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SOVIET POLICY ISSUES

Susan Clark, *Editor*

May 1989

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PREFACE

The Institute for Defense Analyses (IDA) has organized and conducted a series of Soviet policy seminars. All the key note presentations were made by leading non-American experts on the Soviet Union, in order to provide the sponsor, IDA, and invited guests with a distinctly non-American view of Soviet policy issues. Each presentation was then followed by a brief commentary designed to highlight differences of opinion and to stimulate discussion. This report represents a compilation of edited versions of these seminars. The commentaries are contained in the appendix to this document.

Although studies of Soviet policies in their various dimensions are abundant in the United States, the sponsor and IDA concurred that it is important to be aware of the non-American perspective on these issues; such was the objective of this seminar series.

While IDA has provided extensive support for this project, including selecting the contributors, hosting the seminars, and editing the individual papers, it should be noted that the views expressed in the papers are those of the authors alone and do not necessarily represent the views of either IDA or the sponsor. Finally, because this represents an effort by many individuals, IDA requests that prior approval for any reference to the material in this publication be obtained from the particular author via IDA.

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CONTENTS

PREFACE	iii
FUTURE TRENDS IN SOVIET MILITARY-TECHNICAL POLICY	
<i>Mr. Christopher Donnelly</i>	1
A. The Nature of the Doctrine	3
B. Putting Doctrine into Practice	5
C. The Gap Between Theory and Practice	8
D. Economic Considerations in Military-Technical Policy	9
E. The Military-Technical Element of Doctrine in Arms Control	10
F. The Role of Weapons of Mass Destruction	14
G. Force Restructuring	15
H. The Future Battlefield	21
I. Where to Fight	25
H. Conclusions	26
TWO PARALLEL LINES DO NOT INTERSECT: SOVIET-ISRAELI	
RELATIONS, 1988-1989 - <i>Dr. Theodore Friedgut</i>	27
A. The Middle East in Gorbachev's Policies	31
B. Issues in Soviet-Israeli Relations Today	35
C. Conclusions	47
NATIONALIST UNREST IN THE USSR	
<i>Ms. Nieves Bregante</i>	51
A. Causes for the Resurgence of Nationalist Phenomena	54
B. Popular Attitudes Toward Nationalist Phenomena	57
C. The Evolution of Gorbachev's Attitude Towards the Nationalist Program	58
D. Solutions to the "Nationalities Problem": The Leadership's Attitude	67
E. Conclusions	73

PROSPECTS FOR SOVIET FOREIGN TRADE REFORM	
<i>Dr. Marie Lavigne</i>	77
A. The Soviet Foreign Trade Reform in its Third Year.....	81
B. Prospects for Soviet Relations with the West.....	104
PERESTROIKA: WHO STANDS TO GAIN, WHO STANDS TO LOSE?	
<i>Dr. Elizabeth Teague</i>	111
A. Long Lines and Empty Shelves.....	114
B. Shift in Policy.....	117
C. Gorbachev on the Sources of Resistance to Change	122
D. Zaslavskaya on the Sources of Support and Opposition.....	124
E. The Far Right	135
F. The New Left	136
G. Conclusion	138
APPENDIX A - COMMENTARIES	
FUTURE TRENDS IN SOVIET MILITARY-TECHNICAL POLICY	
<i>Lt. Colonel John Hines, USA</i>	A-1
TWO PARALLEL LINES DO NOT INTERSECT: SOVIET-ISRAELI	
RELATIONS, 1988-1989 - <i>Dr. Bernard Reich</i>	A-9
NATIONALIST UNREST IN THE USSR	
<i>Dr. Donald Carlisle</i>	A-17
PROSPECTS FOR SOVIET TRADE REFORM	
<i>Dr. Harald Malmgren</i>	A-25
PERESTROIKA: WHO STANDS TO GAIN, WHO STANDS TO LOSE?	
<i>Dr. Peter Hauslohn</i>	A-37

**FUTURE TRENDS IN SOVIET MILITARY-TECHNICAL
POLICY**

Mr. Christopher Donnelly

**June 1988
Updated April 1989**

ABSTRACT

Mr. Christopher Donnelly, the director of the Soviet Studies Research Center at the Royal Military Academy Sandhurst, assesses near-term developments in Soviet military-technical policy. Donnelly first identifies the components of Soviet military doctrine and how the doctrine is actually implemented.

Donnelly next explains that one of the Soviet military's challenges is to improve its training system. Even more difficult will be the reallocation of civilian and defense resources, a central component of Gorbachev's economic reform effort.

Donnelly cautions that any arms control negotiations will face a series of difficulties, owing to numerous differences between NATO and the Warsaw Pact. These differences certainly extend to the role of nuclear weapons.

Donnelly then turns to an examination of the Soviet force structure and the key reasons behind its future reorganization. Turning to the future battlefield, he explains that weapons development and command and control will be of central concern and that the most likely battlefield is not in Central Europe.

According to Gorbachev, domestic needs must drive foreign policy considerations. In Gorbachev's efforts to reform the Soviet Union, Donnelly concludes, the Soviet military may assume an apparently less offensive posture.

FUTURE TRENDS IN SOVIET MILITARY-TECHNICAL POLICY

A. THE NATURE OF DOCTRINE

Unlike Western countries, the USSR has a formal framework of military doctrine that conditions the Soviet approach to the study of war. This doctrine transcends the function of its western counterpart, which details tactical regulations; for the Soviets, doctrine lies in the political realm. It is the concept by which the entire nation and not just the armed forces is prepared for war. The extra-military nature of the concept is illustrated by the recent addition to Soviet military doctrine of the supposition that the military's primary function is to avoid war.¹ In fact, precisely this fundamental difference in understanding of the nature of doctrine caused some consternation among NATO countries in 1988, when the Warsaw Pact made overtures to open up discussions about doctrine with NATO.

This, in fact, underlines one of the most important differences that complicate considerations of both NATO and Soviet/Warsaw Pact military policies. The Soviet concept of doctrine enforces on the soldier and politician a common approach to the problem of defense. They start from a common philosophical standpoint, apply a common logical thought process--the Marxist-Leninist approach--and use a mutually comprehensible lexicon of terms, each of which has a specific and well-defined meaning. Their NATO counterparts have no such system and no such strictly defined terminology either within or among nations.

Soviet military doctrine has two basic elements, the socio-political element and the military-technical element. During the last four years, Gorbachev and his spokesmen have actively championed the resuscitation of the former. This, they argue, was eclipsed in the Brezhnev years, when the Armed Forces overemphasized the military-technical aspects of

¹ See Army Gen. D. Yazov's statement to the foreign military attaches and diplomats in Moscow, 29 April 1988, quoted in *BBC Summary of World Broadcasts (SWB)* SU/0141, pp. A/1-2, 3 May 1988.

doctrine and failed to appreciate the interdependence of the two elements of doctrine. Although this paper focuses on the military-technical aspect of doctrine (that is, the methods and means of waging war), this aspect cannot be understood without proper consideration of the socio-political element (that is, the social, political, and economic impact of war and the preparation for war).

This distinctly modern Soviet perspective, which reemphasizes the significance of the socio-political aspects of doctrine, is particularly relevant to a nation for which the demands of a massive military machine have critically distorted the economy and weakened the social fabric, rendering the country vulnerable to social stagnation and possibly even collapse. Massive military might can no longer be used as an instrument of policy to overwhelm economic giants before they could become military giants as well; in the nuclear age, such an option is suicidal.

Despite Gorbachev's claims that war can no longer be a policy tool, and the Soviet military's ostensible repudiation of Clausewitzian thinking, this logic does not deny the value of a strong military as a political tool, as well as an insurance policy for national security. Gorbachev has essentially called into question not only the "Brezhnevite" view that the stronger the Soviet Armed Forces, the more respect the USSR would receive abroad and the greater Soviet power would be to influence other nations, but also the political utility of using armed force to achieve any objective of policy under current conditions as he sees them, save in the cause of national defense. For example, if he were to use force to bring dissident East European nations in line, his policy of *perestroika* and democratization will be completely compromised. So, too, would these policies be comprised if the Soviet leadership decided to intervene in a Third World country as it did in Afghanistan. Events of the late 1970s, as the Soviet military build-up created fear in the West and spurred a corresponding build-up in defense capacity on the part of NATO and Japan, serve as evidence that the military's value as a weapon of political intimidation and influence is also quite dubious.

Previous Soviet leaders have sought solutions to the USSR's problems in many areas by extensive development--expansion in size and scale, be it of arable land, energy exploration, or military power. According to this way of thinking, more military power meant more tanks, ships and planes. Such extensive development is no longer an option for Gorbachev in any field, the military included. What is now needed in all spheres is

intensive development; that is, there must be an increase not in quantity but in quality.² In the military sphere, this qualitative improvement applies to both equipment and personnel. This will likely constitute the primary future trend in Soviet military-technical policy. How it is to be accomplished may have significant implications not just in the military-technical sphere but also in the political arena, particularly in current and projected disarmament negotiations.

B. PUTTING DOCTRINE INTO PRACTICE

The development of military doctrine is primarily the responsibility of the Communist Party. The military is subordinated to the Party, and this is an unalterable relationship. The Party's ultimate authority is illustrated by its recent appointment of relatively junior officers to many major commands, in preference to more senior General Staff officers who might have received such appointments in the past.³ The Party's relationship with the Army is like an architect's relationship with a bricklayer. The architect approves the plan and consults the head bricklayer about the capabilities of his work force, the load-bearing capacity of his bricks, and the quantity and type required. A wise architect who trusts his bricklayers does not tell them how to lay the bricks, but neither does he welcome the bricklayers' comments about his design for the building. In this way, the Party has relied on the military-technical advice and skill of the General Staff in implementing its plans for the development of the Soviet military system.

The Soviet General Staff is a professional elite of the highest quality, based on the Prussian model of a General Staff; no NATO country has an equivalent model. Officers can be selected and promoted within the General Staff early in their careers--as captains in their mid-twenties--to attend, for example, the Frunze Military Academy. These officers must demonstrate abilities to subordinate parochial special-to-arm or single-service interests to the interests of the Armed Forces as a whole.

The General Staff is responsible for the development of Soviet military science and Soviet military art--developing the means and methods of warfare, which together make up the military-technical element of Soviet military doctrine. They plot the future course of military development in accordance with the general directives of the Party and maintain the

² See "CPSU Central Committee Thesis Approved at Plenum Meeting on 23 May 1988," *Pravda*, 27 May 1988, cited in *SWB*, SU/0164, p. C/9, 30 May 1988.

³ The Chief of the General Staff, Moiseyev, appointed in 1989, was only 49 years old.

impressive military training system, developing, researching and passing on its lessons through the military academies of the Armed Forces.

However, all institutions are the victims of their experience, and during its genesis in the Civil War and its coming of age from 1941 to 1945, the General Staff developed certain preoccupations and ways of operating that have come to characterize its activities to date. These are as follows:

- The close coordination with the civilian Party leadership in the planning of strategy and the implementation of strategic plans in accordance with policy.
- The development of the operational level of command on the battlefield and the ability to think, plan and command on an operational and strategic scale.
- The conduct of warfare by maneuver, influenced by the nature and scale of Russian terrain over which the Red Army and Soviet Army had to fight.
- A reliance on calculations for planning and executing operations, based on a system of evaluating and measuring the relative combat capabilities of friendly and enemy forces and likely rates of attrition and sustainability capacities.
- The conduct of operational analysis combined with analytical exploitation of military experience (that is, the analysis of operations) to establish the values of the mathematical equations developed for the calculation of the battlefield and to update these values.
- The development of and reliance on a combined concept of intelligence and reconnaissance as a General Staff function (the GRU). The consequent high status of intelligence within the planning system and the close interaction of intelligence and operations branches with a headquarters staff.
- The compulsory inclusion of *maskirovka* (deception, camouflage, disinformation, cover of ground, etc.) into every plan at any level, including the military-political and strategic levels.
- The close integration at every level of military and civilian agencies and the design of civilian institutions and equipment (tractors, trucks, ships, planes, etc.) with military utility in mind. The detailed planning for mobilization of civil society in the event of crisis or war.

- The cadre system of force structure whereby only a small percentage of formations are maintained at full strength but the state is assured of a massive military mobilization potential in the event of a crisis or war.
- An obsession with standardizing procedures, main equipment items, and training drills, to a very high level to ensure interoperability of formations. An enforcing of such standardization on allies as an essential feature for effective command and control of a coalition.
- The establishment of an effective procurement system with the emphasis on design, to provide equipment that meets the training and maintenance needs of a cadre army; is tailored to the battle to be fought; is sufficiently inexpensive to field in large quantities; and is effective and of a quality necessary to defeat the enemy when measured on an operational scale.
- The development of a coordinated system for planning force structure, based on assessments of the preceding principles of measuring combat power and performance. This has resulted in the establishment of the principle that the force structure and table of organization and equipment (TO&E) of units and formations can be constantly amended to take account of fluctuations in weapons and levels of training, the introduction of new (or greater or lesser quantities of) equipment, the adoption of new tactical and operational concepts, and other related elements.

As the working organ of the Soviet Ministry of Defense, therefore, the General Staff has traditionally decided on the structure, equipping, training, and operational concepts of the Soviet armed forces, determining how they should prepare to fight a war. Theoretically, this professional advice is presented to the Defense Council, the body responsible for decisions on national defense preparation. This Party body--the "military rump" of the Politburo--bears responsibility for allocating resources to defense based on the General Staff's net assessment of the relative capabilities of the USSR and its main opponents. The General Staff is then responsible for implementing the decisions of the Defense Council. In practice, however, until Gorbachev took office the General Staff's advice went unchallenged because the Defense Council had no real alternative source of advice. The Defense Council restricted the overall budget in the light of economic realities, but the available resources were spent as the General Staff thought fit. In other words, the General Staff's influence on policy was so great that it essentially directed policy.

C. THE GAP BETWEEN THEORY AND PRACTICE

The Soviet Army is clearly under great pressure to improve the efficiency of its training system. It appears that the General Staff has been very effective at devising new and impressive operational concepts and guarding the procurement of the necessary equipment. However, it has been much less effective at ensuring that the Soviet soldier and officer are able to handle that equipment and exploit its capabilities in the context of the increased demands that will be imposed on them in a future battlefield.

"Improve training" is therefore the current universal cry in the Soviet Armed Forces. To develop the ability to use the new equipment, improve junior command skills, and demonstrate a degree of versatility and initiative--these are the requirements for officer, NCO and soldier. Military-technical development during the next five years will certainly be targeted on improving methods and means of training, both in basic military skills (coping with an increasing number of national minorities with poor knowledge of Russian) and in the competence of the young officer, as a technician (or technical expert, such as a pilot) and as a commander. The training regiment system may be expanded, with conscripts undergoing special training before being sent to combat units that rely on on-the-job training. Such a solution might also serve to reduce the bullying problem that has become a highly debated issue in the USSR today. This training regiment system certainly proved a more effective way of preparing soldiers for service in Afghanistan.

Within the Warsaw Pact a degree of specialization may develop, so that certain national armies are allotted specific tasks. For example, the East Germans might concentrate on defense, the Poles on city fighting, as their training priorities suggest. Western analysts often fail to recognize the possibility of task allotment among Warsaw Pact members. If they perceive that the Soviet Army lacks a special capability, these analysts assume that a Warsaw Pact (i.e., Soviet) plan will not include a requirement for that capability. For example, the Soviet Army does very little Military Operations in Urban Terrain (MOUT) training, so they are not expected to do much fighting in towns. But that task may well be taken on by a Warsaw Pact ally such as East Germany or Poland. By concentrating only on an assessment of the Soviet forces in Eastern Europe, a NATO analyst may be unpleasantly surprised in a crisis situation.

The Air Forces are likely to introduce, perhaps initially on a small scale, units devoted to training a small number of pilots as "aces." These will be men with above average skills and abilities who will be more capable of exploiting the increased performance of the latest Soviet aircraft (for example, the SU-27 and MiG-29). It should

be noted, however, that these aircraft follow the same design principles as their predecessors. They are designed so that they can be controlled and deployed along the same lines as other Soviet aircraft. They are super-MiG-27/SU-17s, not Soviet F-16/15s, and they do not require a quantum leap in pilot ability, skills or the use of initiative. Nor is such a leap likely to be required during the next five years.

D. ECONOMIC CONSIDERATIONS IN MILITARY-TECHNICAL POLICY

The economic problems that beset the USSR, and which Gorbachev must solve if he is to be successful, are not the cause of the Soviet Union's many ills, but the symptom. The cause is political, and political reform is an essential precursor to any effective economic reform.

The distortion of the Soviet economy is in part caused by the disproportionately high allocation of priority to the defense sector. The problem is particularly acute in the area of high technology, where defense has a virtual monopoly of advanced R&D and production techniques. The future progress of the Soviet economy and the opportunity to catch up to the West's technological advances, depend on the ability to develop basic research to support high-technology R&D across the board in the civilian economy. Only if this can be achieved, and investment made now in revolutionary new technologies (specifically, laser, plasma, membrane, chemical, impulse and radiological technologies) can the USSR expect to develop the advanced weapons necessary to match those that the West will be able to field in the next decade.

This redeployment of resources will be neither quick nor easy, since Gorbachev has no reliable method of calculating the cost of his defense effort or of expanding the civilian sector to employ many of the esoteric skills developed in isolation in the defense sector. A Western prime minister, president or congress can switch finances into and out of the defense sector very easily because they have effective systems of accounting and the civilian industrial and social sectors of their countries are sufficiently flexible to cope with a sudden increase in resources; Gorbachev cannot do this. For example, in the USSR, massive submarine hulls are made of titanium,⁴ a skill developed through a tremendous level of investment. There is very little immediate gain to be made by making that technology and those resources suddenly available to Soviet civilian industry because the civilian application of those skills is very limited. In civilian terms, the investment has been

⁴ By comparison, in the West the largest piece of titanium forging is the wing root on the F-14.

largely wasted. Shifting investment from the defense to the civilian sectors of the Soviet economy is a long process, one that could take years before the West might be able to measure significant changes.

Smaller quantities of technically improved weapons systems capable of matching, or nearly matching, the performance of their Western counterparts are expected to be fielded. However, a step function in weapons design improvement is not expected, not only because of the slow rate of Soviet technological progress but also because such a deployment could be counter-productive by jeopardizing East-West relations and reviving the specter of a Soviet threat. Gorbachev will be wary of reviving the threat perception in the West, particularly when the currently stringent Cocom restrictions show promise of easing, thereby helping Gorbachev to close the technology gap.

Therefore, Gorbachev should find the *current* technological balance between Soviet and NATO forces acceptable, since the West's potential technological advantage has not, in fact, been fielded, except perhaps in the area of aircraft and missiles. There is, however, enormous incentive to reduce military demands on the economy, particularly in the area of future technological development for force modernization. At the same time, Gorbachev must recognize the need to prevent Western technology from forging ahead of Soviet technology, not only in weapons but also basic research.

E. THE MILITARY-TECHNICAL ELEMENT OF DOCTRINE IN ARMS CONTROL

It must first be understood that any East-West dialogue on arms control is bound to be rendered more difficult because the two sides will employ terminology that seems similar, but in fact means different things to the two sides. "Doctrine" is a case in point. "Operation" and "operational" also present a problem. The Soviet terminology is precise, while the Western is vague. This disparity provides considerable leeway for word play which may confound the efforts of Western negotiators. The integration of military and civilian concepts in the Soviet system means that any proposal made at arms control talks is likely to have both a military and a political rationale in Soviet eyes--a proposal, if accepted, is likely to redound to the Soviet advantage in both the political and military spheres.

Second, the Soviet military has long considered one of NATO's weakest points to be its poorly developed capacity to plan and fight at the operational level of war. The lack of significant NATO operational reserves and reliance on the Air Force for this task, particularly in a short-warning scenario, makes air power one of NATO's most significant

operational level assets. Yet NATO has only tactical attrition models on which to base its calculation of the worth of its Air Forces in its force structure. Recent Soviet proposals to trade Soviet tanks for NATO aircraft take on added significance when viewed in this light.

Third, the Soviet investment in planning, training, and equipping its Armed Forces for maneuver warfare, with the emphasis this has placed on the strategic offensive operation, not only has determined the entire organizational structure and design of military equipment, tactical drills and training programs, but also has moulded the attitudes of two generations of commanders at every level. To change this and to propose the adoption of some form of defensive defense as an alternative to the present configuration of the elements of Soviet Armed Forces in Europe, would involve a change of enormous magnitude in the way the Soviet Armed Forces prepare for war. The offensive spirit is a psychological attitude, which would take years to alter, especially since, in the eyes of the Soviet General Staff, all forms of defense require substantial offensive or counter-offensive capability, however politically difficult that might be.

The inevitable military resistance to such changes, which would accompany political directives to that end, will make such plans more difficult to introduce. To continue the metaphor introduced in the preceding paragraphs, for the Party now to try to tell the Armed Forces how they should fight their wars would be like the architect suddenly telling the bricklayer how to lay his bricks. Naturally, the bricklayer considers this an unwarranted interference and a redefinition of the relationship between the two partners. Furthermore, overt acquiescence by newly appointed head bricklayers does not necessarily translate into enthusiastic acceptance by the entire bricklaying team. From the tone of articles in the Soviet military press designed for internal consumption, one can infer that the Army feels this way about the ideas mooted by Party spokesmen in their statements about the defensive nature of the new "Warsaw Pact Doctrine" and the possible validity of Western non-provocative defense concepts.⁵ However, just as the architect has the final word at the end of the day, so too will Gorbachev unless or until he loses his position.

Fourth, whereas the Soviet General Staff prepares its plans on the basis of a system of detailed mathematical calculations to establish the relative combat power of the potential opponents, the likely rates of attrition, and the requirements for sustainability to dictate the

⁵ See, for example, Maj. Gen. A. N. Grylev, D. Hist. Sc., "Some Peculiarities of the Summer-Autumn Campaign of 1942," *Voenno-istoricheskii zhurnal (VIZh)*, No. 8, 1987, p. 20. The political leadership (Stalin) is criticized for interfering with and altering a perfectly good General Staff plan on political grounds. This resulted in the failure of the plan and the disasters of the year 1942.

probable outcome, NATO has no such system. This makes it difficult, particularly when linked with the Soviet focus on maneuver warfare, for NATO to assess with any degree of confidence the relative value of asymmetrical force reductions (the effect of withdrawing a T-64 regiment on Soviet performance compared with the removal of an F-16 squadron from the NATO inventory).

Currently, Soviet calculations demonstrate that a fully deployed NATO can establish a defense so effective that it will resist attempts at rapid breakthrough with conventional weapons alone. This strength is because the growth in effectiveness of anti-tank weaponry (including tanks and mines) in recent years has made *density* (ratio of force to space) as important as the *correlation of forces* (ratio of force to force) in establishing a strong defense. New, highly accurate weapons further threaten the mobility of forces on a future battlefield due to their range, lethality, accuracy and the speed with which they can be employed when a target is acquired (so-called recce-strike complexes).

The density of the conventional defense can be reduced most effectively by achieving surprise, which is very difficult but not impossible, or negotiation. A twenty-five percent reduction in force density on both sides prevents the defender from fielding an impenetrable defense across the whole front, but it does not prevent the attacker from achieving the same degree of concentration at the points of breakthrough. The lower the density of the battlefield, the easier it will be for the attacker to attain the mobility and rapid penetration of the defense essential to prevent NATO's effective use of nuclear weapons. Conventional artillery bombardment can contribute to the destruction of the defense but cannot destroy it completely, as could be done in 1945, because of the dispersal and mobility of the defender and the efficiency of counter-battery fire.

Fifth, the Soviet procurement system currently can produce most military hardware items with a combat effectiveness equivalent to that of Western equipment in half the time and at half the cost.⁶ Although overall Soviet technology seriously lags behind that of the West, they can now match NATO's fielded technology in many areas by compensating for technological backwardness with clever design, effective engineering skills and rapid procurement. This does not mean that, tank for tank, a T-64 is better than an M1. However, taking into account the entire system for the support of a tank formation, the combat potential of a Soviet formation is not, in Soviet eyes, significantly inferior to a U.S.

⁶ This has been well substantiated by U.S. reverse engineering studies. See Kehoe and Brower, "A Comparison of Soviet and Western Weapons Systems Design Practices," SSRC Ref. No. C8.

formation.⁷ Table 1 provides a chronology for comparing procurement systems, based on the example of the acquisition of anti-tank weapon and the explosive reactive armor to defeat their warheads.

**Table 1. Chronology of Explosive Reactive Armor (ERA)
In Tank vs. Anti-Tank Technology Development**

1973	Arab Israeli War (Yom Kippur). Demonstrates the vulnerability of tanks to shaped-charge warheads on missiles and rockets
1974	Israel starts working on a solution; chooses to try to defeat the warhead Soviets follow suit NATO starts procurement of infantry anti-tank weapons on a large scale, all using shaped-charge warheads
1978	Israel produces ERA "Blazer." Fit covertly
1979	Soviets produce ERA
1980	NATO acquires first adequate quantities of anti-tank guided weapons (ATGW) and light anti-tank weapons (LAW)
1982	Israel uses "Blazer" in Lebanon
1984	Soviets deploy ERA NATO maximum acquisition of ATGW and LAW
1986	NATO begins to worry about ERA. Plans new ATGW to defeat it (TOW B)
1987	French Tandem warhead developed to defeat first-generation ERA
1989?	In-service date for TOW B
1989-90?	Soviet research into <i>active</i> armor

It should be noted that, while the USSR fields fifty percent of Warsaw Pact strength, the United States provides only twenty-five percent of NATO strength, and whereas almost all of the Warsaw Pact front line is made up of Soviet or very effective East German forces, many of NATO's front-line national corps are, by Soviet calculation, much weaker than the U.S. V and VII Corps.

Sixth, there are some areas where clever design and efficient procurement cannot compensate for Western technology (for example, air-to-air missiles). When this is the

⁷ For example, taking into account the ability of the crews to maintain vehicles and systems functioning in a combat environment; the capacity of the NATO 105mm gun and TOW against reactive armor and the Soviet 125mm gun against U.S. laminated armor; the vulnerability of both types of tanks to mobility kills from mines; the automotive and electronic reliability of components, etc.

case, the result is disastrous for the low-technology army. If NATO were to invest its superior technology efficiently in weaponry, the Soviet forces would be seriously disadvantaged. Russians stand in awe of Western technological potential and fear a Western technological breakthrough that will render the expensive Soviet investment in conventional arms useless. This point has been amply expanded in several serious articles in the Soviet military press and by Gorbachev himself.⁸

F. THE ROLE OF WEAPONS OF MASS DESTRUCTION

Nuclear weapons are the only weapons NATO possesses that can destroy the USSR. Soviet fear of a NATO surprise attack is only fear of a surprise nuclear attack, perhaps backed up by conventional forces. NATO, on the other hand, fears both a nuclear and a conventional Soviet surprise attack, and Europeans fear the latter much more than the former. The fewer nuclear weapons NATO has, the more NATO thinks it needs conventional forces. But the fewer operational and tactical nuclear weapons NATO has, the less the Soviets think they need conventional forces because a NATO conventional-only attack has no credibility.

The prime value of nuclear weapons to NATO is deterrence, not war fighting. Purely conventional deterrence no longer exists. The Pershing-2 missile was a deterrent because it provided a strategic weapon (that is, with range to hit the USSR) on German soil and, therefore, one that could potentially be in German hands during a war. This would make it impossible to keep a nuclear war confined to Europe. The deterrent lies in its coupling to strategic weapons. Decoupling the United States from Europe is a long-term Soviet aim. The Soviets could afford to give up ten times the number of equivalent systems to get rid of the Pershings and cruise missiles. The Soviets do not seem to be interested in having a war go nuclear at any time or at any level. In the event of a war in Europe, they must be expected to try to keep it conventional. Only to pre-empt the West's certain or likely nuclear use might the Soviets be tempted to preemptive nuclear use, and in that case they would be certain to try to limit it to the European battlefield.

Notwithstanding Gorbachev's announcement of unilateral conventional force cuts at the United Nations in December 1988, the primary Soviet effort in arms control and disarmament is expected to be aimed at reducing the nuclear risk to the USSR, but not

⁸ See, for example, "The 27th CPSU Congress on the Long-Term Strengthening of National Defense Capacity and Raising the Combat Readiness of the Armed Forces," *VIZh*, No. 4, 1986, p. 3.

tackling the problem head on. For example, perceiving the commitment of the current British and French governments to maintain an independent strategic deterrent, it seems it likely that Gorbachev will not make those the focus of his disarmament campaign, perhaps not even introducing these systems into the discussion. Instead, he is likely to probe for more vulnerable points in the Western nuclear and related policies and attempt to exploit those for the time being. One such vulnerability is the issue of NATO modernization of its tactical nuclear inventory, an issue which will be seen as a crucial gauge of political will within the Alliance.

The issue of chemical weapons is less certain and, indeed, hotly disputed. Given the Soviet fear of escalation, their preoccupation with calculations of weapons effects and their need to make the battlefield as mobile as possible, it seems that the Soviet Army would prefer to keep warfare entirely conventional and deter the use of chemical weapons. Chemical weapons could, especially if used by both sides, slow down the battlefield drastically, their value thus accruing to the defender. It is difficult to assess their effect on a battle without post-strike reconnaissance, which is not conducive to rapid advance. Moreover, NATO could, in time of crisis, readily field a retaliatory response manufactured in civilian chemical factories. Furthermore, the Soviet Army can now field weapons systems (such as scatterable mines) to perform functions (for example, suppress an airfield long enough to get an air strike overhead) that could only previously be fulfilled by chemical weapons.

Naturally, if some breakthrough is made in the chemical arena which provides say, a non-lethal but effective incapacitant that defeats current means of protection, this might so significantly change the equation that it might be thought worthy of use during a conventional war. However, based on the information currently available in the open literature, it seems that the primary Soviet aim in this sphere will be to reduce the likelihood of either side's resorting to chemical weapons in time of war, while retaining for safety's sake an effective protection system. They will also continue trying to develop, in secret if possible, advanced chemical weapons that could be used to achieve technological surprise if the current situation changes.

G. FORCE RESTRUCTURING

The Soviet Army is organized into a cadre system. Seventy-five percent of their formations are organized for the most efficient reduction plan--the conscripts are dismissed and only the (regular) officer cadre plus 25 to 33 percent of the conscripts (1 sub-unit per

regiment) are retained. Thus a full-strength division can be reduced to between 15 and 50 percent of its strength (category 2 or 3), and be reformed effectively in approximately three weeks in a crisis situation.

The Soviet leadership, therefore, considers mutual force reductions to be a valuable way to obtain a military advantage. While the Soviet forces can reduce to a "category 3 status" without disbanding--thereby maintaining the option for remobilization in a crisis--few NATO national armies are organized to include such a potential. Reorganization of many NATO armies along similar lines would demand considerable institutional effort and training reorganization.

As noted in the preceding paragraphs, one of the main characteristics of the Soviet military organization is that a final TO&E for a Soviet unit or formation does not exist. The continued introduction of new weaponry, the constant refinement of tactics and operational plans and the continual search for improvement in the balance of weapons and tactics means that the TO&E is in a constant state of change. In fact, the Soviet Army has historically practiced fluid organization, but it appears that pressures for major structural change have escalated in recent years for several reasons.⁹

The current force structure (of armies composed of divisions and regiments with associated C³ set-ups) was adopted as a standard in anticipation of a war involving nuclear weapons. If the enemy can be destroyed by nuclear strikes, then the ideal operating ratio of tanks to infantry to artillery to supply, etc., can be established without tailoring individual formations to cope with the different conditions of enemy and terrain that would be encountered in Western Europe in the event of war. The Harz mountains or the suburbs of Hanover can serve equally well as tank axes if all the defenders are dead. River crossing or obstacle clearing engineer assets could be allocated from the Front level when necessary to cope with specific problems of devastation. However, it does not make sense to have the same ratio of branches of arms at the tactical level in purely conventional conditions because, except where surprise has been achieved, the combination of different enemy forces and different terrain poses significantly different military problems if the defender has not been suppressed by an initial nuclear strike.

Second, the current force structure, which was last reformed on a large scale in the early 1970s, has been constantly amended since then in an attempt to come to terms with

⁹ See A. I. Radziyevskiy, "Ways of Improving the Viability of Forces in Offensive Operations," *VIZh*, No. 6, 1977, p. 14.

the tactical and technical developments demonstrated in local wars. The vulnerability of homogeneous battalions was well demonstrated in 1973 and the resultant debates in the Soviet military press provide ample evidence of the concern this caused in the Soviet Army. The result of this debate was a saturation of the reinforced battalion group with weapons to the point where the battalion commander could no longer effectively control the now combined arms force under his command.

Third, the increasing mobility and protection of the defender rendered much of the World War II artillery experience invalid at the tactical level. No longer was it sufficient to land 120 to 150 122mm rounds on a hectare to achieve suppression. If the rounds did not land in five or six minutes, they would be wasted since the enemy would have moved. Worse, counter-battery fire would shorten the life span of the advancing battery. Henceforth, fire had to be in short, sharp, concentrated strikes by the minimum of a battalion of eighteen or more guns, perhaps by two or three battalions. This required a degree of coordination of artillery fire to achieve the required norms that went well beyond the capacity of the regimental and divisional system as it stood at the end of the 1970s.

Consequently, in the late 1970s and early 1980s, some of those divisions that had led the experimental debate on combined arms tactics (such as the Rogachev Guards Motor Rifle Division in the Belorussian Military District) held study days on the subject which attracted high-level attention from the Ministry of Defense. At least three of these divisions have subsequently adopted different force structures. At the same time, operational analysis, in the form of historical research on the pages of the *Military Historical Journal* [*Voенно-исторический журнал*], focused a great deal of attention on the organization of command and control in the Great Patriotic War. This remains a popular theme for study.

The tank and mechanized corps of 1945 is considered the most relevant example for study. A World War II Soviet corps, not a division, had provided the basis for the modern division. But consistent aggregation of extra weaponry altered the structure developed during the war. Wartime tank armies were composed of corps and brigades, which were distinguished from the rifle divisions by a higher quality of command and staff, essential for the efficient control of the extra mobility that these formations possessed. The slower the formation and the greater the reliance on drill, the lower the requirement for C³. The more mobile and flexible the formation, the more important it became to supply that formation with top-grade commanders and staff at every level.

To transfer this experience to the present day, the continued increase in the equipment and weaponry of a 1970-style Soviet division has reached a point where the current system cannot coordinate the fire systems between divisions effectively. The traditional distinction between tactical and operational command (i.e., division and army level) is now an obstacle to the development of combat concepts. The force structure requires radical change to accommodate all these needs and to permit the development of such concepts as the Operational Mobile Group to mature.

The Hungarian Army's spring 1987¹⁰ reorganization from five divisions (of regiments) into three corps previously seemed to provide a paradigm for restructuring. Each corps has three to five brigades, the composition of which depends on the terrain conditions in which they might be deployed. The Hungarian reorganization saved 1,000 officer posts within the Army and contributed significantly to greater Army efficiency by providing for better C³ and mission specialization, as well as by rationalizing skill functions within Headquarters.

Given the obsession with standardization of command and control within the Warsaw Pact, it is hard to imagine that the Hungarians could have made a unilateral decision to restructure their forces just to save jobs. It seems that the Hungarian model is an example of a logical restructuring to establish the principle of a force structure within an army (the Hungarian Ground Forces make one operational army) in which formations are tailored to the circumstances of ground and enemy and are configured primarily for conventional war. Yet, it is obviously easier for the Hungarians to accomplish this first because they have such a small force in a limited geographical area. For the Soviet Union, the situation may be different. Although the Soviet Army established at least two, and possibly more, "new army corps" as reported in the current *Soviet Military Power*, it now appears unlikely that such corps will be widely used in the Soviet armed forces.

For more than a decade, debate and experimentation about ratios of arms of service, tactics and drills has been reported in the Soviet military press. It will take some time for a complete reorganization of Soviet forces to occur, but current trends indicate a move away from large corps and towards smaller divisions. Soviet formations are expected to have a different balance of armor, motor rifle, engineer, artillery, and air mobile forces, depending on the anticipated enemy and terrain. Within each brigade, there may be a greater number

¹⁰ See interview with Marshal Kulikov in Yugoslav weekly *Danas*, 14 March 1987, reported in *SWB*, EE/8549, p. C4.

of smaller homogeneous battalions and an attempt to achieve effective combined arms action at the brigade, and/or combined arms battalion groups where this is deemed feasible, reflecting in structure the current functional practice. Of course, if the Hungarian example is indicative of future developments, a reorganized Group of Soviet Forces, Germany (GSFG), could sustain a significant reduction in size and numbers of formations, purely for reasons of military efficiency. Such reductions could form the basis of disarmament initiatives, perhaps even unilateral ones. Furthermore, since current force ratios are calculated in divisions, and the term has entered the Western consciousness, the Soviets may choose not to relinquish the term but to keep it, and simply reorganize their forces without allocating different names to the new formations. Attempts have been made to link the corps organization purely to the OMG concept. However, this seems to be unlikely in principle, although the OMG, requiring a higher quality of command and staff because it is a more difficult function, might well become one of the tasks allocated to the first GSFG forces to be reorganized.

The discussions and debate subsequent to Gorbachev's announcement of unilateral force reductions in December 1988 have added a new political dimension to what had previously been purely military considerations. Evidence of strain between Gorbachev and some of his General Staff had emerged during the preceding year; the General Staff, not wishing to relinquish the opportunity of gaining military advantage, had insisted on reciprocal (albeit asymmetrical if necessary) force reductions. But Gorbachev, perceiving the growing need to break the political deadlock so as to reduce defense costs quickly for his own domestic reasons, apparently overrode their objections and set forth his proposal.

It would appear that he intends to make significant reductions in ready (category 1) forces, reform the conscription and mobilization system to improve its efficiency, and force the Soviet forces in Europe to adopt a "clearly defensive" character. Again, only time will tell if these proposals will be implemented, but there is no doubt that the USSR could afford significant reductions without jeopardizing its defensive capability against any credible threat. The reductions would, of course, make it very difficult to consider a Soviet "bolt-from-the-blue" attack credible, but this always seemed a very unlikely option. The move clearly indicates that Gorbachev does not think that war is imminent. A significant reduction (this proposal may only be the first of many) would not only help the domestic economy, but it would also help fund military modernization--a better Army must also be smaller if it is not to be more expensive.

Furthermore, there is always the political value of such a move. There has already been a deep erosion of the fear of a Soviet threat in Europe, particularly in West Germany, which threatens to undermine Alliance policies. The possibility also exists that NATO nations may announce unilateral force reductions without any strategic or institutional adjustment. If such is the case, then lower force levels on both sides in Europe will be a destabilizing, not a stabilizing factor at all.

The most likely force posture for the Soviet Armed Forces to adopt would probably be based on the withdrawal of reorganized mobile forces behind "fortified regions": extensive areas of defensive fortifications saturated with anti-tank, anti-aircraft and close-range anti-personnel weapons.

That this is at least under consideration can be deduced from the Soviet models currently used for operational analysis. The Soviet General Staff has always made great use of analysis of WWII operations when planning for future war. Its choice of examples on which to model its future plans has always been most revealing. Until the influence of Gorbachev was felt, the Visla Oder Operation and Manchurian Campaigns of 1945 were the most commonly-used models, but all other models also concentrated on surprise, high speed offensive, and encirclement on a large scale.

Over the past two years, however, the switch to a less provocative military concept has led to the search for alternative models. The General Staff prefers the model of the Kursk strategic battle of 1943. In this, the Nazi forces were worn down by attacking Soviet defensive positions, and were subsequently counter-attacked by large Soviet forces from the depth which penetrated deep into the German formations to destroy them.

Also used as a model, and favored by the political think tanks of the Institutes of the Soviet Academy of Sciences, is the example of the battles of Khalkin Gol in Mongolia. Here in 1939 Soviet forces under General Zhukov halted and repelled Japanese forces advancing from Northern Manchuria. In this instance, Soviet forces merely restored the national boundaries and did not advance into Manchuria to complete the destruction of Japanese forces. This, it is stressed, was a political decision, although it was clearly influenced by the fear of a war on two fronts developing as the political situation in the West deteriorated.

However, the military deployment for both of these models--forward defensive fortifications backed up by mobile counter-attack forces--appears identical in the forward region. The existence of rapidly mobilizable second-echelon forces in the Western Military

Districts, however, provides for a strategic counter-offensive capability by which Soviet forces could transition to an offensive in depth to destroy NATO forces on their own territory in the same manner as by a strategic operation. Maintenance of such an offensive capability is considered essential by the Soviet General Staff, and accepted by the Soviet leadership. The potential for deception in the use of these two models, passing off a "counter-offensive operational capability" (Kursk) as a purely defensive capability (Khalkin Gol), is clearly very high.

