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PRIME MINISTER'S VISIT TO THE SOVIET UNION, 7-10 JUNE
THE INTERNAL BACKGROUND

SUMMARY

1. AT HOME AND (SEE MIFT) ABROAD, GORBACHEV'S POWER IS SHRINKING. THIS HAS BEEN THE WORST HALF YEAR OF HIS TENURE, DESPITE HIS ASSUMPTION OF THE EXECUTIVE PRESIDENCY. THE PRESIDENTIAL STRUCTURE AS YET PROVIDES INADEQUATE SUPPORT FOR GORBACHEV, WHOSE PERSONAL POSITION HAS BEEN UNDERMINED BY YELTSIN'S ELECTION IN THE RSFSR. NATIONALITY AND ECONOMIC PROBLEMS HAVE MULTIPLIED. THE LAUNCH OF A SUPPOSED TRANSITIONAL PLAN TO A MARKET ECONOMY HAS BEEN GRAVELY MISJUDGED ON EVERY COUNT. IN A CONFUSED AND VOLATILE SITUATION, IT IS HARDER THAN EVER TO PREDICT WHAT LIES AHEAD. PERESTROIKA HAS STUMBLERD BADLY, AND CHANGE AND REFORM AS PROCEEDING IN AN UNCOORDINATED AND POTENTIALLY CHAOTIC MANNER.

DETAIL

2. IN GORBACHEV'S WEEK AWAY, THE POLITICAL LANDSCAPE HAS CHANGED. THE PRESS HAS WRITTEN ABOUT AMERICA, BUT THE REAL TALKING POINT (EXCEPT IN PRAVDA) IS YELTSIN'S ELECTION VICTORY.

3. THIS TURNING POINT HAS SHOWN UP PERESTROIKA'S CONTRADICTIONS =

- A DIFFUSE AND DISORGANISED CENTRAL DECISION-MAKING STRUCTURE,
- A LACK OF FEEL AMONG THE OLD GENERATION OF PERESTROIKA POLITICIANS (INCLUDING GORBACHEV) FOR NEW DEMOCRATIC INSTITUTIONS
- A FEDERATION WITHOUT AGREED MEMBERSHIP RULES OR A CONSENSUS ON THE DISTRIBUTION OF POWER.

DECISION-MAKING IN MOSCOW: THE PRESIDENCY

4. GORBACHEV'S NEW POWERS AS EXECUTIVE PRESIDENT WERE INTENDED TO REVITALISE PERESTROIKA, FACILITATE VITALLY NECESSARY ECONOMIC MEASURES AND CONTROL ETHNIC UNREST. THESE EXPECTATIONS HAVE BEEN DISAPPOINTED, LARGELY BECAUSE OF TWO INSTITUTIONAL FLAWS.

5. FIRST, THE PRESIDENCY HAS NO EXECUTIVE APPARATUS. GORBACHEV HAS TO RELY, AS BEFORE, ON THE GOVERNMENT AND PARTY MACHINE TO IMPLEMENT POLICY. THE PRESIDENTIAL COUNCIL HAS NOT REPLACED THE POLITBURO AS AN EFFECTIVE DECISION-MAKING CABINET. IT HAS BEEN ANOTHER TALKING SHOP.

6. SECOND, GORBACHEV LACKS A POPULAR MANDATE. UNLIKE VIRTUALLY ALL THE NEW REPUBLIC AND REGIONAL LEADERS, HE HAS NEVER STOOD FOR PUBLIC ELECTION: AND HE HAS LOST HIS INITIAL POPULARITY. THIS UNDERMINES HIS ABILITY TO IMPLEMENT DECISIONS. RATHER THAN FORCE THROUGH UNPALATABLE ECONOMIC REFORMS BY PRESIDENTIAL DECREE, HE HAS FELT OBLIGED TO PROMISE THE POPULATION THAT NOTHING WILL BE DONE WITHOUT THEIR AGREEMENT.

