



Identical letters
sent to people
on list below.

10 DOWNING STREET

From the Private Secretary

18 July 1983

I have been asked by the Prime Minister to enquire whether you would be willing to join a small group of academic experts at Chequers on Thursday 8 September to discuss with her questions relating to the Soviet Union and Eastern Europe.

We propose that the group should assemble at Chequers at 8.50 a.m. on that day. The discussion would take up the whole morning and continue over lunch, the proceedings ending at about 2.15 p.m.

Since Chequers is not altogether easy to reach by public transport we would propose to arrange overnight accommodation at a nearby hotel on the night of 7/8 September for those participants who so wish. All accommodation and travel expenses will of course be reimbursed.

Mr. Michael Kaser of St. Antony's College, Oxford, has kindly undertaken to prepare the discussion by indicating to participants the questions which we hope to cover and suggesting who might lead on each. Each participant will be asked to contribute a short paper.

The Prime Minister would much appreciate it if you were able to take part. It would be helpful to know in the next few days whether you can do so. If you prefer to telephone your reply, I can be reached on (01) 930-4433.

Further details about the meeting would follow in due course.

This letter is marked "Private and Confidential" because we should prefer knowledge of the meeting to be confined to the participants themselves.

A. Z. COLES

Michael KASER	St. Antony's - expert on all aspects of Soviet bloc
Leonard SCHAPIRO	LSE
SCHOEPFLIN	LSE - Eastern Europe
Alec NOVE	Glasgow - Soviet Economy
Philip HANSON	Birmingham - Soviet economy and technology transfer
Archie BROWN	St Antony's - political aspects; the Politburo
Alec PRAVDA	Reading - social aspects, trade unions
Peter WYLES	LSE - economist
<u>Malcolm MACKINTOSH</u>	Cabinet Office
Peter UDELL	BBC External Services to Soviet Union and Eastern Europe
Hugh THOMAS	
Ian ELLIOT	Editor "Soviet Analyst" (also writes for The Times)

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10 DOWNING STREET

20 July 1983

From the Private Secretary

Dear Michael,

I enclose a copy of a letter I have sent to all the potential academic participants in the meeting at Chequers on Thursday, 8 September.

The complete list, in addition to yourself, is:

Mr. G.A. Schöpflin, MA, LLB

Mr. Philip Hanson, MA(Camb), PhD

Professor Alexander Nove, BSc. (Econ), D.Agr., FRSE, FBA

Mr. A.H. Brown, BSc. (Econ) Lond., MA

Mr. A.W.D. McAuley, BSc. (Econ) Lond.

Mr. C. Donnelly, BA

Dr. A. Pravda, MA, PhD (Oxf)

We have not yet reached a final decision on which Ministers and officials will be present. This information will be available later.

You will see that I have asked all those addressed to let me know by telephone whether they can accept the invitation. I shall let you know their answers.

You kindly agreed to attempt to get all the papers to us by 20 August. As I explained the other day, I shall be away from the office from 29 July until about 2 September. But my colleague, Timothy Flesher, will handle the arrangements in my absence.

Yours sincerely
John Coles.

M.C. Kaser, Esq., MA (Camb. & Oxf.)

PRIVATE AND CONFIDENTIAL

The Soviet problem

For the West to anticipate Soviet decisions and to understand Soviet problems a distinction must be drawn between issues on which there is an ideological or national imperative and those upon which a particular policy is associated with a specific power nexus (such as the 'military-industrial complex'). A first theme for discussion is hence the interpretation of Soviet external policy as 'imperialist' or 'defensive' and the degree to which it is given to negotiation with its adversaries and its allies.

But the ability of the Soviet government to exercise choice within the 'imperative' areas and still more on its approach to 'discretionary' issues depends on the nature of the Party leadership (of which the most significant, but by no means the sole, characteristic is its permanence as perceived within the Soviet government and Party).

The Andropov succession is only the fourth since the Revolution and in no case has the incomer been the choice of his predecessor. Lenin did not want Stalin, Stalin wanted Malenkov, not Khrushchev, who was dismissed, and Brezhnev wanted Chernenko. If a power struggle continues after the nomination of a Party General Secretary (for four years after Stalin's death) or in anticipation of a change (the two years before Khrushchev's dismissal, the period of uncertainty before Brezhnev's death), his authority is diminished. In Andropov's case the two penumbrae may be one - the continuing strength of Chernenko on the one side and Andropov's age and ill-health on the other (at 69 he is older after succession than any previous leader: 68 on taking over. Andropov is older than were Stalin (44), Khrushchev (58) and Brezhnev (57). A second theme is hence the strength and relative permanence of the Andropov dominance and consideration of the composition of the forces that form the decision-making stratum.