H. THE FUTURE BATTLEFIELD

Dividing the post-war era into periods of military development is a peculiarly Soviet way of looking at the historical development of military affairs. Of late, the exact timing of the more recent of these divisions has become a disputed issue in Soviet military history--evidence that the analysis of the current period is not entirely clear. If this is so, Soviet military analysts argue that future developments cannot be clearly foreseen either. The fact is that the pace of change is accelerating, and it is becoming ever more difficult for Soviet military science to keep abreast of these changes. These rapid changes cause problems, for example, in procurement. The all-important factor today is speed of procurement. Weapons technology becomes obsolescent in the lab, before it ever reaches the field.¹¹ Economics is no longer the sole determinant in the outcome of a conflict; a nation's ability to mobilize economic potential for war has become as important a factor. Similarly, it is not technology but the ability to field that technology, which will become the more important factor in determining the outcome of future battle. In this context fielding does not mean simply producing or supplying, but also working out an efficient force structure to accommodate the new weapon or equipment; devising tactics or procedures for its employment; and training soldiers to use it effectively. Thus, the quality instead of quantity issue previously referred to becomes a much more complex issue than it might first seem.

Although the development of weapons based on new physical principles is no longer in the realm of military science fiction, it is still some years away from deployment. Any war within the next few years is likely to be fought mainly with the technology of yesterday and today and won by the side that can field these technologies most effectively. To the Soviet Army, this certainly means better weapons but, as noted in the reference to

¹¹ See, Army Gen. P. G. Lushev, "The High Combat Readiness of the Soviet Armed Forces--A Very Important Factor in the Defense of Socialism," *VIZh*, No. 6, 1987, p. 3.

the MiG-29, there is unlikely to be any real fundamental change in the principles by which those weapons will be used. While a greatly reduced reliance on drills is not expected, drills should improve, with more alternatives and more sophisticated standard operating procedures.

This is particularly the case with the modernization of command and control. At the lower level, more junior officer "native wit" will certainly be encouraged to cope with the problems of fluid battle situations and lack of communications, but greater initiative will probably continue to mean a more effective choice of and initiation of improved tactical drills. Less overt tutelage by senior officers will be more likely, leaving more command of detail to the junior officer.

Both soldier and officer will need to show greater versatility on the future battlefield and will need to be able to do a greater variety of jobs. Increasing the soldier's versatility will be the real test for the training system. Just as radically improved weapons can spring only from a radically improved economy, so radically better soldiers are possible only if the raw material of Soviet society can be improved. General civilian education, pre-service training, the physical fitness of Soviet youth, their morale and spiritual attitude, all must change if the soldiers are to improve. *Perestroika* of the entire country is as essential to Soviet military improvement as it is to improvement in any other sector of Soviet life today.

Current developments in the technical aspects of new weaponry threaten the viability of the existing Soviet military system. Highly accurate weapons, when coupled with new target acquisition systems by sophisticated automatic data processing techniques, promise several things. First, there will be such an increase in the speed of reaction that a NATO commander will be able to identify and track a Soviet headquarters and hit it at a crucial moment and at short notice (e.g., 10 minutes), and it will thus be possible to get inside the Soviets' command and control cycle.¹² No current procedural answer to such a technological threat exists. If a procedural answer cannot be found, a technological answer must be sought, and the indications are that the Russians are not confident in their ability to field a matching or compensatory technology. Second, the introduction of such weapons would give NATO commanders an operational scale of impact that they currently lack, except in air power. This would enable strong corps (e.g., U.S. and German) to

¹² See, Maj. Gen. I. Vorob'yev, Dr. Mil. Sc., "Time in Battle," *Krasnaya zvezda*, 9 Oct 1985, p. 2.

support the weaker corps and might help redress the current alarming tendency on NATO's Central Front toward a widening gap between strong and weak corps.¹³

Third, targeting such new weapons specifically on HQ and communications could further complicate the already difficult C³ problem. Remotely delivered weapons and mines will, equally, complicate maneuver. And here exists the potential for localized military casualties (i.e., disabled vehicles) to equal the casualties that could be inflicted by a tactical nuclear weapon. In these ways (but only in these ways and not in the sense of collateral damage) new technology weaponry can affect battle in many ways similar to nuclear weapons. Increased lethality, accuracy, and range will considerably reduce operational mobility on the battlefield. For a military system (such as the Soviet one) that believes success in future war depends on high speed and deep penetration at an early stage, this is a serious consideration and accounts for much of the concentration in recent years on increasing mobility. Yet faster and bigger trucks and tanks do not mean greater operational mobility. Corps-sized formations cannot move from A to B today any faster than they could in 1945. Table 2 illustrates this fact by comparing movement during the Battle of the Bulge in 1944 with a 1987 exercise by U.S. III Corps. These are all reasons for Gorbachev to try to slow down the technological competition with the West and to ensure, on behalf of his General Staff, that if war is forced upon the USSR, the battlefield density is low and permits rapid maneuver.

In some measure, the Russians certainly know that one way to maintain maneuverability is to go by air. The growth of airborne and air portable forces and the development of helicopter tactics is likely to be one of the major features of Soviet tactics and operations during the next five years. Experience in Afghanistan can only have added to Soviet focus on this area. But a gradual dissolution of airborne divisions in favor of air assault units integrated into combined arms brigades and corps is likely. The coordination of the helicopter arm with fixed-wing aircraft and the integration of these forces into the order of battle (in the new corps-brigade structure) are currently areas of much tactical experimentation. The helicopter fleet of Aeroflot provides enough reserve transport and pilot capacity to meet the demands of doctrine.

¹³ This has serious implications for NATO operational vulnerabilities. See John Hines, "Encirclement," SSRC Ref. No. AA11.

Table 2. An Example of Military History Used as Operational Analysis by III (U.S.) Corps

	(a) Battle of the Bulge 1944	(b) Exercise "Certain Strike" (Reforger) 1987
Divisions	3+	2+
Vehicles	11,800	11,000
Distance	250km	150km
Warning Order	96hrs	72hrs
Movement Begins	H-80	H-60
Routes	4	7 down to 4
March Unit	30 Vehicles	24 Vehicles
Vehicle Interval	50m	50m
March Unit Gap	3mins	5mins
Serial	1-5 March Units	1-6 March Units
Serial Gap	8mins	15mins (day) 30mins (night)
Speed	25mph (day) 15mph (night)	20mph (bridge 100) 15mph (60-70 bridges)

The more mobile the battlefield of the future, the greater will be the need for the Soviet Army and its Warsaw Pact allies to develop their concepts of defense. This has, in fact, been a feature of Soviet tactical studies since at least 1984, no doubt in reaction to NATO's adoption of more active tactical and operational plans.¹⁴ Weapons currently in development, such as the fuel-air weapon, will present the defender with a new range of threats, the implications of which do not seem to have been fully explored yet by either NATO or the Warsaw Pact. The continued vulnerability of infantry combat vehicles to current infantry weapons and the saturation of the defense with short-range highly lethal anti-personnel weapons (flame-throwers, grenade launchers, automatic mortars, etc.) present the attacking infantryman with an equally serious threat to his viability.¹⁵

¹⁴ See, S. R. Covington, "The Role of the Defence in Soviet Military Thinking," September 1987, SSRC Ref. No. C64; and "Defence During Strategic Offensive," February 1988, SSRC Ref. No. C65.

¹⁵ For an excellent discussion on these points see K. Brower, "The Role of Infantry," September 1987, SSRC Ref. No. BB1.

Currently, the USSR, like NATO, is seeking answers to these problems with several minor developments (such as greater use of heliborne fire suppression) rather than fundamental changes. The next five years will indicate whether this approach is likely to be successful. One way in which Gorbachev might seek to compromise with the General Staff on a reduced standing force in Eastern Europe is to organize a significant component of the Soviet Groups of Forces and the Non-Soviet Warsaw Pact armies with fortified defensive regions prepared in depth and saturated with anti-aircraft and anti-tank weaponry plus rapid firing anti-personnel weapons and mines. The mobile corps could be held at greater depths for (counter-)offensives. This would appear less offensive while retaining the considerable (counter-)offensive capability the General Staff demands.

I. WHERE TO FIGHT

While military-technical issues do reflect the demands of doctrine, developments in this field also affect doctrine. One of the effects of current and potential future developments has been to persuade Gorbachev, at least, of the truth of a cliché, has long been accepted in Western military circles, that Central Europe remains the most important area of confrontation, it is probably the least likely area for conflict to break out. The development of a Theater (TVD) command system, as Michael McGwire argues,¹⁶ demonstrates a Soviet concern with being able to fight on any sector of their borders.

The Soviets' current concern with the Middle East should remind us that while this may be "out of area" for NATO, it is not out of area for the USSR. The Soviet military establishment is very reluctant to relinquish the high-speed offensive as a concept for defeating NATO in the event of a war, but the General Staff may well be forced to accept a lessening of its capability in this regard not just to satisfy the political requirements of Gorbachev's foreign policy initiatives with the West, but also to release resources with which to strengthen its abilities for combat elsewhere, if it cannot afford both capabilities simultaneously. When the Soviet Army is able to raise its eyes from its current painful training problems, it may be looking at a horizon that is no longer simply in the West, but somewhere in the South or East.

Equally, while Afghanistan has in many ways been an extremely painful experience for the Soviets, it has also provided the General Staff with a new element of military

¹⁶ See Michael McGwire, *Military Objectives in Soviet Foreign Policy* (Washington, DC: The Brookings Institution, 1987).

experience, which will be made more appropriate for export to the Third World. Even though it is now clear that Gorbachev is keen to reduce tensions with the West in the Third World too, this added capability should be kept in mind.

J. CONCLUSIONS

Gorbachev, in true Leninist fashion, holds that domestic needs must drive the course of Soviet foreign (including military) policy. Replacing yesterday's belief that war was a useful policy tool, the most active policy instruments used by today's Soviet elites will be *glasnost'*, *perestroika* and the like. Gorbachev has engaged the sympathy of Western publics by appealing directly to them and persuading them that the problems the Soviet Union faces are indeed their problems, too. Such sympathy erodes objectivity and makes opposition difficult. It also helps to undermine the perception of the threat and to reduce the willingness of western voters to support high defense budgets or limitations on trade with the USSR. Similarly, the recent Soviet withdrawal from Afghanistan and the pursuit of less overtly aggressive policies in the Third World help to cement Gorbachev's favorable international image. Continued flexibility in arms control, assuming the support of the Soviet military, will also work in this direction.

Conversely, at home Gorbachev faces increasing cynicism from his own population regarding the prospects for reform in the Soviet Union. Thus far, his attempts at moral regeneration of Soviet society and at bringing the USSR to the highest levels of productivity in the shortest term have met only sporadic enthusiasm in a sea of apathy. He has been very successful at overcoming direct opposition to his policies that emerges regularly from within the top political and military leadership. To overcome the resistance at other levels, Gorbachev needs to constantly accelerate the pace of reforms.

It is quite likely that, in his determination to secure less hostility between East and West, Gorbachev will insist that the Soviet Army in Europe adopt a less overtly provocative deployment posture, as noted above. The military does not accept the validity of any defensive posture that renders them incapable of counter-attack in order to "crush the aggressor." This may become a bone of contention if Gorbachev pushes for a more serious change of deployment and readiness posture. The Soviet Army is so uniquely tailored for the offensive, believing it to be the only sensible means of defense in event of war, that to abandon this would be very difficult and to provide a credible alternative, presuming one even exists, would require years of work.

**TWO PARALLEL LINES DO NOT INTERSECT: SOVIET-
ISRAELI RELATIONS, 1988-1989**

Dr. Theodore Friedgut

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ABSTRACT

Dr. Theodore Friedgut, a Professor in the Department of Russian and Slavic Studies at Hebrew University in Jerusalem, examines the current state of Soviet-Israeli relations. Having provided an accounting of important events in their bilateral relations since 1967, Friedgut then turns to an assessment of Soviet Middle Eastern policies under Gorbachev. Friedgut explains that the USSR continues to have both defensive and expansionist interests in the region, but that its previous high-cost, high-profile presence has been supplanted by a more modest presence. In this context, Soviet-Israeli relations have begun to be institutionalized on various levels.

When focusing on the key issues in Soviet-Israeli relations today, Friedgut identifies four topics, specifically: Israel's stance in the Cold War; the right of Soviet Jews to emigrate and the cultural and religious rights of those Jews who remain in the USSR; the Soviet Union's role in the Middle East, especially in any Arab-Israel peace process; and the restoration of normal diplomatic relations between the USSR and Israel.

Friedgut concludes that the atmospherics of Soviet-Israeli relations have improved considerably. Contacts have developed at various levels, although the chance for substantive change in their bilateral relations faces numerous obstacles.

TWO PARALLEL LINES DO NOT INTERSECT: SOVIET-ISRAELI RELATIONS, 1988-89

The USSR broke off its diplomatic relations with Israel on June 10, 1967, at the end of the military phase of the Six Day War. From that time to the beginning of 1985, when the first influences of Gorbachev's *perestroika* were faintly discernible, there was little motivation for change on either side. From the Soviet point of view, the strategic decision of the early 1950s to support the Arab side against Israel appeared to retain its political validity, despite a steady erosion of Soviet influence in the Arab camp after Nasser's death. From Israel's point of view, the USSR was seen as an implacable foe of the Zionist state, motivated by considerations of *makhtpolitik* supplemented by a visceral anti-semitism that honed the edge of whatever rational factors might be turning the course of Soviet policy against Israel.

For the first ten years of this separation, there was little motivation on either side to change the *status quo*. Israel found itself with little or nothing to offer the USSR, while the one concession that Israel was actively interested in gaining from the Soviet Union--the free emigration of Soviet Jews who wished to leave--was being realized without diplomatic relations or direct and formal Soviet-Israeli negotiations. The Soviet Union, meanwhile, was sliding into an era of retrenchment and stagnation in foreign policy as well as in domestic affairs. Viewed in retrospect, it is far clearer today why Soviet spokespersons were reputed to have told the Egyptians that only the Americans could conduct negotiations for any settlement of the post-1973 Egyptian-Israeli situation, since the United States held all of the cards. What was not clear at that time was the immense and multi-layered complexity of Middle Eastern conflicts. The name of Khomeini was as yet unknown, as was the nature of Qadafi, while few suspected to what depths of civil strife Lebanon would sink. In the mid-1970s both the Soviet Union and Israel viewed the Middle East essentially as an undefined area of the budding detente, and one in which political influence was a zero-sum game between East and West. The thought that there were developments in which both East and West might simultaneously lose was yet to come.

The turning point in this immobilism can be set at October 1, 1977, with the joint U.S.-Soviet statement advocating the reconvening of the Geneva Middle East Peace Conference under the sponsorship of the two superpowers. The motivation on the Soviet side was fairly simple and consistent with previous policy--an international conference with the USSR as co-sponsor recognized the legitimate interests and presence of the Soviet Union in Middle East affairs. It also gave the Soviet Union an opportunity to press for unity in the Arab world to face up to the Israeli-U.S. front, presented as an imperialist, neo-colonialist threat to the independence of the Arab states. On the U.S. side, there was the Carter presidency's activist approach (problems exist for the purpose of being solved), that regretted the dissipation of the momentum towards a settlement created by Kissinger during the period following the Yom Kippur War. As a catalyst there was the election of the Likud government in Israel, headed by Menachem Begin, and a fear that this hard-line government would lead to renewed war in the region. For the American government, the prospect of such a war, with a replay of the economically disruptive oil boycott, was a nightmare not to be countenanced. What was apparently unknown to both the Americans and the Soviets when the joint statement was made, was that Israel's Foreign Minister, Moshe Dayan, had already met with President Sadat's representative, Touhami, in Morocco, to lay the groundwork for the Egyptian-Israeli peace agreements.

If there has been one error in Soviet Middle Eastern policy that has become apparent in recent years, it is the misreading of the importance of the Camp David agreements. From the beginning of the Sadat-Begin contacts, the Soviet Union reacted with hostility and skepticism. The political evaluation appeared to be that there was no serious prospect of any agreement between the two leaders and if by some chance an agreement should be reached, it had no political basis. The agreement would then collapse within a short time, leaving its sponsor (the United States) looking silly. It would appear that the Soviet policy makers expected that such a debacle would further stir up the Middle East to the benefit of the USSR, by resulting in the removal of either one or both of the two strongest anti-Soviet leaders in the region--Begin and Sadat.

In the ten years that have passed since these dramatic events, the Soviet analysis of Camp David has proved totally erroneous. The Israeli-Egyptian peace, however fragile it may appear, has survived Sadat's assassination, as well as the Israeli invasion of Lebanon and has become one of the basic political factors in Middle East politics. Egypt has survived a decade of isolation and, by virtue of its demographic and strategic weight in the Arab world, is returning to the center of inter-Arab affairs. At a time when priorities and

strategies in Soviet foreign policy are being re-examined wholesale, it is only natural that the Soviet attitudes toward Egypt, Israel, and the Middle East as a whole are undergoing reassessments as well.

A. THE MIDDLE EAST IN GORBACHEV'S POLICIES

The Middle East has a prominent place in Soviet strategic thinking for various reasons. The proximity of the Eastern Mediterranean to Soviet territory is emphasized in every Soviet statement on the region. With the violent and persistent flare-up of Armenian-Azerbaijani tensions that surfaced publicly in 1988, attention has been increasingly focused on the fact that the Soviet territory lying closest to the Middle East is an ethnically diverse and sensitive "underbelly" with a history of numerous foreign incursions, and with ethnic and cultural connections that transcend political borders. These are permanent geopolitical factors that cannot be expected to change over time, and thus will maintain their sensitivity for Soviet policy makers, whatever the international constellation.

Other Soviet interests in the Middle East are, however, of an expansionist, rather than a defensive, nature. During the Khrushchev period and until the mid-1970s, the Soviet Union actively and aggressively peddled its influence in the Middle Eastern countries, attempting to stimulate the involvement of new masses in politics, replacing the traditional elites of the region. This policy proved to have higher costs and risks--and lower returns--than had been anticipated. Egypt was the recipient of massive Soviet largesse, and with Nasser at its head appeared to be not only an anti-American ally, but a country that had declared for socialism, and allowed its political, military, and economic systems to be penetrated by Soviet emissaries and pro-Soviet Egyptians. Yet none of this long survived Nasser's death. Qadafi's declarations of "Arab socialism" aroused interest and hope among Soviet diplomats, yet his uncontrollable nature, political instability, and disruptive behavior within the Arab world soon resulted in a far less optimistic evaluation of Libya's value as an ally. Syria, although more stable and consistent in its policies, has throughout the years maintained a stubborn independence in policy, pursuing its own perceived interests even contrary to Soviet urgings, and has prevented local communists or Soviet personnel from achieving positions of influence within its power structures.

Until the mid-1970s, Soviet Middle East policy was based on the perception that the region was valuable in itself, and not only as a transit area or as a potential benefit in the pushing match for strategic advantage that the Soviet Union was conducting against the United States. However, unlike the defensive interest that the Soviet Union sees for itself

in the Middle East, this expansionist interest is a function of overall resource budgets and priorities, an interest to be augmented or diminished in salience as necessitated by the USSR's other international and domestic commitments.

A diminution of active Soviet involvement in the countries of the Middle East should not be thought of as a cost-free decision. When the USSR refrains from sending arms, aid or advisers to a given country, other suppliers jump in, and whether it is China, France, or the United States, Soviet influence is commensurately diminished. Yet this is not an existential loss, as would be the neglect of a strong defensive posture designed to minimize the possibility of foreign intervention in the Caucasus, the Black Sea littoral of the USSR and Eastern Europe or in Central Asia. Thus, whatever the Soviet Union's ultimate goals in the Middle East, this particular aspect need not be given constant high priority, but can be put on a low priority status for indeterminate periods, to be resumed when conditions are more propitious. In addition, the high-cost, high-profile presence of the Khrushchev and early Brezhnev periods can be supplanted by a relatively modest presence in which normal relations are established and maintained, as the Soviet Union has done in Egypt and the Persian Gulf states.

Such a reordering of Soviet priorities appears to have taken place with the advent of Gorbachev. Resources are being concentrated on domestic rather than foreign use, a process that is coupled with a drive towards creating a low-cost, low-risk international environment and a freezing of expansive activism. The foundation of this policy appears to be the subsuming of regional politics under the umbrella of Soviet-U.S. relations. The basic thrust of Soviet policy today appears to be to create an ambience in which the USSR will be relieved of the possible necessity of huge research and production expenditures to counter the American Strategic Defense Initiative (SDI) campaign, while at the same time reaping a concomitant benefit of opening the way for American management, technology and investment in the stagnant morass of the Soviet economy. Subordinated to this central goal, Soviet activity in the Middle East assumes the character of a secondary regional interest to be used in furthering the primary aims of Soviet policy.

One of the keys to the success of such a policy is the ability to maintain some measure of influence and even control over the regional actors during this process of stabilization. At this point, Soviet-Israeli relations become relevant to Gorbachev's policy for the Middle East. For the past fifteen years, the conventional wisdom has been that the United States has had an advantage in Middle East negotiations because it could talk to both sides in the Arab-Israeli dispute, while the Soviet Union could talk to only the Arabs;

however, this is not strictly true. When limited, mutually agreed-upon objectives were on the table (as at the Geneva Conference in December 1973), the absence of formal diplomatic relations with Israel did not prevent the USSR from playing a role in the negotiations. When there have been routine bilateral contacts, as at the annual United Nations meetings, when premiers and foreign ministers of all countries meet as a matter of course, Soviet-Israeli meetings have taken place regularly, with the exception of one or two years during which Prime Minister Begin suspended them. In the four years that Gorbachev has been Secretary General of the Communist Party of the Soviet Union (CPSU), such meetings--between Shimon Peres (as Israeli Prime Minister and later Foreign Minister) and Soviet Foreign Minister Eduard Shevardnadze, and between Prime Minister Yitzhak Shamir and Shevardnadze in June 1988--have not been mere courtesy visits, and have evolved into extended and serious discussions of bilateral and regional problems. There have also been dramatic private conversations, such as the July 1985 meeting of the Israeli and Soviet ambassadors in Paris at a private house, where they held an extended discussion on Middle Eastern affairs and the Soviet understanding of a possible peace settlement. Studying the content and ambience of these meetings, it seems that the Soviets' problem was not the absence of channels of communication. The central problem was the lack of mutual trust, and indeed the active mistrust and antipathy that had evolved on both sides during the years of polarized confrontation.

Now, however, an effort has been made to regularize Soviet-Israeli contacts. Indeed, consultative contacts between the Soviet Union and Israel have been institutionalized on two levels. Gennadi Tarasov, deputy head of the Middle East Desk of the Soviet Ministry of Foreign Affairs, and Nimrod Novick, a political assistant to Israel's Minister of Foreign Affairs, were reported to have met in Bonn in August 1987, and agreed to periodic political contacts. From that time until the formation of the new Israeli government at the beginning of 1989, the two have met regularly in various European capitals, conducting intensive and prolonged discussions where each side could present its agenda and concerns. The understandings reached during these discussions then served as a basis for contacts at a higher level.

The higher level of Soviet-Israeli political contacts has involved Foreign Minister Peres at meetings of the Socialist International. Such a meeting took place in Rome in 1987. In May 1988, Peres met in Madrid with Alexander Zotov, a veteran Soviet foreign affairs official, and with Alexander Weber, who was identified as a deputy director of the International Affairs Department of the Central Committee Secretariat of the CPSU and is a

relatively new appointee of the Gorbachev period. In addition to these public, but discreet, meetings, the Soviet Union agreed to an acknowledged, formal meeting with Israeli diplomats in Helsinki in August 1986 to discuss consular contacts between the two countries. With the change of administration in Israel, these limited beginnings have been institutionalized at the ministerial level. The importance that the Soviet Union places on developing these contacts was dramatized when Soviet Foreign Minister Shevardnadze toured the Middle East, and initiated an invitation to Israeli Foreign Minister Arens to meet with him in Cairo. There has been, then, no lack of opportunity for Israel and the Soviet Union to clarify officially and directly problems of mutual interest and to suggest possible solutions, whether the subject is in the realm of Soviet-Israeli relations or Middle Eastern politics.

In addition to understanding and mutual respect, what had been missing in Soviet-Israeli relations was the full web of cultural, economic, and political contacts that characterizes normal relations between two states, and gives the sophisticated policy maker a multitude of opportunities to express delicately nuanced pleasure or distress over any particular action by the opposite side. In particular, the USSR has no sanctions that can be applied against Israel, aside from propaganda or political activity in international fora or the unlimited granting of arms to various Arab states. These actions, however, involve no direct withdrawal of previous benefits from Israel and are therefore *relatively ineffective*. The one sanction that can be applied against Israel is the closing of emigration to Soviet Jews, as was the case between the end of 1979 and 1987. However, the issue of Soviet-Jewish emigration has become closely tied to American-Soviet relations, and there is thus a considerable cost in this sphere when such a sanction is applied, even when the target of such a sanction is ostensibly Israel.

Historically, Soviet-Israeli commercial and cultural relations have never been extensive. Nevertheless, during periods when the USSR shipped oil to Israel and purchased Israeli citrus and textiles, the effect of Soviet displeasure at Israeli actions was a cost to be reckoned with in Jerusalem. The right to have an embassy in Moscow and to participate in industrial, sporting, and cultural expositions in the Soviet Union were also considered valuable assets by Israeli policy makers, and therefore gave Soviet diplomats some small degree of leverage in their negotiations with Israel's representatives. These are precisely the contacts being established by Soviet diplomats today, in the effort to establish bargaining positions with Israel.

B. ISSUES IN SOVIET-ISRAELI RELATIONS TODAY

In today's international climate, four main issues are discussed between the Soviet Union and Israel--Israel's stance in the Cold War; the right of Soviet Jews to emigrate and the cultural and religious rights of those Jews who remain in the USSR; the Soviet Union's role in the Middle East, and more specifically, in any prospective Arab-Israeli peace negotiations; and restoration of normal diplomatic relations between the USSR and Israel.

It should be noted that the relative priority of the various items on this agenda are not necessarily congruent for both sides. Some fundamental asymmetries cause repeated difficulties in the meetings between the two countries. For Israel, the rights of Soviet Jews and the USSR's role in the Middle East are of highest priority, in that order, while restoration of relations between the two countries has a symbolic and instrumental value. (Israel's general stance in international relations is on the agenda between the two countries only because of the Soviet Union's interest in it.) For the Soviet Union, recognition of its role in any Middle East negotiations and imposition of restraints on Israel as an anti-Soviet ally of the West appear to be its highest priorities, while renewal of diplomatic relations with Israel may be viewed as a necessary step in realizing these Soviet interests. The Soviets reluctantly agreed to discuss Soviet Jews as an international issue, and then only because of American intervention during the Reykjavik conference. The following sections describe each of these issues and include an assessment of how they affect Soviet-Israeli relations today.

1. Israel's Stance in the Cold War

The first break in relations between the USSR and Israel occurred in early 1953. Following Stalin's death, when the two governments established contacts to discuss the renewal of relations, the USSR posed two conditions. One was that Israel request a renewal of relations, and the other was that the Israeli government formally pledge that it would not join any military or political bloc of an anti-Soviet nature. This sensitivity to the formation of anti-Soviet alliances remains to this day.

Within this general framework, there are several facets of Israel's policy that raise objections from the Soviet side. The first of these is the memorandum of strategic agreement, signed by the Begin government with the United States in 1981, and periodically renewed since. As presented by Israel at that time, it was explicitly a partnership to defend the Middle East against Soviet expansionism and Islamic fundamentalism. While neither the United States nor most of the Israeli public appear to

attach great significance to this memorandum, the Soviet Union has regarded it as a provocative act and has repeatedly referred to it during the Lebanese crisis. More recently, Israel's agreement to take part in research for the SDI has been referred to by Soviet sources as part of U.S.-Israeli strategic cooperation and is proof of the aggressive nature of both Israel and the SDI.

Israel's share in the SDI program is modest and includes only the development of an anti-ballistic missile rocket. It involves neither the use of outer space, nor nuclear development, yet Soviet reaction to Israeli cooperation in this program reflects the priority that has been given to opposing the SDI throughout the period since the Geneva Summit. The importance of this program to Israel, given the use of extended-range Soviet Scud missiles in the Iran-Iraq war and the initial delivery of Chinese missiles to Saudi Arabia, with the possibility that others may go to Libya and Syria, makes it highly unlikely that any Israeli concessions to the USSR on this point will occur. The same is true of Israel's development of the Jericho-2B, a missile said to have a 900-mile range and thus capable of reaching a portion of the USSR from launching sites in Israel. The Soviet Union, in its radio broadcasts and military press accounts, has mentioned this missile as a nuclear-capable threat and has warned Israel against developing it. In the past, such threats have been accompanied by explicit statements that, in the event of hostilities, Israel would be making itself a target for Soviet action by harboring such weaponry. Perhaps it is the context of greater sophistication and moderation that the Soviets have left the threat implied in the present case.

If the previous three elements in Israel's policy (i.e., the memorandum of strategic agreement with the United States, participation in the SDI, and development of the Jericho-2B) are not likely to be reversed, there are yet some gestures that Israel can make to mollify the USSR. Some years ago, the U.S. State Department requested that Israel permit the construction of transmitters for the Voice of America in the Negev. The transmitters were specifically meant to beam programs to Soviet Central Asia and the Caucasus region. Although the proposal generated no great enthusiasm in Israel and had been turned down by other Middle Eastern countries, the Israeli government gave its approval, recognizing that Israel was obligated to assist with American policy when requested to do so. The objections raised in Israel were that the transmitters served no Israeli interest and were a gratuitous irritant that could only complicate any development of Soviet-Israeli relations. Although construction of the transmitters is due to be completed only toward the end of 1991, the growing ethno-religious tensions in their target regions make them an object of

concern to Soviet authorities, even while jamming of American broadcasts is being reduced. Soviet press articles occasionally claim that Israel is being integrated into American psychological warfare against the Soviet Union.

Israel has made no demand against the Soviet Union to counterbalance the Soviet insistence on Israel's international neutrality. Nevertheless, throughout the years, Israeli governments have been extremely sensitive and vocal regarding the Soviet Union's participation in political initiatives that use anti-semitic stereotypes in the fight against Israel--and in particular the campaigns at the United Nations for resolutions branding Zionism as a form of racism or equating it with Nazism and apartheid. No hostile Soviet propaganda so grates on the public and political nerves of Israel. Yet Israel has never made any talks or agreements with the USSR conditional on the Soviet government refraining from such actions. Even in recent months, in the full swing of *glasnost*, parallels between Israel and Nazi Germany still appear in the Soviet press, although with much less saliency and frequency than was the case five years ago.

In sum, it appears that in terms of world orientation, the USSR and Israel will always have different values and interests that will encumber the relations between them. Even if the fundamental ideological difference between the USSR as a communist country and the United States as a liberal democracy become somewhat muted, the two as global powers are likely to remain in a competitive stance throughout the foreseeable future. In that competition there is no doubt as to which side has interests more closely congruent with those of Israel. As a country closely aligned to the United States, Israel's relations with the USSR may become correct and may even warm somewhat, but they are unlikely to become truly close or strain-free.

2. Soviet Jews

The second item on the Soviet-Israeli agenda is the issue of Soviet Jews. In this case it has been Israel that has focused on the issue as a high priority, while the USSR has been reluctant to recognize that any problem exists. Soviet Jews have, in fact, been a matter of top priority to Israel since the first relations between the USSR and Israel were established. The emotional impact of the reception given to Golda Meir by Soviet Jews when she appeared in Moscow as the first representative of the new Jewish state was compounded by the personal attachments of nearly all of Israel's leaders to the ambience of the Russian-Jewish community. Since that time, Israel's activity on behalf of Soviet Jews has been based on a strong feeling of moral obligation as well as a consciousness of

national interest. The result has been that the issue has remained high on the agenda whenever contacts between the two countries have occurred. Even when there have not been any direct contacts, Israel has labored concertedly--and with no small success--to convince other governments to introduce the question of Soviet Jews into their discussions with Soviet officials.

Throughout the years that the emigration of Soviet Jews has been a bone of contention between the Soviet Union and Israel, the issue has stood on its own as a human rights issue, independent of any Middle Eastern political issues. The only public connection has been linking it to the fulfillment of international agreements. In early 1985, however, the problem did become a factor in Middle East politics when a Soviet Foreign Ministry official, then Director of the Middle East desk Vladimir Poliakov, hinted in a conversation with an Israeli diplomat that the question of Soviet Jewish emigration might be more easily solved if Israel were to be more forthcoming on the question of a Middle East peace settlement through an international conference. The Soviet government was dangling the only carrot it could. Emigration was almost totally closed at the time, and a new American peace initiative appeared to have prospects of creating a new Camp David.

No Israeli government can have great enthusiasm for such linkage, for the resolution of the question of the West Bank, with relations with Jordan and the Palestinians, is both complex and sensitive. For the Shamir government, the potential dilemma posed by such a linkage is particularly painful. Fundamental to the Likud ethos is the concept of a Greater Israel, rejecting any territorial concessions. Yet devotion to the immigration of Soviet Jews is also an article of Zionist faith. Furthermore, the community of Soviet Jews in Israel--numbering more than 100,000--represents a powerful voting potential not to be alienated. Public myth had it that these were primarily right-wing supporters, but voting surveys of Israel's elections have shown that the Russian immigrants are willing to change their vote, and are influenced by the flow of issues and opinion in the country. They are thus a constituency to be courted attentively rather than taken for granted. Although this particular linkage of Soviet Jews and the Middle East conflict has not resurfaced, perhaps because it carries with it high costs for the USSR in its relations with the Arab states, the benefits and costs of such linkage are something that both sides must weigh. Inasmuch as this has been weighed in Israel, the policy tendency is to risk the exploration of such linkage rather than reject it out of hand.

The Soviet government resisted any attempts to acknowledge the situation of Soviet Jews as an international issue, even as recently as October 1986. However, when Foreign

Minister Peres met with Shevardnadze at the United Nations in October 1987, the latter acquiesced to a formal discussion of the issue. At that time, the question of Soviet Jews had entered into the general framework of *glasnost* and a variety of human rights problems were being solved. Those who had been activists in teaching Jewish culture and the Hebrew language, and had been jailed for their activities in a wave of repressions in 1984 and 1985 were released; all have since been permitted to go to Israel. Harassment of Jewish cultural activities among refuseniks diminished sharply, and some beginnings of regime-sanctioned, public Jewish cultural activity have developed far beyond what might have been imagined. The opening of a Jewish cultural center in Moscow, the legitimate teachings of Hebrew as a modern secular language, and the beginnings of Jewish cultural organizations in a dozen cities, have served to arouse approbation for Soviet policy in place of the former international denunciations.

While Israel had sparked the efforts to mount a global campaign on behalf of Soviet Jews for over a quarter of a century, the most direct and dramatic activity was carried out by American figures. Negotiations for the Jackson-Vanick amendment and for linking trade, technology and credits to human rights questions were highly visible and a high-priority public issue in the United States. Beginning in the late 1970s, one aspect of the Jewish exodus from the Soviet Union became a subject of direct Soviet-Israeli contacts, with the United States initially playing no role, but later becoming involuntarily involved. The question of direct flights to Israel from the USSR arose out of what was called the "drop-out" phenomenon. All Jews leaving the USSR did so with visas to Israel, obtained with an invitation from a relative in Israel. The Soviet authorities provided an exit permit specifying that the individual was leaving the USSR for permanent residence in Israel. Even non-Jewish dissidents and religious dissenters exiled from the USSR were, and still are, made to leave with such visas. Until 1974, virtually all Jews applying to leave did, in fact, go to Israel. Subsequently, a small but growing number made their way to the United States and Canada. Since then the phenomenon has grown; in the second half of 1988 more than ninety percent of emigrating Soviet Jews did not go to Israel.

Israel's response to this problem has been to suggest to the Soviet authorities that direct flights be permitted from Moscow to Israel. When Yitzhak Shamir, as Israel's foreign minister, suggested this to Andrei Gromyko during a routine meeting at the United Nations in the early 1980s, Gromyko replied that such flights would constitute coercion and that the USSR was in favor of free choice for emigrants. During the past five years, Israel has persisted in seeking a solution to this problem. With the cooperation of the

Rumanian government, it has set up a system of flights from Bucharest for those choosing to fly more directly to Israel. However, the Soviet government has rejected Israel's request that the Israeli consular mission, which arrived in the USSR in July 1988, should have direct contact with the emigrants, routing all those leaving on Israeli visas through Bucharest. This was one of the stumbling blocks in the talks between Premier Shamir and Foreign Minister Shevardnadze in New York in June 1988.

What has changed radically with regard to freedom of movement for Soviet Jews has been the possibility of visiting Israel for family visits. Before emigration was permitted in the mid-1950s, such visits were infrequent and few. As late as March 1988, an official of the visa section of the Soviet Ministry of the Interior explained that the planned liberalization of travel abroad for Soviet citizens would not apply to visits to Israel since the lack of diplomatic relations between the two countries prevented the Soviet government from extending its full protection and services to those of its citizens who might visit there. (This explanation ignored the function of the Soviet consular mission, which by then had already been in Israel for six months.) Despite this statement, hundreds of family visits from the USSR to Israel are now approved each month, and by the end of 1988, more than 10,000 Soviet Jews had toured Israel, spending two to three months there. In the past, the decision of Soviet Jews to leave the USSR was something of a leap in the dark, based, in the best case, on second hand information from letters of relatives. In terms of general Soviet-Israeli relations, the eyewitness information that these visitors bring back regarding Israel's living conditions, policies, security situation and point of view constitute an important addition to broadening the information available to Soviet citizens. It will be both interesting and important to observe the effect of these visits on the future behavior of Soviet Jews.

3. Israeli-Soviet Relations and the Peace Process

The positions of Israel and the USSR regarding the proper approach to achieving peace between the Arabs and Israel appear mutually exclusive. The Israeli government's approach, worked out during more than 40 years of sobering trial and error, is that direct bilateral talks, preferably not in public, are the only fruitful way to settle the issues in dispute among Israel and the various Arab states. Once agreement has been reached, its celebration or ratification in a public international forum may be useful, and in such an event, the list of participants may be as extensive as possible. Israel's preference for limited, bilateral negotiation is based on the idea that each of the Arab states has its own

particular interests to be addressed and on the experience that in multilateral public bargaining the Arab side tends to coalesce around the most extreme positions, precluding the compromises needed for reaching an agreement.

The Soviet call has been for an authoritative international conference with the participation on an equal footing of all interested parties, including the Palestinian Liberation Organization (PLO) and the permanent members of the Security Council. The format of the conference will allow varied forms of interaction--plenary sessions, bilateral and multilateral talks and meetings. The Soviet formulation is, in effect, a near-verbatim repetition of statements at the Arab Summit meetings. In keeping with this, and in an attempt to make its formulations more palatable to Israel, Soviet spokespersons have clarified that they do not independently insist on any particular aspect of these formulations, nor even on any particular solution to the Arab-Israeli conflict, but will accept and guarantee any arrangement freely reached between the two sides. Thus Yulii Vorontsov was able to inform the Israeli ambassador to France that if the Syrians were agreeable, the Soviet Union had no objection to Israel retaining a presence on the Golan Heights. One principle on which the Soviet formulation stands is that any negotiations must lead to a complete settlement. When the Soviet Union wishes to denounce the Camp David accords, the most frequent epithet is that they are a capitulationist separate deal. Intermediate arrangements are not ruled out, and were even mentioned during Arafat's April 1988 visit to Moscow, along with the Soviet Union's formal commitment to Israel's secure existence. Nevertheless, each such expression is followed by emphasis on the need for a comprehensive settlement. In this, the Soviet Union is also at odds with Israel; the latter is skeptical about the possibility of achieving grand all-embracing goals and is ready to make small, separate settlements whenever these appear possible.

During the past three years, the Soviet Union has shown a decidedly active interest in reassuring Israel that an international conference would neither isolate nor coerce Israel and would provide the possibility of direct negotiation that Israel has set as the condition for any peace process. The difference between the two sides essentially comes down to the role of the plenary session; Israel insists that the convenors of the conference lend international auspices to the meeting, while the Soviet Union speaks of an authoritative conference--one in which the plenary sessions would actively discuss and participate in the decisions rather than merely facilitate a meeting of several bilateral negotiating groups and would ratify the agreements reached by them, without having any authority to influence or arbitrate those agreements.

