

The End of Empire I

Eastern Europe



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Director of
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Intelligence

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**Soviet Policy Toward Eastern
Europe Under Gorbachev**

National Intelligence Estimate

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SOVIET POLICY TOWARD EASTERN
EUROPE UNDER GORBACHEV (~~CNF~~)

Information available as of 26 May 1988 was used in the preparation of this Estimate, which was approved by the National Foreign Intelligence Board on that date.

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KEY JUDGMENTS

General Secretary Gorbachev's policies have increased the potential for instability in Eastern Europe. But they have also expanded the scope for diversity and experimentation, affording new possibilities for evolutionary reform in the region.

Gorbachev has set an ambitious agenda for Eastern Europe. His aims are to secure East European support for the Soviet modernization drive, promote broader Soviet foreign policy objectives through closer Warsaw Pact coordination, and stimulate a deeper process of economic and political regeneration in the region. Aware of the region's diversity, he has set general guidelines for reform rather than detailed plans. But he faces East European realities—severe economic problems, aging leaderships, and mounting social discontent—that conflict with Soviet objectives.

Soviet policy under Gorbachev has sought to balance the competing objectives of encouraging change and promoting stability. Although Gorbachev has avoided a high-risk strategy of forcing change on these fragile political systems, continuing Soviet pressure, as well as the example of the Soviet reform program, has introduced new tensions into the region.

Growing Diversity, Sharper Conflict

For the next three to five years, Eastern Europe's outlook is for growing diversity—in responding to reform pressures, crafting approaches to the West, and managing relations with Moscow:

- Economically, Eastern Europe cannot deliver what Gorbachev wants. As the gap between goals and results grows more acute, Gorbachev is likely to exert stronger pressure on his allies to forge closer economic ties, upgrade performance, and implement domestic economic reforms.
- While the recent leadership change in Hungary probably comes close to Gorbachev's preferences for Eastern Europe, prospective successions elsewhere are not likely to yield the dynamic, innovative leaders Gorbachev needs to achieve his more ambitious goals in the region. Consequently, his pressures for change will continue to be aimed at regimes ill-equipped and, in some cases, unwilling to respond.

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Thus, at best, Gorbachev's approach can achieve only evolutionary progress toward political rejuvenation and improved economic performance in Eastern Europe. Continued, and probably heightened, Soviet pressure will lead to sharper conflicts, both within East European societies and between Moscow and its allies.

Potential Challenges to Soviet Control

Cross-pressures emanating from Moscow, coupled with severe economic and political dilemmas in Eastern Europe, could yield more serious challenges to Soviet interests. Three extreme scenarios are possible:

- *Popular upheaval* in Poland, Romania, or Hungary, involving a broad-based challenge to party supremacy and ultimately to Soviet control.
- *Sweeping reform* in Hungary or Poland, going well beyond Gorbachev's agenda and eventually threatening to erode party control.
- *Conservative backlash*, involving open repudiation of Soviet policies by orthodox leaders in East Germany, Romania, or elsewhere.

Of these, popular upheaval is the most likely contingency. Gorbachev will expect his allies to act decisively to end any political violence or major unrest. Indeed, East European leaders are at least as aware of the need for vigilance as Gorbachev is, and they have at their disposal powerful security forces that have proved effective in containing unrest. Should events spin out of their control and beyond the limits of Soviet tolerance, the ultimate controlling factor on change in Eastern Europe will be Soviet force:

- Gorbachev faces greater constraints than did his predecessors against intervening militarily in Eastern Europe; his foreign policy and arms control agenda, and much of his domestic program as well, would be threatened.
- A Dubcek-like regime would have much greater latitude to pursue reforms now than in 1968, and Soviet intervention to stop it would be more problematic.
- In extremis, however, there is no reason to doubt his willingness to intervene to preserve party rule and decisive Soviet influence in the region.

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Implications for the United States

Gorbachev's sanctioning of diversity and experimentation have expanded the limits of the thinkable in Eastern Europe, presenting new opportunities for US and Western policies:

- Economic dilemmas and high-technology requirements will lend strength to US calls for internal reforms of the kind already legitimized by Moscow.
- Gorbachev's active European policy and the generally more dynamic period of East-West relations will offer new opportunities for the West to engage even the more conservative East European regimes.

At the same time, Gorbachev's policies will complicate the coordination of Western policies toward European security. Differing Western approaches will make it harder for Western governments to reach a political consensus on dealing with Moscow and its allies, and harder for NATO to maintain a security consensus.

Gorbachev's policies also call into question some of the assumptions upon which the US policy of differentiation is based, in that the twin US goals of diversity and liberalization increasingly collide. Those regimes most at odds with Gorbachev's approach also tend to be the most orthodox and repressive, and the reform-minded Hungarians and Poles are now closely attuned to the Soviet line. In practice, however, our ability to influence the grand alternatives—reform or retrenchment, crisis or stability—will remain limited; we can at best encourage evolutionary movement toward internal liberalization and greater independence from Soviet tutelage.

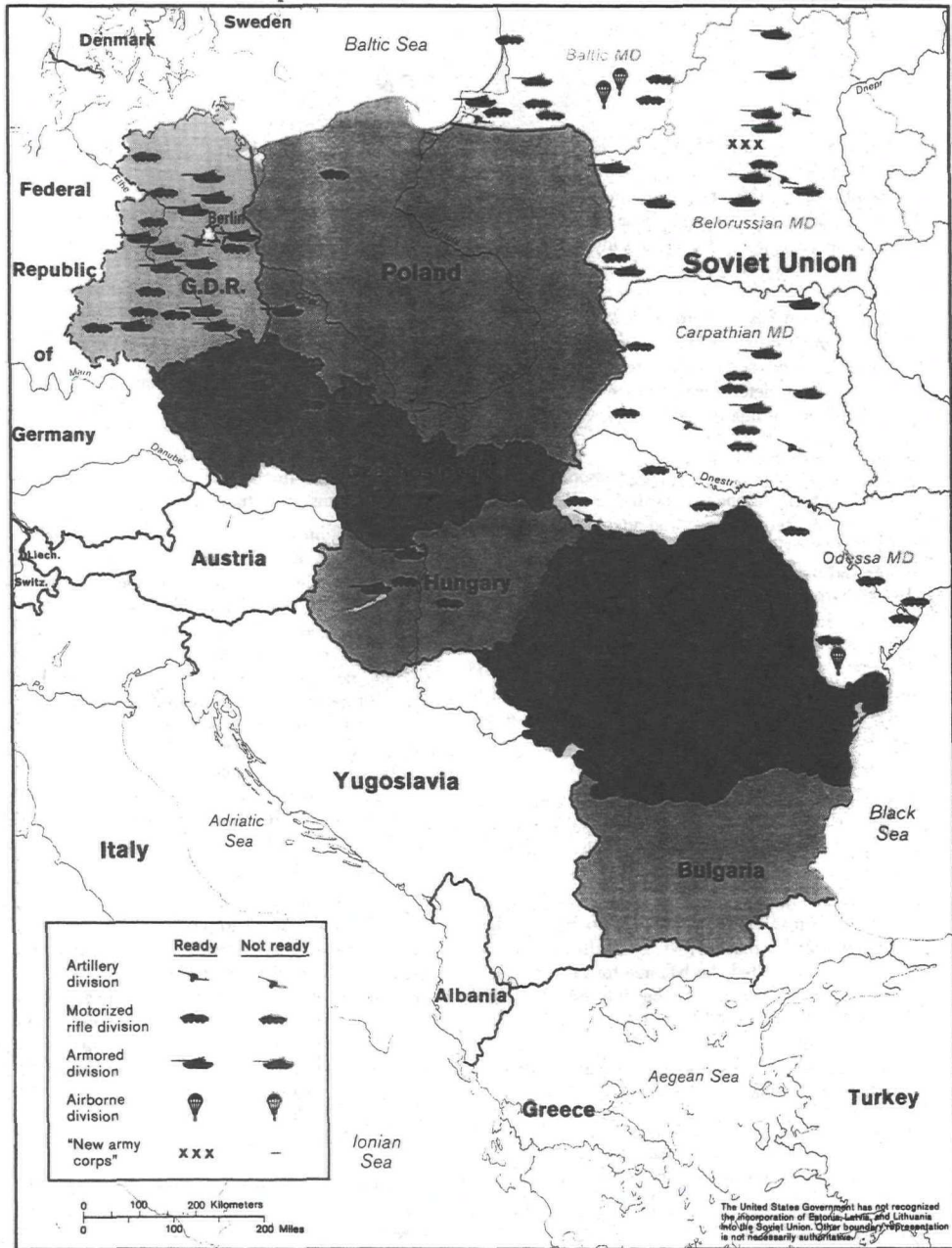
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Figure 1
Soviet Forces in Eastern Europe



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DISCUSSION

1. Not since the early Khrushchev years have policy changes in the USSR had so profound an impact on Eastern Europe as those now being pushed by General Secretary Mikhail Gorbachev. These new winds blowing from Moscow, as well as serious internal economic and political dilemmas, have ushered in an era of considerable uncertainty—and potentially of significant change—in Eastern Europe. With the impending passing of an entire generation of leaders in the region, Soviet policy over the next three to five years is likely to be decisive in determining the scope and direction of change and, ultimately, the stability of the Soviet empire.¹ ~~(S-NT)~~

2. For Gorbachev as for his predecessors, the importance of Eastern Europe can hardly be exaggerated: it serves as a buffer, military and ideological, between the USSR and the West, a base for projecting Soviet power and influence throughout Europe, a conduit of Western trade and technology, and a key external pillar of the Soviet system itself. The Soviet Union continues to exercise decisive influence over the region through a complex web of political, economic, and military and security ties, and there is no reason to doubt ultimate Soviet willingness to employ armed force to maintain party rule and preserve the Soviet position in the region. ~~(S-NT)~~

3. At the same time, however, Eastern Europe is a region of chronic instability, recurrent crisis, and growing diversity; the tasks of Soviet alliance management have grown progressively greater. Successive Soviet leaders have sought both cohesion and viability in Eastern Europe; they have failed to achieve them simultaneously. Gorbachev, while mindful of the need for stability, has tilted the balance toward an agenda of change and reform in the interest of regime viability. Some veteran East European officials liken the current situation to Khrushchev's de-Stalinization campaign and the subsequent upheavals in Hungary and Poland in 1956; they fear that the Soviet reform

¹ This Estimate examines relations between the Soviet Union and its six Warsaw Pact allies—East Germany, Poland, Czechoslovakia, Hungary, Romania, and Bulgaria—over the next three to five years. It focuses on the impact and implications of Soviet policies in the region as a whole rather than offering detailed assessments of individual countries. ~~(S-NT)~~

drive will unleash potentially uncontrollable pressures for change in Eastern Europe. ~~(S-NT)~~

Eastern Europe in the Mid-1980s

4. The new Soviet leadership under Gorbachev inherited an Eastern Europe whose seeming quiescence was belied by serious problems just beneath the surface. To be sure, the challenge posed by Solidarity in Poland had been successfully contained with the imposition of martial law in December 1981, and the Jaruzelski regime had made some progress toward restoring party control and neutralizing its domestic opposition. Yet, throughout Eastern Europe, severe economic problems, rising social discontent, and political stagnation among the aging party leaderships created an unstable situation. ~~(S-NT)~~

5. *Economies in Decline.* When Gorbachev assumed power in 1985, Eastern Europe had endured nearly a decade of economic decline and stagnation. Most obviously, the region-wide financial crisis of the early 1980s contributed to the end of an era of East-West economic detente: trade with the West declined sharply, new credits were scarce, and several of the East European regimes were compelled to enter into extensive refinancing negotiations with Western creditors. Trade relations with the USSR fared little better, as Soviet oil prices reached a new peak in 1982-83, belatedly reflecting the full brunt of the 1978-79 increases in the world market (as the five-year averaging mechanism for Soviet oil deliveries caught up with prevailing world rates). ~~(S-NT)~~

6. These reversals took a heavy toll on standards of living, as the East Europeans struggled with large foreign debts and deteriorating economic performance. In Romania and Poland, shortages of energy and basic foodstuffs raised the prospect of economically induced political instability; elsewhere, problems were less disastrous but still acute. Failure to deliver the promised improvements in living standards—the linchpin of regime strategies in the 1970s—further undermined political legitimacy and deepened societal alienation. Reduced investments and growing lags in the scientific-technological revolution had also weakened East European competitiveness on world markets, further mortgaging the region's economic future. ~~(S-NT)~~

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7. **Aging Leaderships.** Adding to Eastern Europe's decline was the stagnation and immobility of its aging party leaderships. By 1987, the average age of the six top party leaders was well over 70, their average tenure in office more than two decades. Only Poland's General Jaruzelski, a relative youngster at 64, and East German party leader Erich Honecker, still spry at 75, seemed capable of energetic leadership; most of the others were in poor health, presiding over leaderships bereft of new ideas. These were hardly the men to grapple with the difficult policy issues of the 1980s.

8. Political malaise in Eastern Europe had been accentuated by a long period of enfeeblement in Moscow, stretching from the latter years of the Brezhnev era through the interregna of Yuri Andropov and Konstantin Chernenko. Three Soviet successions in the space of as many years, coupled with mixed policy signals, heightened uncertainties and complicated succession dilemmas in Eastern Europe. The absence of clear and decisive Soviet leadership also contributed to a period of drift in Eastern Europe, as each regime began to ad-lib its own approaches, even on some sensitive foreign policy issues.

9. **Challenges to Soviet Authority.** Ideological erosion in Eastern Europe—accelerated by the crushing of Solidarity in Poland—gave rise to new independent social groups and, above all, to a resurgence of national consciousness throughout the region. In some cases, the regimes responded by attempting to co-opt nationalist sentiments, as in the Honecker regime's appropriation of Martin Luther, Frederick the Great, and others as precursors of the East German state. In others, official policy played on exclusivist, chauvinistic nationalism: the Bulgarian regime mounted a brutal assimilation campaign against its Turkish minority, and Romania's President Ceausescu increased repression against the Hungarian minority in Transylvania.

10. More worrisome from Moscow's perspective were new signs of national self-assertiveness among its allies, particularly in the aftermath of INF (intermediate-range nuclear force) deployments in Western Europe in late 1983 and 1984. East European concern about the Soviet walkout from the Geneva disarmament talks in late 1983 betrayed deeper anxieties over the erosion of European detente. During the fall of 1984, there was an unprecedented, semipublic display of Warsaw Pact disunity—the Soviet and Czechoslovak regimes called for a tougher line and closed ranks, while the East Germans, Hungarians, and Romanians pressed for improved East-West relations and stressed

the special role of small states in promoting detente.

11. For most of the East European regimes, the preservation of European detente was no longer just desirable; it had become an essential ingredient of their economic and political strategies. It also corresponded to rising pressures from below for national self-expression and self-assertion and for affirming the "Europeanness" of the East European states. Unlike the upheavals of 1956, 1968, and 1980-81, these trends did not directly threaten Soviet primacy in the region but were aimed at achieving greater scope for diversity in the interest of economic and political stability. Together with mounting internal problems, they added up to considerable disarray in Moscow's East European empire.

Gorbachev's Policies Toward Eastern Europe

12. In Eastern Europe as elsewhere, Gorbachev's initial approaches were extensions of his broader domestic and arms control agenda:

— Domestically, Gorbachev was seeking to revitalize Soviet power and prestige through economic "restructuring" (*perestroika*) and a carefully regulated campaign of "openness" (*glasnost*), designed to strengthen a lagging economy, overcome bureaucratic resistance, and breathe new life into society at large.

— Externally, Gorbachev needed a respite from East-West tension and the debilitating arms race with the United States. He also sought to replace the rigid, ideological world view of his predecessors with a more sophisticated pursuit of Soviet regional interests, particularly in Western Europe and East Asia.

13. As for Eastern Europe, Gorbachev probably did not have a fully developed conception of its problems and, as at home, lacked a clear and detailed plan of action. Improved economic performance was a high priority—to transform Eastern Europe from a drain on Soviet resources to an asset in the Soviet modernization drive and to promote economic and political viability. Gorbachev viewed with obvious disdain the hidebound leaderships in Prague, Sofia, and Bucharest, which reflected the corruption, inefficiency, and dogmatism of Brezhnev's latter years. Given his ambitious foreign policy program, he also required renewed discipline and greater coordination among the East Europeans:

— In pursuit of these objectives, Gorbachev needed to press change on the East Europeans, particularly in economic policy. But he also needed

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stability in the region, so as not to jeopardize his more urgent priorities at home.

— Although Gorbachev was not inclined to embark on a high-risk strategy, he also saw dangers in continued stagnation and hence was more ready than any Soviet leader since Khrushchev to encourage diversity and experimentation as the keys to long-term viability in the region.

