The Soviet System in Crisis: Prospects for the Next Two Years

National Intelligence Estimate

This National Intelligence Estimate represents the views of the Director of Central Intelligence with the advice and assistance of the US Intelligence Community.
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The Soviet System in Crisis: Prospects for the Next Two Years

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The following intelligence organizations participated in the preparation of this Estimate:
The Central Intelligence Agency
The Defense Intelligence Agency
The National Security Agency
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The Soviet System in Crisis: Prospects for the Next Two Years (C NF)

• The Soviet domestic crisis will continue beyond the two years of this Estimate regardless of the policies the regime pursues. The regime will be preoccupied with domestic problems for years to come, will want to keep tensions with the United States low, and will probably still pursue agreements that reduce military competition and make resource trade-offs easier.\(^\text{[85]}\)

• Despite the enormous problems he faces, Gorbachev’s position in the leadership appears relatively secure, and he has increased power and political room to cope with the crisis.\(^\text{[86]}\)

• There will be greater effort to define the limits of political change, a tougher approach on ethnic issues, and some retrenchment in media policy; but the process of political liberalization will expand with the legislature and independent political groups increasing in power at party expense.\(^\text{[87]}\)

• The regime will concentrate on stabilizing the economy and, while pulling back on some reforms, will push for others designed to enlarge the role of the market and private enterprise.\(^\text{[88]}\)

• Despite these efforts, we expect little improvement—and possibly a decline—in economic performance as well as further increase in domestic turmoil. Of several conceivable scenarios:

— Community analysts consider it most likely that the regime will maintain the present course, intensifying reform while making some retreats.

— In a less likely scenario that all analysts believe is a possibility, the political turmoil and economic decline will become unmanageable and lead to a repressive crackdown, effectively ending any serious reform effort. (The CIA’s Deputy Director for Intelligence disagrees with both scenarios. See pages vii and 18.)\(^\text{[89]}\)
3. (Continued)

Figure 1. President Gorbachev:
trying to cope with the crisis.
(10)
Key Judgments

The crisis, precipitated by long-simmering problems and Gorbachev’s policies to address them, will continue over the next two years and beyond and could threaten the system’s viability:

- Ethnic problems are endemic: conflict between the center and regions will increase as will interethnic strife, and the regime can at best hope to manage and cope with these problems, not resolve them.
- Economic ills are deeply rooted in the system, and efforts to reform it will be slowed by the priority given to stabilizing the economy.

At the same time changes in the Soviet leadership during the last year have made Gorbachev’s position relatively secure over the next two years and portend a more radical approach to addressing the nation’s daunting problems. We believe:

- Gorbachev’s power has been significantly enhanced with the weakening of the leadership’s orthodox wing and the development of a second power base in the legislature.

- The coming local and republic legislative elections and the party congress next October will probably further undermine the role of the party apparatus, increase the power of the legislature in decisionmaking, and bring a de facto multiparty system to some republics.

- More stringent measures—possibly including some retail price increases and a domestic currency devaluation—are likely to be imposed as part of the current economic stabilization program. Although the need to stabilize the economy has slowed the economic reform effort, we expect to see the introduction of a number of controversial measures—including a redefinition of property rights, a new taxation system, and antitrust legislation—that are designed to enlarge the role of the free market and private enterprise.

- To pursue this course and arrest the growing fear of anarchy in the country, Gorbachev will try to rein in somewhat the now freewheeling Soviet press and be tougher in defining the boundaries of the political and economic autonomy for the country’s minority nationalities; he already has and will continue to use repressive measures if necessary to control communal violence or prevent secession.
In view of the continuing turmoil, whether Gorbachev can maintain a reformist course with some tactical retrenchment is uncertain and open to considerable debate. The next two years will undoubtedly be one of the most tumultuous periods in Soviet history.

Tangible benefits from perestroika will be relatively few, although intangibles (greater freedom and religious toleration) will be more apparent. Overly ambitious targets for the production of consumer goods are unlikely to be met. Labor strikes are certain. The enhanced role of the legislature will make needed austerity measures more difficult to pursue and likely compromises will reduce economic effectiveness.

Under these conditions, several scenarios are in the realm of possibility, but two are considered to be much more likely than the others. Most Community analysts hold the view that a continuation and intensification of the current course is most likely and believe that, despite the obvious difficulties, the turmoil will be manageable without the need for repressive measures so pervasive that the reform process is derailed:

• The politicization of the populace along with the expanding authority of the legislature are changing the system, giving political reform a broader and deeper base, and making it much more difficult and costly to turn back the clock.

• Although ethnic assertiveness will continue and Baltic peoples will strive for self-determination, the drive for secession will probably be blunted in this period by the regime's more sophisticated use of concessions and warnings and the desire of Baltic leaders to negotiate rather than confront.

• As difficult as the economic situation will be, the regime probably can prevent the supplies of food and consumer goods from declining to the point of provoking large-scale unrest.

In a less likely scenario that all accept as a possibility, the ongoing turmoil will get only worse and lead the regime, with or without Gorbachev, to use massive force to hold the country together and save the regime:

• Democratization will accelerate system fragmentation and make it impossible to take necessary austerity and economic reform measures.

• An exacerbation of supply problems—by an upsurge in strike activity, transportation bottlenecks, or severe weather—could increase shortages and lead to social upheaval.
3. (Continued)

While trying to avoid confrontation, the interests of the Baltic peoples and Moscow are bound to clash dramatically, leading to much harsher measures by the center to regain control.

Events in Eastern Europe are certain to play a role in determining which scenario the USSR follows in the next two years. As long as the transformations in Eastern Europe do not spiral out of control, they will reinforce the trend toward radical reform in the Soviet Union. In the unlikely event that Moscow deems it necessary to use Soviet troops to restore order and prevent the disintegration of the Warsaw Pact, perestroika in the USSR would be dealt a serious, if not fatal, blow.

Either scenario points toward the continuation of current foreign and security policies, at least for the two years of this Estimate. Gorbachev will still push hard for various arms control agreements. Eastern Europe will continue to have heretofore unthinkable leeway to democratize, effectively changing the Warsaw Pact into more of a political alliance than a military one. Even if a crackdown occurred under Gorbachev or another leader, the preoccupation with internal problems would be paramount, the desire to avoid increased tensions high, and the effort to shift resources toward consumption strong. A different regime would not, however, be as inclined to make major concessions to achieve various arms control agreements or be as accommodating to centrifugal trends in Eastern Europe.

Alternative View
The CIA’s Deputy Director for Intelligence believes that the Estimate does not adequately capture the likely scope of change in the USSR over the next two years.