The heightened Soviet interest in reassuring Israel coincided with one of the rare moments of grace in the Middle East, when, in a series of face-to-face meetings in 1985, Peres (then Prime Minister of Israel) worked out a formula for Jordanian-Palestinian negotiations with Israel, King Hussein received Arafat's agreement to these arrangements and a start was made at listing those Palestinians who might be part of a Jordanian-Palestinian delegation to meet Israel under some sort of international umbrella. Political weaknesses on all sides prevented the plan from being realized. However, the plan's success seemed likely enough that the USSR was galvanized into action to prevent any possible new separate deal under American auspices, which would settle the Palestinian question and leave the USSR and Syria isolated. Though none of the three key actors in this scenario appear able to recreate the circumstances that made such an agreement even remotely possible, and King Hussein has meanwhile publicly renounced any direct participation in settling West Bank problems, a new set of considerations keeps the Soviet Union actively pushing the idea of a conference to get the peace process back in gear.

Such Soviet considerations are based on the same factors that have made the Middle East a subordinate priority to Gorbachev's central aim of improving relations with the United States. Soviet foreign policy today is centered on low-cost, low-risk activity. Wherever possible, tensions are being reduced and possible friction points are being smoothed. The most prominent example, although it has ample domestic roots as well as international implications, is the Soviet withdrawal from Afghanistan. While this is not the place to analyze the finer points of the costs and benefits of this policy, two elements of the withdrawal should be noted. First and foremost, Gorbachev demonstrated his skill in discerning priorities by cutting loose from a no-win situation. At the same time, he balanced his domestic and international loss of face by timing this move to coincide with the June 1988 summit with President Reagan, thereby lending himself added credibility. The second point to be mentioned is Gorbachev's skill in turning the need to escape this quagmire into a virtuous precedent by proposing that the Afghanistan formula of negotiated settlement be applied as a model for the Middle East, as well as for other areas of international conflict.

Soviet displays of concern for the peace process have led to the proposal that the United Nations sponsor a preparatory conference to discuss possible forms for an authoritative Middle East peace forum and have also led to Soviet overtures to the United States regarding joint discussion of the same topic. Neither of these initiatives has yet borne fruit, but they do reveal a keen, active, and public Soviet concern for the peace

process and the problem of the Palestinians. It is most probable that Gorbachev and his advisers remember that Sadat started the Yom Kippur War after the great powers displayed a benign neglect of the Arab-Israeli dispute. More recently, the timing of the West Bank uprising was certainly influenced by the fact that at the Amman Summit of the Arab states in November 1987, the Palestinians were almost completely ignored.

For Gorbachev and his international policies, the worst case scenario would be a renewed state of active war between the Arab states and Israel. Whatever the circumstances, and whoever initiated the fighting, the anticipated result would almost certainly be a polarization of relations between the United States and the USSR, with renewals of large-scale arms shipments and suspicious hostility toward the Soviet Union. The Soviet priority is not peace, for the conditions set forth in Soviet proposals make it practically certain that no full peace settlement can be obtained. For instance, the Soviet proposals include stipulations that Israel return all territories occupied since 1967 and that it grant the right of all Palestinian refugees (since 1947) to choose between returning to their former homes or receiving compensation. The Soviets' inflexibility was apparent in a 1986 commentary which asserted that "leaving even one of the problems unsolved would mean preserving the roots of the conflict." Despite this attitude, the Soviet Union has no wish to see an active conflict in the Middle East or anywhere else in the near future. This condition may well provide a window of opportunity for the peace process since the Soviet Union would be less disruptive in an international conference than has been the case in the past, or is likely to be the case in the more distant future.

The current Soviet formulation describes a conference that would take into consideration a mutual, balanced meeting of the needs and interests of all parties. The Soviet aim of creating a prolonged lull in the Middle East could be inferred from the public musings of a Soviet Middle East specialist in Cairo, who spoke of a year or two of negotiations on the format of a conference, followed by several years of negotiations at the conference itself. To emphasize the point, the head of the Israeli Communist Party, returning from talks with Ligachev, Dobrynin and Brutents in Moscow, described this formulation as "new and interesting," and a later statement declared that the conditions for renewal of relations between the USSR and Israel were ripening. In addition, the flexibility of terminology used in referring to Palestinian representation at such a conference suggests that the possibility of reconstructing the Hussein-Peres negotiating scenario might be well worth exploring. Without such an effort, the introduction of ballistic missiles, the use of chemical weapons, and the ever-lengthening shadow of nuclear proliferation

throughout the Middle East bode ill for all concerned. The intensity of Soviet initiatives with all parties to the conflict, including new suggestions for the elimination of nuclear, chemical, and biological weapons in the Middle East, reflects the seriousness with which they regard the prospect of a renewed Middle East war.

4. Renewal of Diplomatic Relations

As with the issue of creating conditions for fruitful peace negotiations, the renewal of Soviet-Israeli diplomatic relations has consisted more of motion than of action. Although Israel's position has always been that having normal relations with as many governments as possible is the most desirable state of affairs, there has been little perceived need or opportunity for initiatives from the Israeli side since 1967. The advantages of renewing relations with the USSR were clear. The opportunity to reestablish direct contact with the Jews of the USSR was most prominent among these benefits. In addition, it was assumed that renewal of relations with the USSR would bring with it renewal of relations with the Soviet bloc countries as a whole and would create a climate propitious for the renewal of relations with the countries of Africa and Asia that had severed their diplomatic ties with Israel after the 1967 and 1973 wars. Halting the drift toward diplomatic isolation and easing trade conditions for Israel would be two substantive gains that could be expected to follow the normalization of relations with the USSR. In the interim, political and economic developments independent of the Soviet Union have created a process of gradual restoration of relations between Israel and the countries of Eastern Europe and Africa.

The stated Soviet condition for renewing relations was originally that significant progress had to be made toward removing the consequences of the 1967 war. The Soviet government missed two opportunities to declare that condition fulfilled. First, at the December 1973 Geneva Conference, where the separation of forces agreements were signed, and later, when Israel returned the Sinai to Egypt as part of the peace agreement between the two states. Either event might have served as an occasion for renewing Soviet-Israeli relations, using that renewal as a lever for continuing progress. The Soviet Union, however, has chosen to reserve this final normalization as a trump to be played at a more critical stage of the game.

When an American-arranged conference between Israel and a Jordanian-Palestinian delegation seemed likely, the USSR began to show a more active interest in participation. The Soviets also expressed a willingness to pay a price for being included in such a

conference, namely by being willing to renew diplomatic relations with Israel. Israel had made it clear that it would participate only on the condition that it be recognized by and have diplomatic relations with all of the sponsors. This stipulation raised the intriguing possibility that acceptance of the Soviet formula for an international conference would have the by-product of a Chinese-Israeli exchange of ambassadors and a more prominent role for the Chinese in the Middle East. This prospect would undoubtedly be distasteful to both the USSR and the United States, particularly in view of the recent intensification of Chinese missile sales to Iran, Syria, Saudi Arabia, and Iraq and Libya's interest in joining the club.

During this period, the Soviet Union has made clear, both privately and publicly, its desire for a normalization of international relations in the Middle East, including the much-repeated comment by Gorbachev (at a dinner in honor of President Assad of Syria in April 1987) that the absence of diplomatic relations between the USSR and Israel could not be considered normal. He went on to say that the break was Israel's fault and that relations could be restored only in the course of the peace settlement process. At the end of January 1988, Soviet Deputy Minister for Foreign Affairs, V. Petrovskii stated that "precisely the start of the process of a Middle East settlement will remove those obstacles that led to a break in relations." For his part, Foreign Minister Peres, after meeting with the two Soviet officials in Madrid in May 1988, was quoted as stating that immediately after the opening of a Middle East peace conference, the USSR would restore diplomatic relations with Israel.

The first real act of normalization took place during the two countries' discussion of consular ties in Helsinki in August 1986. Israel took these talks very seriously and was prepared to have them expand into a much broader discussion of relations. The Soviet aim, however, was strictly limited. When the Israeli delegates introduced the question of Soviet-Jewish emigration, the Soviet side replied that this was beyond their terms of reference. An Israeli demand for reciprocity in the exchange of consular missions was at first rejected on the grounds that the Soviet mission had both real property and Soviet citizens to check in Israel, while the Israelis had neither in the USSR. Although the talks broke off after only 90 minutes of discussion and appeared to have failed, the two sides did agree to continue discussion through other channels.

A seed had been sown at the Helsinki meeting, and slightly less than a year later an eight-man Soviet consular mission arrived in Israel. Since its arrival, it has been checking the status of Soviet property (consisting of one parking lot in Jerusalem and a building over which there is an ownership dispute) and renewing or reissuing the passports of Soviet

citizens in Israel--the monks and nuns of the Russian ecclesiastical mission and monasteries. Meanwhile the original head of the mission, a consular official named Evgenii Antipov, has been replaced by Middle East expert Georgii Martyrosov, thought by journalists to be a fine candidate for ambassador should there be a renewal of relations. The main activity of the Soviet consular group in Israel has, in fact, been to create the impression of a mission meant to prepare the ground for normal relations.

When Shevardnadze and Peres met in October 1987, the Soviets reportedly suggested establishing interest sections, as Poland and Hungary had agreed to do. This was rejected by Foreign Minister Peres on the grounds that the USSR was too important to be represented by anything less than full diplomatic status. A Soviet official touring the United States a few months later mentioned the Israeli rejection regretfully, opining that it would have been good to make a small step forward and to build toward full relations. The Soviet aim appears to be to institutionalize limited relations to weaken the Israeli demand for restoration of full relations as a condition for an international conference.

The Israeli consular mission took some time to materialize despite repeated discussions. Israel put the best face on the matter by explaining that though the principle of reciprocity had to be upheld, there was no insistence on simultaneity. Nevertheless, the expectation by "reliable sources" that Soviet visas would be granted in March 1988, proved false. After the meeting of Prime Minister Shamir and Foreign Minister Shevardnadze in New York in June 1988, the Israeli press reported that Shevardnadze had promised solemnly that the visas would be issued in July. A three month renewal of the Soviet mission's visas at that time was explicitly linked to an understanding that the Israeli group would be accepted by Moscow.

The teacup tempest over the Israeli consular mission centered on its mandate. Israel wanted broad permission for travel in the Soviet Union, to have contact with Soviet Jews, and particularly the task of issuing Israeli visas to those emigrating as a result of invitations from Israel. As has been noted, Shamir specifically requested this last point during the June meeting, and while Shevardnadze did not directly refuse it, he agreed only to take it under consideration. Soviet authorities repeatedly point out that Israel has neither real estate nor citizens who are permanent residents of the USSR and has limited the mandate of the Israeli mission to an inspection of the building that formerly housed the Israeli Embassy (for which Israel still pays rent) and an inspection of the work of the Israeli interest section in the Netherlands embassy. In addition, Soviet Foreign Ministry spokesman Gennadi Gerasimov pointedly noted in an interview with the Israeli press that the mission under

discussion was not diplomatic, but consular, with less prerogatives and protections than a full diplomatic delegation. To emphasize its limited position, the Israeli mission was placed in the care of the Maintenance and Administration Section of the Soviet Foreign Ministry, and in its first half year in Moscow was unable to meet with any Soviet political officials, despite repeated requests. The only open Israeli reaction was to note that the mission was slated to stay for several months, and would "gradually, without undue haste, look into additional spheres of activity on the basis of the desire of both sides." Once the Israeli mission had established itself and its position in Moscow, the Israeli government emphasized the parallelism of Soviet and Israeli aims by appointing a Russian-speaking senior diplomat as head of its mission.

C. CONCLUSIONS

The dispersal of the clouds of mistrust and enmity that had darkened Soviet-Israeli relations has been vigorously pursued. Soviet press attacks on Israel are now restrained and phrased in civilized terms, avoiding the grotesque fantasies of the "world Jewish conspiracy," and other anti-semitic stereotypes that were common a few years ago. Even condemnations of Israel's policies in the West Bank and the Gaza Strip are phrased in terms that would find acceptance in a respectable non-Soviet newspaper. Beyond that, cultural and academic ties have been broadened, with both sides utilizing opportunities to demonstrate good will. For example, following the disastrous fire in the Academy of Sciences Library in Leningrad, the Director of the National Library in Jerusalem offered to send restoration experts to help save the water-damaged collection, and an ongoing academic contact ensued. Cultural groups have also begun travelling to each other's countries.

Two incidents highlight this process of expanding cooperation. First, a group of bandits hijacked a school bus and demanded an aircraft out of the USSR. Having been granted their request, they then flew to Israel, evidently convinced that any country so disliked by the USSR would accept them with open arms. Israel, in full cooperation with the USSR, arrested the bandits and turned them over to Soviet authorities together with the aircraft and a large sum of stolen money and jewelry found in their possession. At this point, the head of the Israeli consular group was invited for an immediate meeting with the Soviet Foreign Minister, and found on his arrival a battery of television cameras and radio correspondents recording Shevardnadze's effusive praise of Israel's "noble deed" and

"civilized international conduct." A long and detailed private political conversation followed the reporters' departure.

The disastrous earthquake in Armenia provided a second opportunity for cooperation. Israel's offer to send rescue crews and medical aid was graciously accepted. The work of the crews rescuing and aiding the earthquake victims was publicized in the Soviet media, and the Israelis were accorded a warm welcome by officials and the public. On both sides every opportunity was taken to emphasize the common humane interests that bring the sides together. By focusing on the non-political, it was possible to create a normal atmosphere that was calculated on both sides to ease the prospect of political discussions.

These incidents opened a floodgate of contacts at numerous levels--governmental, cultural, sporting, and academic. Perhaps most significant was the participation of two Soviet academics from the Institute for the Study of the United States and Canada in a Jerusalem conference sponsored by the International Center for Peace in the Middle East, headed by former Israeli Foreign Minister Abba Eban. As the contacts between Israel and the USSR multiply, the formal resumption of relations becomes a non-problem. Soviet policies have defused many of the issues that created mistrust. Soviet representatives have created a climate of openness and good will. Most important, channels of direct diplomatic communication are now more easily available to explore whatever suggestions may be raised.

In spite of all of these developments, the Shamir-Shevardnadze meeting of June 1988 was perhaps the perfect metaphor for the entire subject of Soviet-Israeli relations. Shevardnadze pressed concertedly for some small concession on a conference that would negotiate an Arab-Israeli settlement on the possible basis of "territory for peace." His goal was to engage all of the interested parties in a process of pre-conference negotiation, with the USSR centrally involved in the role of honest broker. Shamir sought direct access to Soviet Jews and to establish an effective Israeli presence in the Soviet Union. Each, to attain his own aims, was willing to take a step closer to normalizing diplomatic relations. In fact, neither leader objects to normalization, but at the same time neither was prepared to pay in the coin demanded by the other. Shevardnadze, who had emphasized the importance of Shamir's visit by extending the conversation well beyond the allotted time and postponing other appointments (something he had also done for Peres the previous year), ended the meeting by hurrying away, without meeting the waiting press together with Shamir, as he had done with Peres. He was later quoted as stating that it was likely

that fewer Jews would apply for emigration in the near future. This technique emphasized the demand for some Israeli reciprocity for the warming of the Soviet attitude by allowing the shadow of a subtly implied threat fall across the sunny garden of good will that is being so enthusiastically cultivated. The same tactic was repeated in Cairo in February 1989 after the fruitless meeting between the Soviet and Israeli foreign ministers.

Little of substance has changed in Soviet-Israeli relations despite the advent of *perestroika*. Basic differences in alignments and perceptions divide the two sides, and although they may agree on certain symbolic goals such as normalizing diplomatic relations, the way to these goals is strewn with substantive barriers.

Fundamentally, the problem lies less in Moscow than in the Middle East. The Soviet Union has not succeeded in offering Israel convincing inducements to participate in an international conference any more than has the U.S. Secretary of State. Though this is largely a function of the political paralysis that has gripped the Israeli political system during the past five years, and the immobilism that passes for policy in Israel's current government, it is also a function of the weakness and fragmentation of the Arab world, whose leaders are unwilling to take the kind of bold step that Sadat took. Hussein's withdrawal from the arena, and Assad's continuing belligerence have sharpened the problem. The prominent publicity recently given to chemical and biological weapons production in the region adds an urgency not lost on the Soviet leaders. The Soviet Union applied pressure of its own on the PLO to make concessions in Algiers and Geneva, moving the Palestinians in the direction of a political solution with Israel. However, Arafat's inability to control the actions of the Syrian-backed Rejection Front, or even of his own aide, Abu Aiad, who has publicly contradicted Arafat's peace message, weakened the effectiveness of this step, and may vitiate it entirely.

Given such conditions, motion that is devoid of productive results may be better than fatalistic passivity. The relations of the USSR and Israel may not greatly satisfy either side, yet neither are they on a collision course. There is some symmetry of understanding. The USSR has begun to turn the Middle Eastern tables on the United States, for after meeting with Arens in Cairo, Shevardnadze immediately met with Arafat, and was rewarded with a public statement by the PLO leader that he would gladly meet the Israelis in Moscow--since the United States would not grant him a visa to negotiate with them in America. This leaves the United States with the options of widening its contacts with the PLO, a step that would eventually mean coordination with the Soviet position, or risking isolation in the developing international thrust toward a comprehensive Middle East

settlement. Israel has the satisfaction of reduced Soviet pressures in the international political arena, and the opportunity offered by the Soviet willingness to help initiate a bargaining process in the region, lending its authority and leverage to a reduction of tensions rather than their exacerbation, as in the past. Meager, and as yet unripened fruit, yet more than the barren wasteland of Soviet-Israeli relations has yielded in the past twenty years.

NATIONALIST UNREST IN THE USSR

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ABSTRACT

Ms. Nieves Bregante, in charge of Soviet domestic affairs in the Soviet Studies Department of the Spanish Ministry of Defense, explains that an analysis of current nationalist trends in the USSR must incorporate assessments of Gorbachev's reform efforts, particularly *glasnost'* and *perestroika*. Bregante focuses first on the causes of current nationalist movements and the effect *glasnost'* has had on these movements. Popular attitudes toward nationalism are also examined.

Bregante then turns to an assessment of how Gorbachev's attitude to the nationalist program has evolved since he became General Secretary. To do so, she carefully details statements Gorbachev has made in his speeches on this topic. This analysis is followed by a discussion of the possible solutions to the nationalist problem advanced by the Soviet leadership. Bregante concludes that a new general policy on nationalism must be defined, but that each individual case will require its own specific solution.

NATIONALIST UNREST IN THE USSR

General Secretary Gorbachev has embarked on a massive reform program, the final goal of which is to overcome the crisis of social, political and economic life in the Soviet Union, to regenerate the Marxist-Leninist system (which the Soviets do not renounce) and to restore people's confidence in the system and in their leaders. Undoubtedly, the fundamental aim is to overcome the economic crisis. To do so, reform of the political structures is essential, as is the need to eliminate the moral crisis (e.g., corruption and alcoholism) that has rendered the Soviet population largely apathetic.

The country to which this reform will be applied has a power structure dominated by corrupt bureaucrats from the Brezhnev era, who oppose the reforms, and a population of more than 280 million belonging to very different nationalities and cultures. Their sole common characteristics are their precarious living conditions and standards, although even here a wide disparity exists.

Nationalist claims, examples of which comprise the history of territory now known as the Union of Soviet Socialist Republics, has again emerged under Gorbachev, underlining the serious contradictions of the Soviet system and its enormous failures. Any evaluation of current nationalist trends requires a close analysis of the reforms that the General Secretary is trying to apply--particularly *glasnost* (or transparency and cultural openness)--as well as an examination of the revitalizing effect *perestroika* has produced on the political life and attitudes of the Soviet people.

For all of his political flair, Gorbachev is singularly inexperienced in nationality issues. As the only General Secretary never to have served outside of the Russian Republic (RFSFR), Gorbachev brought his provincial attitudes with him to the Kremlin. His commitment to efficiency, perhaps at the expense of more traditional socialist values, coupled with his insensitivity to nationality issues left him initially ill-equipped to handle the nationalist revivals his country has witnessed since 1985. With the initiation of the tumultuous years of 1986 to 1988, Gorbachev has exploited the learning curve on

nationality issues, developing a more sensitive understanding of the current potential for crisis that these issues present.

This paper focuses on the main causes of the present nationalist movements and on their consequences during the period of *perestroika*. Next, popular sentiments regarding the revival of expressive nationalism are examined, noting how people have become aware of the differences between the conditions of the Soviet Union's center and the periphery. The evolution of attitudes among the Soviet political elite, specifically those of Gorbachev, towards the resurgent nationalism are also assessed. Finally, the proposals and possibilities for resolution of these conflicts are assessed.

A. CAUSES FOR THE RESURGENCE OF NATIONALIST PHENOMENA

Each of the nationalist trends that are currently taking place in the USSR are deeply rooted in history. In some cases, they date to ethnic confrontations in Imperial Russia due to the amalgamation of peoples and cultures assembled under Moscow's leadership. Nevertheless, Soviet history has also helped increase national tensions, since the new Soviet state created by V. I. Lenin in 1922 did not abolish the Czarist state's system of a "peoples jail." On the contrary, it imposed a new centralist system, which has been maintained, indeed strengthened, since its inception.

The persistence of inter-ethnic tensions can be partially attributed to the normative decisions taken by Stalin, according to which several national minorities were deprived of their territories and deported to other areas in punishment for their assumed collaboration with the Nazi army (e.g., the case of the Crimean Tartars). In many cases, national groups were established on territories with which they had no cultural or historical links. This practice has led to an enduring sense of dislocation and misrepresentation, responsible for the present tumult over the Nagorno-Karabakh autonomous oblast, in which a predominantly Armenian population is located on Azerbaizhani soil and governed by the republic of Azerbaizhan.

Under Soviet rule, geographical differences in economic and cultural development of the various national groups have evolved. As a rule, development of the European (especially the Baltic) region of the USSR has been maintained, while the Central Asian republics have enjoyed much less attention from the center, and have therefore experienced significantly lower rates of economic growth--both qualitatively and quantitatively. These established disparities are now the source of national discontent, which is being expressed with the loudest of national voices.

This is not the first time that different national groups have voiced their dissatisfaction with Moscow's centrally imposed policy. In fact, the nationalist problem has existed since the very formation of the USSR, yet only under Gorbachev has it come to light and, indeed, become a most thorny problem for the Kremlin's leadership. During the last 71 years, unrest and national protests that did occur were violent and quickly suppressed, without any news about them leaking to the West, due to the traditional secrecy of the Soviet media. The only available information stemmed from dissident groups, who unveiled it through their *samizdat*, or clandestine press. Additionally, under Brezhnev, the local elites enjoyed an independence that added to the gap between what was happening in the republics and Moscow's knowledge of these events. The creation of local "mafias," who governed the republics as isolated fiefdoms, also increased the ignorance and lack of communication among the different republics by obstructing the release of information.

The reasons for the apparent increase in nationalism can be found in Gorbachev's policies. The need to moralize the apathetic Soviet population and to put them to work in order for the reforms to succeed, led the current General Secretary to adopt, among other measures, the policy of *glasnost'*, or transparency.

In the early days of Gorbachev's tenure, *glasnost'* was designed to address system defects and disfunctions and was aimed at halting corruption and power misuse. It therefore had negative implications and was applied concurrently with the campaigns against alcoholism and corruption. Since then, *glasnost'* has evolved in another direction--making it possible for the public to obtain more accurate information from the mass media--so that it has acquired both negative and positive aspects. On the one hand, the Soviet people had the satisfaction of seeing several corrupt officials punished or discharged, but on the other, they were aware of the possibility of being marked by *glasnost'* themselves, due to absenteeism and corruption practised as a routine element of Soviet existence.

The timid cultural openness and greater respect for human rights witnessed during the first stage of *glasnost'* gave some hope to intellectual circles, especially to the more progressive elements and the dissidents. Gorbachev began to surround himself with a social group, small in number but of the greatest importance in Soviet society. This group of people gradually became the leading and most fervent supporters of the General Secretary and his *perestroika* effort. The nationalist intellectuals were represented in this circle.

The Chernobyl disaster in April 1986 began the second stage of *glasnost*'. The information blackout eroded the image of the new Soviet openness Gorbachev was trying to sell to domestic and international audiences. Western distrust of Gorbachev and a terrified Soviet population--who knew nothing about the consequences of the catastrophe--precipitated the General Secretary's decision to fully apply cultural openness and transparency in the media. Immediate changes followed his decision. First, the new policy on human rights transformed formerly labelled dissident intellectuals into public personalities, who in turn enlarged the ranks of Gorbachev's supporters. Second, information transparency was widely adopted by a large sector of the media, especially the press, which began to make public all problems affecting Soviet society--such as drug abuse, prostitution, social inequalities, and privileges. In the same way, any negative event in public life--violent outbursts or accidents--was published fairly extensively, in contrast with the former traditional practice of concealing any manifestation of popular unrest.

The resurgence of nationalist movements began during this second stage of *glasnost*'. Until now, the resurgence has meant revitalization of national consciousness, not nationalistic claims. *Glasnost*' has allowed cultural elites to initiate the recovery of indigenous art, literature, language, and history. Furthermore, local presses have published numerous problems affecting their respective national collectives. Through this channel, for example, the precarious ecological conditions of quite a number of regions in the USSR have become known.

Glasnost' has generally improved the climate of spiritual freedom and dissension. It has also enriched public opinion, leading people to develop their own ways of thinking, rather than just accepting the official line. The public has used *glasnost*' to its benefit, which in turn benefits the Soviet leadership. First, *glasnost*' can erode social apathy through its mobilization and regeneration of public opinion. Second, *glasnost*' guarantees the Soviet people's support for *perestroika* since, if they want to preserve the new openness, they will have to support Gorbachev. It is unlikely that *glasnost*' will turn against its creator.

Yet *glasnost*' may also produce long-term negative effects for the Soviet leadership. First, one of the real medium- or long-term risks for Gorbachev's reforms is the emergence of a widening gap between openness at all levels and continuing poor results in economic *perestroika*. Second, *glasnost*' can estrange popular trends from the political objectives set by the leader. In the nationalist field, popular mobilizations have caused a great stir in those republics that enjoy a higher level of political culture (such as the Baltic republics) or

with a tradition of dissent (the Ukraine, Belorussia, Georgia). At the same time, a greater degree of religious tolerance on the part of the Kremlin has allowed nationalist groups to recover one of their most valuable weapons, for example, the Catholic Church of Lithuania and the Ukraine, as well as Islam, one of the most extensive religious phenomena in the USSR.

B. POPULAR ATTITUDES TOWARD NATIONALIST PHENOMENA

The Soviet citizen is undoubtedly concerned with living standards, such as consumption goods, housing, and health care. However, the Soviet education system has ingrained several basic principles in the Soviet consciousness. One is the stability and internal cohesiveness of the Soviet state. Because of *glasnost*, news on the recent nationalist uprisings--especially the violent Caucasus riots--has spread rapidly throughout the country. These events, previously unknown to the general public, are now considered by the Soviet citizen to pose a threat to the Soviet Union's very foundations.

Until recently, Soviet public opinion was of almost no importance, for Soviet authorities or for Western analysts, since it had virtually no influence on the decision makers. Today, however, Gorbachev's popular mobilization policy--designed to increase the participation of the common Soviet citizen in the transformation process--has given public opinion a significant role.

The Soviet public comprises several groups. First are the intellectual circles, who know and understand the nationalities issue and its origins, especially if they have contact with dissident nationalist groups. The intellectuals usually favor national claims, although they also believe that some movements--such as the Estonian one--can provoke a conservative reaction, which would accuse *perestroika* of sowing discord and could set back the progress of reforms and a freer climate.

The next group consists of average Soviet citizens, who worry about (and even reject) a hypothetical rupture in the multinational Soviet state, although in some cases they understand national claims and their origins, due to the greater degree of information available from the republics. Soviet citizens mainly fear an eruption of violence in the USSR because it would mean the end of the peaceful and unified coexistence of the Soviet people. Indeed, Soviet citizens have strict characters and love law and order, so they will justify the intervention of state security forces in cases where the lives of Soviet citizens could be at stake.

Those who strongly oppose nationalism are from the orthodox sectors; they consider nationalist phenomena to be a consequence of the anarchy derived from *perestroika* and a deviation from Marxist-Leninist principles. These sectors include the Russophile societies such as *Pamyat*, which maintain that the Russian nation is besieged by peoples who, according to them, bleed the Russians white.

To gain popular support, Gorbachev must play his cards astutely because the orthodox groups are also campaigning against *perestroika* as the cause of national conflicts. They have touched a sensitive fiber in the Russians, who are extremely patriotic and are distressed by the worldwide publication of Soviet domestic problems allowed by *glasnost*.

Steering public attitudes to gain support for the Kremlin's policy is one of Gorbachev's main tasks and creating a climate of confidence among the different nationalities is essential. This can be achieved by disseminating accurate information on the state of play in all the republics and by allowing public debates on the nationalities issue in the media, which will end the envy and suspicion aimed at several of the republics.

C. THE EVOLUTION OF GORBACHEV'S ATTITUDE TOWARDS THE NATIONALIST PROGRAM

The evolution of Gorbachev's thinking on the nationalist problem has been linked to and highly influenced by the nationalist events in the USSR. Issues of nationalism were not among Gorbachev's immediate concerns at the time of his appointment, when he was engrossed in the deep economic and moral crises affecting the country and the Party. All evidence suggests that Gorbachev sincerely believed in the success of Leninist nationalist policy, assuming that the multinationality system designed by the father of the Soviet state would lead to peaceful coexistence and cooperation among all nationalities and ethnic groups in the Soviet mosaic. According to this principle, sporadic confrontations or strains in some regions could not void the Kremlin's nationalist policy, since these problems were generated by ambitious and self-seeking groups in the local leaderships.

Indeed, while the guidelines of Gorbachev's politico-economic program can be determined from his speeches given in 1985, nationality issues are hardly mentioned. Any mention of nationality issues only confirms the nonexistence of problems in this field. In his address to the Central Committee of the Communist Party of the Soviet Union (CC CPSU) Plenum on 11 March 1985 (immediately after K. U. Chernenko's death), Gorbachev's sole mention of the nationalist problem was in a paragraph on strengthening the Party's role. "The Party is the force able to harmonize the interests of all social groups

and classes, of all nationalities and ethnic groups, able to cohere them in a sole unit and conduct people's energy to the common cause of building Communism."¹ The absence of either nationalist uprisings or ethnic conflicts in 1985 allowed Gorbachev to neglect the delicate balance of the Soviet multinational system and to concentrate fully on his economic *perestroika* that was used as the foundation of the CPSU 27th Congress, held in February 1986.

Gorbachev's speech at the 27th Congress contained his most extensive reference to nationality issues until then, although the degree of attention did not match the importance of the problem. He dedicated only about two percent of the speech to nationalism and discussed it in a purely social context, without any political shading.² Gorbachev also pointed out in the speech the importance to the Soviet multinational state of developing relations among the nationalities and confirmed the current validity of Leninism in this field. "The foundations for the solution of the nationalist problem in our country were laid by the Great October Socialist Revolution. The Party has carried out a titantic transformation job in this field based on Lenin's doctrine and the accomplishments of socialism.... Disparity among nationalities was eliminated in all its forms and manifestations."³ References to Lenin's doctrine are, in fact, a constant in Gorbachev's writings and speeches. On the nationalism issue, Gorbachev's statement about the current validity and effectiveness of Leninism proves the General Secretary's fidelity to Lenin and his determination to make *perestroika* ideologically legitimate through Lenin's doctrine.

In addition, Gorbachev warned his audience not to think that the progress achieved in the nationalist field had put an end to all of the problems. Nationalist exclusivity and localism, he argued, were still alive. He asserted the necessity of guaranteeing that "the contribution of all republics to the development of the national economy complex be based on the economic potential of each republic."⁴

It seems that the old explanations were being used once more to simplify the problem, arguing that nationalist tensions were provoked by isolated elements of the

¹ Gorbachev's address to the CC CPSU Plenum on 11 March 1985 (Moscow: Novosti, 1985).

² Gorbachev's speech at the opening session of the CPSU XXVII Congress on 2 February 1986, in *Novedades de Moscu*, No. 9, February 1986. The paragraph on nationalism can be found in Chapter II ("The Acceleration of the Socio-Economic Development of the Country's Strategic Course"), article c ("Fundamental Guidances of the Social Policy"), section 2 ("The Improvement of Relations between Classes and among Nationalities").

³ Ibid.

⁴ Ibid.

population, while the collective consciousness of the different nationalities was ignored. The greatest changes in Gorbachev's attitude toward national issues has taken place in the area of national culture. Although Gorbachev has warned that individual development of different Soviet national cultures can give rise to some forms of localism, which detracts from fundamental socialist principles, he has come to recognize the importance of respecting different cultures. He has made concessions in the cultural field to encourage nationalist movements to cease their open challenges to the Soviet government.

In his concluding statements on nationalism in the 27th Congress address, Gorbachev maintained a firm posture tinted with intransigence when he stated that "Communists must follow Lenin's legacy; to apply it in a creative manner in the new conditions; to be extremely aware and firmly maintain principles on national relations so as to continue to strengthen fraternal friendship among all peoples of the USSR."⁵

Gorbachev's first statement on nationalism is notable for its calmness and lack of concern about the problem. Though he did mention the issue it is not considered a problem for the short- or medium-term. His appraisal, which could be termed idyllic, is reflected in the revised III Program of the Party approved during the 27th Congress. In the foreword to the revised version, the Program is described as the locomotive, which will lead Soviet society to Communism through acceleration of the country's socio-economic development.

The first part of the first section of the Program praises the Soviet regime, which was able to cope with the nationalism problem, as did Gorbachev's speech at the 27th Congress. The third section in the second part of the Program entitled "The Party's Social Policy" outlines and elaborates on the following four fundamental tasks in the social field.

- To improve the working and living standards of the Soviet people
- To promote fully the application of social justice in the domain of social relations
- To promote balance between social groups and to overcome essential disparities between manual and intellectual labor, between the city and the country
- To improve relations among the different nationalities and ethnic groups of the country, strengthening fraternal friendship.⁶

⁵ *Ibid.*

⁶ CPSU Program, revised version approved by the XXVII Congress on 1 March 1986 (Moscow: Novosti, 1986).

Obviously, the nationalities issue was still considered to have only social implications. When the text was drafted, it was ranked as the least important objective for the Soviet leadership. Now Soviet leaders have finally faced the fact that "harmonic" inter-ethnic relations must be improved, in contrast with the "idyllic coexistence" version of former times. They state that: "The nationalities question, inherited from the past, has been solved in the Soviet Union," although they assume that "it is logical that the common work and life of more than one hundred nations and ethnic groups could generate new tasks to improve national relations."⁷

To achieve this objective and follow Lenin's doctrine, the Party has established several fundamental points. First, "To consolidate and to improve the Soviet Federal macronational state...fighting localism...at the same time promoting the role of the republics, regions and autonomous oblast...towards an active participation of all workers from all nationalities in the official organs."⁸ This point contradicts the Kremlin's national policy, which has opposed the recent resurgence of nationalist demonstrations. It tries to combine centralism at all levels with a hypothetical autonomy for the periphery. This policy is infeasible, as 70 years of Soviet history have demonstrated. Moscow's centralized power has blocked the autonomous development of the republics, so the concept of autonomy for the periphery is worthless. Gorbachev's attempts to allow the republics a greater degree of autonomy last year have fostered claims that endanger Moscow's centralized power. Recent events in the Baltic regions provide evidence of this trend.

The second point the Party has established is "To improve the cultural and material potential of each republic within the frame of the national macroeconomic organization. The combination of initiatives from the republics and nationally centralized management will allow a better usage of national resources."⁹ This point encounters the same contradictions mentioned in the preceding paragraph, although this objective deals with the focus of the reform effort--the economy. Overcoming the current economic crisis seems impossible unless Moscow carries out a national program aimed at adequately developing the most economically depressed republics with help provided by the most advanced ones, such as the Baltic republics.

⁷ Ibid.

⁸ Ibid.

⁹ Ibid.

The third point of the program explains that: "The development of cultures is to be fully socialist in its content, multifold in its ethnic characteristics, and internationalist in its spirit.... The free development and official status of the Soviet Union's vernacular languages will be guaranteed, as will be the right of all Soviet citizens to speak them on equal terms,...besides the command of Russian language."¹⁰ The program is neither original nor transient with regard to culture, which undoubtedly remains one of the main causes for nationalist uprisings. The Kremlin's leaders have not been cautious on the matter, and only in the last months has the General Secretary recognized their carelessness in dealing with this issue.

Between the 27th Congress and the next important institutional meeting--the Central Committee Plenum held in Moscow on 27 January 1987--a significant event warned the leadership about the fragility of the multinationality system's cohesiveness. On 16 December 1986, D. Kunaev, until then Head of the Party in the Central Asian republic of Kazakhstan, was replaced by G. Kolbin, an ethnic Russian. With this decision, Gorbachev expelled from the Politburo one of the last holdovers from the Brezhnev era and broke an old unwritten rule--the Party's First Secretary was always from the republic and the Second Secretary was a Russian. The replacement of the Kazakh (Kunaev) by the Russian (Kolbin) provoked a wave of demonstrations and violence, which resulted in several casualties and dozens of injuries. Revolts were violently suppressed.

Gorbachev learned from these events that the republics' apparent conformity with Moscow's policy was based on a tacit agreement between Brezhnev and local Party leaders; they could rule their fiefdoms with complete autonomy as long as they did not bother Moscow. The uprisings in Kazakhstan provided clear evidence of the strength of nationalist feelings, which could provoke violent demonstrations, especially among the young. It should not be forgotten that the Alma-Ata revolts originated at the university.

In his address to the January 1987 Central Committee Plenum devoted to restructuring and the Party's cadre policy, Gorbachev dedicated several paragraphs to the nationalities problem. After emphasizing yet again the current validity of Lenin's nationalist policy, he stated that: "Growing democracy and self-government increasingly raises the national consciousness of all nationalities and ethnic groups.... So it is absolutely necessary to solve all future problems with justice and timeliness.... Negative phenomena affecting Soviet society have also emerged in the sphere of national

¹⁰ Ibid.

relations...even generating incidents, as was recently the case in Alma-Ata."¹¹ Thus, Gorbachev not only recognized the necessity of analyzing in depth the origins of the problem, but further argued that "considering the circumstances, not only the Communist Party of Kazakhstan but all Party organizations...must take the responsibility for developing relations among nationalities and internationalist education."¹²

Later in the speech, he stated that "it is necessary to make sure that all nationalities and ethnic groups are represented in all Party and State organs...up to national level, so the configuration of governing cadres becomes almost a virtual image of the national structure of the country.... We cannot leave aside national traditions in life, psychology and people's behavior."¹³ Gorbachev recognized the existence of problems and tensions among several nationalities and ethnic groups, blaming leaders of the Party and Soviets for avoiding making decisions on the matter. His statement continues that "our thinking is indebted to actual national relations.... The national policy to be applied in the current stage of the country's development has been deficiently designed.... Many a sociologist has wasted his time in studies of the type 'here everything is all right'."¹⁴ Gorbachev concluded by expressing his respect for national (not nationalist) feelings, but he warned against those trying to speculate with them in a chauvinistic sense.

The transformation of Gorbachev's attitude regarding nationality issues is well illustrated by comparing his February 1986 speech with his January 1987 address. The Alma-Ata riots compelled him to acknowledge errors in the Kremlin's national policy and to promise a series of concessions--especially on the cadre issues--that are essential for solving intra-ethnic matters.

During the June 1987 CC Plenum devoted to the economy, Gorbachev did not mention the nationalism issue. That very summer, Crimean Tartars who had been deported to Uzbekistan by Stalin demonstrated in the streets of Moscow, asking for the right to return to their homeland. Red Square was occupied by sit-in demonstrators, and the Kremlin was forced to create a Supreme Soviet Commission to study the problem.

¹¹ Gorbachev's address to the Plenum of the CC CPSU on 27 January 1987, in *Novedades de Moscu*, No. 6, February 1987.

¹² Ibid.

¹³ Ibid.

¹⁴ Ibid.

