

UNCLASSIFIED

FM MOSCOW

TO PRIORITY FCO

TELNO 1327

OF 191301Z JULY 90

INFO PRIORITY BONN, WASHINGTON, PARIS, EAST BERLIN, BM BERLIN  
INFO PRIORITY UKDEL NATO, UKREP BRUSSELS, ACTORCALL ON FALIN, CPSU SECRETARIAT ms

## SUMMARY

1. FALIN DISCUSSES WHY THE RUSSIANS DROPPED THEIR OBJECTIONS TO GERMANY IN NATO. PROBLEMS OF POPULAR OPINION. HIS ATTITUDE TO WESTERN AID, AND THE INTRODUCTION OF THE MARKET. THE OUTCOME OF THE CONGRESS, AND THE FUTURE OF THE PARTY. HE WAS HIS USUAL APOCALYPTIC SELF, BUT MADE SOME INTERESTING POINTS.

## DETAIL

2. I CALLED ON VALENTIN FALIN, HEAD OF THE INTERNATIONAL DEPARTMENT, AND A NEWLY ELECTED MEMBER OF THE CPSU SECRETARIAT ON 19 JULY. WE HAD A WIDE-RANGING DISCUSSION, DURING WHICH FALIN WAS RELAXED AND FRANK ABOUT HIS OWN IDEAS.

## GERMANY.

3. GERMANY WAS TOP OF OUR AGENDA. FALIN NOTED THAT THE DECISION TO LEAVE THE QUESTION OF NATO MEMBERSHIP TO THE GERMANS THEMSELVES "HAD BEEN TAKEN AND WAS NOW PUBLIC." IT WAS NOT A NEW POSITION: GORBACHEV HAD RAISED IT WITH BUSH IN WASHINGTON. FALIN THOUGHT THE GERMAN PEOPLE SHOULD BE CONSULTED BY REFERENDUM, SINCE POLLS SHOWED A MAJORITY OF THE GERMANS WERE AGAINST MEMBERSHIP OF EITHER ALLIANCE. BUT NO DOUBT IT WOULD BE THE GERMAN GOVERNMENT WHICH TOOK THE DECISION.

4. FALIN EXPLAINED WHY THE SOVIET GOVERNMENT HAD ALTERED THEIR PREVIOUS POSITIONS AND HAD FELT ABLE TO TAKE THIS DECISION NOW. THE NATO SUMMIT AND THE LONDON DECLARATION HAD BEEN DECISIVE. THE DECLARATION STILL CONTAINED A NUMBER OF CONDITIONS. BUT THE ESSENTIAL, AND DECISIVE, POINT HAD BEEN THE STATEMENT THAT NATO NO LONGER REGARDED THE SOVIET UNION AS AN ENEMY.

5. THE RUSSIANS HAD ALSO TAKEN ACCOUNT OF DEVELOPMENTS INSIDE GERMANY ITSELF. KOHL AND DE MAIZIERE HAD AGREED TO A TIMETABLE. IT

WAS ESSENTIAL TO HAVE THE TWO PLUS FOUR PROCESS OUT OF THE WAY BEFORE ALL-GERMAN ELECTIONS IN DECEMBER. THE STRAINS OF GEMU COULD FEED THE GROWTH OF RIGHT-WING MOVEMENTS, PARTICULARLY IN THE GDR, WHICH OFFERED THEM MORE FERTILE GROUND THAN THE STABLE AND DEMOCRATIC FEDERAL REPUBLIC. THE RUSSIANS BELIEVED THAT KOHL HIMSELF WAS HONEST WHEN HE SAID THAT TYING GERMANY INTO WESTERN ORGANISATIONS WOULD ACT AS A CONSTRAINT ON THE EMERGENCE OF A RIGHT WING.

6. BUT THE RUSSIANS HAD EVIDENCE THAT SOME OF THE PEOPLE AROUND KOHL WERE THINKING DIFFERENTLY. THEY WERE TALKING OF A TIME, SAY TEN YEARS HENCE, WHEN GERMANY COULD HOPE TO RENEGOTIATE ITS EASTERN BORDERS, AND SEEK COMPENSATION FOR POLAND IN BELORUSSIA AND THE UKRAINE, WHICH WOULD BY THEN BE LESS SECURELY TIED INTO THE SOVIET UNION. SUCH A GERMANY COULD WELL BREAK LOOSE OF ITS OWN ACCORD, FROM THE TIES OF NATO AND THE COMMUNITY. HE DID NOT HIMSELF PARTICULARLY CREDIT THIS SCENARIO, BUT IT DID REINFORCE THE ARGUMENT FOR DEVELOPING PAN-EUROPEAN STRUCTURES AS A FORM OF INSURANCE.

