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Whither Gorbachev: Soviet Policy and Politics in the 1990s (U)

National Intelligence Estimate

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SCOPE NOTE

This Estimate is the Intelligence Community's first overall assessment of the reforms Mikhail Gorbachev is attempting to introduce in the Soviet Union and their implications for the United States and the Western Alliance. It was stimulated by the accelerating pace of events inside the Soviet Union since the beginning of 1987 and by the evidence of growing debate abroad about the threats and opportunities that fundamental reforms in the USSR could present to the West.

The Estimate is designed to summarize our view of Gorbachev's pressures for change in Soviet politics and policies in the 1990s. It presents our judgments about how far that change might go in domestic, defense, and foreign policy arenas. It does *not* attempt an exhaustive analysis of the future of economic reform, defense programs, or any other specific policy area. The dimensions and prospects for Gorbachev's economic strategy will be discussed in more depth in a National Intelligence Estimate on the Soviet economy to be published in the spring of 1988. [

] Predicting Soviet policy in the 1990s and estimating the impact of Gorbachev's changes on Western interests is an inherently uncertain enterprise and there are persisting differences of view on some of the key questions within agencies, the Intelligence Community, and academia. These differences are reflected in this Estimate. [

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KEY JUDGMENTS

Mikhail Gorbachev has staked his future on a bold effort to revitalize Soviet society, improve Moscow's abilities to compete with the West, and more effectively advance Soviet influence in the global power arena. The reforms he is pressing in pursuit of these objectives have the *potential* to produce the most significant changes in Soviet policies and institutions since Stalin's forced regimentation of the country in the late 1920s.

Gorbachev's Vision. We believe Gorbachev is now convinced that he must make significant changes in the system, not just tinker at the margins, if he is to achieve his ambitious domestic and foreign objectives. *To revitalize the society and the economy he:*

- Has launched a thorough-going turnover of party and government officials designed to consolidate his political power and prepare the ground for his ambitious policy agenda.
- Intends to revamp the main institutions of the Stalinist system. He wants to create a "halfway house" that preserves the essential features of the Leninist system (the primacy of the Communist Party and strategic control of the main directions of the economy), while grafting onto it approaches not seen in the USSR since the 1920s—a political atmosphere more tolerant of diversity and debate, a less repressive environment for Soviet citizens, an expanded role for market forces in the economy, and a dose of economic competition.

On the national security front, Gorbachev adheres to traditional objectives: first and foremost enhancing the security of the Soviet homeland; expanding Soviet influence worldwide; and advancing Communism at the expense of capitalism around the globe. In order to pursue these goals more effectively, however, and to create the *necessary conditions* for his ambitious internal agenda, we believe Gorbachev wants to introduce potentially profound changes in Soviet strategy and tactics in the international arena. He believes that a more pragmatic approach to ideology, a more flexible and accommodating diplomacy toward the West, the Communist Bloc, China, and the Third World, and a corresponding deemphasis on military intimidation as an instrument of foreign policy will help him achieve his objectives. Specifically, we believe he wants to:

- Constrain the growth of defense spending—and perhaps even to reduce spending somewhat—in order to concentrate resources

on the task of rebuilding the economy, improving Soviet technological competitiveness, and ensuring Moscow's ability to fulfill military requirements over the long haul.¹

- Sustain a vigorous diplomatic effort to reduce East-West tensions in order to restrict the momentum of US arms programs and especially the Strategic Defense Initiative, which, besides its strategic implications, could impact adversely on his plans to control defense spending.
- Move beyond past Soviet positions on arms control to achieve his domestic and foreign objectives. He will not accept steps that reverse the relative gains Moscow has made, but he may be willing to trade some military advantages for commensurate military or political gains.
- Exploit the favorable image created by change at home and new flexibility abroad to undercut foreign perceptions of a Soviet threat and better advance Moscow's influence abroad by political means.

Can He Do It? Historically, change of this magnitude in Russia and the Soviet Union has been successfully imposed only by extremely autocratic leaders. Gorbachev does not have and is not likely to acquire such power. He faces a protracted struggle against long odds to bring his colleagues in the Politburo oligarchy along with him.

Gorbachev has succeeded in selling the notion that a muddling-through mentality must be discarded if the Soviet system is to remain competitive. *But there are clear differences even within Gorbachev's coalition over how much change is needed and how fast it should come.*

- He can count on close colleagues such as Party Secretary Yakovlev, Foreign Minister Shevardnadze, and Premier Ryzhkov—as well as reform-minded elements within the elite as a whole—to back his program. But others, such as “Second Secretary” Ligachev and KGB Chairman Chebrikov, represent forces within the ruling elite who want to slow the pace of change and emphasize more traditional approaches. Between these two poles remain others whose preferences vary from one issue to another, making formation of a consensus on the agenda a day-to-day battle.
- Progress will be uneven at best and reverses along the way are probable. While Gorbachev has scored some remarkable suc-

¹ The Director, Defense Intelligence Agency, believes that Gorbachev will not be in a position to make an overall reduction in defense spending during the period of this Estimate.

cesses, the struggle in the Politburo over the pace of change in the country has lately become more intense. The cautious tone of Gorbachev's speech to the October Revolution anniversary celebrations and the removal of Boris Yeltsin as Moscow party chief indicate that for now Gorbachev has been forced to temper his call for change. He will be under pressure to find a way to impart new momentum to his reform agenda in the months ahead.

Beyond the battle in the Kremlin, Gorbachev will have to traverse a variety of other shoals that could block his path and ultimately sink him as well as his agenda:

- Other than overt political opposition, Gorbachev's greatest obstacle may be sheer inertia. Centuries of centralized decision-making have produced a society used to avoiding initiative and not sure how to assume it.
- His effort to encourage a degree of spontaneity in the political system promises a protracted period of heightened political tensions that will test the limits of party control.
- There is a risk that some of the reforms will set loose centrifugal forces in the Soviet empire, triggering unrest among national minorities or other disgruntled social groups. We see little chance of nationality unrest sufficiently serious to threaten the regime, but a good chance of tensions that cast doubt on Gorbachev's program and slow the pace of change.
- We believe there is an even greater chance that reform in Moscow will add to the potential for instability in Eastern Europe, forcing the USSR to crack down once more, and producing pressures for retrenchment at home.
- Efforts to undertake a radical reform of economic planning and management over the next several years may disrupt economic performance and fuel doubts in the leadership and the society about the viability of Gorbachev's program. It is by no means certain that the returns will be sufficiently impressive to allow him to continue with his long-term program.
- Failure to effectively manage relations with the West could also complicate Gorbachev's position, giving support to those who oppose his more flexible diplomacy and his national security policies.

We judge that his removal is very unlikely for at least the next two to three years. But, given the risks inherent in his program, Gorbachev will remain vulnerable to a political challenge despite the further progress we expect him to make in moving more supporters into the leadership.

His political survival will depend on a combination of political skill, effective management of the difficulties reform will inevitably cause, and luck.

The USSR in the 1990s. We believe that current political and economic conditions in the Soviet Union have created an environment in which substantial change is possible over the next decade. Given the obstacles, the likely ebbs and flows of the reform process, and the susceptibility of the outcome to unforeseen events, we cannot predict with confidence how much change will occur:

- We believe the most likely outcome is a *rejuvenation of the existing system*. In this scenario we would see a continuation of the less controversial elements of Gorbachev's program: more competent leadership, a priority for industrial modernization, increased emphasis on discipline and anticorruption, implementation of limited reforms, and a more adroit foreign policy. There would, however, be no substantial expansion of the boundaries of political debate or the role of market forces in the economy. This scenario would bring important changes to some sectors of Soviet political and economic life, but we do not believe it would produce the decisive improvements in Moscow's competitive position that Gorbachev seeks.
- Given the obstacles, the chances that Gorbachev will succeed in going beyond *rejuvenation* to implement what we call *systemic reform* are small (perhaps less than one in three). Nevertheless, given what we believe to be the potentially significant consequences, we assess in detail what such fundamental changes could look like and how we would detect progress in this direction. In this scenario the party's controlling role would remain unquestioned. But Soviet authorities would condone a measure of political diversity and dissent and expanded participation at the lower levels of the system. The economy would be far more responsive to market forces, mainly in the consumer and agricultural sectors. Such changes are largely uncharted water for any Communist system and would be inherently risky. The process of implementing such reforms could be severely disruptive in the near term, producing political tensions, heightened nationality frictions, and dislocations in the economy. As in Czechoslovakia and to some extent China, these problems could become serious enough to threaten the reform process itself. But if the regime managed to successfully negotiate these shoals, we believe that by the end of the century this scenario could begin to produce some progress toward the ambitious economic and social goals Gorbachev has set.

- Even less likely than successful systemic reform, in our view, is a return to a more authoritarian *neo-Stalinism* scenario that would feature recentralization rather than decentralization of political and economic decision making. *There remains a certain reservoir of support in the elite and society for such a course, and its prospects could increase if Gorbachev's effort to push for fundamental reform fails dramatically*, triggering significant unrest at home or in Eastern Europe or severe disruptions in the economy. But we believe the odds will remain remote.
- At the other end of the spectrum, we believe the odds of a turn toward *democratic socialism*, featuring a more radical push for a market economy and a pluralistic society than *systemic reform*, will remain virtually nil under any circumstances.

We believe Gorbachev will press ahead persistently with the implementation of his program, making tactical adjustments and accepting delays when necessary. As long as he stays at the helm, we believe the prospect of significant progress toward *systemic reform* remains. If he dies in office or is removed, we believe the odds that the leadership will stop short of fundamental change increase substantially.

How Will We Know? We believe that progress toward truly fundamental change—the scenario we call systemic reform—can be measured by the extent to which:

- The proportion of enterprise output dictated by central ministries declines substantially.
- The regime follows up on its promise to deregulate prices by allowing enterprises to engage freely in buying and selling at negotiated prices any production beyond that allotted to the state.
- We see a growing role for private entrepreneurs and cooperative enterprises operating relatively independently of the state.
- Glasnost—the more open debate of problems and unorthodox ideas—continues to expand into new areas and is effectively institutionalized.

Failure to see continuing movement along these fronts—not to mention retreat—would be a sure sign that the push for reform was in trouble.

Implications for the West. Given its superpower ambitions, military power, and ideological predilections, the USSR will remain the West's principal adversary whether or not Gorbachev is successful in

rejuvenating the system or introducing systemic reforms. But we believe the impact on Western interests and on the nature of the Soviet challenge would differ in important respects.

Rejuvenation of the Existing System. In this scenario, the nature of the Soviet challenge to Western interests would not significantly change. While the USSR would remain a formidable military threat, we do not believe the expected modest improvements in economic performance would give Moscow the wherewithal to significantly improve its ability to compete with the West in the economic and military arenas over the longer term. We would continue to see a more adroit foreign policy, but conservative pressures forcing a retreat at home would also be likely to limit bold innovations in diplomacy, undercutting the Soviets' efforts to improve the image of their intentions and lessening the political challenge to Western interests.

At the same time, *rejuvenation* would be likely to bring less change in traditional Soviet policies and institutions than *systemic reform*.

- We would expect little change in internal repression or in the boundaries of political dissent.
- The military establishment would be better insulated from change than under a *systemic reform* scenario. The intrusion of glasnost into military affairs would be sharply limited. The economy would generate sufficient resources to fund growth in military programs, albeit not without forcing the leadership to make difficult choices that could undermine the effort to increase investment in the economy or provide improvements in the standard of living.
- In the Third World we believe the Soviets would continue to rely on military power as their primary means of influence. We would see little change in the nature of East-West competition in the region.
- Traditional approaches to East-West issues would remain largely intact. We would be less likely to see major departures in arms control diplomacy or negotiations leading to significant reductions in Soviet conventional or strategic forces than under a *systemic reform* scenario. Soviet economic ties to the West could expand somewhat in this scenario, but there would be no significant change in the barriers that seal off the Soviet economy from the world market.

Systemic Reform. The impact of this scenario on Soviet capabilities, policies, and behavior could be much more substantial, and we have therefore examined its implications for the West in considerable

detail. We believe this scenario would pose new threats as well as opportunities.

On the one hand, expected technological and productivity gains would enhance the Soviets' long-run competitive position and broaden the base of the challenge to the West:

- Given the slow rate at which we expect change to occur, we believe that successful *systemic reform* would produce only modest improvements in Moscow's ability to compete in the economic arena in this century. Although we do not believe the Soviets would make much progress in improving their ability to innovate and assimilate advanced technologies, Soviet defense industries would nevertheless benefit more than under any other scenario and the military competition would continue.
- The political challenge could grow substantially. Overturning important features of the Stalinist system—systemic change—would provide a more credible backdrop for Soviet diplomacy and propaganda than a *rejuvenation* scenario alone could offer, forcing the United States and the West to reexamine traditional strategies for containing Soviet influence. Relations within the NATO Alliance would be complicated as shifting perceptions of Soviet intentions weaken the glue that has held its members together.

On the other hand, we believe changes in Soviet policies and institutions in this scenario would also open up new opportunities for Western diplomacy:

- The more open political climate would make it easier for the West to get its message across directly to a wider cross section of the elite and the population.
- The ultimate direction of defense spending in this scenario will depend on leadership's future decisions on weapon programs as well as on factors—such as the state of the East-West relationship—not completely within their control. Soviet leaders would fund a robust military R&D program and push ahead to modernize their strategic and conventional forces. But they would have an incentive to constrain the growth of defense spending through the 1990s.²
- Soviet leaders certainly would not end the East-West competition, accept an inferior strategic position, or draw back from

² The Director, Defense Intelligence Agency, believes that under the *systemic reform* scenario improvements in economic performance would be likely to provide enough resources by the late 1990s for military expenditures to grow without the constraints likely during the next five-year plan.

pursuit of a global superpower status. But we believe *systemic reform* would be more likely than *rejuvenation* to create conditions for meaningful arms control negotiations, leading to potentially sizable reductions in Soviet conventional and strategic forces opposite NATO and China. There could be significant changes in Moscow's foreign economic strategy, including more rapid development of trade with the West.

