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# CIA and the Fall of the Soviet Empire:
## The Politics of "Getting It Right"

In the wake of the 1991 collapse of the Soviet empire and the most dramatic realignment of geopolitical forces since World War II, the Central Intelligence Agency found itself fighting for its institutional life. At what should have been its moment of greatest glory—the demise of its prime ideological adversary—the CIA stood charged that it had failed the mission for which it was founded: accurately assessing the political, economic and military state of the Soviet Union.

Critics contended that the CIA overstated the strength of the Soviet economy, underestimated the power of republican independence movements and overestimated the military threat (thereby forcing the US into what some considered an unnecessary arms build-up). Stansfield Turner, head of the CIA from 1977-81, wrote in late 1991 that "we should not gloss over the enormity of [the CIA's] failure to forecast the magnitude of the Soviet crisis ... "

> I never heard a suggestion from the CIA, or the intelligence arms of the departments of defense or state, that numerous Soviets recognized a growing, systemic economic problem.[1]

Many in the media judged the CIA harshly. One representative judgment said that "the agency was left virtually in the dark about the Soviet bloc's political, economic and societal decay, as well as the speed with which communism would collapse in Eastern Europe."[2] The same article said "economists were amazed at the extent to which the CIA had overestimated the performance of the Soviet economy, leading many to speculate that the numbers were hyped to fuel the arms race." The most vociferous critic was Democratic Sen. Daniel Patrick Moynihan, a former vice chairman of the Senate Select Committee on Intelligence, who said that "for a quarter century, the CIA has been repeatedly wrong about the major political and economic questions entrusted to its analysis."[3] Moynihan introduced a bill to abolish the CIA and place intelligence under the secretary of state.

Lieut. Gen. William Odom, director of the National Security Agency (NSA) from 1985-88, expresses even stronger views on the CIA's contribution to understanding the USSR. He argues that the Agency has always been a marginal, and expendable, player in the policy world. The CIA, says Odom, should be disbanded and its functions distributed to the departments of State and Defense, not simply because it was wrong about the Soviet Union, but because it is superfluous.

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1 *Foreign Affairs*, Fall 1991. p. 151n.
2 Griffin, Rodman D. *The New CIA*. CQ Researcher, Dec. 11, 1992. p. 1075.
3 *New York Times*, May 19, 1991. p. 17.

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> I can think of almost no time when the findings of an NIE [National Intelligence Estimate] caused any policymaker to change his mind on anything or caused a policy to move in one direction or another. ... You could close down the DDI [intelligence analysis directorate] tomorrow and nobody would miss it. ... The only serious issue here is whether you want to continue to pay all these people. I guess you keep idle *intelligentsia* off the streets. I consider by and large their analytical effort a welfare transfer package.

The charges prompted anger and soul-searching at the agency spawned by the Cold War and long on its front lines. Through an internal review, in public speeches by its leaders and in private conversations, CIA analysts responded: the Agency missed almost nothing. In paper after memorandum after National Intelligence Estimate from 1979 to 1991, say CIA officials, analysts described rising social tensions within the Soviet Union, a slowdown in economic growth, reduced rates of growth in military spending, emerging ethnic movements, changes in Soviet Third World policy and, after 1989, the *ad hoc* nature of Mikhail Gorbachev's leadership.

CIA defenders—and they included many senior policymakers in the Reagan and Bush administrations—pointed out that no one, including academic Sovietologists, predicted the end of the Soviet system at a certain time and place. As Ambassador to Moscow Jack Matlock puts it:

> As far as being served by the CIA, I think we were served well. Policymakers have to be reasonable on expectations. No intelligence organization is going to be able to tell you precisely what events are going to occur when.

Robert Gates, a lifelong CIA Russian analyst who rose to become Director of Central Intelligence, defended the Agency in a 1992 speech to the Foreign Policy Association.

> Obviously there were deficiencies in CIA's work on the Soviet Union—things we did not know and areas where we were wrong. But the body of information, analysis and warning provided to policymakers and to Congress was of extraordinarily high quality. To claim that US intelligence in general and CIA in particular failed to recognize the systemic weakness of the Soviet system, failed to inform policymakers of the growing crisis, or failed to warn of impending collapse of the old order is not consistent with the facts.

If there was a public sense that the Soviet Union's implosion caught the world by surprise, says the CIA, that was due not to a lack of intelligence but to an informed decision by top US government officials that US interests would be ill-served by sounding public alarms about the doubtful future of Gorbachev and the USSR.

To a significant degree, critics of the CIA on the left and the right were reacting to the debate over Agency accuracy (or inaccuracy) in estimating Soviet GNP. Yet the economic estimate was only one tool for reaching political judgments about the future of the USSR. In the world of intelligence, where CLASSIFIED is a standard imprint, assembling a comprehensive record of proceedings is not yet possible. The following account, based on the public record and interviews as well as on documents declassified for this project by the CIA, chronicles what participants consider important moments in the Agency's analysis of Gorbachev's USSR from 1985 to 1991.

## Part I: The Reagan/Gorbachev Years, 1985-88

When Mikhail Gorbachev took over from Konstantin Chernenko as General Secretary of the USSR on March 11, 1985, Ronald Reagan was in his second term as president. George Shultz was secretary of state, Caspar Weinberger was secretary of defense. The United States had seen signs of a softening in Soviet-US relations when, in January, Soviet Foreign Secretary Andrei Gromyko and Shultz had agreed to open negotiations on nuclear and space weapons. But it was not immediately apparent in what direction Gorbachev—a youngster among the Politburo geriatrics—would take his country.

### Early Gorbachev

At Chernenko's funeral, at least one American thought he discerned in Gorbachev a new attitude. "In Gorbachev we have an entirely different kind of leader in the Soviet Union than we have experienced before," Shultz told Vice President Bush.[4] Shultz noted in his memoirs that he was impressed with the new general secretary's "quality of thought, the intensity and the intellectual energy of this new man on the scene."[5] Gorbachev quickly accepted an invitation from Reagan for a meeting but suggested it be held in Moscow instead of Washington. Since the last summit had been in the Soviet capital, a compromise was reached for a summit in Geneva in November 1985.

At the summit, Gorbachev impressed Reagan with his willingness to take concrete steps on such contentious issues as reducing strategic arms by 50 percent and working toward an agreement on INF (intermediate-range nuclear forces). Gorbachev also welcomed bridge-building measures such as opening consulates in Kiev and New York, and resuming direct airline service between the two nations. Only two months later, in early 1986, Gorbachev demonstrated a growing talent for grabbing headlines when he proposed cutting nuclear weapons and ballistic missiles to zero by the year 2000. He conditioned the proposal on American agreement to give up the Strategic Defense Initiative (SDI), a favorite project of Reagan's.

Domestically, too, Gorbachev was taking dramatic steps, both concrete and symbolic. He instituted a campaign of *glasnost*, or openness, unleashing free discussion of political topics for the first

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4 One small hint, typical of the kind of thing Kremlinologists considered significant in that period, was that Gorbachev kept the military off the podium during the funeral.

Shultz, George. *Turmoil and Triumph. My Years As Secretary of State.* Macmillan Publishing Co. New York. 1993. p. 532.

time in decades. Simultaneously, he launched a campaign to turn around the lagging economy through investment and modernization of an antiquated and technologically backward industrial base. To improve productivity, he emphasized discipline in the workplace and ran a draconian anti-alcohol campaign. Gorbachev shook up the personnel at the top of the Communist Party hierarchy, dismissing eight economic ministers and several Central Committee department chiefs, as well as supervising turnover among regional Party first secretaries.

Gorbachev also demonstrated a personal style in marked contrast to his predecessors. He met with Soviet citizens and answered their questions. He held press conferences. He spoke openly of sensitive subjects. In February 1986, Gorbachev told the 27th Communist Party Congress that Afghanistan was an "open wound" for the nation. In December 1986, he brought home from six years of internal exile the Nobel Peace prizewinner Andrei Sakharov.

While millions of Soviet citizens welcomed Gorbachev's promises of reform and renewal, the general secretary's actions dismayed many millions more accustomed for decades to hearing nothing but flattering propaganda about the well-being of their country. For different reasons, this far-from-standard Soviet leader also proved disconcerting to his audience in Washington. Both within the Central Intelligence Agency and within the top circles of the US government, Gorbachev's policies accentuated long-standing ideological differences over how to assess the abilities and intentions of the other superpower.

## The CIA of 1985 (DI)

The analysis branch of the CIA, called the Directorate for Intelligence (DI), had had the Soviet Union in its sights since 1947.[6] The CIA was founded in that year with a mandate to provide policymakers an unbiased, nonpartisan, non-ideological picture of Soviet actions and aims so that US leaders could make the best possible decisions on US strategies for dealing with Moscow.[7] Since the early 1960s, however, a debate about the ideological character of the Soviet Union had divided scholars and policymakers alike. The CIA, as incubator for some of the nation's most critical studies on the Soviet Union, was hardly exempt from this contest between two persuasive schools of thought on what Ronald Reagan might have termed the "evil empire" question.

*The Fault Line.* Simplistically put, the dividing issue was: did the Soviet Union operate primarily from ideological motives of world domination, fundamentally and dangerously different from Western societies; or had it evolved past the "Stalinist" model to a rational world actor, with a leadership looking for modest reform, susceptible to pressure from increasingly potent grassroots forces? The majority of Agency analysts took, by the 1970s, a more nuanced view of Soviet motivations than

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6 For a description of the CIA *qua* organization, as well as of the larger intelligence community, see Background Note 1. While other branches of the intelligence community, such as INR and DIA, also contributed importantly to intelligence assessments of the USSR, this report spotlights the CIA as the chief purveyor of intelligence on Soviet affairs to US policymakers. The CIA was also most widely criticized for its work during this period.

7 For an account of the CIA struggle to make intelligence analysis useful to policymakers, see Background Note 2.

these characterizations suggest. Nonetheless, various periods in Agency history were marked by significant animosity between "hawks" and "doves."[8]

*The Casey Years.* During the Reagan Administration, hawks were unusually well represented in the CIA's leadership. Reagan appointed William Casey, his campaign manager and trusted associate, as Director of Central Intelligence.[9] Casey held firm hardline views on the Soviet Union and had a longstanding affection for covert operations dating from his experiences during World War II. Robert Gates, who served as head of the Directorate for Intelligence (DDI) from 1982-86, was a Soviet scholar and longtime CIA analyst also known for his hardline interpretation of Soviet actions. Reagan dismayed many who worried about the Agency's delicate balancing act between analysis and advocacy when he made Casey a member of the Cabinet, the first time in history that a DCI had had that status.

The Agency did, in fact, fall prey to charges that under Casey it politicized intelligence reports. Secretary of State Shultz, for example, grew to distrust all intelligence documents for fear Casey had filtered their contents. As he would later write:

> He had very strong policy positions, which were reflected in his intelligence briefings. He claimed he was objective. But his views were so strong and so ideological that they inevitably colored his selection and assessment of materials. I could not rely on what he said, nor could I accept without question the objectivity of the "intelligence" that he put out, especially in policy-sensitive areas.[10]

Gates recalls trying to persuade Shultz that Casey was not influencing CIA reports, only exercising his legitimate right in Cabinet meetings to give his own interpretation of events.

> I said, you may not agree with the printed product, but what really sets you off is what Casey says at the table. Go back to your office and look at the printed product. That's not necessarily what Casey thinks. In fact, he disagrees on a lot of the stuff that I publish. But I happen to think that the director, as long as he represents at the table what the views of the community are, ought to have the freedom then to say 'But here's what I think.'

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8 In 1991 congressional hearings, an Agency officer characterized members of the two factions as "knuckledraggers" or hawks, versus "com-symps" or doves. Other CIA officers feel these terms were overly dramatic and emphasize that the labels were not common usage within the Agency.

9 This meant Casey was not only head of the CIA, but also chief of some 15 intelligence agencies arrayed through the State Department, the Department of Defense and the armed services.

10 Shultz Memoirs. p. 691.

Others, too, argued that Casey had every right, indeed a responsibility, to present his own views to his colleagues in the Cabinet. As Prof. Harry Rowen of Stanford University put it in a crisp letter to the *New York Times:* "A CIA director is not supposed to be an intellectual eunuch."[11]

Whatever the justifications may have been, it was a fact that within the Agency—as within the ranks of the Administration—many individuals worried about the possibility that intelligence was being politicized. During the early to mid-1980s, several CIA projects on Soviet affairs sparked internal controversy over their conclusions: one assessment of Soviet strength in the Third World, another on possible Soviet links to the assassination attempt against Pope John Paul II, a third on the potential for Soviet interference in Iran. In all three cases, a number of analysts felt that Casey and Gates had ensured the final product made the most damning case possible against the Soviets, based on what they considered flimsy evidence.[12]

*SOVA Hardest Hit.* While many departments within the CIA contributed to assessments of the Soviet Union, the chief responsibility for following Moscow lay with the Office of Soviet Analysis (SOVA). Not surprisingly, it was hardest hit by the "politicization battle." Even analysts who had no personal grudge against Gates conceded that the atmosphere within SOVA (along with the Global Issues Office, which also closely monitored the USSR) was confrontational. A number of analysts felt themselves unfairly singled out for being "soft" on communism. As Robert Blackwell, a high-ranking CIA official, puts it, "there was a tension in this building."

> It was palpable. Whether anything was being twisted or reordered upstairs or not, people felt that they were under extra burdens to somehow be very careful about how things were said. ... Papers that were exceptionally hard hitting and very negative about whatever it might have been didn't seem to get quite as much critique as ones that weren't, or at least many felt that.

Douglas MacEachin, director of SOVA from 1984-89, would later say that "the [Third World] division [of SOVA] tended to see themselves in a holy war with the administration."[13] He, too, felt the burden.

> The period during which I felt I had the least impact [on policy] was during the Reagan administration. They thought of us as the enemy. ... The implication was that part of the national threat was that the CIA undercut our ability to rebuild our national forces. The administration charged the

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11 *New York Times*, Letters to the Editor. Sept. 13, 1987. Section 4, p. 34.

12 Charges were aired in public only in 1991, when Gates was nominated for the second time to become DCI under President Bush. The nomination hearings allowed many disgruntled analysts to vent their anger against Gates. Gates' defenders said the unhappy analysts were young and taking personally rather than professionally what could be biting comments from Gates.

13 Robert M. Gates Nomination Hearings, Senate Select Committee on Intelligence, Sept. 16-Oct. 18, 1991. Vol. 3, p. 34.

> CIA with being too liberal. It said we underestimated the military threat, underestimated the Soviet threat in the Third World.

Thus by 1985 the CIA, especially SOVA, was trusted neither by the left nor the right within the Administration. Hardliners distrusted the CIA as "Communist sympathizers" because its assessments tended to be less strident than Casey's. At the same time, potential CIA allies within the policy community, such as Shultz, also mistrusted CIA documents because they feared the influence of Casey.

Gorbachev would provide a new focus for these preexisting divisions both within the CIA and between the CIA and the Administration.

**Reaction in Washington**

Gorbachev's arms proposals, his domestic program, his public relations savvy, left the US administration divided. Many members of Reagan's White House felt that Gorbachev was playing a divide and conquer game against NATO and the United States, seeking to lull them with apparent concessions only to return in strength once the Western alliance had lost its cohesion. Others gave Gorbachev the benefit of the doubt, taking him at his word as a reformer until proven otherwise.

By 1986, Shultz and Reagan had concluded that Gorbachev, as Shultz put it, "was proving to be energetic advocate of appealing positions."[14] But where Shultz and the president saw opportunity, Weinberger, Casey, Richard Perle and others in the administration saw Soviet cunning and trickery. They pointed to strong historical precedents for refusing to believe that Gorbachev was operating in good faith.

*No Downsides.* The Administration sought a Soviet policy which took into account both points of view. For decades, US self-interest vis-a-vis the Soviet Union had been defined almost exclusively in terms of the concessions Washington could extract on arms control. Now the White House, as then-National Security Council Special Assistant Jack Matlock describes it, wanted to expand the definition of US self-interest to take into account the possibilities Gorbachev offered for revolutionizing East-West relations. Says Matlock:

> What you had to do was find a policy that would protect you if [true reform] didn't happen, but would take advantage of it if it did. And that's what we devised. It was a policy with no downsides.

The policy became, in Matlock's words, "to bring down the Iron Curtain without saying so, and to cooperate on and demilitarize conflicts in third areas." Arms control, he and others believed, would "follow, not precede" internal Soviet change, and "we really had to force them to change internally and to bring pressure to bear." Skeptics like Casey raised no objections to the new policy, says Matlock, "because we weren't really sacrificing anything." Besides, part of the pressure the Reagan

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1. Shultz Memoirs, p. 704.

Administration put on Moscow came in the form of a massive US arms buildup, plus the early development of a space-based nuclear deterrent dubbed the Strategic Defense Initiative (SDI), or "Star Wars"—both very welcome to hardliners.

Shultz, however, felt Casey and his fellow hardliners remained stubbornly negative in their view of Gorbachev. During senior-level meetings on Soviet affairs, Shultz came to discern a pattern.

> I would describe how the Soviets were moving in our direction and point to steps we should take to keep that positive movement going. Cap Weinberger would then say that we were flaking for Soviet propaganda. CIA director Bill Casey or his deputy, Bob Gates, would say that CIA intelligence analysis revealed that Gorbachev had done nothing new, only talked a different line. And most of those present would try to stimulate the president's fear that any US diplomatic engagement with Moscow would jeopardize the future of SDI.[15]

Whatever the discussion at the Cabinet level, such negative judgments were not typical of CIA estimates during Gorbachev's early years. While Agency analysts had a vivid appreciation of the difficulties confronting Gorbachev, assessments were also cautiously optimistic about his sincerity and his chances for success.

