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Gorbachev's Domestic Challenge: The Looming Problems (U)

Key Judgments

Information available as of 2 February 1987 was used in this report.

General Secretary Mikhail Gorbachev is off to a strong start. He has consolidated power with unprecedented speed, put in place an ambitious program for economic revitalization that has already achieved some results, set higher standards of accountability for the bureaucracy, and improved the image of the Soviet leadership at home and abroad.

But Gorbachev's greatest challenge lies ahead. He has staked his leadership on radically improving the functioning of the Soviet system while keeping up with the United States abroad. The cautious changes he has sanctioned so far are, in our view, insufficient to achieve these goals. Over the next few years, he is likely to face tough choices between accepting results that will fall well short of his goals--and a resultant erosion of his power--or pushing the Soviet leadership toward far more difficult--and politically controversial--policy measures.

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Revitalizing the Economy. Gorbachev has made economic revitalization his priority issue, arguing that Soviet national security and influence abroad are dependent on a sharp economic improvement. So far, despite the urgency of his rhetoric, he has relied on traditional methods--discipline, organizational streamlining, new people, refocusing investment to machine building--and some modest reforms to achieve his goals. While these steps are improving things somewhat--and from the Soviet perspective are impressive and significant--they appear likely to fall well short of achieving both the growth and technological progress Gorbachev is seeking over the next five years.

To achieve his goals for improved economic performance, he will have to consider more politically risky and economically disruptive reforms. Moreover, progress on the economy is inextricably linked to developments on a host of other controversial political and social issues. Gorbachev is already facing strong opposition from those who see their jobs, status, and sinecures threatened by his efforts to turn the Soviet economy and society around. His cadre policy--to replace government and party bureaucrats to increase efficiency, imagination, and commitment--is at the focal point of the struggle.

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Mastering the Bureaucracy. To implement successfully even the changes he has announced so far, Gorbachev will have to transform a bureaucracy renowned for its ability to resist leadership direction into a more responsive and efficient instrument of change. Despite his political success to date, he has only begun to accomplish this task. His words and deeds clearly show determination to tame the party and state bureaucracies, but resistance to his initiatives is fierce

unrelenting pressure to get his agenda implemented is already creating a large pool of disgruntled apparatchiki intent on blocking his program, and he may well have to consider even more forceful measures.

Managing the Politburo. From Gorbachev's perspective, the need to address these interrelated problems will seriously complicate his greatest challenge--maintaining a consensus within the Politburo. The independent-minded officials who make up Gorbachev's Politburo appear to agree that there is a need for new policy directions and personnel to carry them out, but they appear to differ over specific approaches. The convergence of the institutional, economic, social, and defense issues Gorbachev must face will make consensus decisionmaking even tougher to accomplish than it has been so far.

Limiting the Defense Burden. Without restricting the defense burden, Gorbachev will find it increasingly difficult to generate the significant increase in resources he needs to devote to civilian industrial investment, particularly machine building. Unless there is a sharp upturn in economic performance--which we think is unlikely--or major reductions in defense spending--which would be very controversial without a significant reduction in the perceived threat--by the end of the decade, demands for investment in the civilian sector will come increasingly into conflict with demands for more investment in the defense industries. The prospect of such a choice has already led Gorbachev to pursue a bold strategy for managing the US relationship that probably is controversial within the Soviet elite and could, in conjunction with economic considerations, eventually lead him to confront fundamental obstacles inhibiting economic progress.

Managing Societal Pressures. Gorbachev may find that the Soviet populace, long accustomed to a paternalistic state that provides job security and basic necessities at low prices, is a major obstacle to achieving the social-economic transformation he wants. The regime has already pressed workers to be more productive while refusing to devote a greater share of resources

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to consumption in order to provide incentives. Many Soviet reformers believe further changes in social policy--reduced subsidies for necessities, a less egalitarian wage structure, and a more tolerant attitude toward unemployment--will be required to produce sustained improvements in economic performance. Although societal problems are unlikely to reach crisis proportions over the next five years, Gorbachev will need to manage popular concerns effectively to improve morale and productivity as well as to prevent increased discontent.

The Soviet leader has considerable advantages and assets for pushing his agenda. Nevertheless, as these problems converge over the next five years, we believe he will face an increasingly clear choice between settling for half measures that fall well short of his demands and perhaps his needs, or forcing the Politburo to make some difficult and divisive decisions. Failure to take on this challenge probably would not cost him his job but would open his administration to charges of Brezhnev-style immobilism that he seems determined to prevent. The leadership style Gorbachev has demonstrated so far, as well as his rhetoric, suggests that he will turn to more radical policy alternatives rather than accept that fate. He will find some advisers eager to push for a harsher neo-Stalinist path as well as those arguing for more radical policy or systemic reforms. We do not know what mix of these options he might choose or even how hard he will push. But the complexities of the issues and absence of easy alternatives guarantee that the struggle will be protracted and the outcome uncertain both for him and the Soviet Union.

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