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COLD WAR INTERNATIONAL HISTORY PROJECT

WORKING PAPER #87

# Pointing to the Emerging Soviet Dead Ends

## NATO Analysis of the Soviet Economy, 1971-1982

By Evanthis Hatzivassiliou



# THE COLD WAR INTERNATIONAL HISTORY PROJECT WORKING PAPER SERIES

**Christian F. Ostermann and Charles Kraus, Series Editors**

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# Pointing to the Emerging Soviet Dead Ends: NATO Analysis of the Soviet Economy, 1971-1982

Evanthis Hatzivassiliou

Each of the two Cold War worlds claimed that it represented the best answer to the problems of modernity. Their records in the fields of development, growth rates, Gross National Product (GNP, for the West) or Net Material Product (NMP, the indicator used in the Soviet world), consumption, and per capita income significantly affected the dynamics of the Cold War conflict. Economic success was thus a major component of Cold War arsenals. By the 1960s, when the immediate needs of postwar reconstruction had been met, a more elaborate international economy started to emerge, in which trade, credits, financial and monetary affairs, as well as indebtedness, the efficient use of resources, and the raising of the standard of living in the more demanding societies of both East and West played an increasingly important role.<sup>1</sup>

This study discusses a dense and transitory period. The year 1971 was a major turning point in postwar history. The unilateral abandonment of the Bretton Woods system by the US was a clear sign that the West was entering a period of economic distress. This also caused tense disagreements between the US and the European Communities (EC). Moreover, major changes occurred in the international system, principally the American rapprochement with China, followed by President Richard Nixon's visits to Beijing and Moscow. Nixon himself referred to 1971 as "the watershed year."<sup>2</sup> The analysis ends in 1982, when Leonid Brezhnev died, and new models of governance were visibly emerging in the West, allowing it to overcome the difficulties

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<sup>1</sup> On the importance of the economic and social conditions in the strengthening of the legitimization of the two Cold War systems, see among others, Melvyn P. Leffler, *For the Soul of Mankind: the United States, the Soviet Union and the Cold War* (New York: Hill and Wang, 2007); Odd Arne Westad, *The Global Cold War* (Cambridge: Cambridge University Press, 2007); John Lewis Gaddis, *We Now Know: Rethinking Cold War History* (Oxford: Oxford University Press, 1997), 189-220; Charles S. Maier, *Dissolution: the Crisis of Communism and the End of East Germany* (Princeton: Princeton University Press, 1997); David G. Engerman, "The Romance of Economic Development and New Histories of the Cold War," *Diplomatic History* 28, no.1 (2004): 23-54; Richard N. Cooper, "Economic Aspects of the Cold War, 1962-1975," and Wilfried Loth, "The Cold War and the Social and Economic History of the Twentieth Century," in *The Cambridge History of the Cold War*, eds. Melvyn P. Leffler and Odd Arne Westad (Cambridge: Cambridge University Press, 2010), 2: 44-64 and 503-523 respectively; Mark Kramer, "Ideology and the Cold War," *Review of International Studies* 25, no.4 (1999): 539-576.

<sup>2</sup> *Foreign Relations of the United States* (hereafter *FRUS*), 1969-1976, Volume I, Foundations of Foreign Policy, 1969-1972 (Washington, DC: United States Government Printing Office, 2003), Nixon, Third Annual Report on US Foreign Policy, 9 February 1972, doc. 104.

of the previous years. By the late 1970s and the early 1980s a whole era had ended—the epoch of the New Deal and of systematic state intervention in the Western free economies—and was being replaced by novel methodologies of government, seeking a relative reduction of the state’s role in the economy.

At the same time, important changes were evident on additional levels. As we now know, during the 1970s the Western world slowly entered the post-industrial era.<sup>3</sup> Breathtaking advances in technology opened new fields of activity and of international scientific cooperation, unthinkable in earlier days, such as computers, satellites, communications, the Sea Bed, and the environment. The human rights agenda was rising, and was proving particularly relevant for societies which had overcome the immediate need for post-1945 reconstruction and were seeking to improve the “quality of life.” Monetary issues became crucial after 1971, and especially after the first oil shock of 1973. The first signs of a “globalization” of problems emerged, and the term was first used by the *New York Times* in 1974.<sup>4</sup>

On the other side of the Iron Curtain, the Soviet economy was facing its own predicaments. Although the Soviet Union entered the 1970s in seemingly satisfactory shape, by 1982 the picture was reversed, and the superpower of the Second World was facing economic stagnation that its political system seemed unable to reverse. Effectively, the West was able to adjust to the demands of the new, post-industrial era, whereas the failure of the Soviet system to do so would prove decisive for the outcome of the Cold War.

This study assesses the evolution of Western perceptions of the Soviet economy during this transitory era. The study of NATO analysis does not involve only the complicated Soviet facts, political or economic. It also concerns Western consultation processes, worldviews, and perceptions. It mostly involves the interaction of national perspectives in one of the major institutions of the West, NATO. In this respect, it is crucial to take into account some of the fundamental assumptions—not always unspoken—of Western analysts, which formed the

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<sup>3</sup> See, among others, Philippe Chassaigne, *Les années 1970 : fin d’un monde et origine de notre modernité* (Paris: Armand Colin, 2008) ; Niall Ferguson, “Crisis, What Crisis? The 1970s and the Shock of the Global,” in *The Shock of the Global: the 1970s in Perspective*, eds. Niall Ferguson, Charles S. Maier, Erez Manela, and Daniel J. Sargent (Cambridge, Mass.:The Belknap Press of Harvard University Press, 2010), 1-21; Daniel J Sargent, *A Superpower Transformed: the Remaking of American Foreign Relations in the 1970s* (Oxford: Oxford University Press, 2015), introduction.

<sup>4</sup> Daniel J. Sargent, “The United States and Globalization in the 1970s,” in *The Shock of the Global*, 49-64.

background of their analysis. First, the economic problems of the 1970s created a nightmare for Western societies, analysts and governments, triggering memories of the disastrous consequences of the previous great crisis after 1929. Especially after the first oil shock, the relative advantage of the West—its economic might—seemed to be in doubt. This, then, was a much less confident West compared to the previous decades. Second, despite the strong evidence that the Soviet Union was facing a painful economic situation, it remained a hugely powerful adversary. The enormous Soviet military potential, conventional and nuclear, always remained a decisive factor in Western analysis. Thus, this study focuses on Western perceptions, the interaction of national perspectives, and the effort to produce a coherent Western/international understanding of a powerful opponent. In short, it is a study of NATO, rather than an objective review of Soviet economic or political history.

Despite the relative loss of Western self-confidence because of the problems of the Western economies and the recurring transatlantic differences of these years, by the mid- and late 1970s, NATO analysts pointed to severe problems in the Soviet political and economic system. Any Soviet advantage (for example the rise in oil prices) seemed to have short-term effects, whereas the weaknesses of a fundamentally conservative and rigid system appeared to be structural and chronic. Nevertheless, Western analysts kept pointing to the huge size of the Soviet economy and did not suggest that the Soviet system faced an existential danger. They noted that much would depend on the political abilities and dispositions of a new generation of Soviet leaders who were expected to emerge by the mid-1980s. The Western analysts neither foresaw nor wished for a “collapse” of the Soviet Union such as the one that occurred in 1991.

## The Debate on the Brezhnev Era: The Apex of Soviet Bureaucratic Stagnation

The riddles of the Soviet communist system—the economy, the society, and the political structure—have tormented scholars from the interwar period until our days. After 1991, thanks to declassifications in the former Eastern bloc, experts of Russian history and economic historians have managed to offer a comprehensive, though still evolving, picture of this polity. The Soviet economy boasted significant growth rates during the first postwar decades (especially in heavy industry), and by the late 1960s it also managed to effect a significant rise in the standard of living among Soviet citizens. Still, structural flaws—mostly excessive centralization, and major failures in agriculture—were apparent since the early 1960s, contributing to the palace coup which removed Nikita Khrushchev from the leadership of the Communist Party of the Soviet Union (CPSU) and of the state. The new collective leadership, under Leonid Brezhnev, represented mostly the interests of the party apparatus; they moved swiftly to undo Khrushchev's reforms and safeguard the party's control over the economy and the society. The 1965 "Kosygin reforms" proved a timid and ineffective attempt to deal with the major problems.<sup>5</sup>

The Brezhnev epoch has become a subject of fervent debate. Its description as an "era of stagnation" by his successor, Mikhail Gorbachev, is widely accepted, though this thesis is now moderated by many authors who point out that it also was a period of stability, internal peace, and continuing (though significantly reduced) growth. Taking into account the huge military power of the Soviet Union and its impressive successes in the Third World during the 1970s (mostly in Southeast Asia and in Africa), the Brezhnev era effectively represented—or so it seemed at that time—the high point of Soviet global power. Thus, the picture offered by the recent historiography becomes more nuanced and complicated. Brezhnev was the head of a collective leadership, able to negotiate arrangements in a complex political structure. Despite his decision to invade Czechoslovakia in 1968, he also proved to be a dedicated proponent of détente, which he considered necessary for his country in order to secure peace and access to Western credits and technology. During the 1970s, Moscow's control of Eastern Europe seemed

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<sup>5</sup> See, among others, Philip Hanson, *The Rise and Fall of the Soviet Economy: an Economic History of the USSR from 1945* (London: Longman, 2003), 70-97.

secure, although we now know that it was slowly being eroded by financial difficulties and the impact of the suppression of the Prague Spring.<sup>6</sup>

On the other hand, this was also a period when stagnation became evident for all to see in the Soviet system, mostly its higher echelons. The term “Soviet gerontocracy” tended to describe not only the leaders, but also the system as a whole and especially its inability to reform. During the Brezhnev years, the image of the Soviet Union as the “bright star in the East” was significantly blurred. Contrary to the heroic early age of the Soviet Union, which could inspire young intellectuals mostly in the Third World, by the 1970s the bureaucratic nature of an established regime tended to become much less appealing.<sup>7</sup> However, the Soviet economy was still growing, although at significantly reduced rates. The standard of living of the Soviet citizen had risen substantially, and in Soviet memory the Brezhnev years are remembered as socialism’s best epoch. Still, the rise in Soviet consumption was mostly recorded in the first half of the Brezhnev era, rather than in the second, which is the subject of this study. The turning point was the early- and mid-1970s, when growth rates dropped dramatically, and the economy could not deliver. Thus, scholars note that under the surface of the *immobilisme* of the Brezhnev years, Soviet society was changing, becoming better educated, more urbanized, and more demanding, as well as conscious of the privileges of the *nomenklatura*. The communist system continued to enjoy significant legitimization inside the Soviet Union (though not in the satellites), but there were ominous signs from a society whose demands were rising more quickly—and, sometimes, in different directions—than the system could accommodate.<sup>8</sup>

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<sup>6</sup> On Brezhnev’s foreign policy see, among others, Vladislav M. Zubok, *A Failed Empire: The Soviet Union in the Cold War from Stalin to Gorbachev* (Chapel Hill: The University of North Carolina Press, 2007), 201-222; Jonathan Haslam, *Russia’s Cold War: from the October Revolution to the Fall of the Wall* (New Haven and London: Yale University Press, 2011), 214-269; Matthew J. Ouimet, *The Rise and Fall of the Brezhnev Doctrine in Soviet Foreign Policy* (Chapel Hill: The University of North Carolina Press, 2003), 65-66 and 84-88; Vladislav Martin Zubok, “The Soviet Union and Europe in the 1970s,” in *Europe in the International Arena during the 1970s: Entering a Different World*, eds. Antonio Varsori and Guia Migani (Frankfurt am Main: Peter Lang, 2011), 143-158; Marie-Pierre Rey, “The USSR and the Helsinki Process, 1969-75: Optimism, Doubt or Defiance?,” in *Origins of the European Security System: the Helsinki Process Revisited, 1965-75*, eds. Andreas Wenger, Vojtech Mastny, and Christian Nuenlist (London: Routledge, 2008), 65-81.

<sup>7</sup> Westad, *The Global Cold War*, 32-38.

<sup>8</sup> Hanson, *The Rise and Fall of the Soviet Economy*, 98-162; Archie Brown, *The Rise and Fall of Communism* (London: Bodley Head, 2009), 398-418; Stephen E. Hanson, “The Brezhnev Era,” in *The Cambridge History of Russia*, ed. Ronald Grigor Suny (Cambridge: Cambridge University Press, 2006), 3: 292-315; Edwin Bacon, “Reconsidering Brezhnev,” Ian D. Thatcher, “Brezhnev as a Leader,” and Mark Harrison, “Economic Growth and Slowdown,” in *Brezhnev Reconsidered*, eds. Edwin Bacon and Mark Sandle (Basingstoke: Palgrave Macmillan,

The situation was even worse in debt-stricken Eastern Europe, which after the mid-1970s faced increasing shortages of goods, while its regimes, lacking legitimacy, did not have the capacity to take stern measures to remedy the situation. Although it was not fully appreciated at that time, “the bloc was not merely on the verge of economic bankruptcy; more consequentially, it was politically bankrupt.”<sup>9</sup> The Kremlin needed to subsidize both its satellites and the consumption of its citizens, despite the fact that the products available were becoming more and more inadequate: “At least for a while, the state budget became the opium of the masses.”<sup>10</sup> It was this nexus of Soviet and East European realities that created the dead ends.