For decades, the primary focus of CIA Soviet analysis had been on the balance between the two superpowers. Thus papers examined in detail Soviet activities in the Third World, the minutiae of weapons programs, and the state of the economy. Only in 1984 did the Agency establish a new branch called "Societal Issues" to examine domestic political and social developments. Most CIA reports continued, however, to focus on the "big three" topics.

### An Early Assessment of Gorbachev & the Economy

In September 1985, six months after Gorbachev took over, DI published one of its early analyses of Gorbachev's USSR under the title "Gorbachev's Economic Agenda: Promises, Potentials and Pitfalls." The report noted that Gorbachev has "set in motion the most aggressive economic agenda since the Khruschev era." It acknowledged the enormity of his task: reforming an economy "that cannot simultaneously maintain rapid growth in defense spending, satisfy demand for greater quantity and variety of consumer goods and services, invest the amounts required for economic modernization and expansion and continue to support client-state economies." Gorbachev, said DI, "in our view has a clear understanding of these limitations; he is obviously extremely impatient that they be addressed now."

If anyone understood what Gorbachev was up against, it was the CIA. For decades it had tracked the Soviet economy, estimating annually both the absolute value of various segments of the economy, and long-term trends. Every year, the CIA submitted declassified reports on the Soviet economy to Congress, specifically to the Joint Economic Committee (JEC) and its subcommittees. The

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15 Ibid., p. 707.

most important measures CIA provided policymakers were an estimate of Soviet GNP (gross national product) and its rate of growth.

*Chronic Slowdown.* The Agency had been pointing to a chronic slowdown in the Soviet economy since the 1970s. In 1977, the CIA told the JEC that "the Soviet economy faces serious strain in the decade ahead" and that the low growth rate would pose hard choices for Soviet leaders. That refrain was heard again in 1980, when then-DCI Admiral Stansfield Turner told the JEC that "the combination of slowing economic growth and rising military outlays poses difficult choices for the leadership over the next several years."

Blunter still was the 1981 report:

> The Soviet pattern in many respects conforms to that of a less-developed country. There is remarkably little progress toward a more modern pattern. The USSR is indeed the world's most under-developed developed country. Long-continued investment priorities favoring heavy industry and defense, coupled with a rigid and cumbersome system ... combine to produce a consumer sector that not only lags behind both West and Eastern Europe, but also is in many respects primitive, grossly unbalanced and in massive disequilibrium.

*Gorbachev's Tough Course.* By 1985, the CIA characterized the economy Gorbachev inherited as "backward." In its September report, for example, the Agency reported record-low growth in Soviet GNP of 1.4 percent from 1979-82, recovering to over 2 percent in 1983-4. But the CIA did not find Gorbachev's first efforts to improve it encouraging.

The assessment identified a number of inherent contradictions in his reform program. On the one hand, Gorbachev outlined ambitious modernization goals for industry, but financing them would require "a potential decline of some 60 percent" in funding for the consumer sector. Yet if Gorbachev wished to succeed in his campaign to improve abysmal worker productivity figures—another declared goal—he needed to increase the availability and quality of consumer goods as an incentive to work harder. In another example, Gorbachev announced plans to hold energy investment constant, yet "demand for energy will grow and the cost of offsetting declining oil production will be rapidly rising." Moreover, noted the assessment, the "increased managerial independence necessary to spur effective technological development and utilization is inconsistent with a centrally planned pricing and allocation system." Gorbachev, it summarized, must support more radical reform or fail.

> Continued reliance on marginal tinkering despite clear indications that the plan for economic revitalization is faltering would indicate that Gorbachev, like Brezhnev before him, has succumbed to a politically expedient but economically ineffective approach.

One of the surest measures of Soviet economic priorities had always been the amount of money evoted to defense. Within six months, the CIA was able to report that Gorbachev appeared willing

to move beyond "tinkering" to take on the defense establishment. A report published in March 1986, the one-year anniversary of Gorbachev's ascension, examined the implications of Gorbachev's economic reforms for Soviet defense spending.

**Soviet Defense and Economic Reform Compatible?**

In "Gorbachev's Modernization Program: Implications for Defense," the CIA pointed out that the two industries Gorbachev depended on to produce the machinery to fuel civilian industrial growth were the same as those supplying hardware to the military and durables to the consumer. Thus these industries—machine building and metalworking—were under triple pressure to produce.

In the short run, said the intelligence document, the military might be willing to harness its demands because the bulk of production facilities for new weapons systems were already in operation. The real crunch would come, it projected, in 1988 or so when the military establishment would need to plan for new generations of weapons.

Following publication of this paper, SOVA put together a briefing that went somewhat further and expressed the view that:

- the crunch was not just a possibility but a likelihood, because Gorbachev's half measures were not likely to result in the sought-for gains in productivity
- this meant that Soviet defense spending was not likely to increase through the end of the decade

The principal difference between this view and the more traditional view was not that defense spending was a burden for the Soviet economy, but that now there was a leader who would try to contain defense in order to deal with economic problems.

MacEachin and two other SOVA officers, Jim Noren and Derk Swain, briefed Secretaries Weinberger and Shultz on this assessment. Weinberger's reaction was in line with hardline thinking within the administration: if the Soviets fixed their economy, they would be even better equipped to then rebuild the military. Such a course would pose an even greater threat to US security than the current Soviet Union with its weak economy, and would never justify cutbacks in US defense outlays. That was essentially how Bill Casey and Robert Gates, too, interpreted the intelligence reports. Shultz, on the other hand, saw in the analysis some favorable indications for arms control. According to MacEachin, Shultz specifically asked what was meant by the term 'crunch point in 1988' and pursued the issue at some length.

The March 1986 assessment itself predicted little near-term impact from economic reform on Soviet foreign policy, particularly on arms control negotiations, because "the benefit to Gorbachev's industrial modernization plans would not be great over the next few years." However, the CIA noted that "by promoting a more relaxed atmosphere and a perception of arms control opportunities, Gorbachev probably hopes to encourage downward pressure on US defense spending and greater access to Western technology and trade credits."

The CIA had long recorded the rising strength of the Soviet military. It estimated that Soviet defense spending had grown by 50 percent from 1965-81, from some 45 billion rubles to over 80 billion.[16] From 1974 to 1985, the USSR added more than three times as many strategic weapons to its stockpile as did the US. It also modernized and added to conventional forces. In 1976, the CIA had announced publicly that the Soviet "defense burden"—the percentage of GNP devoted to defense—stood at 11-13 percent.[17]

As early as 1982, however, and again in 1983, the CIA reported something new which caused it to revise its own estimates. Although absolute levels of Soviet spending on defense were still high, they had stopped growing. In 1983, SOVA reexamined previous estimates and concluded that growth in defense spending—specifically in procurement of military hardware, which accounted for 50 percent of the defense budget—had in fact tailed off beginning in 1976.[18] This had halved the growth of overall defense spending from the 4-5 percent of the early 1970s to 2 percent (the CIA had reported contemporaneously 4 percent growth for the period 1976-81).

This development was considered significant and puzzling. The report said, "[b]ecause we do not fully understand the causes of the slowdown, we cannot provide a confident answer" [as to whether procurement will quickly rebound]. "Such a prolonged stagnation has not occurred since the 1950s," it said.

George Kolt, then the assistant National Intelligence Officer for the USSR (NIO/USSR), remembers that CIA analysts would have liked to make a strong statement in an NIE being written at that time (summer 1982) about the leveling they saw in defense spending, going beyond simply noting it to conclude that "the Soviet Union could not forever sustain the defense burden."

> But I couldn't get this into the estimate. That was turned down at the direct opposition of the DIA [Defense Intelligence Agency] ... On the analytical level [at CIA] there was willingness to accept our judgment, but when it came to the top, there was nobody willing to fight for it.

This reluctance stemmed in part, perhaps, from an unwillingness by intelligence community statisticians to give critics any more grounds for complaint than they had already. In the mid-1970s, the CIA had suffered embarassment and censure when its estimates of Soviet missile-building capability were found to be too low. In the early 1980s, ironically, the Agency reported that its estimates of growth in military procurement dating back to 1976 had been too high. In response, the CIA provided Congress, as well as critics in the academic and policy worlds, with lengthy explanations of its methodology for estimating both the Soviet economy and the size of its military. But by and large, Agency statisticians and economists were proud of the quality and consistency of their work.

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16 *Soviet Defense Spending: Recent Trends and Future Prospects*, Directorate of Intelligence. July 1983. p. 2.

17 This was an upwards revision of an earlier estimate which put the "burden" at 6-9 percent. Some CIA critics, however, felt the defense percentage of GNP was even higher and cited émigré reports that it reached 18 percent. For purposes of comparison, the US "defense burden" was roughly 5 percent of GNP.

*Soviet Defense Spending*, p. iii. The CIA disclosed these findings in open hearings before the Subcommittee on International Trade, Finance and Security Economics of the JEC on Sept. 20, 1983.

Economic and defense spending estimates, they pointed out, had been particularly reliable in detecting trends.[19]

While the military and economic estimates may have drawn their share of criticism, at least those areas of Soviet activity were heavily studied. Social issues, on the other hand, got short shrift until 1984.

**"Domestic Stresses on the Soviet System"**

Analysis of social issues was not something to which the CIA traditionally devoted much staff time or energy. Nonetheless, some pieces examining social problems through the prism of economic analysis did reach publication. In 1979, for example, SOVA analyst Kay Oliver drafted a paper for National Security Advisor Zbigniew Brzezinski which chronicled an array of problems, including "Soviet consumer discontent [which] is rising and will cause the regime of the 1980s serious economic and political problems." Where the paper lacked insight, says Oliver, was in its assessment of what the Soviets were going to do about it. But the dilemma facing the Politburo was clearly explained.

A paper in 1982 laid out serious forebodings about popular unrest and high-level corruption. Another paper disseminated in 1983 drew attention to the importance of civilian discontent.

> The scope and character of popular grievances that are suggested in recent civil unrest probably present a greater long-term challenge to the regime than the narrower intellectual dissident movement.[20]

But SOVA settled into serious study of social issues only in 1984, when MacEachin—at Gates' behest—created a new Societal Issues branch and appointed Oliver as its chief.[21] This branch established itself with the publication in 1985 of an estimate drafted by Oliver and analyst Paul Cocks. At that point, Gorbachev had been in power barely half a year. The paper, therefore, provided a snapshot of the country Gorbachev inherited.

*The Estimate.* Titled "Domestic Stresses on the Soviet System," the NIE was coordinated by NIO/USSR Fritz Ermarth and NIO/Europe George Kolt.[22] In a more comprehensive fashion than any earlier paper, the estimate catalogued and diagnosed the ills of Soviet society in the mid-1980s. The USSR suffered, it said, from an economic slowdown, an unmotivated labor force, a "parasitic" bureaucracy, a "moribund" leadership, from a wide variety of criminal activities, as well as alcoholism and civil unrest. While the NIE characterized the Soviet Union as a "very stable country" in a global context, it noted that the political system itself had become an obstacle to growth and reform.

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19 For a more substantial discussion of internal and external criticisms of CIA methodology, see Background Note 3.

20 from a conversation with Douglas MacEachin, 7/14/93.

21 The branch at first was called Security Issues, but intelligence/security questions later spun off into a separate branch, leaving Societal Issues behind.

22 This study was published both as a SOVA paper and as an NIE; it was unusual for this to happen.

> Unless the system is reformed in fundamental ways, it will hamper the growth its leaders seek because it stifles the innovation on which technological and social progress depends.[23]

The Soviet regime also, reported the NIE, faced developing tension between popular aspirations and the system's growing inability any longer to satisfy them—an inability which could ultimately threaten regime stability.

> We do not exclude the possibility that these tensions could eventually confront the regime with challenges that it cannot effectively contain without system change and the risks to control that would accompany such change.

The NIE predicted reform efforts from Gorbachev, but expected they would be conservative, system-preserving measures on the model of those initiated by former General Secretary Yuri Andropov.

Ermarth worked hard to get the piece coordinated despite opposition from the Defense Department and others. DOD registered two footnotes taking exception to the CIA view that Gorbachev was seeking détente with the West in order to concentrate on domestic reforms. In the view of DOD, Gorbachev continued to regard as primary concerns the "advancement of its foreign and trategic goals."[24]

Ermarth regrets only that the estimate did not follow its observations to a logical conclusion.

> I'm not proud of some of the bottom lines, because we pulled our punches. Not because Casey said so or Reagan said so, but because it would have been too hard to get coordinated in the bloody intelligence community. So in our first paragraph it says 'terrible problems but they're not going to spell the end of the Soviet system.' If we'd said they could spell the end of the Soviet system, none of the institutions would have signed up. Too sweeping a judgment, especially for the Defense Department.

The NIE itself acknowledges with considerable insight, in the "scope note" preceding the analysis, that the intelligence community was increasingly at a loss for a theory that could adequately explain Soviet behavior.

> Our analysis has also been encumbered by a lack of good social theory for describing the behavior of a society that is far from

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23 *Domestic Stresses on the Soviet System*, NIE 11-18-85, November 1985. p. 19.

Ibid., pp. 5, 20. The State Department's INR also noted its disagreement with the CIA characterization of "anti-Russian" nationalism in Central Asia, arguing that local nationalists had largely accepted the Soviet system.

> fitting the old "totalitarian model" but is still ruled by a regime that strives to fulfill many of that model's features.

The estimate, recalls Ermarth, was well received in several quarters. Oliver personally briefed President Reagan on its key points. Hardliners, such as Casey, felt it confirmed their belief that the Soviet Union was "sick, powerful and dangerous," says Ermarth. Kolt, on the other hand, felt the estimate "supported those in the community who thought that those faults were out there, that this was not a monolithic society." That said, he added, the Agency could not predict when or even whether the faultline might crack wide.

> One could not forecast when these weaknesses would become so prevalent as to make the whole establishment either change or collapse.

NSC official Jack Matlock remembers that estimate and the resulting debate among policymakers.

> That sort of analysis was objective. It was fairly complete. We got a lot of it. It was just, okay, where do you go from there? Some would say this is all true, but the sort of system they have, they can somehow weather it. They still control everything. They control the media. The KGB and the Party have informers all over the country. And you can't tell me that a system of that sort can't keep things under control. And I would have to concede and say that is true. On the other hand, if they ever start opening up—and there are good reasons for them to open up—then it's going to be a new ballgame.

Throughout 1986 and 1987, the evidence mounted that Gorbachev—if not a radical—was at least a skilled politician capable of shifting with the political winds as necessary to keep his reforms rolling. The question was: how bad was the Soviet situation which Gorbachev had to manage?

Increasingly, some observers found the CIA estimates of Soviet defense spending and economic performance rosier than warranted. Coincidentally in early 1986, critiques from two very different quarters questioned the accuracy of CIA estimates on Soviet defense spending and its economy. The report on the Soviet economy was commissioned by the CIA from outside experts; the observations on Soviet defense spending came from within the Agency.

### Challenging the Estimates

The first critique came from Harry Rowen, a well-respected academic and public servant who had served as chair of the NIC from 1981-1983.[25] His thinking on the CIA economic estimate had

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25 Rowen in 1986 was a professor of public management at the Hoover Institution, Stanford. He had been at various times in his distinguished career president of the RAND Corp., a deputy assistant secretary of defense and an assistant director of the Bureau of the Budget.

evolved over two years, starting with a request in 1984 from DDI Gates to form a committee of prominent academics to look at the CIA's economic work. The committee's report, issued in March 1985, was not classified but it was private. Rowen says the committee awarded the CIA a C+ or B- for its work: "It basically said the Soviet economy is probably worse off than you're saying, but we don't know enough to say you're horribly off."

During 1985, however, Rowen's own views evolved to the point where he concluded that the Soviet economy was deteriorating much faster than reported by the CIA. In the summer of 1985, he circulated a paper to that effect to Weinberger, Shultz, Casey and National Security Adviser Robert McFarlane which said that, while the CIA had estimated annual Soviet GNP growth of 2.5 percent over the past decade, "there are reasons to believe that this number is probably the upper bound of performance. Actual growth overall might have been less, perhaps close to zero."[26] Rowen cited testimony from emigres which "is widely discounted by Western scholars" that the standard of living as well as productivity was in decline.

In April 1986, Rowen and three like-minded Soviet experts reiterated their skepticism to Reagan and Bush in a half-hour meeting.

> I said we really don't know what's going to happen here as a result of this rather different portrayal of the economic situation. We were not saying it's going to fall apart politically. But one thing we were very clear on, and that's that everybody who was negotiating with that country ... is in a stronger inherent position than one might believe if one were listening to ... intelligence from the CIA. You're better off than you might realize.

Reagan, says Rowen, "understood that perfectly well."

At the same time Rowen was briefing the president, a high-ranking CIA official was finalizing a memo questioning the accuracy of recent CIA estimates of Soviet military spending.

*MacEachin's Memo.* In April 1986, Douglas MacEachin was director of SOVA. In a memorandum which he submitted to then DDI-Richard Kerr, MacEachin argued that the recently observed flat line in Soviet military spending was going to stay that way. Toward the end of 1985 and the beginning of 1986, argued MacEachin, it became clear that Gorbachev wanted to fix the economy and that the only place to turn for immediate savings was the military. MacEachin wrote that all projections in the current NIE for Soviet military spending were too high.

> Our analysis shows that the "*low* forces" projected in the NIE would require Soviet procurement spending on the strategic mission to increase [deleted] an average annual growth of 11 percent. To support the "high" forces projected in the estimate,

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The paper was published shortly thereafter in The National Interest, *Living with a Sick Bear*. Winter 1986. pp. 14-26.

