



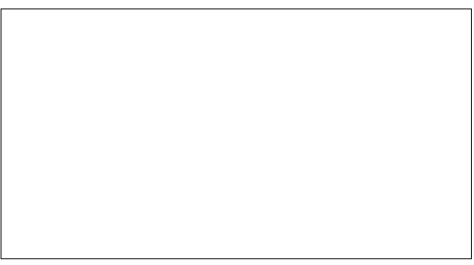
**Public Affairs**  
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29 April 1988

**Diane:**

Here is background information used in  
preparing these talking points. Bob might find  
it useful after his trip.

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TALKING POINTS FOR THE DDCI  
GORBACHEV'S POLITICAL SITUATION AND THE STATUS OF  
THE ALL-UNION PARTY CONFERENCE

General Secretary Gorbachev appears in a strengthened position within the Soviet leadership following Pravda's attack on a Sovetskaya Rossiya letter that was harshly critical of perestroika. "Second Secretary" Yegor Ligachev has lost ground as a result of the exchange, but he and other more conservative party leaders will pose a formidable obstacle to party radicals who hope to use the forthcoming All-Union Party Conference to secure far-reaching political reforms.

I. Gorbachev on the Offensive

The General Secretary is regaining the momentum that he lost last fall in the wake of the Yel'tsin affair. He owes his turnaround at least in part to an opportunity from an unexpected quarter: opponents of perestroika.

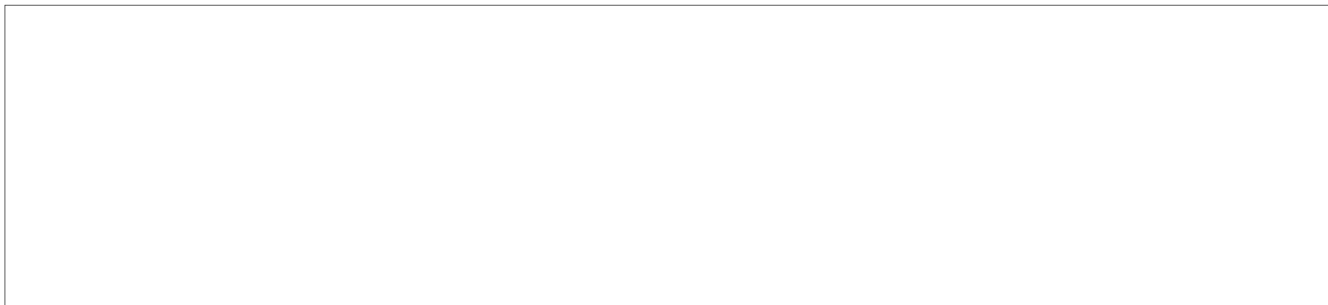
- o Gorbachev began his counteroffensive at the February Central Committee plenum, where he delivered an assertive defense of his restructuring policies, which had come under increasing attack from Ligachev, KGB Chief Chebrikov, and others over the preceding months.

Leadership disagreements over the pace and scope of reform burst into the open with Pravda's publication of a sharply-worded editorial attacking a neo-Stalinist critique of perestroika--ostensibly written by a Leningrad university lecturer named Andreyeva -- that appeared in Sovetskaya Rossiya, the Russian Republic's government newspaper in March.

- o Andreyeva's letter appeared on 13 March, the day before Gorbachev and his close Politburo ally Aleksandr Yakovlev traveled abroad. Its publication was reportedly approved by Ligachev.

Upon returning to Moscow, Gorbachev and Yakovlev were reportedly furious with the Sovetskaya Rossiya piece and ordered Pravda's rebuttal.

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The conservatives, and most likely Ligachev, are now on the defensive.

- o Gorbachev -- by practically accusing conservatives of forming an opposition -- has limited Ligachev's room for articulating an effective alternative to perestroika in its present form.
- o Pravda's counterattack has laid the groundwork for other, more virulent, media assaults on Sovetskaya Rossiya, and Soviet newspapers have published numerous letters voicing support for Pravda. Sovetskaya Rossiya reprinted the Pravda editorial and apologized for publishing Andreyeva's article
- o Ligachev's future in the leadership may be in doubt. [redacted] [redacted] Gorbachev received Politburo support at the 30 March meeting for a resolution calling for Ligachev's removal.