Recent literature also points to issues involving the interaction between medium- and long-term trends of the international system and Soviet social realities. The rise of the “national question” in Brezhnev’s Soviet Union, especially the ascent of Russian nationalism—fundamentally incompatible with the main ideological instrument of the regime, communism—was a major challenge, which the Brezhnev leadership made worse by its usual response of avoiding to address the problem.<sup>11</sup> The role of human rights, as one of the “new frontier” issues of the international agenda, is one of the rapidly developing new themes in international history. Aided also by the Conference on Security and Cooperation in Europe (CSCE) and the 1975 Helsinki Final Act, the development of a human rights movement in the Soviet Union and in Eastern Europe played a major role in undermining the static and ultra-conservative regime of Brezhnev’s bureaucrats.<sup>12</sup> However, at that time, Western analysts noted both phenomena—nationalism and human rights—and their potential ramifications in Soviet bloc societies, although they did not consider that these could undermine the Soviet regime. They clearly

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2002), 1-21, 22-37 and 38-67 respectively; Thomas C. Wolfe, *Governing Soviet Journalism: the Press and the Socialist Person after Stalin* (Bloomington: Indiana University Press, 2005).

<sup>9</sup> Stephen Kotkin, “The Kiss of Debt: the East Bloc Goes Burrowing,” in *The Shock of the Global*, 80-93.

<sup>10</sup> Peter Gatrell, “Economic and Demographic Change: Russia’s Age of Economic Extremes,” in *The Cambridge History of Russia*, 3: 383-410.

<sup>11</sup> See among others, Ronald Grigor Suny, *The Revenge of the Past: Nationalism, Revolution, and the Collapse of the Soviet Union* (Stanford, Calif.: Stanford University Press, 1993); Brown, *The Rise and Fall of Communism*, 405-411; Ben Fowkes, “The National Question in the Soviet Union under Leonid Brezhnev: Policy and Response,” in *Brezhnev Reconsidered*, 68-89.

<sup>12</sup> On the impact of the human rights agenda, see Sarah B. Snyder, *Human Rights Activism and the End of the Cold War: a Transnational History of the Helsinki Network* (New York: Cambridge University Press, 2011); Rey, “The USSR and the Helsinki Process”; Rosemary Foot, “The Cold War and Human Rights,” in *The Cambridge History of Russia*, 3: 445-465; Michael Cotey Morgan, “The Seventies and the Rebirth of Human Rights,” in *The Shock of the Global*, 237-250.

thought that, without the economic predicaments, these other difficulties would prove incapable of undermining the Soviet power structure.

In other words, the signals were conflicting. Clearly, there was stagnation and structural economic problems, but the Soviet Union was a huge country with a big population and ample resources. Despite its slowdown, the Soviet economy was still growing at a time when the West faced economic difficulties and even periods of recession. During the 1970s, no one could ignore the huge military and nuclear potential of the Soviet Union or its spectacular successes in the Third World, from Southeast Asia to the Horn of Africa, to Angola and Mozambique and even, in 1979, in Nicaragua. This study aims to discuss the ways that this confusing picture of the strengths and weaknesses of the Soviet polity was understood and assessed by the analysts of its opponent, the Western alliance.

## The Evolution of NATO Analysis on the Soviet Union

By the early 1950s, as the Korean War was moving towards a stalemate, NATO statesmen realized that they were facing the prospect of a long Cold War, in which political and economic realities would play an equally important role as military strength. Thus, the alliance started monitoring political and social conditions in the Soviet Union and in Eastern Europe. These reports served as background material for the biannual ministerial sessions of the North Atlantic Council (NAC).<sup>13</sup> After the 1956 Report of the Three Wise Men, which called for the improvement of allied consultation, two standing committees were formed, the Political and the Economic Advisers, consisting of members of the national delegations to the alliance Headquarters.<sup>14</sup> The two committees produced regular biannual reports to the NAC on the Soviet political system, foreign policy and economic prospects, and after 1957 they submitted separate reports on the situation in Eastern Europe. Moreover, biannual reports were produced on the Middle East (from 1957), the Far East (from 1958), Africa (from 1959), Latin America (from

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<sup>13</sup> Evanthis Hatzivassiliou, *NATO and Western Perceptions of the Soviet Bloc: Alliance Analysis and Reporting, 1951-1969* (London: Routledge, 2014).

<sup>14</sup> Winfried Heinemann, “‘Learning by Doing:’ Disintegrating Factors and the Development of Political Cooperation in Early NATO,” in *NATO and the Warsaw Pact: Intrabloc Conflicts*, eds. Mary Ann Heiss and S. Victor Papacosma (Kent, Ohio: The Kent State University Press, 2008), 43-57.

1961) and the Mediterranean (from 1968).<sup>15</sup> The consultation processes of NATO complemented its functions in the security field: defense and political cooperation were the two main “dimensions” of the Western alliance. In this respect, NATO was not a narrowly military structure, but a value-oriented union of like-minded sovereign states.<sup>16</sup> NATO’s political functions were further strengthened in December 1967, with the adoption of the Harmel Report, envisaging a more participatory structure and new roles for the alliance as a forum for the shaping of Western strategies in the search for détente.<sup>17</sup> All these developments required an understanding of the Soviet opponent’s military capabilities and foreign policy objectives, but also of its political structure and its economic power base.

The reports of the Political and the Economic Advisers were formal documents, agreed by all the member-states; thus, they tended to become rather rigid and to represent merely the lowest common denominator of the members. After 1961, the bi-annual political reports on the Soviet Union, Eastern Europe and the global South were drafted by expert working groups (also involving experts from the national capitals), rather than by the Political Advisers themselves, who were members of the national delegations and thus more informed on NATO processes than on the realities in the Second or the Third Worlds. These documents were not agreed upon minutes. This was intended to allow the experts more leeway to express novel interpretations of international developments. Moreover, in the early 1960s, the Atlantic Policy Advisory Group (APAG) was formed, consisting of “planners” rather than “experts.” It was called upon to discuss specific issues of long-term planning and policy. The APAG reports were drafted under the responsibility of its chairman (the head of the Committee of Political Advisers) and thus were

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<sup>15</sup> Evanthis Hatzivassiliou, “Out-of-Area: NATO Perceptions of the Third World, 1957-1967,” *Cold War History* 13, no.1 (2013): 67-88; by the same author, “The Cold War as a Frontier: the Mediterranean Cleavages and the View from NATO, 1967-1982,” *Journal of European Integration History* 21, no.1 (2015): 13-32.

<sup>16</sup> Andreas Wenger, Christian Nuenlist, and Anna Locher, “New Perspectives on NATO History,” and Jeremi Suri, “The Normative Resilience of NATO: a Community of Shared Values amid Public Discord,” in *Transforming NATO in the Cold War: Challenges beyond Deterrence in the 1960s*, eds. Andreas Wenger, Christian Nuenlist, and Anna Locher (London: Routledge, 2007), 3-12 and 15-30 respectively.

<sup>17</sup> On the Harmel Report see, among others, Helga Haftendorn, *NATO and the Nuclear Revolution: a Crisis of Credibility, 1966-1967* (Oxford: Clarendon Press, 1996), 320-374; Andreas Wenger, “Crisis and Opportunity: NATO’s Transformation and the Multilateralization of Détente 1966-1968,” *Journal of Cold War Studies* 6, no.1 (2004): 22-74; Andrew Priest, *Kennedy, Johnson and NATO: Britain, America and the Dynamics of Alliance, 1962-68* (London: Routledge, 2006), 135-137; James Ellison, *The United States, Britain and the Transatlantic Crisis: Rising to the Gaullist Challenge, 1963-1968* (Basingstoke: Palgrave Macmillan, 2007), 108-116 and 170-178.

expected to be more thought-provoking than formal agreed minutes.<sup>18</sup> The 1967 Harmel Report strengthened the process of consultation; the two committees of “Advisers” became the Political and the Economic Committee of the alliance.

Thus, in the 1970s, seeking more flexibility, NATO analysis relied on a variety of groups, each producing documents with a partially different focus and role in the alliance structure. The expert working group on the Soviet Union and Eastern Europe drafted the “political” biannual reports, covering both the internal political situation and the foreign policies of these countries; contrary to previous practice, from now on a single document covered the Soviet Union and the satellites in order to avoid overlaps or fragmentation of the analysis. The reports of the working group were not agreed minutes. The Americans wanted these documents to include a section on “implications” for the alliance, but this was resisted by the other members, especially France and West Germany, who did not want NATO to “coordinate” the foreign policies of its members.<sup>19</sup> On the other hand, the decisions of the NAC and the reports of the Political and the Economic Committees were formally agreed between the member-states, and thus “constitutionally” binding. The formal reports of the Economic Committee were also used for establishing the economic estimations for the ministerial guidance to the NATO military authorities, a further factor underlining their binding status.<sup>20</sup> However, there was also another series of Economic Committee documents—the ones dealing with “recent economic trends” or “recent economic developments” in the Soviet bloc—that were not agreed upon minutes. These were reports of discussions prepared by the Chairman on his own responsibility, and were meant to provide immediate analysis without the burden of having to produce a formally agreed document.<sup>21</sup> The “recent economic developments” papers always accompanied the political reports by the expert working group. By their nature, the “political” reports of the expert working group involved mostly the monitoring of the Soviet world, and thus tended to focus on short-term developments, while the Economic Committee usually had to deal with longer-term economic trends. As the

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<sup>18</sup> Hatzivassiliou, *NATO and Western Perceptions of the Soviet Bloc*, 108-111.

<sup>19</sup> London, The National Archives (hereafter TNA), FCO 41/1160, Staples (NATO) to McLaren (FCO), 25 October 1973.

<sup>20</sup> Washington D.C., National Archives and Records Administration (hereafter NARA), State Department Papers RG 59, Goodby (NATO) to State Department, 31 July 1974, Central Foreign Policy Files, 1973–79/Electronic Telegrams, assessed 6 February 2017.

<sup>21</sup> NARA, RG 59, Bruce to State Department, 29 April 1975, Central Foreign Policy Files, 1973–79/Electronic Telegrams, assessed 7 February 2017.

Americans noted, the Political and the Economic Committees usually took into account the reports of the working group on the Soviet Union and Eastern Europe when they dealt with détente (namely with immediate foreign policy problems), rather than when studying the medium- or long-term prospects.<sup>22</sup>

But there were additional layers of consultation. The practice of holding “reinforced” meetings of the NAC, with the participation of national experts from the capitals, became usual in the 1970s, exactly as a means to improve allied consultation. After 1973, the Economic Committee also held “reinforced” meetings with the heads of economic intelligence of the member-states.<sup>23</sup> Last but not least, APAG in the 1970s was losing ground in the alliance consultation processes. In 1969-1970, the allies blocked a proposal by Nixon for the setting up of an additional planning body. Although it was agreed that a re-organized APAG would meet once a year (not twice, as before), its impact in the alliance structure was reduced. In 1974, the US Secretary of State, Henry A. Kissinger, was concerned that the European allies might want to allow APAG to “wither” by cancelling its meeting for that year; he insisted that APAG hold its annual meeting.<sup>24</sup> After 1977, the Carter administration tried to re-vitalize APAG.

The major influences in the drafting of these reports came from the largest alliance members. Since NATO did not have an intelligence-gathering capacity of its own, drafting was always based on submissions from the member-states, mostly the US, Britain, West Germany, France, and Italy; Canada also produced important papers, especially on Soviet imports of grain. The influence of American inputs was even more pronounced in the economic reports, since the US was the alliance member with the greatest resources to monitor the Soviet and East European economies.<sup>25</sup> This is why each section of this study opens with some background information,

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<sup>22</sup> NARA, RG 59, McAuliffe to State Department, 25 November 1974, Central Foreign Policy Files, 1973–79/Electronic Telegrams, assessed 6 February 2017.

<sup>23</sup> NARA, RG 59, Bruce to State Department, 21 January 1975, Central Foreign Policy Files, 1973–79/Electronic Telegrams, assessed 7 February 2017.

<sup>24</sup> NARA, RG 59, Kissinger to NATO delegation, 25 January 1974, Central Foreign Policy Files, 1973–79/Electronic Telegrams, assessed 6 February 2017.

<sup>25</sup> For a discussion on CIA estimates, see Douglas F. Garthoff, “Analyzing Soviet Politics and Foreign Policy,” and James Noren, “CIA’s Analysis of the Soviet Economy,” in *Watching the Bear: Essays on CIA’s Analysis of the Soviet Union*, eds. Gerald K. Haines and Robert E. Leggett (Washington, DC: Center for the Study of Intelligence, CIA, 2003), available at <https://www.cia.gov/library/center-for-the-study-of-intelligence/csi-publications/books-and-monographs/watching-the-bear-essays-on-cias-analysis-of-the-soviet-union/>, assessed 18 February 2017; Hanson, *The Rise and Fall of the Soviet Economy*, introduction.

containing, among other things, short references to US analysis and perceptions of the Soviet Union. The British influence over the drafting of the NATO reports was extremely strong from the beginning. In 1982, British officials noted, not without some pride, that their national submissions in the working groups and the committees “generally form a crucial part of the final reports.”<sup>26</sup> Moreover, as noted above, since the 1960s, the NATO bodies, including the NAC and the Economic Committee, relied increasingly on the participation of national experts. As the British delegation reminded the Foreign and Commonwealth Office (FCO) in 1974: “However good the briefing provided from London...there is no adequate substitute for our producing an expert to join in the discussion on equal terms with experts from other member countries.”<sup>27</sup> Once again, it was mostly the larger alliance members who could produce the necessary national experts.

