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From the Private Secretary

11 July 1988

Dear Mr. Gorbachev,

**PRIME MINISTER'S MEETING WITH THE SOVIET AMBASSADOR:
SOVIET PARTY CONFERENCE**

The Prime Minister saw the Soviet Ambassador this morning to hear a report on the recent Party Conference of the CPSU which he attended

Mr. Zamyatin said that he had not seen such a Party Conference since 1949 in terms of the freedom and candour of discussion. An unprecedented feature had been the establishment of special commissions to discuss and amend the resolutions to be adopted by the Conference. The central issue had been the structure of political power. This in turn had a number of aspects. The role of the Communist party would be reduced and in future it would concentrate on three areas - ideology, education and personnel matters. It would not be involved directly in economic and social questions. These would be dealt with by the government which would be responsible to Parliament. The Parliament would meet between sessions of the Supreme Soviet and would be headed by the chairman of the Supreme Soviet who would be elected by secret ballot. Another major issue had been the proposal to combine the post of chairman of the Supreme Soviet with that of leader of the Communist party. Gorbachev had pointed out that, in most other countries, the leader of the strongest party was also the head of state and government and the Soviet Union should adopt the same practice. But not all delegates had been in favour of that, citing their fear of a renewed personality cult, and 247 had voted against it.

Zamyatin continued that the Conference had noted that the pace of economic reform was slower than had been expected. Gorbachev had cited two reasons for this: the scale of the problems had not been fully realised; and the implementation of economic reforms was having to take place within the limits imposed by existing Economic Plans. Many sectors of the economy such as steel were still operating under the old system. Delegates had also reported that people were dissatisfied with the disruption of supplies, particularly of food. In consequence the main theme of the meeting of the Central Committee to be held at the end of July would be the food programme. The other main question which had to be addressed was that of price reform.

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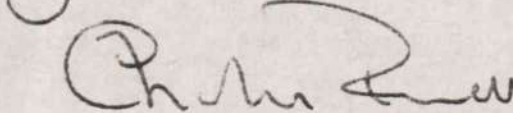
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I enclose a copy of Zamyatin's notes on which, as you will see, he expanded in discussion.

The Prime Minister said that the conference had been a very exciting event which had attracted enormous interest abroad, particularly in the United Kingdom. She was not surprised that the benefits of reform were proving slow to materialise; she had always predicted that the difficulties would be felt long before the advantages. Nonetheless she remained optimistic about the prospects for Mr. Gorbachev's reforms and she interpreted the Conference as a considerable boost for them. The Prime Minister added that she thought it had been a courageous decision to allow Yeltsin to speak. She understood Mr. Gorbachev's view that the party leader should also be the highest representative of the State. Overall she was optimistic about the direction in which things were moving in the Soviet Union.

I am copying this letter to Brian Hawtin (Ministry of Defence), Alex Allan (HM Treasury) and Trevor Woolley (Cabinet Office).

Yours sincerely,


(C. D. POWELL)

Lyn Parker, Esq.,
Foreign and Commonwealth Office.

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I WISH TO EXPRESS MY OWN VIEW ON THE MOST IMPORTANT ISSUES OF THE PARTY CONFERENCE.

THAT WAS EXTRAORDINARY PARTY GATHERING SINCE 1941 - AN EVENT THAT PROVED EXTRAORDINARY IN EVERY SENCE OF THE WORD. NEARLY 5.000 DELEGATES MET IN KREMLIN TO DEBATE THEIR COUNTRY'S POLITICAL FUTURE AND SPECIFICALLY THE FATE OF THREE - YEAR - OLD PROGRAMM OF RESTRUCTURING.

I WOULD SAY, THAT CONFERENCE VERY DEFINITELY SPOKE IN FAVOUR OF THE CONTINUATION OF PERESTROYKA. THE OVERWHELMING MAJORITY OF DELEGATES STOOD FOR IT. IT IS AN EVIDENCE OF THE STABILITY IN THE SOCIETY AND LEADERSHIP.

● HOWEVER, FROM THE REPORT, AS WELL AS FROM THE SPEECHES IT BECAME QUITE CLEAR THAT, THE PACE OF ECONOMIC REFORMS IS SLOWER THAN THE TARGETS. THERE ARE TWO MAJOR REASONS:

- AT THE BEGINNING WE DIDN'T FULLY REALIZE THE SCALE OF THE PROBLEMS;

- THE IMPLEMENTATION OF NEW ECONOMIC REFORMS IS TAKING PLACE WITHIN THE LIMITED CONDITIONS, IMPOSED BY PREVIOUS STATE PLAN. THEREFORE THE TRANSITION OF *Enterprizy* ENTERPRIZES INTO COST-EFFECTIVE MECHANIZM WAS FACED WITH THE NUMBER OF PROBLEMS. ONE OF THE NECESSARY ELEMENTS IS THE *Kooperatsion* MECHANIZM OF FREE MARKET FOR WHOLESAL GOODS. THIS MECHANIZM IS STILL LIMITED BY OLD PLANS FRAMEWORK. THAT IS WHY MAJORITY OF ENTERPRISES COULD NOT EMBARK

ON THE ROAD OF NEW ECONOMIC REFORMS.
MANY DELEGATES UNDERLINED THAT EXPECTA-
TIONS OF PEOPLE FOR PROMPT RESULTS OF
PERESTROIKA DID NOT MATERIALIZE.