7. I ASKED HOW POPULAR OPINION WOULD REACT TO THE LATEST GERMAN AGREEMENTS. FALIN THOUGHT THE PEOPLE WOULD NOT LIKE IT. THEIR MEMORIES, NOT JUST OF THE WAR, WERE STRONG. THEY FELT THEY HAD BEEN DUPED IN 1939. WHEN THE TWO PLUS FOUR AGREEMENT CAME TO BE RATIFIED, THE GOVERNMENT WOULD BE ASKED ABOUT GUARANTEES. HE RECALLED THAT AFTER THE 1970 MOSCOW TREATY HAD BEEN SIGNED THERE HAD BEEN A WAVE OF PANIC-BUYING IN BELORUSSIA, THE FAR NORTH AND THE URALS. FOR THESE PEOPLE A TREATY WITH THE GERMANS WAS AN OMEN OF A COMING WAR. THAT WOULD MAKE FOR A DIFFICULT RATIFICATION DEBATE IN THE SUPREME SOVIET, THOUGH FALIN WAS CONFIDENT THE DIFFICULTIES WOULD BE OVERCOME.

#### ECONOMIC ASSISTANCE

8. I SAID THAT NOW THAT GERMAN UNIFICATION WAS A FOREGONE CONCLUSION, WE SHOULD LOOK AHEAD TO A MORE COOPERATIVE EUROPE, IN THE ECONOMIC SPHERE, JUST AS MUCH AS SECURITY. THE DUBLIN AND HOUSTON DECISIONS HAD BEEN SIGNIFICANT, PRACTICAL AND - I HOPED - WELCOME TO THE SOVIET UNION. NOW DELORS HAD ARRIVED IN MOSCOW. IT WAS IMPORTANT THAT THE EUROPEAN COMMISSION - AND THE OFFICIALS FROM THE IMF WHO WOULD DOUBTLESS TURN UP SOON - UNDERSTOOD THE NATURE OF PERESTROIKA AND WHERE COOPERATION WOULD BE WELCOMED AND HELPFUL. FALIN SEIZED ON THE WORD COOPERATION. LARGE CREDITS, DISHED OUT WITHOUT CONDITIONS COULD BE POSITIVELY HARMFUL. THEY WOULD INCREASE THE SOVIET DEBT BURDEN WITHOUT PRODUCING ANY QUALITATIVE CHANGE IN THE SOVIET ECONOMIC SYSTEM. CREDITS COULD BE USEFUL, PROVIDED THEY WERE GIVEN TO SPECIFIC PROJECTS, WORKED OUT BY MUTUAL AGREEMENT AND KEPT UNDER JOINT CONTROL. I RECALLED THAT THE MARSHALL PLAN, TO

WHICH PEOPLE SO OFTEN REFERRED, HAD BEGUN NOT WITH A MASSIVE AMERICAN HANDOUT, BUT BY THE CREATION OF THE ORGANISATION FOR EUROPEAN ECONOMIC COOPERATION, WHICH HAD ENABLED ALL CONCERNED TO DEFINE THE PROBLEMS, AND WORK OUT SENSIBLE SOLUTIONS, ALL ON A BASIS OF EQUALITY AND MUTUAL RESPECT, BEFORE A CENT HAD BEEN DISBURSED.

9. FALIN AGREED THAT THERE SHOULD BE CAREFUL DISCUSSION OF WHERE WESTERN INPUTS WOULD DO MOST GOOD. THE IDEOLOGICAL STRUGGLE FOR ECONOMIC AS WELL AS POLITICAL PERESTROIKA HAD BEEN WON BUT THE GOVERNMENT WAS UNDER CONSIDERABLE TIME-PRESSURE. ANY PROCESS OF RADICAL CHANGE HAD TO GO THROUGH A CRISIS, WHICH WAS WHERE PERESTROIKA WAS NOW. THE DIFFICULTIES WERE IN PART BECAUSE OF THE SCALE OF THE PROBLEM, BUT MORE A SHORTAGE OF ABLE PEOPLE TO IMPLEMENT THEM. THEY HAD BEEN COMPOUNDED BY THE BUREAUCRATS WHO HAD BEEN ACTIVELY INTERFERING IN ORDER TO PROVE THAT THE ECONOMIC SYSTEM COULD NOT FUNCTION WITHOUT THEIR COMAND ROLE. IN FALIN'S VIEW, THE GOVERNMENT HAD TO DEMONSTRATE THAT THE MARKET WORKED. IF THEY COULD BOOST OUTPUT IN ONE OR TWO SECTORS, THIS WOULD DRAG UP PERFORMANCE IN OTHERS.

10. HE ADDED THAT THE GOVERNMENT HAD THROWN AWAY THE CHANCE OF GAINING POPULAR SUPPORT FOR THE REFORMS. RYZHKOV'S SPEECH IN MAY, SHOULD HAVE CONCENTRATED ON THE ADVANTAGES OF THE MARKET, NOT ITS PROBLEMS. HE, FALIN, HAD TOLD MASLYUKOV IMMEDIATELY AFTER THE SPEECH THAT THEY HAD BLOWN IT.