By 1977, NATO examined the possibility of assigning the drafting of different parts of the reports to various countries, but the British tellingly noted that, by the nature of things, the major powers always dominated the production of the papers.<sup>28</sup> Still, it is important to remember that the NATO reports, even those with a non-binding status, were the product of international negotiation. Thus, the role of the US cannot be ignored, but the other allies, especially the larger ones, had the opportunity to insert their views into the documents. The impact of the NATO International Staff—the functionaries of the alliance itself—should not be neglected, but it is important to keep in mind that NATO was an inter-governmental organization, focusing on the most pronounced version of “hard” power: defense. Thus, the member-states jealously retained the widest measure of control over the alliance processes, and always tried to prevent a more independent role for the alliance functionaries, preferring to do the job with their own people. This also was the case for the expert working groups, especially the one focusing on the major opponent, the Soviet Union. As will be shown, in 1974 the member-states experimentally tried some reorganization of the work of the regional expert working groups, including the drafting of their reports by their Chairman on his own responsibility. However, this was implemented in the expert groups studying *other areas* (Latin America or the Maghreb and the Middle East), but not

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<sup>26</sup> TNA/FCO 46/2958, minute (Bone), 23 June 1982.

<sup>27</sup> TNA/FCO 41/1439, Brooke (NATO) to McLaren (FCO), 8 January 1974.

<sup>28</sup> TNA/FCO 46/1480, Platter (FCO) to Powles (NATO), 16 September 1977.

in the one monitoring the Soviet Union and Eastern Europe. Evidently, this subject was too important to allow it to drift from the control of the member-states: it was acceptable to leave it to a working group which would not produce an agreed upon minute, but it was too much to allow the Chairman to draft the actual report.

During the 1970s, a major change took place regarding the perspective of NATO analysis of the Soviet Union. In the 1950s, the majority of the reports concerned Soviet political affairs and foreign policy. During the 1960s, political and economic reports were more evenly balanced, but in the 1970s the economic reports outnumbered the political ones, and by the late 1970s they constituted the overwhelmingly largest part of the material. Evidently, the first oil shock played a major role in this development, but it was not just that: the prominence of monetary, financial, and economic problems in the 1970s was an indication of the entry into a new era. In autumn 1974, the dean of the Permanent Representatives to NATO, the Belgian André de Staercke, a person who had served in the alliance Headquarters since 1952 and enjoyed an enormous prestige in the NATO structure, noted in the NAC that “the [NATO] Economic Committee is clearly due to play a more significant role as the economic situation increasingly becomes a critical factor paralleling the security problem in East-West relations.”<sup>29</sup> In 1978, an American “broad trends forecast,” transmitted through a State Department circular telegram, stressed that “economic developments are increasingly dominating the political atmosphere.”<sup>30</sup>

It is also important to take into account a difference in perspectives between the US and the “other allies.” The Europeans usually disappointed the Americans with their reluctance to consider out-of-area issues, especially the rise of the People’s Republic of China (PRC), an element that the US could not ignore. Conventional practice was that the alliance could discuss out-of-area issues, but could not act on them, something on which the Europeans steadily insisted. This was an old difference of perspectives, although in the 1970s, as the US increasingly turned its attention to Asia and as the Europeans suspected that the Americans placed less emphasis to the old world, it was becoming even more interesting. Since 1973, Kissinger had described the “tough” Chinese as “our best NATO ally,” while in early 1974

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<sup>29</sup> NARA, RG 59, McAuliffe (NATO) to State Department, 17 October 1974, Central Foreign Policy Files, 1973–79/Electronic Telegrams, assessed 6 February 2017.

<sup>30</sup> NARA, RG 59, Vance (State Department) circular telegram, 27 March 1978, Central Foreign Policy Files, 1973–79/Electronic Telegrams, assessed 10 February 2017.

Nixon himself noted with awe the Chinese ascendancy in world affairs: “the US ten years from now would be in a very dangerous position. Within ten years, as Brezhnev says, or within twenty to twenty-five years, it will happen—the Chinese will be very strong.”<sup>31</sup> During the 1970s, the Europeans themselves developed relations, especially trade, with the Chinese communists, and NATO continued its efforts to study the PRC’s economy.<sup>32</sup> APAG studied the effects of the emergence of China on Soviet policies in Europe in 1973 (a subject which particularly interested the Americans).<sup>33</sup> Still, within NATO, the Europeans tended rather to disregard the impact of the PRC, adding to American discomfort about their “regional” mentality.

Regarding the Soviet Union and its policies, an evolution in NATO analysis became evident. During the 1950s, NATO experts were awed at the apparent vigor of the Soviet economy: Khrushchev’s boasts that the Soviet Union would surpass the West in economic terms led to the production of a series of comparative studies, also making projections about the economic strength of the two worlds until the early- or mid-1970s. It is interesting that no such comparative economic analysis of the two blocs, from the mid-1950s until the mid-1960s, attempted to go further in its projections than the mid-1970s. Although the experts never said this expressly, there always was a feeling that an economic cycle would be concluded at that time, although of course no one could predict the multidimensional character of the crisis of the 1970s. The NATO studies during the 1950s showed that the Soviet economy would continue to grow faster than the Western one, but the latter’s economic lead would comfortably hold. Moreover, during the 1950s and 1960s, the “Sino-Soviet economic offensive” in the Third World was seen as a sign of the dynamism of the new, expanding Soviet economy, which now had resources and exportable industrial products, and was regarded by many developing countries as a model for a “shortcut to development.” However, after the early 1960s, the NATO experts started pointing to a slowdown of the growth rates of the Soviet economy, and to the mounting problems of Soviet agriculture that led the Kremlin to import large quantities of grain, initially from Canada and

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<sup>31</sup> *FRUS*, 1969–1976, Volume XXXVIII, Part 1, Foundations of Foreign Policy (Washington, DC: United States Government Printing Office, 2012), memorandum of conversation (Kissinger, Scowcroft), 3 August 1973, doc. 15, and Minutes of a National Security Council Meeting, 24 January 1974, doc. 26.

<sup>32</sup> Martin Albert, *Britain, France, West Germany and the People’s Republic of China, 1969–1982: the European Dimension of China’s Great Transition* (Basingstoke: Palgrave-Macmillan, 2016).

<sup>33</sup> Brussels, NATO Archives, International Staff (hereafter NATO), CM(73)58, Atlantic Policy Advisory Group, 26 June 1973; NARA, RG 59, Rush (State Department) to NATO delegation, 23 May 1973, Central Foreign Policy Files, 1973–79/Electronic Telegrams, assessed 5 February 2017.

then from other countries as well. At the same time, the evident economic problems of the Eastern European satellites raised new questions about the prospects and the possible effects of East-West trade, which sparked intra-NATO disagreements, with the Americans stressing that long-term government-guaranteed credits amounted to a transfer of resources to these countries, and the British arguing for their expansion.<sup>34</sup> Khrushchev's demise was followed by the timid "Kosygin reforms" in the mid-1960s that produced little tangible results. By the late 1960s, the NATO analysts started pointing to the "conservative" nature of the Soviet regime. Indeed, the perception of the Soviet Union as a less than fully successful economy and of its regime as a conservative structure were among the reasons that allowed the West to view the prospect of détente with more confidence. However, this sense of Western confidence was bound to receive some blows by the Western economic problems of the early 1970s. This study will show that the attitude of NATO analysts towards the Soviet power center was far from being "orientalist" or arrogant towards a Kremlin which continued to control one of the major power-centers of the globe, and to command the most powerful nuclear arsenal and the most powerful conventional forces in the planet.<sup>35</sup> This remained a decisive factor in NATO analysis until the very end.

Last but not least, one needs to take into account some fundamental difficulties of Western analysts when studying the Soviet Union. The Soviets used different methodologies than the West in their statistics, which in any event were never fully reliable; this created constant problems for Western observers.<sup>36</sup> The unreliability of Soviet statistical data called for continuous upgrading of the NATO reports.<sup>37</sup> To make matters worse, the Soviet system did not

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<sup>34</sup> Evanthis Hatzivassiliou, "Commerce as a British Cold War 'Heresy': the intra-NATO Debate on Trade with the Soviet Bloc, 1962-5," in *The Foreign Office, Commerce and British Foreign Policy in the Twentieth Century*, eds. John Fisher, Effie Pedaliu, and Richard Smith (Basingstoke: Palgrave Macmillan, 2016), 421-442. On the evolution of NATO analysis of the Soviet economy in the 1950s and 1960s, see Hatzivassiliou, *NATO and Western Perceptions of the Soviet Bloc*.

<sup>35</sup> See the argument about Western "orientalist" attitudes (mostly in scholarly discourse) in Neringa Klumbytė and Gulnaz Sharafutdinova, "Introduction: What Was Late Socialism?," in *Soviet Society in the Era of Late Socialism*, eds. Neringa Klumbytė and Gulnaz Sharafutdinova (Lanham: Lexington Books, 2013), 1-14.

<sup>36</sup> There is a huge bibliography on this issue, which has also sparked heated debates on the accuracy of Western (especially CIA) assessments. See among others, Angus Maddison, "Measuring the Performance of a Communist Command Economy: an Assessment of the CIA Estimates for the USSR," *Review of Income and Wealth* 44, no.3 (1998): 307-323.

<sup>37</sup> The unreliability of Soviet statistics and the difficulties in the measurement of the Soviet GNP/NMP constantly troubled the experts. See for example NATO/AC/127-D292 and 292/1, Notes by the French and the US delegations, 14 June and 25 September 1970. See for more, Hanson, *The Rise and Fall of the Soviet Economy*, introduction.

encourage the gathering of *true* information; it depended on low-quality information.<sup>38</sup> In other words, there was an unreliability of data also within the system, and this became more pronounced in the 1970s, when economic performances were declining and stagnation intensified. To make matters worse, Western analysts always had a problem in understanding the exact meaning both of the cryptic Soviet/communist jargon, and of the oblique manifestations of party struggles in such a centralized polity. To give a few indicative examples, in 1976 alone (a time when the deteriorating health of the Soviet leader, Leonid Brezhnev, opened the prospect for a succession), the American Embassy in Moscow was puzzled to see that slight changes in the wording of the resolution of the 25th Congress of the CPSU, which “appear to us as tempest in samovar,” might have policy implications; the Embassy also had some difficulty in assessing *Pravda* articles praising Stalin, and articles in the Soviet press celebrating the birthday of Zhdanov, one of Stalin’s closest and most feared associates, and wondered whether these were signs of a challenge to the Soviet leadership.<sup>39</sup>

Thus, NATO’s analysis processes must be assessed within their own historical context and constraints. As an alliance procedure, it had to respect the rules of conduct and the conventional wisdom of NATO as an inter-governmental organization functioning on the principle of unanimity. At the same time it had to meet an extremely difficult challenge—to assess the ongoing evolution of an exceptional polity and economy based on evidence and data which were not always reliable. The importance of the various reports could differ—from the documents of the expert working group to the fully binding NATO study of East West relations of 1978, undertaken by the NAC itself. Still, the production of these reports—and, perhaps more importantly, the very processes of consultation—reveal important aspects of the working of the alliance and the worldviews of the West.

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<sup>38</sup> Mark Harrison, “Economic Information in the Life and Death of Soviet Command System,” in *Reinterpreting the End of the Cold War: Issues, Interpretations, Periodizations*, eds. Sylvio Pons and Federico Romero, (London: Frank Cass, 2005), 93-115.

<sup>39</sup> NARA, RG 59, Stoessel to State Department, 5 February, 5 and 13 March 1976, Central Foreign Policy Files, 1973–79/Electronic Telegrams, assessed 8 February 2017.

## A Picture of Soviet Ascendancy, 1971-1973

### **Background**

In 1971, the suspension of the dollar's convertibility into gold and the effective end of the Bretton Woods system pointed to monetary and financial problems. The 1971 Nixon economic "coup" was a response to the relative rise of the economies of West Germany and Japan. It had a divisive impact on the West, led to intra-Western competition, and was the sign of a "malaise," which was not only economic but also political and intellectual, a crisis of confidence. The first oil shock, two years later, had an even greater impact.<sup>40</sup> The Europeans feared that the combination of the dollar crisis with "Mansfieldism" could reduce US interest in Europe.<sup>41</sup> Moreover, détente made the Europeans fear that a superpower deal could be made over their heads, and the NAC was always apprehensive about these developments. In spring 1972, "[US Secretary of State, William] Rogers's statement about [Richard Nixon's] Moscow visit was heard in attentive silence."<sup>42</sup> On Soviet affairs, NATO experts focused mostly on the examination of tactics and strategy in the CSCE negotiations, rather than on the long-term trends of the communist economies. Still, as the British noted regarding the work of the Economic Committee, "useful routine work continues on the economies of the Soviet *bloc*."<sup>43</sup>

In 1971-1973, American officials and analysts viewed the Soviet Union as a powerful adversary, which now demanded equality of status with the US. American perceptions of the Soviet Union in those years were largely determined mostly by the existence of the huge Soviet nuclear arsenal and the might of the Red Army. Problems were evident in the Soviet economy,

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<sup>40</sup> See, among others, Leffler, *For the Soul of Mankind*, 264-5; Luke A. Nichter, *Richard Nixon and Europe: the Reshaping of the Postwar Atlantic World* (New York: Cambridge University Press, 2015), 36-102; Geir Lundestad, *The United States and Western Europe since 1945: from "Empire" by Invitation to Transatlantic Drift* (Oxford: Oxford University Press, 2003), 168-185; Sargent, *A Superpower Transformed*, 108-118; Charles S. Maier, "'Malaise:' the Crisis of Capitalism in the 1970s," in *The Shock of the Global*, 25-48; Giovanni Arrighi, "The World Economy and the Cold War, 1970-1990," in *The Cambridge History of the Cold War*, 3: 23-44; Duccio Basosi, "The US, Western Europe and a Changing Monetary System, 1969-1979," in *Europe in the International Arena*, 99-116; Hubert Zimmermann, "Unraveling the Ties that Really Bind: the Dissolution of the Transatlantic Monetary Order and European Monetary Cooperation, 1965-1973," in *The Strained Alliance: US-European Relations from Nixon to Carter*, eds. Matthias Schultze and Thomas A. Schwartz (Cambridge: Cambridge University Press, 2009), 125-144; Hubert Zimmermann, "Western Europe and the American Challenge: Conflict and Cooperation in Technology and Monetary Policy, 1965-1973," in *Between Empire and Alliance: America and Europe during the Cold War*, ed. Marc Trachtenberg, (Lanham: Rowman and Littlefield, 2003), 127-155.