Assuming Gorbachev holds on to power and refrains from repression, the next two years are likely to bring a significant progression toward a pluralist—albeit chaotic—democratic system, accompanied by a higher degree of political instability, social upheaval, and interethnic conflict than this Estimate judges probable. In these circumstances, we believe there is a significant chance that Gorbachev, during the period of this Estimate, will progressively lose control of events. The personal political strength he has accumulated is likely to erode, and his political position will be severely tested.

The essence of the Soviet crisis is that neither the political system that Gorbachev is attempting to change nor the emergent system he is fostering is likely to cope effectively with newly mobilized popular demands and the deepening economic crisis.
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Gorbachev's Politburo Today

Yakovlev. Gorbachev protege ... strong proponent of radical reform. Frequent target of criticism by party conservatives.

Shevardnadze. One of Gorbachev's strongest supporters on both domestic and foreign policy ... unorthodox statements challenging ideological underpinnings of foreign policy have aroused objections from Ligachev.

Rychkov. Has played a leading role in economic reform ... more moderate on political and social issues ... criticized Gorbachev in July for neglecting party duties but appears to be personally close ... clashes with Ligachev reported.

Medvedev. Ideology secretary in forefront of "new thinking" on foreign policy and radical economic reform ... more cautious on cultural issues ... also target of orthodox critics.

Slyun'kov. Economics secretary who has been hedging on radical restructuring ... some reports suggest not completely in Gorbachev's camp.

Maslyukov. First Deputy Premier and Gosplan chairman—a moderate on reform ... like his patron Rychkov, has better appreciation than Gorbachev of difficulties of translating economic theory into practice.

Zaykov. Secretary and, since 21 November 1989, First Deputy Chairman of the Defense Council ... takes a traditionalist stand on some key reform issues ... may have lost clout when failed to derail Yeltsin election.

Vorotnikov. Only other Politburo member appointed before Gorbachev took power ... increasingly critical of political pluralism and radical economic measures ... only other full member in Supreme Soviet.

Kryuchkov. KGB chief who reportedly has close personal ties to Gorbachev ... echoed perestroika themes in 1989 Revolution Day speech but urged restraint ... has publicly called for legislative oversight of KGB.

Ligachev. With "second secretary" powers now removed, less able to hinder Gorbachev's programs ... views political reform as dangerous, disruptive, unnecessary ... opponents of reform may look to him as spokesman ... questions about corruption still alive.
Discussion

The Soviet system is in crisis. While noting the potential for turmoil in Moscow, we underestimated how quickly it would develop. The roots of the crisis run deep into the nature of the Soviet state and Russian history and have been nourished by decades of official neglect, corruption, and ineptitude. But the public manifestations—the strikes, demonstrations, and other challenges to authority—are a direct result of Gorbachev's effort to restructure the system. The turmoil that these developments have brought to the fore will continue and probably deepen.

This increased popular assertiveness is in one sense a measure of Gorbachev's success in destroying elements of the Stalinist system. The pace and extent of this change have exceeded even our relatively bullish forecast of two years ago; indeed, the new legislature is the beginning of systemic change. His political reforms have brought a reduction in regime repression, an expansion of civil liberties, greater tolerance of religious beliefs, a broader range of permissible public discussion, and an opportunity for previously unrepresented groups to become a part of the system.

Gorbachev's policies are breaking the management and control mechanisms of the old regime, however, before new ones are ready to assume these tasks. The effort to create a new political culture and institutions—capable of handling the flood of demands unleashed by Gorbachev—is still in its infancy.

His policies, moreover, have yet to alleviate—and in some respects have worsened—many of the social and economic problems he inherited. His efforts to manage the USSR's restive ethnic minorities have not halted their demands for greater independence from Moscow; indeed, the effort to accommodate them has led to a strong push for independence in the Baltic—a step that Moscow will not allow but may not be able to stop without repression. And his economic policies have exacerbated serious shortages of consumer goods and services, guaranteeing a continuation of popular discontent. Not surprisingly, there is widespread pessimism in the country about the ability of the regime to overcome these problems.

Leadership Showdown

During the past year this turmoil led to an increasing open conflict within the Politburo:

• Party secretaries Ligachev and Chernenko among others seemed convinced that glasnost and political reform in general had promoted disorder in the country and were destroying the leadership role of the Communist Party. These leaders made it increasingly clear that significant retrenchment was required to save the party and the country.

• Gorbachev and others rejected reliance on traditional remedies and argued that even more radical changes in the party and its policies were necessary to cope with the crisis and restore the party's authority.

That conflict led Gorbachev to move decisively against the Politburo's orthodox wing at the Central Committee plenum in September 1989, removing five full and candidate Politburo members and replacing them with more moderate and reformist supporters of perestroika. These changes have significantly altered the balance of power in the Politburo and effectively shattered its orthodox faction (see inset). The plenum's approval of Gorbachev's proposal to convene the 28th Party Congress in October 1990—four months
earlier than mandated—also allowed him to accelerate his plans to bring new blood into the Central Committee, which has been another source of resistance to his reforms [redacted].

Gorbachev’s success at the plenum was the latest in a series of moves that have significantly strengthened his political position in the leadership, including:

- The Central Committee plenum in September 1988, when he launched a personnel and organizational shakeup of a magnitude not seen since Khrushchev’s time.

- The April 1989 plenum, when he succeeded in purging about 20 percent of the Central Committee’s members—“dead souls” who no longer held the jobs entitling them to membership—and promoting 24 candidates, mostly of a reformist stripe.

- His acquisition of a newly strengthened presidency in May 1989 followed by a streamlining of the government bureaucracy that had been resisting his economic reforms (see inset).

The cumulative effect of these moves has been to sharply reduce the threat posed by Gorbachev’s opponents. As a result, we believe his position in the leadership is relatively secure for the next two years, although an assassination attempt by an individual against him cannot be ruled out. [redacted]

Can the Turmoil Be Managed?

Even with his power and authority enhanced, however, Gorbachev has not yet shown that he has a strategy for dealing with a host of daunting problems his policies have created that defy easy solution and that by his own admission threaten perestrojka. On the one hand, he faces powerful pressures for more far-reaching changes:

- The March 1989 elections revealed previously unsuspected grassroots support for political reform and a rejection of the party establishment that came as a shock to entrenched party bureaucrats as well as foreign analysts; an even greater repudiation is likely in the coming legislative elections at the republic and local levels, shifting authority further from party control toward the new legislative system.

An Upgraded Presidency

Gorbachev’s clearest personal political gain from the reform of the state system is a strengthened presidency. Under the previous arrangement, the post was largely ceremonial. Gorbachev’s scheme makes the president an executive leader of the full Supreme Soviet with constitutional authority in both domestic and foreign affairs and gives him power to:

- Nominate appointees to top-level government jobs, including the posts of premier, prosecutor general, and Supreme Court chairman.
- Recommend appointments to the new Constitutional Oversight Committee.
- Chair the Defense Council.
- Conduct negotiations and sign international treaties.

