



Foreign and Commonwealth Office

London SW1A 2AH

26 March 1987

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 Dear Charles,

Prime Minister's Visit to Moscow: Despatch on "Perestroika"

We have just received from Sir Bryan Cartledge a despatch on the subject of "Perestroika" (restructuring), the slogan adopted by Gorbachev to sum up his programme for re-vitalising Soviet society. I enclose two copies.

Gorbachev defines "Perestroika" as a "real revolution of the whole system of relations in society, in the minds and hearts of people, in the psychology and understanding of the present period .....". Sir Bryan Cartledge sets out the progress that has been made so far in restructuring the economy and the political and legal systems. He identifies two strands: practical reforms, mostly limited in scope; and, of more fundamental importance, an attempt to alter entrenched attitudes and habits of mind. The problem facing Gorbachev lies precisely in the inherent conflict between these two strands. If the problems of inertia, fear of initiative, hostility to creative ideas, etc, largely derive from the economic and political system (which they do), no amount of exhortation from Gorbachev is going to produce a "new Soviet man" without an accompanying fundamental change in the political and economic system. Gorbachev is vigorously pruning out the dead wood, in personnel terms, from the system; but if those who take over adopt the same policies of protecting the status quo and their own privileges, then little will be gained.

Sir Bryan Cartledge suggests that it may not become apparent for some time whether or not Gorbachev is prepared to think the unthinkable and accept that fundamental changes are necessary. The restructuring programme is already, however, providing ammunition for his opponents, worried both about protecting their own privileges and about the pace at which things are going.

Sir Bryan Cartledge's final paragraph looks at the implications of "perestroika" in the international context. His conclusion is that though we can do little to influence its

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evolution, it is nevertheless in our own best interests that "perestroika" should succeed. A relatively fatter and more content Gorbachevian communist should, in his view, be an easier neighbour to live with.

Yours ever,

A handwritten signature in blue ink, appearing to read 'L. Parker', with a flourish underneath.

(L Parker)  
Private Secretary

C D Powell Esq  
10 Downing Street

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PERESTROIKA

SUMMARY

1. The role of slogans in Soviet politics. Perestroika ("restructuring") has taken over from uskorenie ("acceleration") as the chief buzz-word. This reflects Gorbachev's growing realisation that the deep-seated problems of the Soviet economy require not just more discipline and effort, but radical and structural change. (paragraphs 1-2).
2. Gorbachev defines perestroika as inter alia "a real revolution of the whole system of relations in society, in the minds and hearts of people ...." (paragraph 3).
3. Two main strands to perestroika: practical reforms affecting principally the economy, the political system and the legal system; and the attempt to change entrenched attitudes throughout society. (paragraph 4).
4. Economic restructuring involves changes in the administrative structure (streamlining of the economic bureaucracy); the economic mechanism; and the legal basis of the economy. (Paragraphs 5-8).
5. Political restructuring is intended to instill a greater sense of accountability and responsibility in Party and State officials through "democratisation", which so far entails plans for several candidates in Party and Soviet elections and the election of factory directors and foremen by the workforce. (paragraphs 9 - 11).
6. Legal restructuring includes plans for revision of the penal code, involving probably the abolition or curtailment of some of its "political" articles; and an attempt to strengthen the independence and prestige of the courts. (paragraph 12).
7. Perestroika and democratisation are not intended to change the nature of the system or devolve political power but to have a moral and psychological effect; to link reward with

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● effort; and to give a sense of participation to the workers. But the basic rationale is economic efficiency (paragraphs 13-15).

8. Evidence of opposition to perestroika; but Gorbachev's instinct is to press ahead more strongly. He has gone further than he originally contemplated, and could fall victim to his own "acceleration". Precedents for attempts to liberalise communist regimes are not encouraging. But the crisis which has generated the policy of perestroika is deep and Gorbachev is personally committed to it. (paragraphs 16-18).

9. That a Soviet leadership should seek economic efficiency along the path of liberal reform is a positive development. On balance, it is in our interests that perestroika should succeed.