<sup>41</sup> TNA/FCO 41/959, Peck to Douglas-Home, 7 January 1972, annual review for 1971.

<sup>42</sup> TNA/FCO 41/969, minute, "NATO ministerial meeting: 30/31 May."

<sup>43</sup> TNA/FCO 41/1399, Peck to Douglas-Home, 10 January 1974, annual review for 1973.

and in March 1970 a ground-breaking study of the CIA suggested that the traditional investment policies of the Kremlin would no longer prove “capable of providing the rate of economic growth desired by the Soviet leadership.”<sup>44</sup> However, in the climate of those years, this seemed a distant prospect, and did not change the overall picture. The Soviets had achieved strategic parity with the US, and it was this, more than anything else, that made a bilateral rapprochement and a détente policy necessary, although it was also thought that the Soviet drive to create a consumer economy and their need for Western technology and credits would be an incentive for them to pursue détente.<sup>45</sup> The growing potential of the Soviet blue-water navy and of the fishing and merchant fleets, a natural result of the growth of Soviet trade, was also seen as dangerous for NATO, which depended on maritime lines of communications much more than the land-based Warsaw Pact.<sup>46</sup> The American authorities noted that the 24th CPSU Congress had strengthened the position of the party leader, Brezhnev, although he still did not have an “automatic majority” in the Politburo, and “consensus politics” would continue; aided by a good harvest in 1970, the Soviet economy was growing, and the Americans particularly noted the leadership’s public promises of an improvement of the Soviet consumer’s position.<sup>47</sup> During this period, the image of the Soviet Union was that of a powerful, even ascending, state, and the Soviet expectations for closing the gap with the US were strong. As Helmut Sonnenfeldt of the National Security Council (NSC), wrote to the President’s Assistant for National Security Affairs, Kissinger, in December 1971:

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<sup>44</sup> Gerald K. Haines and Robert E. Leggett, eds., *CIA’s Analysis on the Soviet Union, 1947-1991* (Washington, DC: Center for the Study of Intelligence, CIA, 2001), CIA, Directorate of Intelligence, “Investment and Growth in the USSR,” March 1970, doc. 34. Available at <https://www.cia.gov/library/center-for-the-study-of-intelligence/csi-publications/books-and-monographs/cias-analysis-of-the-soviet-union-1947-1991/index.html>, assessed 18 February 2017. See also, Noren, “CIA’s Analysis of the Soviet Economy.”

<sup>45</sup> See, among others, *FRUS*, 1969–1976, Volume I, Briefing by Kissinger for the Senate Foreign Relations Committee, 15 June 1972, doc. 118; see also *FRUS*, 1969–1976, Volume XIV, Soviet Union, October 1971-May 1972, (Washington, DC: United States Government Printing Office, 2006), Memorandum, Sonnenfeldt to Kissinger, 30 November 1971, doc. 29, and Paper Prepared by the National Security Council Staff, “Economic Issues,” undated [mid-1972], doc. 230. On the importance of the issue of technology transfer in US analysis see also Noren, “CIA’s Analysis of the Soviet Economy.”

<sup>46</sup> See for example the American report of the APAG session in 1971 that discussed this issue: NARA, RG 59, Rogers (State Department) circular telegram, 12 April 1971, Subject Numeric Files 1970-1973, POL 3 NATO, Box 1950.

<sup>47</sup> NARA, RG 59, Bureau of Intelligence and Research, “Trends in the USSR,” 16 June 1971, Subject Numeric Files 1970-1973, NATO 3, Box 3147. This was the US submission to the semi-annual NATO working group on the Soviet Union and Eastern Europe, but it was given wider distribution because of its significance.

The chief American expert in the Soviet Foreign Ministry made clear to me in a private talk that a major strand in the present Soviet mood is that the Soviets are historically entitled to a period of ascendancy after a quarter century in which the US was Number One.<sup>48</sup>

### ***NATO Analysis: A Stable Soviet System***

This picture persisted in NATO analysis during those years. In April 1969, as NATO was reviewing its role in the forthcoming negotiations with the Soviet bloc, APAG discussed “the future of the Alliance in relation to long-term trends in Europe and North America.” APAG noted that there were demands for changes inside the Soviet Union, mostly by intellectuals, and stressed for the first time the increasing concern about the various nationalities living in the country. However, the basic problem “was rather one of economic progress and development rather than of political change.” The CPSU was faced with a dual challenge: how to ensure growth and a rise in the standard of living, without losing tight control over Soviet society. The members of APAG were divided on whether the necessary economic reforms could lead to liberalization and a freer society. But they went out of their way to stress that change could only be the result of internal developments rather than outside pressures. APAG made an observation that did not usually appear in American analysis documents. It noted that the Soviet polity, unlike the Eastern European regimes, enjoyed considerable legitimization:

It was emphasized that in the USSR it would be easier for the Party to retain control, as it has deep roots in the social system and in Russian chauvinist beliefs—a fact

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<sup>48</sup> *FRUS*, 1969–1976, Volume XIV, Memorandum, Sonnenfeldt to Kissinger, 30 November 1971, doc. 29, and Paper Prepared by the National Security Council Staff, “Economic Issues,” undated [mid-1972], doc. 230. See also similar points in *FRUS*, 1969–1976, Volume XIV, National Intelligence Estimate, “Soviet Foreign Policies and the Outlook for Soviet-American Relations,” 20 April 1972, doc. 133, which noted: “The USSR has been able to achieve rates of economic growth which are high by international standards and to maintain a military effort roughly equal to that of the US. But the Soviet economy is still backward in some sectors and it faces serious problems stemming from low productivity, the declining effectiveness of investment, and technological lag. Economic constraints do not *oblige* the Soviets to reduce military spending, however.” See also US views of Leonid Brezhnev’s confidence and elevated Soviet expectations prior to his second summit with Richard Nixon, in *FRUS*, 1969–1976, Volume XV, Soviet Union, June 1972–August 1974, (Washington, DC: United States Government Printing Office, 2011), National Intelligence Estimate, “The Soviet Approach to Summit II,” 1 June 1973, doc. 119.

which distinguishes the situation in the Soviet Union from that of other Eastern European countries.<sup>49</sup>

These observations formed the basis of the assessments of the other alliance groups during the following years. Regarding the internal political situation, the expert working group pointed to the stability of the collective leadership under Brezhnev: “This stability has matched the conservative line characteristic of internal policy since 1968...Orthodox conservatives still set the tone of Soviet cultural affairs” (November 1970). The same picture was confirmed during the 24th CPSU Congress in 1971, which also allowed Brezhnev to emerge as the undisputed head of the collective leadership. Soviet dissidents took up a large part of these reports, although it was noted that the movement was disunited and disparate, from the sophisticated intellectuals like Andrei Sakharov to the Crimean Tatars. After 1972, the political experts noted an increasing emphasis of the regime on ideological conformity, and an intensifying drive against dissidents, which was attributed to the Kremlin’s fears of more openness in a climate of détente. As was noted in the November 1973 report, “for the Soviet régime, ideological vigilance is the essential counterpart to bridge-building with the West.” The meetings in the Crimea with the leaders of the Eastern European satellites were interpreted as an effort to ensure ideological and political conformity. In this climate, Jewish emigration from the Soviet Union also suffered setbacks. The rise in 1973 of Yuri Andropov, the KGB chief, was seen as a sign of the regime’s “determination to maintain strict ideological controls.” In late 1973, indeed, a separate paper on internal political developments noted the stepping up of measures against dissidents, including the sentencing of Andrei Amal’rik to three years imprisonment, the deprivation of Soviet citizenship of the biologist Jaurès Medvedev, the public campaign against Alexander Solzhenitsyn and Sakharov, the internment of dissidents in psychiatric hospitals and the creation of a special copyright agency to control the publication of Soviet works abroad. The experts wondered whether the hardliners had given Brezhnev the green light to move on to détente only on the condition of crushing dissent. On foreign policy, the Soviet Union would continue its efforts to expand its influence, although this would be done “cautiously” in order to avoid a nuclear confrontation.

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<sup>49</sup> NATO/CM(69)30, APAG, 25 June 1969.

The Soviets aimed to use détente in Europe to loosen the ties of the NATO allies, lure the Western public to a sense of security, secure acceptance of the European status quo, slow down Western European integration, and gain access to Western technology which was necessary for the Soviet economic effort. The Sino-American rapprochement and the rise of Japan were also seen as factors which complicated the international position of the Soviet Union.<sup>50</sup> Interestingly, in 1971-1972, it was the Americans who pressed to include freer movement of people, ideas, and information as a separate topic in the East-West deliberations, and feared that the European allies, eager for détente, could “too quickly reach for a lowest common denominator.”<sup>51</sup> However, from 1973, it was the Europeans who took the lead in pressing the human rights aspect in the negotiations.

In the aftermath of the invasion of Czechoslovakia, the situation in Eastern Europe did not appear very promising for the West. The Polish riots of December 1970 came (as usual) as a surprise to NATO analysts, who merely noted that the upheaval did not spread to other Soviet bloc countries. In 1971, an American submission to the working group noted that, in the wake of the Polish disturbances, all Eastern European regimes appeared nervous, promised a better supply of consumer goods, and deferred planned price increases in foodstuffs and rents. However, the Americans noted, there was little doubt that the Soviets would retain control of the area.<sup>52</sup> This was also the conclusion of the NATO experts. They noted that Moscow increasingly used the Warsaw Pact procedures to provide for a semblance of collective decisions, and valued the Council of Mutual Economic Assistance (COMECON) as an instrument to control Eastern European trade with the European Communities and to prevent the satellites from dealing with the EC on a bilateral basis. Each satellite could develop its national policies “within a framework acceptable to Moscow,” from the complete loyalty of Bulgaria, to the special case of East

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<sup>50</sup> Reports “Trends in the Soviet Union and Eastern Europe and Their Policy Implications,” NATO/CM(69)51, 16 November 1969; CM(70)13, 6 May 1970; CM(70)52, 23 November 1970; CM(71)75, 29 November 1971; CM(72)33, 17 May 1972; CM(72)69, 17 November 1972; CM(73) 52, 28 May 1973; CM(73)116, 23 November 1973. See also NATO/CM(71)66, APAG, 8 November 1971; CM(73)100, “Soviet Internal Developments,” 26 October 1973. On Jewish immigration and its impact of US-Soviet relations see, among others, Zubok, *A Failed Empire*, 231-235.

<sup>51</sup> NARA, RG 59, Shakespeare (USIA) to Irwin (State Department), 2 July, and Irwin to Shakespeare, 4 August 1971, Subject Numeric Files 1970-1973, NATO 3, Box 3147. See also NARA, RG 59, Rogers to Nixon, 2 December 1972, Subject Numeric Files 1970-1973, NATO 3, Box 3149.

<sup>52</sup> NARA, RG 59, Bureau of Intelligence and Research, “Trends in Eastern Europe,” 16 June 1971, Subject Numeric Files 1970-1973, NATO 3, Box 3147.

Germany, which was “able to exert a significant influence on Soviet policy in Europe” (May 1970). Still, the replacement in 1971 of Walter Ulbricht by Erich Honecker signaled a turn of the East Germany to a line more subservient to the Kremlin. This was also seen as a side-effect of the problems which freer contact, promoted by West German *Ostpolitik*, raised for East Germany.<sup>53</sup>

Eastern Europe was seen as an area of “limited opportunity” for the West, and in 1971 APAG noted that the West should try to encourage gradual change without provoking Soviet reactions. The members were rather divided, with the Americans, the British, the Germans, the Italians and the Dutch thinking that Soviet-Eastern European relations would remain static, and the French, the Canadians, the Danes and the Norwegians projecting that the Kremlin would rely less on force and more on indirect methods to retain control. The British noted the importance of the expectations of the peoples in Eastern Europe for a rise in the standard of living; the problem for the Soviets was that it seemed difficult to do this without endangering the communist character of the regimes. As APAG stressed, “Eventual large-scale changes in Eastern Europe will probably depend on changes within Soviet society itself, but these are likely to lie well in the future, beyond the 1970s.”<sup>54</sup>

### ***Signs of Trouble in the Soviet Economy***

Despite this strange picture of a mixture of Soviet conservatism and omnipotence, the Soviet economy seemed to face problems. Until the late 1960s, NATO analysts had pointed to the slowing-down of Soviet growth rates and to problems in agriculture, but had never questioned the dynamism of the Soviet economy. From 1970, however, this picture was modified, and became much more ominous following the agricultural disaster of 1972. The expert working group, submitting the political reports, had already pointed to the fall of growth rates below the Kremlin’s expectations, and to the chronic problems of waste of investment and poor productivity. However, the Economic Committee’s reports presented an even gloomier picture,

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<sup>53</sup> Reports “Trends in the Soviet Union and Eastern Europe and Their Policy Implications,” NATO/CM(70)13, 6 May 1970; CM(70)52, 23 November 1970; CM(71)75, 29 November 1971.