— And, of course, Soviet approaches to Eastern Europe were not Gorbachev's alone. As on domestic policy, Gorbachev also had to take into account the views of other key Soviet officials. (See annex.) (S-~~REF~~)

14. *Foreign and Security Policy Coordination.* Gorbachev's first task was to reassert firm leadership over Warsaw Pact foreign policy and improve coordination to support his far-reaching arms control agenda. This he achieved through a series of Warsaw Pact summits—six in his first two years—and the adoption of something approaching a conciliar system, whereby the East Europeans were briefed before and after major Soviet foreign policy initiatives. More important, the Soviet shift from confrontation to dialogue on arms control issues helped allay East European concerns of being caught in the middle of rising tensions, facilitating a natural convergence of Soviet and East European approaches on East-West issues. (S-~~REF~~)

15. Gorbachev's ambitious foreign agenda also entailed a much greater role for the East Europeans. Jaruzelski and Honecker paid early visits to China aimed at restoring normal interstate and interparty ties, and several East European governments began exploring the prospects for normalizing relations with Israel. Some—notably the Poles and East Germans—floated new arms control and other security proposals. And Honecker's visit to Bonn exemplified a more active Western policy by the GDR. (S-~~REF~~)

16. In light of growing East European diplomatic activity, it should not be surprising that Gorbachev laid great stress on coordination and discipline in Warsaw Pact councils. The renewal of the Pact itself was instructive. With its initial term due to expire in May 1985, the Romanians and others hinted that they favored certain changes to the text—a watering down of mutual defense obligations and more precise provisions for the Pact's eventual dissolution—and that they wanted only a 10-year extension. In the event, the Pact was renewed without a single change; and Gorbachev, then only two months on the job, had achieved an

Multilateral Summit Meetings of Soviet and
East European Party Leaders, 1985-87

Date	Location	Event	Agenda
March 1985	Moscow	Chernenko funeral	
May 1985	Warsaw	Warsaw Pact 30th anniversary	Renewal of Warsaw Pact
October 1985	Sofia	Warsaw Pact Political Consultative Committee (PCC) meeting	Pre-Geneva arms control proposals
November 1985	Prague	Ad hoc	Informal debriefing on US-Soviet summit at Geneva
June 1986	Budapest	PCC	"Budapest appeal" for conventional and tactical nuclear force reductions
November 1986	Moscow	Ad hoc meeting of CEMA (Council for Economic Mutual Assistance) party leaders	"CEMA 2000" program for scientific-technological cooperation
May 1987	East Berlin	PCC	Conventional force reductions; military doctrine; "new international economic order"
December 1987	East Berlin	Ad hoc	Debriefing on US-Soviet summit in Washington

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impressive show of unity. (Gorbachev reportedly hammered out this agreement at the time of Chernenko's funeral—literally his first day in office—but only at the price of offering new Soviet energy deliveries in return for Ceausescu's agreement.) Gorbachev also has moved to expand the infrastructure of the Warsaw Pact. In May 1987, two new Pact bodies were created to facilitate ongoing coordination of Soviet and East

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European arms control positions and supervision of East European foreign visits and contacts.² ~~(S/NF)~~

17. At the same time, however, Gorbachev has used the Bloc's consultative bodies for substantive policy discussions rather than ritualistic endorsement of pre-cooked resolutions. Soviet influence remains paramount, but Gorbachev's new stress on consultation and consensus-building reflects his understanding that the East Europeans have extensive and useful foreign ties of their own and that an effective Soviet approach to the West must take these realities into account. Once a common position is reached, Gorbachev has insisted on closed ranks and alliance discipline, and even the loyal Bulgarians have been called to task for failing to endorse Soviet arms control initiatives with sufficient enthusiasm. Gorbachev also instructed the Poles to redraft the "Jaruzelski Plan" for arms reductions in Central Europe, and he played a key role in controlling the pace and timing of inter-German relations. ~~(S/NF)~~

18. *Economic Pressures.* The second major item on Gorbachev's agenda was to link the East European economies to the Soviet modernization drive. Both bilaterally and through CEMA (the Council for Economic Mutual Assistance), Gorbachev moved to redress the trade deficits the East Europeans ran up in the 1970s, maintaining a freeze on Soviet oil deliveries at their early 1980s level and demanding increased imports of higher quality East European goods, particularly consumer items and high-technology machinery and equipment. The heavily indebted Poles, Romanians, and Hungarians were enjoined to reduce their economic dependence on the West; the Bulgarian and Czechoslovak regimes were exhorted to revive their stagnant economies and upgrade performance. And all were pressed to join the Soviet-led "Comprehensive Program" for scientific-technical cooperation through the year 2000—"CEMA 2000," for short—through joint ventures and coordinated production in key high-technology areas:

— To enforce these strictures, Gorbachev created new quality-control inspections and delivered blunt messages to several East European leaders.

— Gorbachev lobbied personally for the swift implementation of the CEMA 2000 program in late 1985 and, in doing so, moved CEMA toward a new agenda.

² These are the Multilateral Group for Current Information Exchange and the Special Commission on Disarmament Questions. ~~(S/NF)~~

— He also pushed through new bilateral agreements on scientific-technological cooperation and secured new legislation in the East European countries to facilitate coproduction and joint ventures. ~~(S/NF)~~

19. The actual conduct of Soviet-East European economic relations in Gorbachev's first two years revealed less change than the early rhetoric seemed to promise. Indeed, the East European trade deficit with Moscow rose sharply in 1986 to 2.6 billion rubles—the largest annual trade gap since 1981. Although trade for 1987 was nearly balanced, the favorable trends were due chiefly to a decline in the value of Soviet oil rather than increased East European deliveries. In export performance, as well as domestic "restructuring," the veteran East European leaders temporized with the familiar foot-dragging that has frustrated Soviet leaders from Khrushchev on. ~~(S/NF)~~

20. The East Europeans were particularly wary of being drawn into Soviet-sponsored (and Soviet-dominated) joint ventures in high-technology areas, and resistance was evident in the elaboration of the CEMA 2000 program. Owing to its industrial power and unique access to Western technology via "inner-German" trade, the GDR was the key East European participant; but the East Germans, like the Hungarians and Romanians, were reluctant to jeopardize their own carefully cultivated trade relations with the West in support of Gorbachev's domestic agenda. Soviet-East European differences were evident at the hastily convened November 1986 Moscow summit on CEMA integration, which yielded only minimal consensus on the next stage of scientific-technological cooperation. Even Soviet planners now concede CEMA 2000 goals are too optimistic. ~~(S/NF)~~

21. *Succession Dilemmas.* These frustrations pointed to Gorbachev's more basic dilemma: how to impart some of his own dynamism to Eastern Europe without a wholesale shakeup of the ossified party leaderships in Prague, Sofia, and elsewhere. Gorbachev evidently recognized, however, that any direct attempt to instigate an East European succession would entail great risks. Consequently, Soviet efforts have been largely indirect, aimed at shaking up the ruling establishments by projecting reformist ideas and the example of Moscow's own domestic innovations. These efforts also aimed at shifting the internal party debates in those countries toward the preferred Gorbachev agenda, and in so doing altering the context and accelerating the pace of presuccession maneuvering. ~~(S/NF)~~

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22. Such pressure was evident in May 1987, when Soviet Foreign Minister Shevardnadze visited Budapest to convey Gorbachev's dissatisfaction with the Hungarian leadership's procrastination on further economic reform. A month later, Karoly Grosz, reputed to be an able and energetic administrator, was named Hungarian Prime Minister. And in July, after a quick visit to Moscow by Grosz, the Hungarian leadership unveiled a long-discussed, long-postponed set of economic reform (and austerity) measures. A year later, the succession process took a much more decisive turn:

- At a special party conference in May 1988, Grosz was named party General Secretary, forcing out Janos Kadar, who had served in the top party post since 1956.
- Most of Kadar's proteges were also dramatically removed from the top leadership, replaced by a strongly reformist group of younger officials.

Although the initiative for these decisions was probably Hungarian, Soviet pressure clearly forced the pace and direction of change. (S, NF)

23. Even without direct Soviet calls for change in Eastern Europe, the demonstration effect of Gorbachev's domestic departures was unsettling. The very existence of a reform-minded Soviet leader, coupled with his critique of Brezhnev-era mismanagement, served to undermine the authority and cohesion of the more orthodox East European regimes. And the new legitimacy accorded to economic "restructuring" and political "openness" threatened to unleash widespread public expectations for rapid change. Nowhere were these trends more evident than in Czechoslovakia, where the seeming vindication of reformist and even dissident ideas sent shock waves through the divided party leadership. These pressures, combined with the declining health of party leader Gustav Husak, led to his abrupt resignation in December 1987. (See inset, page 10.) (S, NF)

24. The Czechoslovak succession confirmed Gorbachev's determination to promote change without threatening stability. Through strong, if largely indirect, pressure on the divided Prague leadership, Gorbachev helped secure the removal of Husak, the personification of Brezhnev-era conservatism—only to accept a safe, almost Chernenko-like successor in Milos Jakes. Indeed, Soviet pressure for change probably could not have succeeded had Gorbachev attempted to push a reformist successor on a still-conservative Czechoslovak leadership. Jakes, then, was probably a compromise choice for Moscow as well as Prague; the

The Hungarian Succession

Karoly Grosz



Age 57... General Secretary of the Hungarian Socialist Workers' Party (HSWP) since 22 May 1988; Premier since June 1987; Politburo member since 1985... May party conference gave a mandate to institute both economic and political changes... commitment to economic reform untested, accomplishments as Premier limited... respected by business leaders as dynamic, vigorous executive willing to make tough decisions... Budapest party secretary, 1984-87.

Janos Kadar



Age 76... HSWP President since 22 May 1988; removed as party leader, Politburo member at that time... after 1956 revolution, forged social consensus based on consumerism and relaxed relations between party and people... ability to convince Soviets of Hungarian loyalty and stability contributed to long reign... recently seen as impediment to economic and political progress because of unwillingness to expand reforms of 1970s, also declining energy level, progressive health problems.

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The Czechoslovak Succession

Gustav Husak's December 1987 resignation as Czechoslovak party leader (while retaining the largely honorific state presidency) came in the wake of a long Soviet campaign to push the Gorbachev agenda in Prague; the resulting pressures undoubtedly encouraged the Czechoslovak leadership to move against Husak. His successor, Milos Jakes, brought to the party leadership a mixed bag of credentials:

- Jakes carried the baggage of post-1968 "normalization," having been among the anti-Dubcek conspirators and having directed the 1969-70 purge of party members associated with the Prague Spring.
- He had served since 1981 as party secretary for economic affairs and recently seemed to have sided with pragmatic elements in the party favoring cautious economic reform—stressing, however, that economic change must take place under strict party control. (S NF)

Though hardly a green light for reform, Jakes's elevation will help move the regime toward long overdue economic change and political rejuvenation, already hinted at by the April 1988 changes to the Central Committee secretariat. And Jakes, a firm Moscow loyalist, will be more receptive to Soviet calls for improved economic performance, closer cooperation in Soviet-sponsored joint ventures in high-technology areas, and domestic "restructuring." He is also likely to oversee further changes in the party leadership, still dominated by holdovers from the 1969-70 "normalization" period and now thrown into ethnic imbalance by the overrepresentation of Czechs in top regime positions. (S NF)

These changes are not likely to spark social upheaval, nor will they lead to significant liberalizing reform in Czechoslovakia. But they may herald a long-awaited change in economic policy and encourage opposition groups to become more active, if only to test the limits of tolerance under the Jakes regime. (S NF)



Milos Jakes (u)

Age 66... party leader since 17 December 1987... party Central Committee secretary, 1977-87, responsible for agriculture until 1981, for economy until April 1988... Presidium member since 1981... attended CPSU Higher Party School in Moscow (1955-58), presumably speaks fluent Russian... Czech. (C NF)



Gustav Husak (u)

Age 75... President since 1975... party leader, 1969-87... resigned as party chief but remains a member of policymaking Presidium... has had cataract surgery, suffers continuing vision problems, declining general health... reportedly drinks excessively... Slovak. (C NF)

Czechoslovak succession underscored the limits of the achievable in Soviet policy in dealing with the more conservative regimes in Eastern Europe. (S NF)

25. The gap between Gorbachev's ultimate objectives, as outlined in numerous speeches and documents, and the actual policies he has pursued reflects the fundamental contradiction between his desire for change and the imperatives of party control in Eastern Europe:

- Gorbachev has set an ambitious agenda for Eastern Europe that addresses many of the region's problems, but it is neither broad nor deep enough to remedy underlying systemic weaknesses.

- He has expanded the scope of permissible experimentation for reformist regimes, such as Hungary, and has succeeded in pushing some of the more conservative East European regimes toward long overdue, though still timid, reforms.

- In the process, he has accentuated divisions within the East European leaderships and awakened a combination of popular hopes and anxieties about impending change. These trends, coupled with severe economic problems, have heightened uncertainties in the region and increased the potential for crisis. (S NF)

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Outlook: Growing Diversity, Sharper Conflict

26. Soviet policy toward Eastern Europe is likely to continue along the lines already established under Gorbachev. Its key elements will be:

- Within the framework of firm party control, *sanctioning of diversity and experimentation* as the keys to economic and political viability.
- Continued *pressure for reform* without dictating specific measures or demanding slavish emulation of Soviet practices.
- Insistence on *foreign policy coordination*, whereby the East Europeans are afforded greater room for tactical maneuver but are expected to hew closely to the broad lines set in Moscow.
- Mounting pressure for *improved East European economic performance* and increased cooperation in high-technology areas.
- Longer term efforts toward *strengthened institutional ties*, coupled with alliance management techniques that facilitate Soviet control and influence through a more participatory system of give-and-take. ~~(S/NF)~~

27. These broad contours of Soviet policy will remain in place so long as Gorbachev's domestic position is secure and Eastern Europe remains quiescent. A major change in Moscow would obviously alter the equation:

- *Gorbachev's ouster* would curtail the Soviet reform drive and heighten uncertainties in Eastern Europe as the new regime sorted itself out. His removal on political grounds would send another new signal to the divided East European regimes—this time a sharply antireformist one—and undercut Soviet authority, at least temporarily.
- *Retrenchment in Moscow* (with Gorbachev still in office) would strengthen the existing orthodox leaders in Eastern Europe without fully arresting the pressures for change. Perceived lack of unity in the Kremlin would further polarize Eastern Europe, with conservatives seeking to restore the status quo ante and reformists continuing to push for change.
- *More daring Soviet reforms*—a result, perhaps, of Gorbachev's need to overcome bureaucratic resistance through radical policy and personnel

changes—would further destabilize Eastern Europe and strain relations with Moscow. Rising pressures within the East European regimes might prompt some of them to implement sweeping reforms or force out existing leaders.

~~(S/NF)~~
28. Gorbachev has played a skillful political game so far, pulling back when necessary while gathering support for the next push forward. Although the chances of a domestic showdown have increased, Gorbachev seems to have the upper hand and appears inclined to push his reform agenda further and more forcefully. ~~(S/NF)~~

29. *Growing Diversity*. For the next three to five years, the outlook in Eastern Europe is for growing diversity—in responding to reform pressures, crafting approaches to the West, and managing relations with Moscow. Diverse East European arms control proposals and economic approaches to the West will facilitate some Soviet objectives, but they will also complicate the tasks of alliance management and run counter to the joint action needed for scientific-technological cooperation. In Gorbachev's broader view, moreover, diversity is no end in itself but rather a vehicle for economic and political regeneration. These goals are nowhere in sight in Eastern Europe. Except perhaps in Hungary, they are not likely even to be seriously pursued. ~~(S/NF)~~

30. *Glasnost and perestroika* will continue to yield mixed results. Barring leadership changes, Romania and East Germany will continue to resist reform pressures; Bulgaria will continue to experiment at the margins but will proceed only haltingly toward real "restructuring." The new Czechoslovak leadership under Jakes will push more forcefully for economic change, but serious movement toward economic and political reform remains a distant prospect. Hungary and Poland could be more interesting:

- The appointment of Karoly Grosz—a tough, self-confident risk taker in the Gorbachev mold—as General Secretary of the Hungarian party and the promotion into the leadership of outspoken reform advocates marks an important turning point. The new leadership is likely to be much more aggressive in pressing economic and political reforms, but it faces severe problems—including workers unhappy with austerity, intellectuals demanding more freedom, and an economy that is stagnating and burdened with a heavy foreign debt. Failure to develop a more radical

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and effective reform program would further contribute to a rise in tensions.