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BRITISH EMBASSY

MOSCOW

17 March 1987

The Rt Hon Sir Geoffrey Howe QC MP  
etc., etc.,  
Foreign and Commonwealth Office  
London SW1H 2AH

Sir,

1. Slogans have always played an essential part in Soviet political life and the first two years of Gorbachev's regime have been a particularly fertile period for them - Acceleration, Renewal, Openness (glasnost'), New Thinking, Democratisation. It is easy to be cynical about slogans: most Russians are. But they cannot be dismissed as mere jargon. As I explained in my despatch of 29 October last year, there is genuine substance to the concept of glasnost'; Gorbachev's choice of catchword does seem to reflect important aspects of his political thinking and priorities. It is not only because of their constant repetition (or of the fact that they do not translate readily) that glasnost' and now perestroika (Restructuring) have become familiar loan-words for the Western public.

2. Perestroika or "restructuring" has now become the principal buzz-word in Soviet politics. It has evolved from a central idea of structural change in the economy to a much wider concept which sums up Gorbachev's political programme and embraces the other slogans to which I have referred. It is significant that it did not achieve this status in the Soviet political vocabulary until some time after Gorbachev came to power. At the first substantive Central Committee Plenum under Gorbachev, in April 1985, he launched his political platform under the banner of uskorenie (the acceleration of social and economic development) and this was also the principal political concept advanced at the 27th Party Congress in February/March last year. The much more wide-ranging concept of restructuring first came to real prominence at the June 1986 Plenum, when Gorbachev showed signs of impatience and frustration at the lack of response in the bureaucracy to his calls for improved economic efficiency. The new emphasis on restructuring represented a recognition that the deep-seated problems of the Soviet economy required not just more discipline and acceleration of effort along previous lines but both structural reforms and, above all, a basic change of attitudes on the part of everyone involved in the economy. In subsequent speeches

/ Gorbachev

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Gorbachev has broadened the concept still further. Perestroika applied to everyone - from the shop floor worker to the General Secretary himself; and it embraced all aspects of policy and society - the economy, the Communist Party itself, education, culture, sport and foreign affairs. This evolution in the meaning of perestroika evidently reflects Gorbachev's growing realisation of the need for political and social reform as a prerequisite for economic progress and as an essential element in the creation of a true super-power. This idea was one of the principal underlying themes of Gorbachev's marathon and wide-ranging address to the Central Committee Plenum in January this year. There have been other interesting examples of the evolution and escalation of radical rhetoric by Gorbachev, including the use of the hitherto taboo word "reform", in calling for "radical reform" of the economy at the 27th Party Congress; and his increasingly frequent references recently to "revolutionary changes", by contrast with his disavowal, in an interview before the Party Congress, of any suggestion that his policies amounted to a new revolution.

3. In the course of his speech to the January Plenum, Gorbachev stated that it was "essential to say once again what we mean by restructuring". He attempted a comprehensive definition of perestroika, which can be summarised as follows:

- the reversal of stagnation and the creation of an efficient mechanism for speeding up social and economic progress;
- the broadening of democracy, the encouragement of initiative and discipline and of greater openness and criticism;
- a more efficient and flexible system of economic management and the abandonment of "command" methods in the economy;
- the more active involvement of science and scientific methods in economic and social policies;
- higher priority for the improvement of social conditions;
- the fight against corruption and for social justice;
- a thoroughgoing renewal in all aspects of public life.

He gave a more succinct definition in a speech in Khabarovsk on 31 July, 1986:

/ "Perestroika

"Perestroika embraces not only the economy but all other aspects of society; social relations, the political system, the spiritual and ideological sphere, the style and methods of work of the Party, all our cadres. Perestroika is a broad concept. I would equate the words perestroika and revolution ..... a real revolution of the whole system of relations in society, in the minds and hearts of people, in the psychology and understanding of the present period ..."

4. This definition conveys the wide compass of perestroika. It is necessary, however, to separate and assess the two main strands of the policy: practical reforms, mostly limited in scope, in various areas of the economy and the political and legal system; and, of more fundamental importance, the attempt to alter entrenched attitudes and habits of mind of officials and workers alike so as to create an enhanced sense of responsibility, discipline and accountability and generate greater enterprise, initiative and autonomy.