<sup>54</sup> NATO/CM(71)66, APAG, 8 November 1971. For the American report on the APAG meeting, see NARA, RG 59, Irwin (State Department) circular telegram, 10 December 1971, Subject Numeric Files 1970-1973, POL 3 NATO, Box 1950.

referring to structural, long-term weaknesses. Thus, the economic experts acknowledged the improvement of the standard of living since the early 1960s, but also noted the failure of the 1965 economic reforms, irresponsibility at management level, lack of labor discipline and the long-term problems of the “sclerosis of the hierarchy and bureaucracy” as well as the gap between capabilities and the rising expectations of the population for a better standard of living. More interestingly, the technological gap with the West was widening: the Soviet Union relied on increasing imports of Western technology or semi-finished products in order to increase its own productivity, and this also pointed to the inability of the system to stimulate research and development beyond the defense sector. Despite a short-lived prediction for a “rebound” of the Soviet economy because of the good harvest of 1970, and despite the evident effort of the Soviet leaders to provide for more consumer goods and for increased investment in agriculture, the 1971-1975 Five-Year plan was marked from the start by even slower growth rates, bad harvests and, more interestingly, by a substantial reduction in the growth of industrial output, which until that time had been the star of the Soviet economy. Indeed, the performance of the Soviet economy in 1971 was described as “spotty,” because of bad weather leading to reduced agricultural production and decline in investment.<sup>55</sup>

The year 1972 became a first turning point. A “near disastrous” grain harvest (20 percent below the official target), and comparable failures in vegetable production meant that the impact would be severe also in the industrial sector and the consumer program. As the American analysts noted, the promise to improve nutrition had been made by Brezhnev personally and thus was a politically sensitive issue.<sup>56</sup> This failure of the Soviet crop was extensively discussed in NATO, not only in the regular bi-annual report of the Economic Committee, but also in a special paper on the Soviet agricultural crisis, prepared by the Chairman of the Economic Committee, Yves Laulan. It was noted that the Eastern European countries could not fill the gap, since their agricultural production was insufficient: the Kremlin could not ignore the December 1970 Polish disturbances and would not risk their repetition elsewhere in its empire. Thus, the Soviet Union now needed to buy grain worth \$2 billion in the international market, whereas in the 1960s

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<sup>55</sup> Reports on economic developments in the Soviet Union and Eastern Europe, NATO/CM(70)5, 6 April 1970; CM(70)63, 18 November 1970; CM(71)81, 25 November 1971;

<sup>56</sup> *FRUS*, 1969–1976, Volume XV, Intelligence memorandum, “The View from the Kremlin Three Months after the Summit,” 13 September 1972, doc. 45.

(when its imports of grain had impressed the Western experts) its annual needs had averaged \$220 million and had never exceeded the sum of \$600 million. To cover this gap, the Kremlin was obliged to proceed to substantial sales of gold. Moscow would now buy grain, about two thirds of the required quantity, from the US, not Canada, which was “a significant innovation in Soviet trading policy.” The Soviet Union’s dependence on Western grain could to some extent offset Western dependence on the Soviet Union for raw materials such as oil and natural gas. Moreover, the failure of the crop meant that fodder for livestock was in short supply, leading to “as yet unsubstantiated” reports of large-scale slaughter of cattle. This meant that the Soviet government would be unable to expand its livestock, at a time when it had planned substantial improvements in the nutrition of its citizens. Although the failure of the 1972 harvest was attributed mainly to adverse weather, Laulan also pointed to the structural problems of Soviet agriculture: the centralization and collectivization of the farming system, shortage of chemical fertilizers, poor quality control of stored grain, delays in deliveries of machines and spare parts for farm equipment. These pointed to a systemic failure of the Soviet economy, not merely to the effects of a single harsh winter. To make matters worse, despite urgent reallocation of resources to agriculture from other sectors (including industry), resources remained inefficient: “Under current policies, the 1970s may witness a doubling of inputs into agriculture, but only a 50% increase in output.” Thus, Soviet industrial output was expected to rise in 1972 at the slowest rate since 1946, including products such as natural gas, mineral fertilizers, tractors and agricultural machinery, whereas consumer items such as housing, food, clothing and household appliances were also falling behind schedule. The failure of Soviet agriculture now threatened to create a downward spiral in other sectors of the Soviet economy as well. As the Economic Committee noted, grain was “a politically potent commodity.”<sup>57</sup>

The shock of 1972 accounted for the slowest economic growth in the Soviet bloc for 20 years. The Economic Committee regarded 1972 as a turning point in the Soviet trade with the

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<sup>57</sup> NATO/CM(72)71, “Recent Economic Trends in the USSR and Eastern Europe,” 21 November 1972; CM(72)74, “The Soviet Agricultural Crisis,” 7 December 1972. See also the national submissions AC/127-D/411, 14 November 1972, and AC/127-D/430, 23 March 1973 (US delegation); AC/127-D/444 (French delegation), 30 May 1973; AC/127-D/461 (Canadian delegation), 7 January 1974.

West.<sup>58</sup> Indeed, from 1973 and under instructions from the NATO Secretariat, the Economic Committee was expected to study new topics regarding the Soviet Union. There would be more emphasis on consumption, food, housing, wages, on the Soviet balance of payments, and mostly on Soviet agriculture, since “[e]conomic and social progress depend...considerably on its development.”<sup>59</sup> The period 1972-3 saw a marked turn towards the examination of economic problems in the Soviet Union.

The Economic Committee had pointed to the structural problems of the Soviet economy since the 1960s, but it now became more pronounced in its observations. The Soviet Union was in the midst of its most severe slowdown of growth since the 1940s: in the 1971-75 plan an annual growth of 5 percent was envisaged, but in 1971 growth was 3.5 percent and in 1972 only 1.5. The experts noted that the Soviet economy suffered from shortcomings beyond excessive centralization: adverse weather, misdirection of investment, labor shortages, resources depletion, and the inability to reform. The Soviet response was the amalgamation of enterprises into larger production units, but this entailed even larger-scale centralization and simply aggravated the problem. In other words, the problem was structural, and was already affecting all sectors of the economy, including the pride of the Soviet Union, heavy industry, and (more worryingly) the availability of consumer goods, the growth in the production of which was almost halved. Still, the experts made it clear that they were referring to a *slowdown* of growth, not to an economic crisis, and noted that the better grain harvest of 1973 pointed to a “respite” from the declining growth rates, more so since the rising oil prices following the 1973 oil shock would benefit the Soviet Union. However, overall performance in 1973 seemed “sluggish,” with heavy industry rising “at one of the lowest rates of the past 30 years,” and growth in the consumer sector continuing to decrease. The need for Western technology, grain, and credits would ensure the Soviet Union’s continuing preference for détente. Additionally, Soviet economic aid to the Third World was accordingly reduced, as the Kremlin, according to the experts, was becoming more

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<sup>58</sup> NARA, RG 59, Rumsfeld (NATO) to State Department, 4 December 1973, Central Foreign Policy Files, 1973–79/Electronic Telegrams, assessed 5 February 2017.

<sup>59</sup> NARA, RG 59, Rumsfeld (NATO) to State Department, 12 October 1973, Central Foreign Policy Files, 1973–79/Electronic Telegrams, assessed 5 February 2017.

cost and profit conscious.<sup>60</sup> By 1973, the Americans were also interested in the Soviet effort to enhance the purchasing power of the Soviet citizen, by beginning the repayment of the 1948-58 (internal) bond issues.<sup>61</sup>

The Economic Committee also noted that the slowdown of growth tended to spread to Eastern Europe, with its more pronounced resistance to reform and the smaller size of its economies. In these countries, there had been a notable rise in the standard of living, but now their growth rates were declining. Indeed, the economic experts had predicted labor problems (though not widespread unrest) in Poland since spring 1970. The analysts were interested in the projections of reduced economic growth in Eastern Europe in the Five-Year plans for 1971-1975, and attributed these trends to fluctuations in the output of these countries' agriculture, which had been destabilized following the forced collectivization of the early postwar period. Still, despite the December 1970 Polish disturbances, a rise in wages, the freezing of prices and substantial Soviet aid allowed the Polish government under Edward Gierek to contain unrest, and prevented any spillover to the bloc, despite the fact that some commodities were already scarce in the region, and were pushing prices higher.<sup>62</sup>

After 1971, the NATO authorities took note of the growing indebtedness of the communist countries. The NAC instructed the Economic Committee to study the issue. NATO had been monitoring Western government-guaranteed credits to the Soviet bloc since 1959, but the picture now became more complicated. In 1971, the total debt of the Soviet bloc was \$4.7 billion, of which \$2.2 billion was Soviet debt. Long-term credits, sometimes extending to more than 10 years, amounted to almost 65 percent of the total. At that time, Bulgaria and Romania (and to a lesser extent, Hungary, "the last active experiment with economic decentralization")

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<sup>60</sup> Reports on economic trends, NATO/CM(73)55, 6 June 1973; CM(73)118, 4 December 1973; and the report CM(73)78, "Communist Aid to the Third World, 1972," 29 September 1973. See also the notes of the US delegation on Soviet industrial production, AC/127-D/413, 15 December 1972; AC/127-D/424, 28 February 1973, and the note of the NATO Economic Directorate, AC/127-D/450, "Soviet Economy on the Eve of the CSCE," 28 June 1973.

<sup>61</sup> NARA, RG 59, Melencamp (Moscow) to State Department, 12 December 1973, Central Foreign Policy Files, 1973-79/Electronic Telegrams, assessed 5 February 2017.

<sup>62</sup> NATO CM(70)17, "Economic Development of the Communist Countries of Europe," 11 May 1970. See also the reports on economic trends and developments in the Soviet Union and Eastern Europe, NATO/CM(71)43, 21 May 1971; CM(72)71, 21 November 1972. See also the national submissions to the Economic Committee, NATO/AC/127-D/328, "The Polish Economy and Recent Internal Disorders" (Canadian delegation), 3 February 1971; AC/127-D/336, "Poland – the Economic Situation" (British delegation), 15 March 1971; AC/127-D-342, Note by the French delegation, 20 April 1971; AC/127-D/403, "Poland" (West German delegation), 23 May 1972.

were regarded as the most indebted countries; Poland was not yet mentioned.<sup>63</sup> The Economic Committee regarded the rapid growth of East-West trade since the early 1960s as an important tool that could contribute to détente.<sup>64</sup>

## The Turning Point of NATO Analysis, 1974-1978

### **Background**

The first oil shock had profound implications for NATO analysis. It led to the end of the *trente glorieuses*, and sparked the gravest Western economic crisis since the Great Depression. This contributed to what Nixon described as the alliance's principal "psychological" problem.<sup>65</sup> Transatlantic differences, already suffering from Kissinger's hastiness in proclaiming the Year of Europe in 1973, were exacerbated during the Yom Kippur war, when the Americans tried to secure the support of their allies in an out-of-area crisis, and yet raised their alert to DEFCON3 without consulting them.<sup>66</sup> The Europeans felt that the Americans were both bullying and ignoring them, and Washington bitterly remarked that its allies had let the US down.<sup>67</sup> The economic difficulties had an additional impact on the alliance, complicating NATO processes. Tellingly, in 1974, the Americans and the Canadians protested that NATO projections of economic growth until 1982 (on which the alliance's force goals would be based) were painting a very positive picture for the American economy and a pessimistic one for Europe, something which could have serious repercussions in the ongoing discussion about burden sharing.<sup>68</sup>

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<sup>63</sup> NATO/CM(72)13, "The Indebtedness of Communist Countries," 6 March 1972; CM(73)82, "Soviet Indebtedness," 10 October 1973; AC/127-D-372, "Present Status of COMECON Efforts to Create Partial or Full Convertibility between Currencies" (West German delegation), 5 August 1971. Economic reform in Eastern Europe was the subject of many British submissions to the committee. See for example, AC/127-D-364, 12 July 1971. On Poland see also Ouimet, *The Rise and Fall of the Brezhnev Doctrine*, 99-105.

<sup>64</sup> NATO/AC/127-D-383, "East-West Negotiations: Economic Aspects" (Laulan, Economic Committee), 4 November 1971.

<sup>65</sup> *FRUS*, 1969-1976, Volume XXXVIII, Part 1, editorial note, doc. 2.

<sup>66</sup> See, among many others, Daniel Möckli, "Asserting Europe's Distinct Identity: The EC Nine and Kissinger's 'Year of Europe'," in *The Strained Alliance*, 195-220; Nichter, *Richard Nixon and Europe*, 103-124.

<sup>67</sup> Evanthis Hatzivassiliou, "The Crisis of NATO Political Consultation from DEFCON III to the Atlantic Declaration, 1973-1974," *Journal of Cold War Studies*, 19, no.3 (2017): 104-133.

<sup>68</sup> NARA, RG 59, Ingersoll (Washington, DC) to NATO delegation, 30 October, and McAuliffe to State Department, 9 November 1974, Central Foreign Policy Files, 1973-79/Electronic Telegrams, assessed 6 February 2017.