7. YELTSIN'S PLEDGE TO HOLD A NATIONAL ELECTION FOR THE RUSSIAN PRESIDENCY WITHIN A YEAR BRINGS THIS WEAKNESS INTO THE OPEN. IT WILL FACE GORBACHEV WITH AN UNCOMFORTABLE CHOICE: EITHER TO FOLLOW SUIT WITH ELECTIONS FOR THE USSR PRESIDENCY, OR TO HOLD BACK AND DAMAGE HIS CREDIBILITY AS A NATIONAL LEADER.

COPING WITH THE NEW DEMOCRACY

8. PERESTROIKA BEGAN AS A REVOLUTION FROM ABOVE. GORBACHEV SKILFULLY DICTATED THE PACE. BY THE TIME HE ASSUMED THE PRESIDENCY, IT SEEMED AS IF THE COUNTRY MIGHT BE READY FOR REAL PROGRESS TOWARDS A MULTI-PARTY DEMOCRACY AND A MIXED ECONOMY. SINCE THEN, THERE HAS BEEN HESITANCY. GORBACHEV SEEMS WORRIED THAT HE MAY, LIKE FRANKENSTEIN, BE CREATING A MONSTER HE CANNOT CONTROL. INSTEAD OF USING THE PRESIDENCY TO CUT LOOSE FROM THE CPSU HE IS STILL TRYING TO BUILD UP HIS POSITION WITHIN THE PARTY. FEW NOW BELIEVE THAT GORBACHEV WILL VOLUNTARILY STEP DOWN FROM THE PARTY LEADERSHIP AT NEXT MONTH'S CONGRESS. HE HAS ALSO BEEN MAKING BELATED OVERTURES TO THE MILITARY.

9. THIS RETRENCHMENT HAS BEEN ACCOMPANIED BY ELEMENTARY MISTAKES IN HANDLING THE NEW DEMOCRATIC INSTITUTIONS. GORBACHEV EXPOSED HIMSELF TO AVOIDABLE HUMILIATION IN RED SQUARE ON MAY DAY. HE HAS SOURED RELATIONS WITH THE NEW MODERATE REFORMIST LEADERSHIP OF THE MOSCOW CITY COUNCIL. HE BADLY MISHANDLED THE YELTSIN ELECTION, ENDORSING A WEAK AND UNPOPULAR CANDIDATE (VLASOV) AND THEN INTERVENING UNSUCCESSFULLY AGAINST YELTSIN. THIS MAXIMISED GORBACHEV'S DEFEAT.

THE UNSTABLE FEDERATION

10. FEDERAL PROBLEMS NOW START WITH THE RSFSR, NOT THE BALTIC AND THE CAUCASUS. YELTSIN CAMPAIGNED FOR INCREASED RUSSIAN SOVEREIGNTY

AND A RUSSIAN ''REBIRTH.'' HE IS CHALLENGING USSR INSTITUTIONS OVER SECURITY (RUSSIA TO HAVE ITS OWN KGB), DEENCE (NUCLEAR TESTING TO BE BANNED ON RUSSIAN TERRITORY) AND ABOVE ALL THE ECONOMY. HE WANTS RUSSIA TO CONTROL ITS VAST NATURAL RESOURCES AND THE DOLLARS THEY EARN.

11. THE THRUST OF ''RUSSIAN REBIRTH'' IS THAT RUSSIA IS IN ITS PRESENT SORRY STATE FROM SUBSIDISING THE OTHER REPUBLICS. THE REPUBLICS SHOULD EITHER BE ALLOWED TO LEAVE THE UNION, OR COMPELLED TO CONTRIBUTE MORE TO RUSSIAN DEVELOPMENT. HAVE THE RUSSIANS LOST THEIR WILL FOR EMPIRE? GORBACHEV'S ADVISERS, APROPOS OF LITHUANIA, SAY THE RUSSIAN PEOPLE ARE NOT READY TO DISMANTLE. YELTSIN APPEARS NOT TO AGREE. HE HAS IN THE PAST BEEN A GOOD JUDGE OF THE RUSSIAN POPULAR MOOD.