#### The Economy

5. The process of restructuring the economy is still, as Gorbachev has frequently pointed out, at an early and experimental stage. Those changes already introduced have yet to make their effects fully felt. Other, perhaps more far reaching, innovations are sure to follow, most probably at the next Party Plenum, which is to address the whole question of economic reform. Gorbachev does not claim to have found all the detailed answers but rather to have identified the main path to follow. Of the economic changes already made there is no single measure that can be described as revolutionary, or even particularly effective. It is the cumulative effect of a large number of small steps that is potentially significant. The measures themselves may amount to no more than "tinkering" with the economy, but tinkering on such a scale cannot but add another dimension to change: the very fact that the reforms have already clearly started to disrupt the economy is itself evidence of their importance.

6. Perestroika has affected three aspects of the economy: its administrative structure, the so-called "economic mechanism" - the framework which governs everyday decision-making and establishes priorities - and the legal basis of economic activity. The administrative structural changes have been of limited scope and significance: they include the abolition of a cumbersome intermediate level of bureaucracy between the central ministries and the enterprises, the setting up of a number of state committees or bureaux to oversee activity within particular sectors of the economy (such as energy, engineering, or computers), and the amalgamation of a number of previously independent ministries into one huge and powerful super-ministry, Gosagroprom, for the agroindustrial sector. Gorbachev has not so far indulged in the wholesale

reliance on structural changes which characterised the Khrushchey era, nor has he reopened the perennial debate on the relative merits of regional economic management as opposed to management by industrial sectors.

7. The reforms which are likely to produce the most immediate impact on the economy are those designed to change the economic mechanism. Few, if any, of these changes are new ideas; most have been common currency among reformist economists for a number of years. Their significance lies in the fact that they are practical measures specifically targeted against the past practices now seen as shortcomings in the Soviet economic system - or rather, as the face-saving formula puts it, of the now outdated "extensive phase of economic development". Their general thrust is to emphasise final results and to enhance the importance of quality and efficiency at the expense of the traditional primacy of quantity. Fulfilment of delivery contracts has replaced gross output as the principal indicator for assessing economic activity. Planning is now expected to take into account both the saleability of the product and the efficiency of production (through the application of economic "normatives"). The practice of plan target ratcheting - a notorious disincentive - has been discontinued in favour of targets which remain stable over the whole of a five year plan period. Stricter quality control demands have been introduced with the creation of independent "state acceptance organs" (Gospriemka). Enterprise managers have been given greater responsibility and more initiative by what is potentially the most important change of all: the introduction of full cost-accounting (polny khozraschet) and self-financing. All of these measures have been enshrined and subsumed in the "Draft Law on the State Enterprise", which will probably be adopted by the Supreme Soviet this summer and which also makes provision for managers to be elected and held more accountable to the workforce.

8. The principal legal instruments of perestroika in the economy are the laws and decrees which have been promulgated since the 27th Party Congress. The agricultural reform decree introduced increased bonuses and incentives for farm workers and gave state and collective farms the right to sell off up to 30% of their produce at higher market prices. A decree on wage reform increased differentials and allowed managers to distribute, as bonus payments for increased productivity, any money they are able to save from the payroll by shedding surplus labour. A decree on light industry introduced an element of market forces into the economy by basing enterprise production targets on wholesale advance orders and making prices reflect demand. Of limited economic significance, but considerable ideological resonance, is the law on individual labour activity, which broke new ground by legalising private ownership of the means of production - albeit to a very limited extent and on a strictly controlled basis - and by encouraging individual self-employed



citizens to provide services that are in short supply (the provision of private services is already permitted by the constitution). This last law, though it most emphatically does not herald the start of a major shift towards free enterprise or the dismantling of state control of the economy, is nevertheless significant as an indication of how far Gorbachev is prepared to go, even at this early stage, in order to achieve his purposes, and of the extent of his pragmatism. A similar law encouraging co-operative enterprise, rumoured to be in the pipeline, could prove to be of even greater importance. Anticipating it, Moscow already has its first co-operative restaurant outside which immense queues testify to the potential market.