- While *there would be no retreat from Moscow's determination to expand its influence in the Third World*, we believe a reform leadership would place more emphasis on political and diplomatic approaches to regional issues and in some areas, such as the Middle East, pursue more cooperative approaches as they seek to expand their political role and legitimize their presence.
- We believe *systemic reform* in the USSR would be contagious in the Eastern Bloc, producing a measure of increased pluralism, more indigenous approaches to political and economic reform, and new opportunities for US diplomacy.

The Impact of US Policy. We believe that the fate of reform will be sensitive to the state of East-West relations. The proponents of reforms that attempt to introduce market forces and political diversity into the Soviet system are more likely to be able to advance their cause in a climate of reduced tensions. We also believe that Gorbachev's effort to direct a larger proportion of resources into industrial modernization depends in part on his ability to manage perceptions of the foreign threat, and hence on his ability to achieve arms control arrangements that constrain Western defense programs.

- While the push for reform is not immune to outside influence, we cannot confidently predict the impact in Moscow of Western policies specifically designed to affect the process.

We believe Gorbachev's success, and the fate of reform, will largely rest on the outcome of power struggles, political debates, and economic and social developments inside the USSR and Eastern Europe that are subject only indirectly to influence from outside.

Alternative View

The Director of NSA holds a different view on the general interpretation of Gorbachev's "vision" and the primary purposes of his domestic policies. Gorbachev has staked his future not on revitalization of Soviet society, but on revitalization of the party and its ability to overcome localism and deviant behavior vis-a-vis central control, behavior that became so widespread during Brezhnev's rule. This revitalization of the party actually began with Andropov, and the

stimulation for it may have come as much from the decay of party control in Poland as from concern about modernity in the Soviet economy. Such a decay in the USSR would probably bring the prospect of major disorders and serious questions about the ability of the regime to survive. *Glasnost* and *perestroika* (restructuring), ostensibly aimed at an economic and social revitalization, are primarily instruments devised by Gorbachev to weld a coalition of intelligentsia that can break party resistance to an administrative purge and the restoration of strong Leninist standards of democratic centralism. Put in the historical context of previous reforms in the USSR and Eastern Europe, *Gorbachev's economic and social reforms do not appear to be the primary aim. Rather, they seem to be the "means" for a de facto party and state purge, the traditional vehicle for restoring the party's vitality.*

Certainly, he would like improved economic performance, but that is less critical than improved political control. Historically, economic reforms both in the USSR and the Warsaw Pact states have been linked to leadership struggles and purges. The correlation in this regard is perfect. Such reforms only occasionally have coincided with poor economic performance, and just as often their result has not been economic improvement. *Moreover, the Gorbachev reforms, as they can be inferred from laws and decrees, are hardly "bold" in comparison with reforms and policy actions during the Khrushchev years. They do not, therefore, as the text asserts, "have the potential to produce the most significant changes in Soviet policies and institutions since Stalin's forced regimentation of the country in the late 1920s."* On the contrary, the actions inspired thus far by *glasnost* and *perestroika* are rather modest when compared with those of the 1956-62 period in the USSR.

Concerning future scenarios, "rejuvenation," as it is described in the text, amounts to a traditional party and state purge of cadres, greater cadre discipline, and a reduction of localism and deviant behavior by officials. "Neo-Stalinism" is a better name for this scenario. "Systemic reform," in order to have meaning, needs specific definition, economic and political. If it does not include a fundamental shift to market pricing in the majority of the economy's activities, particularly in the industrial sectors, it can hardly be called "systemic." There is no sign of such an intention in either the recent new laws on the economy or in Gorbachev's pronouncements on his "vision" of the future. A "systemic" shift of the locus of political power through law or elections would destroy the centralization of political power Gorbachev needs to carry through any kind of reform. This scenario, therefore, is most unlikely.

"Democratic socialism" is no scenario for change. The "social democratic" parties of Western Europe rule over market economies, not socialist economies. In the logical sense of "democratic socialism," Lenin and the Third International inherited the banner of "democratic socialism," not the Western parties of the Second International. Stalin put substance under the banner by state control of virtually all property and capital. The text's use of the term "democratic socialism," therefore, is confusing.

As an alternative answer to the NIE question, "whither Gorbachev," there are two conceivable scenarios. First, he will succeed in purging the party, and in the process he will unleash many social forces which he will later have to bring back under control through KGB and party means. This is the best possible outcome for Gorbachev, and it may or may not be accompanied by moderate economic improvements. Second, he will fail in his effort to revitalize, or purge, the party and government ranks. He may be overthrown as he fails or he may compromise sufficiently to survive as the leader of a new era of "Brezhnevism," that is, internal immobilism coupled with external mobilism. The latter seems the most probable.

The first scenario would strengthen the Soviet political system, although it could easily lead to major disorders in Eastern Europe as the Soviet political struggle is mirrored there. The second scenario should create a stable but slightly weakened political system. In both scenarios, Soviet external policy is likely to remain mobile, more adept and flexible than in the latter Brezhnev years, and a greater challenge to US interests both in the Third World and in the advanced industrial states of Europe and East Asia.

DISCUSSION

What Gorbachev Wants

1. By Gorbachev's own admission, the USSR is confronting a systemic crisis. The failure of his predecessors to grapple effectively with growing decay at home and declining credibility abroad have undermined the credibility of the Soviet model, leading foreigners as well as the domestic population to doubt that the system is capable of meaningful improvement. Gorbachev and his allies have made clear that they see the party's leading role, the USSR's superpower status, and the future of the Communist system at stake.

2. Gorbachev's effort to engineer a decisive improvement in Soviet performance is driven both by domestic and international considerations. At home, he believes economic stagnation and societal malaise have potentially dangerous consequences for the stability of the system. Internationally, Gorbachev sees a growing threat to the Soviet Union's long-term competitive position. He believes that Moscow's declining economic position vis-a-vis the West (see figure 1) could ultimately undermine the global gains that Moscow has achieved over the last two decades through a steady military buildup. He is committed to improving Moscow's abilities to compete with the West, while convinced of the decisive importance of economic power and political factors in achieving that objective; he is less inclined than his predecessors to measure Moscow's progress in primarily military terms.

3. Last year Gorbachev told a gathering of the foreign ministry elite that "economics is the deciding factor, the field of action where we face our enemies." He sees economic revival as a means for achieving not only the USSR's domestic but also its national security objectives. In the view of the current Soviet leadership, the ability of the USSR to compete militarily with the West will depend increasingly on its ability to stay abreast of the global technological revolution. Gorbachev believes that the Soviet economy's inability to innovate poses an increasingly grave threat to its global position and, ultimately, to the military gains the USSR has made over the last two decades. Higher growth rates and an increased standard of living for

the Soviet population are important goals for Gorbachev. *But we believe he is driven in particular by a determination to create a system which can innovate more successfully and produce advanced technology more efficiently than the Soviets have ever been able to accomplish.*

How He Plans To Get It

4. Gorbachev stands out clearly from his predecessors in his willingness to adopt unorthodox methods to achieve his objectives. He is determined to proceed and impatient with rigid interpretations of traditional ideology or precedents that may stand in the way. (See annex B, "Gorbachev as a Leader.")

5. The new leadership inherited a system that, despite tampering by both Khrushchev and Brezhnev, closely resembled the essential political and economic institutions that Stalin forged in the late 1920s and 1930s. While Gorbachev came into office with an agenda for change, it was by no means clear at first that his intentions or impact would be any different:

- On the political front, Gorbachev's first year featured an emphasis on cadre renewal, while his social policies featured an attack on corruption, alcohol abuse, and workplace indiscipline.
- His greatest energies on the economic front went into manipulation of traditional policy instruments such as resource allocation. He engineered a sharp jump in funding for retooling the USSR's antiquated industrial base.

6. These policies address real problems in the Soviet system and were long overdue. Some have already had a positive impact on economic performance, and we believe they will remain central tenets of the new leadership's approach. But Gorbachev and his spokesmen have been increasingly frank in expressing their view that such measures won't be enough. Their vision of the remedies that will be necessary has grown increasingly radical as they have come face to face with the challenge of reforming a system that repels reform. *In our judgment Gorbachev and his allies are now well aware that if they hope to achieve their objectives they must make fundamental changes in the Stalinist system that they inherited.*

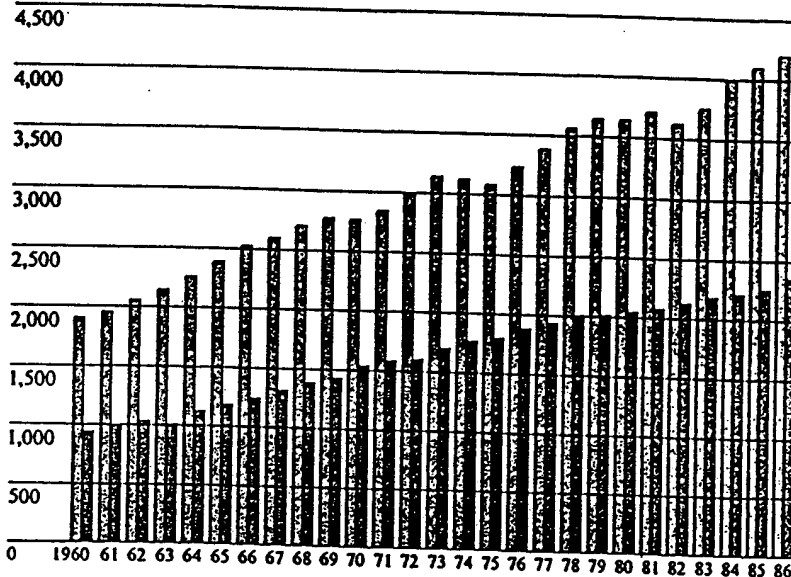
Figure 1
USSR-US: Comparative Levels of Economic Development

Note scale change

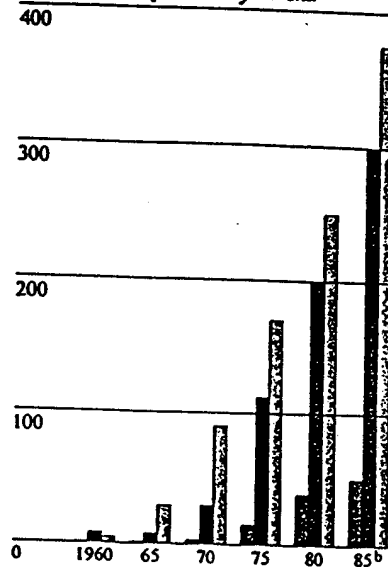
■ USSR
■ Western Europe
■ US

1a. US and Soviet GNP, 1960-86

Billion US 1986 \$



**1b. Technological Development:
Stock of Large Computers ^a**
Thousand computers at year end



^a Large computers include all general-purpose machines larger than microcomputers.
^b Estimated.

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During the rest of the 1980s and well beyond, the domestic affairs of the USSR will be dominated by the efforts of the regime to grapple with these manifold problems, which will also have an influence on Soviet foreign and national security behavior.

NIE 11-18-85, assessing the internal maladies facing the Gorbachev regime

Gorbachev's Vision

7. Gorbachev has no carefully drawn master plan for the system he wants to create. *His vision of change will continue to evolve* if—as we believe—the remedies they are now putting in place fail to achieve the new leadership's ambitious objectives. But the general direction is clear.

8. By his own admission, Gorbachev believes that excessive centralization, by stifling individual initiative, lies at the heart of his problem. He wants to remove the dead hand of bureaucracy and decentralize sufficient operational authority to regional officials, local economic enterprises, and individual citizens to fuel a burst of initiative and creativity. To do this he is prepared to attack aspects of the system that Soviet citizens and foreigners alike have come to identify as its essential features—a political culture that demands conformity and denies diversity, an economy that ensures control at the expense of innovation, and a social contract with the Soviet citizen that offers security and stability at the expense of dynamism and efficiency.³

³ Ironically, Gorbachev must *reassert central control* over regional institutions of the party and state apparatus—which won increasing autonomy under Brezhnev—in order to effectively implement his plans for decentralization of operational authority.

9. Gorbachev and his colleagues claim that what they want to do is "reveal the full potential of socialism"—a posture dictated by political necessity. But they understand and appreciate some benefits of Western-style systems—especially their ability to nurture individual initiative, innovation, and efficiency. In pursuit of those benefits *this leadership wants to create a "halfway house" that would preserve the primacy of the Communist Party and strategic control of the main directions of the economy, while adopting a political and bureaucratic environment more tolerant of political and policy debate, market forces in the economy, competition among economic enterprises and individual citizens, checks on the power of central authorities, and expanded rights for individuals. In some respects, Gorbachev wants to reject Stalinism in favor of Leninism.*

It is notable that all current proposals draw inspiration from Western practice or from 'market socialism.' The direction of current thought suggests that the Soviets, like the East Europeans before them, are perceiving the limitations of Communist doctrine as applied to a modern economy and that, at least in this field, they recognize the need for change.

NIE 11-5-65, assessing the Brezhnev regime's economic vision in its first months

10. *Accomplishments.* Gorbachev has made a strong start on implementing this ambitious vision for change:

- His bold political and economic initiatives and radical rhetoric have thoroughly shaken Soviet elites and disrupted the status quo. He has succeeded in moving further and faster to consolidate power and articulate a new policy agenda than virtually any foreign or Soviet observer would have anticipated in the spring of 1985. In 30 months, Gorbachev has gone a long way toward challenging the viability of the Stalinist political and economic institutions and creating a climate more hospitable to significant structural change.
- *But Gorbachev is still only at the beginning of a long process:* due to political opposition and the complexity of the issues, the regime's actual reform initiatives have been carefully circumscribed to ensure that they do not depart too boldly from existing approaches. *The ultimate fate of Gorbachev's radical agenda—articulated most clearly in his speeches at the January and*

June 1987 plenums—will depend on how successful he is in pushing ahead with its implementation over the next decade.