— Evidently with Soviet blessings, General Jaruzelski has already consolidated a rather unorthodox pattern of party-military rule, moved toward granting the Catholic Church new legal status, and proposed economic reforms that, on paper at least, go well beyond Moscow's. The disastrous economic situation and social discontent—as shown by the recent wave of strikes—make successful realization of the reforms unlikely, but the urgency of domestic problems may also push the regime toward the social dialogue it has rejected up to now. (S-NF)

31. In foreign policy, the East European regimes have reason to be satisfied with Gorbachev's skillful engagement of the West and their own increased room for maneuver. So long as Moscow maintains a conciliatory approach to the West, Soviet and East European policies will remain generally congruent. At the same time, Gorbachev's encouragement of a more active role for the East Europeans will increase the chances for open conflicts of interest at CSCE (Conference on Security and Cooperation in Europe) talks and in other Pan-European forums. There will also be increased risk of further embarrassments to Moscow arising from Hungarian-Romanian polemics or public airing of East European human rights violations. Hence, foreign policy coordination will require more skillful management, and Gorbachev will need to prod the Czechoslovak and Bulgarian regimes toward more active diplomacy while restraining the occasional independent-mindedness of the Romanians, Hungarians, Poles, and East Germans. (S-NF)

32. At the same time, East European realities will limit the parameters of possible Soviet initiatives. Not only must Gorbachev weigh the consequences of Soviet policies on political stability in Eastern Europe, but he must also take into account the perceptions and likely reactions of East European leaders. Their views are not likely to deter him from policies he considers vital to Soviet interests; but, on matters as potentially destabilizing as inter-German relations, his options are limited. Indeed, Gorbachev's campaign for a common "European house" of growing intra-European cooperation implies a degree of national autonomy in Eastern Europe far beyond what he or any other Soviet leader would countenance. Moscow will find it increasingly difficult to promote this line in the West without introducing new divisions into Eastern Europe as well. (The Berlin Wall will stay, whatever tactical advantages Gorbachev might see in its removal.) (S-NF)

Table 1
Eastern Europe: Projected
Debt Figures, 1987-90^a

Million US \$

	1987	1988	1989	1990
Bulgaria				
Gross debt ^b	4,954	5,121	5,375	5,730
Net debt ^b	3,531	3,598	3,745	3,986
Debt service ratio ^c (percent)	36.7	36.4	37.1	38.4
Czechoslovakia				
Gross debt	4,714	4,940	5,150	5,335
Net debt	3,497	3,723	3,933	4,118
Debt service ratio (percent)	15.3	15.8	16.4	16.7
East Germany				
Gross debt	16,775	16,573	16,447	16,423
Net debt	8,862	8,660	8,534	8,510
Debt service ratio (percent)	41.0	38.7	36.1	33.8
Hungary				
Gross debt	15,314	16,684	18,084	19,502
Net debt	13,414	14,784	16,184	17,602
Debt service ratio (percent)	54.1	53.4	54.9	57.1
Poland				
Gross debt	34,570	35,937	37,417	38,908
Net debt	32,850	34,117	35,497	36,888
Debt service ratio (percent)	73.9	74.0	64.2	74.5
Romania				
Gross debt	4,214	3,324	2,679	2,053
Net debt	3,632	2,490	1,593	967
Debt service ratio (percent)	34.5	21.5	16.3	14.5

^a Last updated: 14 January 1988.

^b Reserve figures used in calculating net debt exclude gold reserves.

^c The debt service ratio is calculated using the following formula: Interest payments + medium- and long-term principal repayments/total exports + invisible receipts. The debt service ratio for Poland is calculated using the amount of interest owed, not the amount paid.

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Table 2 Percent
Eastern Europe's Economic Outlook: Average Annual Growth by Five-Year Plan Period^a

	1971-75	1976-80	1981-85	1986-90 ^b
Bulgaria				
Total GNP	4.7	1.0	0.8	1.0
Gross fixed investment	6.4	-9.1	-1.1	2.5
Personal consumption	3.9	1.6	2.1	1.0
Czechoslovakia				
Total GNP	3.4	2.2	1.1	1.0
Gross fixed investment	6.5	-0.3	-1.2	1.0
Personal consumption	2.7	1.5	1.1	1.0
East Germany				
Total GNP	3.5	2.3	1.7	2.0
Gross fixed investment	1.5	1.7	-10.0	2.0
Personal consumption	3.8	2.0	1.2	1.5
Hungary				
Total GNP	3.3	2.0	0.7	1.0
Gross fixed investment	2.3	0.3	-5.2	1.0
Personal consumption	3.2	2.2	0.4	0.5
Poland				
Total GNP	6.5	0.7	0.6	2.0
Gross fixed investment	14.4	-2.9	-4.9	1.5
Personal consumption	5.6	2.4	-0.2	1.5
Romania				
Total GNP	6.7	3.9	1.8	2.0
Gross fixed investment	10.4	6.9	-2.2	2.0
Personal consumption	5.1	4.7	0.2	1.0

^a Last updated: 12 January 1988.

^b Projections for 1986-90 were based on analysis of current trends, results of econometric models, and consultations with country experts.

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33. **Strained Economic Relations.** Eastern Europe cannot deliver what Gorbachev wants: significant improvements in trade performance, particularly in high-technology areas. Poland and Hungary will remain saddled with enormous debts for the foreseeable future, with East Germany and Bulgaria also facing debt problems. The Romanian economy, drained to repay Western creditors, will remain devastated for years to come, and Czechoslovakia's industrial and technological base has been rendered obsolete by years of neglect. Throughout the region, projected growth rates and shares devoted to investment will remain suppressed, leaving the East European economies with only limited capacity to assist in the Soviet modernization drive. Nor are the East Europeans likely to

jeopardize economic relations with the West or risk further reductions in domestic living standards for the sake of Gorbachev's economic agenda. (S NF)

34. So far, Gorbachev's economic pressures—like those of Soviet leaders before him—have yielded few tangible results aside from improved deliveries in some areas like machine tools. Foreign trade plans for 1986-90 are inconsistent with Gorbachev's main goals, calling for an average annual growth of only 5 percent in Soviet-East European trade—the slowest growth in planned trade in the last 15 years. Similarly, most of the CEMA 2000 technical goals appear unattainable—only a handful of joint ventures have been created, and the push for “direct links” between enterprises remains hamstrung by economic and bureaucratic

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impediments that have frustrated Soviet planners from the beginning. Moreover, Soviet-East European terms of trade have begun to shift against Moscow, as the five-year averaging mechanism for Soviet oil prices has caught up with declining prices on the world market. If world oil prices hold roughly steady for the next few years—or even if they increase somewhat—the East European ruble debt will begin to disappear, further weakening Moscow's economic bargaining power. ~~(S/NF)~~

35. Gorbachev will face a growing gap between his economic goals and results over the next three to five years, at the very time that his domestic modernization plans call for a significant increase in East European inputs and tangible progress in the CEMA 2000 program. Following the pattern of his domestic policies, Gorbachev has come to realize that his goals in Soviet-East European economic relations cannot be met without systemic economic and institutional reform. At the October 1987 meeting of the CEMA prime ministers, the Soviets reopened some of the fundamental problems raised earlier by the East Europeans themselves: lack of convertible currency, inadequacy of direct links among firms, and absence of a rational pricing mechanism. And Gorbachev will soon learn, if he has not learned already, that reforming intra-CEMA trading procedures is futile without deep structural reforms in the domestic economic systems. ~~(S/NF)~~

36. Thus, the dilemma of promoting change without provoking instability in Eastern Europe will grow more acute. Faced with an almost certain need to increase the pace of reform at home, Gorbachev is likely to step up pressure on the East Europeans to introduce *perestroika* and economic reform, albeit not with the same intensity or impact as in the USSR. ~~(S/NF)~~

37. **Succession Scenarios.** Leadership changes in Eastern Europe present both risks and opportunities for Gorbachev. On the one hand, it is increasingly clear that change of the kind Gorbachev wants will not take place under the current crop of leaders. The prospective departure of several veteran leaders gives Gorbachev an unparalleled opportunity to influence the selection of more energetic and innovative party leaderships. On the other hand, several East European successions—some already under way—pose risks for political stability and hence for Gorbachev's broader agenda. ~~(S/NF)~~

38. The Hungarian succession of May 1988 dramatically altered the top leadership and raised popular expectations for reform, but the attendant austerity

measures are likely to heighten domestic tensions. Nor is the succession process complete: further leadership changes, including the naming of a new prime minister, are still ahead. In Czechoslovakia as well, Husak's replacement by Jakes is just the beginning of a turnover of the entire post-1968 leadership, with the need for Czech-Slovak proportionality adding to the disruption. Elsewhere, impending successions promise to be similarly unsettling:

- Zhivkov has been in power for more than three decades; his departure will reverberate throughout the Bulgarian apparatus.
- With seven Politburo members over 70, the East German party faces a major turnover of the remaining leaders of the wartime generation.
- The post-Ceausescu succession in Romania will introduce considerable uncertainties into that highly personalized leadership and may invite East-West rivalry as Moscow attempts to reassert influence with a successor regime. ~~(S/NF)~~

39. Gorbachev's task will be to manage several leadership transitions, perhaps simultaneously, to assure that preferred, or at least acceptable, successors are named and that regime authority is preserved in the process. His ability to do so will depend on his success in defeating conservative forces in his own leadership. The options and constraints confronting him in Eastern Europe are fairly clear:

- He will need to work with the existing top leaderships; Soviet preferences will be important but not decisive.
- There will be a short list of three to five figures in each party whose seniority gives them some claim to the job.
- Excluding the Ceausescu clan, nearly all these figures meet the minimum qualifications of experience and reliability.
- Except in Hungary, none has demonstrated the kind of dynamism Gorbachev wants, though a few have reformist credentials.

While the Hungarian succession probably comes close to Gorbachev's preferences for Eastern Europe, prospective leadership changes elsewhere are not likely to yield the dynamic, innovative leaders Gorbachev needs to achieve his more ambitious goals in the region as a whole. He will probably have to settle for a series of transitional leaderships and then work to ensure that a new generation of reform-minded leaders is groomed. ~~(S/NF)~~

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40. This cautious and gradualist approach has the advantage of minimizing the disruption inherent in East European successions. If carefully managed, it may also facilitate the eventual transfer of power to a new and more forward-looking generation of leaders. But it will not soon yield the dynamic, innovative leaderships Gorbachev needs to achieve his more ambitious economic and political goals in Eastern Europe. It also means that Gorbachev's reform pressures will continue to be aimed at leaderships ill equipped and, in some cases, unwilling to respond. ~~(S-NF)~~

41. *Sharper Conflict.* Thus, at best, Gorbachev can achieve only evolutionary progress toward political rejuvenation and improved economic performance in Eastern Europe. And currently contemplated reforms will not solve deep-seated political and economic problems. As the gap between objectives and results becomes more evident, Gorbachev will be inclined to push more aggressively for deeper changes as the necessary precondition to economic and political revitalization. To do so will require a careful calibration of Soviet policy: he will need to push hard enough to achieve tangible results but not so hard as to provoke system-threatening instability. The danger of miscalculation will increase. ~~(S-NF)~~

42. Already Gorbachev has introduced new destabilizing tendencies into Eastern Europe through his open critique of past failures of socialism, heightened economic pressure on his allies, and, above all, the demonstration effect of his domestic reform program. Sharper conflict is likely even if Gorbachev does not increase the pressure on his allies. The longer the Soviet reform dynamic continues, the stronger will be the internal pressures for change on the East European regimes. ~~(S-NF)~~

43. These cross-pressures, coupled with severe economic problems and leadership uncertainties, will heighten popular unrest in Eastern Europe. In Poland, newly implemented austerity measures have led already to widespread strikes, protests, and demonstrations; Hungary and Romania also face growing unrest. There will be a general increase of antiregime activism, owing to the climate of "openness" and greater willingness to test the limits of regime tolerance. Human rights, religious, pacifist, environmentalist, and other groups—already active in most of Eastern

Europe—will grow more assertive. The pattern of cooperation among Hungarian, Czech, and Polish dissidents is also likely to expand. ~~(S-NF)~~

44. These developments alone will not threaten party rule, but collectively they will:

- Weaken regime authority.
- Undermine economic recovery prospects.
- Lay the groundwork for more serious challenges. ~~(S-NF)~~

Potential Challenges to Soviet Control

45. There are at least three more extreme scenarios that could lead to serious challenges to Soviet control over Eastern Europe. ~~(S-NF)~~

46. The Hungarian Revolution of 1956, the 1968 Prague Spring, and the Polish social revolution of 1980-81 (along with numerous lesser upheavals) provide ample evidence of the inherent instability of Moscow's East European empire. Each of these had its own dynamic, but each led ultimately to a broad-based challenge to party supremacy and Soviet control in the region. And each led to crisis—meaning in the East European context the actuality or imminent likelihood of Soviet military intervention. ~~(S-NF)~~

47. However, Gorbachev's sanctioning of reform and experimentation implies a more liberal Soviet definition of "crisis." Liberalizing reform (of the kind espoused by the 1968 Czechoslovak leadership) may no longer lead so swiftly and automatically to a "crisis situation" in Moscow's eyes. ~~(S-NF)~~

48. *Popular Upheaval.* Several of the usual instability indicators—discontent over living standards, weak and divided leadership, social unrest—are evident in several countries, and all face pressures emanating from Moscow. New shocks—severe austerity measures, the death or ouster of a top party leader, or the emergence of an organized and emboldened opposition—could bring about serious instability almost anywhere, with Poland, Romania, and Hungary the most likely candidates for trouble:

- The likelihood of multiple, simultaneous upheavals is higher than it has been in more than 30 years. In the late 1980s and into the early 1990s, virtually all the East European countries face

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Romania: Impending Crisis?

The potential for regime-threatening crisis is growing in Romania, the country least affected by Gorbachev's policies and most defiant of Soviet strictures. Romania's problems are homegrown, owing to the Ceausescu regime's severe austerity measures and draconian domestic policies.

A major riot involving an estimated 5,000 to 10,000 protesters in Brasov in November 1987 was the most visible manifestation of growing public unrest, which has given rise to scattered strikes, demonstrations, and acts of sabotage. So far, unrest has remained isolated and localized: there is no organized opposition, and security forces are well equipped to quell protests—with stocks of foodstuffs as well as truncheons.

Evidence is also growing of ferment within the party hierarchy itself. Disenchantment within the rank and file, fueled by popular protests and Ceausescu's scapegoating of the party for his economic failures, has left him isolated. Gorbachev's public criticism of Ceausescu's ruling style and widespread knowledge of Ceausescu's medical problems are accelerating this trend, as officials throughout the system try to distance themselves from him to avoid being caught up in a post-Ceausescu housecleaning. Discontent within the party has been diffuse up to now, and Ceausescu's reshuffling of key leaders has precluded the emergence of an oppositionist faction.

These economic and political pressures add up to an increasingly volatile internal situation, however, and several possible scenarios could bring about a full-scale upheaval:

- *Ceausescu's death or incapacitation.* Ceausescu suffers from prostate cancer and has visibly weakened in the past year (although he maintains a vigorous schedule). If he were to die in office, he would probably be replaced by a collective including his wife Elena and other loyalists; such a regime would probably be embroiled quickly in a broader succession struggle.
- *A palace coup.* The most likely crisis scenario would have growing popular unrest, stimulating still more dissatisfaction within the party and setting the stage for Ceausescu's ouster. He would

probably be succeeded by a collective of figures currently within the party leadership; Elena and the rest of the clan would be swept away along with Ceausescu himself.

- *A brushfire of popular unrest.* Simultaneous outbreaks of protest could spark a more widespread uprising, overwhelming Securitate resources and leading to a breakdown of public order. The resulting near-anarchy could lead to a seizure of power by the military.

Soviet Attitudes

So long as Romania did not descend into complete disorder, Moscow would probably have more to gain than lose in a crisis scenario. A post-Ceausescu leadership would offer opportunities for restoring lost influence; and Romania's geopolitical and economic realities would remain severe constraints on any successor regime in Bucharest.

- Military intervention would not even be a plausible contingency unless there were incipient anarchy in Romania or the advent of a successor leadership that threatened to remove Romania from the Warsaw Pact. Neither is likely.

Spillover in Eastern Europe

Short of a Soviet invasion, events in Romania would not have wide repercussions elsewhere. Nor would they impinge on Gorbachev's broader agenda, in that a Romanian crisis would not be linked to Soviet policies or pressure tactics; indeed, a crisis provoked by Ceausescu's misrule would strengthen Gorbachev's argument that stability demands economic and political rejuvenation. However:

- Hungarian-Romanian relations would be severely strained if domestic violence in Romania were to turn into ethnic violence directed at the Hungarian minority in Transylvania.
- And Yugoslavia would be involved if bloodshed or chaos in Romania precipitated an exodus of Romanians seeking refuge abroad via Yugoslavia.

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analogous sets of problems: stagnant economies, leadership successions, and reformist pressures from Moscow.

- As in the past, however, possible scenarios would be highly country-specific. Only in Romania is there a significant possibility of widespread violence; elsewhere, the greater likelihood would be

a broad-based, organized challenge to regime authority. (In Poland, however, this latter scenario could also lead to a cycle of repression and violence.) ~~(S-INT)~~

- 49. For Gorbachev, a possible upheaval in Eastern Europe constitutes the greatest external threat to the Soviet reform program and his own continued tenure.

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Despite the greater tolerance he has shown for experimentation, he will expect his allies to take swift, decisive action to end any political violence or major unrest. Indeed, the East European leaderships are at least as aware as Gorbachev is of the need for vigilance, and they have at their disposal large security forces that have been effective thus far in containing disturbances. Should events overwhelm the capacity of local leaders, there is no reason to doubt that he would take whatever action was required, including military intervention, to preserve party rule and Soviet authority in the region. Like his predecessors, Gorbachev would exhaust all other options before undertaking Soviet military intervention. Indeed, he faces even greater constraints:

- A Soviet invasion of an allied country would do irreparable damage to his image in the West and undermine the entire edifice of his foreign policy.
- An upheaval in Eastern Europe, particularly one attributable to Gorbachev's reform pressures, could also threaten his domestic standing. It would add to domestic political pressures for his removal from power and the curtailment of his reform program. ~~(S-NT)~~

50. *Sweeping Reform.* Gorbachev has expanded the limits of acceptable reform. In Hungary and Poland particularly, reform blueprints are being circulated that go well beyond anything now on the agenda in Moscow. And now the Hungarians have put in place a leadership team containing radical reformers, such as Imre Pozsgay, head of Hungary's Patriotic People's Front. Although Grosz has more conservative leanings than the newcomers, he is action-oriented and willing to take some chances to get the party out in front of the reform process. In light of the looming economic decline and coalescence of dissident and establishment pressures around a reform package, he could be pulled by his new Politburo toward more radical solutions to Hungary's problems. Given the fate of previous reform movements, there would be strong elite and popular inhibitions against direct challenges to party supremacy and the Soviet alliance system. If Eastern Europe's past is any guide, however, a genuine reform movement in Hungary or elsewhere would tend inevitably toward national self-determination and autonomy. ~~(S-NT)~~

51. Such a scenario would be the most hopeful for Eastern Europe and the most problematic for Moscow, particularly if public discipline were maintained.