### The Political System

9. Gorbachev has frequently said that "restructuring" must begin with the Party itself. At the January Plenum he made the unprecedented admission that "the problems which have accumulated in society are, in significant measure, linked to defects in the work of the Party itself". In talking of restructuring and "democratising" the Party Gorbachev's objectives are necessarily modest. He cannot afford to weaken the structure or loosen the grip of the organisation on which his own power rests. The organisational principles which make the Communist Party such an effective instrument for retaining and exploiting power are deeply entrenched: its role and privileges are jealously guarded. But Gorbachev nonetheless feels forced to seek remedies for some of the inherent defects of the Party machinery which have contributed so largely to economic stagnation and social decline:- the immobility of cadres in leading positions, resulting in widespread slackness and corruption; the habit of blind obedience to directives from above leading to passivity and lack of initiative (and partly, for example, to the Chernobyl disaster); and the absence of any sense of accountability of Party officials to those below them, with a consequent failure to respond to local needs.

10. Gorbachev has removed many elderly and idle officials but knows that the next generation will be no better unless there is some more effective mechanism than periodic purges to stimulate performance and facilitate replacements when necessary. He has evidently toyed with the introduction of limited tenure for senior Party positions or establishing a compulsory retirement age. Such measures would, however, be highly unpopular. Resistance to them was almost certainly responsible, at least in part, for the three postponements of the January Plenum and Gorbachev was obliged to give them up. He may revive them at the All-Union Party Conference which he apparently plans to convene next year. In the meantime, he has proposed the introduction of a secret ballot and of more than one candidate in the elections of Party Secretaries from

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district to Republic level. Several such elections at the lower level have already taken place and have been widely publicised in the Soviet media. The real democratic content of this innovation is small, since the candidates will be pre-selected and the winner subject to confirmation by higher Party organs. The purpose may be as much to make it easier for Gorbachev to engineer changes of entrenched local Party leaders as to make the Party Secretaries feel accountable to the Committee members who elected them.

11. The political aspect of restructuring also involves an element of what Gorbachev baldly calls the "democratisation of Soviet society". (Party documents and Pravda editorials prefer the clumsier but less loaded formulation "broadening of socialist democracy".) In practical terms, this amounts so far to:

(a) the introduction of elections of factory directors, brigade leaders and foremen by the work force. Examples of this novel procedure have already been prominently reported by the Soviet media and the principle is enshrined in a new law on the socialist enterprise. Elected enterprise directors will be subject to confirmation by the appropriate Ministry; and

b) some proposed changes in electoral practice involving principally the nomination of more than one candidate in local Soviet elections. This new procedure will be tried out experimentally in certain areas in the local elections due in summer this year. The selection of candidates in these contested elections will be carefully supervised by the Party and in a one-Party system no element of pluralism is of course involved.

### The Legal System

12. Impending changes in the legal system represent a potentially very significant practical aspect of "restructuring". Gorbachev stated at the January Plenum that the Criminal Code was being revised: a new law enabling citizens to file complaints against officials would be passed; and there would be new legal acts to guarantee glasnost'. We have been told by a prominent Soviet legal journalist that the revision of the criminal code would involve a general reduction in the harshness of sentences and the probable annulment of one of the principal "political" articles of the RSFSR Code (190/1 on the dissemination of anti-Soviet slander), the possible annulment of the anti-religious Article 227 and a significant reduction in the scope of Article 70 on anti-Soviet propaganda. This gives some grounds for hope that the recent release of several hundred prisoners of conscience convicted under the political articles is more than a tactical gesture and heralds a genuine relaxation of policy towards dissidents. Measures are apparently also under consideration to strengthen the authority and prestige of the courts and discourage interference in the judicial process by Party and other officials, about which there have been outspoken complaints recently in the Soviet press. These reforms appear to

represent some movement, albeit limited so far, towards humanising the Soviet legal system and making Party officials accountable to the law.

### Social Renewal

13. The essence of Gorbachev's concept of perestroika is the "human factor" - the revolution in psychological attitudes which the reforms outlined above are intended to help bring about. Underlying the concept is a remarkably frank analysis of the basic flaws in Soviet society which the Soviet system has bred or encouraged: bureaucratic inertia, fear of initiative and risk, unthinking subservience to superior directives, insensitivity and indifference to needs and opinions of those lower down the hierarchy, hostility to originality and to creative ideas. Unlike Khrushchev and Brezhnev, Gorbachev has not merely blamed the problems he has inherited on the personal faults of his predecessor but has diagnosed some of the symptoms of the disease from which the system itself is suffering.