The Political System

11. Gorbachev's plans for the political system remain less well defined than his economic agenda. But he and his colleagues have shown a growing conviction that the revitalization of society and the economy that they want to achieve can succeed only if there are significant changes in the political arena as well. They are trying to pull back the tentacles of state control to encourage a controlled expansion of local initiative and participation in political institutions. They want to move far enough to undercut popular cynicism about the leadership and enhance the credibility of the party apparatus, but not so far as to threaten a loss of control. The regime appears to be moving on at least three fronts to create the new political climate it seeks: introducing a more flexible approach to ideology, easing traditional controls on public debate about sensitive issues, and restructuring political institutions.

There is no democracy without openness. At the same time, democracy without limits means anarchy.

Gorbachev, speaking to a group of Soviet writers in June 1986

12. *Ideology.* Gorbachev is frustrated with the straightjacket of inherited doctrine that opponents of change have sought to impose on him. He seeks to expand his maneuvering room by increasingly attacking the directions of theoretical thought in the Soviet Union in the last 50 years and by depicting his own proposals as an effort to return to Lenin's original intent. The effort by Gorbachev and some of his allies to invoke the spirit of Lenin's so-called New Economic Policy (NEP) (an era in which the new Soviet regime scaled back its early pretensions to domination of the country's political, economic, and cultural life) aims to legitimize their policies and break with those inherited from Stalin and his successors. (See annex C, "Gorbachev and Ideology.")

13. *Glasnost.* Tight controls over the flow of ideas and information are central to the Soviet system. The traditional penchant for secrecy has stifled debate, establishing the party as the sole dispenser of truth and creating an environment in which winners of political arguments have anathematized the losers and sought to rewrite history to conform to their views. [

[] indicates that the new leadership believes that the traditional approach is incompatible with an increasingly well-educated society, complex economy, and the political needs of the moment.

14. Gorbachev's campaign for glasnost (openness) began as an expose of past failures and abuses, a means for enhancing the regime's credibility at home and abroad, and a powerful instrument for pressuring and purging officials resisting his reform program. But glasnost has begun to take on a more fundamental dimension as Gorbachev's assessment of the scope of the problem he faces has grown. Gorbachev and his associates' recent statements suggest they see glasnost as an essential element of their reform program, a concept designed to rationalize an expansion of the boundaries of legitimate public debate of controversial issues:

- Glasnost is not a new concept. Lenin and Stalin endorsed it in a more limited context. More recently, the need for glasnost in the discussion of Soviet problems predated Gorbachev's rise to power in March 1985. But Gorbachev has taken the concept much further, making it the centerpiece of his drive for change. For Gorbachev, glasnost is a necessary step to achieve his longer range goals.
- The regime does not intend to allow a free press—they will place limits on how far glasnost will be allowed to proceed. But just where those limits are to be drawn is not yet clear, and for now the boundaries on public debate are continuing to expand, to the predictable and increasingly public dismay of some conservative elements in the leadership and the society.

It is necessary to master a democratic way of thinking and acting, making it possible to treat people holding a different viewpoint as worthy opponents, as interested allies in the struggle for restructuring.

Politburo member Aleksandr Yakovlev, speaking to a plenum of the Tajikistan party Central Committee

15. *Democratization.* Gorbachev's campaign for "democratization" is designed to revitalize—not replace—the country's political institutions. By moving to sanction multiple candidates for local and regional elections in the party and state apparatus, and requiring secret ballots, Gorbachev hopes to dislodge conservative officials who are resisting his reforms. But these

The Role of the Party in Gorbachev's Reforms

I listen to you yet I can't understand: Do you really reflect the line? Do people in Moscow really think like this? Self-management, you say, and independence—what are we (local party chiefs) going to do then?

A veteran party leader speaking to a proponent of Gorbachev's reforms (from an imaginary dialogue published in the Soviet weekly *Literary Gazette* in October 1986 by journalist Fedor Burlatskiy)

The traditional role of the party apparatus in the Soviet system will be profoundly effected if Gorbachev is successful in implementing the reforms he has proposed. The functions from which local party leaders have traditionally drawn their power will be redefined and redistributed:

- Multicandidate elections and an expansion of grassroots participation in local party organizations will dilute their ability to control personnel appointments.
- An environment of more open political commentary and public debate will restrict their ability to control who should be criticized by the Soviet media, and will bring their own record under greater scrutiny.
- The emphasis on the independence of local enterprises and an expanded role for market forces will reduce the decisive role the party has played historically in local and regional economic management.

Gorbachev has yet to lay out in any definitive way the role he expects the apparatus to play in the new system he is attempting to create. Judging from some of his own comments as well as those of prominent reformers, Gorbachev evidently expects the party to move away from its extensive involvement in day-to-day management to a greater emphasis on broad strategic guidance—overseeing the implementation of Moscow's policies and serving as the eyes and ears of the central leadership. This view is not new but its serious pursuit would force the party apparatus into a very different political environment.

Most veteran party leaders are ill-equipped by training or experience to perform in such a role. Many have responded with skepticism and resistance. Gorbachev faces a protracted struggle to overcome that resistance and transform the party into an effective instrument for managing the revitalized society that he seeks.

measures are also intended to sanction a measure of diversity and debate in order to give Soviet citizens

and the party rank and file a sense of greater participation in and commitment to the political system. Even though carefully controlled by Moscow (the party can still manipulate the nomination process) effective implementation of multicandidate elections in the party apparatus could have a major impact, weakening the ability of regional party chiefs to control personnel appointments and the political agenda.

16. *Human Rights.* We do not believe Gorbachev values the expansion of the boundaries of individual expression as a goal in its own right. In our view, however, he recognizes that more freedom to question authority, more tolerance of open dissent, better protection against arbitrary justice, and relaxed restraints on travel, among others, are necessary to achieve a revitalized society. He wants to bring dissenters into the political debate, adding their criticisms to the clash of ideas that he hopes will produce a new consensus. He is less concerned than his predecessors about the threat of political instability created by a relaxation of strictures in this area.

17. Gorbachev appreciates the international impact of the apparent relaxation of internal repression. Foreign policy considerations played an important role in the initiatives to resolve divided family cases, release some political prisoners, and allow a modest expansion of emigration. Some of these gestures also respond to domestic imperatives, such as building support within the intelligentsia, that are critical to his success. We expect the Gorbachev regime's performance on human rights to continue to fall far short of Western concepts of individual liberties. But our reporting indicates that more significant steps are on the way to adjust the Soviet legal code and ease some of the more repressive aspects of the system.

18. *Accomplishments.* Glasnost is Gorbachev's most substantial accomplishment so far; only here do actions match his radical rhetoric. Glasnost already goes well beyond anything attempted since the relatively open debate of the first years of the Soviet regime. Senior leaders are still immune from criticism, and many issues (such as the party's leading role) remain off limits. *But Gorbachev's glasnost has already moved into areas—such as social policy and international affairs—that remained untouched under previous leaders.* The spread of glasnost has gone a long way toward creating the conditions for more fundamental changes in the economic and social system in the years ahead. Glasnost remains at risk to conservative elements in Soviet society, represented by leaders such as "Second Secretary" Ligachev and KGB

Chief Chebrikov, who fear disorder more than repression. But we judge that its impact at home and abroad has been sufficiently dramatic that any attempt to return to the status quo ante will be politically costly.

19. Glasnost aside, *Gorbachev's accomplishments on the political front are modest.* Adjustments to the legal code have provided new channels for citizens to lodge protests against abuses of power by local authorities. But secret-ballot, multiple-candidate elections for regional party and state offices and other potentially radical political reforms aired at the January 1987 plenum are so far being tried only on an experimental basis. It remains unclear just how much control over the process central authorities are prepared to relinquish. While there have been some gestures on the human rights front (Sakharov's release, modest improvement in emigration trends, and rumors of more substantial measures) (see figure 2) the legal framework that provides the basis for repression of political dissent remains so far largely untouched.

The Economy

20. Gorbachev's major challenge is to create an economic system that can generate progress through technological change, more efficient use of resources, and individual initiative. The leadership's strategy has three key elements: 1) placement of better managers and enforcement of greater work discipline at all levels (the "human factors" campaign), 2) substantial new investments in the civilian machine-building sector and a new quality-control bureaucracy designed to accelerate modernization of the USSR's production base, and 3) fundamental reform of the economy's planning and management mechanisms.

21. The first two elements represent changes in *economic policy* that Soviet and Western economists alike believe are long overdue. Success in these efforts will be critical to Gorbachev's goals of accelerating economic growth and improving the quality of production. They are necessary but not sufficient conditions for achieving his objectives. Gorbachev agrees with Western economists who judge that the lasting gains in productivity, efficiency, and the pace of technological change he seeks will demand a comprehensive reform of the planning and management mechanism as well.

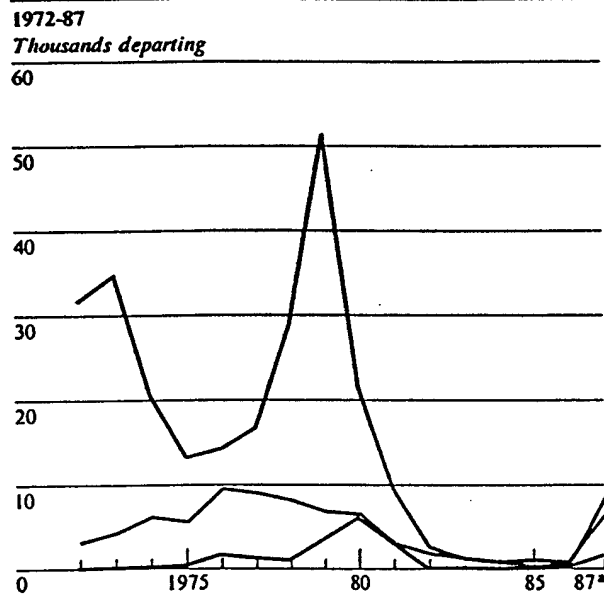
Pulling our economy out of the precrisis situation in which it has found itself dictates the need for profound and genuinely revolutionary transformations.

Gorbachev at the June 1987 plenum

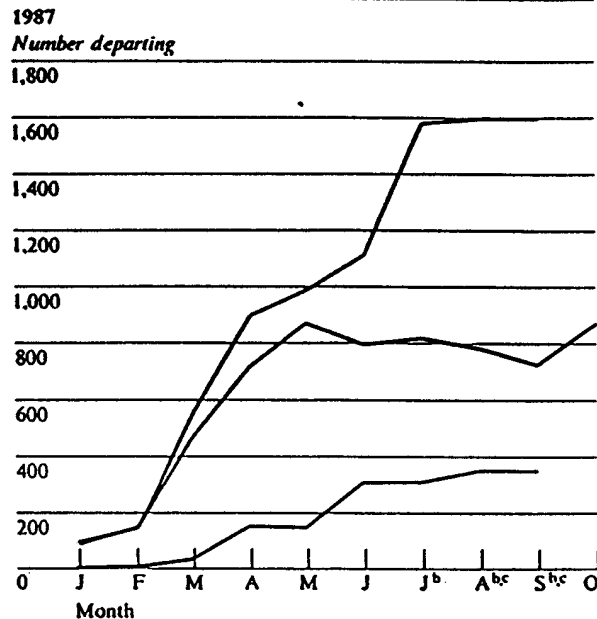
Figure 2
Emigration From the USSR

Note scale change

— Jews
— Germans
— Armenians



^a For Jews, figure shows number departing from January through October. For Germans and Armenians, data are for January through September. German figure is estimated.



^b Because of US Embassy personnel constraints, number of Armenians processed each month beginning in July for exit to the United States is considerably lower than the number receiving exit permission from the Soviet Government.

^c Estimated.

~~Confidential~~

22. Like Brezhnev and others before him, Gorbachev knows that to decentralize the system he must reorient central ministries toward strategic planning and overall guidance of the main directions of the economy, and shift to local authorities and individual enterprises more responsibility for running their own affairs. Where Gorbachev and his associates stand out from their predecessors is in their *approach* to achieving this objective. They are more aware of the comprehensive scope of change that will be required in political and social as well as economic institutions, and more determined to push change upon the system, despite the economic obstacles and political resistance they are certain to face.

If... opportunity emerges for realizing income not through Moscow, not by means of bowing and scraping to the highest bodies, but

in the market, freely, easily, and quietly, money will once again begin to turn into something weighty, significant, highly desirable.

Soviet economist Nikolay Shmelev, writing in the June 1987 issue of *Novyi Mir* (New World)

23. We believe that Gorbachev and his closest advisers appreciate that moving from "administrative" (detailed planned targets) to "economic" (manipulation of pricing, financing, and credit) methods will in fact require the introduction of market forces (supply and demand) as a more decisive guiding ingredient in the economy. Gorbachev and his lieutenants have signaled their intentions in this regard by increasingly favorable references to the NEP; the need for a new, more flexible price-setting mechanism; the benefits of

Lenin's New Economic Policy

People—even those who were dedicated to our cause—did not immediately comprehend the new conditions, the new tasks, the need for new approaches . . . during the NEP period, when Vladimir Ilich Lenin had to make great efforts to prove both the need for a new economic policy and the fact that it was not a return to capitalism, but a means of transition to socialist construction We can, and must, make use of Lenin's lessons in organizing the restructuring we have started.

