself} yourself. It is easy ^{for him to suggest} to ~~go in for~~ unilateral ban on a nuclear test when ^{he} you know that ~~the~~ future nuclear tests have no significant importance to ^{his} your own defence programme and when the tests are being carried out by ^{his} your opponent ~~is one to which you have personally been invited to attend.~~ But in fact no matter how weak the arguments are

Mr

They represent a major propaganda opportunity for the
 newly media conscious Russians to present directly
 on examination ~~the ease of presenting them to the western~~
 to western electorates, something which western leaders cannot
 democracies is very considerable, an ease which western
 democracies do not of course enjoy in the Soviet Union.

But Mr Gorbachev has taken every possible step to make sure
 that the prospects of the Summit are not eradicated. At the
 height of the action against Libya there was never any
 suggestion by the Soviet Union that this would mean the
 Summit being abandoned, indeed just to the contrary. Briefing
 was given to the effect that this need have no effect upon
 the Summit.

Very
 typical
 for a
 intel

The west must never lose sight of the fact
~~that the dominant role~~ ^{dominance of} the Soviet Union ~~has~~ in conventional
 weapons, and ^{perhaps} one of the ugliest and most worrying of
 these is their considerable ^{armory} possession of chemical weapons.

this dominance

It is remarkable that within the European sector the Soviet
 Union have available to them some of the most appalling and
 terrible chemical weapons known to man, weapons that when
 used could stop all activity in or around the locations in which
 they are used, not just at the moment in which the chemicals
 do their damage and ^{weapons are used} create their deaths but for a considerable
 timespan thereafter. Therefore whole areas of military operation
 could be denied any form of ^{neutralized} activity or communication for many
 many days as a result of the ^{use} application of these weapons.

There is no doubt of the tough negotiations that need to take
 place to obtain internationally controlled disarmament. It is
 a combination of the nuclear and the conventional, particularly
 the chemical that need to be on the top of the agenda for without
 it the balance of power would undoubtedly go to the Soviet Union
 and go to whoever at that moment of time controlled the basic

There
 ??

power and influence within the Soviet Union. On the economic side ^{Soviet propaganda speaks of} ~~the Soviet Union~~ has a clearly defined approach, ^{including}

The exclusion of all economic blockades and sanctions except possibly those sponsored by the United Nations, the need for a just settlement of ~~the~~ national debt problems and the aspiration to ~~be~~ ^{use} part of the funds released as a result of the reduction of military budgets for the good of the world community of the developing nations. But in reality anybody endeavouring to export to the Soviet Union or its satellites will recognise that there will always be the economic blockade of the person with the power to decide where the purchase is made. A careful study of the Soviet relationship with eastern Europe will show the degree to which eastern Europe's industries have been built up with a total dependence for spare parts and component parts coming from the Soviet Union. So that devoid of Soviet cooperation these industries would in reality be destroyed.

In his world wide relationships there is no doubt the most embarrassing sphere ^{issue is human rights} ~~is in the humanitarian sphere~~. Mr Gorbachev has used some words about ^{rewriting} ~~rewriting~~ families, "in a humane and positive spirit" ^{has called} ~~and a call~~ for round table discussions between the five permanent members of the United Nations Security Council. But the Soviet Union holds on to the view that it ought to be possible to "make peaceful co-existence the highest principle of the state to state relationships". In reality there are aggrieved minorities in the Soviet Union. There are people who are devoid of human rights.

Within the fifteen year timescale of Mr Gorbachev's objectives there are some very significant problems which he is going to have to face. First of all if the Soviet Union does become ~~far~~ more efficient and productive and applies modern technology it may create a significant amount of technological unemployment in a political system which does not recognise the existence of unemployment and which indeed stigmatises unemployment as illegal. Mr Gorbachev estimated that the fundamental restoring of the national economy would produce annual savings of the equivalent of the ~~next~~^{labour} ~~resources~~ of about twelve million people or of a hundred million tons of fuel and many billions of rubels. This would be a considerable achievement if it could be attained but what would happen to the ^{displaced} twelve million/work people. Would they be absorbed into other efficient activities to the benefit of the economy as a whole or would they merely join the considerable number of under employed who already exist in the less efficient sectors.

Visit any Soviet factory, any Soviet retail organisation, any Soviet office ~~creates an atmosphere~~ ^{and you see}

more over-manning and more people doing very little than exists in most places in the western world. Mr. Gorbachev's demands for higher discipline ~~and~~ greater efficiency and more investment ⁱⁿ high technology could in fact create a ~~situation~~ where either you ~~had to have~~ vast areas of over-manning and

unbelievable inefficiency to the benefit of those who were not allowed to pursue such standards or alternatively ~~potential~~ of a substantial number of people during a particular timescale who could not be given any useful employment.

photo Secondly what is going to be the effect of the widening pay differentials in order to provide extra material incentives and rewards for those with essential skills working in the most efficient sectors? This may not be acceptable to other Soviet workers who are not so fortunate and it may be difficult to reconcile convincingly with the original Marxist doctrine from each according to his ability, to each according to his need.