In November of the same year, when Gorbachev was immersed in a political crisis (Boris Yeltsin has resigned some weeks prior), the seventieth anniversary of the 1917 Revolution was commemorated in Moscow. Addressing a high-ranking international audience comprised of representatives from the socialist countries and diplomats from around the world, Gorbachev again raised the issue of nationalism and thereby committed himself to studying the problem. Particularly noteworthy in Gorbachev's speech on this occasion was his praise of the Russian people: "Our country expresses its profound respect and gratitude for the Russian people's selflessness, its genuine internationalism and invaluable contribution to the creation...of the Socialist Union of free and equal republics."¹⁵

These remarks were precipitated by the appearance of Russian nationalist groups (*Pamyar'* among them), who voiced the general feelings of this important sector of the Soviet population. They feel ignored by Moscow and threatened by the uprisings of nationalist consciousness in the periphery, especially in the Muslim republics.

Gorbachev continued to promise that "We intend to make a more deep-going analysis and to discuss these issues in the near future with an eye to what *perestroika*, democratization and the new state in its development are introducing in the life of the country."¹⁶ Thus, he recognized the severity of the problem, and it can be expected that the next CC Plenum convened will be on the topic of nationalism.

The early days of 1988 signaled a new stage in the history of the nationalist movements in the Soviet Union. A tug-of-war started between Azerbaizhan and Armenia over Nagorno-Karabakh, a predominantly Armenian enclave in Azerbaizhan. The Armenians demanded that Nagorno-Karabakh be fully incorporated into Armenia. These demands provoked a wave of protests that swept Azerbaizhan, leading to violent riots in Baku and Sumgait, where dozens of people were killed and hundreds more injured. The violence of the events in the Caucasus, exposing a well-rooted and well-organized Armenian popular organization and the violent reaction of the Azeris, caught the Kremlin completely unprepared. The central leadership lacked a clear policy for resolving the situation, and a traditional response or repression was unthinkable in the *glasnost'* era.

¹⁵ Gorbachev's report at the meeting for the anniversary of the Great October Socialist Revolution, in *Soviet News*, No. 6399, 4 November 1987.

¹⁶ Ibid.

The Caucasus crisis had the effect of making the leadership fully aware of the real scope of the nationalist problem and of the need to take concrete measures. The best forum seemed to be the XIX National Conference of the CPSU, which was held in June 1988, and had authority similar to that of a Party Congress. Meanwhile, in a CC Plenum held in February devoted to education, the General Secretary announced a forthcoming extraordinary Plenum, which was to study the nationalist question.

In late March, a few weeks after the first outburst of violence in the Caucasus, Gorbachev paid his first official visit to Yugoslavia. The domestic situation in the USSR and the national characteristics of Yugoslavia seemed to provide an opportunity for him to make a statement on nationalism. In fact, in his address to the Yugoslavian Federal Assembly, Gorbachev declared that

We will have to ponder in real earnest the issue of upgrading inter-ethnic relations. It is one of the more important and delicate measures of life in such a multinational state as the Soviet Union.... It would be wrong to treat the issues of nationalities and inter-ethnic relations as matters that have been resolved once and for all. In their development there are difficulties which we have inherited from the past; and there are problems engendered by the passage of time and by changes in the economic life of society, in social relations and in public mentality.

We think it essential to ensure their democratic reduction in line with the interests of each individual ethnic group in the Soviet family and of our Socialist society as a whole.¹⁷

The most important aspect of this statement is Gorbachev's recognition that the issue of nationalism is actually a problem not yet solved and that the Kremlin had never been able to adapt its policy on the matter to historical, economic and social changes. Furthermore, his refined position granted tacit respect to national groups.

In mid-April the Caucasus crisis reached its peak. In a speech delivered in the Central Committee Uzbekistan Communist Party, Gorbachev reiterated what he had said in Yugoslavia: "We should get rid of dogmatic, I would say schematic, attitudes in this field [nationalities] as well. We cannot limit ourselves to just listing our achievements.... We should also take into account the fact that a new generation is coming into being and that the experience of internationalism is not passed on automatically."¹⁸ During this speech, he introduced a new factor--education of the youth. Gorbachev's implication is that Soviet education has failed to entice Russian youths to participate in political issues; they are only

¹⁷ Gorbachev's speech at Yugoslavia's Federal Assembly, in *Soviet News*, No. 6417, 23 March 1988.

¹⁸ Gorbachev's speech at a meeting in the Central Committee of the Uzbekistan Communist Party, in *Soviet News*, No. 6420, 13 April 1988.

interested in imitating Western customs. On the other hand, youths from the other republics with deeper national feelings actively participate in nationalist movements.

During April and May 1988, public preliminary discussions were held throughout the country to prepare for the XIX Party Conference. In addition to the standard widespread participation of the Soviet populace in these discussions, popular movements in the Baltic republics sprang up as forces in the nationwide struggle between conservatives (epitomized by Nina Andreeva's letter in *Sovetskaya Rossiya*) and reformists. The first to organize itself was the Estonian Front. Although these groups have declared themselves to be fervent supporters of Gorbachev and his *perestroika* effort, the banner of restructuring was used to conceal true intentions--including a direct challenge to Moscow's authority--which soon became apparent. In June, Gorbachev opened the XIX Conference with a speech that included one chapter on developing relations among countries. The current validity of Leninism on this matter was reaffirmed, and the historical unity of the Union of Republics was presented as evidence of this. Gorbachev reiterated his intention to convene a CC Plenum devoted to this question, but he declared the necessity of addressing the matter during the Conference as well.¹⁹ The General Secretary then gave the following guidelines for future nationalist policy:

- *Glasnost'* must be applied to nationalist issues to obtain accurate information on all the republics and put an end to "gossip and prejudices in relations between the republics based on incomplete or even one-sided information." (Gorbachev is correct in his argument that lack of information provokes inter-ethnic conflicts; a good example is the Caucasus crisis.)
- The republics, "after fulfilling their [economic] commitments to the union will improve their production to meet their own needs through competent economic management."
- The lack of interest paid to all questions related to language, culture, literature, art, historical monuments and protection of the environment must be remedied.

Gorbachev recognized that the increase in national self-consciousness was a positive trend and that the lack of attention to the necessities generated by this increase provoked a nationalist influence within these movements.

Gorbachev then announced the changes to be made in the legislation on the republics and on their relations with the Union, as well as the intention to concede territorial

¹⁹ Gorbachev's opening speech at the XIX Party conference, 28 June 1988 (Moscow: Novosti).

autonomy to all ethnic groups (a clear reference to the Tartars and Nagorno-Karabakh). According to the General Secretary, it was necessary "to secure maximum consideration towards the interests of all nations and ethnic groups, as well as those of the whole community of Soviet peoples, within the framework of the current structure of the Union."²⁰

In this speech, Gorbachev drew a general sketch of the Kremlin's future policies in several fields, which would later be explicitly stated. The most important point in Gorbachev's address to the XIX Conference was that the gravity of the nationalities problem was recognized in such a high-level forum, in contrast to the idyllic assessment of the inter-ethnic situation made by the General Secretary during the CPSU XXVII Congress.

Beginning with the XIX Conference, Gorbachev admitted the seriousness of the nationalities problem; he now considers its solution to be one of his most immediate priorities. It should be assumed that he is not going to change his mind on the need to broach this matter. It seems likely that from now on, he will try to address these problems with concrete proposals.

D. SOLUTIONS TO THE "NATIONALITIES PROBLEM": THE LEADERSHIP'S ATTITUDE

This section analyzes Gorbachev's current attitude towards nationalism--what could be called his mature thinking--found in his latest speeches. This analysis is followed by an overview of popular attitudes towards the Gorbachev line and an analysis of the specific measures adopted by the leadership since the XIX Conference.

At the XXIX CC Plenum, which was devoted to implementing the XIX Party National Conference's resolutions, Gorbachev's report recognized the complexity that any policy on nationalism would have. It also pointed to the future CC Plenum on the matter as an adequate forum for laying the foundations of the Kremlin's nationality policy. Gorbachev indicated the need for a public debate to gather ideas and suggestions, indicating the Soviet leadership's interest in public opinion, considered as much a litmus test as a source of popular solutions.

²⁰ Ibid.

His ability to adapt himself to circumstances and changes in the Soviet situation--one of the main talents of the General Secretary--means that Gorbachev's thinking on this issue has not been completely defined. Nevertheless, he has developed a framework of ideas on the "nationalities problem" which can be deduced--he has made progress, given his initial state of benign oblivion on the issue. Indeed, Gorbachev's current treatment of the nationalities question shows every sign of thoughtful and complete analysis.

According to Gorbachev, the main causes of worsening inter-ethnic relations are

- The leadership's perennial lack of attention to the socio-economic and spiritual demands of the multiple nationalities and ethnic groups
- The population's inability to control its leaders (a reference to "mafias" in the Brezhnev era)
- The energetic reaction of corrupt groups against *perestroika* and their fomentation of nationalist uprisings in order to distract public attention from their illegal activities, committed during the years of stagnation.

Although these reasons are valid and indicative of Gorbachev's bravery in revealing the problems that affect the Soviet Union, the political reasons and the historical injustice of the Soviet regime towards specific national groups and the consequent political causes of the present discontent were omitted from his analysis and explanation.

Nevertheless, it is possible to infer from this enumeration the next steps to be taken by the leadership to restrain the nationalist movements--economic and cultural concessions to the republics and ethnic groups, increased popular participation in political life through the restoration of the Soviets' role, and the struggle against conservative groups that are believed to be bolstering the uprisings.

Gorbachev's thinking on nationalism has a solid ideological basis. First, he declares absolute fidelity to doctrinal Leninism and his resolution to make Leninist doctrine fully valid, provided it is dynamically applied. The historical context is also important:

The achievements in the Union's development are truly historic. With all the existing problems it is a unique formation. But at some stage it has been decided that everything has already been achieved. Meanwhile life goes on and society embarks on a new stage. As a result of a lack of attention to problems of inter-ethnic relations, these problems have assumed a painful character and require a serious analysis and appropriate decision.²¹

²¹ Gorbachev's speech at a meeting of the Presidium of the USSR Supreme Soviet on 26 November 1988, in *Soviet News*, 30 November 1988.

Although Gorbachev recognizes Soviet errors in handling the problem and the lack of attention to national groups, he reaffirms the validity of a centralized system and declares his complete unwillingness to relinquish it: "I would like to stress the principal thing that the speakers were unanimous about: the motto--a firm union means a powerful center and powerful republics--meets the interests of all our peoples."²² Gorbachev recognizes that without the support and participation of all nationalities and republics in the reform process, *perestroika* will not achieve its aims: "It is vitally necessary for us to enlist support for *perestroika* from all the nations and nationalities of the country, to ensure their active participation, both politically and economically, in solving the difficult problems that we have set for ourselves."²³

At the same time, Gorbachev denies *perestroika* could have been responsible for the emergence of the nationalist movements, as the orthodox sectors claim: "We must not permit a situation which would hamper *perestroika* and would even make some people think that it is perhaps *perestroika* which is to blame for all that. On the contrary, it is *perestroika* that shows us the way to resolve all the problems, including those connected with inter-ethnic relations."²⁴

Undoubtedly, Gorbachev's thinking on this issue has become more realistic. He has admitted his mistake in not paying attention to the problem from the very beginning. However, he still fails to recognize, at least in public, many factors that have caused nationalist demonstrations. Moreover, one quite serious contradiction has not yet been resolved--how to allow greater autonomy for the periphery while maintaining central control in a social climate of steady openness?

For the purposes of this analysis, an examination of the specific steps taken by the Soviet leadership to solve the nationalities question should begin with the CPSU XIX National Conference, which established a program on this issue. Other measures taken before June 1988 (such as the Tartar Commission in the Soviet Supreme) are not considered here. As a first step for the short term, the Conference approved the scheduling of an extraordinary Plenum of the CPSU Central Committee on the relationship among the different nationalities. Although the Plenum was initially to be convened during the first

²² Gorbachev's closing remarks at the USSR Supreme Soviet on 1 December 1988, in *Soviet News*, No. 6454, 7 December 1988.

²³ *Ibid.*

²⁴ Gorbachev's speech at a meeting of the Presidium of the USSR Supreme Soviet on 26 November 1988, in *Soviet News*, 30 November 1988.

three months of 1989, the complex nature of the problem and the current process of political reform in the USSR have forced it to be postponed until June 1989.²⁵

A national debate, with the participation of the media, representatives from the scientific-cultural circles in the republics and all interested Soviet citizens, will precede the Plenum. Public debates have proven very useful to the General Secretary's interests since they help him mobilize the population to face a particular problem. He also benefits by learning the public's position. Knowledge of genuine public sentiment is, in fact, essential for the Soviet leadership before it takes specific steps.

In addition to the Plenum of the CPSU Central Committee, proposed by the Soviet leadership as the panacea for the problem, the XIX Conference (and, later, the Supreme Soviet) adopted a series of political measures, including several repressive ones. Political-economic measures are undoubtedly the most important kind, as they imply considerable political will on the part of the leadership. There are, in fact, several stages in the reform process, as the conference indicated.

The principal content of the first stage of the reform is renovation of the structure of the Soviets, the formation and activity of the Supreme bodies of power and the electoral system.... The next major stage of political transformation will be linked with the harmonization of relations between the Union [USSR] and its constituent republics.... Questions of the status of the Union Republics, of broadening their rights and *opportunities in political, socio-economic and cultural life and, on this basis of strengthening our federal socialist state will be examined at that stage.*²⁶

Another important reform is the new role of the Soviet of the Nationalities, which is to become the body in charge of addressing these issues and the reliable representative of the republics' feelings and positions.

The specific proposals submitted at the Conference and developed during the following months included an effort to define the Union's responsibilities and those of the federated republics; the transfer of several administrative tasks to the republics; the eventual adoption of an economic self-management system by the different republics and oblasts; and the promotion of direct relations between these regions, while they are participating in national economic projects. In addition, current legislation affecting both federal and autonomous republics as well as other areas or regions is to be updated.

²⁵ Gorbachev's report at the XIX National Conference of the CPSU on 28 June 1988 (Moscow: Novosti, 28 June 1988).

²⁶ Gorbachev's speech at the Supreme Soviet Session on 29 November 1988, in Foreign Broadcast Information Service, *Daily Report: Soviet Union* (FBIS-SOV)-88-230, 30 November 1988.

The speeches delivered during the XIX Conference and in meetings of the local soviets held in November 1988, are marked by a lack of specificity regarding political decisions on the nationalities issue. While the leadership has endeavored to solve the problem, an insurmountable obstacle remains--the will of the leadership to maintain a centralized system, which is why specific measures have been postponed to a second stage. It is likely that Gorbachev would prefer to wait until the new Popular Congress is formed before trying to implement this second stage. It is also expected that the more democratic election of the new popular deputies will make the new Supreme Soviet legitimate, thereby making it possible to adopt the necessary measures to improve relations between Moscow and the different republics. Thus, the Kremlin could obtain a truce in its battles with nationality issues.

As for economic measures, development programs depend on specific legislation. It is absolutely essential for Moscow to actually transfer authority, thus enabling better economic performance and a solution to the crisis. The Baltic republics that already have a self-management tradition, provide an adequate model for decentralized economic management, but their ambitious claims necessitate that transfers and important self-management concessions be made carefully.

The implementation of economic measures should redress one of the great failures in the Soviet system--the difference in regional development, which causes *different living standards* among the republics as well as excesses in the labor forces of the less developed areas. The solution to this problem--the creation of an industrial infrastructure in areas with a high probability of political instability, such as in the Moslem republics--entails some risks. At the same time, improvements in the republics' economic self-management must be accompanied by improvements in central economic plans. Thus, the problem of trying to match a centralized planning system with a more diffused decision making capability is again confronted, as it has been in the political field.

Implementing measures that will help change the population's way of thinking is also necessary. The Soviet leadership intends to improve communication, knowledge, and relations among the different republics and between the republics and Moscow, to end mistrust and suspicion. Gorbachev has stated that "In the republics, they suspect there are some Kremlin secrets about them, while in the center they often see problems raised by

republics as something improper."²⁷ This distrust is undoubtedly one of the problems that urgently requires a solution, yet because of historical circumstances, a short-term solution for this distrust between Moscow and the periphery is not foreseeable. However, better communication among the republics can be achieved, especially among those with more developed cultures (such as in the Baltics, Caucasus, Belorussia), thanks to the creation of the Popular Fronts and the meetings between them. In contrast, relations with the Muslim republics seem more difficult due to the Slavs' historical disdain of Muslims and the traditional apathy of the latter. The Kremlin seeks to establish a climate of confidence between each republic and the ethnic groups located within that republic.

The Kremlin's policy makers hope to eliminate the traditional practices in local political performance of "ruling the roost," while ignoring the opinions of the republics' inhabitants and avoiding any explanation of the reasons and objectives for adopting given measures. Such actions have been the catalyst of violent outburst in the Caucasus and are found in other republics where minorities have little in common, or indeed are historically at odds, with the official national group. Eliminating such practices is extremely difficult to do since "ruling the roost" is a driving force in the Soviet machinery. Gorbachev's determination to abolish it nationwide will require an actual cultural revolution because he must change the bureaucratic mentality. Cultural concessions to minorities will also be necessary to respond to their needs.

Cultural measures will most likely be among the first reforms to be applied, since the autochthonous populations will respond positively to them. One noteworthy reform among these measures is the right to express oneself freely in one's mother tongue. The schedule to implement this right includes plans to prepare and submit for public discussion the USSR Act on Free Development and Parity in Using the Native Languages of the Peoples of the Country.

Treatment of religion is a more difficult problem. Although the regime's religious tolerance has improved--especially towards the quasi-official orthodox church--a more tolerant attitude towards the Ukrainian Catholic church or towards Islam can clearly be very dangerous. A more specific judgment about religious tolerance cannot really be made until the new Act on Religious Freedom is made public.

²⁷ Gorbachev's closing remarks at the USSR Supreme Soviet on 1 December 1988, in *Soviet News*, No. 6454, 7 December 1988.

Environmental protection must also be addressed early on, in response to specific demands from local populations. The Soviet leadership seems to have finally become aware of the gravity of the problem and of people's sensitivity to the matter; a series of projects considered to be highly pollutive have already been suspended. Such measures are sure to please the populace, especially in republics such as Armenia, where environmental demands initially accompanied the demand for a return of Nagorno-Karabakh when demonstrators first began their protests in February 1980.

While these reform measures illustrate the Kremlin's good will, Gorbachev, a man of firm principles, will not hesitate to adopt restrictive measures when necessary to maintain control over problems that could endanger the union's cohesiveness. His decisions are based on the assumption that the population is willing to defend the union, and he has stated that more severe punishments will be applied to those who exacerbate tensions among nationalities and lay claim to national exclusiveness. This rule will more severely discipline those party members who adopted nationalist positions, since this violates one of the fundamental political axioms of the party.

E. CONCLUSIONS

Forecasting the future development of the nationalities issue in the USSR is very difficult. This paper does not analyze each of the sources of tension individually. Rather, a global approach to the nationalities issue in the Soviet Union seems more useful, since the current revitalization of Soviet social conscience is deeply linked to the process of reform in every field, specifically in the economic and political spheres. At the same time, the leadership is also influenced by the evolution and implementation of its political plan, and its attitude towards nationalism or any other social manifestation will shift, according to the general state of the *perestroika* effort. Generally, in today's two most conflictual areas, the following series of events might be foreseen.

First, in the Baltic area, it is likely that the Popular Fronts will continue their current development and that popular participation will increase. Nevertheless, Gorbachev's firmness in the USSR Supreme Soviet Presidium meeting, held on 20 November 1988, seems to have taught the Baltic leaders to be more careful in their claims. For the time being, they cannot make any demands that gainsay or do not follow the line of the Kremlin's reform principles. In this sense, the leadership's attitude will probably waver (as it has until now) between compromise and a strong hand. In any case, for the mid-term, the Baltic issue represents a serious political risk and challenge to the general

acceptance of a single party system, which will undoubtedly continue to pose problems for Gorbachev.

Second, in the Caucasus, the Azerbaizhan-Armenian confrontation contains numerous historical and cultural components, making a neat final solution seem quite unlikely. Nevertheless, curbing the conflict by means of cultural, economic and even political concessions may be possible. For example, the Soviet leadership could decide to upgrade Nagorno-Karabakh to the status of an autonomous republic. In January 1989, the Presidium of the USSR Supreme Soviet announced that the Nagorno-Karabakh oblast would retain its autonomous status, but under a temporary "special form of administration" controlled from Moscow. This decision seems to be a move in the direction of making Nagorno-Karabakh an autonomous republic. If tensions increase, the Kremlin could use a security corps, whose intervention would be wholly justified for the defense of Soviet citizens.

Such possible developments in these two regions highlight an important conclusion--although Gorbachev must define a new policy on nationalism during the next Plenum of the Central Committee devoted to this issue, each case will undoubtedly require a specific policy. If one policy has fallen wide of the mark during the past 70 years, it has been the Kremlin's desire to unify all the Soviet Union's different nationalities and ethnic groups, as seen in the uniform political measures applied to them.

To keep the leadership continually informed at every level, Gorbachev will, from now on, need to establish an extensive network of institutions and specialized centers on nationalism, designed to closely monitor all of the economic, political, demographic, and cultural factors, specifically religious ones.²⁸ Gorbachev will also try to involve the whole society, making it assume its share of the burden, through his *glasnost'* policy and the media.

As for the West and its assessment of current Soviet problems, studying the development of nationalism in the USSR as a destabilizing factor is essential. Such an analysis is also important for estimating the value of exploiting this risk factor, should the Soviet leadership ask for Western support.

²⁸ The new 1989 census will be a most valuable source for studying one of the key factors in the USSR's future social structure and composition.

In any event, General Secretary Gorbachev is fully aware of the significance of the nationalist problem to *perestroika*'s success. At present, the General Secretary does not seem to be using this issue for propagandistic purposes. In Gorbachev's own words, "Now we should thoroughly analyze the essence of the matter in order to get out of this crisis--I shall call things by their proper names--with a feeling of confidence that we are on the right path and that our union will gain in strength within the framework of *perestroika*."²⁹

²⁹ Gorbachev's speech at a meeting of the Presidium of the USSR Supreme Soviet on 26 November 1988, in *Soviet News*, 30 November 1988.

PROSPECTS FOR SOVIET FOREIGN TRADE REFORM

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ABSTRACT

Dr. Marie Lavigne, the Director of the Center of International Economies of the Socialist Countries at the University of Paris, analyzes the prospects for Soviet trade reform. Her assessment is divided into two sections: the current status of the reform efforts and their future prospects, and the consequences of these reforms from the Western perspective.

A number of decrees have outlined changes in Soviet foreign trade since 1986, the latest one having been issued in December 1988. At the micro level, Lavigne concentrates on three aspects of this most recent decree: increased freedom for economic agents; more incentives to trade; and a revival of joint ventures. On the macro level, she explains that the decree is moving away from planned regulation of foreign trade toward market regulation. In this connection, Lavigne identifies the various market economy instruments to be used, mainly commercial policy instruments and an exchange rate policy.

In the second section of her analysis, Lavigne raises several questions about the implications of these Soviet reforms for the West. Specifically, she addresses the issues of granting credits to the USSR; Soviet admission into GATT and the IMF; the implications for Western national security interests; and Soviet relations with the West.

PROSPECTS FOR SOVIET FOREIGN TRADE REFORM

The most recent stage of Soviet foreign trade reform is embodied in the Decree of the Council of Ministers published on 2 December 1988, entitled "On the further development of the foreign economic activities conducted by state, cooperative and other social enterprises, associations and organizations." Of everything contained in this bulky document, commentators have mainly focused on the announcement of a devaluation of the ruble, effective 1 January 1990. This news created such excitement that it had to be corrected later that month by the chairman of the State Commission on Foreign Economic Relations, V. Kamentsev.¹ In fact, this decree denotes a marked liberalization of the first reform measures, implemented in August 1986, and even of the follow-up measures (in September and December 1987 and January 1988).

There are numerous issues to discuss with respect to these events, particularly given the integral connection between domestic and foreign economic issues. To cite but a few:

- Following the drop in world oil prices in 1986, the structure of Soviet exports had to be changed so as to include manufactured goods.
- The structure of Soviet imports had to be rationalized as well, which included raising the question of whether it was more desirable to cut imports of consumer goods or to expand them for social and political reasons.
- The Soviet Union wants to be more substantially involved in the world trade system, which is why it applied for participation in the new multilateral commercial negotiations (Uruguay Round) within the General Agreement on Tariffs and Trade (GATT) system in 1986. Although this application was rejected, the Soviet leaders want to be ready to reapply to GATT itself in the near future.

1 For instance, "Analysts Welcome Devaluation of Ruble but Stress Need for Change in the Soviet Economy," *International Herald Tribune*, 14 December 1988; "Soviet Official Clarifies Stance on the Ruble," *ibid.*, 21 December 1988; "Moscow Narrows Definition on Devaluation," *Financial Times*, 21 December 1988. French papers (*Le Monde*, *Figaro*) also pretended that there was a "retreat" from original positions, while it was only the result of a lack of understanding. Journalists should be excused; the matter is quite confusing.

- Although for the time being the Soviet leaders (and most Soviet comments by academic specialists) rule out an application to the International Monetary Fund (IMF), they also want to be prepared for that eventuality, and in particular to lay the groundwork for the convertibility of the ruble.
- Gorbachev consistently underscores European issues; the idea of a "common European home" is advocated repeatedly, albeit in very vague terms. Much less vague, although not quite explicit, are the stakes of the June 1988 agreement between the Council of Mutual Economic Assistance (CMEA) and the European Economic Community (EEC) and of the impending USSR-EEC agreement.
- The reform effort is meant to increase the flows of Soviet trade with the West. Should *perestroika* prove successful, there may be national security implications for the West, because of the lifting of some Cocom (Coordinating Committee for Multilateral Export Controls) restrictions and because planned cuts in Soviet defense expenditures could lead to a weaker Soviet military.
- The foreign trade reform implies a dismantling of the administration of the foreign trade sector, in line with the changes within the highest levels of domestic management; until now this has resulted in disorganization instead of increased efficiency.
- The reform also implies changes in the foreign trade rights of Soviet enterprises, which were nonexistent in 1986. Although these rights were expanded, incentives have been insufficient and the rights inadequate; foreign trade activities are still to be integrated with domestic activities.
- A variety of issues dealing with relations between the Soviet Union and the CMEA countries exists. While these issues will not be discussed in great detail, the imitation effect, when the Soviet Union borrows some features from its CMEA partners, will be examined. The possible consequences of such an imitation process will also be analyzed.
- The joint ventures issue is also mentioned in the December 1988 decree. Although joint ventures are a part of this latest reform effort, the measures dealing with this question are specific, aimed at attracting foreign capital.
- According to the decree, a special economic zone has been created in the Far East. The Soviet leadership is obviously cautious about this development and is uncertain about what to do, but does have great expectations for this zone, which is viewed as a laboratory for testing the reform.

This is only a brief list of the issues involved in the Soviet foreign trade reform. The element of the following analysis that examines future prospects will focus on what is to be expected from the Western point of view. Here, too, clarification is necessary; the

West is not homogeneous. The expectations of businesspeople and bankers are not necessarily the same as those of governments. Europeans and Americans have different, if not diverging, views. In fact, the West's own aims are not clear. Do we want the Soviet Union to expand its borrowing so that it can buy more, even if this might endanger its balance of payments equilibrium? Or, do we want the Soviet Union to conduct a cautious foreign trade reform, which would mean the Soviet market would remain restricted? Finally, should the West do something about this reform? Should it want to do something and is it able to do so?

The first part of this paper assesses the foreign trade reform--where the Soviets stand at the beginning of 1989 and where they want to go. The second section evaluates the consequences from the Western point of view.

A. THE SOVIET FOREIGN TRADE REFORM IN ITS THIRD YEAR

The December 1988 Decree of the Council of Ministers is a follow-up to the foreign trade reform initiated by a resolution of 19 August 1986, decentralizing the foreign trade monopoly and giving free access to foreign markets for a number of enterprises and ministries. As in the 1986 resolution, a section of the latest decree is devoted to joint ventures. In this respect, the decree is an attempt to accommodate the needs and wishes of foreign partners in the joint ventures. A whole set of measures relates to financial and monetary questions, including the much-heralded announcement of a new exchange rate for the ruble, but other, perhaps more far-reaching, measures in this field are also enumerated. The December 1988 decree appears to be a complex document, incorporating a critique of the implementation of previous reform efforts, a set of organizational measures to be applied immediately or in the near term, an announcement of future changes clearly devised to attract Western attention, and finally a series of hypotheses about how to tackle the currency problem. Thus, any interpretation of this text must carefully distinguish between what is currently achievable and what needs further elaboration.

Obviously, the Council of Ministers had the preliminary 1988 foreign trade data in hand when it approved the decree. Since 1986, the overall pattern of Western trade with the Soviet Union has remained unfavorable for the USSR, although individual factors have fluctuated. Specifically, in 1986, oil prices fell and the dollar's value depreciated. Exports to the West decreased in value terms but increased in volume; imports from the West decreased slightly in value terms and decreased substantially in volume. The terms of trade with the West sharply deteriorated and a slight trade deficit occurred. In contrast, in 1987

oil prices stabilized while the dollar continued to depreciate and grain prices also fell. The value of exports to the West recovered from the previous year's performance, a slight increase in imports occurred as did a large surplus of hard currency. In 1988, oil prices fell again, while grain prices rose. The rate of the dollar's depreciation slowed. Although exports to and imports from the West increased in value terms, the terms of trade significantly deteriorated. A large trade deficit is expected.

Why, in this era of reform, have the patterns of Soviet trade with the West continued to favor the West? First, the reforms did not affect foreign trade at all. What did affect it, given the standard composition of trade with the West (basically, energy exports for grain and machinery imports), were movements in commodity prices, coupled with fluctuations in the dollar exchange rate. The Soviet Union exports largely in dollars and imports in Western European currencies (with the exception of grain). The trends over the past three years remain entirely within this standard Soviet trade system--oil exports were pushed in large quantities, grain imports were contained when possible (aided by two good harvests in 1986 and 1987) and large cuts were made in imports of manufactured goods, especially in consumer goods. The foreign trade reform seeks to facilitate a long-term response. Soviet dependency on oil sales would be reduced through a growth of non-raw materials exports; the import structure would be modernized as the proportion of elaborate manufactured goods (both machinery and consumer goods) increase, while the proportion of intermediate and primary goods decrease. In the meantime, adverse international market conditions impede a quick implementation of the reform. The character of the external situation encourages adoption of the quickest achievable solutions--the mobilization of traditional exportables and an across-the-board cut in imports, even when imports cannot be readily substituted with domestic goods.

In addition, the reform scheme itself went awry. The reform was supposed to provide selected ministries and enterprises with increased freedom for maneuver and increased incentives to export. Two years later, neither freedom nor incentives existed. This was not so worrisome from the point of view of foreign trade--the reform could not have cured its ills on such short notice. But the failure of the foreign trade reform had two other substantial drawbacks. Reacting to the implementation of the general *perestroika* program, it went against one basic idea embodied in the enterprise reform, namely that foreign trade results should be part of the global performance evaluation system of the enterprise. Second, in comparison to the European CMEA countries, the Soviet Union

was lagging behind in the foreign trade management field, a fact that jeopardized some essential aspects of intra-CMEA cooperation.

1. Micro-Level Regulation of Foreign Trade

At the micro level, the new December 1988 text on foreign trade follows the usual Soviet practice of assuming the same line as the previous version but in a much more radical way. These issues are reviewed in the following paragraphs, with attention to three categories of concern--more freedom for economic agents, more incentives, and a revival of joint ventures.

a. More Freedom for Economic Agents

As of 1 April 1989, the December 1988 decree gives all enterprises and organizations (state, cooperative or belonging to social organizations such as trade unions and associations) "which are competitive on foreign markets" the right of access to foreign markets. This right is only subject to registration. Imports must be financed by exports. The GVK (State Commission on Foreign Economic Relations) is entitled to deprive any enterprise of this right in cases of "unfair competition" (indeed surprising wording) or of "activities damageable to the interests of the state." To conduct these activities, the enterprises may set up any type of foreign trade organizations, including "unions, consortia, various associations, joint stock companies, merchant houses and others, with the participation of the producers of goods and services, the foreign trade organizations, and--if needed--with the participation of banks, supply organizations and others."

According to the December decree, there will be, in principle, freedom for all domestic agents, except producers or users of goods whose trade will be centrally regulated. As expected, the December decree was followed by regulations meant to ensure its implementation or to clarify obscure points. The new rules strongly restrict the liberal aspects of the Decree. A decree issued on 7 March 1989 "on measures ensuring state regulation of foreign economic activities" establishes the registration procedure which is a precondition for conducting any foreign trade activity. For a series of goods, there are quantitative import or export restrictions. In such cases, a license is needed in addition to the registration. A regulation issued by the State Commission for Foreign Economic Activities (GVK) on 20 March 1989 identifies the list of the relevant goods (but not the amount of the quotas). This list includes eight commodity and services groups for import and 28 groups for export. The restricted import list includes medicines; pesticides; virtually

all cultural, artistic and intellectual goods (printed material, videos, movies, cassettes, and services linked with the organization of all types of shows and concerts); the hiring of foreign labor; and all financial services. As expected, the export list includes all raw materials; virtually all chemicals and food products; medicines and medical equipment; intellectual property (patents and licenses); art and cultural services; and financial services. Some imports and exports are totally forbidden to enterprises, such as military equipment, drugs, and precious metals.

But what the enterprises and cooperatives found most distressing is the general ban on any barter or trading activity--the enterprises or cooperatives can buy only what they will use, or sell what they have produced. Joint ventures are also subject to these restrictions unless they are specifically authorized by the Ministry of Foreign Economic Relations. State enterprises may engage in trading only on the basis of relevant regulations, of which there are none. Already complaints are numerous. Angry enterprises stress that being limited to buying or selling one's own goods is quite unproductive. The alternative is to use the state foreign trade organizations (FTOs), which are considered quite ineffective. Unofficially, many cooperatives have allegedly bought goods abroad and resold them in the Soviet Union, especially video equipment and computers, which provide huge returns since the domestic prices for such goods are very high.

Even under these restricted conditions, operating in the foreign trade arena poses another problem--it requires an expertise that most Soviet enterprises lack, for they have no experience in such things as dealing with foreign currency, advertising or marketing. Export represents a new world for the Soviet enterprise. According to interviews I have recently conducted, it seems unlikely that they would be eager to turn to their ministries for advice. Rather, they will ask the help of local authorities (republic, regional or city soviets). Some of these authorities are already exploring the opportunities for joint ventures with Western partners to establish merchant houses, which the Decree provides for. Clearly, the Japanese model for trade companies is much admired in the Soviet Union.

As indicated in the preceding paragraphs, in terms of the degree of freedom in trading specific goods, only the FTOs of the Ministry of Foreign Economic Relations (not the enterprises) are allowed to manage the export of fuels and raw materials and the import of agricultural goods, raw materials, a large share of the intermediate goods (such as tubes for pipelines) and equipment for new projects. These products make up 81 percent of Soviet exports to the Organization for Economic Cooperation and Development (OECD) countries and probably more than 50 percent of Soviet imports. In addition, export and

import rights are limited by the new quantitative restrictions that have been imposed. Finally, for all the goods produced under *goszakaz* (state orders)--that is, earmarked for the domestic market--the enterprises will not be allowed to divert a part of their production to foreign markets.

Because of these regulations, there may be cases when a Soviet enterprise contracts with a foreign partner but is subsequently unable to fulfill its obligations. In such cases, according to an official of the GVK in an interview published in *Ekonomicheskaya gazeta*, the usual international practice will apply--it will be a case of *force majeure*, which will certainly create additional work for Western lawyers. The official acknowledges that sometimes information such as quotas will simply not be available to the enterprises. "To guarantee that all such decisions be taken in due time--well, nobody can ascertain that. This is life, unfortunately, with all its problems."²

The Decree also speaks of unfair competition. The enterprises will not be allowed to sell their goods at arbitrary prices. Doing so would be contrary to the interests of the economy; it would amount to earning hard currency at black market rates. Second, the authorities nevertheless fear that many enterprises might be strongly tempted to do so, which, if such selling were successful, would trigger a host of anti-dumping suits from the Western partners, at the very time when the Soviet Union wants to look respectable.

In principle, freedom to trade with all countries is permitted. But again, difficulties may arise, especially for those enterprises that wish to trade with Finland (for many Soviet enterprises, a more familiar partner than other Western countries). Finland and the USSR have a clearing agreement, and the Soviets are trying to reduce their trade deficit with Finland that has existed since 1986. Thus, Soviet enterprises that export to Finland with plans to subsequently import might well have their assets in Finnish marks blocked, and their import rights suppressed. This may be good news for Western competitors of Finnish businesses on the Soviet market but not for the Soviet enterprises. When the Soviet Union has a deficit with a given country it is expected that the enterprise that exports to the country may be strongly induced to use its hard currency rights for imports from any country with which the USSR has a trade surplus. If such is the case, American and West German companies may suffer.

² Interview of I. A. Ganin, an official of the GVK, *Ekonomicheskaya gazeta*, No. 3, 1989, pp. 20-21.

b. More Incentives

If the enterprises decide to become involved in foreign markets, what incentives will the new Soviet system provide? The 1986 Resolution provided for two different, albeit connected, means of interesting the enterprise in its foreign activities: the system of differentiated currency coefficients (hereafter DCC; in Russian, *differentirovannye valyutnye koefitsienty*, or DVK) and the right to retain a share of the hard currency earned. The December 1988 decree retains this system, with some clarifications, and adds specific incentives for the workers of the enterprises. Just as in the domestic arena, the basic idea is that the enterprise has to cover its costs by its earnings; in the field of foreign trade, this amounts to a hard currency self-supporting principle (*valyutnaya samookupaemost'*). The enterprise may import goods only if it has earned the necessary hard currency through its exports. In fact, even more hard currency is needed, since a share of the earnings is retained by the budget or the agency to which the enterprise is subordinated. Judging from the horror stories contained in Soviet journals about this subject, this scheme has not been successful. Although a full elaboration of all of the problems associated with this process is beyond the scope of this paper, two of the key issues that should be considered are the effects of the DCCs and the enterprises' share of hard currency earnings.

The traditional system of paying exporting enterprises at domestic prices (irrespective of their participation in foreign trade) was abolished in 1986 for those enterprises that received the right to export on their own. Initially there were 68 such enterprises; by the end of 1988, there were 150. A variation on the 1968-1976 Hungarian system (which was also the system applied in the early 1970s in Poland under the designation of transaction prices) was then applied. As the official exchange rate overvalues the ruble against all currencies, it cannot be used for translating earnings or costs in foreign currencies into domestic rubles. This discourages exports and excessively encourage imports. Special multipliers then must be used to correct the official exchange rate. This amounts to a devaluation whenever the coefficient exceeds 1, and to a re-evaluation whenever it is less than 1. For instance, with an official exchange rate of 0.6 ruble for 1 dollar, a coefficient of 2 would yield 1.2 rubles for 1 dollar (implicit devaluation), and a coefficient of 0.5, 0.3 ruble for 1 dollar (implicit revaluation). The latter case is essentially theoretical and might occur only if coefficients were applied to the export of fuels, which is not currently the case.

The fixing of such coefficients begins with computing shadow rates that reflect how much domestic money must be spent to earn a unit of foreign currency. The way to derive

such a rate--whether to take the marginal cost or the average cost of earning one unit of foreign currency--will not be discussed here. In the case of Hungary, the principle of the average cost was retained; the coefficients (called multipliers) were first differentiated, according to groups of goods, and gradually unified, and the latter stage was achieved in 1976. The use of a unified average coefficient should naturally lead to modifications in the export basket of the country, by increasing the share of high-currency-earning goods at the expense of low-currency-earning goods. Such changes are of course rational only if the domestic prices are efficiency or scarcity prices, which is not the case.

In the Soviet Union, the coefficients were indeed differentiated from the outset, not only in the quantity of coefficients (several thousand) but also in their proportions. The rates, in fact, ranged from 0.3 to 6.6. However, this range in DCCs is much smaller than the range of the ratios of domestic prices to world market prices--here the smallest ratio is 0.03 and the largest 50.³

In fact, the DCCs never really worked. Based on a host of complaints, the following points identify the key problems:⁴

- In most cases, the DCCs were simply not applied. Instead, the enterprises were paid, as usual, on the basis of domestic prices. For only 3 percent of the hard currency earnings were the DCCs actually used. If it is assumed that at most, only 20 percent of the hard currency earnings could be involved, given the range of goods and the number of qualifying enterprises, then it may be concluded that the new rules were applied to no more than 15 percent of the relevant transactions. As for imports, they were simply ignored.
- The enterprises did not like the coefficients because when they were applied to exports, they frequently led to a price lower than the domestic price. The enterprises then asked for revisions, which were usually granted, but even the revisions only raised prices to the level of their costs, thereby yielding no profits.