Gorbachev 1986 speech to Krasnodar party officials

The New Economic Policy (1921-28) was an earlier, largely successful, attempt to establish a mixed economy. Under War Communism (1917-21), the government had nationalized all industry and instituted grain requisitioning in the countryside. By 1920, the excesses of War Communism and the ravages of a four-year Civil War had taken their toll: peasants produced at subsistence levels, starvation was pervasive, scores of industries closed, consumer trade was reduced to barter, and political discontent intensified. The NEP injected a variety of market mechanisms into the collapsing commanded economy:

- Introducing an agricultural tax-in-kind where individual peasants were free to market their own production after paying the tax.
- Allowing many light industries to engage in private trade and control their own production, with limited supervision from regional organs.

- Legalizing private business by individuals and cooperatives in the consumer sector, selling a limited number of small factories to private entrepreneurs, and tolerating, until the mid-1920s, private traders known as NEPmen.

In 1921, Lenin publicly justified the NEP's "petty-bourgeois" policies as a means of forging an alliance between the peasant and factory workers. But many party conservatives opposed the NEP as a "capitalistic" retreat from War Communism's socialist policies.

By injecting market mechanisms into the collapsing economy, the NEP spurred economic growth. Under War Communism, agricultural production had dropped to approximately two-thirds of 1913 levels and industrial output had fallen to one-fifth of 1913 levels; after seven years of NEP both agricultural and industrial production had surpassed their pre-war levels, according to official Soviet statistics.

The recovering economy suffered from inflation and high unemployment, however, triggering government intervention and fueling a debate over the advisability of continuing the reform. The debate over NEP escalated after Lenin's death in 1924, with some leaders (Nikolay Bukharin) pushing for an extension of NEP policies and others (Trotsky's Left Opposition) pressing instead for an end to NEP and a shift to forced-pace industrialization. Stalin used the debate to consolidate power, and then abandoned NEP policies in favor of rapid industrialization and collectivization.

limited competition among individuals and enterprises; and (in Gorbachev's terms) the goal of forging a "harmonious combination of the plan and the market."

24. *The Industrial Sector.* The results of the June 1987 Central Committee Plenum are the clearest indication yet that Gorbachev is determined to proceed with a radical overhaul of the command economy. The blueprint for reform approved by the plenum indicates that Gorbachev has now gained approval for a shift from piecemeal approaches to a comprehensive, integrated economic reform program. The blueprint is evidently the result of a compromise between those who want to move now to significantly decentralize economic decision making and those who want to move more cautiously. *It does not by itself go far enough in restricting the role of central institutions to constitute a decisive break with the command economy. But it contains the outlines of a new, more market-based mechanism for running the economy*

that we believe Gorbachev will continue to push further in the months and years ahead:

- Central planning agencies and economic ministries would be sharply scaled back in size and function.
- Enterprises would have radically expanded rights and responsibilities. They would be required to negotiate contracts directly with each other, choosing their own suppliers and competing with one another for customers.
- The enterprise would compile its own annual plan, to be based on contract orders placed by state organizations and other enterprises. The state would ensure its needs by sending orders to the enterprises.
- Many prices would be partially deregulated—set by negotiation between consumers and suppliers, albeit under close supervision by state agencies.

25. *The Private Sector.* In its search for ways to unleash individual initiative, the regime has embarked on a cautious expansion of the private sector as well as

a limited decentralization of the state sector itself. In part this effort represents a belated official recognition of the burgeoning semilegal "second economy" that already exists, especially in the service sector, and a determination to bring it under tighter state regulation. But the architects of this policy also hope that it will bring a significant and relatively quick expansion in the availability of consumer goods and services without an expansion of centrally allocated investment that the state can ill afford. A quick improvement in the lot of the consumer could be critical to Gorbachev, fueling a growth in labor productivity (giving the Soviet worker something worthwhile to spend his money on) and exhibiting the apparent benefits of "restructuring" more quickly than the planned changes in the industrial economy.

26. *Agriculture.* Unlike the Hungarians and the Chinese, the brunt of Gorbachev's early reform efforts have been directed at the industrial sector, not agriculture. Changes approved during his first year streamlined the agro-industrial apparatus and gave farms the right to sell slightly more of their produce at market prices. We believe Gorbachev's early focus on industry reflects his preeminent goal—closing the technological gap—as well as his close identification with agricultural policies that he inherited.

27. Gorbachev's plans for reform in agriculture are evidently still evolving and more fundamental change may be on the way. He and some of his associates have begun to talk about the need for a "turnaround" in agriculture within the next two to three years and to tout more openly the benefits of private initiative under the guise of the so-called family contract. The family contract, if pushed far enough, could provide the basis for the most significant overhaul of the farm economy since collectivization in the 1920s, replacing the collective farm with the family as the key managerial unit in fact, if not in name.

28. *Foreign Economic Relations.* We believe Gorbachev will move cautiously to expand foreign trade and open the Soviet market to foreign competition. He is concerned about excessive technological dependence on the West and believes domestic economic reform will play the dominant role in the success of his effort to rejuvenate the economy. He and his advisers, however, see long-term benefits in a substantial expansion of trade and economic ties to the West. They have launched some sharp departures in foreign economic policy (breaking the monopoly of the Ministry of Foreign Trade, and approving joint ventures that allow foreign partners substantial equity) that could eventually have a significant impact on the

Gorbachev's Family Contract

The concept of family contracting, which attracted scant leadership attention only a year ago, has become a central focus of the leadership as it searches for solutions to the troubled state of Soviet agriculture. Attention to family contracts, like recently adopted measures promoting individual and cooperative activity in the consumer sector, reflects Gorbachev's long-established preference for small-scale organizations that encourage a "proprietary" attitude. A family-focused variant of the collective contract system in which the farm management subcontracts some aspects of farm production to individual groups of workers, the family contract is being introduced in a wide variety of farming, from livestock to crops. In a typical contract, the family "pays" for all materials and services provided to the farm and gets to keep any profit left after all expenses are accounted for. The wages of family contracting units are generally three to five times that of the average state farm worker.

While many of the families under contract appear to be little more than field hands, some family contracts, including those singled out by Gorbachev, obviously involve large-scale operations. One Estonian family livestock operation is reported to have a farmhouse, fenced pasture, and a fully mechanized barn, complete with milking machines, an automatic feed conveyor, and refrigeration—in outward features seemingly indistinguishable from a Western family farm.

At the extreme, if state and collective farms are divided into parcels managed relatively independently by small groups or families working on contract, the farm itself could turn into a relatively powerless, formal "collective" body. Substantial movement in this direction could have a powerful impact on local incentives and, potentially, on the quantity and quality of agricultural production. Opposition to change of this scope, with echoes of a return to private farming, would be substantial. Apart from ideological concerns, the devolution of decisionmaking would eliminate many administrative jobs and take power away from a wide variety of officials—not only farm-level officials but local and central ministry officials and regional party secretaries and apparatchiks.

The future of the family contract in the Soviet Union will ultimately depend on the prospects for reform of the economy as a whole. Soviet collective and state farm managers will themselves have to gain the kind of independence that their Hungarian counterparts have won if the family farm venture is to flourish.

domestic economy, the role of foreign trade, and the way the Soviets interact with Western commercial interests.

29. *Accomplishments.* While we believe Gorbachev intends to radically overhaul the command economy, he is just beginning the process and recognizes that it will take years, if not decades:

- The June plenum has imparted new momentum to radical reform. The promised decrees fleshing out the plenum's decisions were approved on schedule, and our reporting indicates that the staff and structures of many ministries and state committees will be significantly reduced.
- Nevertheless, the decrees are too general to serve as more than guidelines. It remains to be seen how the leadership will address apparent design flaws and reconcile potentially conflicting provisions. Plans for changing the price-setting mechanism remain particularly ill defined.
- A series of obstacles, from political resistance to economic constraints, have forced Gorbachev to settle for more cautious steps than he wants to take.

Over the next few years, the regime will have to choose between steps that expand on the more radical elements of the economic vision Gorbachev has articulated or, on the other hand, steps that dilute the thrust of the reforms and maintain the dominance of central planning.

There are changes, but they are insignificant and not radical. The main work to form an integral system of managing the economy lies ahead.

Gorbachev's report to June 1987 plenum

Defense Policy

30. Gorbachev is committed to improving Soviet military capabilities and maintaining a global presence in an era of increasingly sophisticated high-technology weaponry. He believes his economic policies are the key to strengthening the industrial base that will ensure Moscow's ability to continue to fulfill military requirements as well as produce higher quality goods in the civilian sector. But modernization of the economy will place sharply increased demands on the Soviet Union's limited supply of investment resources, managerial talent, and technology and production potential in the 1990s, increasing competition with traditional military claims on those same resources.

31. We do not believe Gorbachev wants or expects to extract significant savings from the defense sector in

the short term. But we do believe he has a strong incentive over the longer term to constrain the growth of defense spending, force greater efficiency out of the Soviet military-industrial complex, and avoid an escalating arms race with the United States. *Gorbachev is not likely to achieve his economic objectives without constraining the growth of resources allocated to the military establishment.*

32. Drawing on an infusion of new plant and equipment in the 1970s, Soviet defense industries are in relatively good shape to produce what the military will need into the early and mid-1990s. But economic reform and modernization will be a lengthy process, and Soviet industrial performance will probably slow before it improves. The need to make decisions in the next few years on weapon programs for the late 1990s will force the leadership to face politically difficult choices on resource allocation.

33. Gorbachev has taken a series of steps to improve the ability of the political leadership to oversee defense decision making:

- By firing the minister of defense, replacing other top defense officials, and reducing the military's protocol role in affairs of state, Gorbachev has strengthened his control over the military establishment and the process by which national security priorities are established.
- Gorbachev and his allies have placed new emphasis on the political and economic dimensions of national security issues, providing a strategic rationale for giving greater importance than in the past to diplomatic initiatives and to the health of the domestic economy; and less prominence to military power as the symbol of Soviet strength.
- The new leadership has put forth the concept of "sufficiency" as a principle to guide its defense program. *This concept is subject to differing interpretations in the USSR.* In addition to its foreign propaganda value, it has been used to exact greater efficiency from the military and to justify arms control reductions. It could be used to rationalize far-reaching changes in the size and composition of Soviet forces.
- At a minimum, the military is being required to use resources more efficiently.

34. *Accomplishments.* We are not likely to be able to assess Gorbachev's impact on defense spending for some time. The future direction of defense programs will depend in part on factors not completely under his control. But we believe he has made significant

progress in establishing the control and political rationale necessary to constrain growth in defense spending over the years ahead—if not actually reduce spending—if he can at the same time create an international environment that diminishes internal perceptions of the foreign threat.⁴

Foreign Policy

35. Gorbachev adheres to traditional foreign policy objectives: first and foremost enhancing the security of the Soviet homeland, expanding Soviet influence worldwide, and advancing Communism at the expense of capitalism around the globe. He has acknowledged that what he has called the "precrisis situation" in the Soviet Union threatens Moscow's strategic position in the world. His domestic reform agenda is intended in good part to reverse the trend and preserve and expand the USSR's superpower role.

36. In order to pursue these goals more effectively, however, we believe Gorbachev wants to introduce potentially profound changes in Soviet strategy and tactics in the international arena. He believes that a more pragmatic approach to ideology, a more flexible and accommodating diplomacy toward the West, the Communist Bloc, China, and the Third World, and a corresponding deemphasis on military intimidation as an instrument of foreign policy will help him achieve his objectives.

37. Moving quickly to recreate a detente relationship with the United States helps him achieve domestic as well as foreign objectives—disarming latent domestic critics of his national security policies and protecting his ability to concentrate on the task of reform at home:

- Measures that his opponents are already attempting to paint as departures from socialism, such as advancing glasnost and expanding the role of market forces in the economy, will be more difficult in an environment of East-West hostility. Increased tensions with the United States would pose a clear risk to his economic game plan, undermining his ability to constrain defense spending and devote scarce resources to industrial modernization.

⁴ The Director, Defense Intelligence Agency believes that Gorbachev will not be in a position to make an overall reduction in defense spending during the period of this Estimate.

- Like his predecessors, Gorbachev hopes that a detente environment will produce political pressures in the West that limit defense budgets, restrict military modernization, and contribute to frictions within the NATO Alliance over strategy toward the Communist world.

- We do not believe that trade with the West will play a major role in the revitalization effort, at least for the foreseeable future, nor do we believe Gorbachev expects it to. But the Soviets do hope that increased trade and technology transfer in a more relaxed international environment will give their plans an added boost.

Without an awareness that diplomacy must create a favorable foreign policy environment for domestic restructuring, we do not have and cannot have today a qualified, competent diplomat or a competent diplomatic service.

Foreign Minister Shevardnadze, speaking to a conference of foreign ministry officials in May 1987

38. The US-Soviet relationship poses substantial risks and opportunities to Gorbachev's plans for domestic reform, and we believe that reshaping that relationship remains his first priority in foreign affairs. *His ultimate goal remains constraining SDI and slowing the overall momentum of US military programs. He is much more willing and able than his predecessors to move beyond past positions on strategic arms control issues in pursuit of this objective.* Already evident in his approach to INF and START, we think it likely that this new flexibility will eventually promote initiatives that could offer a significant reduction in the size and composition of Warsaw Pact conventional forces facing NATO—in return for compensating military or political gains for the USSR.

More innovations in Soviet arms control positions of the sort Gorbachev has already introduced are likely if he believes they can help him achieve constraints on SDI and other US defense programs.

SNIE 11-9-86, assessing Gorbachev's approach toward the United States for the remainder of the Reagan administration

39. Gorbachev wants to revitalize Soviet diplomacy across the board:

- By advertising his domestic reforms and adopting a more flexible posture on arms control, Gorbachev is attempting to undercut negative images of Soviet intentions in Western Europe and improve Moscow's ability to exploit differences within the Western Alliance.
- He has given new priority to regions such as East Asia and Latin America that the Soviets previously neglected. He wants to play a more assertive political role in regional trouble spots, especially in the Middle East, where the USSR has traditionally been odd man out.
- He is broadening Moscow's priorities in the Third World, placing greater emphasis on expanded ties to Western-oriented states that could potentially provide more assistance to Moscow's diplomatic or economic goals than its traditional clients. We believe Moscow will place more pressure on its clients to use Soviet aid judiciously, in the hope the burden can be reduced. For both political and economic reasons we believe Gorbachev will be careful about taking on new commitments without the expectation of clear strategic benefits for Soviet interests. But we see no retreat from the geopolitical gains of the 1970s. *We expect Gorbachev to continue committing substantial resources to key clients, and indeed to "up the ante" if these regimes are being challenged.* (See figures 3 and 4 and annex D, "Gorbachev and the Third World.")