The hard nosed market approach will have difficulty in co-existing with the residue idealism of Soviet Socialism and there are indications in a number of areas where the old guard who had adhered very strictly to the original ideals of the communist state are showing a considerable hostility to the Gorbachev moves. What for example is going to happen

photo to the food market when suddenly there is a free food market with higher prices. Will those who cannot afford the higher prices decide to demand a change and a destruction of the system and a return to a system where everybody is on a target and expected to meet the target and for meeting it they receive no reward other than a higher target? Hungary has managed to

use a semi-capitalist system without using any of the rhetoric of the capitalist system. I recall in 1973 having discussions ~~over dinner~~ with one of the leading Hungarian Ministers of the time and he explained to me how they had set out the national

plan. Targets increased for every individual firm, the targets were rather modest targets because they were based upon the figures provided by the firms concerned, all of whom wanted to have no difficulty in reaching its target.

The Hungarian Government said to the Hungarian firms if you beat your targets, part of the financial benefits would go to the workers, a proportion would go to the state, but a very major proportion would go to the management.

The proportions that were involved meant that the financial reward being offered to Hungarian managements was better than the rewards offered to British management.

I pointed out to the Hungarian Minister that he was creating a system more capitalist than the capitalist system. The result had been a great deal of vitality in the Hungarian economy and a far better consumer standard for Hungarian people than exists in the Soviet Union.

It is one issue for a country as small as Hungary with recent memories of the capitalist system at work to return to that system, be it disguised with the rhetoric of communism. It is a totally different principle for the country which was the very foundation of the Revolution and

has operated a different system for seventy years to start making moves ^{to a more market rewarded system} of this description and the likelihood is that ~~as always in politics both in the west and the east there are those who benefit who will be full of proclamation but if those who feel ^{that} they are in any way handicapped will shout the loudest, and the political atmosphere may well be one of hostility towards such a concept.~~] Furthermore ^{with} how Mr Gorbachev ~~will~~ cope with the emerging problems of the different nationalities in the Soviet Union. ^{There are} The significant disparities ⁱⁿ of the industrial performance and economic development ~~between many~~ of the fifteen republics. Will he move to penalise the recalcitrant ~~like~~ and to discriminate in favour of areas like Siberia and the Far East where progress is far faster. This sort of interference in the Soviet Union was practised successfully and brutally in Stalin's time but it is by no means certain that Mr. Gorbachev has either the will or the capacity to emulate his tyrannical predecessor. What happens ~~therefore~~ when it becomes all too apparent that the fruits of Soviet development and prosperity cannot be shared equally between the different republics and the various ethnic groups. Will the Moslems in the south turn anti-Socialist? Will the ^{Ukraine} ~~UK~~ continue to accept a sub-optimal economic performance as a price for supporting the poor republics. Will the Baltic republics of Lithuania and ^{Latvia} ~~Estonia~~ be immune from the influences of Swedish television and British tourists? These problems and nationality and regional problems are probably containable but it is still worth remembering that the Soviet Union ^{is} has an artificial creation of fifteen very different republics and it ~~has been~~ fair to describe ^{it} them as the last of the great European empires.

In calling for closer supervision of officialdom at every level by the elected representatives of the people and for wider publicity and more participation in the interests of "socialist democracy" Mr Gorbachev is really calling for an approach which has some similarity with Mao tse tung's cultural revolution. Those who know the Soviets well will recognise the hostility to such an approach which will come from such a conservative country as the Soviet Union. It will be interesting to see if the forces of inertia and reversion are as powerful in the Soviet Union as they proved to be in China. The final difficulty is that if Mr Gorbachev assesses that it is essential to make some major movement from the military to the economic and peaceful expenditure the degree with which this will be resisted. The Soviet Union with its experiences of the last war have genuine fears of a potential aggressor. Years of propaganda based upon a description of the imperial west means that the fear of aggression by the Soviet people from the west is a genuine and sincere fear. It is impossible to relate to them the realities that democracies have no ^{desire} ~~passion~~ for war and have every desire to enjoy improving living standards rather than living standards threatened by the allocations of vital resources for a wartime machine. But the basic inherent fear

of the Soviet people of aggression ^{coupled} or perhaps with some the
 basic feeling that the ^{extension} application of communism ^{to} in the world
 at large ^{requires} ~~has to have as a necessary background~~ the military
 strength ~~that is necessary to achieve it~~. will mean that in
 the hierarchies of the Soviet Union ^{and} in ~~only~~ the hierarchies of the
 party itself there will be considerable debate ~~and dialogue~~
 and ~~differences~~ upon this issue.