The new president is accountable to both the Congress of People’s Deputies and the Supreme Soviet, although only the Congress can recall him. There is no legal requirement that the general secretary serve as president, so Gorbachev’s removal from the top party spot would not automatically cost him the leading state position. Although the Politburo undoubtedly would try to deprive him of that power base as well, the Supreme Soviet could prevent such a move. [redacted]

As the new legislature has gained authority and become increasingly active in formulating policy, the presidency has taken on added importance and given Gorbachev a substantial advantage over most of his Politburo colleagues who have minimal formal legislative responsibility. Both orthodox party members and reformers fear that this upgrading of the presidency could lead to one-man rule. Party traditionalists fear this will violate the tradition of collective leadership that gives them at least a limited ability to keep Gorbachev’s reforms in check, and the reformers are more concerned about what might happen if someone other than Gorbachev held the job. [redacted]
### Interlocking Directorate of the Soviet Leadership, November 1989

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<thead>
<tr>
<th>Party</th>
<th>Politburo</th>
<th>Secretariat</th>
<th>Other Post</th>
<th>Government</th>
<th>Supreme Soviet</th>
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This table is Unclassified.
3. (Continued)

- The level of ethnic mobilization in the Baltic and Caucasus has significantly increased the pressures for independence and promoted articulation of ethnic demands that are often irreconcilable with one another. Managing these centrifugal threats to the state is now much more difficult and the political and social costs of returning to the old ways of maintaining order much greater.

- The worsening economic situation has produced mounting popular dissatisfaction and a wave of strikes, intensifying the pressure on the regime to give workers greater control over their enterprises, to reduce the shortages of necessaries and adopt more decisive economic policies. The regime so far has not been able to respond effectively to this pressure. (xxx)

At the same time, he must deal with a number of strong barriers to change:

- Although reduced in power, an entrenched party and government bureaucracy continues to resist reforms that would lead to increased political accountability, greater "marketization" of the economy, or other changes that would undermine its status and autonomy.

- Many Soviet citizens regard economic reforms that widen differentiations in wages, increase retail prices, and threaten unemployment as violations of the "social contract." This has been an important factor in delaying economic reforms that for all their promise would have such unpopular consequences.
Gorbachev’s Reform Agenda and the KGB

General Secretary Gorbachev needs the KGB in a period of political change to ensure his political survival, to monitor the compliance of local elites, and to control burgeoning societal unrest. During the past year, Gorbachev has strengthened his hold on the security service first by transferring then KGB boss Viktor Chebrikov to the Central Committee Secretariat and a year later retiring him. Current KGB Chairman Vladimir Kryuchkov—a political ally of the General Secretary and has been an outspoken advocate of reform—including parliamentary oversight of the KGB. Chief of the KGB Border Guard Directorate General Matrosov recently discussed his component’s budget at a hearing of the Supreme Soviet Defense and Security Committee, and later this fall Kryuchkov will submit the security service’s budget to the Supreme Soviet for the first time.

Some KGB officials are concerned about the effect of perestroika and glasnost on KGB prestige and on the organization’s ability to carry out its mission at a time of growing unrest.

• The disorder that accompanies reform—corruption, strikes, civil unrest, inflation, and increased crime—is anathema not only to institutions like the KGB and the military but also to large segments of the general population (see foldout map, figure 10, at the back). An authoritarian and paternalistic culture has instilled in many the belief that the only alternative to a strong hand at the center is anarchy (see inset).

As a result of these pressures and the greater latitude for action he has achieved within the Soviet elite, Community analysts now expect Gorbachev to press ahead with a domestic agenda that combines an intensification of political reform and economic stabilization with a tougher approach to party discipline, ethnic extremism, and media policy. Whether he can maintain such a course given the turmoil and pressures is uncertain and the subject of strong debate in and out of the Intelligence Community. This situation could move in several different directions, but most analysts believe two are much more likely than others: “staying the course” and “a repressive crackdown” (see inset, page 7).

Staying the Course

The most likely scenario in the view of Community analysts is that Gorbachev will be able to keep the reform process going and avoid resorting to draconian measures that would roll back the trend toward greater pluralism and democratization.
### Figure 3
USSR: Reported Incidents of Unrest by Type, January 1987–September 1989

<table>
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<th>Incident</th>
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<th>400</th>
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<td>Other violent acts *</td>
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*Includes mass meetings of informal groups not considered demonstrations, hunger strikes, collection of funds for nonofficial functions, unsanctioned religious activity, such as Hare Krishna meetings and mass meetings of Ukrainian Catholics, and so forth.

This judgment rests in part on our assessment of Gorbachev, his agenda and his ability. Although lacking a detailed blueprint, he has been enormously successful in using and defining the sense of crisis in the system—in 1985 and now—to drive increasingly radical solutions to Soviet ills. His policies call into question, whether intentionally or not, the role of the Communist Party, its ideology, the Stalinist economic system, and the center’s dominance of the regions. As the sense of crisis has mounted, only he in the leadership appears to have the ability to manage the turmoil his own policies have stimulated. At the same time, he is flexible and clever at not getting too far ahead of what his colleagues can tolerate at a given moment; he has made tactical adjustments and occasional retreats to cope with both political and policy consequences of reform. (See)

Our assessment of the likelihood of this scenario also reflects judgments about the manageability of the reform process and the turmoil it has created. Forces have now been unleashed in the USSR that have a life of their own, weakening the regime’s control over events. The turmoil will continue under this or any other scenario. Most Community analysts believe the
3. (Continued)

**Other Possible Outcomes**

Although the Intelligence Community considers the two scenarios presented in this Estimate to be the most likely, three other general scenarios—while far less likely—are at least conceivable:

- **Success story.** The regime could move much more quickly and skillfully on economic stabilization than we anticipate, be far more accommodating on demands for ethnic autonomy, and more receptive to sharing political power with forces outside the Communist Party. Such a scenario would see the economy revive, the "union" enhanced by genuine devolution of substantial political and economic power to national minorities, and a stable transition toward political democracy that did not threaten—as in Poland, Hungary, and East Germany—the continued viability of the Communist Party.

- **Social revolution.** At the opposite end of the spectrum, Gorbachev's concessions to the population, severe weakening of all major regime institutions, and incompetence in managing the economy could lead to his losing control of the situation. Ethnic violence and separatist demands, increasingly potent challenges to Communist Party rule, and catastrophic economic deterioration could lead to large-scale instability and perhaps social revolution. This could include the breakaway of many non-Russian republics and a prolonged period of civil war.

- **Return to neo-Stalinism.** The threat of imminent social revolution could prompt a coup against Gorbachev that would not only lead to retreatment but also to the imposition of political repression more severe than during the Brezhnev years. This scenario would involve the massive use of military force to reimpose order. The effort would certainly be bloody and would only postpone—and over time deepen—the systemic crisis not resolve it.