3 Nathalie Ricœur, "The Exchange Rate in the New System of Management of Soviet Foreign Trade," Working Paper 57/88 (Paris: Centre d'économie internationale des pays socialistes (CEIPS)).

4 See, for instance, A. Golovaty and E. Antonov, "How to Force the Currency Coefficients to 'Work'?" *Ekonomicheskaya gazeta*, No. 7, 1988, p. 20; A. Burov, "The Way Toward Currency Self-Supporting," *ibid.*, No. 20, 1988, p. 20; A. Burov, "Export: Is the Incentive Good?" *ibid.*, No. 32, 1988, p. 21; S. Zakharov, "The Future of the Currency Coefficients," *ibid.*, No. 33, 1988, p. 20; N. Astrakhanseva and V. Kuznetsov, "From the Coefficients to a Real Rate," *ibid.*, No. 35, 1988, p. 21; V. Sukharev et al., "Again on the Incentives to Export," *ibid.*, No. 38, 1988, p. 20. And it continues in 1989: A. Burov, "An Acceleration through Incentives," *ibid.*, No. 5, 1989, p. 21. The journal *Vneshnyaya torgovlya* and its foreign language issues have also devoted considerable attention to the question. See, for instance, the articles by Doronin, Zverev, and Antonov during 1988.

- The ministries did not like the coefficients either, because when revising the DCCs for their enterprises, they had to support the burden of the corresponding subsidy.
- The Ministry of Finance hated the coefficients because it believed that widespread use of the DCCs would entail large losses. To understand this thinking, it is necessary to understand the rationale of the old system. On an accounting basis, the export earnings (let them be called X_f) and the import disbursements (M_f) were converted into rubles using the official exchange rate. The enterprises were paid or had to pay at domestic prices (X_d for exports and M_d for imports). The FTOs "bought" the export production from the enterprises, thereby realizing a net result of $(X_f - X_d)$, and "sold" the imported goods, thereby realizing a net gain of $(M_d - M_f)$. The net outcome of foreign trade was thus

$$S = (X_f - X_d) + (M_d - M_f).$$

While the revenues from exports were generally limited because of the overvaluation of the ruble, domestic prices for the exported goods were so low--especially for fuels--that a profit was made. More important, imports yielded an enormous profit because the domestic prices of the imported goods--especially machinery--were many times higher than the foreign trade prices converted into rubles at the official rate. The ministry thus enjoyed a substantial income.⁵ Now, having lost a sizable amount of income from taxes on liquor sales because of Gorbachev's anti-alcohol campaign, the Ministry of Finance is still less inclined to accept the loss of such a reliable source of revenue.

- Finally, it was simply impossible to calculate DCCs for a large range of goods, including consumption goods, spare parts, and machinery components.

In the final analysis, these factors mean that there was no incentive to export; at best the enterprises succeeded in having their expenses covered. The December 1988 decree replaces this system with one that is based on an exchange rate reform. In the meantime (during 1989), the DCCs are to disappear gradually. If the present system had any coherence or logic, the disappearance of the DCCs would be significant. But, as everything is solved on a case-by-case basis, the suppression of the DCCs will probably not alleviate the present confusion, since they will continue to exist in the hidden form of ad hoc subsidies.

5 This has convincingly been shown by Igor Birman (1981), among others.

The notion that enterprises would receive a share of their hard currency earnings was the great novelty of the 1986 resolution. The amount the enterprises would retain depended on the goods they produced and would range, in principle, from 2 to 80 percent (the latter for sophisticated machinery); but in fact, the share would never exceed 50 percent. Moreover, the enterprises still do not know how their hard currency revenues are going to be taxed. As the 2 April 1989 issue of *Moscow News* wrote, "the future exporters are certainly not going to rush to the registration offices. Our bureaucrats are to be blamed for that, rather than the drastic laws of international trade."

This policy of receiving a share of the hard currency earnings has by no means amounted to an immediate availability of hard currency. In 1987, revenues equivalent to 900 million rubles according to the official rate (or \$1.4 billion, which was 7 percent of the total hard currency revenues from exports to developed countries and 36 percent of the non-fuel revenues) were available only as of 1 April 1988, and, even then, they were not really available. The enterprises had to deposit the corresponding amounts into a special account, which granted them a right to their hard currency earnings. That right proved very difficult to implement, because the enterprises had to buy back their own hard currency account, using funds from their profits to do so. Once again, enterprises began to complain and wrote to the newspapers. Although no overall statistical figure is available, based on numerous articles, it can be estimated that the enterprises have actually eked out only 10 to 15 percent of their legitimate earnings at most.

The December 1988 decree does not improve this procedure. It merely provides for quicker use of the foreign exchange earnings (they are now available as soon as they are earned) and establishes a series of special rates (for enterprises of the Agroprom system, subcontractors of exporting enterprises, city councils, republic and regional authorities, etc.). However, beginning in 1991, the logic of the whole system will be reversed--instead of fixing the share of foreign currency earnings retainable by the state enterprises, the government will fix the share of these earnings to be given to the state and the rest will be kept by the enterprises.

The decree also provides for the worker's collective of the given enterprise to itself decide how to spend 10 percent of the foreign currency retained. Purchases from abroad may include consumer goods, medicines, and goods designed "to strengthen the material base of social and cultural activities." These changes raise many questions. Will this new measure act as an incentive if the effective rights of the enterprises are not guaranteed? How will the imported goods be resold? Will they be taxed or not? For such goods as

clothing and shoes, the tax is very high. Will the goods be sold only to the workers of the enterprise or to other consumers? Given the huge demand for such goods in the USSR, it is easy to imagine the worst--speculation, corruption, and intrusion of the authorities.

Another change resulting from the decree is that an enterprise may now obtain credits in hard currency from the Bank for Foreign Economic Relations, but only on the condition that it guarantees that these credits can be paid off through increased exports.

All of these considerations present the enterprises with rather gloomy prospects. Should they really want to pursue export and import activities, they might be well advised to seek easier sources of hard currency. Several alternative sources of hard currency are available. First, cooperatives are entitled to retain all of their earnings in hard currency. However, they must pay a tax on these hard currency earnings. The amount of this tax is as yet unfixed; it will be determined before 1990.

Second, following the Polish and Bulgarian practice, the decree provides for auctions of hard currency, to be organized under the auspices of the Bank. These auctions would offer hard currency from enterprises or cooperatives, as well as from centralized funds. Foreign experiences have shown that such auctions, especially if they are conducted rather narrowly and if the demand largely exceeds the supply, lead to an exchange rate sometimes even higher than the black market rate. In any case, an auction may still be advantageous given that the enterprise may hope to legally recover only 10 percent of the hard currency to which it is entitled.

Finally, joint enterprises are, of course, entitled to retain all of the currency they earn, which may be appealing for many purely Soviet enterprises. Already joint ventures that would operate as trading houses have been planned. The Decree warns that in such cases, the Soviet enterprise using a joint venture to conduct its foreign trade operations cannot retain a higher percentage of hard currency than the percentage to which it is entitled according to the regulations. But controlling the activities of joint ventures set up for this purpose will be very difficult; imposing too much control could seriously jeopardize the Soviet Union's credibility in this field. This is a risk the Soviet Union probably does not want to assume, since the Decree also seeks to increase the incentives to establish joint ventures.

c. A Revival of Joint Ventures?

The legislation on joint ventures developed in several stages. The decree of 19 August 1986, which created the framework of the foreign trade reform, barely mentioned the possibility of creating co-enterprises with Western (as well as with socialist) participation. A subsequent decree of 13 January 1987, provided the first comprehensive set of rules, along with a number of contradictions and obscurities that were only partly clarified in September 1987 by a new set of regulations. The most recent decree of December 1988 eases several constraints but still does not totally satisfy potential Western partners. It also creates new uncertainties by launching a reform of the foreign exchange regulations, whose impact on joint venture operations remains unclear.

Most Soviet joint ventures are not yet operational, but they have already precipitated a flood of literature from lawyers, journalists, economists, and businesspeople; a permanent census of the ventures set up and in progress; and a treadmill of conferences.

What is astonishing is that--in contrast to the East European experience--so many Western firms have agreed to play the game with so little clarification. The ranking of joint venture partners follows the standard order of the Soviets' foreign trade partners, with only minor differences. Finland is first with 28 ventures, followed by the Federal Republic of Germany (26), Italy (14), Austria and the United States (13 each), Switzerland (10), Great Britain (9), and France and Japan (8 each).

Although technology acquisition was claimed to be one of the Soviets' paramount motives for launching joint ventures, most of the ventures do not involve high technology industries. The social complex ranks first with 25 enterprises (hotels, restaurants, medical and cultural services), then the food processing industry (21 ventures), the chemical and wood processing industry (19), and engineering (15). The other principle aim of joint ventures, strengthening the export base, has not apparently been attained either, since most existing ventures seem to be geared to the domestic market. This is not good news for Western investors because one of the basic principles of the joint venture is that any transfer of hard currency abroad must be generated by export revenues, although it is also said that joint ventures must create import substitutes and must help to eliminate "irrational imports."

The Soviet joint venture, unlike its East European counterparts, has no legal definition other than being a co-enterprise (*sovmestnoe predpriyatie*). It is not a joint stock company or a limited liability company or any other legally identifiable entity. This fact is

probably not the most troubling problem compared to the ventures' other drawbacks, but it is nonetheless disturbing. The December 1988 decree announced that a law on joint stock companies would be prepared "in 1988-90." This new law is hoped to settle the question.

The USSR-Western joint venture is supposed to act as a domestic enterprise without being integrated into the Soviet domestic economy's framework. Four of the most complex consequences of this status are the co-enterprise's ability to buy and sell, its use of rubles and/or hard currency, its decisionmaking process, and its tax status.

The joint venture is free to buy and sell on foreign markets (with the provision that if it is buying, it must earn the hard currency to do so), while all Soviet enterprises do not yet have this right. Initially, the co-enterprise was not free to buy and sell on the domestic market, precisely because the latter is not a true market and because the co-enterprise cannot be included in the planned system of sales and supplies (which is in the process of being altered). Addressing the issue, the January 1987 decree stated that a joint venture's access to the domestic market had to be managed by the foreign trade organizations, but with settlements in domestic rubles, but with reference to world prices. The decree of September 1987 changed the rules. The joint ventures may buy and sell freely on the Soviet market (however, having an agreement with domestic trade organizations may be advisable), including in hard currency, which a domestic enterprise is not entitled to do. If the joint enterprise uses rubles on the domestic market, it may trade either in Soviet domestic prices, or in "contractual" prices referring to "world prices," which necessarily means the use of a foreign exchange implicit coefficient. If and when the joint venture uses hard currency, it must be converted to rubles for accounting purposes, which raises the issue of the exchange rate.⁶

When Soviet trade representatives abroad first explained the contents of the new regulations, they stressed that there should be no currency problems because all of the enterprise's accounting was to be in rubles, and that every time a conversion of rubles to hard currency was needed, the official exchange rate was to be used. Nevertheless, the joint venture was entitled to have bank accounts both in rubles and in hard currency. In fact, just as in the case of Soviet enterprises whose foreign trade activity was to be regulated through the ill-fated DCCs, the joint venture was to use implicit foreign exchange multipliers. The equity capital was to be calculated in rubles at the official exchange rate

6 See Alan Sherr, *Socialist-Capitalist Joint Ventures in the USSR: Law and Practice*, Briefing Paper No. 1 (Providence, RI: Brown University, Center for Foreign Policy Development, May 1988).

"taking world prices into consideration." Indeed, this meant assigning Soviet assets artificial prices in rubles in order to obtain, after conversion at the official exchange rate, an estimate comparable to the value of the Western partner's assets. Problems also arose when the Western partner contributed its share in the form of money. In this case, the conversion into rubles at the official rate was clearly disadvantageous due to the ruble's over-valuation.

The most recent decree has offered no further clarification in this area. The announcement of foreign exchange measures amounting to a devaluation of the ruble is related to export-import commercial transactions. These new measures obviously do not apply to joint venture operations, at least not in the first stage; they may in the second stage, which begins in 1991. In this context, the assets contributed in foreign exchange should be revalued. Joint venture sales in rubles on the domestic market would then yield considerably less hard currency, unless those sales were made not in rubles but in hard currency, in which case they would generate at least twice the previous amount in the ruble account.

This is not only an accounting issue; all transfers in hard currency (repatriation of profits, salaries for foreign employees, payments for imports) must be earned beforehand through revenues in hard currency. Hard currency sales on the domestic market provide for such revenues, presumably in cases when the joint venture's product is an import substitute. (But it is unclear who decides whether the venture fits this category.)

Another solution to the joint venture currency problem is to save hard currency. The December 1988 decree offers an opportunity to do so by stipulating that payment for rent and other services supplied to foreign workers of a joint enterprise is to be made in Soviet rubles "except in cases stipulated by decisions of the USSR Council of Ministers." This provision is indeed good news, especially if "in Soviet rubles" also means at Soviet prices, which should be the case. As for exceptions to this rule, there are some hints that joint ventures established in special economic zones would be exempt. As is, the rule of a hard currency pay-off is certainly perceived by foreign partners as extremely constraining.

In terms of the decision making process for joint ventures, Western businesses complained strongly about the provision that the foreign partner's equity share could not exceed 49 percent. This restriction was relaxed in December 1988, although it was presumably not too troubling prior to that time, since the average share for foreign partners in joint ventures formed before early 1989 was only 37.5 percent. More significant is the

fact that a foreign citizen may now be chosen as chairperson or general director, which was forbidden in the initial regulation. All important decisions regarding the venture must be made by the board unanimously and the joint enterprise must resolve all labor and wage management issues, which were previously regulated by Soviet law for the Soviet employees. The joint enterprise may govern all matters involving labor (hiring and firing of workers, and forms and amounts of salaries, including bonuses in rubles), which allows Soviet wage-earners in joint ventures to be treated differently than workers in purely Soviet enterprises. This decision may comfort Western businesspeople, who feared they would be forced to hire too many workers or employees and labor productivity would then fall below expectations.

The final difficulty associated with joint ventures relates to their level of taxation. The Soviet Union has followed the practice of the other socialist countries by reducing the rather high level of profit taxation. Initially, a tax of 30 percent was to be levied after the first two years of a venture's operation, coupled with a 20 percent tax on profits transferred abroad. Effective 1 January 1989, the additional tax on profits transferred abroad by the foreign partner may be reduced or waived by the Ministry of Finance, in particular for enterprises producing consumer goods, medicines, and high technology goods. Earlier, in September 1987, it was also decided that the tax should be imposed only after the first two profitable years, which may allow most ventures to escape taxation for quite some time. Additional tax rules are to be published before April 1989. In the same spirit, goods imported by the joint enterprise to expand production may benefit from preferential tariff treatment or even be tariff-free.

The December 1988 decree has had an immediate impact on joint ventures. In January and February 1989 alone, over 100 new ventures were finalized, which Soviet officials attributed to the relaxation of previous constraints. But Western businessmen argue that such developments are due to the fact that the new regulations were expected; once the regulations were enacted, the ventures were finalized. Still, most of these new ventures have limited assets. An exception to this rule is the framework agreement signed on 31 March 1989, between a consortium of six U.S. firms and the USSR, which might involve \$5 to 10 billion of U.S. investments over the next 15 years. In this last case, the momentum came from a specific, ad hoc settlement of the problems linked with establishing joint ventures. Continued interest in joint ventures, from both foreign and Soviet firms, will occur only if the system as a whole proves reliable.

2. Macro-Level Regulation of Foreign Trade

The December 1988 decree is a step away from planned regulation of foreign trade toward market regulation, using market economy instruments as well. These instruments are a commercial policy using tariff and non-tariff protection means, in what is supposed to be a free trade environment, and an exchange rate policy.

a. Commercial Policy Instruments

A new tariff code is to be introduced and new tariffs applied effective 1 January 1990. The first Soviet tariff code, the model for this latest code was adopted on the eve of the Stalinist period, 19 December 1928. Any reference to it has carefully been avoided since, and it is not listed in the compendiums of laws and regulations on economic matters that have been published in the USSR. It was probably the last act inspired by the New Economic Policy (NEP) to be adopted in the USSR, never to be implemented.

The current decree candidly states that the new tariff code has been created, among other reasons, to strengthen "the basis of international commercial negotiations, namely with the GATT and the EEC." This is indeed a revolution. Although the Soviet Union presently has a tariff code (adopted in 1964) and a set of tariffs (1961), the code is used mainly for customs regulations and control of private imports, and the tariffs themselves are purely theoretical. Moreover, there are a total of only 244 tariff items, and for most of them the duties are nil or negligible. The only goods that are substantially taxed are consumer goods. Special regulations apply to private imports, while the aggregate nature of the tariffs makes it impossible to actually use them for commercial imports.

The tariff's consequences are quite far reaching. The basis for the nomenclature is the United Nations Harmonized System, which allows for coordination between the Standard International Trade Classification (SITC) and the Brussels classification used by the EEC countries. Note that many Western countries have not yet completed the revision of their own nomenclatures, which was supposed to begin in 1985 and be finished in 1988. Historically, Soviet enterprises never had to be concerned with any nomenclature. Now, however, they are faced with having to fill out very detailed questionnaires about their production, which are then to be handled by the State Committee for Statistics. Once this nomenclature has been established, it is uncertain what will become of the Unified Trade Nomenclature of the CMEA, which the USSR and several East European countries have followed. It would seem that Eastern Europe will have to adjust to the change; if not, comparing the statistical data will be difficult, if not impossible.

In addition, the Soviets plan to introduce a system of non-tariff restrictions, again "to achieve favorable results in international commercial negotiations." These restrictions will be applicable to both exports and imports. Until now, such limitations applied only to the private movements of goods. The new quotas were introduced as of 1 January 1989, although they have not yet been published. Strategic restrictions on exports are quite probable (similar to restrictions applied by Cocom member countries and encompassing a range of consumer goods) and commercial quotas on imports of those goods the USSR expects to be able to export in the future (cars, textiles, chemicals, steel products) to provide a bargaining base.

The creation of customs-free zones might also be included in this group of policies. The Far East economic region has been selected to become "a zone of joint entrepreneurship" during the first quarter of 1989; other zones are to acquire this status later in 1989. Indeed, there have been rumors lately that the first special zone was to be established in the area of the Saimaa Canal between Lappeenranta (Finland) and Leningrad, although the whole matter remains quite obscure. The Soviet authorities have not yet decided upon the suitable format for such zones--territorial, sectoral or functional. Territorial zones would be modeled on the Chinese special zones. This model, however, has certain limitations because in contrast to China's border regions, the border regions of the USSR are not the most economically active (the Leningrad region is an exception). The Far East zone provides an opening to the Pacific area, not to the West, and opportunities in the Black Sea region would mainly focus on tourism.

The sectoral concept, supported by Academician Bogomolov from the Institute of the World Socialist System, advocates setting up free zones for high technology activities, which would be the case in the Saimaa zone, but the prospects for attracting high technology industries to a rather unsuitable location, with severe climatic conditions and no housing or infrastructure capabilities, appear limited at best. The functional concept would draw on the Hungarian model and encourage establishing off-shore banks, and perhaps trading firms, which might be located in Moscow. More clarification of this concept can be expected during 1989.

b. Exchange Rate Policy

With respect to the new exchange rate regulation, the December 1988 decree details that, "To increase the USSR's participation in the international division of labor, to deepen the integration processes, in particular where new forms of cooperation are concerned, and

to improve the significance of the evaluation of export and import efficiency, a new exchange rate will be introduced beginning 1 January 1991, for settlements linked with foreign economic operations." This new regulation is supposed to simplify the present system of DCCs. "Before the shift to accounting with a new exchange rate, and beginning 1 January 1990, there will be a 100 percent bonus to the exchange rate of the free convertible currencies against the ruble." Finally, steps are to be taken "for the gradual development of partial convertibility of the ruble against foreign currencies."

The announcement of what was first called a devaluation of the ruble stirred a great deal of excitement--and misunderstanding. In fact, the first step--the use of a 100 percent bonus to the official exchange rate in 1990--is equal to applying a uniform conversion coefficient (CC) of 2. If presently, at the official rate, $1R = 1.66\$$ ($1\$ = 0.60R$), and should this rate remain the same, on 1 January 1990, the bonus will make the exchange rate:

$$1R = 0.83\$ \quad (1.66 \times 0.5) \text{ or } 1\$ = 1.2R \quad (0.60 \times 2)$$

It can be safely assumed that when the term "exchange rate" is used in the decree, the reference is to the official exchange rate as currently defined. This rate plays a purely statistical role--it is used to convert the Soviet Union's trade figures with all its partners, which are denominated in dollars, West German marks, French francs, transferable rubles, etc., into a common unit. This statistical deviza-ruble is pegged to gold; its value in foreign convertible currencies fluctuates only as these currencies appreciate or depreciate on the international monetary market. The Gosbank uses standard methods to compute these fluctuations (on the basis of a basket of the main currencies weighted according to their share in Soviet foreign trade settlements); the exchange rate is not used directly for converting the foreign currency revenues of the enterprises into domestic rubles; it is, however, used indirectly since the current DCCs use the exchange rate.

Thus, the measure does not necessarily amount to a devaluation from the point of view of the enterprises. In all cases when the DCC equals 2 or more (i.e., an implied bonus) over the official rate, of 200 to 300 percent and more, this first step will actually be a revaluation. On average, calculations made by the Gosplan for 1985, indicate that the shadow rate was then $1\$ = 1.23R$.⁷ In other words, the average shadow rate was roughly twice the official rate.

7 Ricoeur, Working Paper 57/88, CEIPS.

In 1990, all of the DCCs will simply be unified (vis-a-vis the "dollar" area) because of the introduction of the 100 percent bonus over the ruble's present official exchange rate. This new rate will be used to convert export revenues or import expenses of Soviet state enterprises into rubles for accounting purposes. Because the new rate will not ensure export profitability for many enterprises, the new rate will probably include a set of additional subsidies.

The following factors should also be kept in mind when analyzing this new regulation for 1990. First, the measure affects state enterprises only; joint ventures and cooperatives are not affected. Second, although the measure clearly relates to "export-import operations," it is not clear whether it applies only to the export and import of goods or if it applies to services as well. For instance, it is not clear whether the dollars brought in by Intourist will be reevaluated. At this stage, the exchange rate for tourists is not affected, but in a strict sense, the tourist exchange rate is the rate applied to a foreign citizen buying rubles with a foreign currency for tourist purposes. This rate does not apply to the operation of Soviet firms or organizations managing tourist activities. Discussions with Western tour operators suggest that Intourist is indeed concerned about the possibility of reevaluation of its hard currency revenues. Finally, the new regulations pertain only to transactions in hard currency; trade with the transferable ruble area--the East European country members of the CMEA--is not affected. With this area, the currency used is an accounting unit called a transferable ruble, because initially (in 1964) it had the same official exchange rate as the ruble and was meant to be "transferable" among CMEA member countries. At present, the revenues of Soviet enterprises in transferable rubles are converted to domestic rubles using specific DCCs, a procedure which probably will not change.

The second stage of the regulation is scheduled for 1991, when there will be a new exchange rate. The decree states that before the end of 1989, the Gosbank, the Ministry of Finance, the Gosplan, and the Vneshekonombank will prepare concrete proposals regarding the magnitude of change in the rate, the procedure for computing it, and the actual use of the new exchange rate. Until then, all of these key questions will remain unresolved.

Concerning the magnitude of change in the exchange rate, the first official devaluation (of 100 percent) might be considered too small; some Soviet officials already admit this unofficially. The new rate might be closer to the ruble/dollar cross-rate derived from the exchange rates of other socialist currencies; the rate determined at the auctions to

be organized in 1989 might also be taken into account. If a cross-rate is used to determine the new exchange rate, the question then becomes whether the new rate will be closer to the Hungarian (or Czechoslovak) cross-rate, or to the Polish one, which devalues the ruble still further.

Many Western economists believe that the present official exchange rate overvalues the ruble by not just 100 percent but by 400 to 800 percent. In this case, the ruble should be devalued by at least 75 percent and perhaps by even 90 percent.⁸ In the last hypothesis, one dollar would buy 5 rubles, which is approximately the black market rate.⁹ But this rate cannot be considered realistic, as is usually the case for black market rates, because of the specifics and the narrowness of such a market. The more commonly accepted realistic value of the ruble falls somewhere between the cross-rate R/\$ derived from the commercial rates of the Hungarian forint, the Polish zloty, and (since January 1989) the Czechoslovak crown. Thus,

- if $1R = 29ft$ and $1\$ = 52ft$, then $1\$ = 1.80R$ or $1R = 0.56\$$, which would amount to a "devaluation" by 65 percent;
- if $1R = 5.4$ crowns and $1\$ = 10$ crowns, the cross-rate approximates the one derived from the forint rates, $1\$ = 1.85R$; and
- if $1R = 168zl$ and $1\$ = 470zl$, then $1\$ = 2.8R$, or $1R = 0.35\$$, which would mean a devaluation by almost 80 percent.

Thus, a devaluation by 50 percent would still leave the ruble overvalued, but the limited significance of cross-rates must also be noted.

To compute the new rate, the standard method presently used to compute the DCCs will probably be used. Still many technical questions remain to be resolved, such as whether the computation will take into account the actual or the desired export basket of the USSR (in other words, how will goods included in the basket be weighed), how imports will be taken into account, and whether there will be, as in the case of the other socialist countries, two main currency areas--the dollar area and the ruble (transferable) area.

The crucial issue in this discussion is how the new rate will be used. The new rate will probably be used for statistical purposes. If the results of such use are comparable to

8 See Jan Vanous, "The Devaluation of the Soviet Ruble and Its Implications," *PlanEcon Report*, 21 December 1988.

9 The author was told that in January the black market was already 7 to 8 rubles for 1 dollar. The 5 rubles rate was "advertised" in *Moscow News*, No. 42, 1988.

the fiasco that emerged in both Hungary and Poland (where the basis was changed, but no calculations using the previous basis were made after the first year), the effect will be extremely frustrating and confusing for Sovietologists. Furthermore, the classification of traded goods is also to be altered. In any event, the new rate would considerably increase the share of trade conducted with the West as a percent of total Soviet trade, even if, in constant value, the shares remain identical. The USSR will appear to be the most westward-looking country of the bloc.

The new rate will also be used as a commercial rate, or more precisely as a rate "for external economic operations." This is certainly not equivalent to the "export-import operations" that are involved in the first phase (in 1990). The new rate determined in the second stage will apply to service operations and probably to joint ventures as well, which would increase the revenues of export-oriented joint ventures. Nor would the joint ventures selling on the domestic market necessarily be adversely affected. It would certainly be disadvantageous if their revenues in domestic rubles are to be converted into hard currency at the devalued rate, but if these revenues are considered to be import-saving, as has been the case since the regulation changes were introduced in September 1987, then arrangements might be made to prevent discouraging these enterprises with excessive unfavorable treatment.

Finally, there is the question of the tourist rate, which is not supposed to be affected by the new rate. This might mean that the USSR wants to discourage tourism to eliminate existing bottlenecks; but the West may exert pressure here. Maintaining a high tourist rate would have several drawbacks. First, it would spur the black market. In addition, it would reduce flexibility, as Western tourists would be strongly tempted to take package tours (which Intourist and other Soviet tour operators, if any, could offer at good prices since they would benefit from the new rate) instead of opting for individual itineraries. The decree's wording, "external economic operations," seems to suggest that the tourist rate should also be changed sooner or later. In this case, Soviet citizens going abroad will suffer the most.

The third issue to be addressed in the context of the new exchange rate regulations is convertibility of the ruble. Most of the articles now published in the Soviet press on this

subject have titles ending with a question mark, such as "What Convertibility Do We Need?"¹⁰ or "The Convertible Ruble. Where to Begin?"¹¹

In theory, four possible definitions of convertibility may be identified:

- Domestic real convertibility, which means that within a given country, money provides unconditional access to goods. This does not exist in the USSR, either in the production sector (because of the remaining planned resource allocation system) or in the consumer sector (because of limitations on access to a series of goods, such as housing, cars, and many services). This real inconvertibility is the result of a shortage economy and cannot be eliminated through administrative measures. This problem relates to the whole issue of how to create a real socialist market.
- Internal convertibility, which means that domestic agents (firms or individuals, presumably mainly firms) may buy foreign currency on a currency market. Some steps have already been taken in this direction in Hungary, Poland, and Bulgaria.
- External convertibility between socialist currencies, which may itself be divided between convertibility among national currencies and between these currencies and the common monetary unit, the transferable ruble.
- External convertibility between domestic currencies, capitalist currencies, and the common monetary unit of the CMEA, the transferable ruble.

Without a real domestic market, introducing any form of convertibility is largely impossible. At least limited forms of convertibility must be introduced before that stage is reached to ensure the rights granted to the enterprises or the desired forms of international cooperation (for instance, direct links between socialist enterprises belonging to different countries). However, even limited forms of convertibility require a meaningful exchange rate. The methods for developing such a rate have been discussed--a unified CC would be a proxy for an exchange rate. But the domestic prices used to compute a CC are irrational and the relative prices differ from foreign relative prices.

Hungary, and later Poland, have chosen to introduce a relatively unified exchange rate and gradually correct their domestic prices by linking them to foreign prices. The USSR seems to be doing the opposite. First, it is reforming prices by bringing the structure of Soviet prices closer to the structure of world prices, and then it is introducing a

10 A. Tsimailo, "What Convertibility Do We Need?" *Ekonomicheskaya gazeta*, No. 2, 1989, p. 20.

11 Boris Fedorov, *Moscow News*, No. 38, 1988, p. 7.

unified exchange rate. The basis of this rapprochement is roughly that if one needs 100 tons of crude oil to buy a car in the United States and 200 tons in the USSR, then it is necessary to change the Soviet relative prices by raising the price of oil and decreasing the price of cars. More generally, the economists advocate raising the price of raw materials and decreasing the price of manufactured goods. The price reform is aiming to do just this, but apparently without any precise methodology.

There have been heated discussions between economists who believe that a realistic exchange rate is needed before prices are rationalized (as Petrakov has argued) and those who consider that price reform must come first because without it the shadow exchange rates would not be significant (as Aganbegyan has argued). The new rates are to be introduced in January 1991, exactly when the price reform (for wholesale prices) is supposed to be completed. Whether the price reform and the exchange rate reform will be linked is not known.

Theoretically, it is possible to conceive that once the new rate is introduced, and assuming that the first round of domestic price fixing is completed, domestic prices will be corrected using the new rate. But then, if the converted price happens to be higher than the previous domestic price, domestic enterprises will gain not only on export sales (using DCCs), but also on domestic sales, which may also spur inflation. If the converted price is lower than the previous domestic price, the enterprises will record losses. They would then be expected to make cost-cutting adjustments or they would go bankrupt. The Soviet economy may not be ready for such a scenario. Even in Hungary, despite official statements, the link between world and domestic prices is still being modified. In nearly all cases when competition with the world market would have led to bankruptcy and to substituting imported goods for domestically produced goods, the link was postponed.

Suppose that such a link is introduced in the Soviet Union, even in the distant future. As the Hungarian and Polish cases have shown, once the shadow exchange rate has been assessed and used fairly consistently for domestic purposes--such as plan calculations, export incentives, and price fixing--having a virtually useless official exchange rate no longer makes sense. The final stage thus consists of suppressing the official rate, including its totally artificial link with gold, and introducing the shadow rate as a commercial all-purpose rate.

The Soviet reformers seem to be aimed at developing such a rate. In 1991, they will introduce a new commercial exchange rate on the basis of the shadow exchange rate,

which is going to emerge gradually from the unification of the present DCCs, and from the corrections (through subsidies and taxes) of the 100 percent premium to be applied, beginning in 1990, to twice the present official value of the dollar in rubles.

A recent article by A. Tsimailo, a department head at the new Institute for Europe of the Soviet Academy of Sciences recently addressed many of these issues.¹² This article is remarkable because it incorporates, by Western standards, a good deal of economic common sense. The author makes some very sound observations including:

- Very few Western currencies are convertible.
- To achieve full external convertibility, domestic real convertibility of domestic money into goods, which does not exist in the USSR's enterprise sector, or even in its consumer sector, is required.
- The only workable convertibility is internal convertibility for residents (limited to enterprises). The author disagrees with Petrakov, reasoning that his proposals for an immediate external convertibility are tantamount "to the decision of a manager to send an inexperienced young boxer who hardly knows the rules into the ring against a trained professional."
- The case of the 1922-1924 chervonets, often quoted to support the external convertibility thesis, is not relevant.¹³ Tsimailo admits that at that time there were two currencies in the Soviet Union, and one (the chervonets) was successfully made convertible, but this success was linked with a currency reform that is not now on the agenda. It was also accomplished at a time when a gold exchange standard existed. Finally, at that time, the controls on foreign exchange operations were very strict, as were the conditions for emitting chervontsy.

Tsimailo's conclusion, with which I agree, is that one should first compute a significant exchange rate, without aiming for immediate far-reaching convertibility. "Such a rate is a necessary condition, but not a sufficient one, for introducing convertibility: first, one has to introduce a real domestic market within the USSR."

¹² Tsimailo, *Ekonomicheskaya gazeta*, No. 2, 1989.

¹³ The chervonets was a currency introduced in 1922 to restore the Soviet monetary system, which disappeared in 1924, after accomplishing this objective. During these two years, two different currencies coexisted: the paper-money *sovznak*, which gradually sank in hyper-inflation, and the chervonets based on gold, quoted in dollars, and used for payments among enterprises and between enterprises and the State Bank. I have discussed this largely surrealistic episode of monetary history in Marie Lavigne, "Scythian Gold and the Gold Standard: Soviet Attitudes to Gold and the International Monetary System," *Diogenes*, Nos. 101-102, 1977, pp. 26-49.

B. PROSPECTS FOR SOVIET RELATIONS WITH THE WEST

The Soviet foreign trade reform is providing an opening to the West, yet this opening is terribly complicated and contradictory. Issues usually discussed in the Western press and considered to be relevant to Western policy makers have little to do with what is happening in the USSR, often because of a lack of understanding. Some of the key issues that the West should be considering are discussed in the following paragraphs.

1. Granting Large-Scale Credits to the USSR

During the fall of 1988, a lively debate emerged in the West about whether it was in the West's interests to grant the Soviet Union large-scale credits after the USSR had apparently obtained more than \$9 billion in credits from Western European governments and banks. This increased attention to credits can largely be attributed to domestic considerations, particularly the U.S. November elections. In any event, by early 1989, the debate had been resolved. The USSR has actually borrowed only about \$2.5 billion--3 billion deutsche marks from German banks and 680 million European Currency Units (ECUs) from Italy. The latter agreement provoked a domestic dispute in Italy between the Treasury Minister and the head of Mediocredito Centrale, the public agency organizing and guaranteeing this credit. By all standards, the USSR is a credit-worthy nation and could borrow much more should it wish to do so.

The current issue is not whether the USSR should be granted credits, but rather why, after it tested its credit worthiness on the Western European monetary market, the Soviet Union has suddenly become shy in borrowing what every large partner nation and every bank has been ready to offer. This is because the USSR has no clear credit policy. Within the USSR, there is a heated debate over credits. First, there are those who, like Dr. Nikolai Shmelev, strongly voice their preference for a borrowing policy that will enable the USSR to buy a large amount of consumer goods. This will then create a visible sign of the advantages for consumers generated by *perestroika*. Others advocate using such credits to increase the industrial capacities for producing consumer goods. Within this group, there is no consensus about how these credits should be allocated, whether they should go to state enterprises, joint ventures or cooperatives. Still others favor the traditional policy of state borrowing for planned uses, such as imports of heavy equipment. The credit issue is directly related to the foreign trade reform. If the reform is to work, the decentralized agents--enterprises, local authorities, cooperatives--must have a say in the borrowing policy. They also must have access to the borrowed resources through the market, which

is why the currency monopoly still firmly retained by the Vneshekonombank must be eliminated.¹⁴

2. Soviet Admission into GATT

The current U.S. position is that the USSR should not be admitted to GATT, while Western Europeans are largely, but not unanimously, in favor of Soviet entry into the organization. The question is whether the Soviet international trading system is at fundamental, practical and philosophical variance with the principles and practices of GATT, as was contended by the U.S. trade representative in 1986, when the USSR applied for participation in the Uruguay round as an observer. If so, clearly almost all of the centrally planned economies (CPEs), perhaps even Hungary, should be excluded from GATT. However, the very size and political importance of the Soviet Union gives a different meaning to its potential membership.

Similar to the smaller CPEs, the Soviet Union sees an essentially symbolic gain in obtaining the right to the most favored nation clause. It would be a sign of international respectability, even if the Soviet leaders understand perfectly that obtaining this right would not grant them the clause automatically. The USSR is already benefitting de facto from the clause in trade relations with most of its partners and would not obtain it from the United States even if (or only because) it were to become a member of GATT. In addition, contrary to the other CPEs of Eastern Europe (and China), the USSR does not need the clause, at least while its export structure remains dominated by fuels; and this is bound to remain the case for some time, notwithstanding the present reform of the foreign trade mechanism.

What would membership in GATT bring? The tariff reductions are no longer essential since most of the trade restrictions are of a non-tariff nature. The main advantage to the Soviets would be access to an international forum, the opportunity to discuss issues with its main trade partner, the ECC, and having a bargaining tool to challenge the discriminatory restrictions imposed by its GATT partners. The USSR is quite openly reforming its commercial policy instruments with just such a perspective in mind. As V. Mal'kevich puts it: "The inclusion of the USSR into the multilateral trade system operating

14 These issues are more readily discussed in the general press than in economic journals. See Boris Fedorov, "The External Debt of the USSR: A New Approach is Needed," *Moscow News*, No. 44, 1988; V. L. Mal'kevich (head of the Chamber of Commerce and Industry of the USSR), "Credits: Where are They Going?" *Pravitel'stvennyi Vestnik*, No. 1, 1989.

on the basis of GATT rules and principles, bringing about a greater openness of the Soviet economy to international cooperation, would increase the level of mutual understanding of the USSR and the West, which would undoubtedly exert a stabilizing influence also on the political climate."¹⁵

The trade restrictions are indeed significant. A discussion of their amount, importance, and discriminatory nature is beyond the scope of this paper. It must be stressed that membership in GATT would not eliminate the trade restrictions. These restrictions pertain to the USSR's bilateral relations with its trade partners (the EEC being a single partner), and hence their elimination depends on bilateral bargaining.

3. Soviet-West European Preferential Links

The political-emotional concept of "our common European home," of which Mikhail Gorbachev is so fond, should not be viewed as an attempt to play Western Europe against the United States. The well-entrenched feeling that Russia and America are, for better or worse, the dominant partners in international life, is not to be dismissed so easily in the USSR. There are two practical issues with respect to this "common home" theme that merit closer attention.

First is what the USSR expects to gain from its negotiations with the EEC on a trade agreement, which began unofficially in November 1988. The Soviets have made it clear, through a thorough reading of the Treaty of Rome, that they want an agreement that covers every item of EEC competence mentioned in the Treaty. The agreement would cover trade matters (again, the foreign trade reform provides for bargaining tools) and cooperation, including in the field of science and technology. The EEC is particularly reluctant to agree to scientific and technological cooperation. The EEC is more interested in developing an agreement on such issues as joint ventures, cooperation with regard to the environment, protection of industrial property, merchant maritime transport, fishing rights, energy matters.

The second issue is the Soviet view of the 1992 deadline for introducing the West European Single Market. The effect of the Single Market on relations with third countries is far from clear. In the framework of the EEC itself, the 1992 deadline is fraught with uncertainty. A much debated issue is the treatment of quantitative restrictions presently

15 V. Mal'kevich, "Cooperation and Interdependence," *Ekonomicheskaya gazeta*, No. 47, 1988, p. 23.

imposed by the EEC on certain goods imported from third countries, according to Article 115 of the Treaty of Rome. These quantitative restrictions are disaggregated by member countries of the EEC, and it is not known whether they will be eliminated or maintained as overall quotas for the EEC. If quotas are maintained for the EEC as a whole, there should be a consensus on industrial policy, which is hardly imaginable. The restrictions may be replaced by other measures, such as increased recourse to anti-dumping actions, however no clear pattern has yet emerged.

In any event, the Soviet Union wants to develop its own expertise on these matters, and the newly established Institute for Europe is studying these issues. The Institute's initial conclusions underscore the growing competition in the European market and the need to increase both the competitiveness of Soviet firms and cooperative links at the enterprise level.¹⁶ A broader response to the Single Market issue would lie in developing a unified Comecon market; this is scheduled to happen at the turn of the century, according to the July 1988 decision of the Council for Mutual Economic Assistance. Because the prerequisites for such a market are so numerous and so unattainable for the time being, the USSR will more likely seek to adjust to the 1992 deadline on its own.