> procurement spending would have to increase at an average annual rate of 13 percent.

Such sustained growth even at the lower rate, the memo pointed out, had occurred only once before: over the five-year period 1966-70, when Brezhnev built up the military after he ousted Khrushchev. The current NIE procurement projections, the memo continued, "would imply that Moscow has no intention of *attempting to* carry out" the industrial modernization program "which the new Soviet leadership has publicly made the centerpiece of its agenda."[27]

Additionally, MacEachin contended that not only the current NIE, but those going back for a decade, had systematically overstated the Soviet arms procurement program. Kerr took the memorandum to NFIB (National Foreign Intelligence Board), which does a final review of NIEs. There Kerr reiterated the memo's argument that "we can't go up at the rate of these numbers. Something is wrong." Kerr brought along a proposed dissenting footnote to the NIE on Soviet strategic forces. As MacEachin remembers it, Casey was impressed by the reasoning and evidence of the memo, but the footnote never appeared.

> It was, quite frankly, not Mr. Casey's fault and I know that. But there were others in the Community who felt that they could not put out an annex that showed projections with a note on the front of it that said these are all wrong.[28]

The NIE projections remained the same despite MacEachin's memo. Actual Soviet performance, however, never approached the optimistic US predictions. The CIA documented the USSR's deteriorating situation.

*Down the Troubled Path.* In July 1986, the joint CIA-DIA report to the JEC, "The Soviet Economy Under a New Leader," restated many of the CIA concerns and conclusions voiced the previous fall in the assessment "Promises, Potentials and Pitfalls." It laid out once again the potential tensions between a powerful military and a needy industrial base, not to mention a grossly underserved consumer sector. One subsection was brusquely titled "Dependence on Unrealistic Conservation and Productivity Goals." Gorbachev's economic plan, said the report, was illogical.

> Moderate investment growth appears inconsistent with a radical modernization of the economy.

While the report emphasized once again the impressive strength of the Soviet military, rising military hardware sales to Third World countries and sweeping improvements to both strategic and conventional forces, it also reported that overall growth in defense spending had held steady at 2 percent from 1974-85. The document noted that while differences continued to exist between CIA and DIA on estimates of Soviet defense spending—"we have not settled on an estimate for last year"—the two agencies were near agreement that the growth in military procurement was nearly flat (which the

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27 from Douglas J. MacEachin, Memorandum to the Deputy Director for Intelligence, April 22, 1986. p. 2.

28 Gates' Hearings, Vol. 2, p. 274.

CIA had been saying since 1982). The report put the "defense burden" for the early 1980s at some 15-17 percent.

Some within the US policy community saw the leveling in defense spending as an indication that the Soviet Union, whether by choice or because forced to by economic stresses, was embarked on a new road which could lead to improved relations with the United States and its allies. Others, however, remained highly skeptical of Gorbachev, his motives and his mission. Gorbachev had failed to win the trust of top CIA official Robert Gates.

### Gates on Gorbachev

Many thoughtful people within the intelligence community had legitimate doubts about Gorbachev. Lieut. Gen. Odom of the NSA articulated the thinking of many when he wrote in 1987 that the Soviet leader's program, if followed to its logical conclusion, would lead to Gorbachev's political suicide and the collapse of the system. As this seemed unlikely, concluded Odom and others, Gorbachev did not intend to do what he said he would. As the general wrote:

> It seems more and more clear that Gorbachev himself does not intend systemic change. He is exercising with remarkable energy and cunning the system bequeathed him by previous general secretaries. He is struggling to regain the vitality once possessed by the system and which especially Brezhnev, but also Khrushchev, let slip into decay. If what one means by reform is a significant improvement in the standard of living for Soviet citizens and increased protection of their individual rights under law, that kind of reform cannot go very far without bringing about systemic change—the kind of change that Gorbachev cannot want.[29]

Gates remembers holding similar views in 1986, when he was DDI (promoted in April to Deputy Director for Central Intelligence, or DDCI). Gorbachev, he says, "could not carry out a process of democratization and leave the Communist Party structure and the national security structure, including the KGB, intact."

> Perhaps the source of my great pessimism in terms of the prospects for his reform over time was my belief that his economic reform program was deeply flawed and contradictory, that in fact he remained a Communist and was unwilling to take [real] steps toward a market economy.[30]

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29 Problems of Communism, *How Far Can Soviet Reform Go?*, November-December 1987, p. 30. Odom recalls that when, at intelligence community and NFIB (National Foreign Intelligence Board) meetings, he articulated the view that Gorbachev was destroying the system, his observations "provoked ridicule in the CIA and the NIC [National Intelligence Council]."
Hearings, Vol. 3, p. 129.

Reflecting such convictions, Gates in testimony on March 16, 1986 seemed to dismiss the possibility that Gorbachev's changes so far should be taken seriously. In hearings before Sen. Bill Bradley and other members of the Senate Intelligence Committee, Gates was asked what kind of work the intelligence community was doing to prepare policymakers for the consequences of change in the Soviet Union. He responded:

> Quite frankly, without any hint that such fundamental change is going on, my resources do not permit me the luxury of sort of just idly speculating on what a different kind of Soviet Union might look like.[31]

Six months later, promoted by then to the position of DDCI, Gates had apparently changed his mind, at least about the advisability of closely monitoring Soviet developments. On Oct. 16 he sent a memorandum to his replacement as DDI, focused on the quality of CIA analysis of changes within the Soviet Union. In this memo, Gates expressed concern that "we are not being creative enough in the way we are analyzing internal Soviet developments."

> From talking with Soviet defectors and émigrés and people who are in touch with middle level Soviet officials in one way or another, I sense that there is a great deal more turbulence and unhappiness in the Soviet Union than we are conveying in anything we have written.

Gates asked for more information on Gorbachev's concrete undertakings, on the state of the economy, for a broader overview pulling together all the strands of his program.

> While we have talked about tinkering with the system, has he actually done a great deal more than that and set in motion even more to create the possibility of qualitative change in the Soviet system over a several-year period?

However, lest anyone within the intelligence community take Gates' memorandum as a sign that his skepticism about Gorbachev had softened, he delivered a speech barely a month later in which he accused the Soviets of waging virtual war against the United States in a variety of theatres around the world. He called the Nov. 25 speech "War By Another Name." In it, Gates declared that:

> We are engaged in an historic struggle with the Soviet Union, a struggle between age-old tyranny—to use an old-fashioned word—and the concept that the highest goal of the State is to protect and foster the creative capabilities and liberties of the individual. The battle lines are most sharply drawn in the Third World.

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31 Hearings, Vol. 3, p. 177.

He accused the Soviets of encouraging terrorism, and of targeting four areas for expansion: the Middle East oil fields, the Isthmus and canal of Panama, the mineral wealth of South Africa, and the Western alliance.

> [The Soviets] use conflict in the Third World to exploit divisions in the Alliance and to try to recreate the internal divisions caused by Vietnam in order to weaken the Western response and provoke disagreement over larger national security and defense policies.[32]

In January 1987, Gates testified before the Senate Foreign Relations Committee that, in Iran, the Soviets "remain poised to take advantage of the inevitable instability and opportunities that will present themselves in a post-Khomeini era."[33] This was not the consensus within the CIA.[34] Yet Gates' views were fully in line with the thinking of many Administration leaders at the time. In January, 1987, the White House issued a 41-page paper, *National Security Strategy of the United States* which, according to one informed reader, reflected none of Gorbachev's changes and "could have been written in the 1950s at the nadir of relations."[35] Among other conclusions, the report said that "Moscow seeks to alter the existing international system and establish Soviet global hegemony." This paper, reports Soviet expert Raymond Garthoff, had little influence on policy.

Nonetheless, Gates' speech and the testimony dismayed many within the Agency, and some outside, for its political partisanship. In the speech, even though Gates subsequently said the views expressed were his own, he gave the appearance that his words reflected the analysis of the intelligence community and especially the CIA. In the testimony, he seemed explicitly to speak with the authority of the community.

This was particularly the case given that Gates since December 1986 was acting DCI. Suffering from a brain tumor, Casey had resigned as DCI from his hospital bed in January 1987. Reagan nominated Gates as his successor. During confirmation hearings, however, grave doubts were raised about the role Gates might have played in the unraveling Iran-Contra scandal and his nomination was withdrawn. Judge William Webster, head of the FBI, in May 1987 became the new DCI while Gates stayed on as DDCI.

*Shultz Still Unhappy.* Secretary of State Shultz was among those offended by Gates, Casey and their apparent bias. In January 1987, Shultz told Frank Carlucci, the newly-appointed National Security Advisor and a former DDCI, how little confidence he had in the intelligence community. Shultz protested "that I had been misled, lied to, cut out. I felt that CIA analysis was distorted by strong views about policy."

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32 Hearings, Vol. 2, pp. 639-655.

33 Hearings, Vol. 2, p. 411.

34 Testimony at the Gates' hearings publicized a February 1986 estimate, which reported that worries about growing instability in Iran had abated. An earlier estimate, in May 1985, had warned that growing instability could offer Moscow opportunities.
Garthoff, Raymond. *The Great Transition, American-Soviet Relations and the End of the Cold War.* The Brookings Institution, 1994. p. 308.

> When Gorbachev first appeared at the helm, the CIA said he was 'just talk,' just another Soviet attempt to deceive us. As that line became increasingly untenable, the CIA changed its tune: Gorbachev was serious about change, but the Soviet Union had a powerfully entrenched and largely successful system that was incapable of being changed, so Gorbachev would fail in his attempt to change it. When it became evident that the Soviet Union was, in fact, changing, the CIA line was that the changes wouldn't really make a difference.[36]

Shultz's accusations seem intended chiefly for the CIA leadership. The Agency itself was, according to its analysts, doing its best to bring to policymakers' attention the changes within Gorbachev's USSR.

**What the Assessments were Saying**

NIO/USSR Robert Blackwell was proud during that period of publishing, despite opposition from the Defense Department and elsewhere, "what I thought of at the time as some forward-leaning estimates, trying essentially to say the guy's for real and means to have real change."

> This is not smoke and mirrors. Now was I saying he was going to disband communism and break with Eastern Europe? Did I say very early that he was getting out of Afghanistan? I didn't say that. But we were saying things like he'll allow almost as much reform in Eastern Europe as a communist regime can tolerate.

In late 1987, for example, the CIA produced a warning piece on nationalities within the 15-republic USSR. The report, published as an article in the National Intelligence Daily, looked at the common features of the instability in the Baltic states, the Caucasus and Central Asia. In combination, said CIA, these incidents portended a crisis which would be difficult to contain. The State Department's intelligence branch (INR) did not agree. In a dissenting footnote, it called the CIA assessment alarmist.

At roughly the same time, the Defense Department took exception to CIA views in a November 1987 estimate on Soviet policies and politics in the 1990s. Blackwell says the NIE stated outright that what Gorbachev was doing "has the potential for the most significant changes in Soviet policies and institutions since Stalin's forced regimentation of the country in the 1920s." The document included debate as to whether Gorbachev could carry off his reforms successfully or not, but it discerned a potential for dramatic change within the system. Gen. Odom penned a long dissent to the estimate for the National Security Agency, says Blackwell, disagreeing with the fundamental conclusion of the assessment. The NSA view was that there was no potential for fundamental change in the USSR;

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36 Shultz Memoirs, p. 864.

rather, Gorbachev's personnel changes were another purge along the lines of those Stalin engineered, meant to reinvigorate the Communist Party and increase Gorbachev's own power.

Another estimate in the spring of 1988 addressed the implications for Eastern Europe of the changes within the Soviet Union. Its conclusion was, for the time, fairly bold: any government would be acceptable to Moscow if it called itself communist. The USSR would not invade to protect its empire. Kay Oliver, then head of SOVA's Domestic Policy Division, likewise takes pride in papers from the mid-1980s.

> During this critical period—early and mid-Gorbachev—I think we were pretty far ahead, at least as far as the social and nationalities end of things went. In terms of raising the question of the difficulty of empire under those conditions and pointing increasingly to the contradictions in Gorbachev's program, that were having the effect of knocking out the props of the old system without providing a coherent new set of institutions and policies, in terms of marketization but without private property, a thousand voices heard as far as nationality grievances but no devolution of power, democratization but maintenance of the Communist Party monopoly.

*New Measure of Defense.* Meanwhile, the CIA took a new look at Soviet spending on defense. A February 1987 research paper, "Defense's Claim on Soviet Resources," broadened the definition of defense to include military and economic assistance to client states, as well as the costs of maintaining strategic reserves. The paper then broke down the impact of defense spending on individual industries, as well as its drain on the labor pool.

But the report drew no provocative conclusions, preferring to be noncommittal. Noting the huge role defense played in the Soviet economy, the paper predicted once again fierce competition for resources between the military and civilian sectors. Its heavily qualified conclusions:

> ... the Soviet leadership would *probably prefer to favor industrial modernization over defense* when allocating newly produced equipment, intermediate products such as electronics and high-quality metals, and newly available labor resources. [Yet] Given an apparent worsening of the external military threat or good economic results in the early years of the five-year plan, the leadership *might perceive an acceleration of defense activities* to be the appropriate resource allocation policy. (italics added)[37]

*Gorbachev on Tightrope.* A July 1987 SOVA report was more opinionated. In the preface to "Gorbachev: Steering the USSR into the 1990s," author Jim Noren warned that "judgments regarding

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[37] *Defense's Claim on Resources*, Directorate of Intelligence Research Paper, February 1987. p. vii.

Gorbachev's situation will appear somewhat less sanguine than those found in earlier CIA papers," both because the focus would be on Gorbachev's difficult choices, rather than on consolidating power; and because of newly observed "indifference and opposition" from entrenched interests and average workers alike.[38]

The SOVA report said that Gorbachev's economic reform—now christened *perestroika* (renewal)—"amounts to a set of partial measures."

> Gorbachev has been searching for a formula that encourages more initiative at lower levels while permitting control to be maintained from the center. This is a delicate balance at best. ... Even his supporters are concerned that he will need to win new victories before long if he is to sustain the momentum for change he has generated.[39]

In pursuit of victory, predicted SOVA, Gorbachev would seek arms agreements in the final years of the Reagan administration; he would push forward with more radical reform; and he would promote elections at lower levels as a means of exposing opponents. But to date, said the SOVA report, Gorbachev could boast only of good intentions; he had as yet no coherent plan.

> Gorbachev ... seems disposed to go beyond the tinkering with the system that satisfied his predecessors. But a great deal of uncertainty surrounds his ultimate economic reform objectives. Indeed, Gorbachev admits that his reform program is being worked out 'on the march.'

As for Gorbachev's support among the military, SOVA noted that while there were repeated instances in which "Soviet officers openly discuss the opportunity costs of resources devoted to defense," overall defense establishment support for "industrial modernization coupled with constraints in defense programs is ambiguous." But SOVA had observed a general reluctance to increase defense spending. "SDI, in particular, confronts the Soviets with an extreme form of competition they wish to avoid," it said. The authors also pointed out that Soviet leaders had discussed cutting assistance to client states as an economy measure.

But Gorbachev, the report made clear, was walking a tightrope. With understated drama, a section entitled "The Consequences of Failure" raised the possibility that the Soviet leader would be ousted.

> The risks in a more radical reform and a rewrite of the social contract are that confusion, economic disruption and worker discontent will give potential opponents a platform on which to

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38 This report was the first in a series of three, examining respectively the economy, the dynamics of party-military relations and the debate on Soviet security policy. *Gorbachev and the Military: Managing National Security Policy* would be published in October 1987; *Soviet National Security Policy: Responses to the Changing Military and Economic Environment* came out in June 1988.

39 *Gorbachev: Steering the USSR into the 1990s*, Directorate of Intelligence, July 1987. pp. vi & viii.

> stand. Gorbachev's position could also be undermined by the loosening of censorship over the written and spoken word and the promotion of limited democracy. If it suspects that this process is getting out of control, the party could well execute an abrupt about-face, discarding Gorbachev along the way.

In other words, Gorbachev could be brought down by the very reforms he initiated.

A joint DIA-CIA assessment for the JEC published just a month later, in August 1987, was considerably less assertive, presumably due to the process of "coordination" or consensus-seeking which typified intelligence community documents. The assessment, titled "Gorbachev's Modernization Program: A Status Report," listed once again the limited successes of Gorbachev's program, while pointing out the obstacles he faced. While 1986 appeared by most measures a success—with GNP growth of 4.2 percent the highest in decades and agricultural production up a stunning 7.3 percent thanks to a record grain harvest—consumers had fared poorly, hard currency exports (especially oil) were seriously lower and bureaucratic resistance to reforms was growing. The intelligence community observed that Gorbachev needed to make 1987 a banner year in order to show solid returns for his reforms and face down his opposition. The assessment projected GNP growth at 2-3 percent through 1990, compared to Soviet targets of 4 percent.

Gorbachev's chosen path, it concluded, was "inherently risky."

> The decisions Gorbachev will have to make over the next few years will be controversial and could well solidify opposing interests in the party and government.

One of the decisions Gorbachev had to face was what to do about Soviet involvement in Afghanistan. Yet CIA reporting on a possible withdrawal from Afghanistan was, according to a variety of experts, surprisingly scant.

### The Withdrawal from Afghanistan

The question of whether or not the Soviets would pull out of Afghanistan was one of those which split the policy and intelligence communities down their ideological divide. The hardliners doubted it would happen; the opposing camp noted mounting signs of the possibility. In February 1986, Gorbachev had called Afghanistan an "open wound." Starting in early 1987, he and his deputies started to signal a willingness to pull out. In July 1987, Gorbachev told a newspaper reporter of an agreement in principle to withdraw. In September 1987, Foreign Minister Eduard Shevardnadze confided to Shultz that the Soviets would be pulling out soon.