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regime can cope with it and press ahead, haltingly and unevenly at times, with the reform process:

- A more open legislative process with real elections, debate, and votes is becoming institutionalized. The population is becoming more involved and interested, enlarging the constituency favoring change and making it much more difficult to alter course.

- Although strikes and shortages will continue, the regime will be able to maintain supplies, particularly food, at a level sufficient to avoid widespread social disruptions; the population, as it has in the past will grudgingly endure the privations, giving the regime more time to get its economic strategy implemented.

- The combination of regime concessions and warnings have blunted somewhat nationalist demands for outright independence, while the Baltic peoples appear disinclined to force a confrontation over the issue any time soon.

**Political Reform.** Analysts expect Gorbachev will intensify his reform of political institutions even further over the next two years, as he attempts to improve their capacity to deal with the demands perestroika has created. The political reforms mapped out in the summer of 1988 will soon be nearing completion in structural terms. A new Congress of People's Deputies and Supreme Soviet already have been elected. Elections to the republic
congresses of deputies and local soviets are being held this year and early next, further drawing the populace into the political process and increasing the pressure on the system to respond. The party congress already set for October 1990 will complete the revamping of the party and its Central Committee, shifting the political balance strongly toward a reformist course.

Despite this progress, the reformers recognize that they have far to go to build a political culture and institutions capable of dealing with the demands reforms have unleashed. They are trying to ensure that the new legislative institutions have a genuine measure of power and that the Soviet people have some real influence in selecting their representatives.

At the same time they want to achieve those objectives while preserving a national single-party system in which much power remains concentrated at the top. Gorbachev seems prepared to give these new institutions a substantial degree of independence and to permit considerable pluralism within them, however, in order to obtain his larger reform objectives. As is already evident, achieving such a balance will be difficult, requiring consistent effort to make the party more inclusive of diverse opinions while reining in those who exceed the limits.

In addition to strengthening the role of the legislature, we believe Gorbachev will attempt to restore the party's deteriorating position. His speeches and
actions indicate that he wants the party to shape the reform process rather than be pulled along by it. To do this he intends to use the coming local and republic elections and the party congress to discredit further the opponents of reform and bring more new blood into the apparatus. (509)

This reform process will weaken an already beleaguered nomenklatura and could destroy it if allowed to continue for much longer. The new blood will align the party more clearly with reform efforts, as it already has in the Baltic, and perhaps give it greater credibility. Such a party would be vastly different from its Leninist predecessor, however, less responsive to Moscow’s edicts and more closely tied to its local constituency. Its distinctive claim to rule would be eroded even further as it faced strong competition at the local level from groups (de facto political parties) urging support for their own agendas. Whether intended or not, the reform will, in our view, hasten the ongoing shift of power, legitimacy, and action away from the party to other institutions, particularly the legislatures. (510)

We also expect Gorbachev to give new emphasis to his call for a society based on law as part of his effort to strengthen the regime’s legitimacy. Actually establishing the rule of law would require steps the regime so far has been reluctant to take: codification and implementation of such ideas as the independence of the judiciary, the subordination of the government to the law, and an emphasis on the freedom of the individual, rather than the individual’s obligations to the state. In the “halfway house” Gorbachev is trying to create, we expect coming legal reforms—including new criminal legislation and laws on economic activity and the press—to make steps in those directions but continue to stress the regime’s rights over those of its citizens. (510)

Nationality Policy. Initially, Gorbachev paid little attention to nationality problems; indeed, he appears to have assumed that reform would not encounter obstacles on this front. As a result, the regime has been struggling ever since to get ahead of the problem. Nationalism has flourished in the more open atmosphere of glasnost and public debate. The regime has allowed changes that would have been unthinkable a few years ago, but this accommodation has encouraged more demands rather than limited them (see foldout map, figure 11 at the back). (510–511)

The nationality policy adopted at the September 1989 plenum indicates that Gorbachev’s willingness to give the republics greater political and economic autonomy has certain clearly defined limits (see inset). In his speech he affirmed that each nationality had the right of self-determination but noted that this concept was not a “one-time act connected with secession” but the right to develop culturally and economically within the existing state structure. Gorbachev also has ruled out any shifting of borders and rejected the splitting of the Communist Party along ethnic or republic lines. Moreover, his stress on an integrated market and the
3. (Continued)

Figure 5
USSR: Distribution of Reported Unrest and of Population by Republics, January 1987- September 1989

<table>
<thead>
<tr>
<th>Republics</th>
<th>Incidents of Unrest</th>
<th>Population</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ukraine, Moldavia, Belarus, 13</td>
<td>RSFSR, 37</td>
<td>Ukraine, Moldavia, Belarus, 23</td>
</tr>
<tr>
<td>Baltic republics, 19</td>
<td>RSFSR, 51</td>
<td>Baltic republics, 3</td>
</tr>
<tr>
<td>Central Asian republics, 6</td>
<td>RSFSR, 51</td>
<td>Central Asian republics, 17</td>
</tr>
<tr>
<td>Caucasus republics, 25</td>
<td>RSFSR, 51</td>
<td>Caucasus republics, 5</td>
</tr>
</tbody>
</table>

*Figures from 1989 Census.

The reality of the economic interdependence of the republics appears to be aimed at reining in the growing zeal among nationalists, especially in the Baltic republics, for virtual economic and political independence from Moscow.

Community analysts believe Gorbachev is fully prepared to use force, if necessary, to control the kind of interethnic violence that broke out over the disputed territory of Nagorno-Karabakh in the Caucasus; the reestablishment of law and order in such cases would not be incompatible with his reform objectives. On the other hand, most expect him to make every effort to avoid the use of force to quell nationalist demands for political independence in the Baltics—a move that would clearly enforce limits on glasnost, democratization and other reforms, and cost him some of the international goodwill derived from his liberalization and his diplomatic initiatives.

The political challenge to Soviet rule is the greatest in the Baltics, where actions in support of eventual secession will continue to test Moscow's patience and tolerance. Most analysts believe there is a decent prospect that the regime's willingness to concede a degree of autonomy unthinkable in the past along with warnings of what is not now possible will blunt immediate demands for secession. Some Baltic nationalists are aware of the dangers of going too far, are looking for compromise, and seem inclined to avoid confrontation. This approach could well postpone a pitched battle over independence for some time.
Even if this fails, we believe the leadership would first exhaust all its political and economic leverage to encourage a nationalist retreat from unacceptable demands before turning to military intervention. For example:

- Central ministries could be directed to exert economic pressure by bargaining over delivery prices or even delaying the delivery of fuel, and blocking foreign financial ventures.