40. *Implications of "New Thinking."* Under Gorbachev, the Soviet leadership has begun to advance new ideas to guide foreign policy. This "new thinking" has several components:⁵

- Greater emphasis on political approaches and less reliance on military power in achieving national security goals.
- The need to show more flexibility in negotiations with the West, particularly on arms control.
- The increasing "interdependence" of nations and the importance of solving global problems (such as the prevention of nuclear war, environmental pollution, and economic development) that demand international cooperation.

41. "New thinking" has a substantial propaganda component. It is intended to enhance the image of the

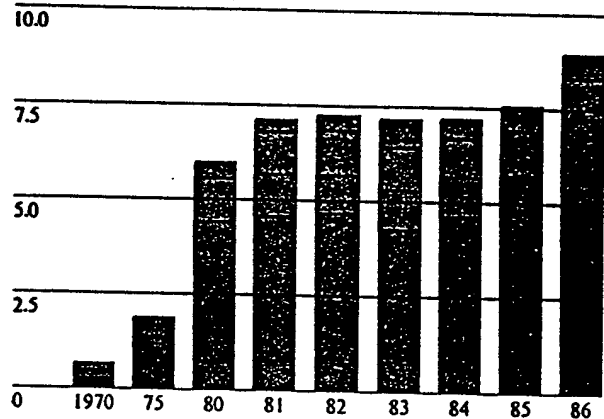
⁵ Most of the specific components of "new thinking" have their origins in the 1960-70 writings of prominent scholars in Moscow's foreign policy think tanks.

Figure 3
USSR: Economic Aid Disbursements to Selected LDCs, 1970-86

Note scale change

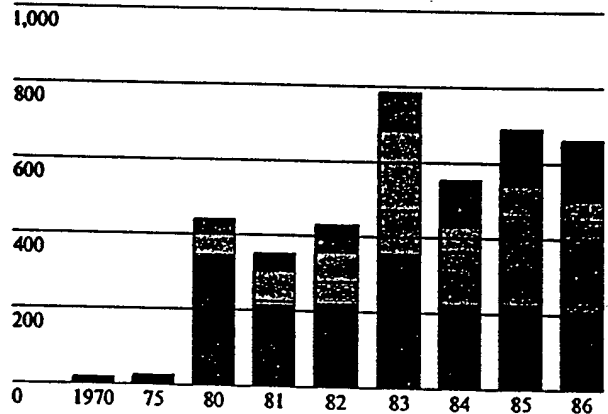
Communist LDCs and Third World Allies
Billion US \$

■ Marxist clients
■ Other Communist LDCs
■ Vietnam
■ Cuba



Third World Allies
Million US \$

■ Other Marxist
■ Ethiopia
■ Nicaragua
■ Afghanistan

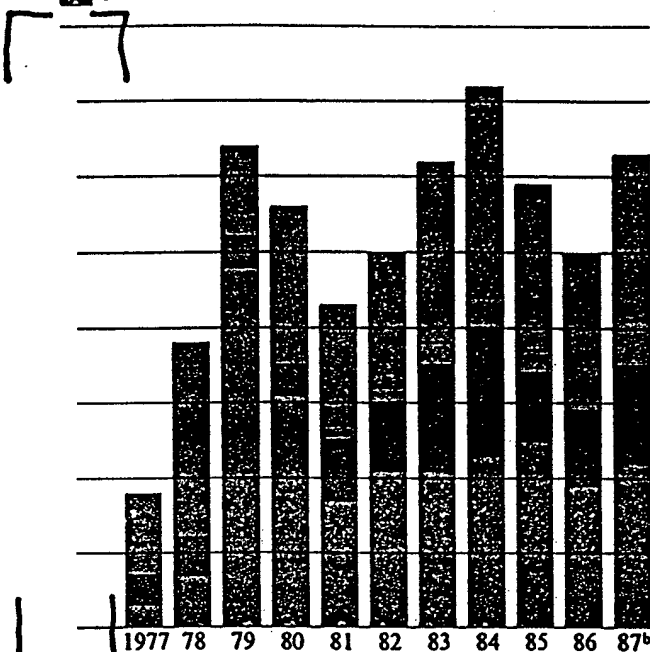


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Figure 4
Soviet Arms Deliveries to Clients
Fighting Insurgencies, 1977-87

Billion US 1986 \$

Others ^a
 Nicaragua
 Angola
 Indochina



^a Projection.

~~Secret~~

USSR in the eyes of foreign elites and assist the effort to recreate a detente environment. Gorbachev wants to further the impression that his leadership is embarked on fundamental new directions in foreign as well as domestic affairs.

42. But we believe the proponents of "new thinking" also have an internal audience in mind. These concepts have been echoed in reports of private remarks by Gorbachev and Foreign Minister Shevardnadze to Foreign Ministry officials touting the need for more flexibility in Soviet negotiating positions. They are designed to dilute the "two camp" mentality that has characterized Soviet ideology in the international arena. They do not remove the East-West ideological conflict, but by describing a less polarized international arena they rationalize the sharp departures from past Soviet positions that Gorbachev be-

lieves are needed to break out of foreign policy dead ends, reshape foreign impressions of Soviet intentions, and advance Soviet influence abroad. The "new thinking" concepts:

- Ready Soviet elites and the public for potentially controversial agreements in arms control or other national security issues.
- Justify a restructuring and restaffing of national security organizations to reduce resistance to new approaches.
- Provide support for a widening pattern of cooperation with international and regional economic organizations and for an attempt to play a larger role in the global economy.
- Sanction new approaches to countries, such as Israel and Egypt, that will advance Moscow's influence in the Third World.
- Facilitate new gestures toward traditional rivals and independent actors in the Communist world, such as China or Yugoslavia.

It is necessary to take a more realistic approach to international affairs. When planning foreign policy we must make a more sober and broader evaluation of the specific facts, rather than viewing everything only from the point of view of one's own interests. Because if every country pursues only its own interests and is incapable of meeting its partner halfway, of seeking points of contact, and of cooperating with that partner, then it will be difficult to achieve any improvement in international relations.

Gorbachev, speaking to Foreign Ministry officials in Moscow in May 1986.

The 27th CPSU Congress of course did not disaffirm the evaluation of imperialism and its policy, the reality of the historical confrontation between the two systems, or the ideological irreconcilability between socialism and capitalism. But what has now come to the fore in our policy is not so much the ascertaining of divergences as the search for points of contact in the world that actually exists. There is no other path to the salvation of mankind in the nuclear and space age.

Foreign Minister Shevardnadze, speaking at a conference of Soviet Foreign Ministry officials in May 1987

43. *Accomplishments.* By most conventional measures, Gorbachev has few tangible accomplishments to show for his invigorated efforts on the foreign policy front. The implications of "new thinking" remain a matter of debate among Soviet officials and foreign observers. Gorbachev has imparted new flexibility to some arms control positions inherited from Brezhnev, Andropov, and Chernenko—to the point of adopting most US positions on INF. But on other issues the promise of new flexibility has yet to be fulfilled.

44. *In our view, Gorbachev's major accomplishment lies elsewhere, in the progress he has made in improving the Soviet image abroad—creating conditions for more tangible progress toward Soviet objectives in the years ahead. He has already better positioned the Soviet Union to put Western diplomacy on the defensive and to increase Soviet influence in areas where their role has long been minimal.* Gorbachev's vigorous and flexible diplomacy is in part responsible for his success in this regard. But his dramatic moves on the reform front at home have also had a substantial impact. Opinion polls show substantial shifts in public sentiment on the USSR in Western Europe, and views among European elites have been changing too as Gorbachev's moves on the reform front have become more radical. While the Chinese remain cautious about Soviet foreign policy, Gorbachev's domestic initiatives have led them to take more seriously the possibility that significant steps will ultimately be forthcoming in the bilateral relationship as well.

Support and Opposition for Gorbachev's Agenda

45. *The Politics of Change.* Historically, change of the magnitude Gorbachev appears to want has been successfully imposed—in Russia as well as the Soviet Union—only by extremely autocratic leaders. Gorbachev does not have such power nor is he like ' to get it. He faces a protracted struggle against long odds to bring his colleagues in the Politburo oligarchy with him.

46. Gorbachev has succeeded in selling the notion that some change is necessary if the Soviet system is to remain competitive in the long run. Old Guard leaders of the Brezhnev era who were content to muddle through have been swept aside. *But there are clear differences even within the Gorbachev coalition over how much change is needed and how fast it should come.* Gorbachev and some of his closest colleagues (Party Secretary Yakovlev, Foreign Minister Shevardnadze, and Premier Ryzhkov) are pushing a program of broad political and economic change. They believe

a more modest approach will not effectively deal with the precrisis situation inherited from the Brezhnev era. This agenda appeals to the intelligentsia, younger officials who stand to gain from the new opportunities that change will bring, and those who see such change as the only way to make the USSR competitive over the long run.

47. A second group of leaders—which we believe includes Party Secretary Ligachev, KGB Chairman Chebrikov, and Brezhnev-era holdover Shcherbitskiy—want to slow the pace of change and restrict its scope. They believe Gorbachev's reforms will unleash decisionmaking processes and social forces that could get out of hand and even threaten the party's hold on power. They favor more traditional efforts to increase political and social discipline and improve economic performance through modest changes in the Stalinist model. They are supported by older generation elites in most of the major bureaucracies who believe such radical reforms endanger them and their institutions.

48. Between these poles are the rest of the Politburo and much of the Soviet elite. Gorbachev has had some striking successes in getting this middle group to sign on to the broad principles of his agenda. On specific issues of implementation, however, this group splits—with some more tolerant of political reform than radical economic change, for instance, and others favoring the opposite. The lack of consensus on the particulars makes final resolution difficult.

49. *Can He Do It?* The measures that have been approved have only begun a process of reform that will take years if not decades. Progress will be uneven at best and reverses along the way are probable. The struggle in the Politburo over the pace of change has become increasingly intense. Beginning in July, Ligachev and Chebrikov have become more outspoken in defining limits to glasnost. Gorbachev's own recent efforts to define limits to glasnost, as well as the more balanced tone evident in his speech at the October Revolution anniversary celebrations, suggest that he has been forced to temper his call for change. The demise of Moscow Party chief Yeltsin represents a further setback to the reform effort. Conservative opponents will be more emboldened in speaking out against reform and fence sitters will be more inclined to stay put. While these events do not endanger Gorbachev's position, they are a threat to his agenda. Gorbachev will be under pressure to find a way to impart new momentum to his reform agenda; the leadup to the party conference next June will provide an opportunity to do so.

Sources of Support and Opposition to Gorbachev's Agenda

Gorbachev has made substantial headway in overcoming opposition from his colleagues on the *Politburo*. Following major gains at the June 1987 plenum, he should be able to count on a solid working majority for most of his program. But he still faces powerful colleagues—such as "Second Secretary" Ligachev and KGB Chairman Chebrikov—who want to slow the pace of change.

The senior levels of the *economic bureaucracy* stand to lose the most if Gorbachev moves forcefully to decentralize the system; many senior bureaucrats are likely to impede the implementation of his program. Even if sympathetic to the reforms, many of them are poorly equipped—by training, experience, or psychological makeup—to function under the new conditions. Gorbachev has made remarkable strides in removing footdraggers, but he still has a long way to go to turn the bureaucracy into an obedient instrument.

We believe opposition from the senior levels of the *party apparatus* is a critical problem for Gorbachev. Regional party chiefs, who make up the core of the Central Committee, have traditionally been the guardians of orthodoxy in the Soviet system, and we suspect that they are the source of the ideological opposition that the Soviet leader has frequently alluded to. Many regard his proposed reforms as a threat to their position and the party's hold on power.

The *national security bureaucracies* are ambivalent about Gorbachev's agenda. We believe most military officials appreciate the close connection between a strong defense and a healthy economy and in principle support the revitalization program. But some fear that his policies may lead to constraints on defense spending and are unhappy with Gorbachev's arms control initiatives. They are almost certainly skeptical they will see all the promised benefits in the long run. The KGB's bureaucrats support Gorbachev's efforts to fight corruption and indiscipline, and their access to more accurate information than most Soviet officials have about the true state of affairs at home and abroad may make them sympathetic to economic reform as well. But we

believe they are concerned about the potential for instability at home and in Eastern Europe created by Gorbachev's efforts to relax official strictures on political debate and individual freedoms in the USSR. *In the event of serious domestic instability or escalating East-West tensions, latent opponents of Gorbachev's programs in the KGB and the military could join forces with sympathetic officials in the party apparatus, presenting a powerful new threat to Gorbachev.*

Our reporting suggests that Gorbachev's leadership generally draws passive approval from *the Soviet population*. Yet, Soviet citizens have seen previous campaigns for change come and go, and many remain deeply skeptical that Gorbachev's campaign will produce more lasting results. Moreover, Gorbachev's apparent willingness to tamper (by increasing the disparity in wage rates between more and less productive workers, and by reducing subsidies for basic necessities) with the social contract they have come to expect gives large segments of society good reason to be concerned about the impact of Gorbachev's plans on their position, especially when they have seen few tangible benefits. *Although he has made substantial headway in the Politburo, persuading an essentially conservative and apathetic population to get on board with the program will be an even more formidable task.*

The *intelligentsia* are probably the only group that comes close to giving Gorbachev wholehearted support. Their support is critical to his effort to rejuvenate the society and explore a wider range of options for solving domestic problems, but they lack the political clout to give Gorbachev much help if the tides begin to turn against him.