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While Gorbachev has regained momentum, he still faces considerable resistance to his reforms within the party.

- o Ligachev probably has a large bloc of supporters in the Central Committee who feel he is politically more orthodox -- and therefore less threatening -- than Gorbachev.
- o Some Soviet sources claim that the party is deeply divided over the issue of political orthodoxy, and [redacted] Pravda's mail over the press dispute is almost evenly split.

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## II. Party Conference Preparations

Gorbachev's renewed offensive comes at a crucial time in the lead up to the All-Union Party Conference scheduled to begin on 28 June 1988, particularly since the first stage in the preparations for the conference had shown minimal results.

- o The special nationwide regional party plenums held November-January 1987 failed to remove many entrenched and uncooperative leaders and did little to promote proposals for the radical "democratization" of the party Gorbachev apparently hopes to achieve at the conference.

In recent weeks there have been signs Gorbachev's drive to restructure the political system is now gathering momentum. The press has begun to publish reform proposals which raise the most serious and contentious ideas, particularly:

- o electing party leaders by secret ballot with a choice of candidates,
- o limiting of terms of office to a maximum of 8-10 years.

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- o changing the occupational composition of the Central Committee to reduce the influence of entrenched party elites and government ministers,
- o reducing the size of the party apparatus by eliminating the branch economic departments,
- o forming a national-front-type organization, similar to those found in Eastern Europe, that would include other political groups besides the communist party.

The extent of support for such proposals is unclear, however, and Gorbachev faces a significant challenge as he seeks to lay the ground work for radical change at the conference.

- o Conservative leaders are numerous at the regional levels where the delegate selection process will take place over the next two months.
- o The actual powers of the conference remain uncertain, indicating there is probable high-level disagreement on both the issues at stake and how they will be resolved.
- o Other than Senior Secretary and Moscow party boss Lev Zaykov and unexpectedly, Ukrainian party chief Shcherbitskiy, the rest of the leadership has remained conspicuously quiet on specific party reform ideas.

Thus, even if he dominates the rhetorical battle -- where at the moment he has the upper hand -- Gorbachev faces an uphill struggle as he seeks to extend control over the party apparatus and thereby solidify political backing for a radical reform agenda.

15 April 1988

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**Gorbachev's Economic Program: Problems Emerge**

13 April 1988

A paper prepared by the Central Intelligence Agency and the Defense Intelligence Agency for the Subcommittee on National Security Economics of the Joint Economic Committee, Congress of the United States.

### Summary

Gorbachev's ambitious program to create a modern, more dynamic Soviet economy ran into trouble in 1987. Familiar problems with poor weather and transportation bottlenecks were compounded by the disruptions caused by the introduction of economic reforms, with the result that Soviet GNP grew by less than one percent last year--a rate reminiscent of the late Brezhnev period.

The new quality-control program (gospriyemka) introduced in 1500 industrial enterprises proved to be particularly disruptive, especially early in the year. The introduction of wage reform, ministerial and enterprise staff reductions, and, to a lesser extent, new financial reforms, further complicated the enterprise managers' already difficult and confusing task. Buffeted by these disruptions, industry grew by only about 1.5 percent, and the critical civilian machine-building sector did not expand at all. Harsh weather also hampered agriculture, where output fell 3 percent below the previous year's record level.

The effects of the sharp slowdown in growth were felt unevenly across the economy. In line with Gorbachev's emphasis on the modernization program, investment appears to have been given top priority. Major defense programs also appear to have continued on track, although Gorbachev demanded that the armed forces use resources more efficiently and some cost cutting measures were apparently instituted. The real loser in 1987 appeared to be the consumer who--now three years into Gorbachev's economic program--has seen almost no increase in his standard of living.