BUT EVEN DESPITE IT, I SHOULD SAY,
THAT PEOPLE DEEPLY BELIEVE IN PERE-
STROIKA, THEY ARE CONTENT WITH THE
ATMOSPHERE WHICH HAS BEEN CREATED IN THE
COUNTRY AS A RESULT OF DEMOCRATIZATION
AND GLASNOST.

AT THE CONFERENCE IT WAS EMPHASIZED
THAT IN FUTURE ^{*we shall*} WE'LL HAVE TO FIT OUR
EFFORTS INTO THE EXISTING LAWS OF THE
DEVELOPMENT OF WORLD'S ECONOMY.

I WOULD NOT CONCEAL FROM YOU THE
FOLLOWING. MANY DELEGATES SAID, THAT
PEOPLE ARE DISSATISFIED WITH DISRUPTION
OF SUPPLIES, FOOD SHORTAGES IN MANY

AREAS. AS A RESULT, THE CONFERENCE CAME TO A CONCLUSION, THAT THE PRIORITY TASK NOW IS TO FULFILL THE FOOD PROGRAMME. BIG RESOURCES WILL BE ALLOCATED FOR IT.

THE SECOND CENTRAL ISSUE WAS REORGANIZATION OF STRUCTURE OF POLITICAL POWER IN THE COUNTRY. IT IS ONE OF THE PRECONDITIONS FOR THE SUCCESS OF ECONOMIC REFORMS. THE OLD MECHANISM WITH ITS HIGH CONCENTRATION OF POWER IN THE HANDS OF PARTY APPARATUS - IS ONE OF THE MAJOR OBSTACLES.

HENCE, THE CONFERENCE TOOK DECISIONS WHICH FORESEE:

1. RETENTION OF THE LEADING ROLE OF PARTY BUT FREEING IT FROM UNNECESSARY FUNCTIONS OF ECONOMIC MANAGEMENT. INSTEAD THE PARTY WILL FOCUS ITS ATTENTION ON IDEOLOGY, EDUCATION, PERSONALL POLICY.

2. CREATION OF NEW STRUCTURE OF LEGISLATIVE POWER IN THE COUNTRY, A RADICAL RESTRUCTURING OF THE SOVIET GOVERNMENT. WE WISH TO RETURN TO THE FORM, WHICH SERVED THE BASIC PRINCIPLE OF OUR STATE - THE SOVIETS OF PEOPLE'S REPRESENTATIVES. CERTAINLY, IN PRESENT CONDITIONS THEY WILL BE GIVEN NEW RESPONSIBILITIES FOR MANAGEMENT AND CONTROL OVER ECONOMY, SOCIAL PROBLEMS, ECOLOGY. BETWEEN SESSIONS OF SOVIETS THE GOVERING BODY WILL BE TWO-CHAMBER PARLIAMENT. IT WILL CONSIST OF APPROXIMATELY 400 DEPUTIES. THEY WILL BE FREE FROM OTHER RESPONSIBILITIES AND *most of them* WILL SIT ON A DAY-BY-DAY BASIS. THE PARLIAMENT WILL BE HEADED BY CHAIRMAN

THE SUPREME SOVIET, WHO WILL BE ELECTED BY SECRET BALLOT, AS A LEADER OF THE RULING PARTY.

THIRD ELEMENT. A NUMBER OF DOCUMENTS WERE ADOPTED, WHICH SEAL THE ACHIEVEMENTS OF DEMOCRATIZATION, ENVISAGE CREATION OF LAW-BASED STATE, GUARANTEE INDIVIDUAL RIGHTS AND WIDE INFORMATION OF PEOPLE ON ALL ISSUES.

IN CLOSING ADDRESS GORBACHEV PRONOUNCED: THE SOVIET PEOPLE WANT A CLEAR PERSPECTIVE, FULL-BLOODED AND UNCONDITIONAL DEMOCRACY. GLASNOST IN ALL THINGS, BIG AND SMALL, RESPECT FOR HARD WORK, AND TALK, AND FAITH IN THE SERVICE FOR THE CAUSE AND GOOD OF SOCIETY. WE NEED NO SOCIAL UTOPIAS.

THAT WAS THE KEYNOTE OF HIS ADRESS, WHICH WAS SUPPORTED BY THE DELEGATES.