- Moscow might emphasize its disapproval by heightening the visibility of security (MVD and KGB) personnel or military units already present in the Baltics and seal the borders, hoping to cow dissenters and forestall a major bloodletting.

- Advocacy of secession could be criminalized and its advocates prevented from seeking elective office or even arrested.

- The Russian minority in the Baltic could be spurred to use strikes or work stoppages to tie up the local economies.

Gorbachev undoubtedly recognizes that these options carry the risk of provoking demonstrations and escalating into a situation that could ultimately trap the leadership into sending in troops. The risk would be less, however, than that associated with a general crackdown in the Baltic republics, which most believe would be used only as a last resort. Even this latter course would be less risky for him and the system than letting the Baltic republics go. This move would encourage other much larger nationalities, such as Ukrainians, to seek similar goals and make regime survival problematic at best.

The Economy. The USSR’s swelling budget deficit, spiraling inflation rate, and continuing shortages of consumer goods threaten not only the country’s economic well-being but perestroika itself. Because of this, we expect Gorbachev to give special emphasis to a new economic stabilization program designed to slash the budget deficit, reduce the ruble “overhang,” and provide some immediate relief to the consumer. Specifically:

- The plan for 1990 is to cut the budget deficit in half by reducing spending for investment and defense and by increasing revenues through various means.

- Bonds and state housing will be offered to enterprises and individual citizens to soak up excess liquidity.

- Stiff taxes have been imposed on wage hikes of more than 3 percent unless related to increased output of consumer goods.

- Production of consumer goods is programmed to grow by 12 percent in 1990 over the planned level for 1989, and imports of industrial consumer goods are scheduled to rise by 15 percent per year this year and next.

This stabilization program, however, will not achieve the desired objectives. The regime apparently recognizes this and is reportedly considering more stringent measures to help stabilize the economy. This could include a currency reform—the conversion of old rubles into new ones at different rates depending on the size or form of holdings. Price increases on heavily subsidized basic goods and services, which we believe are necessary to get a hold on the monetary imbalance, are apparently not imminent. A draft blueprint for economic reform that is currently under discussion calls for a deregulation of retail prices only on luxury items, most imported goods, and high-quality foods and delicacies beginning in 1991. The rising tide of consumer dissatisfaction, combined with the legislature’s increased authority and responsiveness to public opinion, will make it difficult for the leadership to adopt the tougher austerity measures needed to improve the economy’s health.
### Figure 6
USSR: Summary of Selected Indicators of Consumer Welfare

- Improvement
- No significant change
- Deterioration

<table>
<thead>
<tr>
<th>Indicators</th>
<th>Performance measures</th>
<th>Popular perceptions</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1986</td>
<td>87</td>
</tr>
<tr>
<td>Overall consumption per capita</td>
<td>●</td>
<td>○</td>
</tr>
<tr>
<td>Meat</td>
<td>○</td>
<td>○</td>
</tr>
<tr>
<td>Vegetables and fruit</td>
<td>●</td>
<td>●</td>
</tr>
<tr>
<td>Durable goods</td>
<td>○</td>
<td>●</td>
</tr>
<tr>
<td>Automobiles</td>
<td>●</td>
<td>○</td>
</tr>
<tr>
<td>Home electronics</td>
<td>○</td>
<td>○</td>
</tr>
<tr>
<td>Clothing</td>
<td>○</td>
<td>○</td>
</tr>
<tr>
<td>Personal care and repair services</td>
<td>○</td>
<td>●</td>
</tr>
<tr>
<td>Housing</td>
<td>○</td>
<td>●</td>
</tr>
<tr>
<td>Health care</td>
<td>●</td>
<td>●</td>
</tr>
<tr>
<td>Leisure and recreation</td>
<td>○</td>
<td>●</td>
</tr>
<tr>
<td>Inflation</td>
<td>○</td>
<td>○</td>
</tr>
<tr>
<td>Rationing&lt;sup&gt;d&lt;/sup&gt;</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Working conditions</td>
<td>●</td>
<td>●</td>
</tr>
<tr>
<td>Protection of the environment</td>
<td>○</td>
<td>○</td>
</tr>
</tbody>
</table>

<sup>a</sup> Performance is measured by comparing an indicator's rate of growth with the growth rate achieved during 1981-85, the five-year period that preceded the Gorbachev era.

<sup>b</sup> Based on CIA analysts' judgments of the perception of citizens in the USSR as to how living standards have changed under Gorbachev—through August 1989—in comparison with the first half of the 1980s.

<sup>c</sup> Projections based on data for January-June 1989 compared to the same period in 1988.

<sup>d</sup> No performance measures are included for this indicator because we lack sufficient data on performance during the baseline period, 1981-85.
3. (Continued)

The severity of the economic situation has forced the regime to backtrack on those economic reforms that would exacerbate the fiscal dilemmas, hurt the consumer, and undermine popular support for perestroika (see inset, page 14). Gorbachev regards this as a temporary retreat, however, and we expect him to continue his efforts to develop a more coherent plan for enlarging the role of the free market and private enterprise that will lay the groundwork for the introduction of more far-reaching measures when the economy is more stable. These measures include:

- A new corporate and individual income tax system.
- Antitrust legislation designed to break up the country's massive production conglomerates and encourage competition.
- A redefinition of property rights that puts the socialist and cooperative/private sectors on a more equal footing.
- An overhaul of the monetary/financial system to increase the ability of central authorities to employ economic rather than administrative levers. (§ 29)

In a move driven more by politics than economics, Gorbachev will continue to provide strong support for efforts to give the republics greater economic autonomy under a system known as regional self-financing. This decentralization of economic authority is designed to assuage some of the republics' demands for
3. (Continued)

**Pulling Back on Reform**

- Both wholesale and retail price reform, scheduled for implementation in 1990 and 1991, were delayed. At first postponed indefinitely, plans now under discussion would return to the original schedule but make the revision of wholesale prices more gradual and the deregulation of retail prices more limited.

- To control inflationary pressures, enterprises no longer have the right to raise the prices of certain categories of products.

- Mandatory output targets, which were to be sharply reduced, have been reinstated in several sectors.

- Decisions on wage increases, which were to be the preserve of the enterprise, are now to be controlled by centrally imposed taxes on the growth of the enterprise wage fund.

**Regional Self-Financing**

The Law on Regional Self-Financing, scheduled for nationwide implementation in 1991, will give the republics more authority over and responsibility for the production of food, consumer goods, services, and local construction. According to preliminary Soviet calculations, the overall output of industrial production under the jurisdiction of the republics is expected to increase, on the average, from the current level of 5 percent to 36 percent of the USSR’s total production. To involve the republics more directly in the effort to increase productivity, each republic’s budget will be made more dependent on the profits of its enterprises. The republics’ economic plans, however, will continue to be dominated by state orders and “control figures” established by Moscow, and key sectors of the economy, strategic planning, and control over resources and financial policies will be left in Moscow’s hands.