While slow growth in Soviet GNP--and the attendant problems in resource allocations--were the most obvious signs of the economy's difficulties, the real problems for Gorbachev lay elsewhere. The leadership had hoped that a strong economic performance last year would provide a firm foundation for the

future development of Gorbachev's economic program, but this did not occur. Enterprises still appear to be confused by contradictory guidelines for implementing the self-financing reforms being introduced this year; shortfalls in 1987 machinery output will limit the pace of modernization; and transportation bottlenecks persist. In addition, shortages of consumer goods, reduced job security, and widespread concern over potential increases in consumer prices are undercutting the prospects for improved worker productivity.

In light of these problems, the short-term outlook for Gorbachev's economic program is not good. Although considerable year-to-year fluctuations are possible due to weather and other external factors, we project average annual GNP growth of 2 percent or less during the rest of this Five-Year Plan (1988-90). Under these circumstances, we believe that if, as seems likely, the leadership continues to pursue its high-investment strategy and provides some increase in consumer goods to motivate workers, it will have to tap resources from one or all three of the following areas:

Defense--Defense currently claims 15-17 percent of GNP--including an especially large share of the output of the critical machine-building sector and large shares of the highest quality materials--and, thus is a prime candidate to support Gorbachev's modernization program. The defense industries are already being drawn into helping the consumer-oriented industries, and the military is placing increasing emphasis on more efficient use of resources and on personnel accountability.

Other Sectors--Gorbachev could also try to slow the growth of investment to other sectors of the economy to find additional resources for modernization and the consumer. Energy and agriculture, which take about half of Soviet investment annually, are prime candidates, although any major reductions in these sectors would disrupt output, which could have a ripple effect across the economy.

Abroad--Continued economic difficulties would make increased imports an attractive option, especially in selected areas such as energy and machine tools. Although Gorbachev has repeatedly indicated that the machinery for modernization must come primarily from domestic production, the Soviet credit rating in the West remains good and the USSR has considerable room to expand imports beyond the current levels.

Prospects for increasing imports from Eastern European allies--which need machinery for their own domestic modernization programs--are less bright.

While it is still too early to tell how far Gorbachev will go in tapping each of these sources, we should begin to get some good indications as to the choices the Soviets are making over the next year. Decisions on economic reform will probably be made and the fundamental goals of the next fifteen-year plan (1991-2005) could be unveiled at the All-Union Party Conference in June--the first such conclave in nearly 50 years. The emphasis placed on traditional growth targets as opposed to modernization and reform in leadership speeches and the Soviet press will provide additional insights into the policies Gorbachev intends to pursue.

Whatever direction Gorbachev follows, we believe that if the economy continues to perform poorly in the next few years, tension within society and the leadership will increase. Bureaucrats will become increasingly frustrated by loss of privileges and status and by demands that they show greater initiative. Military leaders are likely to become more and more uneasy if benefits from the industrial modernization fail to materialize. Soviet citizens will need to see some improvement in living standards if the regime is to achieve necessary gains in worker productivity and avoid widespread discontent. Although Gorbachev appears to be working against no set timetable, failure to head off these tensions would, at a minimum, make it more difficult to pursue his economic program vigorously and could, ultimately, call into question his strong political position at home.



Scope Note

This joint CIA-DIA report is the third in a series evaluating the performance of the Soviet economy under Gorbachev and analyzing trends in resource allocation. Data on Soviet economic performance in 1987 are preliminary and, as in past years, will probably be revised slightly as more complete information on 1987 results becomes available.

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22 April 1988  
A/NIO/USSR

### THE SOVIET LEADERSHIP SITUATION AND THE REFORM DEBATE:

On 19 April, intelligence community representatives met to discuss the exchange of polemics between party conservatives (the "Andreyeva letter" in the 13 March Soviet Russia) and reformers (a full-page Pravda editorial article on 5 April) and the implications of this confrontation for Gorbachev's reform agenda.

-- There are some important differences within the community over the origins and implications of this dustup, especially over the extent of Second Secretary Ligachev's involvement with the Andreyeva letter.

-- But judging from the meeting there is substantial agreement on critical issues: that the struggle between reformers and conservatives for control of the party is reaching a decisive stage as the June party conference approaches, that the Pravda editorial and subsequent developments signify a major victory for Gorbachev and reform proponents, and that Gorbachev is likely to move in the near term--if indeed he has not done so already--to effectively neutralize Ligachev's influence.