14. The measure of democratisation he has prescribed is not intended to change the nature of the system by devolving real political power. Democratisation is meant to have primarily an educational and moral effect. It is intended to inculcate in Party and Government officials a greater sense of responsibility and some degree of accountability to those whom they control, and theoretically serve, by exposing them to press criticism and in some cases to competitive elections; and to develop in the workers and the public at large a sense of participation, of having a stake in their enterprise, farm or institute and in the community in which they live. The economic reforms are intended to make workers' pay reflect much more directly not only their own efforts but the performance of their factory in which, it is hoped, they will feel more involved through the right to elect their foremen, brigade leader and director. The "democratising" dimension of perestroika is an attempt to overcome the cynicism and apathy of a workforce with no sense of any real connexion between effort and rewards, content to be paid badly if not required to work hard, whose attitude is summed up in the ironic saying (recently quoted in the Soviet press) "we pretend to work and you pretend to pay us".

15. The revivalist fervour with which Gorbachev preaches the message of restructuring reflects his belief that the Soviet Union faces a moral and spiritual as well as an economic crisis. But the fundamental rationale for perestroika is economic. Gorbachev has not been converted to the virtues of democracy. The Soviet leader has been forced to the conclusion that the existing Soviet model of Communism is economically inefficient and that "democratisation" as defined by him is a more effective model. As he put it recently in his speech to the Soviet Trade Union Congress: "Either democratisation or social inertia and conservatism. There is no third way, Comrades."

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This underlying purpose of getting the system to work properly is the sole justification for restructuring, and it is never lost from view. Perestroika is far from being change for change's sake; on the contrary, it is more a reluctant acceptance that changes have to be made and obstacles removed if the goals are to be achieved.

Will Perestroika Work?

16. It is too early to assess with confidence the prospects for the success or failure of Gorbachev's ambitious policies of change. But it is not too soon to identify some of the factors which will determine their fate. In a series of "campaign" speeches about restructuring Gorbachev has made no secret of the fact that the policy is running into stiff resistance and even opposition. The opponents of perestroika include those officials who, as Gorbachev put it in a speech in Khabarovsk last year, "cannot understand or even pronounce" the word and do not know what they are supposed to do; those who understand only too well that it threatens their traditional practices, privileges and even jobs (restructuring should involve a considerable reduction of the administrative apparatus); those who object to his policies on ideological grounds; and those who fear that perestroika will undermine the authority of the Party and the stability of the system. Such fears have no doubt been reinforced by difficulties and incidents encountered on the path of reform and democratisation: the Alma Ata riots in December last year sparked off by the appointment of a Russian First Secretary to clean up the Republic of Kazakhstan; on a more trivial level, the confusion generated by the democratisation of theatre management, which has left many leading companies riven by factional disputes; and phenomena such as the demonstration in central Moscow by 1000 teenagers protesting against the lyubera - a Russian version of National Front skinheads, whose attacks on punks and other youths of alien "Western" appearance has, in the new atmosphere of frankness, received publicity in the Soviet media. Gorbachev has frequently alluded to the anxieties of those who think his policies could shake the "foundations of socialism": or ask whether "we are not taking the corners too sharply". His usual response has been a show of confidence: "Can we really not cope with a few demagogues?" He has accused those who fear democratisation of an "important political error - lacking faith in the people". Recently, in a conversation with the former Italian Prime Minister, Signor Fanfani, he seemed to be reassuring his domestic critics when he observed that the course of restructuring would be followed "firmly, consistently but circumspectly, in order not to rock the boat and not to make the crew or the passengers sick".

17. On the evidence of his performance so far, however, Gorbachev's instinct is to press ahead more strongly when the going gets rough. As he said at the January Plenum,

there is "nowhere to retreat to". His concept of restructuring has become progressively more radical. In his speech in Khabarovsk last year he said that the further perestroika proceeded the more the scale of what remained to be done became clear. He has been driven by his deepening awareness of the depth of the crisis in the Soviet system to go much further than he himself had originally contemplated. In his recent conversation with the Argentine Communist Party leader, Fava, he made the interesting comment that "what is happening now would have been unthinkable even a year ago" (ie at the time of the 27th Party Congress) . . . . . If we had asked then about the possibility of what is now becoming familiar we would have given a negative or evasive answer." There are also signs that restructuring is beginning to acquire a momentum of its own, especially in the cultural sphere. This is encouraging but it could have ominous implications if the leadership begins to feel that the process is getting out of control.