There would be no incipient anarchy to facilitate Soviet suppression, few pro-Soviet collaborators to call on, and no cataclysmic event to spur Moscow to take early and decisive action. By the time Gorbachev had decided that the course of events had gone too far, he could be faced with a relatively unified reform leadership and a disciplined and determined population; the costs of intervention would be much higher than under a scenario of serious internal instability. Gorbachev would have to choose between suppressing a genuine reform movement—inspired by his own calls for *glasnost* and *perestroika*—or countenancing at least a partial erosion of Soviet control. His choice—by no means a foregone conclusion—would hinge on the scope of change and the perceived challenge to Soviet influence in the region. ~~(S-NT)~~

52. *Conservative Backlash.* Gorbachev's pressure for reform also could lead to stronger and more open defiance on the part of orthodox leaders in East Berlin, Bucharest, or elsewhere. Prague's chief ideologist Vasil Bilak has publicly rejected the applicability of Gorbachev's reforms to Czechoslovakia, and the East German official press regularly, if indirectly, dismisses the Soviet reform program. If further Soviet pressures create new cleavages that impinge more directly on the job security of the conservative East European leaderships, and if future Yeltsin affairs strengthen perceptions in Eastern Europe that Gorbachev is faltering, hardliners there might become much more openly confrontational. ~~(S-NT)~~

53. If, for example, perceived divisions in the Kremlin emboldened some East European leaders to adopt stridently antireformist platforms, the damage to Gorbachev's authority would be magnified. He would probably have the clout to silence Zhivkov and Jakes, but his capacity to ward off a conservative backlash led by Honecker or Ceausescu would be less certain, particularly if they and other recalcitrants joined forces in an informal rejectionist front (indeed, Gorbachev is already reported to have criticized Ceausescu for trying to form an "antireform alliance" with Honecker):

- Such a scenario would be interactive—it would require the tacit approval of Gorbachev's domestic opponents, who in turn would be strengthened by an East European backlash.
- While a less threatening—and less likely—contingency, it would nonetheless represent a major challenge to Gorbachev's authority and policies in the Bloc. To avert irretrievable damage to

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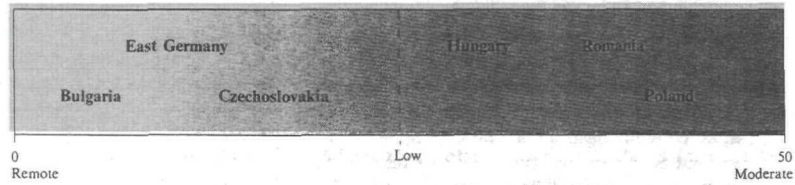
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Figure 2
Potential Challenges to Soviet Control, Probabilities
Over the Next Five Years

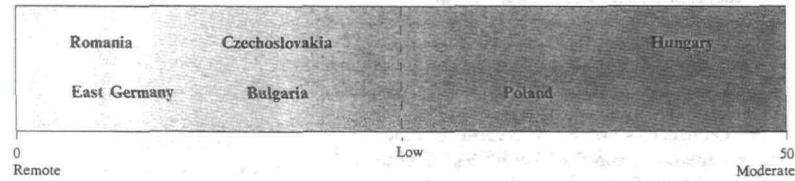
Percent

Popular Upheaval
Internal instability leading to serious challenge to party control.



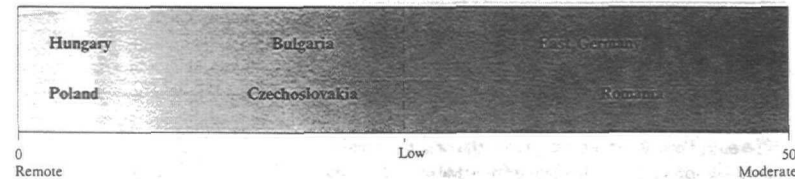
Sweeping Reform

Regime-led economic and political reforms going well beyond anything acceptable to Moscow.



Conservative Backlash

Strong and open repudiation of Soviet reforms and policies by East European leaders.



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both, he might have to force a showdown in Eastern Europe—perhaps by demanding the resignation of his most strident critics. ~~(S NF)~~

54. *Prospects and Variations.* None of these more extreme scenarios is likely to be played out in the near future, but their probability will increase over the next three to five years. Moreover, these evolutions need not be manifest in their pure forms, nor are they mutually exclusive. Short of these extreme scenarios, it

is a virtual certainty that somewhere in Eastern Europe there will be new movement toward more daring reform, a new outburst of public unrest, or more open resistance to Moscow's reform agenda. We could see all three at once. ~~(S NF)~~

Implications for the United States

55. Eastern Europe is entering a period of flux. Change is facing more countries—and across more

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dimensions—than at any time since the immediate post-Stalin period. Developments over the next three to five years are likely to determine the key contours of political life in the region for a generation to come:

- Within the time frame of this Estimate, these developments will not lead to the unraveling of Moscow's East European empire, nor will they by themselves diminish the military threat posed by the Warsaw Pact.
- A crisis in Eastern Europe would undermine Pact cohesion, at least temporarily, but it would almost certainly lead to a crackdown (with or without Soviet intervention), rolling back whatever concessions had been wrested from the regime.
- Short of such an extreme evolution, however, the scope of conceivable change in the region has expanded considerably. And the likelihood of growing diversity and sharper conflict will create new opportunities for Western engagement of Eastern Europe. (S-INT)

56. Gorbachev's agenda of reform, openness, and experimentation is congruent with US goals of promoting pluralism in Eastern Europe and greater independence from Moscow. This endgame is not what Gorbachev has in mind, of course; but, in encouraging change as the key to dynamism and ultimately to greater viability, he has sanctioned diversity and expanded the limits of the thinkable in Eastern Europe. (S-INT)

57. Gorbachev's policies also call into question some of the assumptions upon which the US policy of differentiation is based, in that the twin aims of liberalization and independence from Moscow increasingly collide in Eastern Europe. Those regimes most at odds with Gorbachev's approach also tend to be the most conservative and repressive. Conversely, relatively open countries like Poland and Hungary, which have received favored US treatment, are now closely attuned with Moscow. (S-INT)

58. These contradictions in US policy will grow more acute the longer Gorbachev remains in power and the Soviet reform dynamic continues. However, our ability to influence the grand alternatives—reform or retrenchment, crisis or stability—will remain limited indeed; we can at best promote favorable change on the margins:

- Gorbachev's policies have created new opportunities for Western encouragement of liberalizing

US Policy Toward Eastern Europe

Excerpts From NSDD 54, 2 September 1982:

"The primary long-term U.S. goal in Eastern Europe is to [REDACTED] facilitate its eventual reintegration into the European community of nations. . . . The United States . . . can have an important impact on the region, provided it continues to differentiate in its policies toward the Soviet Union and the Warsaw Pact countries of Eastern Europe, so as to encourage diversity through political and economic policies tailored to individual countries. . . ."

"Differentiation will aim at:

- Encouraging more liberal trends in the region.
- Furthering human and civil rights in East European countries.
- Reinforcing the pro-Western orientation of their peoples.
- Lessening their economic and political dependence on the USSR and facilitating their association with the free nations of Western Europe.

- [REDACTED]
- Encouraging more private market-oriented development of their economies, free trade union activity, etc. . . .

"In implementing its policy, the U.S. will calibrate its policies to discriminate carefully in favor of governments which:

- Show relative independence from the Soviet Union in the conduct of foreign policy as manifested by the degree to which they resist associating themselves with Soviet foreign policy objectives and support or refrain from obstructing Western objectives; or
- Show relatively greater internal liberalization as manifested in a willingness to observe internationally recognized human rights and to pursue a degree of pluralism and decentralization, including a more market-oriented economy. . . ."

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reform on the part of regimes so inclined, like the Hungarian and the Polish. For the others, the United States also may have new leverage to promote diversity, even if reform prospects are remote.

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— US policy faces the dilemma that large segments of the East European societies are not willing to accept the austerity that implementation of economic reforms would entail. And the regimes are loath to risk the political reforms needed to win public acceptance of painful economic measures.

~~(S/NF)~~

59. Gorbachev's policies will complicate the coordination of Western approaches to European security. For Bonn, the prospect of closer relations with its eastern neighbors has revived old ambitions for a greater central European role. The French, worried about Bonn's eastward drift and suspicious of Gorbachev's ultimate aims, have taken the lead in resisting a new wave of European detente:

— These differences will make it harder for Western governments to reach a political consensus on dealing with Moscow and its allies, and harder for NATO to maintain a security consensus.

— However, differing Western policies toward Eastern Europe create cross-pressures that promote diversity, inhibit CEMA integration, and erode Warsaw Pact foreign policy discipline.

~~(S/NF)~~

60. *Influencing Eastern Europe.* The United States has always pursued a two-track policy in Eastern Europe, communicating directly with East European populaces as well as with their governments. These direct channels of communication will be particularly important as new ideas circulate and new opportunities emerge:

— International broadcasting—particularly via Radio Free Europe, but also from other Western radios—will be an important vehicle for informing East European publics on Soviet reforms and exerting indirect pressure on the East European regimes.

— There will be greater opportunity for developing East-West contacts: those regimes that already pursue relatively open policies will have greater latitude to expand them; the others will come under pressure from both Moscow and their own populaces to do likewise. Such contacts—ranging from scientific exchanges to scholarly dialogues and people-to-people programs—will serve to push forward the limits of diversity, strengthen public and elite pressure for internal reform, and help cultivate second-level officials who may play key roles in successor regimes ~~(S/NF)~~

61. There also will be new opportunities for Western engagement of the East European regimes, owing to:

— Economic dilemmas that virtually compel several East European governments to accept previously unpalatable conditions in exchange for Western credits.

— High-technology requirements, pushing the East Europeans to facilitate direct contacts with Western firms and international economic organizations.

— Gorbachev's campaign for a "European house," which impels the East Europeans toward more active diplomacy and also heightens their sensitivity to charges of human rights violations.

— The general climate of reform and "openness," which offers opportunities for engaging Eastern Europe on formerly taboo subjects and pressing more directly for internal reforms of the kind already legitimized by Moscow ~~(S/NF)~~

62. The East European regimes will continue to be wary of any Western proposals that impinge on regime control or Soviet prerogatives on foreign and security policy. They are likely, however, to be more receptive than in the past to US proposals for counterterrorism and counternarcotics cooperation, expanded East-West contacts, and even improvements in the area of human rights:

— The CSCE process offers new forums for separate, if not fully independent, East European diplomatic activity—as in Hungary's cosponsorship with Canada of a proposal on national minorities. Such developments suggest there is greater scope for Western engagement of Eastern Europe on key East-West issues, and in so doing for promoting greater diversity and independence in the region.

— A prospective umbrella agreement between the European Community and CEMA, along with a possible CSCE follow-on conference on East-West economic relations, would complicate US efforts to control technology transfer, but they would also offer new venues for engaging Eastern Europe on foreign trade policy and domestic reform.

— New opportunities also may develop for a more genuine security dialogue, particularly if a new round of talks on conventional force reductions affords greater scope for East European diplomacy.

8. (Continued)

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— On matters of internal liberalization, the ironic convergence of US and Soviet calls for economic and political reform will lend strength to the conditions the United States attaches to expanded economic cooperation. ~~(S/NF)~~

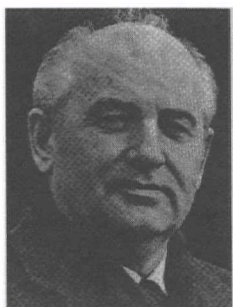
63. *Influencing Soviet Behavior.* Should the trends Gorbachev himself has set in motion lead to upheaval or sweeping reform in Eastern Europe, the ultimate controlling factor will be the limits of Soviet tolerance. Gorbachev has strong disincentives to inter-

vening in Eastern Europe, particularly for the purpose of suppressing a genuine reform movement. He and his Politburo are not likely to be deterred from actions they deem vital to Soviet interests, but the United States and its allies may be able to alter at the margin the Soviet risk calculus by maximizing the price Moscow would have to pay. The extent of direct, heavyhanded Soviet interference would be influenced marginally by the ability of the United States to convey clearly how such Soviet behavior would affect the broader US-Soviet agenda. ~~(S/NF)~~

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ANNEX

KEY SOVIET OFFICIALS RESPONSIBLE FOR EASTERN EUROPE



Interparty Relations

Mikhail Gorbachev
CPSU General Secretary (since March 1985)

By the time he became General Secretary in March 1985, Gorbachev had already met all East European party leaders and had spoken with some of their principal lieutenants as well. In November 1969 he was part of a low-level delegation to Czechoslovakia. After becoming CPSU secretary for agriculture in 1978, he returned to Czechoslovakia (April 1979). Gorbachev visited Hungary in October 1983 and Bulgaria in September 1984, and he almost certainly met in Moscow with these leaders and others during the annual CEMA gathering each June, as well as at other summits. He also was involved in hosting visits of each of the East European party leaders in the early 1980s.

At Chernenko's funeral in March 1985, the party leaders of the Warsaw Pact states were the first foreign dignitaries with whom Gorbachev met. Since that time, he has visited every East European country (except Albania) at least once. He has also met in Moscow with East European officials on 39 occasions.



Yegor Ligachev
Politburo member and secretary, Central Committee (since 1985)

As unofficial "second secretary," Ligachev, 67, is involved in general oversight of foreign policy; he currently chairs the Supreme Soviet Commission on Foreign Affairs. He has not frequently visited East European countries, but, in 1987, he traveled twice to Hungary. He also visited Poland in 1984. Despite his reputation as the leading conservative in the Soviet Politburo, Ligachev has praised Hungary's economic reforms, strongly suggesting that Budapest need not imitate Soviet economic policies and structures. His cautious approach to domestic reform in the Soviet Union, however, suggests he would be similarly cautious about major change in Eastern Europe.



Aleksandr Yakovlev
Politburo member (since June 1987) and secretary, Central Committee (since March 1986)

Yakovlev, 64, is one of Gorbachev's closest advisers on foreign affairs and an influential figure in Soviet policymaking toward Eastern Europe. He led the Soviet delegation to the January 1987 Socialist Bloc Ideological/International Secretaries meeting in Warsaw, where he advocated new media techniques to aggressively promote a socialist concept of democratization and human rights. A leading reform proponent, Yakovlev has also pushed for a more sophisticated European policy and has stressed the need for more flexibility in socialist development, which suggests that he is relatively open to internal diversity in the Bloc countries. He has met frequently in Moscow with visiting East European delegations and in 1987 traveled to Poland and East Germany.

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Vadim Medvedev
Chief, Liaison With Communist and Workers' Parties of Socialist Countries ("Bloc Relations") Department; and secretary, Central Committee (since March 1986)

Although Medvedev, a proponent of economic reform, has not worked on East European matters, his writings have stressed that socialist economic theory should draw both on the Soviet model and on the experiences of other Bloc countries. Medvedev, 59, has headed several delegations to Soviet Bloc countries and accompanied Gorbachev on a trip to Hungary in June 1986. He advocates diversity for the economic and political policies of East European regimes, with the caveat that Soviet tolerance will depend on their ability to contribute to Soviet economic modernization.



Diplomatic Relations

Eduard Shevardnadze
Foreign Minister

Since becoming Foreign Minister in June 1985, Shevardnadze, 60, has frequently traveled to Eastern Europe, visiting all East European foreign ministers in their capitals and attending regular Warsaw Pact foreign minister meetings. The past year has clearly been Shevardnadze's most active, with nearly half of his 20 trips abroad made to Eastern Europe. During a June 1987 visit to Budapest, he reportedly pressed the Hungarians to move economic reform forward, expressing dissatisfaction with bilateral economic, scientific, and technical relations. In 1986, Shevardnadze visited Romania in October and Poland in March. He has been an increasingly outspoken advocate of reform and foreign policy "new thinking."



Economic Relations

Nikolay Ryzhkov
Chairman, USSR Council of Ministers; Politburo member (since 1985)

Premier Ryzhkov, 58, coordinates government-to-government economic ties between the Soviet Union and Eastern Europe. A strong supporter of domestic economic reform, he has also encouraged CEMA premiers to endorse changes in CEMA operations and trade. During a meeting with his East European counterparts in 1987, Ryzhkov recommended intra-CEMA currency reforms, direct enterprise contacts, joint ventures, and a new CEMA organizational structure. In response to the opposition of several East European leaders to this limited decentralization of planned management, Ryzhkov warned that those countries unwilling to participate in these changes should not hinder those who do.

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Military Relations

Viktor Kulikov

First Deputy Minister of Defense (since 1971); Commander in Chief of the Warsaw Pact Forces (since January 1977)

An able field commander, Marshal Kulikov, 67, is the third-ranking official in the Soviet military hierarchy. He wields considerable political clout throughout Eastern Europe and, through a combination of persuasion and bullying, has reportedly won compliance with Moscow's policies, especially in operational matters and in planning for the imposition of martial law in Poland in 1981. Although US officials have consistently been impressed by Kulikov, [REDACTED] has indicated that he will soon be retired. Kremlin leaders may view Kulikov, who only cautiously supports Gorbachev's program of sufficiency and doctrinal revision, as an impediment to significant change in the defense sector.