4. Admission to the International Monetary Fund

As is well known, the USSR took part in the Bretton Woods negotiations and even signed (but never ratified) the 1944 agreements. The Soviet Union played more than a nominal role here, acting as a great power determined to influence the postwar international scene. In 1945, the advent of the Cold War cut away the bridges that had been built, with the result that this chapter of Soviet economic history has been studiously ignored in the USSR. While the chapter is now reopened, and some Soviet articles have begun to discuss the issue, most of the authors are not inclined to support Soviet involvement in the IMF.

Membership would, in fact, pose a serious problem for the Soviet Union. Whereas the smaller Eastern European countries may maintain exchange restrictions even for a long period of time, like the vast majority of IMF members, the Soviet Union could not join on the basis of Article VIII of the Agreement, and would have to make its money convertible. Other obligations would follow, such as providing statistics on exchange reserves (*glasnost* should help here) and more actively participating in international financial

16 Valery Gorsky and Elena Chebotareva, "The Single Internal Market of the European Communities: Problems for Third Countries," *Foreign Trade*, No. 12, 1988, pp. 35-38.

assistance. Should the USSR experience economic difficulties and need the IMF's help, it would have to comply with the conditionality requirements. Unlike Romania, Hungary and Poland, the USSR obviously could not benefit from World Bank development loans.

One author, G. Skorov, dismisses all of these arguments.¹⁷ He reasons that even if the IMF needs revamping, it would be better for the USSR to enter it before this revamping rather than afterwards. His argument continues--the very fact that several smaller CPEs are members of the IMF should prompt the USSR to enter the organization. He states that, should the Soviet Union need large credits from the IMF, and thus be subject to the IMF's conditionality, the USSR could then gain precious expertise about actions necessary to meet conditionality requirements. He concludes that perhaps the USSR would not be admitted to the organization, but they should not be dissuaded from attempting to join.

His argument is indeed a sound one. Furthermore, the West would be well advised to develop suitable arguments for when the time comes. Otherwise, the Soviet request, when it is made, might be likely to rekindle a wild dispute within the Western countries.

5. Soviet Foreign Trade Reform and Implications for Western National Security Interests

The Soviet withdrawal from Afghanistan is perhaps the most dramatic example of changes in Soviet attitudes under General Secretary Gorbachev. Another important illustration is the USSR's reform of its foreign trade apparatus and procedures. The trade reform attempts to dismantle the administrative regulation of foreign trade and to promote the rights of the enterprises. The classical model of a Communist country, which embodies bureaucratic and political inflexibility, is gradually being eroded as real changes are effected.

The West should recognize and meet this change in Soviet policy with a relaxation of its controls over trade. However, the Allies do not agree on this matter. Western European governments (and Japan) favor greater relaxation of Cocom controls than the U.S. government is prepared to accept, as the Cocom meeting in Paris at the end of October 1988 demonstrated. One of the main issues lies in the effect of the Single European Market on Cocom operations after 1992. The entire Cocom format, based on

¹⁷ G. Skorov, "Do We Need to Join the IMF?," *New Times*, No. 46, 1988. Skorov was the long-time Soviet representative to UNESCO.

national enforcement of export controls, is to become obsolete. The question then arises whether Cocom will become a trilateral organization, with the United States, the EC, and Japan as members. An informal meeting of the EC foreign affairs ministers in Greece in October 1988 showed that no unified view has emerged on sensitive components of East-West trade.¹⁸ In addition, the EC Commission and the national European governments may have different approaches. In any case, predicting how the Cocom might be managed beginning in 1993 is impossible.¹⁹

6. Should the West Help Gorbachev?

Several Western European leaders have asked whether the West should help Gorbachev. The response has been either to dismiss the idea, as Margaret Thatcher has done, or to support it as Valery Giscard d'Estaing, Richard von Weizsaecker and Ciriaco de Mita have done. This notion must be distinguished from the idea of a Marshall Plan for Eastern Europe. The Soviet Union does not need help in the form of new credits or pure assistance. What the USSR does need was perhaps best summarized by Academician Leonid Abalkin, whom I interviewed in November 1988. I asked him what he felt is most important right now for the success of *perestroika*. He replied that "The most important thing which happened to us in 1988 came during Chancellor Kohl's visit to Moscow, when he promised to train annually a thousand young Soviet industrial cadres in Germany in the techniques of Western management. That is exactly what we need the most. And now, here are a thousand young people who are going to learn German, to learn management and marketing techniques, and who are to come back home and apply their new qualifications. Germany will benefit from this; it is only too natural. But we, much more still."

18 *Financial Times*, 17 October 1988.

19 Vlad Sobell, "Perestroika and Western Security," *Radio Free Europe Research*, 11 November 1988, RD Background Report, No. 222.

***PERESTROIKA: WHO STANDS TO GAIN, WHO STANDS TO
LOSE?***

Dr. Elizabeth Teague

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ABSTRACT

Dr. Elizabeth Teague, a Soviet domestic affairs specialist at Radio Liberty in Munich, details the difficult task facing General Secretary Gorbachev as he tries to restructure the Soviet economy. It has become clear to the Soviet leadership and public that *perestroika*, if it does succeed, will take considerably longer than originally anticipated. Teague explains that Gorbachev's decision to reduce consumer goods imports from the West, coupled with the anti-alcohol campaign and increased wages (creating increased purchasing power) compounded public dissatisfaction. This has subsequently forced Gorbachev to readjust his policy away from investment and toward consumption.

Teague then describes Gorbachev's characterizations of the opposition to *perestroika*. An analysis by Tat'yana Zaslavskaya on the sources of support and opposition to *perestroika*, while imperfect, is the best Soviet assessment of this subject. Teague thus details the ten socio-economic categories Zaslavskaya identifies.

In essence, Teague concludes, Gorbachev faces the dilemma of needing worker support for *perestroika* to succeed, but such support is difficult to obtain when their living conditions have only worsened over the past several years.

PERESTROIKA: WHO STANDS TO GAIN, WHO STANDS TO LOSE?

ELIZABETH TEAGUE¹

"We probably have no more than two to three years to prove that socialism as formulated by Lenin can work," Aleksandr Yakovlev told a meeting of Communist Party activists in the industrial city of Perm in December 1988. He acknowledged that *perestroika* (restructuring, as Soviet Party leader Mikhail Gorbachev calls his economic and political reforms) had so far brought about few material improvements in the lives of ordinary Soviet citizens. Yakovlev, who is believed to be Gorbachev's closest Politburo ally, went on to warn that the failure of *perestroika* could lead to "triumphant, aggressive and avenging conservatism."²

In an impassioned speech delivered the following month to the USSR Council of Ministers--and shown on Soviet television during prime viewing time--deputy prime minister Aleksandra Biryukova said the government's failure to eliminate chronic shortages of food, clothing and other consumer necessities was creating "a real danger of increased social tension and a loss of support for *perestroika*." She warned that "*Perestroika* will be judged first and foremost on the basis of whether or not we are able to meet the people's needs."³

The problem was that Gorbachev's political reforms were having a great deal more impact than his economic reforms. Specifically, his policy of *glasnost'*, or cultural liberalization, was proving far more successful than his attempts to boost economic growth. By 1988-89--and particularly following the nationwide elections held in March

¹ The author is grateful to Keith Bush, Elizabeth Carlson, Susan Clark, Philip Hanson, Peter Hauslohner, Robbin Laird, Dawn Mann, John Tedstrom, Aaron Trehub and Vladimir Trembl for comments on an earlier draft.

² Yakovlev's remarks were apparently considered too controversial for the full text of his speech to appear in the central Soviet press (a truncated version was published in *Pravda*, 17 December 1988). A fuller version, from which the quotations cited here are taken, appeared in a Perm newspaper on 17 December and were reported by Paul Quinn-Judge in *The Christian Science Monitor* on 29 December 1988.

³ *Central [Soviet] Television*, 17 January 1989.

1989--many people believed *glasnost* to be irreversible. Gorbachev's *perestroika* of the economy, on the other hand, had not only failed to improve the lot of the average consumer but had, if anything, made things worse. Soviet economists warned that popular discontent was growing and that, unless consumer welfare improved, broad-based support for reform would evaporate. Alarmed by such forecasts, the Kremlin leaders decided, sometime in mid- to late-1988, to postpone some fundamental but politically sensitive elements of the economic reform such as the de-control of prices, and to revise resource allocation priorities in favor of the consumer.⁴

A. LONG LINES AND EMPTY SHELVES

Gorbachev came to power in March 1985 promising the population higher material rewards in return for harder work. He seems initially to have believed that a campaign of carrot and stick inducements would lead fairly quickly to tangible economic improvements. This was not the case. By February 1987, during a visit to the Latvian capital of Riga, Gorbachev was appealing to Soviet citizens to tighten their belts for "the next two to three years." If they held out through this "very difficult period," Gorbachev assured them, they would see an improvement in their standard of living in the early 1990s.⁵

Two years later, in 1989, the promised improvement was nowhere in sight. In the eyes of many Soviet citizens, *perestroika* had only made life more difficult. Stores were emptier than ever; lines were longer; inflation was running at between 6 and 7 percent a year; many basic necessities had disappeared from the stores. Cheap soap and washing powder were the latest items on a long list of "deficit" goods and, together with meat, butter and sugar, were being rationed in several Soviet cities. Grumbling was bitter and discontent openly expressed. But, as Gorbachev said in an address in January 1989, "Things are not confined to criticism of shortcomings. People are linking this directly with *perestroika*: They are claiming that it is not yet producing anything in the economic and social sense, and that in many cases the situation has even deteriorated."⁶

The population seemed increasingly gloomy about *perestroika*'s chances of success. On 1 January 1989, the Soviet government newspaper *Izvestiya* reported the

⁴ See Philip Hanson, "More Concern for the Consumer," *Radio Liberty Research Bulletin: Report on the USSR* (hereafter RL) 191/89, 17 April 1989.

⁵ *Central Television*, 19 February 1987.

⁶ TASS, 7 January 1989.

results of a public opinion poll conducted, for the second successive year, by the Institute of Sociology of the USSR Academy of Sciences in association with the Gallup Institute. A total of 577 Moscow residents were asked to assess the new year (1989) in relation to 1988. The results indicated a decline in the percentage of people who were optimistic about the coming year. Whereas at the beginning of 1988, 70 percent of the Muscovites polled had expressed themselves as confident that 1988 would be better than 1987, at the beginning of 1989 only 55 percent expressed such confidence about the year ahead. A decline in optimism (from 22 percent for 1988 to 12 percent for 1989) was also found when people were asked whether they thought the new year would be economically prosperous.

Izvestiya put a good face on these results, saying that, while they might appear to reflect "growing skepticism as regards *perestroika* and even declining hopes linked with it," in reality they were a sign of the population's more sober and realistic awareness that "*perestroika* is a process that will take years." Other observers were less sanguine. They included the sociologist Tat'yana Zaslavskaya, who heads the USSR's first center for the study of public opinion, set up in the spring of 1988. She told Western academics in November 1988 that, while popular support for *perestroika* rose from roughly 35 percent in 1985 through 1986 to 43 percent in 1987, it edged down again during the course of 1988 to 41 percent. Laying the blame squarely on consumer goods shortages, Zaslavskaya said this drop in support was worrying because it suggested that a process, which had been gathering momentum, had begun to lose its impetus. She said there was still a long way to go before popular support built up to the critical mass necessary not only to carry Gorbachev's reforms through but also to render them irreversible in the event of a change either of leadership or of policy in the Kremlin.

Weight was added to Zaslavskaya's apprehensions by a poll of 1,000 Muscovites conducted in December 1988 by the Institute of Sociology in association with two U.S. polling firms. Of those polled, only 2 percent said they were completely satisfied with the supply of quality consumer goods available, while 74 percent expressed dissatisfaction. Asked about the effect of *perestroika* on their personal financial situation, 51 percent said that so far it had had no real effect, 17 percent said it had had a negative effect, and only 30 percent said *perestroika* had improved their situation. In line with Zaslavskaya's findings, the poll also suggested a decline in popular support for Gorbachev's reforms. Asked in a similar poll in May 1988 to predict what effect *perestroika* would have had in three years' time on their financial situation, 40 percent had predicted that it would be positive, 18

percent that it would be negative, and 18 percent that it would have no effect. When this question was posed again in December 1988, those who thought the effect would be positive had dropped to 31 percent. And, while those who thought it would be negative had decreased slightly, to 16 percent, those who predicted there would be no effect had increased to 26 percent.⁷

Perestroika's failure to show concrete results, said the Soviet economist Nikolai Petrakov, was "exhausting the credit of trust which the population extended to our leadership."⁸ Another reformist economist, Nikolai Shmelev, argued that while, for the intelligentsia, Gorbachev's liberalization of intellectual life "will be enough for 10, 15, 20 years," ordinary people need to see "some real, tangible betterment in their day-to-day conditions."⁹ Gorbachev indignantly denied that his policies were at fault and blamed the country's problems on the failures of the past. He said the problems faced by the USSR proved a good deal more serious than he and his colleagues knew when they came to power in 1985, and the solutions far more difficult than appeared at first sight.¹⁰ Yakovlev put it this way, "The accumulation of conservatism turned out to be stronger than we had thought and the hunger for democracy turned out to be less than we thought."¹¹

Gorbachev could not, however, hope to insulate himself indefinitely from responsibility for the present woes. In a very unusual development, he was shown on Soviet television in September 1988 being harangued by angry crowds in the Siberian city of Krasnoyarsk. "Go into our shops, Mikhail Sergeevich," one woman shouted, "you'll see there's nothing, absolutely nothing there!"¹² After that encounter, Gorbachev used every opportunity to assure the population that his leadership intended to give priority to improving food supplies and to increasing the output of consumer goods. At a meeting in Moscow in November 1988, for example, he said the food supply was now "the cardinal question of domestic policy."¹³

One of Gorbachev's top economic advisers, Leonid Abalkin, said in late-1988 that the leaders' initial optimism over *perestroika's* chances of success had been replaced by a

⁷ *Baltimore Sun*, 29 January 1989; *Knight-Ridder Newspapers*, 5 February 1989.

⁸ Quoted in *Los Angeles Times*, 4 February 1989.

⁹ Interview with *Newsweek*, 2 January 1989.

¹⁰ *Pravda*, 29 June 1988.

¹¹ Interview with *The New York Times*, 28 October 1988.

¹² *Central Television*, 12 September 1988.

¹³ TASS, 3 November 1988.

realization that it could actually be decades before real improvements were felt.¹⁴ In January 1989, Abalkin addressed a Moscow press conference with the apparent aim of breaking this news to the Soviet population. "The important thing to know," he said, "is when people sitting around their kitchen tables will finally be able to say: 'Oh, life is much better now than it was.' I think this will happen only by 1995."¹⁵ Abalkin's statement evoked a horrified reaction from Petrakov, who told a Western reporter that, "If Abalkin's vision comes true, *perestroika* will expire before 1995." Echoing Yakovlev, Petrakov added: "I think we have about two years for our leadership to achieve favorable dynamics."¹⁶

A word of caution is in order here. Reformist Soviet intellectuals vied with one another in issuing gloom-laden warnings about the mood of the population and the dangerous political consequences that might follow if ordinary people did not see an improvement in their living standards within the next few years. However, it is important to say that none of these people really knew or could know what the general population was thinking. They knew even less how the population was going to act. But their warnings were significant since they enabled the outside world to see what advice the Soviet leaders were receiving and how they were acting on that advice.

B. A SHIFT IN POLICY

While agricultural production increased during Gorbachev's four years in power, shortages of food and other staple commodities grew acute in 1988-89. One reason was the softness of world oil prices in the early and mid-1980s, which seriously affected the Soviet Union because it is a major oil exporter. In an effort to improve its balance of payments, the Kremlin cut back sharply on imported consumer goods. Moreover, Gorbachev's leadership chose to give a high priority to investment, arguing that it made more sense in the long term to invest in machinery to manufacture consumer goods than to import the goods themselves.¹⁷ The shortfall of consumer goods that resulted from these

¹⁴ *The Financial Times*, 2 December 1988.

¹⁵ *The Washington Post*, 26 January 1989. To give Abalkin his due, he had been warning for some time that the Soviet economy was in an extremely serious state and that it was unlikely that improvements in living standards would come quickly. See, for example, *Argumenty i fakty*, No. 26, 1988.

¹⁶ *Los Angeles Times*, 4 February 1989.

¹⁷ See Philip Hanson, "Gorbachev's First Year: The Economy," RL 68/86, 11 February 1986; Philip Hanson, "The Plan Fulfillment Report for 1986: A Sideways Look at the Statistics," RL 76/87, 26 February 1987.

measures was aggravated by the fact that, following the introduction in 1985 of strict measures to reduce alcohol consumption, the Soviet people had a good deal of extra cash in their pockets. In addition, wage increases were allowed to outstrip the growth rate of labor productivity, that is, wages rose faster than the supply of goods available in the stores. Increased popular purchasing power soon cleared the shelves of such consumer goods as existed, forcing people to stand in even longer lines than before and to expend more energy hunting down necessities; it also encouraged black market activity. Another reason for the shortage of staple goods is the fact that, under *perestroika*, Soviet firms were being told they must become self financing. That is, if they failed to make a profit, or at least to break even, they would no longer be bailed out by the state. As a result, factories tended to reduce output of inexpensive goods that reap little profit, while increasing production of luxury items that many Soviet customers could not afford. This accounted for sudden shortages of inexpensive commodities such as cheap soap. (Sugar and candy, on the other hand, became scarce because they were bought up by bootleggers eager to fill the gap created by reduced state alcohol production.) Finally, some Soviet commentators (Zaslavskaya among them) maintained that factory managers and blackmarketers were colluding to withhold goods from the stores in an effort to discredit *perestroika* in the eyes of the public.

At about the time of the Party Conference in June 1988, the Soviet leaders appear to have become sufficiently alarmed about consumer discontent to undertake a policy review. The evidence suggests that in the middle of 1988 the focus shifted back from investment toward consumption--the final version of the 1989 state plan called for the assignment of a considerable share of available resources to projects designed to have a quick and tangible effect on living standards, and it was claimed that this represented a departure, in favor of the consumer, from the original 1986-1990 plan.¹⁸ At the end of 1988, Gorbachev announced his intention to make substantial cuts in the Soviet defense budget; this decision was motivated at least partly by the need to devote a greater share of resources to social purposes.¹⁹ Finally, retail price reform, originally scheduled for 1989-90, was indefinitely

¹⁸ *Pravda*, 28 October 1988; John Tedstrom, "The 1989 State Plan: A Sharp Break with the Past?" RL 493/88, 3 November 1988.

¹⁹ See Aaron Trehub, "Gorbachev's Military Cuts: The Domestic Background," RL 1/89, 19 December 1988.

postponed. Shmelev said this was because "it cannot but degrade people's living standards" and that such a reform "might prove too much for *perestroika*."²⁰

These moves were considered not radical enough by some leading economists, who continued in late 1988 and early 1989 publicly to advocate the introduction of emergency measures to improve the consumer goods situation. Such calls came from the economists Nikolai Petrakov, Abel Aganbegyan and Nikolai Shmelev.²¹ In an interview in December with the youth newspaper *Komsomol'skaya pravda*, Boris El'tsin also urged a drastic shift of the Soviet economy toward social spending. El'tsin--who had warned his colleagues as early as the spring of 1986 not to be "mesmerized" by the Soviet Union's "relative political stability"²² and who was ousted from his post as Moscow Party leader in November 1987 after telling the Communist Party Central Committee that the pace of reform was too slow--said that, "if the economy turns away from people, sooner or later people will turn away from the economy." He suggested that money should be temporarily diverted from the defense budget or from space exploration "so that everyone can say: 'I have begun to live better!'" Otherwise, El'tsin predicted, *perestroika* would fail, leaving only "a tinkling bureaucratic rattle."²³ El'tsin also told an Italian newspaper that, in his opinion, "Those who say we have one year or maybe two to restock the stores before the people rebel are right."²⁴

Some analysts maintain that the priorities of the Soviet leadership are unaffected by worries about the popular mood, that Soviet citizens are submissive and can be forced to tighten their belts whenever their leaders wish it, and that (even more to the point) Soviet leaders are well aware of this. Vladimir Bukovsky, for example, has argued that "The people's short-term well-being means nothing in a country where people do not elect their government, where the repressive mechanism is powerful enough to crush any unrest, and where every life is supposed to be dedicated to the long-term goal of the worldwide triumph of socialism over capitalism."²⁵

²⁰ *Moscow News*, 11 December 1988.

²¹ For Shmelev, see *Le Figaro*, 7 December 1988; *Moscow News*, 11 December 1988; *Newsweek*, 2 January 1989. For Petrakov, see *Los Angeles Times*, 4 February 1989. For Aganbegyan, see *Pravda*, 6 February 1989.

²² *Pravda*, 27 February 1986.

²³ *Komsomol'skaya pravda*, 31 December 1988.

²⁴ *La Repubblica*, 7 January 1989.

²⁵ Vladimir Bukovsky, "Who Resists Gorbachev?" *The Washington Quarterly*, Winter 1989, p. 9.

There have been substantial periods during which Soviet leaders have felt able with complete impunity to ignore the desires and interests of the led. This was clearly true of the Stalin era. The available evidence suggests, however, that this is less true today. Gorbachev is trying to make the Soviet economy competitive with those of the Western world; his prime requirement is a workforce that is willing to think creatively and work conscientiously. Such an attitude has not been typical of the Soviet workforce. Gorbachev is attempting to renegotiate the informal social contract that has existed between the leaders and the led, contemptuously summed up by Soviet workers as, "They pretend to pay us and we pretend to work." To encourage effort and initiative, Gorbachev is promising that those who work well will be paid well and that there will be sharp salary cuts for those who do not. Shopfloor workers have been put on notice that those who lack skills may face relocation to different industries or regions or even temporary unemployment. Zaslavskaya has stressed the social and political risks such developments may create.²⁶ Gorbachev's plans have already alarmed many sectors of the population, especially semi-skilled or unskilled workers, pensioners who do not continue to work, and others living on low incomes.

A reform of this kind can surely not be carried out without the support of the population. In the words of Ferdinand Feldbrugge, NATO's Sovietologist-in-Residence, "A Stalinist type regime can survive lack of support, as long as it controls the physical instruments of power. The more ambitious policies of the present need a much broader base."²⁷ The more difficult issues Gorbachev faces are determining the minimum amount of support needed and whether the section(s) of the population that the support comes from makes a difference.

Gorbachev only gradually came to appreciate the necessity of wooing popular support. The policies implemented during his first 18 months in power suggested he believed the Soviet economy possessed hidden human reserves that could, in association with a program of cautious economic decentralization and intensive investment in new plants and machinery, be mobilized to propel the economy ahead again. Hence the priority that the Twelfth Five-Year Plan gave, at least initially, to investment over consumption--Gorbachev thought there were other ways of getting the population to work. He was

²⁶ T. Zaslavskaya, "The Human Factor of Economic Development and Social Justice," *Kommunist*, No. 13, 1986, pp. 61-73 at p. 70.

²⁷ Ferdinand Feldbrugge, "Gorbachev's Reforms," *NATO Review*, December 1988, p. 19.

aware that even modest economic reforms would encounter resistance, but his early speeches indicated that he expected this opposition to come from the middle levels of officialdom and believed it would be relatively easy to neutralize. He planned to appeal to the population over the heads of the bureaucrats, who were to be discredited in the public eye by charges of corruption and nepotism in their ranks. In true Soviet tradition, therefore, Gorbachev's first act as Party leader was to launch (yet another) massive campaign for discipline and order.

As became apparent, Gorbachev had underestimated popular apathy and the extent of the potential resistance to change of any sort. For at least a year, he made no progress whatsoever. The population failed to respond, or responded negatively, to his attempts to cajole, bully or scare them into working harder and drinking less. Gorbachev's speeches became increasingly outspoken about resistance to change, which he eventually realized existed not only among the bureaucracy but at every level of society. By the fall of 1986, Gorbachev was convinced that popular apathy was so strong that, until it was overcome, all other change would be impossible. It was then that he switched the spotlight from economic to political reform.

Gorbachev's plans for the "democratization" of Soviet society were mapped out at a plenum of the Communist Party (CPSU) Central Committee in January 1987 and took concrete form at the XIX Party Conference in June 1988. By the middle of 1987, however, long before Gorbachev's political reforms could take effect, acute problems were surfacing in the consumer sector. During 1988, the situation deteriorated to such an extent that, as mentioned in the preceding paragraph, Gorbachev and his advisers were forced to review their earlier policy.²⁸

²⁸ Such a policy swing was nothing new for the Soviet Union. The initial response of the Brezhnev leadership to the rise of Poland's independent trade union Solidarity in 1980 was alarm that dissatisfaction among Soviet consumers might spark similar unrest in the USSR. Soviet leaders gave heightened prominence to consumer affairs in their public pronouncements, and plan priorities were revised to lay increased emphasis on consumption. At the end of 1981, when it became clear that the Soviet workforce was passive and that any danger of a spread of the "Polish virus" to the USSR had been averted, Kremlin leaders dropped the "carrot" and switched to the use of "stick" in their efforts to speed up the growth of the faltering Soviet economy. Gorbachev appears to have been influenced by this experience during his first few years in power. For an analysis, see Elizabeth Teague, *Solidarity and the Soviet Worker* (London: Croom Helm, 1988), Chapters 7 and 15.

C. GORBACHEV ON THE SOURCES OF RESISTANCE TO CHANGE

It became clear early in Gorbachev's incumbency that there was a tension between radical and conservative wings within his Politburo. Disagreements surfaced over the role that market forces and private enterprise should be allowed to play in the Soviet economy, while squabbles over the abolition of Party privileges flared into open conflict. The conservatives gathered around the Party's unofficial second-in-command, Egor Ligachev, while the most outspoken proponent of the radical tendency was the leader of the Moscow city Party organization, Boris El'tsin. El'tsin was a populist leader whose Moscow career suggested a strong authoritarian streak in his makeup. Though an ardent supporter of *glasnost*, El'tsin did not seem to belong to the group of technocratic, market-oriented reformers around Gorbachev. The General Secretary seemed to succeed for some time in playing one wing of the Politburo against the other, and when this tactic failed, it was El'tsin he ditched.²⁹ To this day, El'tsin enjoys enormous popular support among the working class and the new informal groups.

With the passage of time, opinions within the Politburo have grown increasingly polarized. Opposition to Gorbachev's reforms should not, however, be seen merely in terms of individual antagonism--the image of a reformist wing of the Politburo doing battle with a conservative wing does not tell the full story. Resistance to the kind of modernization Gorbachev wants to effect goes much deeper and is rooted in the system itself. Gorbachev has acknowledged that opponents of *perestroika* are to be found "among workers, and peasants, and managers, and workers in the Party apparatus; they are also to be found among our intelligentsia."³⁰

Gorbachev (whose views are not, of course, those of an unbiased outsider) has offered several categorizations of the sources of opposition to *perestroika*. Strangely enough, his categories concern the attitudes of those resisting reform; they take no account of the fact that the strongest opposition is likely to come from those who feel their personal interests are threatened by *perestroika*. Addressing the CPSU Central Committee in June 1986, for example, Gorbachev divided those impeding reform into the following groups: people who "understand the need to work in a new way but do not know how to do so";

²⁹ El'tsin told the French newspaper *Le Figaro* (23 December 1988) that he and Ligachev had many quarrels "on different issues" in the Politburo. "Mikhail Sergeevich sometimes took a stance," El'tsin commented. This suggests Gorbachev sat on the fence during these squabbles, sometimes taking one side, sometimes another.

³⁰ *Pravda*, 27 February 1986.

those who are waiting for someone else to carry out the *perestroika*"; and the skeptics and cynics "who have no faith in the success" of the reforms.³¹

Addressing the Central Committee again in February 1988, Gorbachev refined his categories.³² While asserting that there was general agreement within the leadership on the need for reform and that support for *perestroika* was growing among the population, he acknowledged that many people were still confused about what it was and where it was leading. As for those resisting *perestroika*, Gorbachev spoke openly of attempts at sabotage and added another group to the opponents of renewal.

First he singled out those who were dragging their feet in the hope that if they ignored *perestroika*, it would go away. Such people admitted the old system worked badly, Gorbachev said, but feared the new one might make things even worse. (This description fits Ligachev.) Second came those who were trying to leap ahead and bypass essential stages. (Here El'tsin was the target of Gorbachev's description.)

Gorbachev's third category was an intriguing one. It included those who "demand the dismantling of the very system of socialism and declare the path followed by the people for decades to be false and leading nowhere, who dismiss out of hand the values of socialism and borrow alternatives from the arsenal of bourgeois liberalism and nationalism." (The category was not a new one--Gorbachev's call during a speech in June 1987 for rejection of "anti-socialist alternatives" had indicated that such proposals were being voiced at that time.³³ In the interim, however, Gorbachev's perception of the threat these "non-socialist alternatives" posed to the established system seemed to have increased.)

The fourth category consisted of ideological purists. Again, charges of opposition from this quarter were not new--in 1986, at the XXVII Congress of the CPSU, Gorbachev complained about what he described as the widespread view that "any change in the economic mechanism is a retreat from the principles of socialism."³⁴ Two years later, Gorbachev spoke of those who warned that "democracy may turn into chaos." He said such people were asking, "Are we not retreating from socialist positions, especially when we introduce new, unaccustomed forms of economic management and social life; are we

³¹ *Pravda*, 17 June 1986.

³² *Pravda*, 19 February 1988.

³³ *Pravda*, 13 June 1987.

³⁴ *Pravda*, 26 February 1986.

not revising Marxist-Leninist teaching?" Gorbachev said that "defenders of Marxism-Leninism and mourners of socialism" had appeared who believed that both were "under threat."³⁵ He was proven right a month later when *Sovetskaya Rossiya* published on 13 March 1988 the now famous defense of Stalinism, Nina Andreeva's open letter, "I Cannot Abandon Principles." The letter was lambasted by *Pravda* on 5 April 1988 as a "manifesto of the anti-*perestroika* forces."

D. ZASLAVSKAYA ON THE SOURCES OF SUPPORT AND OPPOSITION

The one social group that certainly supports *perestroika* is the creative intelligentsia. Indeed, many say that, under Gorbachev, the intelligentsia has become the leading social class in the USSR. Gorbachev himself, while born into a peasant family, is representative of the Soviet Union's new, urbane, educated and meritocratic professional middle class--the majority of whose members were deprived during the Brezhnev era's cult of mediocrity of the social recognition and material rewards they felt to be their due. Gorbachev is typical, too, of many of his supporters (such as the philosopher Anatolii Butenko or the editor of the controversial magazine *Ogonek*, Vitalii Korotich³⁶) who describe themselves as the "children of the XX Party Congress." These people, now in their late fifties and early sixties, were born too late to have first-hand experience of Stalin's purges; instead, their youth was marked by the heady atmosphere of liberalization that followed Khrushchev's denunciation of Stalin in 1956.

Gorbachev has won the support of many (though by no means all) of the members of the Soviet creative intelligentsia with his policies of *glasnost'* and cultural liberalization. Such support is vital to Gorbachev's effort to encourage creative ideas and to modernize Soviet society, but to make his reforms effective throughout society, Gorbachev needs the support of a wider constituency. He must fire the enthusiasm of millions of ordinary people. According to many of the reformers, the problem is that, while *glasnost'* costs very little, the measures necessary to win the support of the working class--better food supplies and more plentiful housing--are extremely expensive and cannot be realized overnight. Many of Gorbachev's supporters are arguing that *perestroika's* inability to

³⁵ *Pravda*, 19 February 1988.

³⁶ For Butenko, see *Komsomolets Uzbekistana*, 11 May 1988; for Korotich, see *The Independent*, 9 February 1989.

improve the lives of ordinary people is undermining attempts to create a sufficiently broad-based constituency to allow his reforms to take root and flourish.

To date, the fullest analysis of the sources of support and opposition to *perestroika* is that put forward by Tat'yana Zaslavskaya, in an anthology of articles published as a book under the title *Inogo ne dano* in 1988.³⁷ (A discussion paper by Zaslavskaya, leaked to the Western press in 1983, was the first internal policy advice known to have warned Soviet leaders of the need for a careful analysis of the potential sources of opposition prior to the launching of an economic reform.³⁸)

Zaslavskaya is a devoted member of the Gorbachev camp and her commentary is therefore not unpartisan. She does not claim that her classification is scientific for it is based on her own impressions and hypotheses rather than empirical research. Zaslavskaya's conclusions are based on a lifetime's study of Soviet society, and unlike Gorbachev's propagandistic account of the sources of opposition, her account considers the reality of conflicts of interest. However, even in the age of *glasnost'*, no one really knows what the Soviet population thinks or how it is going to react. Public opinion polling is in its infancy in the USSR and suffers from a lack of trained sociologists.

Zaslavskaya's analysis begins by identifying the ten socio-economic groups that will be most affected by Gorbachev's reforms. There are some glaring omissions from these groups, however. For example, the Soviet Union's 60 million pensioners, many of whom continue to work after reaching the official retirement age--pensioners will be hard hit if *perestroika* leads to uncompensated food price increases. Any reference to the KGB is also omitted from Zaslavskaya's group, an omission which is perhaps easier to understand. Nor does Zaslavskaya mention any differences between the attitudes of the various Soviet nationalities, though such differences clearly exist. These gaps notwithstanding, Zaslavskaya's analysis of the conflicting interests present within the Soviet population exposes the myth of the monolithic unity of the Soviet people and its Communist Party.

³⁷ T. Zaslavskaya, "On the Strategy of the Social Direction of Perestroika," in Yurii Afanas'ev (ed.), *Inogo ne dano* [There is no Alternative] (Moscow: Progress, 1988), pp. 9-50. This remarkable anthology of articles by reformist intellectuals was published in the summer of 1988 in an edition of only 50,000 copies.

³⁸ AS (Radio Liberty Samizdat Archive) No. 5042.

1. The Working Class

Zaslavskaya first examines the working class which, according to the official Soviet classification, includes both industrial workers and agricultural workers employed on state (as opposed to collective) farms. This is the largest group in Soviet society, comprising, according to Soviet statistics, 61.8 percent of the population.³⁹ Zaslavskaya maintains that, in the long run, the vast majority of the working class only stands to gain from the prosperity that will result if *perestroika* succeeds. She does, however, acknowledge that not everyone can emerge a winner in the kind of meritocratic society Gorbachev envisages for the USSR. She also admits that economic reform will require the adoption of harsh and unpopular decisions such as the introduction of price increases for food and other consumer necessities, housing included, and that ordinary people will be the most negatively affected by such measures. She describes this as the price that must be paid for the creation of an efficient, modern economy.

Within the working class, Zaslavskaya predicts, economic reform will affect different strata in different ways. Highly skilled workers who are able to work creatively on their own initiative stand to gain the most since their qualities are undervalued and underrewarded in the present system, which treats workers like cogs in a machine. Under a system that rewards skill and effort, such workers should be able to earn considerably higher salaries and find greater job satisfaction; they should also benefit from the opportunities for workers' self-management, which the Soviet Union's new Law on the State Enterprise is supposed to foster. These people are most likely to enter enthusiastically into small producer cooperatives and other forms of private enterprise. Zaslavskaya sees this stratum of the working class as "*perestroika's* surest social base," whose members support both economic and political reforms.

Zaslavskaya reasons that *perestroika* should confer many of the same advantages on the Soviet Union's numerous semi-skilled workers: Those who are prepared to work hard can only gain in a system in which wages match effort. She warns, however, that many semi-skilled workers are unaccustomed to working conscientiously and that such people must expect to suffer financially under the new system. In fact, she notes, all members of the working class will find it necessary to learn new skills and adapt to new conditions, and not everyone will find this easy or painless. Therefore, she thinks semi-skilled workers

³⁹ *Narodnoe khozaistvo SSSR za 70 let [The USSR's National Economy over 70 Years]* (Moscow: Finansy i statistika, 1987), p. 11. The population of the Soviet Union at the beginning of 1988 was 284.5 million while those of working age numbered 130.7 million.

will support democratization, that is, Gorbachev's political reforms, but react very warily to his economic reforms.

As for the large numbers of unskilled manual workers, Zaslavskaya says that they must expect considerable changes if *perestroika* is successfully implemented. Many of them risk being made redundant as industry is renovated and modernized. (It has been predicted that between 13 and 19 million jobs will be eliminated in the manufacturing sector by the end of the century.⁴⁰) Zaslavskaya claims that no one risks permanent unemployment, but she warns that workers in search of employment may well have to travel to new locations where working conditions are worse than those left behind. Older workers who have lost the ability to master new skills will suffer the most. Also at risk will be people whose ability to relocate is restricted--for example, those with young children or other family commitments. She concludes that unskilled manual workers are unlikely to support either political or economic reforms.

Zaslavskaya acknowledges that many members of the working class have a cynical attitude to *perestroika*, believing that they have heard of such reform before--it didn't work then, and they do not expect it to work now. Such people can hardly be called supporters of *perestroika*. Also opposed are workers who benefited from the old system--a mixed group consisting of those who got along by petty pilfering or speculation in blackmarket goods or who associated with the *privilegentsia*. For example, Zaslavskaya singles out those who work as chauffeurs for the *nomenklatura*; now that official privileges are being cut back, such individuals will have to find new employment.

Zaslavskaya expresses doubts about conventional analyses that blithely describe the extent to which Soviet society has changed as a result of urbanization. She argues that, even though the majority of the population now lives in towns, a substantial number are rural by derivation and have not yet put down roots in the urban culture. Not until the year 2000, says Zaslavskaya, will the number of urban dwellers who were born in the cities outweigh the number who were born in the country. Until then, she warns, the working class will contain a "multimillion stratum" of declass  people nostalgic for authoritarian and

⁴⁰ Vladimir Kostakov in *Sovetskaya kul'tura*, 4 January 1986. Leonid Abalkin was quoted in *The Financial Times* on 12 December 1988 as saying that *perestroika* would necessitate the transfer of 15 million workers from manufacturing to the service sector by the year 2000.

patriarchal methods of rule. Such people, she says, are supporters of neither economic nor political reforms.⁴¹

Zaslavskaya's conclusion is that resistance to *perestroika* is not a feature of the bureaucracy alone but is also present among the working class. She cites a study conducted early in 1988 by the CPSU's Academy of Social Sciences, which found that "only 20 to 25 percent of shopfloor workers wholeheartedly support economic reform and expect it to bring positive results within the next two to three years. The rest have doubts about its success, or think it will show results only in the distant future. Only 25 percent of those questioned thought it was necessary for them to restructure their own work."

2. The Collective Farm Peasantry

Zaslavskaya turns next to collective farmers on the grounds, she says, that they make up "the second largest group in Soviet society." (According to official Soviet statistics, *kolkhozniki* and their families made up only 12 percent of the population in 1987. This is only half the number of office workers, who were said to comprise 26.2 percent of the population,⁴² but who do not figure as a separate group in Zaslavskaya's breakdown.) Zaslavskaya says that, as with the working class, energetic and enterprising collective farmers support *perestroika* since it will free them from the interference of the bureaucracy and allow them to decide themselves what to plant, when to harvest it, at what price to sell it and to whom. But she acknowledges that, for many peasants, the switch to independence will be "neither simple nor free from conflict." Whereas the old system brought even lazy peasants and inefficient farms a guaranteed income, *perestroika* will create wide differences in the wages of individual farmers; some farms will prosper, but unprofitable ones will face liquidation. Zaslavskaya concludes that the element of risk that *perestroika* entails is evoking "serious trepidation among a substantial part" of the peasantry. Only the "leading" stratum of the peasantry can, in Zaslavskaya's calculations, be described as forming part of the true social base of *perestroika*; the bulk of the peasantry she relegates to the rank of *perestroika's* "allies," that is, those who have a personal interest in Gorbachev's economic reforms, but who do not necessarily support his other policies.

⁴¹ Aleksei Ulyukaev, "Perestroika: Who is 'For', Who is 'Against'," *Nedelya*, No. 18, 1988.