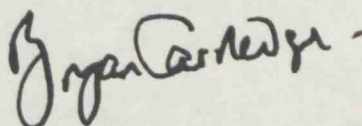
18. The danger for Gorbachev is that it may be impossible to "restructure" the Soviet system without "shaking the foundations". The same factors which have helped to bring about the Soviet Union's economic decline - centralisation, rigidity and secretiveness - have also helped to maintain its political stability. "Democratisation" does not mean democracy as we know it. But it could both prove to be catching and be pushed along too fast for the party faithful. It could also point up more starkly the inherent contradiction that democratisation comes from below but the leading role of the party from above. At some point this fundamental incompatibility must become obvious. Economically, the logic of the first steps in perestroika should lead to subsequent changes which are regarded as beyond the thinkable. Whether Gorbachev has faced this in his own mind or decided how to approach it may not become apparent for some time. There is abundant ammunition here for his opponents. The precedents are not encouraging. Previous attempts to reform or liberalise communist regimes, whether largely initiated from above by the Party itself - as in the Soviet Union in 1956 following the 20th Party Congress, Czechoslovakia in 1968 (and perhaps now China); or from below as in Hungary in 1956 or Poland in 1980-81, have come to grief or run into the sand. There are some grounds for optimism in the very depth of the Soviet Union's economic and social crisis, in the evident conviction of the Soviet leadership that the orthodox methods and remedies are inadequate and in Gorbachev's deep personal commitment to the policy of restructuring. Gorbachev is nevertheless accumulating a formidable number of enemies: he has indicated twice recently that he would resign if perestroika were rejected by the Party. If he does persist with perestroika the process will be difficult and protracted. I fear that Gorbachev was right when he said, according to an unofficial record, to a group of writers, in June last year: "Generations must pass for us really to be able to restructure ourselves. Generations must pass."

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19. That a Soviet leadership should be driven by logic and experience to seek economic efficiency along the path of liberal reform - for with all its limitations that is what perestroika could amount to - is in my view a positive development not only in the Soviet domestic but also in the international context. Although there is very little which we can do to influence its evolution - and it would be folly to make concessions to Soviet interests in the belief that we can - it is nevertheless in our own best interests that perestroika should succeed. As I have argued elsewhere, a relatively fatter and more contented Gorbachevian communist could be a less uncomfortable neighbour than a thin and hungry one since he will have grown fat only, I believe, by considerably changing his habits and attitudes. There is no serious evidence yet that Soviet foreign policy objectives (as distinct from organisation and tactics) have undergone much restructuring. But if the restructuring of attitudes, reappraisal of values and relatively free debate about internal affairs proceeds much further, traditional Soviet attitudes to the West and the Soviet role in the world cannot remain wholly unaffected, especially given the greater access to the Western viewpoints which glasnost' increasingly affords. At the very least, the process of perestroika if it does continue will generate so many domestic problems and difficulties for the Soviet leadership that they are likely to have less appetite for foreign adventures. We should not take Gorbachev's protestations concerning the link between his preoccupation with internal perestroika and his desire for peace entirely at face value; but there can be no doubt that he is deeply concerned, almost obsessed, with the need to reverse the economic and social decline of the past 20 years, and he is more likely to achieve this against a background of international stability and of a more predictable international climate. A more prosperous and more enlightened Soviet Union would of course be a more formidable rival to Western interests and influence, not least in the Third World. But the more pluralistic Soviet Union which prosperity and enlightenment would presuppose would also find it more difficult to pursue the monolithic and relentlessly consistent foreign policy which the West, with its built-in political turbulence and rapid cycle of political change, has sometimes found it hard to contain.

20. I am sending copies of this despatch to H.M. Representatives in Washington, Paris, Bonn, UKDEL NATO, UKREP Brussels, Peking, Tokyo, Helsinki, and in East European posts.

I am, Sir,  
Yours faithfully,



Bryan Cartledge