**Impact of Reform on Soviet Society**

The Soviet system clearly is changing dramatically. Unlike the leaders in China, Gorbachev appears to believe that the new order must be built on foundations of political and social legitimacy if it is to succeed. But reform is often more difficult than revolution, and the genie he has released will defy the boundaries the system tries to place around them.

Although Gorbachev’s economic policies point in the right direction, we believe they are unlikely to bring any substantial improvement in economic performance during the next two years and the situation could get worse, particularly this winter when food supplies will decline and spot fuel shortages may increase:

- The deficit will remain high, there will be little economic growth, and the demand for goods and services will greatly exceed their supply.

Figure 8. City of the future, Konots, July 1989

[Image]

greater independence while at the same time making them more accountable for their economic performance (see inset).
• Overly ambitious targets for the production of consumer goods are unlikely to be met. Some modest improvements are possible, but—even with the cuts in defense spending—any gains will come slowly because of the long leadtimes involved in shifting production capacity toward consumer goods and be restricted to relief in a few areas. Rationing and periodic runs on scarce goods will continue.

• Gorbachev’s reforms will put increased financial pressure on the enterprises and should help reduce redundant labor and some waste of materials. But these benefits too will be slow in coming and probably outweighed by dislocations, such as unemployment, and other disruptions resulting from the conflicting signals that piecemeal implementation of reforms will continue to create.

• Increased regional autonomy could eventually make the distribution of food more efficient by reducing Moscow’s role as the chief bottleneck in an overly centralized system. Thus far, however, local officials are introducing protectionist measures that are causing even more disruption and disequilibrium in national balances.

• Antimonopoly legislation and other reforms now under consideration hold some promise for the future but will only begin to take root during the period under consideration.

• If Gorbachev adopts a more radical approach on monetary stabilization, the economic and political environment for reforms could improve, allowing him to at least push ahead rather than delay further.

Gorbachev’s political reforms have more potential to produce results that would make any effort to turn back the clock more difficult and costly:

• His electoral reforms appear to be mobilizing the population, creating channels through which its interests can be expressed, and making officials more accountable to their constituencies.

• The boundaries of intraparty dialogue will probably expand even further, making any return to “democratic centralism” less likely.

• Although the new Supreme Soviet will not achieve the role of a Western legislature in the next two years, it is no longer the rubberstamp organization it once was, and the leadership will have to take it increasingly into account. This will provide a channel for citizen involvement in decisionmaking, give the leadership a more accurate barometer of grassroots opinion, and have an impact on important legislation.

• The challenge of contested elections—whether to party or state posts—will also force the party to engage in a genuine dialogue with other organizations, including informal political groups. Although official opposition to a multiparty system will remain, these new groups are already operating like parties and in many regions could become the governing authority, replacing the Communist Party.

The radical transformations under way in Eastern Europe are likely to have a major impact on the fate of perestroika in the USSR. As long as widespread domestic violence is avoided, anti-Sovietism held in check, and Warsaw Pact membership maintained, Gorbachev appears willing to tolerate almost any political change in East European countries—including the demise of the Communist parties. A continuation of such fundamental reform in Eastern Europe will reinforce the trend toward the thus far much less radical reform in the Soviet Union. Although the stakes are far greater at home, Gorbachev’s willingness to accept multiparty systems in Eastern Europe will over time make it more difficult for him to reject such a course for the USSR.  

Perestroika in the Soviet Union and Gorbachev’s own political survival would be threatened, however, if events in Eastern Europe were to spiral completely out of control or take on an aggressively anti-Soviet character. Such a scenario—particularly if it occurred in East Germany or Poland and threatened the security of Soviet troops stationed there—would put tremendous pressure on Gorbachev to use Soviet forces to restore order and prevent the breakup of the alliance. An attempt to do so would lead to bloody repression, freeze relations with the West, and halt
liberalization in the USSR. If Gorbachev resisted using Soviet forces in this scenario, orthodox elements in the party, the military, and the security services would almost certainly attempt to oust him. Their success, which would be followed by a violent crackdown on Eastern Europe, would set back perestroika for years, if not kill it entirely.

A Repressive Crackdown: A Less Likely Scenario

There is a less likely scenario for the course of events in the USSR over the next two years that all analysts acknowledge is a possibility. In this scenario the turmoil becomes unmanageable and so threatening to the system that the requirements of survival lead to a massive crackdown, ending reform efforts for some time to come. Several developments could lead to such an outcome:

- The virtual certainty of continuing instability on all fronts could drive the leadership in an ever more orthodox direction that Gorbachev will be unable to resist if he wants to stay in office. Current attempts to rein in the media and draw clearer lines on nationality policy may portend such a course.

- The economy could decline much further over the next two years. Severe shortages of food and fuel this winter would be especially dangerous for the regime. This situation would substantially increase the prospect of regime-threatening labor strife and make the likelihood of a repressive crackdown much greater.
• Baltic nationalists could push so hard for independence that a confrontation over this issue cannot be avoided and would force the regime to use substantial force to maintain Soviet rule. Less repressive measures may not prevent secession.

Such a crackdown would not be so easy now. The politicization of society has gone quite far. Ethnic minorities will not readily give up their gains and hopes for the future. The longer the current reform process is allowed to continue the more difficult and probably bloody would be any attempt to repress it. The institutional support for repression, nonetheless, remains and would in the view of most analysts still be able to regain some control over society if ordered into action.

Such a repressive regime would retreat to policies that would be less disruptive than the present brand of perestroika. While perhaps pursuing nominally reformist policies, the assault on the fundamentals of the Stalinist system would stop, and the reforms that threaten the party and Moscow's control of the empire would be reversed. This path would increase order at the expense of decentralization, democratization, and human rights. It might in the short run improve government performance by returning to well-known principles of management. It would not address the fundamental economic and social problems now plaguing the Soviet Union. It may be only able to reimpose calm for a relatively short period, making the eventual storm far greater than the one facing the regime now.

In the economic sphere, retrenchment would mean adoption of a more orthodox approach, deviating less markedly from the traditional Soviet model. Such an approach would place less emphasis on market forces, strengthen ministerial controls, and give the enterprises less decisionmaking discretion. It would also impose stricter limitations on private businesses (cooperatives), individual labor, and leasing arrangements by reducing the scope of such activities, introducing stricter eligibility requirements for those engaging in them, and revising the tax structure in ways to make the private sector less attractive. Soviet advocates of this approach still believe economic gains are possible through stricter work discipline, the introduction of high technology, and a crackdown on flagrant official corruption.