During Gerald Ford's presidency, transatlantic cooperation improved, a development significantly aided by the start of economic summitry.<sup>69</sup> However, despite the relative reestablishment of Western cohesion and the reaffirmation of US economic leadership in the second half of the 1970s, new disagreements emerged during the later years of the Carter administration when the Western Europeans appeared reluctant to use their trade with the Soviet bloc as leverage against Soviet moves in the international arena.<sup>70</sup> Western confidence, already low because of the US defeat in Vietnam and the repercussions of the first oil shock, received further blows with the traumatic experience of Watergate, while in 1974-1976 the presence in the White House of a non-elected President, Ford, was combined with the assertive attitude of a very suspicious Congress. These tended to create the picture of a West in dire straits, and could not be fully offset by the fact that the firm hands of Henry Kissinger were still at the helm. After all, Kissinger had not been the most polite American statesman towards the NATO allies—or, for that matter, towards the State Department, adding to the difficulties in the coordination of Western policies.

At the start of this sub-period, Soviet expectations for recognition of their equal status with the US remained strong. American analysis kept noting the evident need of the Soviet economy for Western technology and capital (which was seen as one of their motives to seek détente), but, in March 1974, Brezhnev spoke to Kissinger about “the error of old views about the Soviet Union, that we are backward or poorly developed. Maybe we lag behind the United States in some areas, but we are not backward.”<sup>71</sup> In the mid-1970s, CIA assessments of the

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<sup>69</sup> N. Piers Ludlow, “The Real Years of Europe? US-West European Relations during the Ford Administration,” *Journal of Cold War Studies* 15, no.3 (2013): 136-161.

<sup>70</sup> See, among others, Lundestad, *The United States and Western Europe since 1945*, 201-210; Basosi, “The US, Western Europe and a Changing Monetary System;” Joe Renouard and D. Nathan Vigil, “The Quest for Leadership in a Time of Peace: Jimmy Carter and Western Europe, 1977-1981,” in *The Strained Alliance*, 309-332; Fiorella Favino, “Washington's Economic Diplomacy and the Reconstruction of US Leadership,” and Werner D. Lippert, “Economic Diplomacy and East-West Trade during the Era of Détente: Strategy or Obstacle for the West?,” in *The Crisis of Détente in Europe: from Helsinki to Gorbachev, 1975-1985*, ed. Leopoldo Nuti (London: Routledge, 2009), 165-176 and 190-201 respectively.

<sup>71</sup> *FRUS*, 1969–1976, Volume XV, memorandum of conversation, 26 March 1974, doc. 168, and National Intelligence Analytical Memorandum, “Soviet Détente Policy,” 23 May 1974, doc. 181. See also *FRUS*, 1969-1976, Volume XVI, Soviet Union, August 1974-December 1976, (Washington, DC: United States Government Printing Office, 2012), Kissinger to Ford, 10 November 1975, doc. 216, on the Soviet belief that “the balance sheet is changing in the USSR's favor.”

Soviet political system noted that it appeared “self-confident.”<sup>72</sup> The Soviets always had to deal with the problem of their dispute with the PRC—which APAG described as a potential struggle in two fronts<sup>73</sup>—but the size and the power of the Soviet state seemed able to cope even with this challenge.

However, the picture of Soviet ascendancy was soon tarnished. Not surprisingly, the Americans were the first to note the new developments, and NATO analysis followed their lead. Already in August 1974, the US Ambassador in Moscow, Walter J. Stoessel Jr., a highly-experienced Soviet expert who had played an important role in the NATO economic reports about the Soviet Union in the 1950s, commented on Soviet attitudes toward the presidential transition in Washington and spoke in unusually strong terms about the “innate conservatism and neophobia” of the Kremlin’s leaders.<sup>74</sup> In one of his masterful sketches of the personal profiles of the Soviet leaders, Kissinger noted to President Ford that Brezhnev “has some of the characteristics of the nouveau-riche.”<sup>75</sup> From 1975, it became clear that Brezhnev’s health was seriously deteriorating.<sup>76</sup> This opened the prospect for a succession struggle, at a time when the Americans were also detecting some resistance in the Soviet collective leadership regarding Brezhnev’s détente policies.<sup>77</sup> As Stoessel noted when leaving his Moscow post in September 1976, this was a delicate affair: “A basic weakness of the Soviet system is its lack of any institutionalized way to transfer power at the top; while the process has become somewhat more civilized over the years, it is still uncertain and potentially dangerous.”<sup>78</sup>

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<sup>72</sup> Garthoff, “Analyzing Soviet Politics and Foreign Policy.”

<sup>73</sup> CM(74)47, “Future Trends in East-West Relations” (APAG), 19 July 1974.

<sup>74</sup> *FRUS*, 1969-1976, Volume XVI, Stoessel (Moscow) to State Department, 10 August 1974, doc. 6. On Stoessel’s diplomatic record after the late 1960s, see <https://history.state.gov/departments/people/stoessel-walter-john>, assessed 20 June 2017. On his past record in NATO analysis, see Hatzivassiliou, *NATO and Western Perceptions of the Soviet Bloc*, 43-44.

<sup>75</sup> *FRUS*, 1969-1976, Volume XVI, Kissinger to Ford, 14 November 1974, doc. 87.

<sup>76</sup> *FRUS*, 1969-1976, Volume XVI, Hyland (Bureau of Intelligence and Research) to Kissinger, 8 January 1975, doc. 112, and Kissinger to Ford, 9 June 1975, doc. 154; NARA, RG 59, Stoessel to State Department, 27 January 1975, Central Foreign Policy Files, 1973-79/Electronic Telegrams, assessed 7 February 2017. For the new emphasis of NATO analysis on Brezhnev’s health, see NARA, RG 59, Bruce to State Department, 22 August 1975, Central Foreign Policy Files, 1973-79/Electronic Telegrams, assessed 7 February 2017.

<sup>77</sup> NARA, RG 59, Kissinger to all NATO capitals, 20 November 1975, Central Foreign Policy Files, 1973-79/Electronic Telegrams, assessed 7 February 2017.

<sup>78</sup> NARA, RG 59, Stoessel to State Department, 12 September 1976, Central Foreign Policy Files, 1973-79/Electronic Telegrams, assessed 8 February 2017.

But it was mostly the Soviet economy that gave bad signals. The failures of Soviet agriculture led to another disastrously low crop in 1975, and proved a personal embarrassment for Brezhnev, who had promised significant advances in nutrition.<sup>79</sup> The Soviet need for American grain peaked in 1974, at a time when US surpluses were low (and food prices were rising in the US), and the Americans' difficulty to sell the huge quantities that the Soviets were asking threatened to place a "grain drain on détente."<sup>80</sup> These agricultural failures of the mid-1970s were, according to the available scholarship, extremely important for both the Soviet economy and the perceptions of the Soviet citizen: the failures of crops in the 1960s appeared manageable or reversible, and did not break the optimism of the average citizen. However, during the 1970s this citizen had been promised significant betterment in material conditions, which the state could not fulfill. At the same time, the failures of the 1970s forced the Soviet state to channel increasing resources to agriculture, which nevertheless produced little results because of structural political and economic weaknesses. At least on the level of public dispositions, the agricultural failures of the second half of the 1970s proved "devastating."<sup>81</sup>

By 1976-1978 the structural problems of the Soviet system emerged in American analysis much more clearly. The tone of Stoessel in his report on the 25th CPSU Congress in early 1976 was telling: he noted that the Congress effected no change, and that the Soviet Union would continue to avoid "innovative solutions to deeply-rooted domestic and foreign problems." He concluded: "In short, the Congress shapes up essentially as a glorification of the status quo that has been dominated since 1964 by conservative modes of thinking and traditional solutions for long-standing problems."<sup>82</sup> In early 1976, repoting on the Soviet leadership's calls to the citizens for greater productivity, which disclaimed the usual self-congratulating tone of Soviet propaganda, Stoessel entitled his telegram "More and better from Soviet economy for 1976."<sup>83</sup> It

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<sup>79</sup> Haines and Leggett, eds., *CIA's Analysis on the Soviet Union, 1947-1991*, Memorandum, "The Soviet Grain Deficit," 16 September 1975, doc. 36.

<sup>80</sup> *FRUS*, 1969-1976, Volume XVI, memorandum of conversation (Ford, Kissinger), 5 October 1974, doc. 49, and Lord (Policy Planning Staff) to Kissinger, 8 August 1975, doc. 177.

<sup>81</sup> Hanson, *The Rise and Fall of the Soviet Economy*, 129.

<sup>82</sup> NARA, RG 59, Stoessel to State Department, 19 February 1976, Central Foreign Policy Files, 1973-79/Electronic Telegrams, assessed 8 February 2017. Recent scholarship, nevertheless, notes the anxiety of the Soviet leaders during the Congress, regarding consumption levels: see Hanson, *The Rise and Fall of the Soviet Economy*, 141-142.

<sup>83</sup> NARA, RG 59, Stoessel to State Department, 22 January 1976, Central Foreign Policy Files, 1973-79/Electronic Telegrams, assessed 8 February 2017.

was not usual for an American Ambassador to be so ironic on the showing of the Soviet economy.

More importantly, these difficulties were inter-related and each seemed to preclude the solution of other problems. The CIA reported on “deepening economic problems and resource stringencies facing the Soviet economy over the next five to ten years, and the strains and pressures these will increasingly place on the Soviet resource allocation process.”<sup>84</sup> In July and December 1977, in two important analysis papers, the CIA noted that Soviet economic growth, based on the simple formula of inputs of manpower and capital, could no longer guarantee the desired or planned growth rates, which would certainly slow down. Reforms since 1965 had produced little result, and, more importantly, the Soviet leadership was learning to live with misery and stagnation:

As long as present organizational arrangements continue to yield modest, even if declining, rates of growth, the leadership will probably prefer to put up with the familiar deficiencies of the systems, rather than to launch major changes with unknown payoffs and known political risks.<sup>85</sup>

On top of all these problems, Brezhnev’s health was deteriorating, but there was little prospect for a quick change in leadership. As the US Secretary of State, Cyrus R. Vance, reported from Moscow in mid-1977: Brezhnev faced “short term functional incapacitation;” it was unlikely that he would face a fatal episode in the next two years, but his performance would continue to be “uneven.”<sup>86</sup> In other words, Soviet *immobilisme* would not be remedied, and the problems would continue to deepen. Admittedly, the Jimmy Carter administration was more optimistic compared to its predecessors, but Zbigniew Brzezinski could justifiably tell the President that the long-term trend favored the US and the West.<sup>87</sup>

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<sup>84</sup> *FRUS*, 1977-1980, Volume VI, Soviet Union (Washington, DC: United States Government Printing Office, 2013), CIA paper, “The Value to the USSR of Economic Relations with the US,” August 1977, doc. 40.

<sup>85</sup> Haines and Leggett, eds., *CIA’s Analysis on the Soviet Union, 1947-1991*, CIA, Directorate of Intelligence, “Soviet Economic Problems and Prospects,” July 1977, and CIA, National Foreign Assessment Center, “Organization and Management in the Soviet Economy: the Ceaseless Search for Panaceas,” December 1977, docs. 38 and 39 respectively.

<sup>86</sup> *FRUS*, 1977-1980, Volume VI, Vance (Moscow) to State Department, 9 July 1977, doc. 37.

<sup>87</sup> Leffler, *For the Soul of Mankind*, 271.

## ***Years of Western Uncertainties: The Picture from Evere***

Starting in the mid-1970s, the tone of NATO analysis was strongly influenced by the realization that the Western economy was in trouble and sometimes even in recession. The NATO experts and statesmen attempted to offset this picture by pointing out that, although Soviet growth rates were higher than the Western, “the combined GNP of NATO is still more than twice that of the Warsaw Pact.”<sup>88</sup> This was correct, but things had changed since the first use of the argument in the 1950s, when the West itself was ascending economically: now the Soviet problem involved a reduction in growth rates, but the Western economies faced recession. Indeed, in the mid-1970s the NATO experts were constantly concerned about the failure of Western economies to achieve a definite recovery.<sup>89</sup> In 1975, studying the security and political implications of the economic situation (undertaken at US suggestion and based on a US paper), the Economic Committee appeared anxious that the West was stagnating and might even face centrifugal tendencies, while the East was still growing, even at reduced rates.<sup>90</sup>

Inevitably, the energy crisis colored the perceptions of the NATO experts and statesmen. Since the early 1970s, the French had predicted a growing dependence of Western Europe on Soviet natural gas, but the Americans had argued that the Kremlin would face difficulties in continuing the expansion of its oil exports.<sup>91</sup> Of course, these assessments took a different flavor after autumn 1973. Early in 1974, the NATO Economic Committee, reporting at the request of the NAC, noted that the energy crisis called into question the very notion of growth as this had evolved in the West since the Second World War. Until the 1970s, growth was based on plentiful and cheap supply of energy and raw materials, but now the West was entering a period of “transition and readjustment” of its industrial structure, the redistribution of jobs and incomes

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<sup>88</sup> See for example the American report of a NAC discussion: NARA, RG 59, Bruce (NATO) to State Department, 4 December 1974, Central Foreign Policy Files, 1973–79/Electronic Telegrams, assessed 6 February 2017.