THE UKRAINE

12. THE NEW UKRAINIAN SUPREME SOVIET ON 4 JUNE ELECTED VLADIMIR IVASHKO AS ITS FIRST CHAIRMAN. HE IS ALSO PARTY LEADER OF THE REPUBLIC, AND WAS PRESUMABLY MOSCOW'S CHOICE. BUT NATIONALISM IS ALSO ON THE MOVE IN THE UKRAINE. IVASHKO NEEDS TO TAKE ACCOUNT OF HS ELECTORATE. DESPITE HIS REPUTATION FOR POLITICAL ORTHODOXY, HE COULD PROVE NO LESS ASSIDUOUS THAN YELTSIN IN SEEKING WIDER SOVEREIGNTY FOR HIS REPUBLIC AT THE EXPENSE OF THE CENTRE.

THE BALTIC STATES

13. WHEN GORBACHEV LEFT FOR CANADA, RELATIONS WITH LITHUANIA WERE AT AN UNEASY STALEMATE. THE LITHUANIANS HAD OFFERED CONCESSIONS: MOSCOW HAD SAID THEY WERE INSUFFICIENT. NEITHER SIDE SEEMED ABLE TO TAKE THE ONE EXTRA STEP WHICH MIGHT GET NEGOTIATIONS STARTED. GORBAHCEV'S PUBLIC STATEMENTS IN THE USA WERE INTRANSIGENT. HOWEVER, IN HIS ABSENCE, THE LITHUANIANS HAVE RECIEVED THE MAJOR BOOST OF YELTSIN'S ELECTION. YELTSIN MAY BE PREPARED TO DEFY THE MOSCOW BLOCKADE AND HAS ALREADY HAD TALKS WITH LANDSBERGIS. LITHUANIAN ''INDEPENDENCE'' HAS ALSO BEEN RECOGNISED BY THE MOLDAVIAN SUPREME SOVIET - A PSYCHOLOGTICAL BOOST AND A FURTHER SIGN OF MOSCOW'S LOSS OF CONTROL OVER THE REPUBLICS. GORBACHEV NOW NEEDS TO LOOK FOR A COMPROMISE SOLUTION, BUT WILL STILL BE HARD PUT TO WIN PARTY AND MILITARY SUPPORT FOR CONCESSIONS TO THE BALTIC REPUBLICS.

ECONOMIC REFORM = SHOCK WITHOUT THERAPY

14. THE GOERNMENT'S NEW ECONOMIC REFORM PROGRAMME HAS RUN INTO HEAVY OPPOSITION IN THE USSR SUPREME SOVIET. ECONOMISTS ARGUE THAT THE PLAN IS HALF-BAKED AND THAT THE DECISION TO INCREASE - BUT NOT FREE - RETAIL PRICES IS A MAJOR STRATEGIC ERROR: ''SHOCK WITHOUT THERAPY''

AS ONE DEPUTY PUT IT. VIRTUALLY ALL DEPUTIES ARE WORRIED ABOUT THE PRICE RISES: ABOVE ALL ABOUT THE THREE-FOLD INCREASE IN THE PRICE OF BREAD PROMISED FOR 1 JULY.

15. VOTING ON THE PROGRAMME WAS DUE ON 5 JUNE AFTER A WEEK IN WHICH GOVERNMENT AND SUPREME SOVIET EXPERTS HAVE BEEN TRYING TO PUT TOGETHER AMENDMENTS TO KEEP IT AFLOAT. MEANWHILE, THE THREAT OF PRICE RISES HAS PANICKED CONSUMERS AND FORCED MOSCOW AND OTHER CITIES TO INTRODUCE 'SHOPPING BY PASSPORT.' REGIONS AROUND MOSCOW ARE THREATENING RETALIATORY CUTS IN SUPPLIES TO THE CAPITAL. SOME OF GORBACHEV'S ECONOMIC ADVISERS HOPE TO USE GROWING CHAOS TO PERSUADE GORBACHEV TO ENDORSE A MORE RADICAL REFORM PROGRAMME: EXTENSIVE FREEING OF PRICES IN 1991 WITH A CRASH PROGRAMME DURING THE REST OF THIS YEAR TO INTRODUCE FURTHER BUDGET CUTS, DISMANTLE THE MINISTERIAL APPARATUS AND INTRODUCE NEW CREDIT AND BANKING STRUCTURES.