There would be an even greater retrenchment on glasnost and the liberalization process. Efforts would be made to increase central control over the electoral process and to restrict the Supreme Soviet's newfound authority. This would quite likely require measures now judged to be unconstitutional in the USSR (arrests of Supreme Soviet and Congress deputies, rule by decree, perhaps shutting down the Supreme Soviet) and use of force:

• Within the party, emphasis would be placed on unity rather than a pluralism of views; the formation of unofficial groups would also be prohibited.

• The range of permissible public and media discussion would be significantly narrowed; overt censorship would return, access to information from the West would be reduced, and opportunities for Soviet citizens to travel abroad would become more limited.

• Human rights generally would be much more vulnerable than now; the security services would once again have relatively free rein to deal with dissidents, nationalists, and strikers.

Under such a retrenchment, the regime also over time would become much less willing to make significant concessions to ethnic demands, fearing this would strengthen the hand of those who want nothing less than complete political independence. There would be less reluctance to use draconian measures to put down ethnic strikes and demonstrations that threatened central authority or damaged the national economy. And the planned experiments in regional economic autonomy—designed to assuage the demands for increased political independence—would likely be canceled or sharply curtailed.
An Alternative View

The CIA’s Deputy Director for Intelligence believes that the first of the two main scenarios presented in the Estimate does not adequately capture the likely scope of change in the USSR over the next two years and that the second is not at all the inevitable alternative. Assuming Gorbachev holds on to power and refrains from repression, the next two years are likely to bring a significant progression toward a pluralist—albeit chaotic—democratic system, accompanied by a higher degree of political instability, social upheaval, and interethnic conflict than this Estimate judges probable. In these circumstances, we believe there is a significant chance that Gorbachev will progressively lose control of the situation. During the period of this Estimate, the personal political strength he has accumulated is likely to erode and his political position will be severely tested. The essence of the Soviet crisis is that neither the political system that Gorbachev is attempting to change nor the emergent system he is fostering is likely to cope effectively with newly mobilized popular demands and the deepening economic crisis.

Gorbachev and the Soviet regime will increasingly be confronted by the choice of acceding to a substantial loss of political and economic control or attempting to enforce harsh limits—both economic and political. Such limits are not acceptable to nationality groups that want meaningful autonomy, to new political organizations and individuals who want full political freedom, or to the general citizenry who, as workers and consumers, want immediate improvement in what they know to be a deteriorating standard of living. Indeed, a program that could stabilize the economy and prepare the way for serious economic reforms would require reductions in consumer subsidies and other measures painful to the populace. The regime’s hopes of producing more consumer goods, including the conversion of defense industries, are unlikely to yield substantial results during the period of this Estimate.

Facing this dilemma, Gorbachev will press for political reforms that propel the process forward, and try to keep change within bounds. To do the latter, he will use political and economic pressures and resort to coercion periodically. This approach is unlikely to work. The snapshot for Gorbachev personally will be to drive him to either give up his still authoritarian vision in favor of a truly democratic one, or recognize his vision as unreachable and try to backtrack from democratization. Gorbachev is unlikely to choose clearly either of these positions, thereby intensifying the crisis and increasing the prospect of a resort to force and repression.

Massive repression, as the second scenario of the Estimate suggests, is possible. However, this is less likely to be led by Gorbachev than by a political and military coalition that managed to outmaneuver him. Gorbachev is more likely, in CIA’s view, to use coercive measures in unsystematic and ad hoc ways that do not stop the ongoing systemic change and destruction of the one-party state.

Implications for the Future of the System

The Intelligence Community believes that Gorbachev’s political reforms are designed to strengthen the regime’s legitimacy by giving Soviet citizens the ability to improve their lives by working through the system. To achieve that legitimacy, however, the system must be able to produce the desired result—namely, real improvement in the quality of Soviet life. The modest improvements we expect in consumer goods and services over the next few years are likely to fall far short of that goal but may be sufficient to buy the regime additional time for its policies to take hold.

The same reforms required to strengthen the system’s legitimacy, however, are also certain to make the next few years some of the most turbulent and destabilizing in Soviet history. Even though Gorbachev’s concern about potential consumer backlash has caused
him to pull back on some of his economic reforms, his attempt to revitalize the Soviet economy will prove highly disruptive:

- The Stalinist economic mechanism is broken, but the failure to create a new one to do its job has resulted in confusion and contributed to the economic stagnation.

- His effort to improve economic efficiency by reducing the number of excess workers may require many of them to take less attractive positions—at lower pay or in less desirable locations.

- Social tensions also will be exacerbated by his attempt to make wages more dependent on productivity—a move that workers accustomed to the traditional “free lunch” find threatening.

- Resentment of those enriching themselves in the private sector already has led to outbursts of violence and retribution and is likely to increase as the gap in the incomes of productive and unproductive workers widens. [427]

We believe Gorbachev’s policy of glasnost will help to reengage a disaffected populace and provide a vent for the frustrations that built up under Brezhnev. But it will also encourage activities the regime finds undesirable—notably, the mobilization of groups advancing ideas incomical to state interests, such as the separatist movements of minority nationalities. The modest reorientation on this front will reduce the damage but not eliminate the problem. Gorbachev’s electoral reforms are intended to channel this new political activism into official institutions, but under the banner of glasnost, groups are issuing demands that challenge central authority and could eventually form the basis of a political opposition. Such a course can ultimately work only if there is at least broad acceptance of the Soviet state. [420]

In our view, the growing assertiveness of the Soviet Union’s minority nationalities will pose a significant challenge to the stability of the Soviet system during this period. It also is increasing the tensions between the republics’ native and Russian populations. As a result, Russian nationalist organizations, including the more hardline groups such as Pamyat, are likely to grow bolder and gain increased support. [424]

The regime’s more repressive approach since last year in the Caucasus—the continued martial law in Armenia and Azerbaijan and harsh suppression of demonstrations in Georgia—will be accompanied by some concessions, including legislation designed to give republics in this region and elsewhere greater economic independence and protect the rights of scattered nationalities. Gorbachev also is attempting to establish new mechanisms to deal with constitutional disputes between Moscow and the republics as a way of keeping such grievances within official channels. [423]

The USSR will be plagued by serious labor unrest over the next two years. Strikes will continue as economic conditions fail to meet popular demands. Gorbachev’s conciliatory handling of the nationwide coal miners’ walkout last summer has legitimized strikes in the minds of Soviet workers, who no longer fear that the regime will use force to break strikes. Moscow is likely to face several strikes at any given time; most will probably be small, but some might involve tens or hundreds of thousands of workers at large enterprises or throughout a city. Although no general strikes over economic problems appear imminent, the possibility cannot be ruled out, especially if distress over rationing spreads and intensifies. [423]

We believe Gorbachev will continue to rely on negotiation, rather than violent suppression, to end any strikes that break out. In some cases, he probably will insist on strict enforcement of the new law on labor disputes, which went into effect in late October and requires several weeks of collective bargaining before workers may legally declare a strike. The law bans strikes outright in strategic sectors of the economy, such as energy, transportation, public works and utilities, as well as law and order agencies, and violators may be fined or even fired. Strikers may attempt to thwart application of these sanctions, however, by walking out in large numbers. [423]
3. (Continued)

Whose Perestroika: The Political Spectrum in the USSR

Issues like the creation of a multiparty system, economic reform, preservation of the Soviet federation, and the limits of glasnost have brought the political spectrum in society and the regime into sharp focus. Both have fractured into general groups, from party traditionalists on the right to radical reformers on the left. There are also small factions on the extreme left and right of this spectrum.