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9. NIE 12-90, April 1990, *The Future of Eastern Europe* (Key Judgments only)



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The Future of Eastern Europe (C NF)

National Intelligence Estimate

*This Estimate represents the views
of the Director of Central Intelligence
with the advice and assistance of the
US Intelligence Community.*

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NIE 12-90
April 1990

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9. (Continued)



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NIE 12-90

The Future of Eastern Europe (C NF)

*Information available as of 26 April 1990 was used
in the preparation of this National Intelligence Estimate.*

*The following intelligence organizations participated
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The Office of the Director of Naval
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Department of the Air Force
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April 1990

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The Future of Eastern Europe ~~(C/NF)~~

- The revolutions in Eastern Europe provide the basis for developing democracy and market economies. But this will not be a linear process, and a number of countries will continue to face political instability, ethnic turmoil, and economic backwardness.
- Even with Western help, East European economies—excluding that of East Germany—are likely to make only modest progress during the next five years.
- The possibility remains of a relapse to authoritarianism, particularly in the Balkans, where the lifting of Communist hegemony threatens to revive old ethnic animosities, civil strife, and interstate tensions. The environmental nightmare will also persist.
- West Europeans are better positioned to lead in shaping the East European future, but the United States has important advantages, among them the desire of East Europeans for a counterweight to Soviet and German influence. ~~(C/NF)~~

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Key Judgments

Communist party rule in Eastern Europe is finished, and it will not be revived. This and the lifting of Soviet hegemony create new opportunities for establishing representative democracies and self-sustaining market economies. The way will also open for new modes of regional political and economic cooperation. The greatest impetus is the resolve of East Europeans and their leaders to achieve reforms by emulating Western economic and political models. ~~(C-INT)~~

The evolution of the region will make the designation "Eastern Europe" increasingly imprecise, as East-Central European countries—Poland, Czechoslovakia, Hungary, and East Germany—move ahead in closer association with the West, and the Balkans—Bulgaria, Romania, and Albania—settle into a more separate role. Yugoslavia, if it holds together, will continue close ties to the West.¹ ~~(C-INT)~~

In some East European countries, however, we will see political instability and perhaps even a revival of authoritarianism, amidst lingering economic backwardness and reemerging ethnic animosities. Despite Western aid and investment, the East European economies—excluding that of East Germany—are likely to make only uneven progress during the five-year timespan of this Estimate. ~~(C-INT)~~

Ultimately, prospects for healthy democracy will be closely tied to the way in which East Europeans resolve their systemic economic crisis:

- Western aid will be essential, especially in the early stages, to make up the "capital deficit" required to cushion any transition to market economies.
- Such aid will have to be linked to private investment, access to Western markets, and long-term programs designed to develop the skills and institutions necessary for a modern economy, as well as to full mobilization of indigenous resources for investment. ~~(C-INT)~~

The outlook is more promising for the countries in East-Central Europe—particularly East Germany, which will rapidly merge into West Germany's economy. Elsewhere, several countries have good potential as sites for

¹ The Assistant Secretary of State for Intelligence and Research, Department of State, believes that broad regional subgroupings adopted for analytical convenience—such as East-Central Europe and the Balkans—at times obscure the differences between countries. ~~(C-INT)~~

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Western-owned manufacturing plants with preferential entree to the European Community. The agricultural sector has the capability for quick turnaround. ~~(C-NF)~~

But the strains of even successful economic reform that is accompanied by inflation and unemployment will test the patience of people fed up with economic hardship and traditionally cynical about political promises. Linger economic crises and resurgent ethnic divisions may fuel chronic political instability and interstate tensions, notably in the Balkans:

- The major near-term danger to democratization in East-Central Europe is that the whole process will run out of steam as popular euphoria wanes and little substantial economic improvement has occurred. The result would be a paralyzing political impasse or prolonged "muddling through," as in the Third World.
- The worst case scenario—most likely in Romania and Yugoslavia—will not be a return to Communist regimes but a turn to authoritarianism, growing repression of ethnic minorities, civil strife, and even the onset of greater interstate frictions. ~~(C-NF)~~

Meanwhile, despite the Albanian regime's readiness to use brutal repressive measures to suppress dissent, it is likely that revolution and reform will come to Albania within five years. ~~(C-NF)~~

The Soviet Union's size, geographical proximity, security concerns, raw materials, and market will continue to make it a major factor in Eastern Europe. But even an aggressive, post-Gorbachev Kremlin leadership would not—or could not—substantially alter the course of events there. Moscow will seek to replace its lost domination of Eastern Europe with the advantages of a broader engagement with Europe as a whole. ~~(C-NF)~~

A united Germany, however, will move even more assertively into Eastern Europe as an economic and political influence in the vanguard of the European Community. This will be a source of worry for most East Europeans, particularly the Poles. This concern, however, will be cushioned, because Germany will be democratic and integrated into the European Community. German influence will be somewhat diluted as other Western countries also build economic and political ties to the region. Even so, Germany's weight and occasional insensitivity will raise hackles. ~~(C-NF)~~

East European events will continue to take place against a backdrop of declining relevance for the Warsaw Pact and NATO. The Warsaw Pact as a military alliance is essentially dead, and Soviet efforts to convert it into a

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political alliance will ultimately fail. Most East European states will aspire to build links to Western Europe and will hope that the CSCE process can provide a basis for such broader security arrangements. (eNF)

East Europeans will continue to seek substantial US participation in their development as a counterweight to the Soviets and Germans. In the region where both world wars and the Cold War began, a democratic, prosperous, and independent Eastern Europe would be an element of stability rather than an object of great power rivalry in the borderlands between East and West. (eNF)

The End of Empire II

National Secession and
Ethnic Conflict in the USSR



**10. 11-18.2-91, September 1991, *The Republics of the Former USSR:
The Outlook for the Next Year***



Director of
Central
Intelligence

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The Republics of the Former USSR: The Outlook for the Next Year

Special National Intelligence Estimate

*This Special National Intelligence Estimate represents
the views of the Director of Central Intelligence
with the advice and assistance of the
US Intelligence Community.*

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SNIE 11-18.2-91
September 1991

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SNIE 11-18.2-91

The Republics of the Former USSR: The Outlook for the Next Year ~~(C-NF)~~

*Information available as of 23 September 1991 was used
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*The following intelligence organizations participated
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The Director of Naval Intelligence,
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The Assistant Chief of Staff, Intelligence,
Department of the Air Force
The Director of Intelligence,
Headquarters, Marine Corps

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September 1991

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Scope Note

The Republics of the Former USSR: The Outlook for the Next Year (C NF)

This Estimate examines the key factors that will determine developments in the USSR (excluding the Baltic states) over the next year and the possible alternative outcomes. It focuses primarily on the question of interrepublic relations within and outside a union. Although many internal factors will be important determinants of the long-term course of political and economic development of the republics, this Estimate does not attempt to assess internal republic issues in any detail. Such issues will become more important and will be the focus of much of our future estimative work. ~~(C NF)~~

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Figure 1
Scenarios for the Republics of the Former
USSR Over the Next Year

<p>Confederation</p>	<p>Republics agree on economic union and political confederation. Republics coordinate economic, defense, and foreign policies. Republic governments remain stable despite economic problems. Efforts at market reforms accelerate.</p>
<p>Loose Association</p>	<p>Political/economic reform process continues. Several republics, including Ukraine, go their own way. Loose common market formed. Russia forms limited political association with several republics. Economic problems intensify, threaten legitimacy of some republic leaders.</p>
<p>Disintegration</p>	<p>Minimal economic and political cooperation; confederation collapses. Relations between republics become increasingly hostile. Separatist sentiment grows sharply in Russia. Economic distress deepens sharply, causing large-scale social unrest. Nationalism in republics grows, authoritarian movements gain strength.</p>

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Key Judgments

The USSR and its Communist system are dead. What *ultimately* replaces them will not be known within the next year, but several trends are evident:

- Overall, there will be a high level of instability.
- The economy will get much worse, making a bold approach toward economic reform more necessary but politically riskier and harder to do.
- Russia and Ukraine will make credible attempts at applying democratic political principles at all levels of government and shifting to market economics; most other republics probably will not.
- Ethnic turmoil will increase as nationalism grows and ethnic minorities resist the authority of newly dominant ethnic majorities.
- Defense spending and military forces will be reduced, and republics will participate in collective defense decisions and exercise greater authority over defense matters within their own borders.
- Foreign policy will be increasingly fragmented, with the republics conducting their own bilateral relations and to some extent their own diplomacy in multilateral forums.
- Yel'tsin will be the most powerful national leader; Gorbachev will have only limited power to act independently and could not win an election without Yel'tsin's support.
- The West will face increased pleas for economic assistance from individual republics as well as from the central government, giving Western countries increased opportunity to promote economic and political reform, but increasing requirements for close coordination of Western aid efforts. (CNR)

Over the next 12 months, the interplay of several variables will be critical to determining whether the new system evolves in a relatively peaceful manner and in a democratic direction. Three variables are especially important:

- The *economy* will be the most critical variable. We do not believe that economic conditions this winter will lead to widespread starvation or massive social unrest. If economic hardships are significantly worse than we expect, however, governments at all levels would lose popular support and authoritarian alternatives would become more attractive.

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- *Russia* is of paramount importance not only to the fate of the fragile confederal structures that are being built but also to the prospects for democracy and for the transformation to a market economy. Continued progress by Russia in these areas or a relapse into authoritarianism, which is less likely during the next year, will decisively affect the course of reform in the other republics.
- If *Ukraine* chooses the path of independence without participating in a confederation—a strong possibility at this point—the viability of a confederation of other republics would be diminished significantly. This development would increase the risk of ethnic conflict between Ukrainians and the Russian minority in the republic and of disputes with Russia over borders and control of military forces on Ukrainian territory. ~~(S)~~

Over the next year, we believe that three basic scenarios capture the likely evolution of republic relationships:

- Confeder*
- *Confederation*: This scenario is the preferred outcome of Gorbachev and Yel'tsin. There would be a weak central authority but close cooperation among the republics in the political, economic, and military spheres. Russia and Ukraine, at least, would lay the groundwork for democratization and a market economy. Nuclear weapons would be controlled operationally by the center. Lines of authority would be relatively clear, and foreign governments could identify and deal with the appropriate levels of government on different policy questions. This scenario would provide the West the advantage of greater predictability. It would also provide increased confidence that nuclear weapons would remain under centralized control, arms control would remain on track, economic assistance to the republics could be more effectively managed, and the democratization process would advance.
 - *Loose Association*: The process of political and economic reform continues, but several republics, including Ukraine, establish independence and participate in a loose common market. Although Russia and many of the associated states try to coordinate foreign and military policy, the republics basically pursue independent policies in these areas. Ukraine and other non-Russian republics probably would agree to removal or elimination of strategic nuclear weapons on their territory. Some republics would try to obtain some control over the tactical nuclear weapons on their territories. The potential for divergent foreign and national security policies would increase, but all the key republics would pursue pro-Western foreign policies, and armed forces would be scaled back significantly. Follow-on arms control negotiations for even deeper cuts in nuclear and conventional forces would go forward, although perhaps

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more slowly than in a confederation scenario. Implementation and verification of the START and CFE treaties would be complicated. The West would face competing demands for massive assistance, although some mechanism for coordination would exist. ~~(C NF)~~

- *Disintegration:* Cooperation among the republics breaks down at all levels, and the last remnants of a political center disappear. Nationalism becomes more virulent, and economic conditions become increasingly chaotic. As a result, political stability erodes, and conditions are ripe for rightwing coups and authoritarian government in many republics, including Russia and Ukraine. The disposition of nuclear weapons would be contentious, as some republics seek to assert operational control over nuclear weapons on their territory. There would be an increased risk of such weapons falling into terrorist hands and even of their use within the borders of the former USSR. The West probably would be unable to implement and verify arms control agreements. Republics would attempt to involve the West in interrepublic disputes, while demands for Western aid would continue. ~~(C NF)~~

Reality is likely to be more complex than any of these scenarios, and elements of all three are likely to be encountered. In our view, it is likely that conditions 12 months from now will most closely resemble the "loose association" scenario. Although the economic situation is grave and the republics are having serious problems in reaching agreement on key economic issues, most understand that they cannot survive on their own. This awareness argues strongly for some kind of economic association that will move, however haltingly, toward a common-market-type system. ~~(C NF)~~

We believe the "confederation" scenario is less likely because of the unwillingness of many republics to cede some of their political sovereignty and power to a confederal government. Ukraine will be the key: forces supporting independence with some form of cooperation are currently favored to win the December elections, but their strength is eroding and a vote for those favoring separatism is possible. Even if Ukraine is willing to work toward a new union, difficulties over political and economic approaches and burgeoning nationalism will make it difficult for the republics to agree on a confederal political structure. Potentially the most explosive of these forces is unrest among Russian minorities in non-Russian republics. ~~(C NF)~~

The least likely scenario within the time frame of this Estimate is "disintegration." Beyond the year, however, this scenario becomes more likely if elected governments fail to stem the deterioration of economic conditions. ~~(C NF)~~

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Table 1
Implications of the Scenarios
for Key National Security Issues

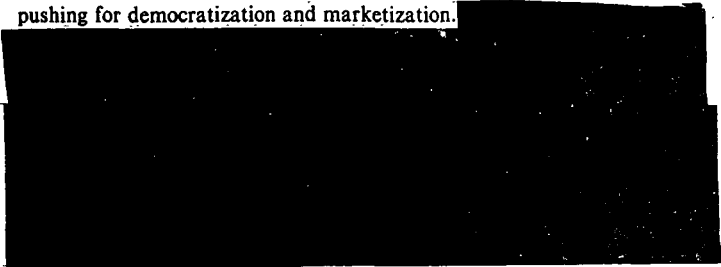
Issues	Scenarios		
	Confederation	Loose Association	Disintegration
Foreign economic relations	Center would coordinate/facilitate assistance.	Multiple requests for aid.	Western aid vital, but republics lack means to pay.
	Most aid channeled to republics.	Republics more eager for aid to overcome economic plight.	Internal strife complicates aid efforts.
Military policy	Continued sharp cuts in defense spending.	Ukraine begins setting up republic army.	No unified military command.
	Unified military command.	Unitary command retained; increasingly under Russian control.	Most republics begin setting up own armies.
	Most republics establish small "national guards."	Defense spending cut sharply.	Defense spending still limited by economic realities.
Foreign policy	Foreign policies proliferate, but generally coordinated.	Republics insist on right to conduct own affairs.	Numerous foreign policies.
	Central leaders remain primary interlocutors with West.	Most seek to expand contacts with West, integration into regional/ international forums.	Little if any coordination.
	Center frames broad issues, but flexibility limited because of need for consensus.	Russia dominates policy.	Ability, desire to enter into good faith agreements doubtful.
Arms control	Prospects for ratifying START, CFE good.	Ukrainian independence poses risks to START, CFE.	Renegotiation of START, CFE required.
	Verification unlikely to be disrupted.	Negotiations more complicated; verification uncertain.	Ability to reach future agreements in doubt.
	Readiness to negotiate mutual deep reductions in forces; unilateral cuts likely.	Most republics remain committed to deep force cuts; Russia likely to reduce strategic forces unilaterally.	Willingness to make deep force cuts uncertain because of tensions between republics.
Control of nuclear weapons	Unified control system remains, but republics exercise joint control over weapons stationed on their territory.	Confederation members agree to keep centralized control.	Centralized control imperiled.
		Ukraine attempts to retain control of some weapons.	Ukraine, other republics insist on retaining some weapons.

~~This table is Secret.~~

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The United States and other Western countries would have influence on developments across the former USSR in either the "confederation" or "loose association" scenario. Russia and most other republic governments will be highly receptive to Western advice on and technical assistance for internal and external reform in exchange for economic assistance. Western influence would be the most effective in those republics, especially Russia, pushing for democratization and marketization.



If the situation moved toward a "disintegration" scenario, Western opportunities to influence the direction of change would diminish significantly with the growth of xenophobic nationalism and would be limited to those republics, if any, resisting the trend toward authoritarianism. (C NF)

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Discussion

Aftermath of the Coup

The failed coup has created the most favorable opportunity for political democracy and a market economy in the history of the former USSR. The main institutional obstacles to fundamental changes in the system have been severely weakened, and the preconditions for self-determination of republics have been established. (C/NF)

Russia has eclipsed the central government as the most powerful entity in the system, and Yel'tsin is now the country's most influential leader. At the same time, the abortive coup has accelerated the breakup of the union. Republic governments are attempting to assert supreme authority on their territories, but their political legitimacy and their ability to fill the power vacuum left by the weakened center varies widely. Most republics are participating in ongoing negotiations toward political, economic, and military cooperation. (C/NF)

Key Variables

The failure of the coup has not guaranteed the success of democratic change and marketization. Democratic norms and market relations will take many years, if not decades, to develop. In the short term, continued progress toward these goals will depend on developments in several key areas. (C/NF)

Continuing Economic Disarray

Over the course of this Estimate, the accelerated deterioration of economic performance will result in further sharp declines in output, greater financial instability, increasing unemployment, and growing problems in the distribution of food and fuel. Negative economic trends now in train will not permit early reversal of the economic slide, regardless of the economic policies that are undertaken. (C/NF)

Table 2 Percent change
Soviet Official Indicators of Economic Performance in First Half of 1991, as Compared With 1990^a

	First Quarter	Second Quarter
GNP	-8	-12
Industrial output	-5	-7
Oil	-9	-10
Natural gas	0.3	0.2
Coal	-11	-11
Agricultural output	-13	-9
Personal incomes ^b	24	63
Retail prices ^c	25	96
Retail sales	0.2	-25

^a Except as noted, rates of change are calculated from ruble values in prices Soviets claim are constant.