Yet the CIA had little to say on Afghanistan. Shultz remembers that, when asked, the Agency dismissed the Soviet talk as "political deception."[40] Eric Edelman, a State Department officer assigned to the Moscow embassy in charge of the Afghan portfolio, recalls a deafening CIA silence on

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Shultz Memoirs, p. 1,087.

Afghanistan at a time when he went out on a limb to predict imminent withdrawal. In December 1987 Edelman, supported by Ambassador Jack Matlock, drafted a cable to that effect.

> The reaction I heard from people back in Washington was that the embassy had gone soft, the embassy had developed client-itis for the Russians. There was an absolute unwillingness to accept the notion that the Russians might be willing to get out and wanted to finally negotiate. I always attributed that in part, frankly, to the stake that the CIA had in the counter-insurgency program in Afghanistan.

Edelman proved insightful. On Feb. 8, 1988, Gorbachev announced to the nation that the Soviet Union would begin a 15-month phased withdrawal from Afghanistan beginning in May. Only then did the CIA do an estimate reporting that Gorbachev was serious about pulling out of Afghanistan. But even then, says Shultz, the CIA was wrong when it predicted that the Soviet-supported regime would topple once Moscow pulled out. In fact, it survived to continue the war against the US-supported *mujaheddin*.

NIO Blackwell thinks the delay on Afghanistan was motivated not by allegiance to CIA covert operations, but by a chronic difficulty confronting intelligence analysts.

> There is always a problem in intelligence. After something is already evident, it doesn't do you much good to project it. But if there is no data on which to really say it, what are you doing other than giving your opinion? ... There is a great tension. Some of us felt that it would be consistent for [Gorbachev] to find a way to get out of [Afghanistan], just as it was consistent that he would be prepared to go with INF [Intermediate-range Nuclear Forces].

Whether it should have been predicted or not, Gorbachev did surprise many observers with his withdrawal from Afghanistan. Likewise, he repeatedly startled US leaders with his concessions in arms control negotiations.

### Arms Control

The litmus test for the "new" Soviet Union under Gorbachev became whether it would accept proposals which the old Kremlin would have rejected out of hand. Although in the earliest months of his rule the CIA told policymakers Gorbachev would unlikely push for arms agreements because they offered few short-term benefits, by early 1987 that had changed. By then Gorbachev had mentioned frequently the need to be more efficient in the use of military resources. Soviet military officers, in turn, seemed aware of the pressing need to favor growth in the civilian economy. Now arms control agreements, said the CIA, would lessen the pressure on Gorbachev to reallocate massive resources to the military.

Events seemed to bear out this analysis. Early into Gorbachev's rule, as top Reagan Administration officials such as George Shultz saw the possibility that Soviet reform was for real, US policymakers sought arms policies which would help Soviet reformers persuade hardliners that compromise was to the advantage of the USSR. Matlock remembers he and others worked on offers "which were not to their disadvantage."

> If you assume a peaceful intent—and probably that's something Gates and Casey would not have assumed—then you define something that for a peaceful state will not be to their disadvantage. And what we defined was precisely that ... We had to give them, by such things as deployment [of INF], by the military build-up, an irrefutable argument to the Soviet military that look, if you don't do this, you're going to get something even worse.'

Following the get-acquainted Geneva summit of November 1985, Gorbachev and Reagan met again at Reykjavik, Iceland in October 1986. Although Reykjavik is remembered as a failure, most participants subsequently agreed the only failure was in measuring up to spectacular expectations. In fact, the summit led to dramatic advances in a number of fields. The presidents agreed to make human rights a permanent part of their agenda. They established the basis for reducing strategic nuclear forces on both sides by 50 percent over five years. As for intermediate nuclear force (INF) arsenals, the Soviets agreed to a remarkable cutback from 1,400 warheads to 100 worldwide. There was even talk of eliminating nuclear weapons from the face of the earth.

Building on the progress made at Reykjavik, Gorbachev and Reagan were able only 14 months later, in December 1987, to sign an INF treaty at a summit meeting in Washington. The Administration was gratified, but not complacent. As Shultz said, US policy should be the same whether Gorbachev proved sincere or not.

> We can continue to afford to let [Gorbachev be] the innovator as long as he keeps innovating in our direction.[41]

In fact, say some insiders, Administration hardliners may have been stupefied at Gorbachev's willingness to sign the INF Treaty. Says NIO Blackwell:

> The INF Treaty was never meant to be said yes to by those who drafted it. By Ronald Reagan, yes, but not by Richard Perle. No one ever thought they would do that because it had all sorts of things in it. It was deliberately loaded so that that would never happen.

MacEachin saw Gorbachev's acceptance of the INF Treaty as yet another signal that he was a new brand of Soviet leader. As MacEachin told a group of senators in a classified briefing in late 1988:

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- Ibid., p. 1,003.

> The INF position was designed with a careful calculation that the Soviet Union would never say yes to a zero-zero proposal like was offered. The correct calculation. That Soviet leadership wouldn't have. This one did.[42]

But Gorbachev had long since proved himself a master of surprises. The next one would come just a year later, when Gorbachev addressed the United Nations on Dec. 7, 1988. Before that, however, many CIA analysts and policymakers had concluded that the Soviet Union was changing in ways more profound than anything since the 1917 Revolution.

### Mid-1988 Assessments

In May 1988, President Reagan registered yet another historic moment in the fast-evolving US-Soviet relationship when he paid his first visit to Moscow for another superpower summit. Reagan arrived reinforced by last-minute Senate approval of the INF Treaty. At the summit, the chief focus was human rights, as Reagan met with human rights activists and spoke out on the issue of individual freedom.

But while Reagan's presence in Moscow was testimony to Gorbachev's elevated status in the global community, domestically US intelligence analysts saw growing and disturbing signs that the Soviet leader was losing control over the process he had unleashed. In the wake of the largely symbolic achievements of the May summit, the intelligence community in June 1988 published three assessments examining Gorbachev's progress to date. Although not designed as a package, the three simultaneous reports reflect the different kinds of work coming out of the CIA. A joint CIA-DIA report to the JEC is an overview of the economy. Two SOVA publications look respectively at the Soviet budget deficit and national security policy.

*Problems Emerge.* The report to the JEC was called "Gorbachev's Economic Program: Problems Emerge."[43] Instead of a banner year as planned, 1987 proved a disaster. GNP grew by less than 1 percent, compared to government plans for 4 percent and CIA projections of 2-3 percent. Although bad weather and a poor harvest contributed to the bad results, the chief reason was particularly troubling: Gorbachev's efforts to force through higher production levels concurrently with improved quality resulted in managerial revolt and productivity stagnation. The implications for Gorbachev's future efforts were not good.

> The leadership had hoped that a strong economic performance last year would provide a firm foundation for the future development of Gorbachev's economic program, but this did not occur.[44] ... The short-term outlook for Gorbachev's economic program is not good.

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42 Hearings, Vol. 2, p. 554.

43 This report was also the third in a series on the economy under Gorbachev. The author has not seen the other two.

44 *Gorbachev's Economic Program: Problems Emerge*, DIA-CIA, June 1988. p. iii.

The assessment said the leadership, to continue its high-investment strategy, would have to tap resources from defense and/or other sectors of the economy or increase imports. Even these measures, however, would prove minimally useful if economic performance continued to lag.

*Budget Deficits Threaten Reform.* A SOVA report put Gorbachev's quandary more candidly than the joint CIA-DIA paper, saying "USSR: Sharply Higher Budget Deficits Threaten *Perestroyka*." The research document reported a six-fold increase in the 1987 deficit over 1984, equal to a sobering 7 percent of GNP (the record-high US budget deficit in 1986 was 3.5 percent of GNP). Moscow, said SOVA, "is essentially financing its deficits by printing money and the resulting inflation is clearly visible." It blamed *perestroika* for much of the deficit rise: state investment spending was up, but receipts on alcohol sales were down; revenues from import taxes were down due to cutbacks in import purchases; enterprise profits, and therefore taxes, were down due to new quality-control measures instituted by the government. SOVA outlined some remedial steps Gorbachev could take, but stressed that he "must act quickly" to forestall serious inflation.

Among the extra costs for the Soviet government, SOVA reported rising subsidies to agriculture, steadily higher defense costs, outlays for the war in Afghanistan, rising social welfare needs, and spending on the Chernobyl nuclear accident. Thus, total government spending rose a record 30 billion rubles in 1986 and another 18 billion in 1987, while revenues during the same period grew by only 5 billion rubles.

The Politburo apparently recognized the gravity of the situation, calling for cuts to "national economy" spending (capital improvements and subsidies) for the first time in 25 years. In May 1988, the official newspaper *Pravda* made a rare public reference to a budget deficit. But a speech from the finance minister provided no clues on how the deficit would be financed, said SOVA.

> His vagueness is understandable, however, since we believe the revenue shortfall will be made up by money creation.

The Soviet government, it explained, was able to create money "from thin air" using loans from the State Bank to meet current expenses, as though the loans were tax revenues. Under its own accounting procedures, the State Bank's balance sheet showed no effect from these loans. The result was an apparent 9 percent inflation rate in 1987, compared with 2.2 percent the preceding five years. Meat prices in Moscow state markets rose 18 percent from 1985-87. In a related development, shortages intensified as people started hoarding goods. As for defense spending, SOVA noted an interesting comment from a Soviet general who said in an interview that "our plans include a reduction of military spending in order to allocate the money to other areas." In a formulation apparently designed to counter criticism that SOVA underestimated Soviet military determination, the report commented that:

> While this statement and similar ones could reflect a propaganda motive, they might also reflect the budget situation.

Gorbachev and others had in recent years boldly identified the nation's economic problems, "even at times suggesting that a crisis situation existed." While such high-level statements could be politically useful to motivate the population, SOVA felt perhaps a crisis was truly in the brewing.

> There is also a tone of real concern in many of the comments, which is reflected in the hurried and heedless nature of many of Gorbachev's initiatives. [Sentence deleted by CIA.] However, the rush to put new policies in place has, if anything, exacerbated the economy's problems. ... The cost of living is higher, shortages have intensified, modernization is proceeding at a snail's pace and the economy's fastest growing industry is moonshining.

While this report was relatively hard hitting, it attracted only ordinary attention. The third of the June 1988 assessments aroused, however, considerable controversy.

*Soviets May Impose Unilateral Military Cuts.* This assessment was titled "Soviet National Security Policy: Responses to the Changing Military and Economic Environment." In it, SOVA acknowledged the view of Administration hardliners that much of a burgeoning debate in the USSR over the size and composition of Soviet military forces "is designed to influence Western opinion by portraying Soviet military aims as nonaggressive, seeking only what is necessary to ensure the security of the USSR." But SOVA felt there was more going on.

> Nonetheless, there is, we believe, persuasive evidence from both classified and open sources that the discourse goes beyond mere propaganda and involves fundamental issues that have potentially important ramifications for Soviet security policy and military forces over the longer term.

Lest this passage, which appeared in the opening Key Judgments section, seem oblique, the authors spelled out their position on the last page of the 22-page assessment, which documents the military history and philosophy of the Soviet era. If Gorbachev continues to require financial resources to put his economic reforms on track, it said, "he may well try to impose unilateral cuts" on defense spending.

> The poor results from Gorbachev's efforts so far to launch economic revitalization suggest that there is, we think, a good chance he will be forced to adopt this course.

This judgment jarred the internal CIA bureaucracy, recalls MacEachin, one of the authors of the report. First of all, it took nearly nine months to get the document, the third in a series on the impact of Gorbachev's reforms, through the CIA's internal coordination and publishing process. Most disappointing, remembers MacEachin, was that for the most part, "people simply ignored it [the paper]" because it ran against Administration thinking.

> The idea of warning the administration that the whole foundation for their existence was going to go away voluntarily or because of social evils was not on. ... Nobody was standing up to the Reagan administration. They dominated everything. And so the senators were all running for cover. Nobody

> challenged them on that. You could challenge them on a lot of things, but you certainly didn't challenge them on the Communist threat.

MacEachin sees the failure to pay attention to this estimate as part of a larger pattern of US self-deception, willingly promoted by an Administration anxious to rebuild American military power and aided and abetted by inflated intelligence community projections of Soviet military strength.

> Never mind that the Soviet Union never in 10 years, from the late 1970s through the entire 1980s, ever lived up to the projections that were made. It wasn't that the Reagan administration spent them into a crash. We projected these huge forces, then used those projections as a rationale for our spending, and they never lived up to those projections.

With such views, it must have been satisfying for MacEachin when, a scant six months after SOVA published its unpopular prediction, Gorbachev stunned the world by making unilateral cuts in Soviet forces.

### Gorbachev Forges Ahead

By fall, Gorbachev's position had looked precarious. In September 1988, SOVA wrote a memorandum warning that Gorbachev was running up against so many vested interests that a leadership showdown was likely. Within days of that memo, Gorbachev at a Party plenum moved to outflank the Party by calling for multi-party elections and his own appointment as president. Most observers felt it was during that period that Gorbachev finally gave up on reforming the Party, realizing his only course was to break its monopoly hold on political power. As MacEachin says:

> As important as we thought it was at the time, in hindsight it was even more important.

Gorbachev's action at the plenum, however, reinforced those both at the CIA and among US policymakers who felt that the General Secretary was effecting real change. Approaching Thanksgiving, Gates and MacEachin together testified to a Senate Intelligence Committee task force on the Soviet Union chaired by Sen. Bill Bradley. At the meeting, Gates opined that the Soviets would not cut military spending any time soon. MacEachin disagreed and remembers he told the committee so.

> I said, just to prove we're not a monolithic center, I'll tell you I'll disagree with my boss and I'll say that they will.

*Gorbachev's Surprise.* The next month, on Dec. 7, 1988, MacEachin and other top-ranking CIA officials appeared again before the task force as Gorbachev spoke at the United Nations. With a flourish, Gorbachev announced not only unilateral Soviet reductions of 500,000 troops in the Warsaw Pact forces, but articulated a Soviet national security philosophy of "live and let live."

> Everyone ... is required to restrict himself and to exclude totally the use of external force ... The compelling necessity of the

> principle of freedom of choice is also clear to us ... This objective fact presupposes respect for other people's views and stands, tolerance, a preparedness to see phenomena that are different as not necessarily bad or hostile and an ability to learn to live side by side while remaining different and not agreeing with one another on every issue.[45]

As the news of Gorbachev's startling offer was brought to the hearing room in Washington, MacEachin commented on its significance.

> If Gorbachev is able to politically manage this, it would suggest to me that there is enough consensus behind the whole issue of resource allocation between civilian and military purposes that, even if he should pass from the political scene himself four or five years from now because of the nature of certain reforms or political infighting or political scars, that there is at least enough of a body of opinion that wants to move in that direction that that part of it may well sustain itself.[46]

MacEachin made the further observation that it was important for the intelligence community to recognize that the fundamental changes in the USSR could provoke a similarly profound transformation in US ideology.

> The Soviet Union is so fundamental to our outlook on the world, to our concept of what is right and wrong in politics, to our sense of security, that major change in the USSR is as significant as some major change in the sociological fabric of the United States itself.

In this hearing, MacEachin also voiced for perhaps the first time in public the frustration of at least some within the intelligence community who felt they had been unable to promote a comprehensive understanding of the Soviet Union in what he termed a "not-neutral political environment." MacEachin noted that the CIA, while studying political instability in other nations around the globe, "never really looked at the Soviet Union as a political entity in which there were factors building which could lead to at least the *initiation* of political transformation that we seem to see."

> Moreover, had [such a study] existed inside the government, we never would have been able to publish it anyway, quite frankly. And had we done so, people would have been calling for my head. And I wouldn't have published it. In all honesty, had we said a week ago that Gorbachev might come to the UN

45 Shultz Memoirs. p. 1,107.

46 All of the following quotes are taken from the transcript of the task force proceedings made public during the Gates hearings. Hearings, Vol. 2, p. 516 et al.

> and offer a unilateral cut of 500,000 in the military, we would have been told we were crazy.

In truth, added NIO/USSR Robert Blackwell, Gorbachev had Soviet experts in all fields baffled.

> Gorbachev for us is a discontinuity in our understanding of Russia and the Soviet Union. And we are having, as a community, as analysts individually, as a government and as academics, an enormous difficulty coming to terms with that because by what he is doing, he has broken all of our china.

One result, elaborated Blackwell, is that even though SOVA in a 1987 publication, for instance, "really tried to press the envelope" on what Gorbachev would dare to do, the assessment didn't go far enough.

> If you look back at it now, it's too conservative. ... It's too conservative both in we didn't capture how radical he would go and we didn't quite capture how much disorder would be created. We acknowledged it would happen but we didn't get its dimensions.

By then, the Reagan administration was drawing to a close. On Jan. 20, 1989, George Bush was sworn in as President of the United States. His secretary of defense was Richard Cheney; James Baker was secretary of state.

## Part II: The Bush/Gorbachev Years, 1989-91

Many within the intelligence establishment and elsewhere assumed that Bush would build on the legacy left him by Reagan, particularly in relations with the Soviet Union. They were wrong. Bush decided instead on a pause to reevaluate the relationship and in particular the reliability of Gorbachev as a negotiating partner. At the same time, he reenergized the way the executive branch used intelligence.

### New Chain of Command

Personnel changes alone made a considerable difference in the way the new government used intelligence analysis. For one thing, Bush himself as a former DCI took an active interest in intelligence, knew the kinds of questions he wanted answered and had respect for the product. Brent Scowcroft, the newly-appointed National Security Adviser, chose as his deputy Robert Gates—another intelligence veteran. The Soviet specialist on the NSC staff was Condoleeza Rice, a Russian speaker and expert on the Soviet general staff who quickly proved herself an informed and skillful intelligence consumer. She together with Baker deputies Dennis Ross and Robert Zoellick became the administration's chief counselors on Soviet policy.