<sup>89</sup> See the notes by the Economic Committee on the appreciation of the economic position of NATO and Warsaw Pact countries and the projections for the period until 1980, 1982 and 1984, in NATO/AC/127-D/436 12 April 1973; AC/127-D/500, 4 December 1974; AC/127-D/545, 14 March 1977; AC/127-D/565, 24 February 1978. Indeed, the last projection revised the figures of the previous one for the period up to 1984, taking into account the worsening conditions in Western economies, mainly the simultaneous unemployment and high inflation.

<sup>90</sup> NARA, RG 59, Bruce to State Department, 11 April and 23 June 1975, Central Foreign Policy Files, 1973–79/Electronic Telegrams, assessed 7 February 2017.

<sup>91</sup> NATO/AC/127-D/298, “Soviet Natural Gas Exports to Western Europe” (French delegation), 15 August 1970; AC/127-D/321, “Prospects for Continued Soviet Exports of Petroleum” (US delegation) 7 January 1971. See also AC/127-D/487, “USSR: Natural Gas Prospects” (British delegation), 28 May 1974.

and the rise of unemployment. The members of the Organization of the Petroleum Exporting Countries (OPEC) would find it difficult to use the increasing flow of financial resources, and the Soviet Union would be in a “particularly privileged position” as an oil producer.<sup>92</sup> The NAC repeatedly discussed the implications of the crisis for the West, and the Secretary-General, Joseph Luns, expressed his concern that it could affect the defense effort of the West.<sup>93</sup> In 1976-7, at a time when the Soviets were seen as increasing their defense expenditure (see below), the British Permanent Representative, Sir John Killick, repeatedly cautioned Whitehall that the economic crisis (including the impressive cuts in the British defense budget, which accounted for the “deplorable” British performance in the alliance) prevented the allies from committing resources to defense, and thus formed the greatest danger for NATO.<sup>94</sup>

Things were further complicated by the fact that during this transitory period, NATO consultation processes faced successive hiccups. During the Yom Kippur War the thorny issue of NATO consultation on an out-of-area crisis came to the forefront. Searching for a new point of balance in the following months, the alliance considered a series of adjustments in its consultation procedures, including the merger of some regional expert groups (for example, the ones monitoring the Middle East and the Maghreb) and the experimental drafting of the reports by the Chairman. It was telling, however, that these experiments involved the working groups on the Middle East, the Maghreb, Latin America and the Far East. The expert group on the Soviet Union and Eastern Europe was left largely unaffected: the only change was that its biannual meetings were reduced from five days to four. The allies ruled out drafting by its Chairman, since this was an important task which they did not want to leave to the NATO functionaries.<sup>95</sup> Moreover, due to low participation of national experts in meetings on the economies of individual Eastern European countries (for example a meeting on Hungary in the autumn of 1973 was attended only by a British and a French expert), there was an attempt to group these

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<sup>92</sup> NATO/CM(74)9, “The World Oil Crisis and the Alliance,” 25 February 1974.

<sup>93</sup> TNA/FCO 41/1421, Peck to FCO, 13 December 1974.

<sup>94</sup> TNA/FCO 46/1359, Killick to Callaghan, 7 January 1976, annual review for 1975; FCO 46/1475, Killick to Crosland, 4 January 1977, annual review for 1976.

<sup>95</sup> TNA/FCO 41/1160, minute (Murrel), 13 November 1973, Brooke (NATO) to McLaren, 4 December 1973; FCO 41/1440, McGinley (NATO) to Wright (FCO) 23 October 1974; NARA, RG 59, McAuliffe (NATO) to State Department, 5 March 1974, and Rumsfeld to State Department, 18 July 1974, Central Foreign Policy Files, 1973–79/Electronic Telegrams, assessed 6 February 2017.

countries together, hoping to attract larger participation of national officials.<sup>96</sup> However, even in 1975, the chairman of the regional expert groups, J. de Bausse, complained that the experts were often passive during the discussions; they tended to speak on instructions from their governments, whereas their terms of reference meant to encourage the expression of their views as individuals, and to lead to a “free and penetrating” discussion.<sup>97</sup> These are indicative of the constant challenges that the NATO consultation processes faced, especially in that uncertain period. During the NATO summit in the spring 1975, President Ford tried to revitalize his country’s relations with the allies and proposed a series of improvements in NATO consultation, including more “reinforced” meetings of the NAC and the Defense Policy Committee (DPC), new processes in the Political and the Economic Committee (especially on the follow-up to the CSCE), improvements in the expert working groups and the increased use of the NATO-wide communications network to circulate American political assessments.<sup>98</sup> However, a little later, Kissinger made a telling intervention: he drew a distinction between “political consultations which can have direct impact on policy,” and expert level consultations “which contribute to overall cohesion of alliance but are generally of greater benefit in terms of information and analysis to allies rather than to US.” He stressed that the first category (namely, the NAC, the DPC, and the Political and Economic Committees) were of greater importance for Washington.<sup>99</sup>

As an integral part of the reevaluation of NATO consultation processes and following a proposal by Kissinger, a “reinforced” NAC took place on 14 March 1974, with the participation of high-ranking officials from the national capitals. It discussed East-West relations and the problems of NATO consultation. In this meeting, Helmut Sonnenfeldt and Arthur Hartman—two close associates of Kissinger—offered the perspective of the State Department, while Killick, at

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<sup>96</sup> NARA, RG 59, Rumsfeld to State Department, 18 October and 19 November 1973, and 5 July 1974, Central Foreign Policy Files, 1973–79/Electronic Telegrams, assessed 5 February 2017. For meetings discussing groups of Eastern European countries see, among others, NARA, RG 59, McAuliffe to State Department, 5 November 1974, Central Foreign Policy Files, 1973–79/Electronic Telegrams, assessed 6 February 2017; and Bruce to State Department, 28 August 1975, Central Foreign Policy Files, 1973–79/Electronic Telegrams, assessed 7 February 2017.

<sup>97</sup> NARA, RG 59, Bruce to State Department, 11 June 1975, Central Foreign Policy Files, 1973–79/Electronic Telegrams, assessed 7 February 2017.

<sup>98</sup> NARA, RG 59, Bruce to State Department, 5 June 1975, Central Foreign Policy Files, 1973–79/Electronic Telegrams, assessed 7 February 2017.

<sup>99</sup> NARA, RG 59, Kissinger to NATO delegation, 16 July 1975, Central Foreign Policy Files, 1973–79/Electronic Telegrams, assessed 7 February 2017.

that time the head of the FCO's Western Organizations Department, participated on the British side. The French, who feared that the participation of national officials would undermine the authority of the NAC, were represented by their Ambassador to NATO, François de Rose. The meeting mostly dealt with the internal problems of NATO consultation. On East-West relations, the discussion focused on Western and Soviet tactics in the CSCE and the talks on Mutual and Balanced Force Reduction (MBFR). Only the Danish Permanent Representative, Ankar Svart, raised the problem of the evolution of the Soviet Union. He noted that the Soviet economy was not in a good shape, but was trying to improve its performance through imports of Western technology. According to Svart, this meant that the Soviet Union would continue to favor détente, although the influx of Western technology would not solve its medium and long-term economic problems. However, Svart's comments seemed to fall on barren ground; immediately afterwards, the discussion reverted to the diplomatic developments regarding CSCE and MBFR.<sup>100</sup>

In other words, in 1974-75 the mood within NATO was gloomy. The emphasis was on more pressing concerns, such as the search for détente, the negotiations with the Soviets, the energy crisis and its implications for the alliance, and the intra-NATO crisis of consultation. Soon, however, both the analysts and the statesmen realized that a major change was becoming evident in the cryptic image of their opponent. To put it simply, the structural and inter-related problems of the Soviet economy, the excessively centralized political system and the inability or reluctance of its ruling elite to reform were now acquiring unforeseen dimensions.

#### *NATO Analysis: The Wrinkles of the Soviet Political System*

The expert working group on the Soviet Union and Eastern Europe kept noting the stability of the Soviet collective leadership and the strength of Brezhnev's position despite his declining health. After 1975, the experts pointed to the effort of the Soviet polity to ensure an orderly succession to Brezhnev, and suggested that Andrey P. Kirilenko was the most likely successor. In late 1977, the elimination of Nikolai Podgorny and the promotion of one of Brezhnev's men, Constantin Chernenko, to the chair of the Presidium of the Supreme Soviet, as well as the

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<sup>100</sup> NATO/CR(74)11, 14 March 1974.

adoption of a new Constitution that confirmed the CPSU's power were seen as the definite confirmation of the prevalence of the Soviet leader and the final demise of the "troika" instituted in 1965. However, the experts (and also APAG) repeatedly noted the conservative sclerosis of the political system, which did not dare attempt the radical reforms needed to solve the major economic problems. Thus, Brezhnev's successors would preside over an excessively centralized system facing severe economic difficulties, and would have to continue the "generally conservative policies of the present leadership."<sup>101</sup> In an assessment of the new Soviet Constitution of 1977, transmitted to the embassies at all NATO capitals and Moscow, the US Secretary of State Cyrus Vance described it as driven by "cautious revisionism" and as "Brezhnev's political testament. As such it can be characterized as middle of the road, Soviet style, and as essentially anti-Stalinist."<sup>102</sup>

At the same time, the Kremlin was intensifying its drive against dissidence. The expulsion of Solzhenitsyn in 1974 was a turning point, and the award of the Nobel prize to Sakharov in 1975 represented a major blow for the Soviets. However, there was little cohesion between dissenter groups.<sup>103</sup> The emphasis of the Carter administration on human rights<sup>104</sup> was partially reflected in NATO analysis. Early in 1977, the NAC decided to address Eastern European issues with special reference to human rights.<sup>105</sup> Still, many allies regarded this issue as unnecessarily provocative to the Kremlin, and feared that Western insistence on this would simply lead to a deterioration of the situation of human rights in the Soviet Union.<sup>106</sup> As the British FCO noted, talk of human rights in general would not be productive, and the West should

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<sup>101</sup> Reports "Trends in the Soviet Union and Eastern Europe," NATO/CM(74)32, 5 June 1974; CM(74)73, 18 November 1974; CM(75)28, 27 May 1975; CM(75)66, 24 November 1975; CM(76)24, 6 May 1976; CM(76)64, 3 November 1976. Reports "The Situation in the Soviet Union and Eastern Europe," CM(77)91, 25 November 1977; CM(78)25, 4 April 1978; CM(78)61, 31 October 1978. See also CM(75)40, "NATO and the Warsaw Pact: Security and Political Implications of the Economic Situation," 17 June 1975; CM(77)48, "The Future of East-West Relations" (APAG), 19 July 1977.

<sup>102</sup> NARA, RG 59, Vance to all NATO capitals and Moscow, 17 August 1977, Central Foreign Policy Files, 1973-79/Electronic Telegrams, assessed 9 February 2017

<sup>103</sup> Reports "Trends in the Soviet Union and Eastern Europe," NATO/CM(74)32, 5 June 1974; CM(74)73, 18 November 1974; CM(75)28, 27 May 1975; CM(75)66, 24 November 1975; CM(76)24, 6 May 1976; CM(76)64, 3 November 1976.

<sup>104</sup> On Carter's policy, see John Lewis Gaddis, *Strategies of Containment: a Critical Appraisal of American National Security Policy during the Cold War* (Oxford: Oxford University Press, 2005), 343-349; Leffler, *For the Soul of Mankind*, 259-270; Snyder, *Human Rights Activism*, 81-96; Sargent, *A Superpower Transformed*, 229-260.

<sup>105</sup> TNA/FCO 46/1476, Cleghorn (NATO) to Figgis (FCO), 18 February 1977.

<sup>106</sup> TNA/FCO 46/1477, Killick to Sykes, 5 March 1977.

focus on specific rights mentioned in the Helsinki Final Act. According to the FCO, “our primary concern should be that the *long-term* evolution of Soviet society is such as to create more tolerable conditions for its people.”<sup>107</sup>

In this climate, the NATO political experts expanded the sections of the reports on Soviet and East European dissidence, and noted the peak of the crackdown of dissent in 1977-78, but clearly they kept their expectations rather low. As APAG stressed in 1977, human rights was a necessary but difficult agenda: “The Allies should aim to push back progressively the limits of Soviet tolerance.” However, the NATO experts did not believe that dissidence could threaten the CPSU’s control of Soviet society. At the same time, the problem of Soviet nationalities tended to intensify, especially in the Baltic states and in Armenia, but it was seen as posing no immediate threat to the state. Still, the experts pointed to the trend for higher population growth of the non-Russian populations, as well as to the policies of linguistic Russification: these constituted contradictory trends and could pose problems in the long term. At any rate, the NATO political experts noted, these were indications of the failure of the attempt to constitute “a supranational Soviet ‘culture.’” In 1979, during a “reinforced” NAC session, some disappointment was also expressed that the human rights agenda had produced little results, if only because the dissidents were disunited and unable to create a large popular movement. The rise of cynicism and the questioning of official dogma, especially by the younger generation, were also noted, but again were seen as posing no immediate challenge to the regime. The political experts commented that the energy crisis did not change the Kremlin’s priorities in seeking European détente in order to avoid nuclear war, obtain Western technology and loosen the links between NATO members. The experts also noted the improvement of the Soviet position because of the rise of the prices of raw materials, at a moment when the Western economic difficulties raised the danger of an intra-Western competition for Soviet trade. The guarding of its own unity was always the most important priority of NATO, and this warning was issued repeatedly both by the expert working group as well as by the Economic and the Political Committees.<sup>108</sup>

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<sup>107</sup> TNA/FCO 46/1477, minute (Luard), 15 February 1977.