11. FALIN SAID THAT, IN HIS VIEW, THE IDEA OF A CONVERTIBLE ROUBLE ONLY HAD MEANING IF SOVIET GOODS WERE COMPETITIVE ON THE WORLD MARKET. AS LONG AS THEY WERE NOT, THE ROUBLE PRICE WOULD REMAIN ARBITRARY. HE COMMENTED THAT HIS ECONOMIC VIEWS WERE LONG-HELD, BUT HE HAD ALWAYS BEEN OUTSIDE THE SOVIET ECONOMIC MAINSTREAM.

#### THE CONGRESS

12. FALIN SAID THAT THE MAIN OUTCOME OF THE CONGRESS HAD BEEN TO GRANT THE PRESIDENT MORE FREEDOM OF ACTION. HE WOULD NO LONGER HAVE THE PARTY ORTHODOX ON HIS BACK. THE CONGRESS HAD ALSO LIMITED THE ABILITY OF THE PARTY APPARATUS TO BLOCK THE PATH OF REFORM. WE WOULD HAVE TO SEE WHAT GORBACHEV WAS ABLE TO DO WITH THIS NEW FOUND FREEDOM.

13. THE SECOND MAIN RESULT HAD BEEN TO REALISE THE SEPARATION OF PARTY AND STATE. THIS HAD BEEN DECLARED AT THE 19TH PARTY CONFERENCE, BUT HAD NOT BEEN OBSERVED EXCEPT IN A FEW AREAS, SUCH AS FOREIGN POLICY. SHEVARDNADZE AND THE FOREIGN MINISTRY HAD COMPLETE

AUTHORITY FOR THE CONDUCT OF SOVIET POLICY. YAKOVLEV, FALIN AND THE INTERNATIONAL DEPARTMENT HAD OTHER TASKS AND RESPONSIBILITIES. THIS SEPARATION HAD NOT BEEN OBSERVED IN THE ECONOMIC FIELD. NOW IT WOULD BE.

14. THE PARTY APPARATUS HAD ALREADY BEEN CUT BY 40PERCENT SINCE THE 19TH PARTY CONFERENCE. AFTER THE CONGRESS, IT WOULD BE CUT BY A FURTEHR 40PERCENT. THIS REFLECTED A DECREASE IN ITS FUNCTIONS, BUT ALSO THAT THE CPSU BUDGET HAD SHRUNK BY 46 PERCENT.

#### THE FUTURE OF THE PARTY

15. THESE CHANGES WOULD ENABLE THE CPSU TO ADAPT TO NEW CIRCUMSTANCES. FROM NOW ON IT WOULD BE ONLY ONE OF SEVERAL PARTIES. THE NEXT NATIONAL ELECTIONS WOULD BE FOUGHT ON THE BASIS OF PARTY LISTS. THE ELECTIONS IN THE UKRAINE, MOLDAVIA, MOSCOW AND LENINGRAD HAD ALREADY SHOWN THAT THE CPSU WENT INTO MULTIPARTY ELECTIONS WITH A CONSIDERABLE HANDICAP OF THEIR PAST RECORD.

16. HOWEVER, THE SURVIVAL OF THE CPSU WAS IN EVERYONE'S INTEREST, INCLUDING THE WESTS. THE PARTY WAS THE ONLY GROUPING WHICH FULLY SUPPORTED PERESTROIKA AS A PEACEFUL PROCESS. CHANGE WAS NOW INEVITABLE, BUT WITHOUT THE INFLUENCE OF THE PARTY IT COULD BE A LOT LESS ORDERLY. ALREADY THE ARMY HAD BEEN DRAWN INTO A NEW ROLE, PARTLY BECAUSE IT HAD BECOME INVOLVED IN POLICING INTER-ETHNIC CONFLICT. IF CHANGE BEGAN TO RUN OUT OF CONTROL, BOTH THE ARMY AND THE KGB WOULD BE TEMPTED TO USE THEIR INFLUENCE TO RESTORE ORDER, AND PLAY A MORE OVERTLY PARTISAN ROLE. HE THEREFORE FAVOURED THE DEPOLITICISATION OF THE ARMY. THIS WAS NOT REALLY A MATTER OF ABOLISHING THE PARTY CELLS, BUT OF ENSURING THAT THE ARMY WAS CONSTITUTIONALLY APOLITICAL. IN BRITAIN OR AMERICA, OFFICERS WHO HAD SPOKEN OUT AGAINST THEIR SUPREME COMMANDER AS GENERALS MAKASHOV AND LEBEDEV HAD DONE, WOULD HAVE BEEN REGARDED AS UNFIT FOR COMMAND, AND WOULD HAVE BEEN REMOVED. (COMMENT: MAKASHOV IS NOTORIOUS - MY TELNO 1152 - BUT WE ARE NOT AWARE OF LEBEDEV'S CRITICISM).

BRAITHWAITE

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