As important to the CIA as individual appointments, however, was the reconstitution of the National Security Council itself as a strong policy body with influence in the Oval Office. Traditionally, the NSC served as the CIA's primary client, filtering intelligence analysis for Cabinet members, the vice president and president. Under Reagan the institution lacked authority, which Bush restored.

Early on, Bush demonstrated that he expected top-quality intelligence reports. When he ordered up a national security review of the Soviet-US relationship, the State Department chaired the so-called Policy Coordinating Committee steering the interagency effort.

There were two parts to the exercise. The first was an intelligence assessment examining how real were the prospects for change in the USSR; the second part explored the policy implications of that. Within SOVA, remembers NIO Blackwell, there was no real dispute over the analysis in the intelligence piece. But the office of the Secretary of Defense (OSD) found unacceptable SOVA's conclusion that real change was possible, arguing instead that Gorbachev's reforms were still reversible. In the end, the SOVA language prevailed.

In the end, the community's debate over details in the report proved irrelevant, for Bush found the overall result unusable. With conclusions "coordinated" as customary down to the lowest common denominator of consensus, with opposing views largely weeded out, the final product was, as Rice termed it, "a bureaucratic document."

> It wasn't in any sense of the word presidential. It wasn't in any sense of that word forward-leaning. It wasn't operational. It got the moniker 'status quo plus' ... I think that's the last time we did anything that way.

Bush asked Rice, who had served as executive secretary to the committee, and senior NSC staffer Robert Blackwill to redo it with a more practical policy focus. The resulting 7-page report, given to Bush in the spring of 1989, came in the middle of his "pause" to reevaluate Washington's policies toward Moscow.

### The Pause

Arnold Kanter, a senior NSC staffer for arms control during the Bush period, remembers some of the compelling reasons for stopping to reconsider.

> Bush's advisors felt strongly in almost an un-selfconscious way that they were a new administration. I think the outside world thought it was kind of the third Reagan term. [But] Bush didn't see it that way at all. He thought it was a new administration.

Gorbachev's record, says Kanter, did not inspire 100 percent confidence.

> Very few people who thought seriously about it thought of Gorbachev as a democrat. A brilliant tactician but a poor

> strategist. An expedient democrat, that is, someone who faced with horrendous economic problems came to the realization that the Soviet Union would not enter the 21st century as a major power on its present course. Coming to be convinced after trying real hard that the Party was part of the problem rather than part of the solution. ... This is not a guy who has deep principles, abiding commitments and who was frankly dependable. He had also given evidence of someone who would take advantage of you if he could.

The new philosophy toward US-Soviet relations which Rice and Blackwill articulated for Bush seemed suited to a fresh start: beyond containment. As their document, called NSD-23, said:

> Containment was never an end in itself. It was a strategy born of the conditions of the postwar world. ... A new era may now be upon us. We may be able to move beyond containment to a new US policy that actively promotes the integration of the Soviet Union into the international system.[47]

Rice remembers thinking that the time had come to go beyond the postwar division of Europe.

> The idea was that détente had really been about mediated or moderated competition between two systems. What we now had was the collapse of the Soviet social system and the possibility that it could integrate into the international order.

Bush, sticking to his decision to be deliberate in his Soviet policy, signed NSD-23 only on Sept. 22. He used the "beyond containment" phrase, however, in a speech in May. The crux of his message was that the US did not need to leap at Soviet proposals: if Moscow was serious, the offers would not vanish; if they disappeared, then they were not real.

Meanwhile, events in the USSR and Eastern Europe were unfolding so fast it was sometimes difficult indeed to distinguish between what was real and what was not.

### 1989—Watershed Year

The year started quietly enough. March 26, however, took its place in Soviet history as the date for the first multi-candidate elections in over 70 years. Around the country, the Communist Party found its monopoly challenged and toppled, as even unopposed Party candidates failed to win votes. The elections also marked the emergence for the first time of a threat to Gorbachev's preeminence on the Soviet political landscape. In a stunning political comeback the radical reformer Boris Yeltsin,

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47 Michael Beschloss and Strobe Talbott, *At the Highest Levels*. Little, Brown and Co. Boston, Toronto, London. 1993. p. 69.

bounced from the Politburo in 1987 by Gorbachev, won election to parliament as Moscow's at-large candidate.

Milestone events continued to mount. In April, violence broke out in a corner of the Soviet empire. Soviet troops massacred peaceful demonstrators for independence in Tbilisi, the capital of the Georgian republic. In July, coal miners in Siberia went on strike, an historic rebellion by some of the state's most eulogized workers. In August, a top Soviet official publicly denounced the 1939 Molotov-Ribbentrop protocols which gave the Baltics into Soviet hands. Immediately after this, Lithuania declared its annexation by the Soviet Union illegal. In retaliation, Moscow hit Lithuania with a trade embargo. But that same month, Gorbachev advised the head of Poland to let Solidarity come to power.

In November, the most startling event in a disturbing year shook the world: the fall of the Berlin Wall. While Gorbachev did not ordain its opening, many felt his lukewarm support of the East German leadership contributed to the courage of those who breached the wall and, within months, brought about the fall of Communist governments across Eastern/Central Europe.

*A New Question for Intelligence.* The intelligence community worked overtime to make sense of it all. The avalanche of change had finally laid to rest the question dividing analysts and policymakers alike. Debate no longer focused on whether Gorbachev's changes were bona fide. That point was moot, as NIO Bob Blackwell relates.

> These are tangible things. The notion that somebody is doing all these things to undermine you and is ready to suck you in somewhere and then lower the hammer on you became a ludicrous proposition. So thereafter the proposition shifts to how far is this going to go and how much can he manage the instability? ... And a lot of our debates were how long can he stay on top of this? Is he still pushing things forward or holding them back?

The year 1989 challenged the intelligence community to answer instead the question: Can Gorbachev survive his own reform program?

**View from the CIA-1989**

The CIA's answer, at least in the first half of the year, was a qualified "maybe." In January, an estimate noted ethnic tensions rising to the point where "the stage appears to be set for a protracted struggle in which the risk of miscalculation is considerable." This was followed by an April document, "Rising Political Instability Under Gorbachev: Understanding the Problem and Prospects for Resolution." Calling the Soviet Union "less stable ... than at any time since Stalin's great purges in the 1930s," the assessment reported that "[e]ven Gorbachev realizes ... that it is far from certain that he will be able to control the process he has set in motion."[48]

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48 *Rising Political Instability Under Gorbachev: Understanding the Problem and Prospects for Resolution*, Directorate for Intelligence, CIA. April 1989. p. iii.

> His apparent impatience and determination to push reform simultaneously on many fronts could alienate so many groups that even Gorbachev's political skills will not be able to prevent a coalition from forming against him.

It pointed out the growing threat from nationalism, with fully half of some 1,200 political and economic demonstrations or work actions since January 1987 inspired by nationalist aspirations.

> Gorbachev's hope of buying local support with greater autonomy is a dangerous gamble. ... It is far from clear that Moscow will be able to control this process, and it could unleash centrifugal forces that will pull the Soviet Union apart or create such serious tensions among nationalities that the ensuing social and political chaos will undermine Gorbachev's reforms.

The report called the economic program a "near disaster" and predicted that the next few years would be "some of the most turbulent in Soviet history." Drawing a comparison with Czechoslovakia in 1968, the paper said a constituency arguing for more radical reforms, led by Yeltsin, might gain control. On the other hand, the analysis also raised more pointedly than before the possibility of a conservative backlash and coup attempt against Gorbachev.

> A growing perception within the leadership that reforms are threatening the stability of the regime could lead to a conservative reaction. ... Should a sharp polarization of the leadership prevent it from acting resolutely to deal with a growing crisis, the prospects would increase for a conservative coup involving a minority of Politburo members supported by elements of the military and the KGB.

The piece predicted that Gorbachev would be looking for foreign policy successes to bolster his position at home, including arms control agreements which would allow him to reduce military spending.

A month later, the National Intelligence Council sponsored a piece on Gorbachev's chances for survival. The intelligence community view was that he would continue in power for at least the next three to four years. But SOVA took a formal dissent from the report, writing that the situation was so volatile and tensions so great within society and within the elite that Gorbachev could not survive unless he turned to the right politically. SOVA gave Gorbachev a blunt 50-50 chance of survival unless he retreated from his reforms.[49]

But even that gloomy view turned more pessimistic by late summer, when SOVA began its annual review of the research program for the year ahead.

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[49] from a speech by Robert M. Gates, *CIA and the Collapse of the Soviet Union: Hit or Miss?*, Foreign Policy Association, New York, May 20, 1992. p. 6.

*SOVA Breaks Away: "Domestic Gambles."* George Kolt had just taken over as director of SOVA from Doug MacEachin. At the annual planning session for next year's research program, some analysts said that, in their opinion, Gorbachev's policies were not sustainable and were leading the country toward disaster. Says Kolt:

> I think that's the turning point at which we really started to see the growing dangers to Gorbachev, and the dangers were from two sides. Number one is that others in the [Communist] Party would see where his policies were leading and would throw him out. ... The second process going on is that these critics of Gorbachev in the party were really right, that his policies were not sustainable, that they were leading to the loss of the Party's supremacy which Gorbachev was simultaneously trying to sustain.

The second point was strongly argued in a paper titled "Gorbachev's Domestic Gambles and Instability," prepared by senior analyst Grey Hodnett and published in September 1989. The paper blamed many of the symptoms of crisis on Gorbachev and his inconsistent policies. It argued that *perestroika* was too limited to fulfill expectations, that "direct and violent confrontation" with the Baltic states was nearly inevitable, that the failure to push through a free-market system would produce only economic deterioration, social unrest and perhaps revolution.

> Conditions are likely to lead in the foreseeable future to continuing crises and instability on an even larger scale—in the form of mass demonstrations, strikes, violence and perhaps even the localized emergence of parallel centers of power.[50]

While conceding he had no easy choices, the assessment said Gorbachev was gambling on ill-conceived strategies. Gorbachev's most generous offer to non-Russian nationalists, for example, would not satisfy them, while "allowing these people freedom to protest without being able to redress their basic grievances is a recipe for escalating crises." The regime's recent emergency financial stabilization plan "more likely than not will fail," while Gorbachev's tinkering with Communist Party authority was "undermining its ability to integrate Soviet society before new political institutions are capable of coping," said SOVA.

The paper predicted growing pressure on the regime to crack down, or on Gorbachev to resign. It foresaw the possibility of a "traditionalist restoration" or coup. Even were Gorbachev to remain in power, much would depend on his ability to move to a market economy, without which SOVA warned of a potential breakup of the union, or what an academic article SOVA cited had called "Ottomanization—a slow process of imperial decline with unplanned piecemeal emancipation of constituent entities."

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50 *Gorbachev's Domestic Gambles and Instability in the USSR*, Directorate of Intelligence, CIA. September 1989. p. iii

> By putting economic reform on hold and pursuing an inadequate financial stabilization program, Gorbachev has brought Soviet internal policy to a fateful crossroads, seriously reducing the chances that his rule—if it survives—will take the path toward long-term stability.

The United States would need skill in reacting to a volatile situation, said the paper. Soviet domestic problems were, however, likely to keep the USSR out of foreign adventures.

> Whether or not Gorbachev retains office, the United States for the foreseeable future will confront a Soviet leadership that faces endemic popular unrest. ... This instability is likely to preoccupy Moscow for some time to come and ... prevent a return to the arsenal state economy that generated the fundamental military threat to the West in the period since World War II. Moscow's focus on internal order in the USSR is likely to accelerate the decay of Communist systems and the growth of regional instability in Eastern Europe.

Kolt felt the paper deserved strong support, although some CIA analysts forcefully disagreed with the paper's conclusions. The paper's scope note reflected this, saying "the report is a speculative paper drafted by a senior analyst in the Office of Soviet Analysis."

> In a period of epochal change in the USSR, anticipating the future is a hazardous undertaking, and the issues dealt with in the report hardly invite unanimity of judgment.

"I decided," declares Kolt, "that I was not going to let this thing be coordinated down to the lowest common denominator."

> We were saying no, he cannot muddle through. This situation is changing so much qualitatively, there is such a dynamic at play, that this is going to lead to major discontinuity. ... What that paper did is begin to set us aside from the rest of the community, whose view in effect didn't change through let's say early 1991.

The SOVA paper mentioned in passing "populist figure" Boris Yeltsin. Privately, some analysts within SOVA felt that the growing domestic opposition to Gorbachev would be headed by Boris Yeltsin.

*The Prevailing View.* The countervailing view on Gorbachev's chances for survival were laid out in an NIE prepared under NIO Bob Blackwell. The paper predicted that, although the economic situation in 1990-91 would be critical, Gorbachev would weather it. While noting that Gorbachev's policies could threaten the system's viability, and in any case would produce one of the most tumultuous periods in Soviet history, it went on to say most believe Gorbachev would survive this period of tumult

without imposing the kind of repression that would snuff out reform. The estimate predicted that although harsh measures might be taken against nationalists, as in Tbilisi in April, they would be neither widespread nor lasting.

Thanks to Kolt's efforts, Hodnett's views were included in the NIE as parallel, dissenting, text. Secretary of Defense Cheney, for one, found Hodnett persuasive. The lower levels of the State Department also proved a receptive audience. Gates, too, was listening. As a result of the stream of reporting out of SOVA, he set up in September 1989 a top-secret contingency planning group "looking at the possibility of the collapse of the Soviet Union and what we would do."

But as Kolt remembers it, "the high level people rejected it." The more optimistic NIE assessment resonated at the White House and the National Security Council. It was ironic that, just as SOVA lost hope for Gorbachev, Bush and his senior administration officials took up Gorbachev's cause in earnest.

**The Administration—Learning to Love Gorbachev**

By July 1989, Bush had concluded that Gorbachev was a force for stable change and should be supported. Bush decided secretly to invite Gorbachev to an "informal" summit off the coast of Malta in December 1989. Scowcroft advised against it. Gates likewise told Bush to make no moves until the Soviet internal situation grew clearer, that it was too soon to cast his lot with Gorbachev. But Bush had made up his mind. "Look, this guy *is* perestroika," he told Scowcroft.[51]

The Administration members who remained skeptical of Gorbachev were, in fact, asked to keep their opinions to themselves. Gates was scheduled to deliver a speech in the fall of 1989 at a conference in Bethesda, Maryland. The State Department vetoed the speech on the grounds that it departed too radically from Administration policy. As Secretary of State Baker observed at the time:

> If we keep saying he can't pull it off, it'll begin to sound as though that's what we want.[52]

Gates' view had, in fact, changed remarkably little since 1985. NIO Blackwell, who saw drafts of the speech, recalls that it portrayed Gorbachev as "really out more to undermine us than he is to fundamentally change."[53] The prohibition on dissenting views did not, apparently, extend to Vice President Daniel Quayle who, in October, publicly called Gorbachev a "master of public relations" and *perestroika* a "form of Leninism."

As the Malta summit approached, however, the unfolding drama of the collapse of communism in Eastern Europe came to dominate world headlines and policy discussions alike. Debate over the future of the USSR and Gorbachev shifted with the latest developments in the rapidly-changing East bloc situation. On Nov. 9, the Berlin Wall fell. In response, intelligence officers presented Bush, Baker

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51 Beschloss, Talbott. p. 94.

52 Ibid., p. 123.

53 At lower levels, too, dissenting views were censored in the interests of presenting a common policy front. Alexander Vershbow, for example, Soviet desk officer in the State Department, was unable to publish in the spring of 1991 an article advocating a slight shift in US policy to support devolution of power to the republics.

and Scowcroft with a wide range of views on Gorbachev. A CIA briefing at Camp David before Malta revealed the growing complexity of Gorbachev's situation. Led by DCI Judge Webster, George Kolt, Bob Blackwell, SOVA's Bob Abbott and Fritz Ermarth gave brief presentations on Soviet economics, politics, society and nationalism. At the briefing, says Ermarth, "the whole range of issues was laid out, including Gorbachev's increasingly troubled future." Asked whether *perestroika* could succeed, Ermarth replied that, first of all, different definitions of *perestroika* abounded.

> What one believed about the long term depended in large part on whether you believed something very important but unprovable: that all humans including Russians want and are capable of democracy.

But overall, the Bush White House was sending the message that the president had confidence in his negotiating partner and was prepared to do serious business with him. His confidence seemed justified when, at the Malta meeting Dec. 2-3, 1989, Gorbachev told Bush that "we don't consider you an enemy anymore." Bush returned the gesture of reconciliation when he pledged to exercise restraint on the issue of Baltic independence if Gorbachev would promise to prevent violence in the region.

Bush emerged from the Malta summit, where gales tested the physical as well as the moral mettle of both presidents, with a four-part Soviet policy agenda: help Gorbachev remain in power; keep him on the path to reform; lock in agreements favorable to the US; and concede nothing which could be harmful in the long run were Gorbachev forced out of office.[54] In substance it resembled closely the Reagan agenda, the "pause" notwithstanding. But Bush had a new factor to contend with which had arisen since Reagan left office: Boris Yeltsin.

### The Yeltsin Factor

When Grey Hodnett developed his analysis of Gorbachev's decline, he and others at SOVA predicted that the growing domestic opposition to Gorbachev would be headed by Yeltsin. Events seemed to bear them out. On May 29, 1990, Yeltsin was elected leader of the Russian parliament. At the 28th Communist Party Congress in July 1990, Yeltsin quit the Party in a public display of defiance. As far as analysts could observe, Yeltsin had a more legitimate claim to representing democratic forces than did Gorbachev.