Subject to modifications introduced by the second discussion, a third field is Andropov's own determination to carry through substantial changes in the relatively short time available to him. There is now sufficient evidence of that determination for it to be taken as given, but the issues to be confronted and the difficulties to be overcome should be compiled, and each judged in the light of the support Andropov can now and later be expected to command (on assessment of the Politburo 'line-up' and Central Committee changes being engineered by Andropov). It is prudent to consider at this stage the likely successors to Andropov and the time-scale on which a further leadership change could come about.

Assuming the continuance of Andropov over, say, four years, discussion could fourthly focus on his political 'style' (more 'open' but no pluralistic-government, concern with non-Russian minority representation, relative priorities of the home economy, foreign policy, defence, East-West trade and Comecon integration). The problems themselves are each for further examination: the

discussion at this stage is for the evaluation of Andropov's priorities in the light of his (putative) concern to introduce changes as soon as politically feasible (his Kommunist article in February stressed the need for 'well-prepared' reforms, opposition to which, above all through vested interests, is strong). Far-reaching economic reform, let alone political devolution, is not to be expected, but each broad set of likely decisions could be examined in turn. The signs are that Andropov and Gorbachev have already had to be more cautious on farm reform. The fifth topic should be the economy because 'what the USSR can afford' will illuminate some domestic political problems and some directions of foreign and defence policy. Manpower is a fundamental constraint on Soviet growth (and with growth to add to existing commitments without reducing the allocation to others - growth has ever since the First Five-year Plan covered up planners' waste and error). The USSR no longer has the fund either of new labour from demographic growth (except in Central Asia where natural resources and capital assets are fewest per head) nor of redeployed labour from agriculture or urban housewives, while bad management hoards the labour it has. There is a labour market in the USSR and despite the total subordination of the trade unions to government aggregate wages have been rising faster than the supply of consumers' goods and services provided under the Plan. Andropov admitted at the June 1983 Central Committee that effective demand exceeded supply, and the fixed retail price structure is so out of the 'market-clearing' range that microeconomic inflationary pressure is widespread, causing queues, informal rationing and chronic shortages, with consequences which include a growing black market, corruption, disincentive to work and alcoholism. One of Andropov's early efforts was to seek to suppress some of these abuses but they are symptoms of a deeper malaise. This fifth discussion could centre upon the Soviet need to reform the economic mechanism, the bureaucratic and other obstacles to introducing rationality and the other paths (including import of Western technology) to improve labour productivity. A side theme is the new Soviet pro-natalist population policy - but one which can only be a long time in relaxing the present constraints; a better use of existing manpower has the shorter term pay-off.

The political implications of an economic reform (which should involve a sharp rise in some retail prices) could be woven into a sixth element - nationalist and social discontent and the threat to the privileges of the élite through preferential access to goods, services and facilities in short supply. Scope for upward social mobility has become less and that of social anomie has increased. As a former head of the KGB, Andropov should act to minimise social frustration, a problem enhanced by the likely stagnation of the real wage to the end of the decade.

The gain in productivity (or otherwise the regain of a growth path) is all the more needed because of Andropov's declared commitments to the present high investment in agriculture. The opening of collective farming to private incentives (foreshadowed by Gorbachev in March but not approved by the Central Committee in June) is part of the same political repercussions of economic reform, but is separate enough to form a seventh field.

The other principal politically-determined call on economic resources - constituting an eighth topic of discussion - is armaments and the use of manpower in a conscript army. Because the weight of arms spending as perceived by the Soviet leadership in allocating resources is crucial to defence policy, it must be seen with them in the respective contexts of the benefits of outlay, increased, constant or diminished (within arms control). Ustinov's support for Andropov is relevant but the latter left his options open at the June Central Committee; but Soviet military doctrine is itself evolving.

A ninth topic could be devoted to the non-defence aspects of foreign policy, in the context of the prevention of a new encirclement of which one strand is the division of West Europe from the US and another rapprochement with China. Policy towards the West interlocks with that towards its own Warsaw Pact and Comecon allies and has an economic dimension (Soviet subsidies to East Europe, the cost of Cuba and Vietnam) as well as the salient political ones (such as control in Poland, pressure on Romania or relations with Yugoslavia). Soviet cost-benefit analysis must also be directed towards client states (e.g. Angola) and occupied ones (Afghanistan).

Finally, Soviet expectations on trade and finance are an important tenth area. If the USSR plans to reverse the hitherto downward trend in purchase of technology from the West, it must take account of the needs of Comecon for trade when no 'new money' is becoming available for the indebted East European members.

Michael Kaser