Generational differences are important in understanding Gorbachev's position. Some reporting suggests that the post-war generation is significantly more supportive of change in the USSR than its elders. More junior members of the party and state apparatus, frustrated by years of stagnation under Brezhnev, are key sources of Gorbachev's support.

50. Beyond the battle in the Kremlin, Gorbachev will have to traverse numerous other shoals that could block his path and ultimately sink him as well as his agenda:

- Beyond overt political opposition, Gorbachev's greatest obstacle is sheer inertia. The old ways of operating are deeply ingrained. Centuries of centralized decisionmaking have produced a society used to avoiding initiative and not sure how to assume it. Most Soviets have yet to see the

impact of *perestroika*, and doubts persist that it is here to stay.

- Gorbachev's effort to encourage a degree of spontaneity in the political system promises a protracted period of heightened political tensions that will test the limits of party control.
- There is a risk that decentralizing reforms will set loose centrifugal forces in the Soviet empire, triggering unrest among national minorities or other disgruntled social groups serious enough to undercut Gorbachev's push for reform.

- We see a significant chance for instability in Eastern Europe that appears to threaten the Soviet hold and hence undermines support for Gorbachev at home.
- Implementing Gorbachev's economic program is likely to bring some economic disruption before it begins to show any significant positive effects. It is by no means certain that the near-term returns will be sufficiently impressive to allow him to claim success or provide enough momentum to continue with his long-term program.
- Failure to effectively manage relations with the West could also complicate Gorbachev's position, giving support to those who oppose his more flexible diplomacy and national security policies.

51. We judge that his removal is very unlikely for the next two to three years. But, given the risks inherent in his program, Gorbachev will remain vulnerable to a political challenge in the years ahead despite the further progress we expect him to make in the near term in moving more supporters into the leadership. His political survival will depend on a combination of political skill (not getting too far out in front of his colleagues), effective management of the difficulties reform will inevitably cause, and luck.

The USSR Through the 1990s: Future Scenarios

52. We believe that current political and economic conditions in the Soviet Union have created an environment in which substantial change is possible over the next decade. Given the formidable political and economic obstacles that will have to be overcome, the likely ebbs and flows of the reform process, and the susceptibility to the outcome of unforeseen events, we cannot predict with confidence just how much change will occur. But we believe we understand the options being debated and the trade-offs the leadership is likely to face well enough to predict the probable direction of change and possible scenarios:

- We believe the most likely outcome is a selective *rejuvenation of the existing system*. In this scenario we would see more competent leadership and some new *policy* directions that could bring about important changes in some sectors of Soviet political and economic life. But Gorbachev's effort to go beyond this to significantly reform the Soviet system would dissipate well short of his objectives. We believe Gorbachev's conservative opponents would like to limit change to essentially this scenario.

- The chances of more fundamental change are far more debatable. We believe there is only a small chance (perhaps less than one in three) that Gorbachev will succeed in going beyond *rejuvenation* to institutionalize glasnost and alter the fundamentals of the Stalinist command economy, producing what we call *systemic reform*. This scenario would also include the policy changes associated with *rejuvenation*. This scenario could have a significant impact over the long term on Soviet capabilities, policies, and behavior—and on the interests of the United States and the West. Given its potential implications, we assess in detail what such a scenario could look like, the risks inherent in it for the USSR, and how we would detect progress in this direction.
- Even less likely than systemic reform, in our view, is a return to a more authoritarian *neo-Stalinism* scenario that would feature recentralization rather than decentralization of political and economic decision making. There remains a certain reservoir of support in the elite and society for such a course and its prospects could increase if Gorbachev's effort to push for systemic reform fails dramatically, producing severe disruptions in the economy or triggering significant unrest at home or in Eastern Europe. But we believe the odds will remain remote.
- At the other end of the spectrum, we believe the odds of a turn toward *democratic socialism*, featuring a more radical push for a market economy and a pluralistic society than *systemic reform*, will remain virtually nil under any circumstances.

It is far from certain that the Soviet citizen can be educated to a higher level, urged to exercise his own initiative, given increasing opportunities for comparisons with other countries, and encouraged to expect a significant improvement in his living standard, and at the same time submit without question to a leadership which incessantly proclaims, and frequently exercises, the right to make all important decisions for him. Eventually it may turn out that the benevolent totalitarianism which Stalin's successors seek to achieve is an impossible contradiction and that the forces released in the search for it will require the leadership to revert to earlier patterns of control or to permit an evolution in some new direction.

NIE 11-4-57, assessing the longer term outlook for change in the Soviet Union following Khrushchev's consolidation of power

The USSR in the 1990s: Alternative Scenarios

The Extent of Change			Probability	Impact in the USSR	Implications for the West
Rejuvenation of the existing system	The less controversial elements of Gorbachev's program—rejuvenating the leadership, modernizing industry, eliminating corruption—would advance, but there would be no significant change in the political system or expanded role for market forces in the economy.	Most likely outcome	Important changes in some sectors of Soviet political and economic life, but would not produce the decisive improvements in Moscow's competitive position that Gorbachev seeks.	Failure of the push for systemic reform would bring a more conservative foreign policy approach. Although resource allocation decisions would become more difficult, economic growth would be sufficient to fund a continuing military buildup. Unlikely to produce any lasting change in international behavior, arms control strategy or approach to regional crises.	
Systemic reform	Would include the rejuvenation agenda plus significant change in the political and economic system—a loosening of state controls over information, more open political debate, reduction in role of central planning, a larger role for market forces, and expanded channels for political dissent.	Relatively small chance (perhaps less than one in three) that change will proceed this far	Heightened political tensions and economic dislocations in the near term. Significant improvements in agriculture and consumer sector probable by early 1990s; more modest improvements in industrial performance later in the decade.	Moscow's competitive position would begin to improve, and the West would face a more complex and formidable adversary as a result of changing perceptions of Soviet intentions. But Soviet leaders would have an incentive through 1990s to constrain growth of defense spending. This scenario could also bring changes in Soviet approach to arms control, regional issues, and other matters that open up new opportunities for Western diplomacy.	
Neo-Stalinism	A rigid recentralization of political and economic controls, greater ideological orthodoxy, encouragement of Russian nationalism, and more aggressive suppression of dissent.	Very remote, but chances increase if reform effort fails catastrophically	Very short-term economic gains resulting from much more stringent discipline, but longer term decline in productivity, quality, and technological position. Potential for increase in social and nationality tensions.	Could bring to power a xenophobic leadership pushing a more shrilly anti-Western foreign policy. Technological backwardness and defense burden could grow, but military would be protected from impact of economic stagnation.	

^a The Director, Defense Intelligence Agency, believes that under the systemic reform scenario, improvements in economic performance would be likely to provide enough resources by the late 1990s for military expenditures to grow without the constraints likely during the next five-year plan.

~~This table is Confidential.~~

Rejuvenation of the Existing System

53. Under a rejuvenation scenario, we would not expect to see any significant decentralization of economic decision making or change in the character of the political system. But the more orthodox elements of Gorbachev's drive to improve the system would probably be continued. Thus, this scenario would not feature any fundamental institutional changes, but neither would it be a complete return to Brezhnevism:

- Politically, we would expect to see a continuing rejuvenation of the party and government elite. An ongoing turnover of the leadership would produce a relatively pragmatic policy orientation.
- Elements of "democratization" and glasnost would remain in place. The regime would speak more openly of Soviet problems and continue to experiment with multicandidate elections and other political reforms Gorbachev has begun to press. But we believe in this scenario the leadership would stop well short of the potentially risky steps that would be required to give these reforms real content. The public discussion of controversial issues—such as Stalin's purges, collectivization of agriculture, and market socialism—would remain carefully controlled. The party would block any significant expansion of political participation and its role in the system would remain essentially unchanged.
- Economically, we would probably see some important *policy* initiatives. A modest cutback in the bloated central bureaucracy, a reduction in state subsidies for basic necessities such as food and housing, and efforts to increase differentiation in wages between workers who perform well and those who don't would be possible. There is widespread leadership support for increased investment, the quality control program and other policies associated with the industrial modernization program, and these policies are probably here to stay. But the leadership would block a radical overhaul of the planning and management mechanism. There would be no decentralization of price-setting authority and resources would continue to be allocated mainly by command, through central plans. While the June plenum blueprint for reform would remain on the books, the dominance of the central ministries in running the economy would be largely unaffected. In this scenario, ideological opposition and bureaucratic redtape would probably prevent any significant expansion of private and

cooperative enterprises in agriculture and the consumer sector.

- We do not believe that in this scenario there would be any significant change in the way the regime now handles political dissent or human rights. While there could well be some dramatic gestures designed to serve foreign policy goals, the repressive apparatus would remain in place.

54. The *near-term* impact of a rejuvenation scenario might well be economically more favorable, and politically more advantageous for Gorbachev, than the results of an assertive push for systemic reform. Some of the disruptive consequences of efforts to loosen the reins of central control or introduce market elements into the economy could be avoided. We would expect Moscow to be able to sustain modest growth rates and perhaps to achieve some improvements in the quality of industrial production.

55. While sufficient to avert a near-term crisis, however, *we do not believe that a strategy of rejuvenation would meet the political, social, and economic objectives that Gorbachev has set for himself:*

- There could be some improvement in the economy's ability to innovate, but the overall technological gap between the Soviet Union and the West would continue to *widen*.
- The economic and social policies associated with this scenario would not address the growing societal tensions in the USSR that he inherited.
- Economic growth would be insufficient to significantly ease the defense burden, making it difficult to simultaneously meet the demands of the military, investment, and consumption.

Systemic Reform

56. There are clear limits to how far the process of change will go, even in a successful systemic reform scenario. We see no support in the Gorbachev leadership for a truly pluralistic political system or a market economy. The basic feature of the Soviet regime—the Communist Party's monopoly on the levers of political and economic power—would remain unchallenged. But we believe that in this scenario we could see a substantially different system by the end of the 1990s, one that would radically scale back the center's involvement in the micromanagement of daily political and economic life while preserving its strategic control. The effort to introduce change of this scale could

produce serious economic dislocations and the prospect of political instability at home and in Eastern Europe. But if the regime could successfully manage these risks, this scenario could produce significant progress toward Gorbachev's ambitious goals by the end of the century.

57. *Political System.* The effort to loosen the tentacles of state control is the leading edge of Gorbachev's reform effort. It is a necessary condition for any fundamental change in other areas, and we believe that reform in this arena is likely to be the most profound. In this scenario, we believe we would see a political culture more tolerant of diversity, an expanded arena of political debate, and a measure of increased popular participation in political institutions. A further, but still limited, relaxation of controls over information and debate would be a necessary ingredient, and in this sense we believe glasnost would become a permanent feature of the Soviet political landscape. We could see a significant expansion of participation in the regional and central Soviets, but we would expect any such change in the party apparatus (the real focus of power) to be limited primarily to the lower levels. Legal reform is a central component of the reform agenda, and the Soviet citizen would be likely to benefit from a less repressive and less arbitrary system of justice. Nevertheless, the state would continue to limit political dissent.

58. In the near term, Gorbachev's efforts to create an expanded arena of political participation would be likely to heighten tensions in the system, as the leaders and the led both test the new boundaries of legitimate dissent. Chinese authorities, who have been pushing reform longer and proceeded further than the USSR, have already slowed the pace of change in the face of political instability fueled by the process. *Accelerated activity in the USSR by a variety of independent environmental, nationality, and historical preservation groups suggests that Soviet authorities will increasingly face the same dilemma.* The regime will find it increasingly difficult to reconcile the limits it has placed on dissenting views with the more open climate it is trying to create. Ultimately, however, if the regime can successfully negotiate these shoals, we judge that the reforms Gorbachev has spawned could make substantial inroads into political alienation in the Soviet Union, expanding the average citizen's sense of participation in the system, diverting some dissent back into official channels, and reducing the flow of emigres and defectors to the West.

59. *The Economy.* Given the complexities involved, the ultimate shape of the hybrid plan-and-

market arrangements that Gorbachev is pushing is uncertain. Radical decentralization would in our view be most evident in agriculture and the consumer sector, where reform could have a relatively rapid impact and where the experimental ground has already been plowed in other Communist countries. We believe that in this scenario there could be a substantial expansion of private enterprise or, more likely, the role played by small, member-run cooperative organizations operating relatively independently of the state. Price setting in this sector could be substantially deregulated, local entrepreneurs allowed to deal directly with consumers and suppliers, and the involvement of central planning organs sharply curtailed to the management of overall economic indicators. The supply of food and basic consumer goods could show marked improvement early in the 1990s, if the reforms in this sector are pursued vigorously and weather conditions permit.

60. Fundamental reforms in the industrial economy will be more difficult to achieve and therefore not likely to proceed as far as in the consumer sector, with results slower to materialize as well. Nevertheless, changes here are essential to Gorbachev's fundamental goal (accelerating the pace of technological innovation) and we believe he will aggressively push the more radical elements of the June plenum reform blueprint over the next several years. The leadership could create by the late 1990s a management mechanism in the industrial sector that substantially curtails the role of central organs, provides a more flexible price-setting structure, and responds more effectively to customer demands.

61. We and the Soviets are uncertain of the impact of the new management mechanism planned for the industrial sector. Some of the measures called for by the June 1987 plenum—such as partially decentralizing the pricing and supply system, paring back the central ministries, forcing enterprises to compete for customers, and allowing unsuccessful enterprises to fail—could create serious bottlenecks and disruptions in the near term. In our view, industrial performance could deteriorate rather than improve for at least the next several years. Nevertheless, we believe there is a good chance that these reforms could by the mid-1990s begin to make progress toward the goals Gorbachev has set. While the growth rates that Gorbachev has called for are unattainable, in our view, some acceleration would be likely. More important than an improvement in growth rates per se, the mix of national output would probably consist of higher quality and higher technology products. *We see little prospect for substantial progress in this century*

toward Gorbachev's ultimate goal of closing the technological gap with the West. At best, the Soviets might narrow the gap in selected areas. But this scenario, in our judgment, provides the best chance for the Soviets to strengthen their industrial base and improve their abilities to compete in the economic and military arenas over the long term.