The majority of Administration officials did not welcome this assessment. While a few, such as Cheney, agreed that Yeltsin represented the best hope for the future, most felt that Yeltsin was unstable, lacking in leadership qualities. There were substantiated reports that he was a heavy drinker. Most important, policymakers did not want to undermine Gorbachev by appearing to accept Yeltsin—who was only a parliamentarian—on equal terms. Thus when Yeltsin visited Washington in September 1989, he was—despite pleas from Gates and Fritz Ermarth, chairman of the National Intelligence Council—granted an appointment with Scowcroft, not Bush. Instead, Bush "dropped in" on Scowcroft while Yeltsin was there. Yeltsin favorably impressed neither Bush nor Baker.

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[54] Beschloss, Talbott. p. 168.

The issue of what to do about Yeltsin from a policy viewpoint would continue to divide the policymaking and intelligence communities. The issue became even more complicated in early 1990 as German reunification became more certainty and Moscow's approval a necessary part of that historic process. Meanwhile, Yeltsin's popularity in the USSR continued to grow, seemingly in inverse proportion to the declining reputation of Gorbachev.

**Is Gorbachev Slipping?—1990**

According to CIA reports in March, Gorbachev's government was losing control.

> It is likely that political instability, social upheaval and inter-ethnic conflict will persist and could intensify. ... [There is] a general inability to implement its directives in many national republics, a loss of control over society in general and the precipitous decline of the Communist Party of the Soviet Union, secessionist movements in the Baltic Republics and elsewhere, serious interethnic strife and continued economic deterioration.[55]

*The Cheney-Webster Affair.* Clearly, not all branches of the US government shared this view. In an unusual display of publicly aired, differing views, Secretary of Defense Cheney and CIA chief William Webster testified on the same day before different congressional committees. Webster, in testimony approved in advance by Secretary of State Baker, told the House Armed Services Committee on March 1 that he found it highly unlikely there would be any revival of the Soviet military threat. In contradiction, Cheney the same day warned the House Foreign Affairs Committee that a turnaround in the Soviet reform process could give rise to a renewed military threat.

Cheney was defending the proposed Bush defense budget of $306 billion for fiscal 1991. Nonetheless, the conflicting testimony highlighted the ongoing debate within the administration about the durability of Gorbachev's reforms. Webster asserted that even a successor regime to Gorbachev would "probably continue to pursue arms control agreements with the West. It would be unlikely, in addition, to seek a broad reversal of the changes that have occurred in Eastern Europe or to try to revive the Warsaw Pact."[56] Cheney took an opposite tack, stating that another Soviet leader "could reverse military course decisively." Both men agreed, however, that the long-term outlook for Gorbachev was not secure.

In late May, Gorbachev attended another summit with President Bush, this time in Washington. The Soviet leader clearly welcomed the adulation of American crowds. But at summit events, policymakers could see for themselves that Gorbachev was losing influence, even over his own military. On at least one occasion, he had to renege on a statement after whispered consultations with

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55 from Gates' speech, 5/20/92. p. 7.

56 *Washington Post*, "Webster Sees No Revival of Soviet Threat; Conflict Continues Between CIA, Defense." March 2, 1990. p. A1.

aides. A measure of Gorbachev's growing desperation was that he begged Bush to sign a trade agreement not specifically linked to the Soviet embargo against Lithuania.[57]

The news was no better in June when, once again, the CIA raised the possibility of a coup.

> The recent acceleration of political events in the USSR could soon produce major discontinuity in Soviet policy and substantial changes in the top leadership. President Gorbachev is losing control over the political process and will be under increasing pressure to make a dramatic move to the left or right to try to regain the political initiative. The period of measured reform, directed by the central authorities in Moscow, is coming to an end.[58]

In July the Agency reported that "differences in the economic development of the republics are fueling ethnic tensions and strengthening the centrifugal forces that threaten the Soviet Union's continued existence as a multinational state." By September, Central Asia was the focus of concern.

> Moscow's challenge in Central Asia is likely to evolve from policing outbreaks of violence to dealing with outright defiance of its policies by republican regimes and, in the region's poorest and most Islamic areas, insurrectionist and secessionist movements.[59]

But by then, the fall of 1990, Bush needed Gorbachev as much as Gorbachev needed him. Saddam Hussein had invaded Kuwait on August 2 and the United States embarked on a crusade to muster the support of the world community, through the United Nations, against Iraqi aggression. No country was more crucial to this multilateral effort than the Soviet Union. The two presidents met in Helsinki in September to discuss their cooperation in the Gulf.

### The Helsinki Crossroads

At Helsinki, the two men felt warmly towards one another. Bush had done Gorbachev the favor of signing the trade agreement at their May summit. Gorbachev had made a major concession to Western geopolitical aims when, on July 14, he withdrew Soviet objections to a reunified Germany under NATO. His agreement laid to rest the most enduring symbol of the Cold War: a divided Germany.

The Helsinki meeting clearly had one overriding goal: to get Bush and Gorbachev together in order that they might publicly reaffirm their joint opposition to the Kuwaiti invasion, and in this it succeeded. The meeting was historic for reversing 45 years of US policy aimed at keeping the Soviets out of the Middle East, seeking instead their active cooperation. The two leaders also devoted several

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57 Despite considerable opposition from Congress, Bush agreed. On June 30, Moscow lifted its embargo on Lithuania.

58 from Gates' speech, 5/20/92. p. 7.

Ibid., p. 8.

hours to discussing progress on arms control negotiations, including START and Conventional Forces in Europe (CFE).

But lively discussion centered on developments within the Soviet Union. Gorbachev seemed taken with a much publicized economic reform scheme for the Soviet Union known as the Shatalin plan. The so-called 500-Day Plan by economist Stanislav Shatalin called, among other things, for the sale and privatization of state enterprises, the dismantling of state farms, reductions in government subsidies to a wide array of enterprises, currency reform and a new banking system. It was an admittedly ambitious effort to jump-start Gorbachev's stalled economic reforms.[60]

But within months, Gorbachev had abandoned the Shatalin plan and taken a sharp political turn to the right. Gorbachev's move dismayed his reform-minded supporters, confirmed those doubters who had always seen in him a Communist in free-market clothing and put his international reputation as a reliable partner at risk.

*A Missed Opportunity.* Some of the ranking US experts on the Soviet Union saw the Helsinki meeting both at the time and in retrospect as a failed opportunity for Bush to put some very straight talk to Gorbachev. Blunt advice on the need to cooperate with even distasteful political opponents, if acted upon by Gorbachev, might in their opinion have prevented subsequent violence, kept Gorbachev as president and fostered a peaceful transition to a confederation. Jack Matlock went to Moscow as US ambassador in April 1987, attended the Helsinki meeting, and witnessed Gorbachev's subsequent turn to the right.

> This was one of Gorbachev's great failures, that he didn't push his reform more rapidly. But we could have pushed him harder in the fall of '90 to do so and I think if we had he might have made it. I think we had the chance, and I think Reagan would have done it because Reagan had more confidence in his own ability and was more willing to take chances than Bush. Bush had his emotional attachments, but basically he was very conservative and had more of a caretaker president attitude.

Matlock argues that direct advice was "the only way to have prevented [Gorbachev's] turn to the right."

> We would have better served the Union by pressing him to accept the Shatalin plan and by giving him some encouragement that he would find support in the West. ... Also [we sent a message] by our own actions in being too cautious in dealing with Yeltsin and the other [republican leaders] ... I didn't feel I should have to go over and explain to the foreign

60 The Shatalin plan had plenty of critics. CIA economist Jim Noren feels its implementation "would have wrecked the economy to an extent that didn't materialize until 1992."

> minister every time we had a high-level appointment with Yeltsin. And the White House seemed to have that attitude.

Eric Edelman, who moved to the Defense Department as liaison for the State Department in April 1990, also calls the summer and fall of 1990 a "tremendous missed opportunity ... when Yeltsin and Gorbachev were groping towards a rapprochement and working together on the economic issue."

> But the idea of trying to promote a coalition or a grouping, a union of the reform forces, never was pushed. In part, because everyone's attention got refocused after Aug. 2 on the Gulf. And secondly, because there was very real bias that Gorbachev was our guy ... Gorbachev's been a real prince. He's given us everything we've wanted in arms control.

What Edelman considered an overfocus on arms control prevented the US government in his opinion from understanding that "the political dynamic was such in Russia, moving in such a direction that if the democratic movement succeeded, not only would what we had negotiated be preserved, but that you'd be able to go further."

George Kolt at the CIA likewise felt that earlier US attention to Yeltsin could have averted later developments.

> It was not a question of Gorbachev's policies are going to fail, therefore you should no longer deal with him. You have to deal with existing governments. But I do fault the policy people for ignoring other things that could have been done, such as dealing with Yeltsin much earlier by giving him much greater recognition, being much more supportive of the democratic movement in Russia. ... We could have facilitated a much smoother evolution in the Soviet Union than what occurred, which would have been not only in Gorbachev's interest, but our interest as well.

But Bush administration defenders object that any attempt to push Gorbachev faster along the path of reform would only have galvanized his right-wing opponents earlier, when they might have been successful. Condi Rice, for example, believes that "had the coup come in January [1991], not August, it would have succeeded."

Arnold Kanter, the arms control expert at the NSC, also believes that Gorbachev could not have moved any faster.

> If he would have moved in the direction of loosening Moscow's control over the various republics, if he would have moved faster or more ostentatiously from strong central control to a looser federation, it seems to me that would have done nothing but reinforce the conviction of the coup plotters that this guy is

> dangerous. And it would have motivated them to move sooner rather than later.

Gates, then deputy National Security Advisor, recalls that top US officials, and Bush in particular, may well have given Gorbachev advice. In fact, says Gates, Gorbachev "was encouraged to deal with Yeltsin."

> But you are dealing with human beings. And they hated each other by that time.

In any event, believes Gates, an earlier official acceptance of Yeltsin would have changed nothing for US policy.

> The real issue was less Yeltsin than the pressure to abandon Gorbachev and swing to Yeltsin. While the Soviet Union still existed, that didn't make any sense at all. You could stop trashing Yeltsin. You could open lines of communication to Yeltsin. But it was Gorbachev making the decisions on START and on all of the issues that we were engaged with the Soviet Union on, about Afghanistan, on Cambodia, on Angola. So the notion that we stuck by Gorbachev too long is just nonsensical and doesn't reflect the reality.

What had become a reality was that SOVA's backing of Yeltsin since the fall of 1989 had been noted at the White House. According to Gates, "a lot of policymakers thought the intelligence folks had an agenda and therefore I think tended sometimes to discount their influence."

*Don't Shoot the Messenger.* The strength of administration commitment to Gorbachev was illustrated when DCI William Webster felt compelled to deny that the CIA was in some sense "pushing" Yeltsin. "Don't shoot the messenger," pleaded Webster. NIC chairman Ermarth in turn denied accusations that he was a Yeltsin lover. "I'm a Yeltsin watcher," he replied.[61]

Such defense aside, it was true that those within the CIA advocating greater openness to Soviet republican leaders came to feel that even though this administration listened to their assessments, it paid them no heed. As George Kolt puts it:

> A lot of our analysis might have been read, but it was completely rejected when you started talking about Gorbachev's weaknesses, the weaknesses of his policy, the danger of his policy.

## Gorbachev Swings Right

By December 1990, Gorbachev gave alarming signs of retreat from his reform program as he strengthened ties to the Communist right wing. In late November, Gorbachev had proposed a union

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61 Beschloss, Talbott. p. 349.

treaty giving greater autonomy to the republics. But he countermanded that conciliatory gesture when, on Dec. 2, he fired his moderate interior minister and replaced him with a former KGB chief. Gorbachev's close advisor, Alexander Yakovlev, warned publicly about the reemergence of reactionary forces.

On Dec. 17, Gorbachev told the assembled parliament that the national crisis was deeper than initially thought, and he asked for emergency powers to create "strong government, tight discipline and control of the implementation of decisions."

> Then we shall be able to ensure normal food supplies and rein in and stop interethnic strife. If we fail to achieve this, we will inevitably see greater discord, the rampage of dark forces and the breakup of our state.[62]

The Congress of People's Deputies gave Gorbachev much of what he asked for despite a plea from Yeltsin, who argued that the nation did not need "Kremlin diktat."

> The way out of the crisis requires honest dialogue, with equal rights between the center and the republics. This does not mean the disintegration of the Union. On the contrary, this is the only way to save it.

Foreign Minister Eduard Shevardnadze, tired of blame from the right for "losing" Eastern rope, added his own warning to the rising chorus. On Dec. 20, he resigned, startling not only the Soviet Union but the US administration. Shevardnadze warned that "dictatorship is coming."

> No one knows what kind of dictatorship this will be and who will come—what kind of dictator, and what the regime will be like.[63]

Within weeks, Shevardnadze's sober prediction seemed on its way to fulfillment. On Jan. 2, crack Black Beret Soviet troops seized buildings in Lithuania and Latvia, two of the rebellious Baltic states. On Jan. 13, Soviet troops killed 15 peaceful demonstrators in Vilnius, the capital of Lithuania. On Jan. 20, dubbed "Black Sunday," Black Berets shot their way into the Latvian Interior Ministry, leaving four dead.

In the midst of this, on Jan. 16, 1991, the United Nations under US leadership launched Desert Storm to retake Kuwait from Saddam Hussein.

### Did Gorbachev Know?

The White House debated furiously how to respond to the Soviet developments. When Shevardnadze resigned, Bush had told reporters that:

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62 Ibid., p. 294.

63 Ibid., p. 295.

> Any time you move from a totalitarian, totally controlled state to an open state ... you're bound to have problems. ... Far be it from me to try to fine-tune the difficulties that they're having there.[64]

But the charges against Gorbachev were much more serious in January. Although Gorbachev denied foreknowledge of the Baltic attacks, most observers were inclined to discount this disclaimer.[65] As the State Department desk officer at the time for the Soviet Union, Alexander Vershbow, remembers it, "the Lithuanian crisis sort of jarred everyone."

> In the view of those who saw the devolution process as accelerating, spinning out of control, it was a sign of things to come. But for those who were determined to press ahead with a Gorby-centric approach, it was seen as an aberration that we had to manage and tamp down.

NSC Soviet expert Rice remembers early 1991 as the most alarming period of her tenure at the National Security Council because Gorbachev had so isolated himself from his reform-minded supporters.

> He began to resemble the classic isolated leader surrounding himself with people who had no purpose in mind but to reestablish an authoritarian state. ... The costs of *perestroika* were suddenly clear. Lithuania was about to declare independence, Ukraine and Russia were talking independence. [Plus] we were occupied in the Gulf. I still to this day think they thought they had us over a barrel. Add all of that up, and I thought that was a point of maximum danger.

Most observers concur that, whether or not Gorbachev gave the direct orders to shoot in the Baltics, "he created the conditions," as Rice says. But public reaction, both domestic and abroad, unnerved Gorbachev at that point. The hardliners were "shocked," she adds, when the US and European nations threatened to withdraw aid. Even more important, Gorbachev couldn't go through with it because of his personality.

> Confronted with the bloodshed, he couldn't stomach it and he backed off. In that we were lucky it was him. I think, by the way, that was when the hard right in Russia lost faith in him and decided he was part of the problem.

*The Intelligence Report.* The CIA took the view that Gorbachev was behind the violence in the Baltics. In a SPOTCOM (Spot Commentary) written for Bush, the Agency assigned Gorbachev

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64 Ibid., p. 297.

65 Garthoff takes a more benign view of Gorbachev's role in the Baltic incidents, writing in *The Great Transition* that "Gorbachev had been fed a steady stream of false and misleading information on events and public opinion by his conservative security advisers." p. 452.

responsibility "strategically if not tactically." On Jan. 24, the National Intelligence Daily carried an article titled "Crisis at the Turning Point." It said that "Gorbachev has started a conflict without a visible program and with scant prospect of long-term success. He will not easily escape the predicament for which he is largely responsible, and he may become its principal casualty."[66]

Throughout the crisis, Rice for one felt that the intelligence community performance was "magnificent." Much of her time during that period was spent chairing emergency sessions of a small, secret inter-agency committee working on contingency plans for the Soviet Union.

### Using Intelligence—A Policymaker's View

Rice's committee was the one started by Gates in the fall of 1989. The committee was, says Rice, "a very small and secret effort to ask ourselves the radical questions" about the Soviet Union's future.[67] Some of the questions the committee examined were: what if Soviet nuclear weapons fell into dangerous hands; what if the USSR ended violently; if the US government learned of plans for a coup, would it tell Gorbachev; what if Soviet troops in Germany refused to go home? Recalls Rice:

> These meetings were so secret our secretaries weren't allowed to put them on our calendars because all we needed was a story that the administration was making contingency plans for the violent breakup of the Soviet Union, and our Soviet policy was dead.

The committee, as well as her expertise, made Rice one of the more aggressive users of intelligence in the Bush administration. She was known within CIA circles for actively seeking out differing opinions directly from analysts. In general, Rice found intelligence analysis most useful in a crisis situation such as the Baltic events.

> I think that looking for big strategic answers from the intelligence community is actually the wrong use. I think where they're best is at the tactical level. If you ask me, did I need the intelligence community to know that the Soviet Union was collapsing and that Gorbachev was trying to put a finger in the dike, but that in fact the dike was coming at him and Eastern Europe was exploding? No, I could read that in the *New York Times*.

She found the "big picture" National Intelligence Estimates too obvious.

> They would say, for example, Gorbachev could try and hold onto Eastern Europe, or he could not try and hold onto Eastern

66 Beschloss, Talbott, p. 317.

67 Other members of the committee were Dennis Ross from State, Fritz Ermarth from CIA, Eric Edelman from Defense; metimes Deputy Secretary of Defense Paul Wolfowitz and Bob Blackwell from CIA. The group was apparently not so secret, as many staffers at the different agencies wrote papers for it.