**WHAT'S THE DISPUTE ABOUT?** The radicalization of Gorbachev's agenda over the last two years has produced a fundamental split in the party between reformers (who want a decisive break with the command economy and rigidly centralized political system Stalin created) and conservatives (who believe tinkering will suffice and fear that Gorbachev's reforms are leading the country toward disaster). This split has reached the Politburo, where Ligachev's go-slow rhetoric has clearly established him as the conservative alternative to Gorbachev. The blistering Pravda rejoinder to the Andreyeva letter indicates that the dispute has come to a head as the two sides jockey for position in anticipation of the party conference.

**WHO'S WINNING?** Community analysts disagree on the extent of Ligachev's opposition to Gorbachev and whether he was behind the Soviet Russia attack on reform, as the Moscow rumor mill suggests. Even those who question Ligachev's association with the Soviet Russia article, however, agree that it has been used by Gorbachev and his allies as a pretext to launch a sweeping counterattack on party conservatives and to attempt to neutralize Ligachev's influence in the leadership. An incipient press campaign in support of Gorbachev's agenda since 5 April, and spreading rumors of trouble for Ligachev, suggest Gorbachev has scored a decisive victory.

**OUTLOOK FOR THE NEAR TERM** A decisive confrontation between conservatives and reformers in the Central Committee and the Politburo now seems likely in the run-up to the party conference. While conservatives remain powerful in the party elite--especially in the regional apparatus that forms the core of the Central Committee--the momentum now seems to be running in Gorbachev's direction. Some sort of move to neutralize Ligachev (as well as reshape the Central Committee) seems likely:

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-- Gorbachev could attempt to remove Ligachev from the Politburo altogether at a plenum preceding the conference.

-- As a compromise, Ligachev could be kicked upstairs to replace former foreign minister Gromyko as President. Such a step, while effectively circumscribing Ligachev's influence, could be more palatable to party conservatives than an outright removal from the leadership.

-- Moves to effectively strip Ligachev of his "second secretary" duties--relieving him of the important cadres and ideology portfolios--could be sufficient to neutralize his authority and signal the party ranks that those who attempt to undermine "perestroika" down below will no longer find protection at the top. Gorbachev could calculate that this solution would achieve his objectives while promoting a healing process in the party in the months ahead.

If Gorbachev is able to neutralize Ligachev in some manner it could allow him to dominate proceedings at the party conference and give a powerful boost to the efforts of reformers to launch a decisive attack on the underpinnings of the Stalinist political and economic system. Given the magnitude of Ligachev's apparent challenge, if Gorbachev fails to now clip his wings it will be a significant--perhaps fatal--political defeat.

THE SUMMIT The Moscow summit will occur in the midst of the most dramatic ferment in the Soviet leadership in the last 30 years.

NIO/USSR believes Gorbachev has strong incentives to force the leadership dispute to a conclusion before the visit to bolster his authority in the negotiations with the President and to gain control of preparations for the party conference at the end of June. There is some chance--probably less than one in five-- that Ligachev will beat back this effort, casting doubt on Gorbachev's ability to press his foreign and domestic agenda. But the odds are good that he will succeed. Indeed, the summit may help him achieve his objective by providing an occasion in which the Politburo will want to pull together for a show of unity.

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The Deputy Director of Central Intelligence

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Washington, D.C. 20505

18 May 1988

Maj Gen John E. Morrison, Jr., USAF (Ret.)  
Security Affairs Support Association  
80 West Street, Suite 110  
Annapolis, Maryland 21401

Dear John:

Thanks for your note about the SASA Spring Symposium.

Below I list what I described in my talk as the "four maxims of the 1980s' intelligence officer." The part about finding them in John McMahon's desk is fictitious; I was just pulling John's chain.

1. If you want a friend, buy a dog.
2. There is no job so simple that it cannot be done wrong.
3. A man who can smile when things go wrong has thought of someone he can blame it on.
4. When the going gets tough, everyone leaves.

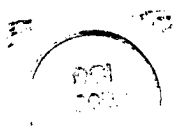
Regards,



Robert M. Gates

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