Para The task of the west
 is to analyse the ~~upside and downside~~ risks. Firstly
 if disarmament can be negotiated in a genuinely balanced way
 under genuine international control, to release the resources
 devoted to the military for other purposes ^{it} would be of immense
 advantage to the west and western democratic leaders in
 solving their economic and social problems. Secondly ^{if} the
 Soviet Union ^{achieved} with the rate of expansion it has in mind ^{it} would
 provide a general expansion in the world economy which ~~if~~
~~trading was genuinely with the west, be it in areas where~~
~~they have the technology and the current expertise it nevertheless~~
 would be a very considerable stimulant to world economic problems
 and undoubtedly a very considerable contribution to solving
 the problems of unemployment in the west as well as securing
 full employment in the communist dominated east.

[There is no doubt at all that in the minds of the new Soviet leadership an improvement of the Soviet image in the west is a major goal which if achieved could have a n influential effect upon western public opinion.

If by efforts and individual inducement or tougher discipline or the purchase of higher technology higher levels of economic efficiency are obtained this will have considerable impact upon the west. For example ^{it} is now possible for Lada motors the Fiat built assembly plant in the Ukraine to manufacture and sell family saloon cars in Britain for about £3,000 each. *? price?*

If this sort of competitive ability ^{were} to be extended to other sectors it might prove a severe threat or at least a commercial embarrassment to western producers with competing goods.

Obviously a great deal would depend upon the trade and tariff regime maintained by Great Britain and the European Community as a whole, ^{yet} ~~yet~~ assuming relatively low common external tariff ~~and a few non-tariff areas of commercial significance~~ a more efficient and competitive Soviet economy might offer some

~~form of~~ ^{new} competition both in our own domestic market and ^{as well as a new opportunity to our exporters.} in third markets. ~~The improvement of the Soviet agriculture~~

would have a devastating effect upon North American grain production and North American grain disposal policy.

It is unlikely that Mr Gorbachev will pursue the Breshnev short cuts of some massive increases in imports in order to show some sign of improving standards in the Soviet Union.

He has constantly expressed his ~~passionate~~ patriotic belief that the Soviet people have the skills, the abilities and the talent to produce *sufficient grain to meet their needs*

At this moment in history the leaders of the developing and emerging nations of the world are able to see the contrast in performance, the production and the performance in living standards between the Soviet system and the free enterprise systems of the west. There is no doubt at all that the standard of living of the ordinary person in the countries of western Europe, the United States and Japan is superior to that of the Soviet Union, that the consumer standards are deplorably low. But a Soviet Union that was performing better and was fast improving consumer standards, that was providing quality of life that became more and more equal with the west would be a much greater political rival to obtain the genuine support of third countries. However it could be pointed out by the west that the only reason for their success was that they were beginning to move to the principles of western

democracies and move away from the principles laid down in the Revolution. The successful and comprehensive development of the Soviet economy along the lines set out by Mr. Gorbachev would have the effect of making the Soviet Union a more complete and hence more formal super power adversary for the United States. Instead of being like a table with only one leg of military capability the Soviet Union would look increasingly like a strong and well balanced piece of furniture with political, economic and cultural capabilities which would compliment and reinforce each other. Paradoxically this would make the Soviet Union into an even more formal adversary but also make her a more self assured and reliable partner for the western world since her leaders would presumably no longer suffer from their traditional sense of insecurity and from an inferiority complex which in the past has sometimes worked against the interests of world peace.

What is certain is that if Mr Gorbachev retains the leadership of the Soviet Union between now and the end of the century it is likely that his policies and the policies of those men of ability with whom he has surrounded himself will have a gigantic impact upon world history. It is fifteen years of government holding within it enormous upside benefits to mankind or the ultimate downside risk of nuclear war.

It could be a period of a massive improvement in the performance of the Soviet economy with all of the world-wide impacts that would have. It could be a period of genuine seeking of multi-lateral disarmament with all of the impact for good that would have. It could be a period of an easing of the dictatorial nature of Soviet communism moving to a society with greater freedom of expression and greater freedom of the individual. If any of these potentialities can be assisted by Western understanding and collaboration it would certainly be in the interests of the world that they were achieved. It could, however, be a period in which a more efficient and strong leader could ruthlessly pursue the objective of his predecessors - for Soviet communism to dominate the world - and to achieve that objective by the added strength that improved efficiency would provide. A system that would take advantage of the democratic *desire* passions for disarmament and thus widen the gap between the military might of the Soviet Union and the military power ~~for defence of much of the world.~~ *of the Western democracies.*

It is the task of Western statesmanship to identify whether the trends are for good or for evil, to give every encouragement if they are for good and to prepare every defence if they are for ~~evil~~ *evil*.