Party traditionalists support perestroika in general terms, but have little tolerance for what they perceive as the step-by-step dismantling of Marxist-Leninist ideology. They believe that political and economic centralization, under the leadership of the Communist Party, is one of the chief reasons that the Soviet Union has achieved superpower status. As a result, they are loath to accept criticism of the Soviet past—the trials and repression of the Stalin era or the “stagnation” of the Brezhnev years—and prefer to emphasize the positive accomplishments of Soviet power. They strenuously oppose political pluralism and private economic activity. Many in this group have a xenophobic mistrust of foreign influences and institutions, assuming that closer ties to the West will subvert socialist values. Within society at large, groups like the United Workers’ Front support these positions; among Politburo members, only Ligachev represents this view.

“Establishment” radicals seek to reform society by transforming society’s institutions, beginning with the party. They seek to preserve single-party rule, but through a revamped Communist Party. They support greater republic economic autonomy and some concessions to a free market system, but they insist on the preservation of a strong, united Soviet Union. Glasnost to this group is a means of opening up society to the changes that are necessary to revive political life and awaken economic reform; theirs is a glasnost with distinct, albeit liberal, boundaries. Gorbachev, Yakovlev, Medvedev, and Shevardnadze are the Politburo members most identified with this mindset.

“Antiestablishment” radicals in general draw their inspiration from Western nonsocialist models and support fundamental changes in the political system and the injection of market forces in the economy. They believe strongly in political pluralism, some stressing genuine competition among rival parties. Some, including Yeltsin, emphasize social justice and the abolition of nomenklatura privileges. Many, like Sakharov, believe that the CPSU should be legally responsible to the Supreme Soviet.

Another potential threat to the stability of the system is the growing openness in questioning the necessity for one-party rule—a development that is likely to escalate with the formation of a non-Communist government in Poland and eventually in Hungary. We believe most of the newly formed groups, with their highly parochial agendas, will find it difficult to coalesce into a countrywide alternative to the Communist Party. If the pressure for political pluralism grows, Gorbachev might eventually have to contemplate a system that allowed nominal organized opposition to the party to build regime credibility. For the near term, however, we believe his strategy of enlarging the scope of intraparty debate and allowing some nonparty criticism of government decisions may obviate the need for such a move (see inset).

These threats will not go away and could lead to Gorbachev’s downfall and the demise of reform. His program of allowing greater pluralism of expression and expanded popular participation in the political
Gorbachev and the Military: Living With Perestroika

Since becoming General Secretary, Gorbachev has challenged the military's priority status and tightened party control over it. Gorbachev purged the Defense Ministry's senior leadership and tapped a comparative outsider, Gen. Dmitry Yazov, as Defense Minister, who was mandated to accelerate perestroika in the armed forces. Since then Gorbachev has kept up the heat on the military. He pushed the General Staff to help him work out the unilateral conventional force cuts announced in December 1988 and to formulate conventional and strategic arms reduction proposals that, if implemented, would mean large reductions in military manpower and capabilities. Simultaneously, Gorbachev has initiated a program converting defense industrial capabilities to support the civil economy. Working through the newly empowered Supreme Soviet, Gorbachev has forced the military to open its books and to submit its budget and some personnel policies to parliamentary oversight.

It has been difficult for the military to assimilate all this. The manpower reductions, for example, are testing the armed forces’ ability to efficiently select officers for discharge and relegate their families. Nationalism has become another serious problem as non-Russians refuse to serve outside their home regions and hazing and bullying increasingly take on an ethnic cast. Because the government has frequently used army troops to backstop overextended Interior Ministry assets, the military has become the focus of blame for excesses incurred during police actions against battling ethnic groups. This has added to the surprisingly virulent antimilitarism that has emerged in response to media criticism of military problems. Several Soviet officers have complained to Americans that all these changes have combined to lower the prestige of the military.

Gorbachev has firm control over the military. He has reduced military influence in national security decisionmaking and made cuts to the defense budget. He has created a more malleable high command, led by officers, such as Yazov and General Staff chief Malichev, who are more personally beholden to the General Secretary. Various sources indicate that Yazov, who is only a candidate Politburo member, does not play a dominant role in national decisionmaking. The military is continuing to voice its opinion and speak out against reforms that it considers unreasonable—such as the creation of an all-volunteer armed forces—but there is little it can do if the government and parliament insist on the changes.

Implications for Gorbachev's International Agenda and US Policy

Gorbachev Stays the Course

If Gorbachev remains in power and avoids having to retrench significantly, we expect little change in the direction of his foreign policy. He will still have a pressing need for a stable international atmosphere that will allow him to concentrate on perestroika and to shift funds from defense to the domestic economy. Up to a point, the prospect of continuing turmoil at home will reinforce sentiment in favor of a respite from East-West tensions (see inset).
3. (Continued)

We expect Gorbachev to:

- Push hard for conclusion of arms control agreements with the West.
- Broaden the base of the improvement in relations with the United States and Western Europe and seek to shape the evolution of the European security order.
- Go further to defuse human rights as a contentious issue in US-Soviet relations.
- Remain tolerant of changes in Eastern Europe that reduce Soviet influence.
- Consolidate the rapprochement with China.
- Seek to reduce military commitments in the Third World and avoid confrontation with the United States.
- Step up efforts to make the USSR into a more credible player in the international economic system.

Retrenchment

The retrenchment scenario sketched out above would make Moscow:

- More supportive of leftist allies abroad.
- More reluctant to undertake any radical reorganization of the Soviet military and security services.

A more orthodox Communist regime’s harder line on a range of foreign and domestic issues would certainly increase East-West tensions, but the new regime would try to limit the damage. We see little chance that such a regime would find it in the Soviet interest to revert to an openly confrontational strategy toward the West that would entail a major new military buildup or significant risktaking in the Third World. In fact, its preoccupation with the problems of domestic order and consumer discontent would place some limits on its ability to shift resources back to the defense sector. It would probably implement arms control agreements already reached but be less inclined to make concessions to complete those still being negotiated.
3. (Continued)

Figure 10
Reported Incidents of Economic Unrest, January 1987-September 1989

[Soviet Union map showing incidents in various republics]