62. *Soviet Society.* The social policies associated with Gorbachev's reforms attack what many Soviet officials and citizens consider to be the main accomplishments of the Soviet regime. They would increase the disparity in incomes among different elements of the work force and fuel unemployment and job insecurity. Movement in this direction may be just as disruptive to the social fabric as Gorbachev's economic reforms would be to economic performance. Gorbachev's reforms would probably intensify social tensions and encourage more frequent acts of open defiance:

— The loosening of political controls and decentralization of the economy could also aggravate latent centrifugal forces in the Soviet empire, encouraging the USSR's national minorities to press their grievances more aggressively. *We see little chance that there would be national unrest sufficiently serious to threaten the regime, but a good chance that there could be tensions that cast doubt on Gorbachev's program and slow the push for change.*

If the reform program produced substantial improvements in the lot of the Soviet consumer and in economic performance, however, the ultimate effect over time could be a stronger social fabric and a population more accepting of the system.

63. *Impact on Eastern Europe and the Soviet Empire.* Systemic reforms in our view are almost certain to add to the potential for instability in the Soviet empire. Whether Gorbachev intends it or not, domestic opponents of traditional regimes will be (indeed, to some extent already are) emboldened by the relaxed restraints on political expression to push their agendas more forcefully. Proponents of change will attempt to press for more political pluralism, economic decentralization, cultural autonomy, and individual freedoms than the party will be inclined to allow. Reporting on the impact of Gorbachev's reforms in Eastern Europe and among Moscow's Third World allies makes clear that tensions are already on the rise, and that client leaders—from Cuba's Castro to East Germany's Honecker—are worried and opposed. Further complicating the picture are greater Soviet demands on the East European countries to

contribute to Moscow's industrial modernization effort through CEMA programs that limit economic resources available for their own needs.

64. *Unrest in Eastern Europe, in our view, poses the greatest foreign threat to the reform impulse in the Soviet Union and even to Gorbachev's position.* We believe there is a significant risk that reform in Moscow will produce pressures for change in Eastern Europe—already troubled by economic and societal problems—that these regimes cannot handle. Another Soviet crackdown in the Bloc could strengthen the arguments of conservative opponents of change at home and create a political climate conducive to retrenchment.

65. Over the longer term, the Soviets in this scenario would provide more room for their allies to pursue internal reforms suited to local conditions (a position clearly staked out by Gorbachev in his November 1987 speech to foreign Communist leaders in Moscow) and even to expand relations with the West. But we believe the Soviets will place clear limits on the process and do what is necessary to maintain the integrity of the Bloc.

Neo-Stalinism

66. This scenario would feature a leadership that emphasizes strong central institutions, greater discipline, and simple solutions—in effect a return to a more authoritarian leadership style that many associate with the Stalin era. Such an approach would emphasize recentralization of political and economic controls, greater ideological orthodoxy, and more aggressive suppression of dissent.

Any talk about how now everybody is a boss is pure demagoguery. One person must answer for everything. This is the only way you can demand what is necessary from him. Then there will be order and discipline.

A secretary of the party organization at a Moscow factory, commenting on Gorbachev's proposal that workers elect their own factory managers (2 September 1987 *Moskovskaya Pravda*)

67. We believe this course would bring the USSR few benefits in the long run:

— It would not solve any of the systemic problems that have led to a decline in economic growth and a low level of technological innovation.

Strong-arm methods worked when the goal was to boost production regardless of cost in an era of seemingly unlimited resources, but they will be of limited use when the objective is a sharp boost in efficiency in a resource-constrained environment.

- To fund any military buildup, such a leadership would be compelled to resort to draconian tactics at home, further raising the burden of defense.
- This scenario would be accompanied by an increase in the influence of Russian nationalist elements in the elite. Nationality tensions would certainly grow.

68. *The Gorbachev Factor.* Gorbachev is not alone in pushing for far-reaching change: he serves as a spokesman for a range of elements in the elite and society determined to overcome the USSR's backwardness. *But Gorbachev himself is the catalyst in the current ferment:* he has tied his political fortunes to a fundamental improvement in the performance of the economy and society and the thorough-going reforms he believes must precede it. He will press ahead relentlessly with the implementation of his program, making tactical adjustments and accepting delays when necessary to preserve his ultimate objectives. If Gorbachev stays at the helm, the prospect of significant progress toward *systemic reform* must be taken seriously. If he dies in office or is removed, we believe the odds that the leadership will stop short of such fundamental change increase substantially.

Indicators of Systemic Reform: How Will We Know?

69. *Systemic reform*, if it is to be successful, is likely to be a protracted, incremental process. The formulation of a program of comprehensive reforms has only just begun. Implementation of those reforms is likely to take years, and even more time will be necessary to assess the results. While these factors inhibit our ability to predict the outcome, there are a number of specific political and policy indicators we will be able to track to monitor the progress of the effort. Failure to see continuing movement along these fronts—not to mention retreat—would be a sure sign that the push for reform was in trouble.

70. *Political Strength of the Reformers.* Resistance to structural change has been aided by the continuing strength of conservatives in the Central

What if Gorbachev Goes?

The impact of Gorbachev's departure from the scene would depend on how and when it happens. In any foreseeable circumstances, however, we would expect a showdown between proponents of radical change in the Politburo and adherents to a more cautious course:

— *If he dies in office.* Although his power has been significantly eroded, "Second Secretary" Ligachev remains for now the most likely choice. Gorbachev allies Lev Zaykov or Aleksandr Yakovlev would have an outside chance, especially if their mentor is martyred in a successful assassination attempt. We believe Ligachev shares Gorbachev's determination to rejuvenate the system, but does not fully back the more radical elements of his program. A Ligachev-led leadership would scale back Gorbachev's assault on the command economy and existing political institutions. Were a Gorbachev ally to succeed him, the regime's commitment to reform would remain but the pace of change would still be likely to slow.

— *If he is ousted.* Ligachev would be the most likely choice as a successor. In the near term the pace of change would slow sharply. But Gorbachev's forced removal would be likely to introduce an extended period of political instability. We believe the chances of another change of leadership, bringing a reform-minded member of the Politburo back to power, would remain substantial.

We believe the chances that a like-minded reformer would replace Gorbachev will increase the longer he stays in office. Ligachev is now 66; time will increasingly diminish his prospects. Gorbachev is in a good position to promote additional supporters to full voting membership in the Politburo in the months and years ahead and to remove remaining Brezhnev-era holdovers, increasing the odds that a successor leadership would push ahead aggressively with a program of comprehensive reforms.

Committee, the lingering presence of Brezhnev-era holdovers in the Politburo, and Gorbachev's slow progress in advancing the more outspoken advocates of change:

— If Gorbachev can advance other supporters to full Politburo membership, it will substantially advance the prospects for *systemic reform*. His failure to make progress in this regard would indicate that his program has stalled.

— A critical indicator will be Gorbachev's ability to alter the political complexion of the Central

Committee—the core of his resistance, according to most accounts—at the extraordinary party conference scheduled for next June. He was able to turn over about 40 percent of the body at the last party congress. If he can replace another 20 percent or so at the conference (without waiting for the next regularly scheduled congress in 1991), a figure that seems to be in reach, Gorbachev could ensure a body less inclined to water down his program.

71. Political Reform. Glasnost is a key component of the reform process and a sensitive indicator of which way the political winds are blowing. If the opponents of glasnost, who have become more active in 1987, were to succeed in scaling back criticism of current shortcomings or the increasingly radical economic reform debate in the Soviet press, it would be a sure sign that the momentum for change is flagging. On the other hand, if glasnost continues to move more forcefully into heretofore sensitive areas (such as the treatment of party history, the Stalin question, and Soviet foreign and defense policy) and to further expand the flow of information (releasing more accurate and complete economic and census data, providing a fuller account of defense activities, sanctioning private or cooperative publishers independent of the state) it would be a good sign that reform is continuing to advance:

- An early tipoff might be the contents of a new “law on the press” that reportedly will be approved soon.
- Another indicator would be a decision to move more decisively to rehabilitate prominent victims of Stalin’s purges.

72. Other steps that would indicate institutionalization of a measure of diversity in the political system include:

- Legislation strengthening multicandidate elections for party and state positions by ensuring that candidates can be nominated from the floor (not just by the party bosses); this allows competing candidates to articulate distinct policy platforms, and that institutionalizes secret balloting.
- Greater tolerance of grassroots political organizations and the creation of official channels for government action on initiatives issuing from those organizations.

- The regime’s response to the already increasing frequency of public demonstrations of dissent will be a sensitive indicator of the momentum for reform. Indications of greater tolerance toward public demonstrations would indicate that Gorbachev is able to protect his stake in keeping open channels of debate and even dissent.

73. Economic Reform. *How the regime implements the reform blueprint approved by the June 1987 plenum will be the acid test of how far decentralization has gone:*

- A move from administered prices to some mechanism for making prices responsive to supply and demand is the key indicator. Significant steps to implement the promises of the plenum to allow enterprises to engage freely in buying and selling any production beyond that allotted to the state and to negotiate their own prices would indicate that such a shift is under way. To be effective, the number of goods on which the state continues to set prices will have to shrink substantially, and the limits that the center is allowed to place on prices negotiated among enterprises will have to be minimal.
- The rate at which the relative proportion of state orders in enterprise output declines.
- Solid evidence that the economic authority of the ministries and the regional party first secretaries has been sharply curtailed.
- The extent to which state enterprises are forced to compete with one another for business. To be effective, the state will have to allow the least efficient enterprises to fail.
- In agriculture, widespread introduction of the family and other group contracts, combined with more substantial movement toward decentralized planning of production.
- Effective implementation of recent legislation sanctioning an expanded role for private entrepreneurs and cooperative enterprises operating independently of the state.

74. Human Rights. The Gorbachev regime has released a number of prominent political prisoners and allowed a modest expansion of emigration, but so far the legislative basis for political repression remains intact. Any serious reform effort will entail action on reported plans for changes in the legislative code and

evidence that Soviet authorities are doing a better job than in the past of abiding by the code:

- Action on reported plans to repeal from the Russian Republic criminal code of Article 70 ("anti-Soviet agitation and propaganda") and Article 190-1 ("circulation of knowingly false fabrications which defame the Soviet state and social system"), provisions which have been used to incarcerate political prisoners.
- Eased limitations on emigration as well as domestic and foreign travel.
- Followthrough on rumored plans to substantially cut back the political police function and staffing of the KGB, while more precisely delineating the agency's domestic role.
- An assertion of independence by the judiciary and official recognition of such independence. One sign of authentic independence would be seeing a case go against the government—and the decision carried out.

Implications for the West

75. *Given its superpower ambitions, military power, and ideological predilections, the USSR will remain the West's principal adversary whether Gorbachev is successful in introducing systemic reforms or not.* But we believe rejuvenation of the existing system and systemic reform would differ in important respects in their impact on Western interests over the longer term and in the nature of the Soviet challenge.

Rejuvenation of the Existing System

76. *If the reform process goes no further than rejuvenation, Soviet policies toward the West will remain largely unaffected and the Soviet system unchanged.*

77. *Competitive Capabilities.* While the USSR would remain a formidable military threat, we do not believe a rejuvenation scenario would provide Moscow the wherewithal to significantly improve its competitive capabilities vis-a-vis in the West in the economic and military arenas over the longer term. We would continue to see a more adroit foreign policy, but conservative pressures forcing a retreat from systemic reform at home would also be likely to limit bold innovations in diplomacy, undercutting Soviet efforts to improve the image of Soviet intentions and lessening the diplomatic challenge to Western interests.

78. *Prospects for Policy Change.* Rejuvenation would be likely to bring less change in traditional Soviet foreign policies and internal institutions than a systemic reform scenario:

- We would expect little change in internal repression or in the boundaries of political dissent.
- The military establishment would be better insulated from change than under a systemic reform scenario. The intrusion of glasnost into military affairs would be sharply limited. The economy would generate sufficient resources to fund a continuing growth in military programs, albeit not without forcing the leadership to make difficult choices that could undermine the effort to increase investment in the economy or provide improvements in the standard of living.
- Traditional approaches to East-West issues would remain largely intact. We would be less likely to see major departures in arms control diplomacy or negotiations leading to significant reductions in Soviet conventional or strategic forces than under a systemic reform scenario. Soviet economic ties to the West could expand somewhat in this scenario, but there would be no significant change in the barriers that seal off the Soviet economy from the world market.
- In the Third World we believe the Soviets would continue to rely on military power as their primary means of influence. We would see little change in the nature of East-West competition in the region.
- We believe they would rely on traditional instruments of control in Eastern Europe, minimizing the possibilities for the growth of pluralism and the opportunities for US diplomacy.

Systemic Reform

79. Gorbachev's objective in pushing for systemic reform is to improve Moscow's abilities to compete with the West in the global power arena. A successful systemic reform effort, in our view, would in the long run produce technological and productivity gains and allow him to make real progress toward that objective. It is also the only scenario, however, that would be likely to bring more than cosmetic changes in the substance of Soviet internal, defense, and foreign policies. The East-West relationship would remain strongly adversarial. Military competition would continue, but Moscow would be likely to rely more than in the past on political instruments to achieve its objectives.

80. *Competitive Capabilities.* Given the slow rate at which we expect change to occur, we believe that successful *systemic reform* would produce only modest improvements in Moscow's ability to compete in the economic arena in this century. Although we do not believe that the Soviets would make such progress in improving their abilities to innovate and assimilate advanced technologies, Soviet defense industries would nevertheless benefit more under *systemic reform* than under any other scenario.