^b Calculated from ruble values in current prices.

^c Calculated by dividing retail sales in current prices by sales in prices Soviets claim are constant.

This table is Unclassified.

In the first six months of 1991:

- GNP dropped 10 percent as output fell in most sectors of the economy, in some cases at a very rapid rate. We believe it could decline by approximately 20 percent by the end of the year.
- Widespread shortages affected not only such consumer goods as food and medicine but also vital industrial inputs.
- Projections for the combined central and republic budget deficit for the year climbed to 10 to 15 percent of GNP.
- The inflation rate rapidly approached triple digits.
- Foreign trade contracted sharply; imports dropped 50 percent. (C/NF)

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The Private Sector: Bright Spot on the Horizon

In contrast to the rest of the economy, the private sector continues to exhibit encouraging signs of growth. During the first half of 1991 the number of industrial enterprises leased from the state grew by over 50 percent to 3,700, and the number of small-scale peasant farms climbed by more than 70 percent to 70,000. New restrictions took a slight toll on cooperatives, but they still numbered 255,000. Nonstate sources providing services to these fledgling enterprises also grew during the first six months, with independent commodity exchanges reaching 300 and commercial banks totaling 1,500. The Soviets report that they have concluded more than 3,000 joint ventures that employ more than 100,000 Soviet citizens, although probably less than one-third are actually operating. (C/NF)

While the emergence of market-oriented institutions—new cooperatives, commodity exchanges, commercial banks, joint ventures, and a growing entrepreneurial class—is encouraging, they are still too weak and limited to compensate for the negative effects on everyday life of the breakdown of the command economy. (C/NF)

The Problems of Divisiveness. The coup has brought even greater disarray to policymaking, thus hindering restoration of macroeconomic stability and rapid implementation of structural reform. Political turmoil at the center and inside the individual republics makes it unlikely that a strong consensus on economic policy will be reached. (C/NF)

Maintaining Interrepublic Trade. Declining output places a premium on reducing chokepoints in distribution. Economic linkages are numerous—11 of the 12 republics plus the Baltic states rely on imports from each other for at least 50 percent of their national income. In addition, the IMF estimates that 30 to 40 percent of industrial output consists of products for which there is only one manufacturer. Even foreign

Table 3 Billion US \$
Estimated Soviet Hard Currency
Financing Requirements

	1990	First Half 1991	Second Half 1991	1991
Revenues	38.4	17.8	15.8	33.6
Exports	35.6	14.6	13.7	28.3
Other ^a	2.8	3.2	2.1	5.3
Expenditures	63.6	27.8	26.3	54.1
Imports	35.2	12.5	17.7	30.2
Debt service	10.0	7.0	5.2	12.2
Repayment of short-term debt	10.1	5.2	1.3	6.5
Other	8.3	3.1	2.1	5.2
Financing requirement	25.1	10.0	10.5	20.5
Financing sources	25.1	10.0	10.5	20.5
Borrowing	10.5	6.1	8.2	14.3
Official ^b	8.1	6.0	8.0	14.0
Commercial	2.4	0.1	0.2	0.3
Gold sales	4.5	2.0	2.0	4.0
Drawdown of reserves	6.0	1.6	0.3	1.9
Payment arrears	4.1	0.3	0.0	0.3

^a Includes net inflows from former soft currency partners, invisibles, and asset earnings.

^b Assuming for 1991 that the Soviets will be able to draw on existing official credit lines to meet general, balance-of-payment financing. This may not be the case, given that most credits are tied to export purchases, some credit lines are tied up with other bureaucratic redtape, and many banks are unwilling to extend loans even with extensive official guarantees.

This table is ~~Confidential~~ ~~Not~~ ~~Form~~.

trade flows depend on cooperation because key ports and pipelines are concentrated in a few republics. (C/NF)

Worsening Hard Currency Woes. The continuing contraction of imports will further diminish vital supplies. Large-scale debt restructuring or rescheduling, if not debt default, appears imminent. The USSR has yet to service about \$5 billion in debt over the remainder of the year and already is more than \$4 billion in arrears. (C/NF)

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Continuing Monetary and Fiscal Instability. The collapse of the center will not necessarily lead to lower expenditures or a reduction in the deficit. Indeed, budget deficits of both the central and republic governments, lack of constraints on new lending internally, and republican drives for their own currencies will make it difficult to rein in the growth of the money supply. ~~(C-NE)~~

Uncertain Pace of Reforms. A Polish-style shock approach is unlikely anywhere in the short run because of its high costs in terms of unemployment and inflation. Moreover, pressures to reverse the economic decline will push many republic policymakers toward the use of administrative decrees rather than marketizing reforms. ~~(C-NE)~~

Stepped-Up Demilitarization. Military reductions will accelerate, although most political leaders and the High Command wish to avoid a chaotic reduction. Defense industry procurement and production will be hit hard by budget cutbacks and the rising prices of inputs. ~~(C-NE)~~

Differing Impacts on Republics. Russia, thanks to its vast resources, is best positioned to cope with economic crises. It has leverage with the other republics in trading for food and manufactured goods and in seeking foreign goods and financing. On the downside, Russia faces serious distribution problems, especially in getting food to cities in the north, Far East, and the Urals. Despite Russia's vast energy resources, fuel shortages are likely as a result of distribution and labor problems. ~~(C-NE)~~

Elsewhere, the problems will vary:

- Only Kazakhstan, Azerbaijan, and Turkmeniya are net energy exporters among the remaining republics. Moldova, Armenia, Byelorussia, and Georgia would be particularly hard hit by supply disruptions and/or price hikes.
- All republics face reductions in food supplies and other consumer goods as cross-border trade and foreign imports decline. Uzbekistan and Tajikistan are likely to suffer the most. At greatest risk in all republics are pensioners, the poor, and large families, who must rely on poorly stocked state stores because they cannot afford to buy food through higher priced alternative channels.

Figure 2
Republic Imports as Percentage of
Net Material Product, 1988^a



^a These figures are calculated from official Soviet data in domestic administered prices; the value of each republic's imports is divided by the value of its net material product (national income used), a measure that differs from GNP in excluding depreciation and most consumer services.

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Table 4
Oil, Gas, and Coal Balances of the Republics

	Crude Oil	Petroleum Products	Natural Gas	Coal
Russia	X	X	X	O
Ukraine	O	O	O	X
Byelorussia	O	X	O	O
Kazakhstan	X	O	O	X
Moldova	-	O	O	O
Armenia	-	O	O	O
Azerbaijan	O	X	O	O
Georgia	O	O	O	=
Kyrgyzstan	-	O	O	O
Tajikistan	-	O	O	O
Turkmeniya	X	=	X	O
Uzbekistan	O	O	X	O

Note: X = net exporter
O = net importer
- Neither imports nor exports because it has no refining capacity
= production equals consumption.

This table is Unclassified.

- Declining output and lower budgets will cause unemployment in all republics. Ukraine—like Russia—has extensive defense industries vulnerable to cuts in defense spending. ~~(C/NF)~~

While the economic news is mostly gloomy and many observers in and out of the former USSR fear catastrophe, in our view, conditions are not likely to lead to widespread famine, epidemics, or numerous deaths from freezing. While pockets of extreme economic distress—including malnutrition—could emerge, distribution will be more of a problem than production. Absent development of adversarial relations among the republics, however, the food and fuel crises this winter should be manageable. ~~(C/NF)~~

Popular Mood

Public euphoria over the collapse of the centralized Communist state has lent legitimacy to some republic governments and bought them some time to grapple with economic problems. Others, most notably Geor-

Table 5
Soviet Food Situation: Surplus or Deficit of Selected Foods ^a

	Meat	Milk ^b	Grain ^c	Potatoes ^c	Vegetables
Russia	-	-	-	-	-
Ukraine	+	+	+	+	+
Byelorussia	+	+	-	+	+
Kazakhstan	+	+	+	Even	-
Moldova	+	+	-	-	+
Armenia	-	-	-	+	+
Azerbaijan	-	-	-	-	+
Georgia	-	-	-	-	+
Kyrgyzstan	Even	-	-	-	+
Tajikistan	-	-	-	Even	-
Turkmeniya	-	-	-	-	-
Uzbekistan	-	-	-	-	+

^a Based on official Soviet statistics for production and consumption of major food products for 1988. Plusus indicate that area produces more than sufficient quantities based on historical consumption levels. Minuses indicate an area produces less.

^b Includes butter.

^c Adjusted for feed use.

This table is Unclassified.

gia and Azerbaijan, have been thrown into disarray because of public displeasure with their leaders' posture during the coup. Legitimacy of some governments will increase as elections are held in several republics and localities this fall. This will probably be sufficient to sustain these governments politically over the next year. ~~(C/NF)~~

How long popular support for elected governments and democratic principles will endure under harsh economic conditions is highly uncertain. Voter support for Yel'tsin and other democrats, as well as popular opposition to the attempted coup, were based largely on antipathy toward Communism. Now that democratically elected leaders are being held accountable for the economy, their public support will erode as conditions worsen. Political forces arguing for authoritarian solutions will gain increased support in Russia during the year, but not political power. ~~(C/NF)~~

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Soviet Food Supplies: Between Feast and Famine

The decline in Soviet food production this year is aggravating food shortages, and food supplies will diminish in the months ahead. Widespread famine appears unlikely, however, barring a much more serious breakdown in the economic system. On the supply side:

- This year's estimated grain crop of 185 million tons is down 50 million tons from last year but is only about 10 million tons below the average harvest for the last decade.
- Soviet data show that overall food production was down about 8 percent in the first six months of the year, as compared with the same period in 1990. Output of potatoes and vegetables will be higher than last year, but the production of meat and milk will be down for the second consecutive year.
- Imports of substantial quantities of foodstuffs and seed continue despite the hard currency crunch.
- Republics, cities, and enterprises have been lining up bilateral barter agreements for food in exchange for consumer goods, energy, and raw materials. ~~(C-INT)~~

Nevertheless, severe food shortages probably will develop in some localities, due largely to distribution problems:

- The disintegration of authority and increasing republic autarky have left officials preoccupied with political solutions and requests for Western food assistance at the expense of the harvesting and handling of this year's farm production.
- Widespread panic buying and hoarding the last two years have left wholesale and retail inventories of food at their lowest levels in several years. Although this implies private stocks are up, they are unevenly distributed.
- Hoarding is also occurring in the countryside and by various republics. Farms and local officials are refusing to sell grain because they think prices may soon be raised or decontrolled.
- Ukraine and several other republics have banned the export of harvested grain and other foodstuffs, at least until internal needs are met. Many republics have erected border customs posts to control the movement of goods. ~~(C-INT)~~

Public readiness for a market economy is even less certain. Although opinion polls show rising support for marketization, popular understanding of this concept and willingness to endure the pain remain in doubt. It is very likely that large-scale public demonstrations and work stoppages will occur if major market reform measures are pursued vigorously.

~~(C-INT)~~

The public's disdain for Communism has seriously weakened the party, but it has not yet destroyed it. In parts of Central Asia and the Transcaucasus, where democratic movements are weak, Communist Party structures are being transformed into instruments of control under the banner of nationalism. At the center

and in the Slavic republics, Communists will continue to lose their influence over policymaking, although in the short term they may retain considerable influence over policy implementation. ~~(C-INT)~~

Republic Cooperation

Despite the "independence fever" that has swept the USSR, the "10 + 1" process recognizes the need to maintain some links and a mechanism to facilitate continuing cooperation.¹ Interrepublic cooperation

¹ 10 + 1 refers to the agreement among 10 republics plus Gorbachev, ratified at the recent Congress of People's Deputies, to accept the interim governmental structures and to move toward cooperation on political, economic, and military issues. (U)

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Table 6
Possible Ethnic Flashpoints
Over the Next Year

	Potential for Significant Violence		
	High	Medium	Low
Moldova			
Ethnic Ukrainian and Russian minorities	X		
Turkic Gagauz minority	X		
Central Asia			
Ethnic Russian minorities in Uzbekistan, Tajikistan, and Kyrgyzstan		X	
Ethnic Russians in Kazakhstan			X
Islamic fundamentalism			X
Transcaucasus			
Armenian enclave of Nagorno-Karabakh	X		
Azeri exclave of Nakhchivan			X
Nationalist opposition to Azerbaijan government	X		
Opposition to Georgian President Gamsakhurdia	X		
Ukraine			
Ethnic Russians in Crimea, eastern Ukraine			X
Ethnic Poles in western Ukraine			X
Uniate-Orthodox religious tensions			X
Russia			
Separatists in Tataria		X	
Chechen-Ingush nationalists		X	
Ossetian unification movement	X		
Access to Kaliningrad through Lithuania			X

This table is ~~Confidential/Noform~~.

also is required to contain such explosive social and political issues as the status and rights of ethnic minorities and the permanence of republic borders. Interethnic conflict is on the rise and will be aggravated significantly if the republics accelerate their unilateral moves toward independence. The sorting out of relations between the republics will take most of the decade, however. ~~(C/NF)~~

Diminishing Role of the Center

Whatever cooperative arrangements emerge, the republics do not want to re-create a central government with independent power. *Central institutions will be vehicles for coordinating interrepublic cooperation and for reaching and carrying out collective decisions.* Over the next year:

- A central government will probably play a coordinating role in the area of defense, with republics acting collectively through a state-council-like structure to determine defense policy. Republics will attempt to oversee the activities of central forces within their borders. Some republics such as Ukraine will establish territorial defense forces of their own.
- A central government will probably continue to take the lead on broad foreign policy and national security issues. The republics, especially Russia, will exert greater influence on all matters, and they will conduct their own policies toward countries and regions. They will also take increasing responsibility for foreign economic relations. Mixed signals and contradictory policies are sure to result.
- The center's economic role will depend on the outcome of debate over the proposed economic union. Most decisions on monetary policy, debt repayment, and other key questions probably will be coordinated, but there are strong differences between and within republics over the powers of the center on these questions. The center will be able to issue directives or impose an economic reform blueprint, but only as the agent of the larger republics. However, enforcement of republic compliance with these directives will be problematical, given the compromise nature of the central structures. ~~(C/NF)~~

Gorbachev's power has diminished greatly along with that of the center. He will probably play an important role during the next year as facilitator of the coordination process and mediator of disputes between republics. His international stature also makes it likely he will remain a conduit to the West. As long as

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Table 7
Competing Visions of Economic Union

	Yavlinskiy	Saburov	Shatalin
Degree of unity	Federation of most former republics. Full members agree to all treaty provisions. Associate members accept coordinated monetary, budget, and tax policy.	Federation of core former republics. Others may participate as partial members in a customs union.	Economic community of former republics and some East European states. Members choose full, associate, or observer status.
Provisions for union market	One external customs. Goal is free movement of goods, capital, and labor. Economic laws harmonized.	Goal is one external customs, free movement of goods. Economic laws harmonized.	Goal is one external customs, free movement of goods, and perhaps labor. Economic laws harmonized.
Monetary policy	Ruble is common currency. Members may introduce own currency by special agreement.	Ruble is common currency for core states. Other members may have own by special agreement.	Members may have own currencies.
Fiscal policy	One tax system for all members. Limited budget for center formed from members' dues.	Members coordinate independent tax policies. Fund some national programs.	Members encouraged to coordinate independent tax policies. Fund few activities for center.
Price policy	Gradual, coordinated liberalization. Interim maintenance of state orders.	Phased transition to world prices.	Not specified.
Foreign economic relations	Foreign debt serviced jointly, new debt incurred individually or jointly.	Republics service foreign debt and receive new assistance. Republics conduct trade.	Republics may service debt alone or jointly. Each conducts trade.

This table is ~~Confidential Noform~~.

he stays aligned with Yel'tsin and the republics remain committed to working within a common institutional framework, he will be viewed as a valuable player and will continue to have some influence on the course of events. Non-Russian republics may also consider Gorbachev a potential counterweight to Yel'tsin, but a serious split between the two would be likely to spell the end of what remains of Gorbachev's power. Gorbachev could not win an election for the presidency once a new constitution is written without strong support from Yel'tsin and other key republic leaders. ~~(CONF)~~

Russia's Preeminence

Russia is critical to the outcome of the ongoing transformation. There can be no confederation without Russia, and, without progress toward democracy in Russia, the prospects for its development in the remaining republics are significantly diminished. Without a healthy Russian economy, the prospects for economic recovery elsewhere are bleak. ~~(CONF)~~

Political trends in Russia favor fundamental change. Yel'tsin has done more than other republic leaders to strengthen democratic institutions, and his advisers and allies have a record of support for democracy and economic reform. Moreover, his popularity and dynamic style of leadership make bold action to propel the republic forward more likely in the next year. ~~(CONF)~~

The depth and durability of the Russian leadership's commitment to democracy and market principles has yet to be tested, however, and some important uncertainties remain:

- Yel'tsin's propensity to rule by decree has raised concerns among fellow democrats over his commitment to constitutional order and due process.
- Although Yel'tsin and most other leaders of the republic have broken with the Communist Party, their centralizing instincts could die hard. ~~(CONF)~~

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What if Yel'tsin Leaves the Scene?