> Europe. Well, I probably could have figured that out, right? But what they're very good at doing is watching with a real worm's-eye view. They can tell you it looks like the threat to move airborne forces into Lithuania to enforce the draft is credible. And they can marry that up with hard-core military intelligence. ... What you need help with is, 'This is going to happen today.' So we're not caught in the position of announcing a summit tomorrow, and the next day they invade Lithuania. That's where intelligence is helpful.

*Verbal Intelligence.* Analysts and their customers alike emphasize that in many instances, the most useful intelligence to the policymaker is that conveyed in a briefing. In such a setting, policymakers solicit the well-informed opinions of analysts on issues of pressing concern. The responses, freed from the need to "coordinate" views as in a carefully crafted written estimate, can be frank and enlightening.

Two analysts recall instances when they were asked to brief top officials at the White House. "Collectively," says one "we knew somewhat better than we wrote. ... While our documentary record was careful, our dialogues with top policymakers were far richer." The other asks rhetorically, "How is intelligence conveyed?," and answers himself: "Much more is conveyed orally. The written product represents 1/10th of the total."

Andrew Carpendale, an assistant to Secretary of State Baker concurs that informal networks of communication were very important for intelligence reports.

> Because these types of communications ... leave little of a paper trail, there is a natural tendency to downplay them, but in my estimation, they were probably more important in shaping the mindset of decision-makers than the formal communications.

At the State Department, he recalls, analysts would visit every two or three months to meet with top officials. Such meetings, comments Carpendale, allowed analysts to "present a more personal and sophisticated assessment of the evolving situation, as they were not required to vet their views with others [and] allowed us to ask them questions which were more policy relevant and useful than would be the case otherwise." Officials at State would, in turn, draw on this information when drafting their own analytical memoranda to the Secretary before key meetings with Soviet leaders.

*An Analyst Turned Consumer.* Robert Gates, knowledgeable about how intelligence analysis is produced, was not so critical of the NIE format. But he had his own problems with the intelligence he was getting at the NSC. Most had to do with the old CIA predicament of seeking a consensus view versus airing differences of opinion. Gates had concluded that seeking a completely unified view was a "serious mistake."

> One of the most difficult problems that I had was that I knew there were bitter differences of view across the board on Soviet

> policy. And it was very tough to get SOVA to bring that to the surface.

To counteract this, recalls Blackwell, Gates would order up estimates which would try to get at the differences of opinion within the community, to explore different scenarios. By and large, comments Blackwell, who found the exercises thought-provoking, "analysts hated this. It was not sources and methods." Gates may have been unaware of analyst resentment at what appeared to them a form of "make-work." But they did not charge him with telling them what to write. Neither did Gates ever feel during his time at the NSC that CIA intelligence analysis was written to suit a policy agenda.

> I was worried about the lack of an expression of differences. I was worried about the lack of greater candor about the reliability of some of the sources. I was worried about the lack of alternative scenarios. I had a lot of worries. Politicization wasn't one of them. I had no concern that somebody at the agency had an agenda. The process is too uncontrollable for that.

If anything, as 1991 unfolded, CIA assessments of Gorbachev's dwindling odds came increasingly into conflict with Administration hopes for his survival. In publishing these views, comments Nick Burns, then-deputy to Rice, the CIA exercised its unique responsibility within the policy community.

> I think elements of the Agency were kind of fearless. They did not tell policymakers what they wanted to hear. ... You've got to have somebody [in government] who doesn't care what the president thinks of them.

**The Soviet Cauldron**

SOVA paused in April 1991 to do a comprehensive assessment of the unraveling events in the USSR. In a special 9-page report entitled "The Soviet Cauldron" and sent to policymakers on April 25, SOVA warned that "economic crisis, independence aspirations and anti-communist forces are breaking down the Soviet empire and system of governance." The estimate characterized the central economy as broken and Gorbachev's credibility as zero. It once again raised the possibility of a coup attempt, but also the chance that such a coup might fail.

The report pointed specifically to burgeoning independence movements in the Ukraine, Belorussia, the Baltics and Georgia. It pointed out that the centrally-planned economy had "broken down irretrievably and is being replaced by a mixture of republic and local barter arrangements, some of whose aspects resemble a market, but which do not constitute a coherent system." New media were springing up daily, mirrored by the rise of "inchoate" new political parties.

Gorbachev, reported SOVA, had transformed from "ardent reformer to consolidator."

> His attempts to preserve the essence of a center-dominated union, Communist Party rule, and a centrally-planned economy without the broad use of force, however, have driven him to tactical expedients that are not solving basic problems and are hindering but not preventing the development of a new system.

SOVA predicted five possible early developments: public riots or strikes; heightened activity by anti-government forces; the deaths from overwork or assassination of either Gorbachev or Yeltsin; the rise of strong republican leaders; a reactionary coup in the name of law and order. The report found a coup attempt "the most fateful" possibility, although it discerned signs of preparation for such an event.

> Explosive events have become increasingly possible. ... The reactionary leaders, with or without Gorbachev, could judge that the last chance to act had come and move under the banner of law and order. ... Military MVD and KGB leaders are making preparations for the broad use of force in the political process.

The primary target of coup plotters would be Yeltsin, said SOVA, because he "is the only leader with mass appeal." But long-term prospects for coup leaders, it opined, "are poor, and even short-term success is far from assured" because of the uncertain loyalty of the armed forces and the likelihood of widespread opposition.

SOVA foresaw a confederal Soviet Union by the end of the 1990s.

> With or without Gorbachev, with or without a putsch, the most likely prospect for the end of this decade, if not earlier, is a Soviet Union transformed into some independent states and a confederation of the remaining republics, including Russia.

The report gave scenarios for three possible Soviet Unions in the coming year: a continued political stalemate; an attempted dictatorship; a breakthrough by the pluralists (republican forces).

*"Gorbachev's Future."* By May, the agency had become even more forceful, pronouncing Gorbachev's rule over and a major shift of power to the republics already underway. In an analysis dated May 23, DI said:

> Gorbachev remains an important player on the Soviet political scene, especially in foreign and defense policy, but his domination of it has ended and will not be restored. Whether or not he is still in office a year from now, a major shift of power to the republics will have occurred unless it has been blocked by a traditionalist coup.[68]

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68 *Gorbachev's Future*. Directorate of Intelligence. May 23, 1991. p. 1.

No authority was any longer in a position to cope with nationalist demands and the deteriorating economy. Although the CIA analysis saw a ray of hope in an April agreement between Gorbachev and republican leaders, long-term and lasting compromise seemed unlikely given Gorbachev's record of fighting to maintain central control.

> The reformers' and traditionalists' basic goals for the future of the union are diametrically opposed, so there is little prospect that Gorbachev's so called centrist course can defuse the crisis. ... No matter what happens, the current political system in the Soviet Union is doomed.

The assessment posited several possible outcomes: republican leaders force out Gorbachev; massive strikes topple the government; a coup by hardliners. The analysis conjectured that the danger to Gorbachev from hardliners was greatest if he were perceived as selling out to the republics.

> In short, the Soviet Union is now in a revolutionary situation in the sense that it is in a transition from the old order to an as yet undefined new order. Although the transition might occur peaceably, the current center-dominated political system is doomed. As happened in Eastern Europe over the past two years, the ingredients are now present in the USSR that could lead not only to a rapid change in the regime, but in the political system as well. ... The current political situation is highly volatile and could quickly unravel and throw the country into a succession crisis with little warning. The security services are feeling increasingly desperate and there is a possibility that they could act against Gorbachev at any time.

Also in May, DI published an assessment of the Soviet economy which sounded many of the same gloomy notes as more political analyses. It made the point once again that Gorbachev had undone the old command system yet hesitated in the difficult process of introducing a market economy, with disastrous results. A smooth evolution toward a federal structure based on a draft union treaty published in March might, said the analysis, "improve economic organization by eliminating much of the confusion concerning areas of authority."[69] But DI still foresaw a minimum drop of 10 percent in 1991 GNP.

"The Soviet Cauldron" and subsequent analyses were circulated to all leading members of the government and the relevant congressional committee members. Within the administration, the CIA warnings were listened to, even believed. But they did not significantly affect US policy in large part, say administration officials, because it was not in the US interest to tilt support away from Gorbachev and toward the republics.

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6 *oviet Economic Futures: The Outlook for 1991.* Directorate of Intelligence, CIA. May 1991. p. 11.

### To What Degree Yeltsin?

Once again, the question of Gorbachev's staying power raised the issue of how much official support the US should offer Yeltsin and his followers. His sway was growing: 100,000 supporters defied a Gorbachev-imposed ban on March 28 to demonstrate in Moscow on Yeltsin's behalf. Disagreement within the administration was leading to mixed policy signals. During the Baltic crisis of January, for example, some voices had argued forcefully for sending Ambassador Matlock to see Yeltsin. Rice and others at the NSC felt that was unwise. As it was Matlock, who in Moscow did not know of the Washington discussion, visited Yeltsin on his own initiative in the midst of the crisis.

Within the executive branch, one faction strongly favored encouraging greater openness toward Yeltsin. Its members included Cheney, to a lesser degree Baker, Gates and Matlock. Yeltsin, says Matlock, "really was the leader of the opposition in the whole country as well as increasingly the leader of Russia." Gorbachev, he says, had become a spoiler.

> Certainly from 1989 on, every time they had a deal Gorbachev would walk away from it. [Yeltsin aides] would bring drafts [of agreements] and Gorbachev would sit on them. ... He wasn't dealing in good faith.

On the other side were President Bush and most members of the White House staff who still saw signs that Gorbachev was working toward reform. In March, for example, Gorbachev sponsored a nationwide referendum on whether the country should be reestablished as a federation of republics. A draft union treaty was published. In late April, Gorbachev met with Yeltsin and the leaders of eight other republics in what proved indeed to be the beginning of a political swing back toward the center.

*US National Interest.* But even without these encouraging political developments, say administration officials, the US national interest continued to lie with supporting Gorbachev. As National Security Adviser Brent Scowcroft told his aides in no uncertain terms: "We're not going to do anything that looks like we're casting our lot with Yeltsin against Gorbachev."[70]

The Soviet leader had been cooperative in many areas of US concern, not least arms control, emphasizes Rice. With the START agreement under negotiation in the spring of 1991, says Rice. "I believe we had an obligation to push as much [as possible] through that window before it did collapse."[71]

But even had it been clear that Gorbachev was finished and his country ready to implode, adds Rice, the US should have done nothing to accelerate the process—"The United States of America should not have any fingerprints on it."

> If it was going to fall, let it fall of its own weight. Because we weren't prepared to deal with the consequences of a collapse

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70 Beschloss, Talbott, p. 350.

71 Ermarth words this thinking somewhat differently: "Our diplomatic business with Gorbachev is preeminent; to conduct that business we must assert that he has a bright future; to assert this we must believe it and reject the case that he does not."

> that we helped engineer. We weren't going to go defend Ukraine if Russia decided to take it on.

Rice says she did make successful efforts to organize meetings between Bush and several of the republican leaders. But President Bush "didn't want to go out and recognize independent states."

> He knew there was a possibility the Soviet Union was going to fall apart. ... He could see it happening. But it's one thing for me, out of a government role, or [others] to stand up and say the Soviet Union's going to fall apart, than for the president of the United States to say it. Or someone who works for him. Because actions have consequences. And words have consequences. And [what] if it happens and it happens violently and some republic bolts prematurely because it thought the United States was going to support it?

NSC arms control expert Kanter adds that stability, after all, was one of the overriding US interests.

> If there was an ambivalence in US policy toward Yeltsin before the coup, it was not because of the belief that Gorbachev was in such a solid position but, on the contrary, that things were very volatile and that US interests would be better served by a soft landing than a crash landing when the Soviet Union collapsed. Fomenting the collapse of the internal Soviet empire in the shortest period possible come what may was not our policy objective.

However, the Bush administration, particularly the NSC, did begin to look more favorably on Yeltsin once Ed Hewett replaced Rice in March 1991. Edelman remembers that:

> The first thing he said was, 'This government's got a major Yeltsin problem and we've got to work our way out of it.'

Moreover, in the spring the CIA began to include a situation report (sitrep) on circumstances in the republics in its National Intelligence Daily classified report to the president and top officials.[72] By June, matters had evolved to the extent that Bush received Yeltsin at the White House for what proved to be a 3 1/2- hour conversation.

*View from the CIA.* The intelligence directorate submitted its assessment of Yeltsin's political agenda in June 1991, as Bush prepared for the meeting with the Russian leader. The Agency saw in Yeltsin a "coherent Russian democratic alternative to the imperial authoritarianism of the traditionalists."[73] Charges Yeltsin was an "unprincipled opportunist" were not, said DI, "borne out by his actions."

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72 Garthoff, p. 448n.

*Yeltsin's Political Objectives.* Directorate of Intelligence, CIA. June 1991. p. iii.

The assessment gave Yeltsin credit for helping to defuse the dangerous situation in January when, among other things, he went to Estonia and signed documents effectively recognizing Baltic independence. As the likely first president of Russia (elections were scheduled for July), the analysis predicted that he would promote "rapid marketization. ... He is certain to emphasize that [foreign] aid should be channeled primarily through the republics and to specific projects." Yeltsin would also, it said, continue to work for a reconstituted union of equal republics.

> The "order" and "stability" projected in President Gorbachev's vision of the union is—in Yeltsin's view—inherently unstable because it denies the striving for national self-determination. True stability now will come only with a genuinely voluntary association of republics.

Yeltsin, in a considerable boost to his own power base, was elected president of Russia on July 12, 1991. On July 16, Secretary Baker in Paris told journalists that the US intended to have contact with the opposition forces Yeltsin headed.

> I think if you take a look at the way we have approached similar situations in the countries of Eastern Europe and in other countries as well, you would see that we have taken care to touch base with the opposition to make sure that we understand where the opposition is coming from, that they understand where we are coming from. I don't think that is inappropriate just because it is the Soviet Union.[74]

But there was no significant shift in US policy. Instead, intelligence and policy efforts focused on preparing Bush and his staff for a late July summit with Gorbachev in Moscow.

The atmosphere was business as usual. Despite the warnings out of the CIA, despite the contingency planning by Rice's group, despite even an early summer dress-rehearsal for a coup, there was little sense when the two presidents met in late July that Gorbachev would face the ultimate crisis of his career a little less than three weeks later.

## The Coup

The group gathered in Moscow for the summit July 29-Aug. 1, 1991 was upbeat. Finally, the United States and the Soviet Union were signing the historic START treaty on reducing nuclear weapons. The two nations also announced plans to co-sponsor a Middle East peace treaty. It was not a crisis atmosphere. Says Kanter:

> The world was transformed three weeks later. [But] I certainly didn't have the sense in Moscow that we were on the brink of an historical transformation.

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74 *New York Times*, "Baker Says US is Ready to Create Links with Soviet Non-Communists." July 17, 1990.

There was, however, a general consensus that events in the Soviet Union were moving so fast nothing could really surprise observers anymore. "By 1990, certainly by 1991," says Kanter, "you could believe anything ... you literally couldn't tell if someone was pulling your leg. It could be preposterous and it could also be true."

> Everyone knew that Soviet society was in turmoil. Everyone knew that Gorbachev was riding the tide, that he was taking bold actions born of desperation rather than inspiration. Everyone knew how fluid, how volatile things were. And so in that sense no one was shocked that there was a coup three weeks later. ... But the event, when it happened and how it happened, did surprise people. If you will, people were tactically surprised but not strategically surprised.

In the event, coup leaders moved against Gorbachev on the eve of the scheduled signing of a union treaty giving greater autonomy to the republics. Gorbachev was placed under guard in his vacation home on the Black Sea while the hardliners fought it out in Moscow against Yeltsin and his supporters. The coup leaders buckled in a surprisingly short time, revealing the amateur character of their takeover plan. Most were placed under arrest; senior military official Marshall Sergei Akhromeyev committed suicide. Gorbachev returned to Moscow, but he had lost the last shreds of popular respect. In a widely noted omission, he even failed to thank Yeltsin for his part in toppling the tsch.

*The Agency before the Coup.* The coup did not surprise the CIA, although it could not foresee the exact timing. SOVA director George Kolt had taken a short leave in early August during which he had time to think about the Soviet situation away from the pressure of daily events. The US had already received potent warning, via Ambassador Matlock, of a coup attempt in June. That coup never took place, but plans for it clearly identified those individuals who would be involved in any future takeover attempt.

On Kolt's return to work, he requested SOVA put together an analysis of the prospects for a coup. The outlook, he recalls, was not encouraging. But the paper did not go so far as to say that Gorbachev's downfall would be linked to signing the controversial union treaty, even though one analyst made exactly this connection. Says Kolt:

> We could have said very clearly that a catalyst is this union treaty. There was one analyst who said they cannot let this be signed. But this thought was brought to my attention only after the coup. We did not pursue it in the piece. We had a hard enough time internally getting it agreed—not with our leadership; we always argued among ourselves. ... We said the possibility of a coup was growing. We even said Gorbachev may not go along this time and said it could not succeed in the

> long run, which was all right. But we couldn't predict it to the exact date.

On Saturday, Aug. 17, however, signs were growing that action against Gorbachev was imminent. Alexander Yakovlev warned against a Stalinist "party and state coup." The President's Daily Brief for that date published SOVA's analysis, which explicitly warned that "the danger is growing that hardliners will precipitate large-scale violence."