81. On the political front, the perception abroad of continuing movement in Moscow toward systemic change at home and more flexible foreign policies would combine to make Moscow an increasingly formidable competitor:

— Systemic reform would provide a more credible backdrop for Soviet diplomacy, public relations, and propaganda than a rejuvenation scenario alone could offer, forcing the United States and the West to reexamine traditional strategies for containing Soviet influence. Management of the NATO Alliance would be complicated as shifting perceptions of Soviet intentions weakened the glue that has held the Alliance together and put the Soviets in a better position to capitalize on differences among its members. It would probably encourage a leftward drift in West European politics. It could also encourage the Chinese to move toward a more equidistant strategic posture between the USSR and the United States.

— Reform could ultimately strengthen Moscow's hand in the Third World. It would be likely to provoke new sources of strain in Moscow's relations with some of its traditional, conservative-minded allies. But a reform-minded Soviet Union would have the inclination as well as enhanced capabilities for expanding relations with non-aligned and pro-Western countries in regions that have up to now been relatively immune to Soviet influence.

Militarist and anti-Soviet forces are clearly concerned lest the interest among the people and political quarters of the West in what is happening in the Soviet Union today and the growing understanding of its foreign policy erase the artificially created "image of the enemy"—an image which they have been exploiting unabashedly for scores of years.

Gorbachev, speaking during a trip to Murmansk in October 1987

82. *Prospects for Policy Change.* At the same time, we believe that systemic reform would be likely to induce controlled but significant movement in Soviet policies and institutions in a direction that Western policymakers have pressed for, creating new opportunities for Western diplomacy:

— *The Internal Dimension.* We believe that movement toward a more open political and economic system, expanded political participation, and an easing of restrictions on political dissent and individual rights would be necessary components of *systemic reform*. The West would have improved opportunities for getting its message directly to a wider cross-section of the elite and the population.

— *The Defense Dimension.* The more open and less regimented political system would open foreign and defense issues to greater public scrutiny. In a systemic reform environment the leadership would have an incentive to constrain the growth of defense spending through the 1990s. We believe the leadership would take a harder look than in the past at proposed defense programs, requiring defense managers to make more efficient use of resources. Whether Soviet defense spending in fact goes up or down by the late 1990s depends in part on leadership decisions on future weapons programs as well as on factors not completely under their control—such as Western defense programs and the state of the East-West relationship.⁶

— *Policy Toward the West.* Proponents of systemic reform in the Soviet leadership want to weaken the hold of the "two-camp" mentality that has fueled rigid anti-Western foreign policies, reduced foreign policy flexibility, strengthened anti-Soviet suspicions in the West, and inhibited Moscow's ability to play a larger international role. They would not end the competition, risk the relative gains they have made over the past 20 years, accept an inferior military position, or draw back from pursuit of a global superpower status. Soviet leaders would fund a robust military R & D program and push ahead to modernize their strategic and conventional forces. But we believe they would be more likely than their

⁶ The Director, Defense Intelligence Agency, believes that under the systemic reform scenario, improvements in economic performance would be likely to provide enough resources by the late 1990s for military expenditures to grow without the constraints likely during the next five-year plan.

conservative counterparts to invigorate arms control negotiations and expand economic interchange with the outside world in the pursuit of their domestic and foreign policy goals. We believe systemic reform would create conditions for negotiations leading to potentially sizable reductions in Soviet conventional and strategic forces opposite NATO and China. There could be significant changes in Moscow's foreign economic strategy, including a more rapid expansion of trade with the West.

- *Policy Toward the Third World.* East-West relations in the Third World would remain strongly competitive. *There would be no retreat from Moscow's determination to expand its influence.* But we believe a reform leadership would place more emphasis on political and diplomatic approaches to regional issues. The Soviets might be more cooperative in some areas (such as the Middle East) as they seek to expand their political role and legitimize their presence.
- *Policy Toward Eastern Europe.* Even if Moscow does not attempt to impose it, we believe systemic reform in the USSR would be contagious in the Eastern Bloc. A measure of increased pluralism would allow Bloc states to pursue indigenous approaches to political and economic reform and open up new opportunities for US diplomacy.

Neo-Stalinism

83. We believe a neo-Stalinist leadership would be strongly influenced by xenophobic Russian nationalist elements in the Soviet elite. They would introduce more repressive policies at home and assume a more rigidly anti-Western posture abroad. We do not believe the policies of a neo-Stalinist leadership would produce any real improvements in the economic performance, the technological base, or the Soviet's

long-term competitive position vis-a-vis the West.

The Impact of US Policy

84. We believe that the fate of reform will be sensitive to the state of East-West relations. The proponents of reforms that attempt to introduce market forces and political diversity into the Soviet system are more likely to be able to advance their cause in a climate of reduced tensions. We believe that a sharp deterioration of the international climate would strengthen conservative elements in the regime and could conceivably derail the reform process, especially if it coincided with severe disruption produced by fundamental reforms. We also believe that Gorbachev's effort to direct a larger proportion of resources into industrial modernization depends in part on his ability to manage perceptions of the foreign threat, and hence on his ability to achieve arms control arrangements that constrain Western defense programs. In this sense, we believe Gorbachev's relative success can be affected by the Western response to his policies.

85. Western policies can have an effect in a general sense. We believe the prospect of Western assistance was instrumental in expanding the flow of emigration in the 1970s. A resurgent US economic and military buildup, on the other hand, was a key ingredient in creating the sense of crisis in Moscow that brought a reform-minded leadership to power in the 1980s. While the push for reform is not immune to outside influence, we cannot confidently predict the impact in Moscow of Western policies specifically designed to affect the process.

86. We believe Gorbachev's success, and the fate of reform, will largely rest on the outcome of power struggles, political debates and economic and social developments inside the USSR and Eastern Europe that are subject only indirectly to influence from outside.

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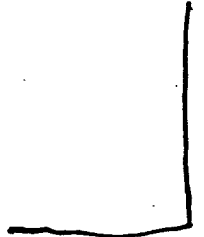
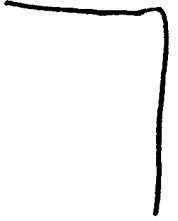
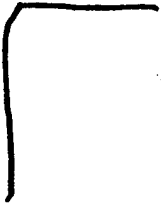
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ANNEX B

Gorbachev as a Leader

[Mikhail Gorbachev is the most formidable Soviet leader the United States has faced since the death of Stalin. He is strongly committed to his vision of radically improving the efficiency and productivity of the USSR and thus increasing Soviet influence worldwide. While his prospects for success are uncertain, his determination is not.

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View of the United States. Gorbachev's view of the United States is more sophisticated than that of previous Soviet leaders. He is especially sensitive to the importance of public opinion in democracies. Nevertheless, he also harbors narrow perceptions about the United States, speaking simplistically of the power of the US "military-industrial complex" over the President and Congress. We believe Gorbachev's understanding of the United States is evolving beyond such stereotypes, however, as he profits from repeated personal interactions with US political and business leaders.

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Leadership. Gorbachev is determined to lead the USSR, not simply serve as head of the Politburo. Unlike the consensus-building Brezhnev, Gorbachev moves out in front of Party colleagues in his efforts to promote change. He is willing to experiment and take risks to breathe new life into the Soviet system. Unlike Khrushchev, however, his willingness to take risks is tempered by a careful calculation of the potential consequences of his acts. He will push his goals relentlessly, while demonstrating extraordinary tactical flexibility.

Future Behavior. Gorbachev is highly confident of the USSR's potential and of his own ability to lead. If he perceives that his restructuring program is not meeting his expectations, we believe he will persist and indeed escalate his efforts. When his changes stir controversy and political turmoil, Gorbachev will compromise on what he sees as secondary issues and alter his tactics but persist in pursuit of his goals. We believe he recognizes he is pursuing a potentially dangerous course but is determined to try—even at the risk of failure—rather than accept the status quo.

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ANNEX C

Gorbachev and Ideology

Soviet policymakers have always been careful to have their actions solidly grounded in party ideology. Throughout Soviet history, fundamental changes in domestic and foreign policy have been accompanied by corresponding ideological adjustments. This phenomenon can be seen in the struggle for reform in Gorbachev's USSR. Opponents of the reforms claim that they violate fundamental ideological principles, while Gorbachev and his allies are making a major effort to undermine those claims by redefining ideological principles to lay the groundwork for their reforms.

The rapid rise of an outspoken reformer and close ally, Aleksandr Yakovlev, has been a key of Gorbachev's effort to change the ideological climate. In recent months, Yakovlev has taken the lead in pushing for a more flexible approach to ideological issues, and his promotion in June to full membership in the Politburo puts him in a position to replace the more conventionally minded Yegor Ligachev as the regime's top spokesman on ideology.

Overcoming the Ideology of Stagnation. To smooth the way for reform, Gorbachev and Yakovlev are proposing a more flexible "Leninist" view of ideology which modifies and even disregards principles which no longer conform to the nature of the times. In an article published in the May 1987 issue of the party's authoritative ideological journal, *Kommunist*, Yakovlev identified the absence of adequate ideological support for the "nascent and upcoming" reforms as one of the major obstacles to their success.

Gorbachev and Yakovlev have thoroughly criticized past regimes for failing to update ideology to keep pace with the country's development and for allowing it to harden into rigid dogma. Gorbachev told the

January 1987 Central Committee Plenum that "the theoretical concepts of socialism remained at the level of the 1930s and 1940s, when society had been tackling entirely different tasks." This stagnation in ideology, Gorbachev continued, prevented past leaders from perceiving the need for change and the danger presented by the growth of "crisis phenomena" in society.

Liberating Social Science Research. Remarks by Gorbachev and Yakovlev suggest that the new approach to ideology could have a major impact on the social sciences in the USSR, freeing them to delve more deeply into the realities of Soviet life. Gorbachev complained to the January plenum that the ideological dogmatism of the past had left no room for objective scientific research:

(The) motive forces and contradictions and the actual condition of society did not become the subject of in-depth scientific research... vigorous debates and creative ideas disappeared from theory and social sciences, while authoritarian evaluations and opinions became unquestionable truths.

In his *Kommunist* article, Yakovlev described the heavy toll he claims ideological dogmatism has taken on economic policy:

- The attitude that private plots and self-employment are "alien" to socialism deprived the economy of significant potential resources.
- The mythologizing of the centralized form of management fettered enterprise and initiative and engendered bureaucratization.
- The views of "antimarket advocates" became a brake on economic growth.

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ANNEX D

Gorbachev and the Third World

Public Pronouncements and Academic Debate. Gorbachev has devoted relatively little public attention to the Third World, focusing primarily on arms control, East-West relations, and domestic concerns. Third World issues received less attention at the 27th CPSU Congress in 1986 than they did at the two preceding congresses and the new CPSU program has little of the optimism—and promises of support for the “national liberation movement”—found in its 1961 predecessor. This lower level of public attention to Third World concerns has led Fidel Castro and other Soviet allies to remind Moscow of its “internationalist duties” to its Third World friends.

A lively debate on numerous Third World questions has continued in the Soviet academic and political literature under Gorbachev. Many Soviet scholars and political figures have expressed relatively pessimistic views of the prospects for Third World states to advance to socialism and acknowledged that Soviet actions in the Third World over the past several years have complicated relations with the United States. The Soviets recognize that changing conditions in the Third World—the end of the colonial era, the emergence of regional military powers, the complexity of Third World political and economic problems—will make it more difficult for them to expand their influence using the instruments they have relied on in the past, notably arms transfers and support for national liberation movements.

The Gorbachev Agenda. Moscow’s more sober view of the Third World under Gorbachev does not, in our view, point toward a Soviet retreat, but toward a policy that takes into account the realities of the developing world as the Soviets understand them. These realities may include limits on the prospects for pro-Soviet revolutionary change but they also open a variety of new political and economic opportunities for the USSR. Over the next few years, we see the USSR pursuing a wide range of policies in the Third World using a varied and, in many cases, more sophisticated set of policy instruments.

Some of these policies reflect *continuity* with pre-Gorbachev patterns:

- The Soviets will provide continued, and if necessary, increased support to embattled clients such as Angola, a situation Moscow probably sees as a test of its resolve in the face of “US neoglobalism.”

- Moscow will promote leftist change in the Third World, though it will do so carefully, in order to avoid provoking the United States and damaging its effort to create the image of a responsible superpower. The USSR will probably limit open support for revolutionary “armed struggle” to relatively safe situations such as Chile and South Africa—where a direct superpower confrontation is unlikely—but it will keep its options open in other countries by maintaining covert contacts with antiregime groups both directly and through surrogates. Moscow will not forgo exploiting opportunities in countries where a shift toward the Soviet Bloc would significantly disadvantage the West. Moscow will probably be reluctant, however, to take on new “basket cases” as clients.

But we also expect increasing emphasis on *new approaches*:

- A more assertive effort to gain influence by playing a role in the settlement of regional conflicts. In pursuit of this objective the Gorbachev regime will be more willing to go against the wishes of its traditional clients and to support negotiated solutions. But we do not believe they will make concessions that would threaten the hold of their key clients.
- Trying to break out of the diplomatic rigidity of the late Brezhnev era by improving ties to key regional players such as Egypt, Israel, Zimbabwe, and China.
- A more concerted effort to expand political and economic relations with neutral and pro-Western states, especially relatively wealthy ones such as the ASEAN countries and those in regions such as Latin America and the South Pacific where Moscow has had little or no presence.
- A more tough-minded policy toward its traditional clients. The Soviets will attempt to maintain good relations with countries such as Syria, Libya, Angola, Vietnam, Ethiopia, and Nicaragua. But we will see stronger pressure from Moscow for improved performance and greater willingness to cross swords on regional and international issues when it serves Soviet interests.

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