In Russia

Yel'tsin's absence from the Russian leadership would result in factional infighting among democrats and a slowing of reform measures that require a strong leader to keep the public on board. Russian institutions have had time to sink some roots, however, and the coup deepened the democratic direction of Russian policies. Any successor would probably not change course but would almost certainly have greater difficulty reaching a consensus and implementing reform throughout Russia. (C/NF)

Vice President Rutskoy would assume the presidency until new elections are held. Who would win an election is not clear. St. Petersburg Mayor Sobchak ranks a distant second in most recent public opinion polls, but his popularity would probably rise with Yel'tsin gone because of name recognition. Other officials such as Rutskoy, former Russian Prime Minister Silayev, KGB Chief Bakatin, Moscow Mayor Popov and Movement for Democratic Reform leader Aleksandr Yakovlev have registered in polls, but all lack Yel'tsin's grassroots support. (C/NF)

In the Economy

The loss of Yel'tsin's guiding hand would slow current negotiations to preserve an economic union as well as Russia's own progress toward economic reform. It would also make implementing austerity measures much more politically risky. Without Yel'tsin's commitment to maintaining interrepublic economic relations—including a single currency and common tariffs and monetary policy—forceful advocates of autonomy within Russia would push for the republic's independence. (C/NF)

At the Center

Yel'tsin's absence from the political scene would probably raise Gorbachev's standing—as the only other leader with significant national recognition—but without Yel'tsin behind him, he may have a more difficult time working out agreements with other republic leaders. Yel'tsin's cooperation with Gorbachev has been a driving force behind progress on the union treaty. Without Yel'tsin, voices in the Russian government advocating a "go it alone" strategy may gain prominence and Russia may not have the same ability to jawbone other republic leaders into supporting some union structures. (C/NF)

The growing assertiveness of "autonomous" regions, particularly Tatarskaya, threatens the governability and cohesiveness of the Russian Republic. Their status has been problematic for Yel'tsin since the beginning of the union treaty process. When local elections occur in Russia, the leaders of these regions are likely to grow even more assertive as they seek to satisfy their constituents. Some conflict with Yel'tsin's appointed plenipotentiaries is certain. Local leaders will almost certainly try to exploit a weakening of Yel'tsin's political position or that of Russia vis-a-vis other republics. (C/NF)

Russian nationalism, already a formidable force in republic politics, will grow over the next year and would be fanned by mistreatment of Russian minor-

ities in other republics. Nationalist extremists are currently a small element on the Russian political spectrum, but their influence may grow markedly if public support for the current government erodes more than we anticipate. An increase in the political influence of antidemocratic Russian nationalism would heighten the fear in the other republics of resurgent Russian imperialism. (C/NF)

Ukraine Heads Toward Independence

The durability and effectiveness of a new union depends heavily on the role of Ukraine. Kravchuk and other Ukrainian leaders seem inclined toward participating in a confederation agreement, but they are

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under strong pressure from nationalist forces to pursue independence. As the 1 December presidential election and referendum on independence approach, Kravchuk will look for opportunities to demonstrate his commitment to protecting Ukrainian sovereignty, even if it means publicly supporting withdrawal from the "10 + 1" process and going for complete independence. (C/NF)

Ukraine is almost certain to approve the independence resolution in December. We do not know how complete the break with Russia and other republics will be. If Kravchuk wins the presidential election, Ukraine will probably agree to at least associate status in a confederation and continue a measure of cooperation on economic and military issues. A sharper break would probably occur if his opponent wins and would have serious consequences:

- A disruption of trade links between Ukraine and other republics would have a major impact. Ukraine depends on Russia for imports of crude oil and other energy supplies. Russia and other republics depend heavily on Ukraine for food.
- Opposition to total independence by Russians, Russified Ukrainians, and other ethnic groups living in Ukraine would pose a serious threat to political stability, raise border issues with Russia, spark violent incidents, and at a minimum make bilateral cooperation more difficult.
- Disagreement over control of military assets on Ukrainian territory probably would intensify. Ukraine would probably reverse its position on removing nuclear weapons from the republic and demand that they be put under command and control of the Ukrainian military. It would also take steps toward creating a large republic standing army, and demand that all union forces withdraw from the republic. (C/NF)

Three Alternative Scenarios

The large number of variables could eventually lead to widely differing political, economic, and military outcomes in the former USSR. We believe three scenarios—*confederation*, *loose association*, and *dis-*

The Heated Presidential Race in Ukraine

The presidential election scheduled for 1 December in Ukraine has spawned a heated race between parliamentary chairman Leonid Kravchuk and his nationalist opponents. Kravchuk is currently the frontrunner. Although tainted by his Communist past and his perceived indecisiveness during the coup attempt, his strengths as a consensus builder and astute politician have kept his position strong. Moreover, his vision of an independent Ukraine as part of a loose economic association and a collective security arrangement probably appeals to the majority of the voters. Kravchuk wants to bridge regional differences between the Russified east and the nationalistic west. He could fall behind the nationalist momentum, however, and become vulnerable to a more charismatic, nationalist opponent. (C/NF)

The leading challenger, endorsed by the nationalist organization Rukh, is Vyacheslav Chornovil. He and other nationalist candidates support the goal of complete independence within 18 months. Chornovil has expressed reluctance to hand over to Russia nuclear weapons situated on Ukrainian territory. The increasing strength of anti-Communist, separatist sentiment since the coup has bolstered Chornovil's prospects, but he and other nationalist candidates, such as Lev Lukyanenko, do not have as much support in the populous eastern and southern Ukraine. (C/NF)

integration—capture the range of possibilities over the next year or so. Elements of all three are likely to be encountered. (C/NF)

Confederation

This scenario is the preferred outcome of Gorbachev and Yel'tsin. The leading republics agree on and implement a workable framework for close cooperation. The framework allows each republic to set its

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Indicators of Confederation

- Agreements between 10 republic leaders and Gorbachev on economic union and economic reform.
- Rapid movement toward/agreement on constitution establishing confederation's political structures and power-sharing arrangements.
- Nationalist elements in republics fail to press demands for independence; agree to abide by terms of confederation.
- Yel'tsin and Gorbachev continue to cooperate.
- Economic problems do not intensify dramatically; no large-scale labor unrest.

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own basic political and economic course, but it provides for a coordinated approach to monetary and financial policy, interrepublic trade, debt repayment, foreign affairs, and defense. Lines of authority are clarified, and foreign governments can identify and deal with the appropriate levels of government on different policy questions. Republic governments remain stable through the food and fuel crises this winter, and democratic institutions and practices in Slavic areas at least gain strength. ~~(C NE)~~

Internal Implications. Economic. While the republics would suffer the consequences of economic trends evident before the abortive coup, the damage would be contained and the longer-term prospects for stabilizing and reforming the economy would improve:

- The republics would not enact disruptive measures, such as tariffs, exorbitant energy and commodity price hikes, and cancellation of contracts.
- Some control over the money supply would be ensured, with a single currency remaining the means of interrepublic exchange. If republic currencies were allowed, a union banking agreement would restrain the printing of money. ~~(C NE)~~
- Coordination of fiscal policies could begin to arrest the growth of budget deficits. Agreement on republic and local tax contributions to the center would facilitate narrowing the central budgetary gap.

- Some republics—particularly Russia—would press ahead more vigorously toward a market economy, although Polish-style “shock therapy” would not be tried in the next year.
- Some old-style administrative approaches aimed at stabilization, including state orders and wage and price controls, would remain, but the overall environment for foreign investment and membership in international economic organizations would be improved. ~~(C NE)~~

Political. This scenario would provide the best prospects for political stability and, therefore, democratic change throughout the confederation. Interrepublic cooperation would help prevent interethnic tensions from escalating into violent conflicts within or between republics. ~~(C NE)~~

An agreement to establish a confederal political structure would enable a central government to continue to exist and do business with foreign governments, but the center would not dominate the republics. The sphere of central responsibilities would be greatly reduced, as would the central bureaucracy and the power of the presidency. The authority of these institutions would be enhanced by popular elections. ~~(C NE)~~

Russia would be the most powerful state in the confederation. All major policies of the center would require Russia's concurrence, but the other republic members would try to use central structures to check Russian dominance. ~~(C NE)~~

Gorbachev, in alliance with Yel'tsin, would be a key player in the negotiations on the economic and political framework for interrepublic cooperation, at least until elections are held. As head of the interim government, he and his foreign ministry would remain the chief interlocutors with foreign governments, but he would not have the power to make major foreign policy decisions without the republics' concurrence. ~~(C NE)~~

Military. Military reform would accelerate. Under this scenario, a common decisionmaking structure would allow for a reasonably coherent and controlled

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Figure 3
System Confederation: "The Union of Sovereign States"



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force reduction as well as restructuring. A unified command over strategic and general purpose forces would be retained, preserving the stability of the armed forces and providing the strongest guarantees for the security of nuclear weapons. The center would also retain operational control of smaller air and naval forces and rapid reaction ground forces, backed up by republic-controlled reserves. ~~(C/NF)~~

The republics probably would spend less of their own money in establishing their own military forces. Although the military under a unified command would

have some influence in government circles, they would not be able to protect the armed forces from drastic reductions. ~~(C/NF)~~

Implications for the West. This scenario would provide a more predictable path to the future. A new confederal union would remain a major military power, but would be strongly committed to reducing the defense burden through negotiations and unilateral cuts. The prospects would be good for ratifying the

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CFE and START agreements, as would the chances that implementation and verification of arms control agreements would not be disrupted. (C/NF)

The West inevitably would have to deal with a proliferation of foreign policies as republics seek representation in international forums. Under this scenario, however, it is less likely that these foreign policies would work at cross-purposes. (C/NF)

The smaller threat of political instability and inter-republic conflict under this scenario would reduce but not eliminate the risks to Western engagement. As economic performance continued to decline, at least in the short term, the outlook for Western trade and investment would remain poor. Debt default might be averted, but large-scale debt restructuring would be likely. (C/NF)

With demands for aid increasing from all republics, Western governments would have to channel most assistance directly to them. A union agreement, however, would facilitate inter-republic coordination in the allocation and distribution of assistance and make the economic and political climate more favorable for foreign investment. (C/NF)

Under this scenario, the republics would exert their independence in bilateral relations but would allow the central foreign ministry to represent their interests in arms control and other multilateral republic matters. They would retain responsibility for framing the discussion of foreign policy questions in inter-republic bodies, for communicating Western proposals to those bodies, and for negotiating with Western partners. While Gorbachev remains president, his experience, international stature, and skills at persuasion would give him considerable influence in determining the outcome of collective decisions. (C/NF)

Loose Association

In this scenario, the process of political and economic reform continues, but several republics—most important, Ukraine—go their own way. The republics—including some that have opted for independence—form a loose common market, but implementation of common economic policies is hindered by the absence of strong political ties among all the republics. Vary-

Indicators of Loose Association:

- Agreement is reached on forming a loose economic union.
- Russia, other republics, conclude series of bilateral agreements on economic and political cooperation.
- Strong vote for Ukrainian independence in 1 December referendum leads to severing of ties to confederation.
- Chornovil defeats Kravchuk in presidential election.

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ing degrees of political cooperation exist, however: several republics, most likely those of central Asia and possibly Byelorussia, agree to association with Russia. Although Russia and the associated states try to coordinate foreign and military policy, the republics basically pursue independent policies in these areas. (C/NF)

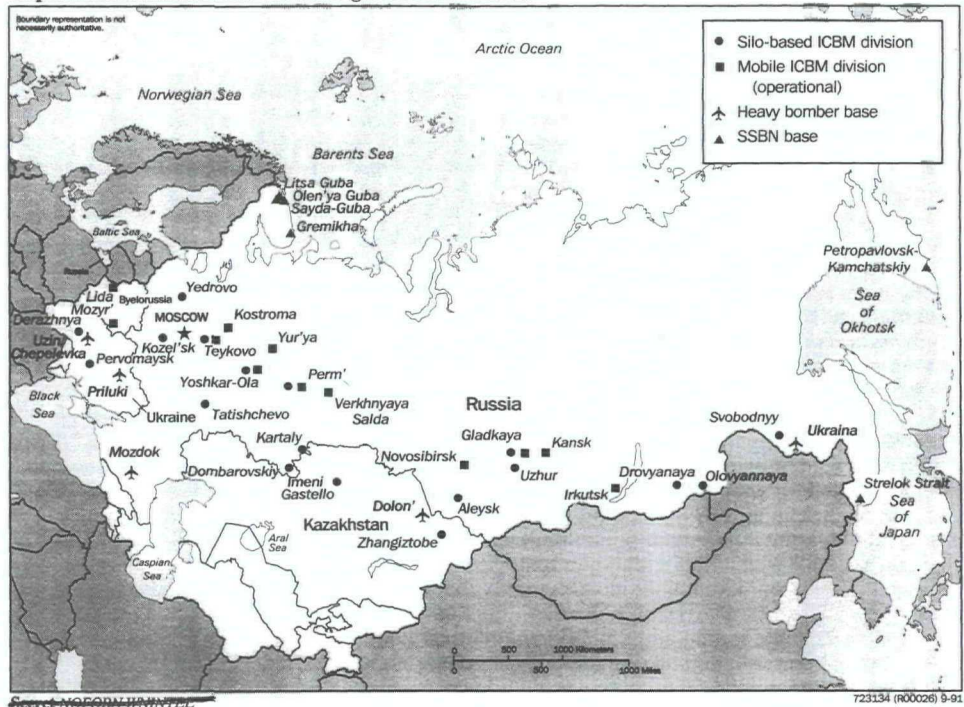
Internal Implications. Economic. The republics would reach broad agreements covering fiscal and monetary targets, a common currency, and foreign debt repayment. The republics are unlikely, however, to reach consensus on the details needed to effectively carry out all of the provisions of the common market. Trade disruptions and shortages would intensify because of the lack of strong enforcement mechanisms, the differing pace of economic reforms within each republic, and growing republic protectionism. Under these circumstances, republic administrative decrees aimed at stabilization would increase; necessary, but unpopular, steps toward marketization would slow. (C/NF)

Political. Russian dominance of any political association would heighten fears among other republic leaders of Russian hegemonism. Even if Russia did not behave toward these republics in a heavy-handed fashion, fears of Russian domination would jeopardize the long-term survival of this association. The legitimacy of some republic leaders would become more

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Figure 4
 Republic Distribution of Soviet Strategic Offensive Forces



fragile as they failed to halt their republics' economic slide. This would lead to increased popular discontent and pressures to adopt more authoritarian measures. Gorbachev's political role would be minimal. ~~(C NF)~~

removal or destruction of strategic weapons on their territory. Some republic leaders might insist on obtaining control of the tactical nuclear arsenal on their territories as a hedge against Russian imperialism.

~~(C NF)~~

Military. Russia and the associated republics could agree to smaller centrally commanded strategic and general purpose forces, but the non-Russian republics would expand the "national guard" units under their control to counterbalance a Russian-dominated army. Ukraine would press ahead with forming its own armed forces and would seek removal of central forces remaining in the republic. Ukrainian and other non-Russian republic leaders probably would agree to

Implications for the West. Western governments would be dealing mostly with Russia and Ukraine as those republics tried to develop democratic governments and market economies. The other republics, however, would be sensitive to Western, Russian, or Ukrainian conduct that suggested their interests could be ignored. Because the republics would insist on

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conducting a significant portion of their own foreign affairs, there would be greater difficulty in negotiating and ensuring compliance with international agreements. At the same time, most republics would be eager to expand their contacts and cooperation with the West, primarily for economic reasons. The individual republics would be even more eager for economic assistance given the difficulty of negotiating effective mechanisms for interrepublic economic cooperation. They would also seek membership in regional and international organizations and pursue collective security agreements. (C/NF)

Russia and its associates would adhere to arms control agreements and pursue follow-on negotiations aimed at ensuring even deeper force cuts. Ukraine's decision to build up its own forces would endanger the implementation and verification of existing treaties. (C/NF)

Disintegration

Efforts to form a new confederation and an economic community fail. Interrepublic cooperation is modest and bilateral. Animosity between republics rises sharply, and, as nationalism becomes a more virulent force, threats and counterthreats crop up over border disputes. Separatist movements in the republics gain popular strength, and the integrity of the Russian Republic is undermined as some ethnic minorities pursue their independence. Republics assume control over economic resources and establish strict border and tariff controls, but leaders cannot cope with mounting economic and political problems. Nationalist, authoritarian politicians and political parties gain strength. The potential for rightwing coups in key republics increases. (C/NF)

Internal Implications. Economic. The republics would be left to their own devices. For a short time, Russian leaders would have the popular support and political will to attempt economic reforms, but serious food shortages exacerbated by barriers to interrepublic trade would soon erode their legitimacy. Other republic leaders would be overwhelmed by economic problems and look outward for assistance. Central Asian republics would look toward the Middle East for help. The success of efforts in Russia and the other democratically oriented republics would depend largely on the conclusion of trade agreements with the West

Indicators of Disintegration:

- Negotiations on political and economic cooperation collapse.
- Economic conditions deteriorate sharply; numerous incidents of food shortages, perhaps famine, provoke large-scale strikes.
- Rivalries between republic leaders intensify sharply; threats and counterthreats exchanged over treatment of national minorities within republics.
- Sharp growth in popularity of authoritarian political parties/movements calling for establishment of authoritarian regimes within republics.