*August 18, 1991.* When the coup started on Sunday, Aug. 18, the administration seemed caught unawares, despite the intelligence reports. Most senior level policymakers were on vacation, including President Bush who was in Kennebunkport, Maine. But from the start, there were signs the coup would not stick. The CIA noted virtually no military preparations by coup leaders. Kolt personally called National Security Adviser Scowcroft a few hours after the coup started, said it might not succeed, and implicitly suggested a firm condemnation of the coup leaders.

Bush's first public statement on the issue, given Monday morning, was relatively subdued, saying that "I've said over and over again that we did not want to see a coup backed by the KGB and the military, and apparently that is what is under way." But, he added, "I think it's also important to note that coups can fail." As Gates puts it, there was little reason initially to hope the coup would fail.

> Based on all prior experience in Russian and Soviet history, when you know at the outset that you've got the KGB and the army and the Party all together in a coup attempt, the chances of it not succeeding based on past history are near zero ... [Bush's] first public comments were as much a holding action as anything else, but fairly pessimistic based on the information.

By Monday afternoon, however, intelligence reports indicated the coup was not going well and Bush became far tougher. By evening, and ahead of virtually all Western leaders in condemning the plotters, Bush stated that "We are deeply disturbed by the events of the last hours in the Soviet Union and condemn the unconstitutional resort to force. ... This misguided and illegitimate effort bypasses both Soviet law and the will of the Soviet people." He expressed support for both Yeltsin and Gorbachev. Gates feels that the contingency planning at the NSC helped the administration cope with the unfolding events.

> A lot of thinking had already been done about how we would deal with this problem. And so I think people were a lot better able to cope and move with some facility in a very dangerous and unpredictable time, and I think that the way it was managed sort of underscores that it was done pretty well.

What could not have been predicted, he says, is the degree to which the coup plotters themselves were disorganized.

> The key in August was that the leaders were behind the coup, but the institutions that they headed were not, or were

> divided. But the fundamental thing was that the coup leaders themselves were half-hearted. And nobody could count on that.

Matlock, who had left Moscow for good on Aug. 11, thought that a coup wouldn't occur because its leaders would understand in advance that it would fail. He agrees that the plotters "didn't know, until they confronted [Gorbachev] and he refused, what they were going to do."

On Monday Bush returned to Washington. He tried several times to telephone Gorbachev but could not get through. Meanwhile, Yeltsin had emerged as the leader of the opposition to the coup, rallying citizens from his stronghold in the "White House" Russian parliament building. On Tuesday, Bush telephoned Yeltsin to offer his support. The coup folded by Wednesday and Gorbachev returned to Moscow.

In subsequent weeks, Gorbachev's small remaining influence dissipated. One by one, the republics declared their independence from Moscow. One of the most radical republics was Russia. On Dec. 8, Yeltsin and the leaders of Ukraine and Belarus met in Minsk, agreeing to form a Commonwealth of Independent States. On Dec. 25, 1991, Gorbachev resigned and the Soviet Union was dissolved.

## Background Note 1

### The Organization

The Central Intelligence Agency, based in Langley, Virginia, is only one part of a widespread intelligence community. The larger community includes the long-unpublicized National Reconnaissance Office (imagery satellites), the Defense Department's Defense Intelligence Agency (DIA), the National Security Agency (signals intelligence) and the much-smaller Intelligence and Research Bureau at the State Department.

To most outsiders, however, US intelligence means the CIA. It employed in 1985 an estimated 20,000 people at an annual cost of some $3 billion.[1] The CIA comprised four directorates, of which two attracted the most public attention: the Directorate for Operations (DO) handled covert activities and collected secret intelligence; the Directorate for Intelligence (DI) analyzed both covert and overt intelligence and wrote up their findings for policymakers.[2]

DI had four functional staffs: Arms Control Intelligence; Collections Requirements and Evaluations; Planning and Management; and Product Evaluation. DI also ran offices of Current Production, Global Issues, Imagery Analysis, Central Reference and Scientific and Weapons Research. Finally, there were five offices organized on a geographical basis. One of these was the Office of Soviet Analysis (SOVA).

SOVA was charged with analyzing the wide array of intelligence on the Soviet Union and projecting Soviet intentions. The department's job was to look at the Soviet Union from as many points of view as seemed helpful to policymakers: its economic performance (by industry as well as overall), arms program, agricultural output, foreign policy and so forth. Individual analysts with sector expertise produced both current intelligence—incorporated most importantly into the Presidential Daily Brief (PDB) as well as the National Intelligence Daily (NID)—and long-range assessments of Soviet behavior known as National Intelligence Estimates (NIE). The Agency also generated research papers.

Typically, contributions to NIEs would go to the National Intelligence Officer (NIO) for the area who, within the context of the National Intelligence Council (NIC) would coordinate reports from the various branches of the intelligence community into a single, cohesive document. The NIC, founded in 1979, is independent of the CIA and answers to the DCI as director of all intelligence activities. Its members are drawn broadly from the intelligence community, as well as from academic circles. The National Foreign Intelligence Board (NFIB), composed of top officers from other intelligence agencies and chaired by the DCI, would give final approval to NIEs.

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1 The budget for the entire intelligence community, while still a secret, is estimated at some $30 billion. Some 85 percent of that is under the control of the Secretary of Defense through NSA, NRO, DIA and the intelligence arms of the four armed forces.

2 The other directorates were Administration, and Science and Technology (DDS&T).

The chief audience for NIEs were the president, vice president, and the National Security Council (NSC). To a considerable degree, the influence of the intelligence community depended on the vigor of the NSC. The CIA's other important clients were in Congress where intelligence "watchdog" committees kept a close eye on agency activities.

**Background Note 2**

**Intelligence Analysis: Just What Should It Do?**

In crafting their product, CIA analysts must keep constantly in mind two conflicting demands. Ideally, intelligence analysis is policy-neutral, non-partisan, objective. At the same time, it is supposed to serve the needs of the policymaker. The proudest product of the analytical community has been the National Intelligence Estimate (NIE) and the more crisis-driven Special National Intelligence Estimate (SNIE). Much debate has focused on the form of NIEs—should they be long, short, pose questions, prescribe action, detail scenarios? The other overarching question is whether NIEs best serve the policymaker when they represent a single, coordinated view of the intelligence community; or when they reflect the lively debate on most issues which animates the community from within? As one ranking CIA officer says:

> The line between policy and intelligence is we don't make policy, but if we're not involved in policy, we can't do the other. You can't support it in the sense of providing the wherewithal for [policymakers] to make decent decisions or interpret what they're getting.

*The Written Product.* How analysis is presented can greatly influence how it is received at the highest levels of government. For many years, the CIA behaved and indeed regarded itself as a classified version of a university. So-called current intelligence, provided on a daily basis to the president and top national leaders, naturally read much like newspaper articles. But NIEs were often long and, to critics, impenetrable. Their subjects were frequently of interest to the analysts, not to the White House which employed them. That changed somewhat with reforms in the early 1980s meant to make analysis shorter, more crisply written and more timely. But even with those changes, readers complain about the Agency's use of equivocal language. As one late 1980s National Security Council staffer puts it:

> Intelligence estimates typically are written so they can never be wrong. The consequence of course is they are never right. You have hedged conclusions and weasel words, and they're not crisp. They're not clear and they therefore feed the debate. Rather than challenging preconceptions, they allow the preconceptions to dominate. That's not to say the intelligence community pulls its punches. Frankly, it doesn't know.

Some CIA insiders think the difficulty is in trying to sound too authoritative. According to a top-ranking analyst and National Intelligence Officer:

> We don't do two things well: sometimes we don't make a clear distinction between what we know and what we think. ... The

> other thing we don't do well is identify what might make us wrong in this judgment, articulating the assumptions that go into the analysis we've just laid out.

*Single vs. Multiple Views.* Others feel that estimates suffer from striving for too great unanimity, eliminating valuable dissenting views which the policymaker deserves to hear. But again, reform does not necessarily help. Robert Gates, who implemented widespread writing reforms in 1982, sought at the time:

> To make analysis more rigorous and intellectually tougher. To encourage alternative views. To rely less on assertion and to make more use of evidence. And to be more open about the level of confidence in our sources and in our judgments.

Yet a decade later, a State Department officer largely supportive of the CIA says that "what I found disturbing about a lot of the estimates is that they did not lay out explicitly the evidence which led them to their conclusions. And therefore they were not open to intelligent inspection by an intelligent reader."

At the same time, being too inclusive carries its own risks. Within the CIA, most analysts welcome the use of footnotes to register dissent. But they recognize that estimates which take no firm view become self-defeating. Says one National Intelligence Officer:

> If [the policymaker] gets an estimate that's all over the lot, where you have no consensus anywhere, you know: 'Some believe this, some believe that on this issue,' it's actually worse. It's worse because no one knows what to make of this except that the community doesn't know what it's doing.

A consumer at the NSC level agrees that providing dissenting views creates its own problems.

> It feeds the impression that these guys don't know what they're talking about. They can't even agree among themselves. And remember that these are people who are doing information collection and analysis. They're not supposed to have any policy views.

*User-Friendly Intelligence.* A few of the Agency's harshest critics argue that it doesn't matter how much the CIA recrafts its reports or pursues relevance because, in the final analysis, it is precisely the Agency's political independence which makes it ultimately useless. Lieut. Gen. William Odom, for example, former head of the National Security Agency (NSA), maintains that the CIA is "an institution whose activities don't really affect things that much. Ninety percent of the information any policymaker needs to make decisions is in the open source material."

> It's not their fault. They have a lot of brilliant people, but they are institutionally not in a position to affect anything. As the chief intelligence officer of the army, how could I affect

> the chief of staff of the army? By knowing him, being in his councils and knowing what's on his mind. ... I've never seen people in the administrations that I've been connected with be terribly concerned about what the CIA says.

Less trenchant observers feel that intelligence analysis is at least handicapped by the degree to which its influence depends on the prior receptivity of the reader. "Intelligence," says one NSC official, "is in the eyes of the beholder."

> I find that it not only helps to influence people's thinking, but that people use it to reinforce their preconceptions and their policy positions.

Others ascribe policymakers' tendency to ignore intelligence assessments to the disjunction between the somewhat theoretical world of the analysts and the crushingly real-world realities with which policymakers struggle daily. Says one official who has been an intelligence consumer at both the State and Defense Departments:

> A lot of intelligence community folks feel that their job is to tell truth to power. ... Whereas policymakers in a certain sense are Marxists, if you start with Marx's judgment that up to now all philosophy was an effort to interpret the world; the point is to change it. [So] there is an intrinsic tendency to be somewhat skeptical of what they're reading from the intelligence community because it sometimes lacks warp and woof, the feel of the real world experience.

A former NSC staffer agrees that intelligence estimates are not "operational."

> Intelligence doesn't replace judgment. I still have to make judgments about, first of all, do I think that's right? Secondly, even if it is going to happen in six months, does it matter for what I've got to do the next three months? And what's the operational implication of that conclusion?

For her, the most useful intelligence product was the daily report on unfolding events she could request on short notice.

> I would say 'This is moving way too fast for me to track. Give me two pages tomorrow on what you think is really going on ... and do you think these guys are about to invade?' It was the quick turnaround.

While CIA officials find some of the criticisms of their work valid, they argue that much of it misses the point of how intelligence analysis can best be used. As NIO Robert Blackwell posits:

> Good staffs down there [at the NSC] realize that this building essentially, if it's used correctly, is their research organization,

from small things and quick things to big things. Not necessarily because of the uniqueness of the sources, but because you have a lot of horse power out here to pull together things from everywhere and try to package it in a way that you can digest. There can be an academic article that challenges your thinking in a big conceptual way, but it is not going to help you in an immediate response to something, and you can't get it that quickly.

**Background Note 3**

Criticizing the Estimates

The CIA provided lawmakers with two kinds of quantitative estimates. The first looked for trends by examining rates of growth, both in Soviet GNP (gross national product) and in defense spending. The second gauged the size of the economy by comparing Soviet GNP and industrial sector estimates with similar figures for the US and other countries. The CIA has had to contend with charges from within and outside the intelligence community that its methodology—both for estimating the Soviet economy and its defense expenditures—was flawed.[1]

Certainly the methodology was imperfect, largely because the Soviet government was secretive about much which might reflect poorly on the Communist system. Thus, Western economists were heavily dependent on published Soviet data which, while fairly reliable on physical production statistics, omitted much information. Secondly, ruble prices were difficult to compare with prices in other currencies, since they were set by central planners with little reference to market preferences. Thirdly, estimates of goods and services had difficulty quantifying the poor quality that characterized much of the civilian economy. Moreover, the black market flourished outside of official statistics.

Nonetheless, the CIA argued that its data was valuable for detecting trends in economic activity. CIA analysts did check published Soviet statistics on physical output against classified information whenever possible. Adjustments were made for the worst distortions of ruble prices. In fact, as NIO George Kolt reported in 1990 to the Senate Foreign Relations Committee, "the shortcomings of official Soviet statistics provided much of the impetus for the development of independent Western estimates."[2] Finally, the CIA points out, its estimates were widely used even by critical scholars.[3]

To track Soviet military expenditures, the CIA compiled two estimates—one denominated in dollars, the other in rubles. The dollar estimate made possible comparisons between the Soviet and American military forces. The ruble estimate enabled the CIA to calculate the proportion of Soviet GNP devoted to defense—the so-called defense burden.

To calculate how much the Soviets spent on defense, the CIA estimated what it would cost the United States to operate an equivalent military establishment: the "dollar costing" method. The US, through satellites and other sources, had generally reliable information on the actual numbers of tanks, weapons and so forth the Soviet Union was producing. Assuming similar quality, CIA economists calculated how much it would cost the US to produce the number of tanks, for example, that satellites could see the Soviets had built. By adding together similarly derived costs for the components of the

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1 In one celebrated case involving the East bloc, the CIA (1987) reported that per capita GNP in East and West Germany for 1985 was roughly equal. That mistake, due to currency conversion errors, was swiftly corrected.

2 Senate Foreign Relations Committee, *Estimating the Size and Growth of the Soviet Economy*, July 16, 1990. p. 13.

3 Interestingly, it would come out in the late Gorbachev years that General Secretary Yuri Andropov, too, trusted only CIA figures on his own country's expenditures.

Soviet military, the CIA arrived at an estimate of Soviet defense spending. When available, the CIA used actual Soviet prices as a basis for computing costs.

"Dollar costing," however, suffered from some of the same inherent weaknesses that beset estimates of the economy. It did well at detecting trends in military spending. As with the economic estimates, classified data on actual physical output provided a useful check against published Soviet figures. But the methodology, while correcting for the instances of which it was aware, could not fully account for the unknowable percentage of Soviet defense spending hidden within the civilian economy, from military training within the school system to individual factories which routinely channeled the best quality 10 percent of production to military procurers.[4] Moreover, even the "physical" estimates contained some errors undetected for years and still publicly uncorrected. For example, estimates of Soviet military manpower in Europe assumed 95 percent manning levels when the average was 85 percent; chemical warfare stocks and their deployment in Eastern Europe were overstated; the range of the Tu-22M Backfire medium bomber was exaggerated, as was the accuracy of the SS-19 ICBM.[5]

Gates, for one, felt that military costing methods "didn't capture the full scope of the burden of Soviet military efforts" on the economy as a whole. A sharper critic was the often iconoclastic Lieut. Gen. Odom who, as a young military attaché in Moscow in the early 1970s, researched the defense share of Soviet GNP based on interviews with the kinds of sources—dissidents and emigrants—the CIA rarely used. Although CIA analysts themselves say they did "carefully evaluate the many 'inside' estimates of the Soviet defense burden,"[6] Odom remembers differently.

> I got a Sakharov paper that said it was 42 percent. A couple of economists in Leningrad said it was 52 percent. I found a published book on military economy which said that over 20 percent in peacetime is *normal*. ... And I reported all that. I didn't change anybody's mind. ... [But] what the CIA could never be forced to deal with is how do you account for this huge force structure being purchased at such a small resource allocation? ... The first thing you should have done was take some of these inside estimates seriously.

In an example from later years, Odom says the Defense Intelligence Agency (DIA) had a defector's report that the defense burden was as high as 17 or 18 percent, "and the CIA didn't want that in" any estimate. Odom also feels that the Soviet statistics the CIA used as part of the process for deriving estimates had little meaning.

> A ruble account can't give you any idea of what actually is being allocated. You might as well be adding up the stock numbers. I mean, Brezhnev himself couldn't find out ... what he was actually allocating ... [The CIA] should have taken

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4 CIA military and civilian economists did, they hasten to point out, make adjustments for such factors.

5 Garthoff, p. 507n.
comment from Gertrude Schroeder Greenslade and Laurie Kurtzweg, 4/25/94.

> seriously that there were a lot of institutional mechanisms for allocating resources that no number system is going to catch. It was not even allowed that the CIA model disallowed this. You got no response on those kinds of issues.

Prof. Harry Rowen, chair of the NIC from 1981-83, agrees that the CIA—like the mainstream academic community, to which it had close ties—did not give much credence to émigré reports about life in the Soviet Union. The economic estimates in the mid-1980s, for example, put Soviet GNP growth rates at 2-3 percent, roughly in the same range as the US and Western Europe. Yet, says Rowen, "practically every émigré, of which there were thousands, said the place was falling apart." He argued:

> What effect did this have on the American specialists in the subject? None. Well, why? Because [the Americans felt the Soviets were] just badmouthing it because they are émigrés, they have a biased view.

Jack Matlock, on the NSC from 1983-87 and subsequently ambassador to Moscow, concurs that "both academic economists and CIA economists, try as they might, placed too much credence ultimately in Soviet official data." Added Matlock:

> Now if you're a quantitative economist, there's no getting around that because there were no other figures to use. So I didn't think this was being soft-headed or anything.