⁴² *Narodnoe khozaistvo SSSR za 70 let.*

3. The Scientific and Technical Intelligentsia

Zaslavskaya says that members of the scientific and technical intelligentsia who are highly qualified and show a creative bent stand to gain materially from *perestroika*. She notes, however, that the USSR has in recent years been training far more engineers than its economy can absorb and that many middle-ranking and junior members of the technical intelligentsia are, as a result, underemployed and poorly paid. She says, therefore, that while the vast majority of the intelligentsia--both creative and technical--welcome the intellectual liberalization that Gorbachev has introduced, many poorly trained members of the technical intelligentsia fear they will be unable to adapt to the new conditions that would be created by Gorbachev's economic reforms. In addition, explains Zaslavskaya, many members of the technical intelligentsia are skeptical about *perestroika*'s chances of success. Such people cannot be counted among its supporters.

4. Economic Managers

Zaslavskaya points out that people in this social group presently earn good salaries and enjoy numerous privileges; their working conditions are destined to change drastically under *perestroika*. Again, those who are energetic and enterprising should earn even larger salaries and will therefore welcome the challenge that Gorbachev's economic reforms will offer. Many will not welcome change, however, for they will have to work harder to retain the high salaries they are accustomed to earning.

Zaslavskaya draws attention to another important factor contributing to the ambivalent attitude of many managers to *perestroika*. Whether because Gorbachev and his colleagues lack a clear strategic vision, or because they have been forced to compromise with a hostile bureaucracy, Gorbachev's economic reforms have so far been implemented in a contradictory and halfbaked fashion. As a result, they have generally not worked as intended. This failure, Zaslavskaya notes, has caused many managers to become disillusioned with *perestroika* in general. Sociologist Gennadii Batygin bears out her statement. He boasts--tongue in cheek--that he has met someone who actually admits to being an opponent of *perestroika*. This opponent is a factory director, required under the new conditions to show initiative and, at the same time, to continue to obey the orders of his ministry. The unhappy fellow describes his plight: "In the stagnation period, I, a mere

cog, rotated under administrative pressure. Now I have been ordered to rotate of my own accord, but in the same mode. Can you imagine an enterprising cog?"⁴³

5. Trade and Consumer Service Officials

Because the USSR is plagued by shortages of high quality food and other consumer items, even low-ranking trade and consumer service officials enjoy widespread opportunities for blackmarket trading. Zaslavskaya seems to think very few of those employed in this sector are sufficiently uncorrupt to welcome the switch to the more honest trading that *perestroika* envisages. In addition, Gorbachev's encouragement of consumer cooperatives is intended to force the state sector to become more competitive by eliminating waste and dishonest practices. There are, Zaslavskaya concludes, very few supporters or allies of *perestroika* to be found in this stratum of the work force. On the contrary, she says, its members are likely long to remain "one of the main strongholds of conservatism and reaction in our society."

6. Members of Small Cooperatives and People Engaged in Private Enterprise

All members of small cooperatives and individuals engaged in private enterprise, Zaslavskaya says, are allies of *perestroika*, and their numbers are growing.⁴⁴ But even here there is a fly in the ointment for, Zaslavskaya adds, some of the initial practitioners of private enterprise have become used to making high profits; they will not welcome increased competition as *perestroika* gains ground and more private businesses are initiated.

7. The Caring and Creative Professions

Zaslavskaya groups teachers, doctors, artists, and scholars together because they, more than any other group, suffered from the lack of intellectual freedom during the Brezhnev era. Many of them, therefore, fully support Gorbachev's political and economic reforms. Zaslavskaya realizes however that, as with all other social groups, people of a conservative frame of mind are members of these professions. (She cites the case of the Leningrad chemistry teacher, Nina Andreeva, whose defense of Stalin has already been

⁴³ *New Times*, No. 37, 1988. The same point is made by Nikolai Shmelev in "Perestroika: Who is Against?" *Ogonek*, No. 50, 1988.

⁴⁴ By the beginning of April 1989 there were 2.7 million Soviet citizens employed in cooperatives and private businesses. *Pravda*, 23 April 1989.

mentioned.) She notes that some members of some professions--historians, for example--are embarrassed now that fashion requires them to express liberal opinions that fly in the face of more conservative statements they are on record as having made during the Brezhnev years. Zaslavskaya concludes that this group of society is "perhaps the most heterogeneous" in its attitudes to *perestroika* of all the groups she examines.

8. The Administrative Apparatus

The consensus among Soviet reformists is that the strongest opposition to reform emanates from the Stalinist system itself, and more specifically, from the millions of bureaucrats who run it. Zaslavskaya is no exception, agreeing⁴⁵ with those who have argued that the introduction of state monopoly ownership in the USSR in the late 1920s and early 1930s created a bureaucratic "caste" that staged a "counterrevolution" and "expropriated" the workers in whose name the revolution of October 1917 had supposedly been made.⁴⁶ In the most controversial statement to date, a young Siberian writer, Sergei Andreev, argues that the nearly 18 million members of the Soviet bureaucracy constitute "a new class."⁴⁷ (Shmelev claims 3 million low-level bureaucrats are engaged in the supervision of agriculture alone, forming "the strongest opposition to mini-cooperatives and family farms,"⁴⁸ while the number of officials is said to be growing by between five and six percent per year.⁴⁹)

Butenko has called the bureaucracy "the main social force of the braking mechanism" (that is, the systemic impediment to healthy economic growth and social development).⁵⁰ Zaslavskaya concurs. Noting that administrators command far higher salaries than most of the rest of the Soviet population and that their jobs and privileges are directly threatened by the changes Gorbachev is trying to make, she says the majority are "conservatives" while some are unmitigatedly "reactionary," and that they support neither economic nor political reforms.

⁴⁵ *Izvestiya*, 24 December 1988.

⁴⁶ See Andrei Nuikin, "Ideals or Interests?" Part 1, *Novyi mir*, No. 1, 1988; Anatolii Butenko, "What Kind of Socialism Are They Mourning?" *New Times*, No. 15, 1988; Fedor Burlatsky, "What Kind of Socialism Do the People Need," *Literaturnaya gazeta*, 20 April 1988.

⁴⁷ Sergei Andreev, "The Power Structure and Society's Task," *Neva*, No. 1, 1989, pp. 144-173.

⁴⁸ *Ogonek*, No. 50, December 1988.

⁴⁹ *Sotsialisticheskaya industriya*, 9 February 1989.

⁵⁰ *Moskovskaya pravda*, 7 May 1987.

This is hardly surprising, given the prognosis for bureaucrats' jobs. It was announced in February 1989, for example, that the administrative staff in the economic management apparatus of the Russian Republic (RSFSR) alone had been cut by 180,000 in the previous six months.⁵¹ Gorbachev's announcement in 1988 that the staff of the CPSU Central Committee in Moscow was to be slashed by at least 40 percent must have won him the enmity of four out of every ten Party officials at that level. The economist Gavriil Popov and the jurist Boris Kurashvili have warned of the danger of the formation of an ad hoc alliance between members of the bureaucracy and disgruntled members of the working class.⁵² Zaslavskaya also seems aware of this threat, and says the "neutralization" of the bureaucracy is one of the key tasks of *perestroika*.

9. The Political Leadership

In this category Zaslavskaya includes top ranking Party and government leaders and the leadership of the Soviet armed services but makes no mention of the KGB--a key organization that should not be excluded from a list of this sort since its work is directly affected by Gorbachev's policy of *glasnost*'. Zaslavskaya explains that, like other strata of Soviet society, the nation's top leadership contains those who cling to conservative values and find it difficult to adapt to new conditions. She explicitly excludes Gorbachev from this category, but says "quite a few" leaders pay lip-service to *perestroika* while in reality they "[preserve] the old methods of leadership and [put] a spoke in the wheels of democratization." As for the possibility that opposition to specific planks of Gorbachev's program is being mounted by such powerful institutional actors as the military or the KGB, Zaslavskaya is silent.

10. Organized Crime

The official Soviet press has only recently begun to admit the existence of organized crime in the USSR. Zaslavskaya describes its practitioners as the most virulent opponents of *perestroika*, for they risk losing not only their jobs and their livelihoods but also their liberty and even their lives. Zaslavskaya does not mention that several gangs are known to have had links with local Party leaders, though she acknowledges that the Soviet "Mafia"

⁵¹ TASS, 13 February 1989.

⁵² Popov on *Central Television*, 1 April 1988; Kurashvili reported by APN the same day.

operates in close association with officials in the consumer sector as well as with corrupt law enforcement agents.

Thus ends Zaslavskaya's attempt to categorize "the friends and foes of change" according to their socio-economic status. She makes no attempt to quantify her classifications. However, Nathan Gardels, a recent Western visitor to the USSR, reports being told at Moscow's Institute of the International Workers' Movement that "less than one-third" of the Soviet population--highly skilled workers, scientists, and members of the creative intelligentsia--had an "objective interest" both in Gorbachev's economic reforms and in his political liberalization. The majority of the working class, Gardels was told, supported Gorbachev's political reforms but not the economic ones, preferring the security of the old system to which they were accustomed.⁵³

Zaslavskaya stresses that none of her groups is homogeneous and that each contains both supporters and opponents of *perestroika*. She comments, for example, that the well educated are more likely to favor Gorbachev's reforms than less educated people, and that younger people (up to the age of 38) tend to be more enthusiastic than those in their forties and fifties, whom she dubs a "lost" generation. People in their late fifties and early sixties are often keen supporters of *perestroika*. This supports the argument, mentioned in preceding paragraphs, that those who spent their youth during the Khrushchev thaw often tend to be enthusiastic about Gorbachev's reforms.

Zaslavskaya further divides the population according to a second set of criteria regarding attitudes. She lists eight categories and notes that representatives of each are to be found, in varying proportions, in each of her ten socio-economic categories. The titles are more or less self-explanatory, and are given by Zaslavskaya in descending order of enthusiasm for Gorbachev's reforms: initiators of *perestroika*; supporters of *perestroika*; allies of *perestroika*; quasi-supporters; observers; neutrals; conservatives; reactionaries. These she correlates with socio-economic status to produce the matrix in Table 1.

This table, Zaslavskaya indicates which groups are most likely to support or oppose *perestroika*. Thus, initiators of *perestroika* are most likely to be found among progressive political leaders and economic managers, reform-minded members of the creative intelligentsia and the caring professions and enterprising workers and peasants. Supporters of *perestroika* are the most widely distributed group, found in every social stratum with the

⁵³ *The Wall Street Journal*, 24 January 1989.

Table 1. Typical Positions of Representatives of Social Strata and Groups in Relation to *Perestroika**

	Initiators	Supporters	Allies	Quasi-Supporters	Observers	Neutrals	Conservatives	Reactionaries
Leading workers & peasants	X	X	X					
Political & economic leaders	X	X		X			X	
Creative Intelligentsia	X	X		X	X		X	X
Members of Cooperatives		X	X	X				
Majority of workers & peasants		X	X		X	X	X	
Scientific & Technical Intelligentsia		X		X	X		X	
Managers		X		X			X	X
Trade Officials					X		X	X
Privileged Workers					X		X	X
"Mafia"							X	X

*Source: T. Zaslavskaya, "On the Strategy of the Social Direction of *Perestroika*," in Yuri Afanas'ev, ed., *Inogo ne dano* [There is No Alternative] (Moscow: Progress, 1988), p. 39.

exception of the most conservative. Zaslavskaya argues that this proves that Gorbachev's reforms potentially enjoy an extremely extensive social base. Allies of *perestroika* are found among workers, peasants and those involved in small-scale private enterprise. Quasi-supporters of *perestroika* (those who mask their true feelings) are found among managerial and executive personnel of all kinds; workers and peasants feel no need to disguise their attitudes, be they hostile or supportive. Observers are also widely distributed, while neutral attitudes are most commonly found among manual workers. Conservatives, like their opposites (the supporters of *perestroika*) are widely distributed throughout many social groups, with the exception of enterprising workers and peasants and those employed in small-scale private enterprise. Finally, Zaslavskaya finds reactionaries concentrated in those socio-economic groups most likely to be adversely affected by *perestroika*. These include corrupt members of the Party and the state apparatuses; officials engaged in trade and consumer services; members of the working class who have been corrupted by association with people in the first two groups; and those engaged in organized crime.

E. THE FAR RIGHT

The title of the book in which Zaslavskaya's analysis appears translates into English as *There is No Alternative*--a slogan first popularized by Britain's Margaret Thatcher and only later adopted by Gorbachev. There is, of course, an alternative, but it is one that the Gorbachev camp considers too awful to contemplate. A possible outcome, should *perestroika* fail, is that the USSR would slip gradually back into the faulty practices of the Brezhnev era. After all, it is the economic system created by Stalin and only slightly modified by his heirs that Gorbachev is trying to modernize; he has not yet had much success, and a return to the old economic system could be effected because, in many essential respects, it remains virtually intact. However, rehabilitation of the Stalinist economic model would entail a resumption of the old political practices as well, which is likely to be strongly opposed by young people, members of the intelligentsia, and national minorities who have profited from the greater freedom engendered by Gorbachev's policy of *glasnost*.

Zaslavskaya's analysis suggests, however, that a return to conservative values might, at least initially, be welcomed by many members of the populace. It would certainly please a vociferous lobby of right-wing Russian nationalist writers. These authors have become increasingly voluble in defense of what they see as traditional Russian values and

in opposition to the import of bourgeois ideas from the capitalist West. A plenum of the board of the RSFSR Writers' Union in December 1988 heard speakers denounce many of the key concepts of *perestroika*--reliance on market forces, the cooperative movement, retail price reform, family brigades and long-term leasing in agriculture, meritocratic wage differentials, enterprise independence, workers' self-management.⁵⁴ Sergei Vikulov, chief editor of the journal *Nash sovremennik*, told the plenum that *perestroika* had failed to achieve any results other than longer lines in the food stores. In the words of one commentator, the Russian nationalists are campaigning for "a radical-right *retrostroika*."⁵⁵

F. THE NEW LEFT

In a speech in Moscow on 6 January 1989, Gorbachev adopted an unusually defensive tone to justify his reforms in the face of criticism from both right and left.⁵⁶ Some of the sharpest criticism of *perestroika* is coming from the Soviet Union's self-styled New Left. Its best-known member is a young Moscow sociologist, Boris Kagarlitsky. Kagarlitsky describes a split within the left between Technocrats (such as Shmelev and Popov) who are ardent supporters of *perestroika* and the New Left who are members of the informal left-wing political clubs that have sprung up, under the influence of *glasnost*, in Moscow, Leningrad, and other large Soviet cities.

The New Left and the Technocrats both support Gorbachev's policies of *glasnost* and democratization; they differ over economic reform. The Technocrats favor the introduction of free market principles. They recognize that this will entail retail price increases, liquidation of unprofitable enterprises, and the threat of unemployment for lazy or inefficient workers. In short, many workers will suffer a decline in their standard of living. The Technocrats argue that such strong medicine is needed to heal the ailing Soviet economy; the New Left argues that this remedy will prove as bad as the disease. They say that making a fetish out of the market is no better than worshipping centralized planning. They call for the adoption of more humane methods that would preserve Soviet workers' traditional guarantees of job security, price stability, low-cost housing and free medical care. Kagarlitsky speaks with approval of economist Leonid Abalkin who was, he says,

⁵⁴ *Literaturnaya Rossiya*, Nos. 51 and 52, 1988, as reported in Julia Wishnevsky, "Nash sovremennik Provides Focus for 'Opposition Party'," RL 23/89, 12 January 1989.

⁵⁵ Patrick Flaherty, "Perestroika Radicals: The Origins and Ideology of the Soviet New Left," *Monthly Review*, No. 4, 1988, pp. 19-33.

⁵⁶ *Pravda*, 7 January 1989.

"from the very beginning one of the critics of market relations, saying we need the market, but we'll probably learn more from the economies of Northern Europe, for example, which are not market oriented, but are in some sense more value oriented."

Among the New Left's priorities are the establishment of independent trade unions and the expansion of workers' self-management within the enterprise. Kagarlitsky argues that such policies have the support of working people. The workers, he says, are not against reform in principle; they oppose only certain measures for which they suspect they are going to pay the costs while the new professional classes reap the benefits, and he argues that "*perestroika* for the elite may contradict *perestroika* for the people."⁵⁷

The New Left is keen to forge links with workers because it considers working class support essential to the success of Gorbachev's democratization of society. (So far, they admit, there are few worker-members of the left-wing clubs.) The Soviet New Left's approach to the working class seems to have been considerably influenced by the rise of Solidarity in Poland. The role played by the dissident Workers' Defense Committee (KOR) in helping Polish workers formulate their demands for free trade unions particularly influenced young left-wing Soviet intellectuals such as Kagarlitsky to reexamine the aims and methods of the Soviet dissident movement. The *samizdat* almanac *Varianty*, with which Kagarlitsky was at one time associated, also influenced this rethinking. The following comment, which appeared in *Varianty* in 1981, is typical of the criticism levelled by the New Left at the attitudes of mainstream Soviet dissidents. "The dissidents...regard the workers in the same way as the Decembrists viewed the *muzhiki*. In theory, they respect them, but in reality they despise them: 'They're drunkards, stupid and submissive, more interested in watching hockey than in reading books'."⁵⁸ The New Left argues that such attitudes live on today among the Technocratic economists surrounding Gorbachev, and that they also typify the new professional middle class that forms Gorbachev's most devoted constituency.

⁵⁷ Boris Kagarlitsky, "Different Perestroikas for Different Folks," *International Herald Tribune*, 8 September 1988; Boris Kagarlitsky, "Perestroika: The Dialectics of Changes," *Problemy Vostochnoi Evropy*, No. 21-22, 1988, pp. 28-57; "Markets, Perestroika, and Party Reform: Boris Kagarlitsky Interviewed," *Across Frontiers*, Winter-Spring 1989, pp. 18 and 53; see also Flaherty, *Monthly Review*, No. 4, 1988.

⁵⁸ This remark, attributed to a Moscow craftsman, is quoted from Teague, *Solidarity and the Soviet Worker*, p. 186. It is reminiscent of Oswald Spengler's observation (as paraphrased by Laurens van der Post) that the spirit of the Russian upper classes was Western, that the peasants brought with them into the towns the soul of the countryside, and that "between the two worlds there was no reciprocal comprehension, communication, or charity." Laurens van der Post, *A Portrait of all the Russias* (London: Hogarth Press, 1967), p. 125.

G. CONCLUSION

The problem of resistance to *perestroika* was discussed at a three-day conference organized by Zaslavskaya in Novosibirsk in the spring of 1988.⁵⁹ The conference spoke of strong opposition to reform and warned that the adoption of unpopular decisions--such as an increase in retail prices, large-scale layoffs of workers or their relocation to different regions or industries--could lead to mass unrest. The mood of the population was such, participants said, that any decline in real living standards would inevitably be blamed on the economic reforms.

The dissatisfaction of ordinary working people was voiced at a meeting between Gorbachev and workers' representatives held in Moscow on 14 February 1989. There were bitter complaints about low wages, poor living standards, food shortages, rationing, housing shortages, and dislocations caused by the introduction of economic reforms in the workplace.⁶⁰

The workers' grievances highlighted the contradiction underlying Gorbachev's attempt to modernize Soviet society. The logic of his reforms is to create a prosperous peasantry, a new stratum of private entrepreneurs, and a confident and self-assertive middle class. Skilled industrial workers and engineering and technical personnel (ITR) will prosper, but semi-skilled and unskilled industrial workers and their families, together with nonworking pensioners, are likely to suffer. They too have been promised a better life, but *perestroika* has so far brought them no tangible improvements. On the contrary; it threatens them with price hikes and wage cuts, the possibility of layoffs, and the obligation to learn new skills or to relocate in search of fresh employment. The prospects for workers who lack skills or who are too old to learn new ones are not bright. While Gorbachev's economic advisers may speak of retraining programs and of transferring millions of workers from production to the service sector, the USSR has little infrastructure to accomplish such changes--there are few job placement bureaux, a shortage of training facilities, and a lack of flexibility in the housing market.⁶¹

It is small wonder that many workers have reacted to *perestroika* with alarm and hostility. Even if Gorbachev's economic reforms are successful, they will in the short-term

⁵⁹ *Nedelya*, No. 18, 1988.

⁶⁰ *Central Television*, 14 and 15 February 1989.

⁶¹ These problems are more fully discussed in Alastair McAuley, "Perestroika: Implications for Employment" in Martin McCauley, ed., *Gorbachev and Perestroika* (London: Macmillan, forthcoming).

lead to considerable confusion and dislocation and perhaps to real hardship for many people. Should these reforms fail, the long-term alternative may be even worse. Herein lies the contradiction of *perestroika*--the changes Gorbachev seeks to effect will be painful for many people, but they cannot be realized without the support of the population. These changes will require willing, creative, and enterprising workers, not craven slave laborers, to build a competitive modern economy.

Appendix A - Commentaries

FUTURE TRENDS IN SOVIET MILITARY-TECHNICAL POLICY

Commentary on Mr. Christopher Donnelly's Presentation

Lt. Colonel John Hines, USA

June 1988

**The views expressed in this essay are those of the author and do not
represent official U.S. Government policy.**

ABSTRACT

In his commentary, Lt. Colonel John Hines, a now retired U.S. Army specialist on Soviet military affairs currently with the Rand Corporation, first differentiates between three future time periods identified in Soviet discussions of military-technical policy. In contrast to the coming five years, on which Mr. Donnelly's paper focuses, Hines notes the USSR's more pessimistic prospects for the mid- and long-term future. Moreover, the possible solutions to these Soviet military problems appear unsatisfactory.

Hines also elaborates on several of the short-term issues Donnelly identifies. For example, Hines discusses the shift in Soviet emphasis from nuclear to conventional warfare and the problems involved in the devolution of their military decision making.

Hines concludes with the warning that Soviet political initiatives may pose serious challenges to NATO cohesion.

COMMENTARY: FUTURE TRENDS IN SOVIET MILITARY-TECHNICAL POLICY

In commenting on Mr. Donnelly's presentation, to some extent I will be responding to specific segments of his paper and to some extent I will address the more general issues that he has raised. While we certainly agree on many of the issues, there are some differences in the focus of our analyses.

First of all, Donnelly's charter was to assess the immediate future (the next five years) of Soviet military-technical policy. Given the military focus of this analysis, it is the purely military aspect that merits primary attention, while the political context is of secondary interest. At the military level, there are at least three future time periods that emerge when the Soviets discuss military-technical policy. Each of these time periods has associated with it a different attitude about Soviet prospects in this policy area.

About the first period, the next five years, which is the focus of Donnelly's effort, the Soviets are not necessarily very pessimistic. They are fairly satisfied that, given a number of caveats--with which many Western analysts are familiar--their force could dominate in determining the course and outcome of a war if it should remain conventional. Of course, nothing would eliminate the tremendous concern the Soviets would have about nuclear escalation. Although this is a diminishing concern, it is still a major one. Nonetheless, in the short term, there seems to be a general sense that the advantage would accrue to the Warsaw Pact.

The mid-term future is a different story however. It is in the mid-term that the Soviets expect certain U.S. systems, such as reconnaissance strike complexes, space-based platforms and precision guidance systems (if any are ever launched) and other theater warfare capabilities (for example, miniaturized sensors and automated high-speed data-links) to be deployed in large numbers. Current U.S. prototypes or systems that are in the initial procurement stage would be deployed in numbers sufficient to cause the Soviets to seriously question their ability to take on NATO for reasons that are largely technological but also partly operational.

For the Soviets, the long-term future trends degenerate even further, as evidenced in discussions in the Soviet literature. In general, the idea of a global conventional war with weapons that will strike the heartland on both sides, which can be launched from any platform at sea, space, air or land (the latter apparently the least likely option), is not one that engenders much optimism among the Soviets. It is a future that is fraught with tremendous uncertainties, as well as a great deal of pessimism about their long-term technological competitiveness. They will certainly search for solutions, a subject that will be addressed later. Nevertheless, their technological forecasts as a whole, which largely underlie their forecasts in the military area, become progressively more bleak the further they look into the future.

In turning to the short-term trends, Donnelly raises several issues that merit additional attention and comment. First, he addresses specifically the issue of nuclear weapons or weapons of mass destruction more generally (chemical and nuclear). I agree with his hypothesis that the Soviets have great incentives in the short term to eliminate nuclear weapons. I would add that certainly around the Soviet periphery, Soviet forces generally tend to have a conventional advantage, at least in terms of the quantity of presently deployed weapons. They also have a mobilization system, as Donnelly describes, which seems to be much more refined and responsive than the West's. Geography is another obvious factor that would give the USSR an advantage if there were a conventional war. In a conventional war, the Soviets would tend to have an advantage in moving their forces to the location where they would be employed. Eliminating nuclear weapons from the periphery in Europe would, of course, reduce the risk to the entire Soviet system.

The Soviets clearly have strong incentives to eliminate nuclear weapons as a factor. Yet, as Donnelly points out, this creates problems as well. To expand on this idea, the kind of war the Soviets now anticipate--as they become more convinced of NATO's disinclination to use nuclear weapons--is a conventional war, one which may be increasing in scale and duration. I believe they are seriously examining the implications of such a change. My analysis indicates that they have been trying to design a force and a strategy for theater warfare since at least the mid-1960s, to avoid or minimize the likelihood of nuclear use; however, something began to happen in the late 1970s that caused them to become more serious about these efforts. Much of this motivation was probably due to changes effected by NATO, including an increased interest in conventional weapons and more indications that NATO was looking for alternatives to nuclear use. Soviet press

accounts, especially in the early 1980s, frequently mentioned the U.S. Secretary of Defense and President by name when arguing that the West was turning to non-nuclear weapons to circumvent the Soviets' achievement of strategic and theater nuclear parity. In any event, at that time, Soviet analysts began to state that, if a war were to occur, it really could be a purely conventional one.

In assessing the implications of this shift to an all-conventional war, the Soviets began to examine the kinds of issues that Donnelly discusses. How would they break through a force of the size NATO might field? How would they penetrate, given expected densities of NATO's forward defense? How did the Soviet armed forces do it in the Great Patriotic War? What could be done after penetration has been achieved, in terms of decisively eliminating major components of the opposing forces? One of the issues that was raised in that connection (encirclement on the operational scale and even the issue of density) was whether the structure of the force they had was appropriate. This question was raised as early as in 1982. In a discussion about command and control in war contained in the book, *Military-Technical Progress and the Armed Forces of the USSR*, M. M. Kir'yan described a rather interesting and somewhat incompletely defined idea that the Soviets must adopt a force structure in which smaller units have greater combat autonomy, suggesting that the level at which a greater number of combat problems are to be resolved must devolve down to regiment or battalion level. (This is my understanding of Kir'yan's argument.)

The devolution of decision making generates other problems which, again, Donnelly discusses. As he points out, the situation arises whereby a major or a lieutenant colonel is directly responsible for a much more complex combined-arms force. Force restructuring may mean that this officer would now control his own artillery, a mixed force of mechanized infantry and tanks, and perhaps a flight of helicopters. If his mission is not achievable, then he must make decisions on his own, or he must have very reliable communications with his superiors.

Advanced planning, as Donnelly explains at great length, is a typical way for the Soviets to ensure that a mission will be accomplished even if it is frustrated in some particulars. Because of such planning, if a given battalion, brigade or division were to fail in its mission, Plan B would be ready to be called in from the sidelines and implemented.

Kir'yan and others seem to believe, however, that the problem of decreasing mobility of warfare has forced them to look for still other solutions. There is a recognized

need to somehow make that relatively junior officer in the Soviet system capable of effectively implementing an option, or selecting among a menu of options, should he lose communications or the ability to receive instructions from a higher level. Yet the Soviets do not appear optimistic about their ability to meet this need. I sense a great deal of concern in their writings about this topic; for instance, Defense Minister Yazov was quite critical of the GSFG in May 1988 on this issue--that it is not meeting the need for initiative in its command and control requirements. I am not convinced that the junior officers, or even more senior officers, would be effective if given a great deal of command independence or battlefield autonomy.

One solution to the problem is sought through pre-structuring a force in which the junior officer has greater combat autonomy but that also provides a support system that bolsters his combat power when required and, at the same time, bounds the consequences of small unit failure. What Western analysts first thought to be a pre-structured operational maneuver group (the new army corps) may be evolving as a prototype for a different kind of force. A variety of sources indicate that a structure is emerging that resembles a corps with brigades made up of balanced (or somewhat balanced), combined mechanized and tank battalions. Furthermore, there is a trend for short-range artillery and air defense to devolve downward, while longer range systems such as helicopters and missiles move up higher in the system. To all accounts, the Soviets estimate that this would better support modern warfare.

But the pre-structuring solution does not, in fact, eliminate all of the problems. Pre-structuring does not automatically eradicate the cultural constraints by which the major and lieutenant colonel are bound, which limits their ability to make the necessary decisions. There is increased pressure, therefore, to have very reliable communications to offset leadership failure at lower levels. Hence, the Soviets are hedging their bets by enhancing the sophistication and redundancy of deployed communications technology. However, according to Altukhov in his book on the theory of troop control, this is a general trend that subsequently induces its own vulnerability to counter-control measures of various kinds. In the final analysis, the Soviets are experiencing a great deal of anxiety about future changes, even though they believe that the trend driving these changes is unavoidable.

Another solution the Soviets are adopting to try to overcome this trend towards reduced mobility on the battlefield is to go to the air--they are placing a greater reliance on the air component of fire support. The Soviets view helicopters as a key element in this solution, evidenced by how they are being procured. The armed forces have fire support

helicopters, anti-tank helicopters and control helicopters. Moreover, the Soviet ability to mass helicopters is receiving a lot of attention. Of course such an ability assumes that there is a limit on the helicopters involving standard interceptors and fighters, again forcing the Soviets into a regime in which they are at a disadvantage, according to their own assessment.

In conclusion, the Soviets are being forced to adopt smaller combined-arms units with greater combat autonomy. They do not want to relinquish control. Rather, they are trying to induce a certain conditioned initiative among the junior officers, while simultaneously trying to shift fire support more to airborne platforms as well as to artillery (which Donnelly discusses). In both of these areas, the Soviets do not appear to be very certain of their capabilities.

The future picture seems bleak for the Soviets. The mid- and long-term futures can be grouped together because the trends are the same; according to Soviet estimates, they worsen. I think the primary and most disturbing factor for them in the mid-term future is their perceived tendency toward the use of weapons of greater range and greater lethality--precision-guided munitions. The concept is not disturbing to them; they have a conceptual framework that encompasses deep strike and deep battle. The Soviets have, in fact, considered this notion since at least the early 1930s. The source of their discomfort is that range, or precision over range, creates a dependency on automated control and real-time acquisition for effectiveness. Again, such a dependency pushes them into an area of technology where their technological forecasts about having a competitive advantage for the mid-term are pessimistic. It is necessary to develop greater control over distances, which is problematical for them. Another alternative, of course, is negotiations; they must try to limit some aspect of deep-strike and the West's technological advantage in order to help solve their problem. For the long-term, systems such as space platforms, miniaturization, sea-based SSGN cruise missiles, and long-range standoff bombers create a vision of a future war beyond 2005 that is even more disturbing to the Soviets.

To assess the possible solutions, I believe that the Soviet military is looking at solutions that are not unlike many of the ones Donnelly enumerates. The problem with these solutions is that they are not satisfactory. Future adverse trends are apparently sufficiently disturbing that a very real, but somewhat uncomfortable, collaboration has developed between the Soviet military and the Politburo as presently constituted. These two groups share common ends, although they are having some problems in implementation. Specifically, I believe that the long-range objective (which was even

evident back in the 1970s) has been to return the Soviets to a position that would allow them to compete technologically, both from a purely military point of view and in the general industrial-economic sense. Judging from the evidence, in the mid-1970s Grechko was disturbed that the Soviet Union's technological infrastructure could not support military-technical competition over the long term, even despite serious military interest in being able to do so. There were indications that Ogarkov certainly had a sense of this problem. Yet the military has evidently been reluctant to pay the price in terms of having to delay short-term procurement to increase investment in research and development.

Probably the most compelling requirements the Soviet military has are the ones that Donnelly mentions--to get the United States out of the business of high-technology applications to military systems and thereby indirectly getting themselves out of striking range. In the case of the latter, the short-term goal has been to eliminate missiles with a range of 500km and below, because that is the surest way to avoid the implications of an inferiority in automatic or automated control. Whether or not the Soviets will be able to seriously reduce forces on both sides and create disincentives in the West for staying engaged in the competition remains open for debate. Nevertheless, should they succeed in such an effort, say in 2005, it is difficult to predict whether the Soviets would suddenly rebuild a massive military force and take advantage of a complacent West or whether they would have such a vested interest in a Western kind of lifestyle that they would not be inclined to do so. I am personally distrustful.

The implications for the United States and NATO of Soviet political initiative does not bode well for NATO. As Donnelly points out, the two sides speak different languages; even though the same words may be used, they mean totally different things. I believe the Soviets are supporting their arms control negotiations with a very sophisticated and highly responsive system for assessing the outcomes of various arms reductions proposals. I am not at all convinced that NATO has a comparably sensible and responsive effort. I am even more concerned about the centrifugal effects of detente on the West noted by Zagladin in his book, *World Communist Movement*, in 1982. According to him, in addition to centrifugal effects on opposing alliances, detente increases the legitimacy of non-ruling communist parties and generally creates an atmosphere in which Western technologies can be acquired more readily for the "socialist brotherhood." I am not convinced that NATO can be confronted with a continuous barrage of such initiatives without becoming so soft in its resolve that it becomes incapable of any kind of central focus in terms of providing for its own long-term defense.

**TWO PARALLEL LINES DO NOT INTERSECT: SOVIET-
ISRAELI RELATIONS, 1988**

Commentary on Dr. Theodore Friedgut's Presentation

Dr. Bernard Reich

July 1988

ABSTRACT

In examining Soviet-Israeli relations, Dr. Bernard Reich, a Professor of Political Science at George Washington University, highlights several points raised in Dr. Friedgut's paper. He first notes that relations with the Soviet Union are not a high priority within Israel. Rather, he elaborates, the importance of this bilateral relationship lies in its linkage to U.S.-Soviet relations. The right of Soviet Jews to emigrate and their freedom to choose their destination are addressed in this context.

Reich then raises the issue of Arab-Israeli relations, the Middle East peace process, and the Soviet role in this region. He concludes his commentary with an assessment of developments in Soviet-Israeli relations thus far and their future prospects. While more activity can be expected, he argues, the Middle East peace process will remain a stumbling block to any real progress in establishing diplomatic relations.

COMMENTARY: TWO PARALLEL LINES DO NOT INTERSECT: SOVIET-ISRAELI RELATIONS, 1988

After carefully reading Dr. Friedgut's paper, I was struck by the parallelism of our views; although we also tend to intersect, unlike Israel and the Soviet Union. This commentary elaborates a few minor themes, presenting some of Dr. Friedgut's arguments from a slightly different perspective.

To address this issue more from the Israeli perspective, it is first important to determine the degree of priority that Israel places on the actual issue of bilateral Soviet-Israeli relations. Note that, unlike the U.S. government's focus on this issue, which even the Soviets share at times during their discussions with Americans, the issue is not a central one in Israel in terms of occupying the time and attention of the Israeli body politic. Israelis would be quite happy if there were substantial emigration from the Soviet Union, preferably to Israel; they would be happy if there were substantial emigration from the Soviet Union even if the emigres did not go to Israel; and they would be happy if the conditions for Soviet Jews were to improve within the Soviet Union itself. These are the key areas of concern in Soviet-Israeli relations, from the Israeli viewpoint, in approximately that descending order of significance.

The overall question of bilateral relations is not central to a political campaign nor does it daily preoccupy the media or the attention of Israeli leaders or the Israeli public. It is a subject that is discussed occasionally, particularly when Israeli officials travel abroad. For example, following Peres' recent meeting in Madrid with Soviet officials and his prior trip to Hungary, the public consensus in Israel seemed to be that the lack of Soviet-Israeli diplomatic relations certainly does not help the cause of peace in the Middle East. Nevertheless, the issue is not a constant or key item on the agenda of Israeli public opinion.

While Soviet-Israeli relations are not a central issue to most Israelis, there are approximately 150,000 to 200,000 Soviet Jews in Israel. The Israeli Embassy estimates the number to be 200,000, which would represent just under five percent of the population. This group, therefore, has a potential voting bloc of probably one-half to two-thirds of that number. Such a bloc could elect four or five members of the Knesset or could act as a swing group in a very close election; however, no such solidified bloc exists.

In Israel no substantial interest group focuses on Soviet Jewry. While some Soviet Jews do become political activists, their positions span the political spectrum. Some are aligned with the Likud on the right, such as Sharansky, while a number favor an alignment with Labor on the left. Still other Soviet Jews are associated with some of the religious parties. The Likud, Labor and religious parties tend, in fact, to be the three major political groupings, in approximately that order, for Soviet Jews. Consequently, Soviet-Jewish issues will not be accorded a principal focus in any political campaign. Neither Peres nor Shamir is going to gain any dramatic advantage over the other by making a move in the direction of Soviet-Jewish interests.

Moreover, these two leaders agree, to a great extent, on the need to improve Soviet-Israeli relations as well as on the issue of Soviet Jews. To a significant degree, they differ only on what approach should be adopted to achieve each objective. Their disagreement about what to give the Soviets, or about how to deal with the Soviets in the peace process, is an ideological argument about the peace process, not an argument about how to improve relations with the Soviet Union. Finally, with respect to the recent freedom of choice question (whether all Soviet Jews should be transported directly to Israel or whether they should be able to continue to choose their destination), Peres endorsed the Shamir approach, which would have restricted the so-called freedom of choice option for Soviet Jews by requiring them to travel via the Bucharest route.

The issue of Soviet-Israeli relations clearly is not a major domestic issue in Israel. Rather, its importance lies in the matter of triangular Soviet-U.S.-Israeli relations, as Friedgut mentions, albeit only briefly, at the beginning of his analysis. The Soviets are unquestionably much more concerned about and interested in the United States than they are about Israel. As Friedgut notes, discussions about Soviet Jews dating back more than a decade ago basically revolved around the Jackson-Vanick amendment and related themes. There was also a good deal of discussion about the effect a given Soviet action, related to Israel or Soviet Jewry issues, could have on U.S.-Soviet relations.

The effect on U.S.-Soviet relations appears to have become even more complex because a series of additional splits have since developed. For example, while the Israeli government is not particularly divided on the freedom of choice issue, the American Jewish community is. This split in opinion adds another dimension to the whole problem because assessing exactly how the United States might react is now more difficult. This division within the American Jewish community is not reflected in Israel, which complicates the

Soviet ability to determine how they might benefit from linking Israeli relations with U.S.-Soviet relations.

Moreover, recent discussions indicate that the disagreement in the United States about what to do concerning the freedom of choice problem has caused a split within the State Department as well. The basic argument is that the Middle East specialists believe that no action should be taken that would upset the government of Israel, while human rights activists argue that a freedom of choice option is absolutely necessary. The human rights advocates question how the United States could possibly refuse to allow Soviet Jewish emigres--who prefer to come to the United States rather than Israel--to enter the country. This interesting division of opinion seems to complicate the issue further.

Looking at the Soviet attitude toward this issue, it is striking that the Soviets do link Soviet-Israeli and Soviet-U.S. relations very clearly. Following the Washington summit, Arbatov focused on discussing the fact that the American Jewish activists had ruined the Reagan-Gorbachev summit. He argued that these activists had ruined the summit with their massive demonstration on the Mall, which received as much television coverage as did the substance of the summit itself. The Soviets still believe that this demonstration was orchestrated in part by the U.S. government, an argument that could be supported by the fact that the Vice President and other senior officials were involved in the process. Thus the triangularity of interests in this problem must be considered. This complex triangle poses a major problem in terms of how the Soviets will try to play the particular theme of freedom of choice within the context of the Soviet-Israeli relationship.

One final point with respect to this issue is a statement made by Primakov some months ago when he was asked about the direct airlink question and whether the Soviets would agree to such an arrangement. Primakov admitted that the issue posed a serious problem for the Soviet Union, "Can you image the complaints of human rights' violations in the United States against the Soviet Union if we shove everyone onto an Israeli plane?" He added that anyone who wants to leave the Soviet Union, of course, has no problem in doing so except those who have problems related to state security. Such was his response to the freedom of choice option for Soviet Jewish emigres.

Another point Friedgut raises that merits further discussion and consideration is that, with regard to the Arab-Israeli question, the Soviets at this point are still in the process of groping for a policy. And as they continue to search for a policy, they are faced with the dilemma of trying to determine which Israeli represents Israeli policy--Peres or Shamir. I

agree with Friedgut's assumption that the Soviets do not want war. A war in this region would present them with too many choices, too many complications and too many difficulties--a situation they have experienced before. I am not certain that they would oppose a peace settlement if one were created on the terms that have been outlined and that have not really changed dramatically.