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and the other breakaway republics, but negotiations probably would be prolonged. The pressure of time would be intense, however, because of mounting economic chaos. (C/NF)

Political. The inability of the Russian leadership to hold the confederation together would encourage national groups within its borders to assert their sovereignty in a scramble to seize control of critical economic resources. At the same time, Russian minorities in other republics, fearing hostile treatment, would attempt to migrate or seek unification with Russia, thereby increasing the prospects for civil strife. (C/NF)

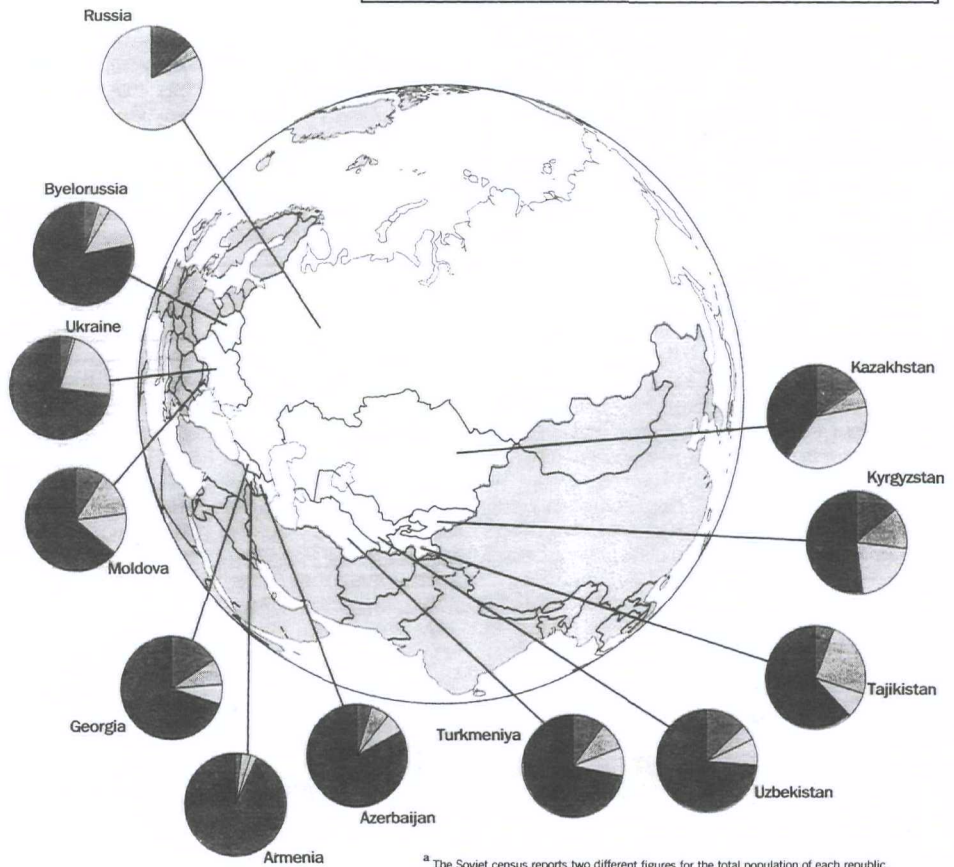
Xenophobic Russian nationalism would gain in strength as economic conditions worsened and as societal tensions increased. Leaders in the less democratically oriented republics of Central Asia, confronted by popular unrest and economic disorder, would quickly institute even more authoritarian measures. Over time, the fragmentation of the former USSR into a number of independent republics, some

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Figure 5
Comparative Nationalities,
by Republic

Republic	Russian (percent)	Minor Nationality (percent)	Total Republic Population (thousands) ^a
Russia	-	Tatar 4 15	147,002
Byelorussia	78	Polish 4 5	10,149
Ukraine	73	Jewish 1 4	51,449
Moldova	64	Ukrainian 14 9	4,332
Georgia	70	Armenian 8 16	5,396
Armenia	93	Azeri 3 2	3,304
Azerbaijan	83	Armenian 6 5	7,020
Kazakhstan	40	German 6 16	16,463
Turkmeniya	72	Uzbek 9 10	3,512
Tajikistan	62	Uzbek 24 6	5,090
Uzbekistan	71	Tajik 5 16	19,808
Kyrgyzstan	52	Uzbek 13 14	4,258



Boundary representation is not necessarily authoritative.

^a The Soviet census reports two different figures for the total population of each republic. One is based on the number of people in the republic on the day the census was conducted. This map uses the other, which is based on the number of people reporting the republic as their place of permanent residence.

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of them politically unstable and hostile toward one another, would increase the likelihood of serious civil conflict. ~~(C/NF)~~

Military. Russia would assume immediate control of the conventional and nuclear forces on its territory and probably would try to do so over some assets in other republics. Non-Russian republics would move quickly to establish their own armed forces for protection against Russia, against one another, or against other states along their borders. Economic difficulties would limit their size and capabilities, however. Russia would still be under strong pressure to continue to cut military spending in an effort to overcome its economic problems. ~~(C/NF)~~

The risk of serious civil conflict would rise as the republics attempted to assert authority over military installations and units within their territory. Many commanders and soldiers would have to decide to whom they owed their allegiance; their willingness to submit to a new authority or lay down their arms would be an open question. ~~(C/NF)~~

The disposition of nuclear weapons would be a much more contentious issue in this scenario. As each republic looked to its own security, some republics with nuclear weapons would seek to assert operational control over them, rather than turning them all over to Russia. Authoritarian political leaders, unconstrained by central authority or even a loose confederation, would view nuclear weapons as a means of enhancing the status of their republic in the eyes of the world. ~~(C/NF)~~

The probability of military intervention in politics would increase as political instability deepened. An alliance between military leaders and nationalists would form that would threaten the constitutional order. ~~(C/NF)~~

Implications for the West. The fragmentation of the former USSR would confront the West with grave dangers because of the chaos and unpredictability of events within the republics. The disappearance of reliable central control over nuclear weapons in some

republics, as well as uncertainty over their disposition, would increase the prospect of nuclear weapons falling into terrorist hands. The risk would mount of an accident involving such weapons within the former boundaries of the USSR or even their use in inter-republic conflict. Use against the outside world would be much less likely. The danger that nuclear materials and expertise would find their way to other states seeking to develop nuclear weapons would become greater. ~~(C/NF)~~

Conflict within or between republics would pose serious risks for the West because violence could easily spill across international boundaries. Long-quiet border disputes probably would reappear, and the proliferation of republic armies would increase the likelihood that states would seek to resolve such disputes by force. Western countries and international organizations, such as the UN and CSCE, would be drawn into efforts to end such disputes given the possible stakes involved. ~~(C/NF)~~

This scenario would make implementing and verifying arms control agreements, particularly CFE, virtually impossible. The West would confront numerous uncoordinated foreign policies rather than one, and the willingness of many of the new states to enter into agreements in good faith would be questionable. Agreements on conventional forces in Europe probably would have to be renegotiated. It is doubtful, moreover, that the former members of the USSR could reach an agreement on reallocation of forces to comply with the CFE force ceilings. The START agreement would also be endangered if Ukraine, Byelorussia, or Kazakhstan attempted to retain control over strategic nuclear weapons on their territory. ~~(C/NF)~~

All the republics would call on the West to provide assistance to ameliorate the great economic hardships, but most republics could not pay for it and many would have domestic policies that would discourage providing it. Strife within and between republics would complicate aid efforts. ~~(C/NF)~~

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Prospects for Scenarios

Reality is likely to be more complex than any of three scenarios we have discussed in this Estimate. We believe, however, that they capture the broad range of possibilities. In our view, it is likely that conditions 12 months from now will most closely resemble the "loose association" scenario. Although the economic situation is grave and the republics are having serious problems in reaching agreement on key economic issues, most understand that they cannot survive on their own. This awareness argues strongly for some kind of economic association that will move, however haltingly, toward a common market-type system.

~~(C-INT)~~

We believe the "confederation" scenario is less likely. Ukraine will be the key: forces supporting confederation are currently favored to win the December elections, but their strength may be eroding and an upset is possible. Even if Ukraine is willing to work toward a new union, centrifugal forces may overwhelm the republics. Potentially the most explosive of these forces is unrest among the Russian minorities living outside the Russian Republic. A new center could offer little in the way of incentives to gain republic support. Although many republics would like to see a counterweight to Russia, they have no interest in buying into a strengthened center to get it.

Western help and expertise in laying the foundations of a market economy, building democratic political institutions, and reducing the burden of defense.

~~(C-INT)~~

Over the next year, the possibility of a catastrophic winter poses the most serious threat to the successful transformation of the old system. Western food assistance, targeted at key population centers and effectively distributed, would reduce the danger that popular anger over food shortages would destabilize democratic governments. If widely visible, such assistance could promote goodwill toward the West.

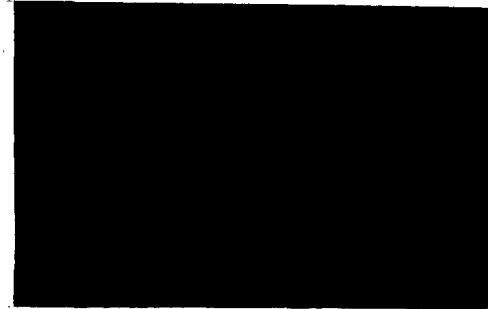
The least likely scenario within the time frame of this Estimate is "disintegration." Most republic governments have sufficient public support to sustain themselves through the difficult months ahead, and they understand the need for continued cooperation with other republics. Forces of reaction are too weak at present and their political prospects over the next year are poor unless an economic catastrophe occurs. Beyond the next year, however, this scenario becomes more likely if elected governments fail to stem the deterioration of economic conditions.

Getting the aid to where it is most needed, however, will not be an easy undertaking. Potentially serious shortages this winter of food, fuel, and medicines are scattered over large geographic areas. Well-documented problems with communications, transportation, and storage, as well as bureaucratic inefficiencies and black-marketeering, will hamper assistance efforts.

Western policies that would alleviate economic hardship and increase hope for better times ahead could help stave off further political fragmentation and instability. These include: a coordinated debt restructuring package, new credits, accelerated steps toward IMF membership, and a ruble stabilization fund.

~~(C-INT)~~

Receptivity to Western influence is greater than ever before. Central, republic, and even local leaders are eager for emergency economic assistance, and for



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Figure 6
The Republics on the Issues

- Yes
- ▲ No
- Unknown

Political Issues

- Democratic reformers in control
- Commitment to free elections
- Independence declared
- Commitment to human rights for all republic residents

	Armenia	Azerbaijan	Byelorussia	Georgia	Kazakhstan	Kyrgyzstan	Moldova	Russia	Tajikistan	Turkmeniya	Ukraine	Uzbekistan
Democratic reformers in control	●	▲	▲	▲	▲	●	●	●	▲	▲	●	▲
Commitment to free elections	●	▲	▲	●	■	●	●	●	■	▲	●	▲
Independence declared	▲	●	●	●	▲	●	●	▲	●	▲	●	●
Commitment to human rights for all republic residents	▲	▲	●	▲	●	●	●	●	■	▲	●	▲

Economic Issues

- Commitment to market reforms
- Independent reform program emerging
- Commitment to independent monetary system
- Independent foreign economic relations

Commitment to market reforms	●	■	▲	▲	●	●	●	●	▲	▲	▲	▲
Independent reform program emerging	●	▲	●	▲	●	●	●	▲ ^a	▲	▲	●	▲
Commitment to independent monetary system	▲	▲	▲	●	▲	▲	▲	▲	▲	▲	●	▲
Independent foreign economic relations	●	●	●	●	●	●	●	●	●	●	●	●

^a Russia's precoup reform program is "on hold" pending discussions on new center-republic institutions but important reform elements, for example, land reform, are already in place.

Foreign Policy/Security Issues

- Independent foreign policy
- Declaration of nuclear free status
- Declaration of military neutrality
- Seeking membership in regional/international bodies

Independent foreign policy	●	●	●	●	▲	■	●	●	▲	▲	●	■
Declaration of nuclear free status	▲	▲	●	●	▲	▲	●	▲	▲	●	●	▲
Declaration of military neutrality	▲	▲	●	▲	▲	▲	▲	▲	▲	▲	●	▲
Seeking membership in regional/international bodies	●	●	●	●	▲	▲	●	▲	▲	●	●	▲

Stability Factors

- Serious ethnic unrest
- Strong local separatist movements
- Current conflict with other republics

Serious ethnic unrest	●	●	▲	●	▲	●	●	▲	▲ ^b	▲	▲	●
Strong local separatist movements	▲	●	▲	●	■	▲	●	●	▲	▲	▲	▲
Current conflict with other republics	●	●	▲	▲	▲	●	▲	▲	▲ ^c	▲	▲	■

^b Several areas of serious unrest, but these are localized and do not threaten Russia as a whole.

^c Ethnic and territorial tensions exist, but so far no direct clashes or conflicts.

Military Issues

- Independent defense ministry
- Forming own military
- Claims to military installations on territory

Independent defense ministry	●	●	▲	●	▲	▲	●	●	▲	▲	●	●
Forming own military	●	●	^d	●	●	▲	●	●	▲	▲	●	●
Claims to military installations on territory	■	■	▲	●	▲	▲	■	▲	▲	▲	●	▲

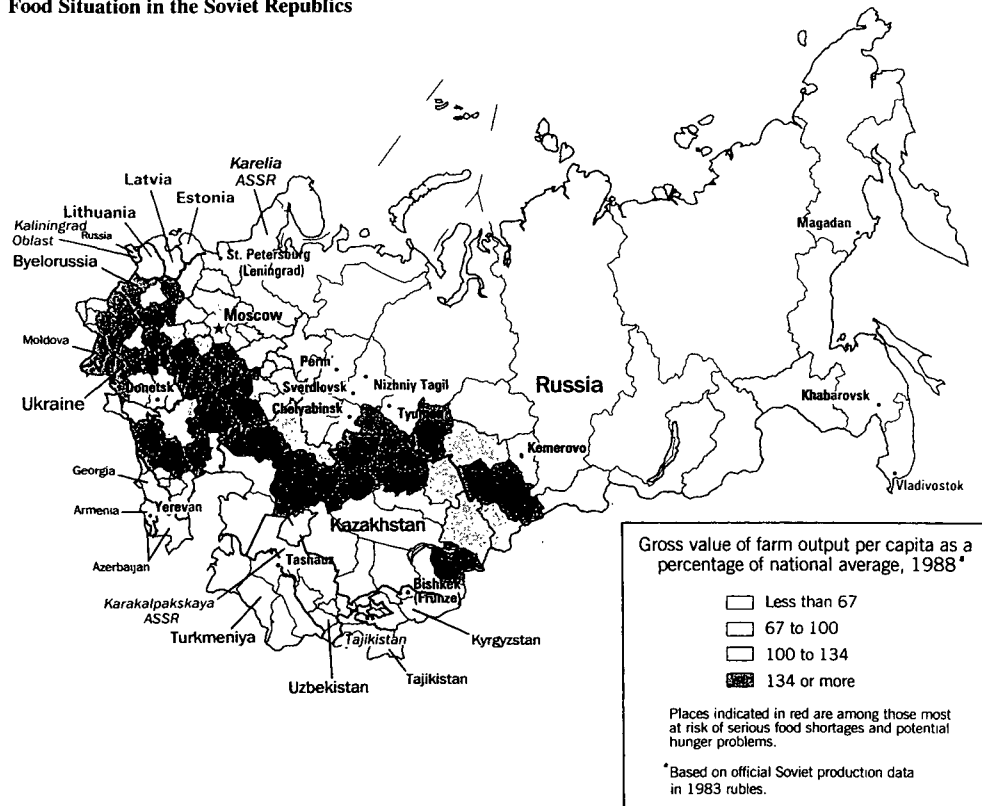
^d Internal troops only.

^e At this point, only a small national guard.

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Figure 7
Food Situation in the Soviet Republics



Boundary representation is not necessarily authoritative.

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In either the "confederation" or the "loose association" scenarios, the West would have influence on subsequent developments by focusing primarily on Russia and Ukraine. Russia would be the principal player in decisionmaking for defense policy and arms

control. It would have the best chance among the republics of carrying out economic reform and political democratization. The West could coax, but not compel, Ukraine toward a more cooperative approach with Russia and other republics as well as toward more democratic processes in internal policies. Tensions over such issues as borders, minority rights,

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economic relations, and military forces could be reduced with the help of Western "good offices" [REDACTED]
[REDACTED] Thus, to the extent that Western involvement facilitated cooperation, it could affect developments elsewhere. (C NF)

Western influence would be most limited under the "disintegration" scenario. If authoritarian regimes came to power in the republics, they would want Western economic assistance and cooperation, but they would resist [REDACTED] demanding respect for human rights and democratic freedoms. It would be especially difficult to promote republic cooperation in working out common problems. As nationalist sentiment grew stronger, anti-Western feelings would become more pronounced. (C NF)