16. IRRESPECTIVE OF GORBACHEV'S ATTITUDE, THERE ARE REAL DOUBTS ABOUT THE WILLINGNESS OF THE INCREASINGLY INDEPENDENT REPUBLIC GOVERNMENTS TO ACCEPT ANY REFORM PLAN IMPOSED BY MOSCOW. THE UKRAINIAN AND BELORUSSIAN SUPREME SOVIETS HAVE ALREADY VETOED THE CURRENT USSR GOVERNMENT'S PLAN WITHOUT WAITING FOR THE USSR SUPREME SOVIET. YELTSIN AND THE RUSSIAN CONGRESS ARE THREATENING TO DO LIKEWISE.

CONCLUSION: THE BROKEN MOULD

17. MANY BELIEVE THAT GORBACHEV MUST EITHER NOW SIDE WITH YELTSIN AND OTHER MODERATE REFORMERS (EG THE NEW MAYORS OF MOSCOW AND LENINGRAD) OR FALL BACK ON THE PARTY. IT IS ARGUED THAT YELTSIN'S ENDORSEMENT WOULD HELP GORBACHEV CARRY THROUGH UNPOPULAR ECONOMIC REFORMS: AND THAT GORBACHEV HAS LITTLE CHOICE - GIVEN THE STRENGTH OF YELTSIN'S POSITION.

18. THESE ARGUMENTS MAY OVERESTIMATE GORBACHEV'S FLEXIBILITY AND YELTSIN'S STRENGTH. YELTSIN IS UNLIKELY TO HAVE THINGS ALL HIS OWN WAY IN THE RUSSIAN CONGRESS. THE PERSONAL ANTI-PATHY WILL MILITATE AGAINST CLOSE COOPERATION. ALLIANCE WITH YELTSIN WOULD MEAN A BREACH WITH THE PARTY APPARATUS (STILL A POWER BASE) AND DILUTION OF GORBACHEV'S PERSONAL ROLE. ON THE OTHER HAND, RELIANCE ON THE PARTY COULD LEAVE GORBACHEV ISOLATED IF IT SPLITS BADLY AT OR SOON AFTER THE FORTHCOMING CONGRESS. THE CENTRAL PARTY APPARATUS HAS ALREADY LOST CONTROL OF THE BALTIC AND CAUCASIAN REPUBLICS. YELTSIN WILL BE DOING HIS BEST TO REDUCE ITS POWER IN RUSSIA.

19. GORBACHEV IS NEVER TO BE UNDER-ESTIMATED. HOWEVER THE FORCES HE

HAS UNLEASHED HAVE SLIPPED HIS CONTROL. HE IS NOW FIGHTING TO PREVENT THE MARGINALISATION OF HTE EXECUTIVE PRESIDENCY AND THE GROWING ASSERTIN OF REGIONAL OVER CENTRAL AUTHORITY. IN THIS, HIS ALLIES INCLUDE BODIES WHOSE LOYALTY TO HIM HAS BEEN STRAINED - THE PARTY, THE ARMED FORCES, AND THE KGB. AS TIME PASSES, REVERSION TO A STRONG, CENTRALISED SYSTEM WHETHER UNDER GORBACHEV OR A SUCCESSOR) BECOMES INCREASINGLY HARD TO ENVISAGE. THE DIAMETRICALLY OPPOSITE SCENARIO IS ONE (PERHAPS UNDERRATING THE INSTRUMENTS OF STATE POWER STILL AT THE PRESIDENT'S DISPOSAL) IN WHICH THE USR SUPREME SOVIET BECOMES SOMETHING AKIN TO THE EUROPEAN PARLIAMENT, WITH THE PRESIDENT AS A CONSTITUTIONAL FIGUREHEAD. IN TRUTH, THE MOULD HAS BEEN SO THOROUGHLY BROKEN THAT ONE CAN DO LITTLE MORE THAN GUESS AT THE FINAL RESULT. AT THE COST OF HIS OWN POSITION, GORBACHEV HAS PUT POPULAR FORCES TO WORK. THE SHORT-TERM EFFECT IS INSTABILITY. IN THE LONGER TERM, A NEW CONSTELLATION OF FORCES MAY YET ACHIEVE MANY OF PERESTORIKA'S ORIGINAL BROAD AIMS

20. SEE MIFT (NOT TO ALL)

BRAITHWAITE

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