At this point, the Soviets seem much more interested in the image they can present; they would like to be seen as a reasonable player in the international community. One way of gaining some of that legitimacy is to be part of the peace process, and one way to enter that peace process is to determine a way to make the Israelis agree to a Soviet presence. Originally the Soviets seemed firmly convinced that Peres was the mechanism for accomplishing this objective. The veteran Soviet official, Alexander Zotov, met with Peres in the spring of 1987. Following this meeting, Zotov indicated that he was absolutely convinced that Peres would be able to deliver the Israeli cabinet--that the cabinet would accept a conference at which the Soviets would be able to participate. But, they were "disappointed" by Peres' inability to act. This fact may help to explain why the Soviets have been willing to deal with Shamir and why they have made concessions to him. In fact, the Soviets have even supported Shamir somewhat by issuing visas as they had promised him; after making a similar promise to Peres, they did not issue the visas. In effect, the Soviets appear to be attempting to ensure that they have solidified their position with both Israeli camps.

When it comes to assessing the Soviet role in the Middle Eastern region there are, indeed, two distinctly different perspectives within Israel. Peres invariably perceives the process of Soviet-Israeli relations to be moving ahead and believes concessions will be made by the Soviet Union. For example, Nimrod Novik some months ago projected that the figures for Soviet-Jewish emigration in 1987 would approximate those of a decade earlier, although in actual fact, the numbers did not come close to this estimate. On the other hand, Shamir continues to point out that even when the numbers for emigration from the Soviet Union look relatively good, the immigration to Israel remains rather low. As Friedgut notes in his paper, an increasing number of the emigres prefer to settle in countries other than Israel. To all accounts, this looks as though it will remain a factor in Soviet-Jewish emigration.

The final issue to be addressed is the question of how far have Soviet-Israeli relations developed and whether they are likely to change dramatically. Current indications are that, no matter who runs the government after November 1988, the Israelis will not be

able to make any gestures that will lead to a dramatic change on the Soviet side. The Israelis can hope to obtain very little through direct bargaining with the Soviet Union. The issue of Soviet Jews, a subject of central concern to the Israelis, is basically a trilateral question involving the United States, rather than a strictly Soviet-Israeli issue.

The question of direct diplomatic relations between the two countries, while interesting and perhaps even symbolic, is not particularly important. Very little should be expected to be accomplished in this area. Only a little action will occur--slow action, delayed action. At the same time, there will be a great deal of motion and numerous meetings, but very little movement. The establishment of diplomatic relations seems impossible as long as Soviet specialists continue to argue that nothing can be done until the peace process moves ahead. This means nothing could happen until Israel withdraws from occupied territories, until Palestinian rights are respected. The potential participation of the PLO, and the creation of a Palestinian state is an additional stumbling block which periodically surfaces. It is unlikely that anything would happen on the Israeli side in that regard simply because there is very little that they can do to make those concessions.

Regarding the Soviet Union's role and interests in the Middle East today, attention is most frequently focused on armaments and much less attention is paid to the oil and petro-dollar connection, indirect though it may be. Yet for the Soviet Union, the oil factor is quite important in relation to its hard currency earnings. In terms of the Soviets' ability to market their oil and natural gas, in terms of their ability to earn the hard currency that they need and in their desire to improve relations with the Gulf Cooperation Council states and other states of the Persian Gulf, the Israeli factor is in no way a positive one. It does not play a useful role in that process; if anything, quite the opposite is the case. The problem the Soviets face is trying to balance two sets of interests in ways that are most beneficial and useful to them. This problem is not likely to be resolved in the near future.

The last element of this analysis boils down to a very simple point--if one were to focus strictly on the Soviet Jewish emigration question, the main area of dispute is one of numbers. The United States and Israel continue to estimate that there are about 400,000 Soviet Jews who may wish to leave; a figure that is far more substantial than what the Soviets have recognized or what they might recognize in the future. The realistic number is somewhat less than Western estimates. From the Soviet standpoint, Primakov once commented that the number could reach 40,000 or 50,000, but never 400,000. Moreover, a key Soviet spokesman on this issue (and a leader in the anti-Zionist committee) stated

bluntly in June 1987 that he could identify slightly more than 12,000 prospective emigres. His estimate was based on copies of all the actual requests to emigrate.

This dispute is part of the game, and that game is not going to change very dramatically in the near term for either side. So, while the absence of diplomatic relations may be viewed as abnormal and while it seems that the Soviets began to recognize their need to deal with this issue even in Brezhnev's time, the fact remains that what we are witnessing now is basically a very good Soviet public relations effort accompanied by some minor movement. We are not, however, seeing the dramatic political-diplomatic breakthroughs that the media sometimes suggests we might find. Neither side is likely to change their policy in that regard.

NATIONALIST UNREST IN THE USSR

Commentary on Ms. Nieves Bregante's Presentation

Dr. Donald Carlisle

January 1989

ABSTRACT

In his commentary on Ms. Bregante's assessment of Soviet nationalist unrest, Dr. Donald Carlisle, a Professor of Political Science at Boston College and a Fellow at the Russian Research Center, first underscores two important issues raised by Bregante: Gorbachev's commitment to a centralized Soviet state and emerging differentiated nationality policies.

Carlisle then suggests that a different approach to the nationalities problem might have been adopted--a "points of the compass" view. It is important, he argues, to examine the role of the Russians as well as the local intelligentsia within the national republics. Looking at the problem from the center, Carlisle identifies several factors to be considered, including changes in formal institutions and the role of non-Russians at the center.

Carlisle next postulates several explanations for Gorbachev's "blind spot" with respect to nationalities problems. Finally, returning to the notion of Gorbachev's commitment to a unitary state, Carlisle identifies three levels in the Soviet leadership's approach to this objective and the role of the nationalities problem at each level.

COMMENTARY: NATIONAL UNREST IN THE USSR

Ms. Bregante's paper on the nationalities issue is a thorough, comprehensive treatment of the issue and especially of its major theme--the evolution of Gorbachev's point of view. My only criticism is that the timeframe used to examine the problem seems to begin too late. Assessing the first steps taken under Andropov, including the crackdown in Central Asia, would be useful in trying to understand this issue. With these measures, a model for one way of handling the nationality problem was pioneered as early as 1983, and in 1984 the direct attack on the Uzbek elite itself emerged.

Two additional points raised in Ms. Bregante's paper merit closer attention and commentary. A very important observation is Gorbachev's commitment to the creation of a centralized state, to a unitary Soviet state, which is discussed in the paper's conclusion. The second important point, which is not fully analyzed in the paper, is what Ms. Bregante describes as emerging differentiated nationality policies. As Ms. Bregante suggests, it may become necessary to drop the term nationality *problem* or nationality *policy* and begin to explore the issue of independent nationality *policies*.

In terms of the overall focus of the paper, an alternative approach might have been to adopt a "points of the compass view," travelling from east to center to west to south, instead of focusing on the all-union, central level--what the Soviets are thinking at the center in Moscow. This approach would include examining in greater detail what has been happening in each of the republics. From an academic standpoint, not only nationality problems should be considered and differentiated, but the nationality setting should also be conceptualized, similar to John Armstrong's approach some twenty years ago.¹ Armstrong suggested a functional approach to nationalities, which meant not only covering geopolitical compass points, but also trying to determine how Moscow views the functions of the different nationalities in their relation to the center. Naturally, those functions vary with the history, the criticality of the problem and the different nationality terrain considered. Armstrong's useful framework, although in need of updating and rethinking, has been

¹ See his chapter in E. Goldhagen, ed., *Ethnic Minorities in the Soviet Union* (New York: Praeger, 1968).

largely neglected. Yet, as the nationality *problem* becomes nationality *problems*, developing a more systematic approach to studying these different problems and placing them in different contexts will be necessary.

My own approach, as a political scientist and a student of leadership and cadres, is to stress the problems of the Russians in the national republics. This is not to ignore the Russian center but rather to focus on the problem of the role of the Russians within the various national republics. Two kinds of Russian groups exist in the national republics, which must be examined. First, there are the local Russian settlers--the immigrants who have lived in the republic for a long time. These people have served as a tool of the regime throughout the history of Soviet nationality questions. The existence of this group and its relative standing in the local community complicates the problems for the center.

Second are the imported Russians who are posted to the republics for short tours of duty. This group consists of the second party secretaries in all of the union republics as well as some figures in the state structures who are imported and serve as kind of prefects for the center.

In attempting to assess the situation, another variable to be considered involves refocusing on the center itself in order to analyze the changes in formal institutions and structures introduced by Gorbachev. It is necessary to examine the new structures of the all-union Soviets and how these changes have affected the equilibrium between the formal, long-existing national republics and central institutions. Prior to 1977, Sovietologists spoke about an urge within the Soviet central elite to eliminate the national units. It seems possible that, in a certain sense, Gorbachev is the manifestation of that centralizing tendency in the Soviet political system. My reading of the past record has been that the nationalities prospered, particularly the Muslim national political elite, during the Brezhnev era. During that period the national republics enjoyed the greatest advantages; in many ways the Andropov interregnum and the Gorbachev period represent an attempt to confront that reality and to transform it. Gorbachev's commitment to the unitary state reflects the tendency to centralize.

The role of the non-Russians at the center should also be considered. While their role is minor, it is, nevertheless, one of the variables that must be taken into account when creating a political profile of what is happening in the Soviet Union regarding nationality issues.

The final variable to be considered is the role of the local intelligentsia or the native elites in the national republics. As several scholars have noted, through the years, the Soviet regime has cultivated a local intelligentsia in places where a new nationalism is emerging. The key political action does, in fact, take place within this local intelligentsia. Indeed, when one thinks of traditional and new nationalism and the role of the local intelligentsia, and contrasts the latter to the masses, it is striking that in the Baltic the revival of traditional nationalism has brought with it the juncture of the elite and the masses. Popular fronts have not only emerged but also have found patrons within the local elite, giving the national front a political salience that it lacks elsewhere. This is true in the Baltic states, although it appears to varying degrees among the particular republics. According to specialists of this region, in Estonia there is a very close juncture between the communist elite and the masses; however, it is less applicable to Latvia, where the local communist elite drags its heels; Lithuania appears to be an intermediate case.

The Central Asian republics in the eastern portion of the Soviet Union present a different picture. On the basis of studies and my own experience, I would argue that because no traditional nationalism existed there--unlike in Latvia, Estonia and Lithuania--and because the new nationalism has not found a reference point or active base, at least at the mass level (although it has found reflection among the local elite), a different national context exists in these republics. While the elites of the Baltic and the elites of Central Asia may have equal complaints on cultural grounds, the Baltic elites are better equipped in terms of clout and local power to express their complaints, compared to those in Central Asia. A recent personal experience highlights this difference. In a conversation in Central Asia with one individual who had indicated his dissatisfaction with the so-called cotton slavery, I asked him to explain the fact that there was no response by the people when, beginning in 1983, the center launched an assault against all of his republic's cadre and tarred its elite with the brush of corruption. His response was "We are a modest people, a humble people." I replied that he meant they were a passive people. He smiled and agreed. He added that in the Baltic and in the Caucasus people acted one way; in his republic people attain their political ends in more indirect ways. Thus, examining the different roles of the local intelligentsia is also a necessary element of any analysis of the nationality issue in the Soviet Union.

One other point raised in Ms. Bregante's paper also merits closer attention. The paper documents very clearly Gorbachev's seemingly naive or idyllic view of the nationalities question--that his attempts to implement the desired changes of his *perestroika*

effort could be accomplished without adverse consequences in the nationality realm. Two factors may explain this blind spot. The first is that, unlike all the other Soviet leaders beginning with Stalin, this leadership has had no direct experience with nationality affairs. Stalin was a Georgian. Khrushchev grew up in the Ukraine, Brezhnev worked in Moldavia and then in Kazakhstan, Andropov in the Karelo-Finnish region. Chernenko was at least in Moldavia. Thus they all had some direct experience with the nationality question. In contrast, Gorbachev, although he comes from the Northern Caucasus, has not had any similar experience with nationality issues. This lack of experience could partially explain Gorbachev's attitude.

Another reason for Gorbachev's approach may be that previously there was a certain inclination on the part of secular modern people to see nationality as a remnant of the past. Recall an earlier time in Soviet studies in this country--courses and textbooks contained little or no discussion of the nationality question; it was considered to be an issue mainly of emigre concern. Even the important study, *The Soviet Citizen*, generally subordinated the nationality question to social class and social processes. If Gorbachev is viewed in this light as a technocrat--and certainly he is no *apparatchik* in the traditional sense nor an ideologue--he brings with him this secular, almost Western, spirit that has made him insensitive to the nationality problem.

The last point I would like to raise relates to Ms. Bregante's analysis of the unitary viewpoint held by Gorbachev. This leadership and the way it operates can be thought of on three levels of reality. The first level is the long-range reality, the highest level. I see Gorbachev as a political technocrat, committed to the concept of a unitary state and thus wanting to ignore or transcend the nationality question. In that sense, there is a "supranational" dimension to this leadership, which is particularly reflected in the person of Yakovlev. We can go back to 1973 and consider Yakovlev's own problems with Russian nationalists. The top level of leadership understands that transcending the issues in a larger integration is the only way they will be able to solve the nationality problem. For so long we have viewed the traditional Marxist-Leninist emphasis on the unitary state merely as an ideological drive that we have underestimated the extent to which some sort of supranational solution is the only way they will be able to solve nationality problems. They must find, as every empire has had to find, a larger patriotism, identity, and structures that transcend the conflicting parts. If politics becomes politics of the parts in this tinderbox of nationality problems, an all-union solution will become impossible. The leadership must

find some way to supra-nationalize the issue, in keeping with Gorbachev's general view of economic modernization and power for a unitary, centralized state.

On the next, intermediate level, the idea of differentiation among national regions emerges. Something new is developing at this level--while Moscow has a unitary view of the future, it views current realities not in terms of the need for one nationality solution, but with an eye to recognizing that there are different "points of the compass." Thus, the way Central Asians are dealt with is not the way the Baltic people are dealt with, and Ukrainians--who are the key to everything--are also handled differently. In this sense, the new Soviet leaders are great innovators; there is to be no one general policy, but instead several different policies. For example, Central Asians can be suppressed, as has been the case since 1983, while the prestige of the local Russians there is raised once again. Beginning with Andropov, affirmative action programs have been ignored. Instead, under the guise of "internationalizing" and international cadres, the central leadership is finding ways to put the local natives back in their place. If such actions are successful, the local Russians will then have a reason to stay and not to emigrate, although they are unlikely to return to their previous role of *staryi brat* (big brother). In the Baltic, however, the center seems willing to sacrifice the local Russians. In light of recent Estonian claims, another policy appears to reign in this region, for reasons that bear on other issues such as Moscow's economic reform priorities. In Estonia, the local Russians will have to learn Estonian and they will learn that they are not a privileged people. These general examples do indicate that several different policies are being implemented for different regions.

The final and lowest level encompasses immediate events over which the central leadership has no control, problems that arise unpredictably, as in Nagorno-Karabakh. There, the Armenians' problem is not with the Russians, but their problem with others has raised major difficulties for the Russians. The policy adopted at this level is one of pragmatism and reaction to events rather than controlling them. The question naturally arises as to whether "the means devour the ends," to use Barrington Moore's phrase. In some sense, if numerous problems continue to arise and are met with pragmatic responses, the central leadership will not only flounder in the intermediate realm of trying to control separate problems, but will also find it impossible to obtain the desired goal of a unitary state. *Perestroika*, too, will then be unattainable.

PROSPECTS FOR SOVIET TRADE REFORM

Commentary on Dr. Marie Lavigne's Presentation

Dr. Harald Malmgren

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ABSTRACT

Dr. Harald Malmgren, President of Malmgren, Inc., first addresses several specific issues raised by Dr. Lavigne's analysis of the prospects for Soviet foreign trade reform, including: the Soviet understanding of import and export controls; the problems posed by U.S. unfair trade practices for the Soviets; the issue of incentives for export, which is being explored by a coalition of seven U.S. businesses; and the evolution of a framework for joint ventures. With respect to the last issue, Malmgren identifies several problems for the Soviets in trying to appeal to foreign businesses.

Malmgren then provides his own assessments of the key questions Lavigne poses in the second section of her paper. Decisions on granting the Soviets large-scale credits may be different both between countries and between the government and private sector, he explains. Malmgren believes that the United States will likely alter its position on Soviet admission to GATT. Relations with the EC, admission to the IMF, and the threat to Cocom, are also all addressed.

Malmgren concludes with an overview of Soviet experimentation in trying a bottom-up approach at the local republic level in an attempt to avoid resistance from the large enterprises.

COMMENTARY: PROSPECTS FOR SOVIET TRADE REFORM

As an economist who entered the trade field while serving as the President's Deputy Special Representative for Trade Negotiations, and who began to look at the Soviet dimension in 1972 during the first stage of detente (while serving first as trade adviser to the Senate Finance Committee and later as the Deputy U.S. Trade Representative), I have been somewhat familiar with the Soviet trade issue since before the Trade Act of 1974 and its constraints on trade with the USSR. Subsequently, occasional conversations with people from the USSR Academy of Sciences, particularly those at the Institute for the World Economy and International Relations (IMEMO), have kept me relatively familiar with the issues. I do, however, still qualify myself as an amateur in this field, so my comments should be understood in that context.

Dr. Lavigne has raised some specific issues that I would like to address before turning to more general comments. First, Dr. Lavigne referred to Soviet ideas about controls over imports and exports. Part of the current thinking relates to the talks now being conducted between the USSR and the European Community (EC). The EC is adamant that as they move toward normalization (whatever that might be) of trade relations with the USSR and Comecon countries, certain sectors must receive special treatment. The EC wants to have its sensitive sectors--such as steel and textiles--managed as they are in the West, complete with administrative guidance, direct control on trade and so forth. In essence, the Commission firmly believes that it cannot politically change East-West relations unless it can obtain assurances that sensitive industries within the EC will receive special management. The Soviets are, in part, reacting to this position, arguing that some type of control apparatus must be created. They also seem to believe that the existence of such an apparatus would provide leverage for the USSR, but that is an illusion. The EC Commission is advocating such treatment primarily for its own benefit, for internal reasons.

With respect to unfair trade competition, the U.S. trade laws include fair and unfair trade sections. The Soviets do not understand exactly the distinction, but they do realize that it is the area of unfair trade practices that poses serious problems. They are also aware of the fact that U.S. assertions of unfair trade practices are frequently levelled against Japan

and Korea. Thus, the Soviets reason that they must develop a doctrine for managing unfair trade practices, although they do not fully understand what this term encompasses.

The term "unfair trade" actually began with the AFL/CIO. During the history of the U.S. labor movement, it acquired the meaning: "You have too much; I want part of what you have. The current situation is unfair." Today, the concept has changed somewhat; trade experts now consider it to mean balancing or reciprocity. The concept of unfair trade includes issues such as dumping, subsidization and quantitative protection. Although the Soviets recognize this problem area, they still do not understand it--even with the help of American lawyers. They are only beginning to see that such a problem inherently exists in trade between market and non-market economies.

The issue of incentives for export, or the keeping of some of the export earnings, is initially being explored by a new coalition of seven U.S. companies, including Archer Daniels Midland, Kodak, Chevron and Ford. This coalition is an experiment that is being tried (as was explained to me in Moscow in May 1988) because Gorbachev and the chairman of Archer Daniels Midland (Dwayne Andreas) wanted to do it. No fundamental new doctrine was involved in the decision to try out a pooling of export earnings among a foreign consortium. Rather, it was strictly a decision from the top down. The interest was apparently generated because Archer Daniels Midland, due to its political power in the United States, can do many things. In fact, its influence on U.S. trade policy is often greater than any other American company. Evidently the decision to form the coalition was made, and the details and rationalization for it were to be elaborated later. The cash flow from Chevron over the next few years is initially expected to provide the basis for the seven companies' pooled resources. Exactly how the coalition will work, no one in Moscow really knows. From a purely economic point of view it is certainly not obvious that the companies will actually be able to work together for a prolonged time.

The role of personalities is definitely a factor that must be considered in this experiment. Gorbachev and Andreas apparently began direct talks virtually from the day Gorbachev became party leader. Andreas was the first Western businessman to meet with Gorbachev; moreover, he has a long-standing relationship with the Soviets through the grain trade. It thus seems fair to say that much of the decision to form this coalition was driven by the personalities of the two men. Andreas has been a major proponent of easing constraints on East-West trade and of eliminating export controls for a long time, in fact, since the 1960s. This development is not so much a new phenomena, but rather one element in a continuous process.

As was explained to me in Moscow, ideas for joint ventures were not to be fit into a fixed framework; instead, programmatic ideas would actually help create a new framework. If an idea failed, then an explanation would be found to prove it did not fit into the evolving framework of trade rules and dogma--a very pragmatic approach. This explanation came at the time when foreign ownership in joint ventures was being shifted from 49 to 51 percent, and extending the limits of foreign ownership to even 80 percent was being considered. The interface between what qualifies as a foreign enterprise and the internal economy was to be determined later, depending on the particular venture. The economic reformers advocated a highly pragmatic approach--if a concept could be implemented, it would be rationalized. While the State Commission for International Economic Relations is attempting much reform, a defeatist attitude seems to underly their efforts. There seems to be an awareness that the Soviet Union has little to offer for export, which is related to a growing perception that natural resources do not provide a solid trading basis for the long run. Trading natural resources is believed to be hindered by too much competition, too much production capacity and increasing supplies. This perception is probably correct; resource exports are certainly not a sound basis for building an economy in the 1990s. For the long-term perspective, this assessment applies to virtually all metals and nonferrous metals.

Another contributor to this gloomy picture for the Soviets is the emergence of new man-made materials that are beginning to compete with natural resources, which will further erode prices. Finally, an environmental movement about further resource exploitation is also developing, particularly in the Baltic.

It seems that the present Soviet thought process believes that, first, the Soviet domestic market must be supplied, but to do this, foreign firms must be involved. But these foreigners also want to be able to export. So the problem the Soviets face is determining what can be done for domestic supply while retaining an export element. Exports cannot take precedence over internal supplies. The Soviet are therefore trying to determine what companies can perform these two tasks, and are willing to do so in the specified order. Such a requirement leads to a very difficult issue--both German and Japanese industrialists have told the Soviets that in manufacturing what is needed is industrial automation and computer integration; that people must be eliminated from manufacturing as much as possible. The Cocom issues immediately come into play because of the question of dual-use technology. For example, approximately a year ago, Moscow expected Ford Motor Company to bring European management to develop an

essentially new passenger vehicle in the Soviet Union using modern industrial process technology. Ford would use computer-integrated manufacturing and there would be no welding, no painting and few human fingers on the assembly line. In essence, Moscow hoped that an automated system might be built. Whether Ford will do so has not yet been determined, but the Soviets I have talked to remain optimistic. It is interesting to note that the Soviets wanted Ford, rather than Toyota, to establish the automated system, even though Toyota is probably more advanced than Ford in industrial process technology.

Aside from these specific issues, I would like to comment more generally on Dr. Lavigne's excellent paper. First, the paper not only pulls together a tremendous amount of information but also assesses and evaluates that information very thoroughly. It is particularly useful in that it organizes all of the changes that have recently been implemented in the Soviet trade arena. For my general comments, I will concentrate on the policy questions Dr. Lavigne raises in the second section of her paper.

The first question she raised is whether the Soviets should be granted large-scale credits. This is an issue currently being debated between the United States and Western Europe, but a different approach may be adopted in evaluating this question. For example, two Japanese insurance companies have sent representatives to Moscow in recent months. They discussed lending approximately 8 billion dollars (in dollars or yen) at 30-year terms, below the U.S. bond rate, in order to develop Nakhodka and Vladivostok, if Japanese manufacturers and construction companies were involved. Because Japanese insurance companies have become so large; they are essentially no longer under the influence of the Japanese government, so the latter has very little leverage over the former. The companies' interest in such dealings is evidently linked to their management's personal interest in easing East-West tension. The Soviets are extremely interested in developing Nakhodka as one of its experimental economic zones. Although this adventurism of Japanese insurers for such large-scale loans may be an exception to the rule, it is at least worth mentioning.

The West Europeans, for their part, will certainly work through their banking system in complex ways to avoid facing U.S. official pressures on how credits are generated and handled. This emerging West European approach to loaning money incorporates not only trade considerations but also a political element. In Western Europe, many question whether constraints on East-West trade are still necessary as images of the Cold War fade away; the political attitude there is changing. Yet finance is a nebulous issue; if Mr. Baker attempts to constrain credits much further, the whole system will

probably become fluid, elusive and almost impossible to police. Ingenuity will become the watchword.

Another element that must also be considered in determining whether large-scale credits should be granted to the Soviets is that there are individuals outside the formal governmental system who can gather funds and fashion a variety of experiments. Mr. Andreas has a phenomenal ability to raise capital outside of the usual channels. Billions of dollars may well be invested by the private sector--whether private U.S. investments will occur remains to be seen.

The second question raised by Dr. Lavigne concerns the desirability of Soviet admission into the GATT. A year or two ago the United States did not favor Soviet admission to the GATT, but it is necessary to qualify this position--U.S. government trade officials opposed the idea. Initial comment came from the United States Trade Representative (USTR), while the White House remained silent. The White House referred inquiries to the USTR and avoided commenting, a fact the Soviets noted. So, it should not be assumed that there is a clear U.S. government attitude, or that the current position will not change. This is especially true now that James Baker, the ultimate pragmatist, is at the helm and is hearing the West Europeans argue that having the Soviets somewhere in the back of the room in the GATT, watching and learning may not be such a bad idea. Arguing against allowing the Soviets some kind of status within GATT that involves a learning process will be politically difficult. The U.S. government will probably alter its own views and move to support the USSR's gradual involvement. It is particularly difficult to argue against Soviet inclusion with politicians, regardless of the technical issues or economic logic, a problem compounded by the fact that the trade officials who oppose USSR inclusion are not very high in the governmental hierarchy of the U.S. or of most West European governments.

It is also necessary to recognize that while GATT is important to GATT specialists, the U.S. government as a whole frequently asserts that GATT no longer works. Given this attitude, President Bush and Baker are likely to question why the issue is so important. In the final analysis, a change in the U.S. position is likely. If so, the question will then become how this change can be managed so that GATT is not demolished by the Soviet Union's entry. The Soviets do not seem to understand the behavioral constraints that are involved in the GATT, or the obligations that would be imposed on the Soviet ministries and enterprises. They recognize the benefits but not the obligations, which include severe limitations on internal freedom of action. These obligations are also intricately related with

elements such as the pricing system and dumping issues. Given all of these considerations, the best approach would probably be to assess what the Soviets would have to do differently under the GATT, and then teach them the implications. The process of Soviet involvement will thereby be slowed because they will not wish to meet the requirements of GATT, and a serious internal controversy is certain to emerge. This approach will also eliminate the problem of rejecting the Soviet request, a position that will prove increasingly difficult to support among the Western industrialized nations. The United States will most likely eventually acquiesce, because the issue will no longer be terribly important to the top ranks of U.S. leadership.

In terms of Soviet links with the European Community, the Commission perceives this relationship to be an opportunity to increase the Commission's role with its own member states and an opportunity to attack the export control system that underlies Cocom. In this context, the EC 1992 framework calls for the elimination of all national control on trade, which means that it will be necessary to establish a uniform code of export controls for the EC, while dismantling the present national export controls. Moreover, many Europeans already believe that the United States should accept the fact that the list will eventually shrink to approximately one-third of its current size. The EC is likely to want to open discussions about shortening the list, although with no military advisors, in the next few years.

One evolving issue is the Commission's legal authority versus national interests and national laws. There is a mood in the Commission to increase its authority over the member states, to become involved in various specific issues and to write regulations that would become Community law. This mechanism of bureaucratic control, quite understandably part of a drive to form a cohesive Europe, must be considered. It has a powerful dynamic; everyone is now advocating it, and it has begun to override traditional political considerations. Even the French are supporting this consolidation (probably because they believe they will eventually run it, which is usually the case among French technocrats).

The next question Dr. Lavigne poses is whether the USSR should be admitted to the IMF. If the USSR is allowed to participate, there will certainly be an elongated admission process, but the IMF is better equipped than GATT to assemble a team to advise and interact with a country for several years before actually formalizing an arrangement for participation. Moreover, the IMF has much experience in handling a multiplicity of exchange rates. In my view, the only way the Soviets will be able to overcome their

manufacturing export problems in the near future is to allow a wide variety of exchange rates. During the next few years, most of their manufactured goods will be not acceptable to world markets unless they are sold at extremely cheap prices. The Soviets will adopt exactly this tactic and will seek to avoid (with the help of ingenious American lawyers) dumping or countervailing charges, just as China avoided them earlier in the period of transition from outsider to participant in the GATT and IMF processes.

Will the Soviet foreign trade reform bring threats to Western national security interests? It seems more likely that divisions within the West itself, rather than the Soviet Union, will be the main culprit in breaking up the present security system and Cocom. The question is whether the United States can move ahead of this challenge and thereby guide the transformation of the technology transfer control system regarding dual-use issues. Today's defense technology concentrates on making vehicles lighter, improving the sensing system's accuracy, delivering weapons systems to targets and keeping them secure from countermeasures; so fiber optics, new man-made materials and the processing of such materials are all dual-use technologies from this point of view. In fact, most of these technologies today come from the commercial area and are then applied to defense. The Militarily Critical Technologies List (MCTL) is constantly expanding because the logic behind it is that everything industrial is becoming relevant. And while MCTL grows, the needs of Soviet industry are moving in exactly the opposite direction--it wants access to goods expanded rather than curtailed. The Soviets recognize that they need computer-integrated manufacturing to develop new materials, to process them and to generate world-quality, tradeable goods. A change in Soviet industrialization is undeniably coming, although when and how is not yet known; however the Soviets must develop a new way of thinking to prepare for this change.

The final question raised by Dr. Lavigne is whether the West should help Gorbachev. This is a difficult problem to resolve--whether he can be helped and whether anyone is willing to stand close to him is uncertain.

In conclusion, it should be noted that another line of experimentation in the Soviet Union is currently being played out on a small scale. This experimentation involves the republics, so that change can come from the bottom up, not just from the top down. Because sentiment among many economic reformers in Moscow is that the existing large enterprises will not change, an interest has developed in providing considerable autonomy to the local level. Examples of this include application of the economic zone concept to Nakhodka and Odessa. Odessa is believed to be a logical choice simply because the people

who live there improvise, are excellent traders and are already orchestrating similar arrangements behind Moscow's back anyway. Turning Odessa into a self-managing economic zone would put these efforts in full view of Moscow. This approach has also engendered many arguments in Moscow about whether the Baltic countries should be given any freedom of action, and if so, where. The debate centers on whether an entire republic should be turned into such a zone or only a part of a republic, or whether merely a small industrial park near an airport should constitute the zone. It seems to me that this is a contentious issue between Chebrikov and the economic reformers.

Meanwhile, a considerable amount of authority has been delegated to Estonia already. It is now routine for small arrangements to be made between Estonia's Impex bank, an enterprise in Estonia, and, for example, Finnish or Swedish enterprises. Moscow's bank of foreign trade is only subsequently notified. This state of affairs has already existed for several months. Visas for foreign travel in Estonia have recently been issued to businessmen on the basis of the "Estonian Ministry for Foreign Affairs," without any involvement by Moscow. The Estonians seem to be taking full advantage of these circumstances. For example, a new Estonian Business School has been established and has already obtained approval to move approximately 50 middle managers outside the country to intern in foreign enterprises and only on the basis of Estonian papers. How extensive such activities will be allowed to become is naturally not known; they may be suddenly stopped.

As a consequence, in Estonia there has been a rethinking of the many dramatic proposals and confrontations of last year. Currently a new nomenclature is being developed. For example, the word "independence" was excised recently and substituted with "economic self-management." In brief, terminology is being adjusted so Moscow is not antagonized. The final outcome for these different levels of experimentation is still unclear. In any event, doctrinal issues do not seem to be the principal consideration. Instead, the Soviets seem to be increasingly ready to welcome what works and eliminate what does not.

It seems, however, that the Soviet economic reformers have certain fears about these changes. First, they fear greed. They also fear that foreign joint ventures--such as the coalition of seven large companies--may fail, which could prove embarrassing. There also seems to be a desire to avoid problems with the U.S. government. The Soviets are afraid that if they advance too rapidly with Japanese financial institutions and construction companies, they may risk the ire of the United States and the consequent disruption of such

projects through U.S. diplomatic efforts and pressures. In any event, Moscow seems hopeful that other ventures similar to the activities of McDermott Engineering in Sakhalin-2 will become routine, and that the United States will then eventually announce that its USSR energy policy has changed.

In conclusion, the economic reformers have not yet determined their objectives; above all, they want to be safe and to demonstrate something that works domestically and internationally.

***PERESTROIKA: WHO STANDS TO GAIN,
WHO STANDS TO LOSE?***

Commentary on Dr. Elizabeth Teague's Presentation

Dr. Peter Hauslohner

March 1989

ABSTRACT

The commentary by Dr. Peter Hauslohner, a Professor of Political Science at Yale University, on *perestroika*'s prospects begins by noting the West's greater attention to the role of the Soviet people in *perestroika*'s future.

Hauslohner then addresses three questions raised by Dr. Teague's analysis. First, he asks whether popular unhappiness really threatens *perestroika*. Reversing this question, Hauslohner then posits how important popular support for *perestroika* is. Finally, he identifies what it means to be for or against *perestroika*.

In conclusion, Hauslohner uses the example of trade unions to illustrate the opportunities and risks Gorbachev's *perestroika* has created.

COMMENTARY: *PERESTROIKA*: WHO STANDS TO GAIN, WHO STANDS TO LOSE?

Dr. Teague has provided an excellent, comprehensive and well-crafted survey of Gorbachev's *perestroika* efforts. The paper paints a rather understated, but relatively dire, conclusion about the prospects for *perestroika*.

Within the context of assessing *perestroika*'s future, it should be noted that there has been a remarkable transformation in the way we in the West analyze the Soviet Union. Consideration of the *narod*, or the people, has rather subtly come into play. When have we worried or cared so much about what society thinks or how it behaves? Similarly, when have we attributed so much importance to society's reaction to the politics of the leadership? Certainly little attention was focused on the popular response to the reform efforts of the 1950s and 1960s. Western analyses at that time did not try to explain the success or failure of these reforms on the basis of what the population thought. The supposition that today's *perestroika* will rise or fall depending on what the *narod* thinks may well be correct. More important, this increased attention to the people signals a fairly dramatic change in the West's thinking about the Soviet system.

Two explanations for this shift seem possible. First, the population may have become much more important in Soviet politics than it was before. In this case, previous Western analyses were correct in concentrating exclusively on the bureaucracy and political elite. The other explanation is simply that we now know much more about Soviet society--that the increase in available data accounts for the importance we are now attributing to the *narod*.

I believe both explanations are true--the public is more important politically than it used to be, and we know more about Soviet society. However, the public is probably not as important as some current journalistic accounts imply. We should be careful about accepting uncritically this transformation of the standards and the orientation of our analyses. More thought should be given to the implications of our putting society at the center of Soviet politics and our attributing considerable importance to society in judging the success or failure of systemic reforms.

With this as background, three questions are raised directly or indirectly by Dr. Teague's paper that I would like to address in greater detail. First, does popular unhappiness really threaten *perestroika*? If the population were 100 percent opposed to reform, what would this mean and what could the people do? Most political analysts would agree that knowing what the population thinks is only the beginning of the analysis. We must then ask: What kinds of resources and channels exist for transmitting and magnifying their unhappiness? Assessing the resources and instruments available to the state to manipulate or suppress popular unhappiness is also necessary. Any serious analysis of the resources and instruments at the disposal of society and the state respectively would have to admit that the Soviet Union is still characterized by an extraordinarily powerful state. Soviet society may now be more mobilized, politicized and organized, yet it is still woefully weak in terms of the resources, instruments and institutions it can call upon to express its unhappiness. The state has at its disposal not only the obvious coercive resources but also economic, financial and media resources, all of which are almost completely concentrated in the hands of the central government.

If popular unhappiness affects the success of *perestroika*, it will be because society--the *narod*--has institutions and resources that can be used against the state, and the state no longer has the resources and instruments to protect itself. It seems that Western analysis should begin to focus on the institutions and resources that both sides possess. For example, how important are the new organizations, the so-called *neformal'nye*? Although they appear to be important, do they represent powerful resources that can be used to significantly weaken or undermine the state? How important is terrorism? How much access does the *narod* have to weapons or to financial support? How easy would it be for the state not only to coerce but also to actually isolate, economically and materially, the regions or parts of the population that are disruptive or obstreperous?

For example, I believe that we in the West have, in some ways, made too much of the national front movements in the Caucasus and the Baltic republics. While the level of popular mobilization and self-organization is impressive, we do not seem to be paying sufficient attention to the resources that the central government has available and is able to deploy against the disruptive movements and regions. Examining seriously the respective power of society and the state is important so that the significance of societal resistance or unhappiness in the case of *perestroika* is not exaggerated.

The second question is essentially the reverse of the first--how important is popular support for *perestroika*? While I do not have an answer, we in the West should consider

this question in some detail. Why would *perestroika* not necessarily work if the mass public were opposed? Is it to be supposed that market forces depend on whether or not people like price increases, wage decreases or the increased threat of economic insecurity? To what extent does the behavior of political and economic institutions turn on what people think about those institutions and their outcome? People may not like losing their jobs or paying higher prices, but the real question is--whether people will respond to those institutional channels, inducements and penalties in the way social scientists believe people elsewhere in the world respond to them. In sum, Western analysts should consider whether or not public support matters, and if so, how much it matters. How close is the correspondence between popular support for political or economic reform and its progress and velocity?

The third question to be addressed is--what does it mean to be for or against *perestroika*? Much of the data that Dr. Teague cites come from public opinion polls administered by sociologists in the Soviet Union. One of the questions in those polls has been: Are you for or against *perestroika*? As Dr. Teague explains in her paper, there are many aspects to *perestroika*, such as economic reform, political reform, and civil liberties reform. Thus *perestroika* can mean many different things to different people. In fact, *perestroika* can mean different things to the same person depending on the individual's circumstances at that time.

There is a tendency to reduce *perestroika* to Gorbachev's program. *Perestroika* is assumed to be what Gorbachev wants; *perestroika* is the image of a reconstructed Soviet political economy that Gorbachev and his more vocal supporters are defining. Therefore, when analyzing who is in favor of and who is opposed to *perestroika*, the question becomes who is for or against this image? But Western analysts should not approach the issue in this way. Gorbachev may have a relatively well-defined image of the Soviet future. However, while *perestroika* is a process that he initiated, it is one over which he has increasingly lost control. As more and more groups have become mobilized and have begun to implement the various reforms that have been announced in principle, Gorbachev and the party leadership as a whole have begun to lose the ability to determine the way the process evolves. An example from my own research illustrates this trend.

The trade unions have the reputation for being one of the most stodgy, conservative and dull institutions on the Soviet scene. Certainly, many radicals have long viewed the trade unions as at least a passive source of opposition to reform. Many in the Soviet Union and outside have thought that enterprise democratization and the creation of workers'

councils were explicitly intended to weaken or to circumvent factory unions, which would reduce the possibility of the unions at the factory level undermining reform.

During the last year and a half, however, the unions have adopted some different tactics. The top union leadership has begun to criticize the *nomenklatura* system, arguing explicitly that this is one of the reasons why the unions are so discredited by the people. The unions want more control over their personnel matters, and they want out of the *nomenklatura* system. A debate also developed behind the scenes in the spring of 1988 and became public during the summer, over whether to legalize or to legally regulate strikes. For obvious reasons, the top trade union leadership was initially very cautious about this possibility. On the one hand, for organizations that are so discredited among the rank and file, there is no better vehicle for relegitimizing themselves than being willing and able to take workers out on strike. On the other hand, the possibility of trade unions leading workers out on strike is quite frightening to the political leadership of a socialist state. The legal regulation of strikes is an extremely sensitive issue. But, by late summer 1988, the trade union leadership had begun to signal that it was cautiously in favor of the regulation of strikes.

The point is that Gorbachev has created enormous political space as a result of reform. He has created not only risks to people whose resources or livelihoods might be endangered or undermined by *perestroika* but also created opportunities for aggrandizing resources and authority. The trade unions, after some two years of near stagnation, finally began to get the message, and in the last year and a half have begun with increasing energy to take advantage of the opportunities being offered.

In sum, it might be worthwhile to think increasingly about the creative use of *perestroika*. Institutions that might initially be hostile to reform might well lead *perestroika* and the transformation of the Soviet Union in quite unpredictable but intriguing directions.