<sup>108</sup> Reports “The Situation in the Soviet Union and Eastern Europe,” NATO/CM(77)91, 25 November 1977; CM(78)25, 4 April 1978; CM(78)61, 31 October 1978. See also CM(75)40, “NATO and the Warsaw Pact: Security and Political Implications of the Economic Situation,” 17 June 1975; CM(77)48, “The Future of East-West Relations” (APAG), 19 July 1977. On the 1979 reinforced NAC see TNA/FCO 46/1964, Killick to FCO, 11 May

In Eastern Europe, the growing difficulties of the satellites in securing access to increasingly expensive oil and raw materials caused a notable slowdown of their growth and made them even more dependent for these commodities on the Soviet Union. The economic experts noted that the Kremlin was now in a better place to prevent undesirable changes in its satellites, and intensified its drive for ideological orthodoxy. Indeed, the Soviets consistently tried to prevent their satellites from dealing bilaterally with the EC. However, the fall of oil prices after the mid-1970s led the Soviet Union to increase the price of its oil exports to its satellites and intensified their problems. As the experts reminded the NAC, the major Soviet advantage was the Western economic crisis, which caused the appeal of the West in Eastern Europe to decline. Still, the new troubles in Poland in June 1976, following the regime's decision to raise prices pointed to "a growing gap between the authorities and the people." This was also the conclusion of NATO Ambassadors in Warsaw, who met there in November 1976, in the wake of the crisis: the Ambassadors even noted that the 1976 disturbances represented a crisis more severe than those of 1956 or 1970, exactly because there was no alternative to the weak Polish regime, which was being totally rejected by the populace. In a special report, the Political Committee noted the apparent weakness of the Polish government under Gierek, and the disillusionment of the public with the tightening of the ideological grip. The Committee did not foresee an "open revolt" in the country, which could force the Kremlin to intervene. Last but not least, the NATO experts closely monitored Soviet attempts to call a pan-European conference of communist parties (held in June 1976 in East Berlin), as well as the discomfort of the Kremlin at the rise of the new phenomenon of Eurocommunism and its possible erosive effects in Eastern Europe. Still, the experts remained cautious regarding Moscow's dispute with Eurocommunism: "it remains to be seen just how deep the schism is" (May 1976).<sup>109</sup>

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1979. On developments on the front of human rights, including Sakharov's Nobel prize and the crackdown on the Moscow Helsinki Group, see Snyder, *Human Rights Activism*, 54-80.

<sup>109</sup> Reports "Trends in the Soviet Union and Eastern Europe," NATO/CM(74)32, 5 June 1974; CM(74)73, 18 November 1974; CM(75)28, 27 May 1975; CM(75)66, 24 November 1975; CM(76)24, 6 May 1976; CM(76)64, 3 November 1976. Reports "The Situation in the Soviet Union and Eastern Europe," CM(77)91, 25 November 1977; CM(78)25, 4 April 1978; CM(78)61, 31 October 1978. See also NATO/CM(77)6, "The Situation in Poland," 23 February 1977; AC/127-D/580, "COMECON: Decisive Characteristics of the Economic Development in 1978" (West German delegation), 13 February 1979. On the meeting of the Ambassadors of NATO countries in Warsaw, see NARA, RG 59, Davies (Warsaw) to State Department, 3 November 1976, Central Foreign Policy Files, 1973-79/Electronic Telegrams, assessed 8 February 2017.

## ***Assessing the Vicious Circle of the Soviet Economy***

The picture of an intensifying resistance to change on the political level was now complemented with a series of overlapping economic and social problems, made worse by the inability of the political system to reform. Indeed, the mid-1970s were a turning point in NATO perceptions of Soviet economic realities. It was now, moreover, that the issue of the transfer of Western technology to the Soviet Union became more prominent, although the balance of opinion was that this created a further incentive for the Soviets to pursue détente. In fact, in 1976 a special colloquium was held at the NATO Headquarters, with the participation of academics and members of the business community, to discuss the Soviet interest in technology transfer.<sup>110</sup> During a NAC session in late 1974, the widely-respected Belgian Permanent Representative, de Staercke, questioned the importance of the technology transfer, and received a telling reply by the then Acting Chairman of the Economic Committee, O. de Bunne:

[F]or many reasons the USSR has tremendous difficulties in transferring technology and brain power from the military to the civilian field. For this reason, the impact of Western technology for more advanced civilian industries, particularly for the exploration, production and transport of petroleum, could be extremely valuable for the Soviet Union.<sup>111</sup>

According to the NATO economic experts, the rise of the prices of oil and raw materials (including gold) tended to improve Soviet hard currency earnings and thus to facilitate its imports of Western technology and of Western grain, “needed for politically important dietary improvements” (June 1974). The rise in the prices of basic commodities and oil “have recently given this country an affluence that it has rarely experienced in regard to external finances” (October 1974), although soon Soviet exports to the West were hit by the recession in the Western countries. At the same time, the start of repayment of older Soviet credits given to Less Developed Countries (LDCs) also improved Moscow’s financial position. Thus, despite the

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<sup>110</sup> NATO/CM(76)20, “Colloquium on East-West Technological Cooperation,” 3 May 1976.

<sup>111</sup> NARA, RG 59, Bruce (NATO) to State Department, 4 December 1974, Central Foreign Policy Files, 1973–79/Electronic Telegrams, assessed 6 February 2017.

weakness of the ruble, the Soviet external debt was described as relatively light and easily serviceable. The experts thought that this situation also partially facilitated Soviet control in Eastern Europe, since the satellites had to turn to intra-COMECON trade to cover their needs in energy, raw materials and grain. The growing indebtedness of the satellites (especially Poland) was also seen as making them more dependent on the Kremlin. COMECON was thus used by Moscow as “the economic aspect of the Soviet overall design which goes under the name of the Brezhnev doctrine” (September 1974). At the same time, this tighter economic embrace allowed the Soviets also to demand Eastern European participation in their Siberian development schemes.<sup>112</sup> In 1975 the NAC instructed the Economic Committee to place more emphasis on COMECON.<sup>113</sup> Still, the increasing grain imports from the West and a fall in gold prices led to a worsening of the Soviet balance of payments by 1976-77, especially as the indebtedness of its satellites intensified.<sup>114</sup>

Despite the rise of oil prices and the apparent ability of the Kremlin to control Eastern Europe, NATO analysis now strongly pointed to ominous signs about the Soviet economy. In fact, increasingly the NATO experts used the word “mixed” to describe the state of the Soviet economy. The Soviet system suffered from a combination of an outdated and over-centralized economic system, resources depletion and a sclerotic political structure. In this context, dead ends tended to recur constantly. Any thought of changes sparked bureaucratic opposition: reforms were timid and, even if implemented, they would not produce adequate results, “except temporarily and marginally,” while there was a “seeming acquiescence in economic mediocrity,”

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<sup>112</sup> See the reports on economic developments and trends, NATO/CM(74)38, 12 June 1974; CM(74)83, 28 November 1974; CM(75)39, 16 June 1975. See also CM(74)60, “Council of Mutual Economic Assistance: Significant Features and Trends,” 20 September 1974; CM(74)64, “An Estimate of the Soviet Balance of Payments in Convertible Currencies: Principal Features and Implications,” 8 October 1974; CM(75)40, “NATO and the Warsaw Pact: Security and Political Implications of the Economic Situation,” 17 June 1975. Also, NARA, RG 59, McAuliffe to State Department, 17 October 1974, Central Foreign Policy Files, 1973–79/Electronic Telegrams, assessed 6 February 2017; and Kissinger to NATO delegation and all NATO capitals, 27 March 1975, Central Foreign Policy Files, 1973–79/Electronic Telegrams, assessed 7 February 2017.

<sup>113</sup> NARA, RG 59, Streater (NATO) to State Department, 17 October 1975, Central Foreign Policy Files, 1973–79/Electronic Telegrams, assessed 7 February 2017.

<sup>114</sup> See the reports on economic developments and trends, NATO/CM(76)75, 30 November 1976; CM(77)31, 19 April 1977; CM(78)48, 19 June 1978. See also CM(76)1, “Recent Economic Developments in Eastern Europe and Intra-COMECON Relations,” 9 January 1976; CM(76)51, “Recent Trends in the Soviet Economy,” 20 August 1976. See also AC/127-D/556, “The Transferable Ruble and East-West Trade” (French delegation), 27 June 1977; AC/127-D/566, note by US delegation, 6 April 1978.

exactly because of the fear of losing political control.<sup>115</sup> The country relied on the importation of Western technology to boost its development, but this could provide for no long-term solution. As APAG noted in 1977, “[The Soviet leaders] were undeterred by the fact that without more radical reforms Western technology would have only limited value.”<sup>116</sup> Worst of all, the short-lived improvement of the Soviet financial position due to the oil crisis worked as a counter-incentive for change: it made things worse by encouraging the immobility of an excessively conservative political system, eager to postpone difficult decisions. As the Economic Committee noted in mid-1974, the country’s larger revenues as a result of the energy crisis “has probably also diminished Soviet incentives for effective internal economic reform.”<sup>117</sup> In the words of the expert working group in its political reports, “[o]utside the largely defence-related priority industries, the system remains insufficiently innovative in its technology, wasteful of labour, materials and capital, and deficient in the quality of goods and services produced;” all these stemmed from “the apparently irresistible Soviet urge towards administrative gigantism.”<sup>118</sup> In a very strange manner, the first oil shock provided for easy short-term solutions for the Kremlin’s problems and *decreased* Soviet incentive for change, thus pushing the whole system to an even greater immobility.

Misuse of recourses had always been a problem for the Soviet Union, but until the late 1960s the NATO economic experts had kept insisting that the ability of a totalitarian state to allocate resources arbitrarily and with little social accountability allowed it to produce results unthinkable in a free economy. It was also a matter of size: the Soviet Union covered one fifth of the land of the planet, and its resources were immense.<sup>119</sup> However, by the mid-1970s, resources, both human and material, were becoming scarcer, and the Soviet system proved unable to improve productivity. Some patterns had already been detected in previous reports,<sup>120</sup> but now

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<sup>115</sup> NATO/CM(74)32, “Trends in the Soviet Union and Eastern Europe,” 5 June 1974. See also the reports of economic developments and trends, CM(74)38, 12 June 1974; CM(74)85, 28 November 1974.

<sup>116</sup> NATO/CM(77)48, “The Future of East-West Relations” (APAG), 19 July 1977.

<sup>117</sup> NATO/CM(74)38, “Recent Economic Developments in the USSR and Eastern Europe: Impact of the Energy Crisis,” 12 June 1974.

<sup>118</sup> See the reports “Trends in the Soviet Union and Eastern Europe,” NATO/CM(75)28, 27 May 1975; CM(76)64, 3 November 1976.

<sup>119</sup> Hatzivassiliou, *NATO and Western Perceptions of the Soviet Bloc*, 41-48, 78-80, 133-142.

<sup>120</sup> See for example, the reports of a special working group on Soviet manpower, NATO/AC/127-D/358 and 359, 21 May and 4 June 1971.

they were seen in a qualitatively different light. In 1976 a thorough study of Soviet demographic dynamics by the Economic Committee showed that the growth rates of the Soviet population declined since the early 1960s, when the depleted wartime generation reached the age of parenthood. Moreover, urbanization, the desire for a higher standard of living, the participation of women in economic life and easier access to contraceptives accounted for a drop in the fertility rate. From 1981-85, the increase of Soviet population of working age would be only 0.4 percent, compared to 1.5 percent in 1976-80. The growth of Russian population was slower than that of the Central Asian republics (and by 1985-2000 most of the population growth would be coming from the Asian territories), pointing to possible political and social stress in the future. This would affect industry and services, since it would be more difficult to resort to the usual (in Soviet history) tactic of arbitrarily moving labor from the agricultural sector which itself was constantly proving inefficient; army recruiting would also be affected. At the same time, new problems would be posed by the need to assimilate Central Asian workers in the European industrialized regions. Similar problems of a decrease of population growth were recorded in Eastern Europe. All these pointed to the need for a more efficient use of manpower, which was not the strongest point of the Soviet system.<sup>121</sup> But there was more. In late 1975, the Economic Committee noted that the misuse of manpower in COMECON countries as reflected in low per capital output pointed to “considerable hidden under-employment;” labor productivity in the Soviet Union was only 55 percent that of the United States.<sup>122</sup> Early in 1977, Soviet legislation provided for the lengthening of the military service of draftees with a higher education. This pointed to the growing sophistication of Soviet military equipment, and also to the priority given to the armed forces. This provision, the NATO experts stressed, effectively amounted to a transfer of human resources to defense, and would adversely affect the productivity of the civilian sector, which remained a major problem for the economy.<sup>123</sup>

In this context, the problems of Soviet agriculture were decisive. The record harvest of 1973 boosted Soviet growth rates, but this proved short-lived. Even in the case of 1973 crop,

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<sup>121</sup> NATO/CM(76)62, “Demographic and Manpower Policies and Trends in the USSR and in Eastern Europe,” 22 October 1976.

<sup>122</sup> NATO/CM(75)73, “Recent Economic Developments in 1975 in the USSR and Eastern Europe,” 5 December 1975.

<sup>123</sup> NATO/CM(77)31, “Recent Economic Trends in the Soviet Union and Eastern Europe,” 19 April 1977.

losses were excessive because of inadequacies in drying, storage and transport (indeed, transport was always problematic in such a huge country). This was then followed by a succession of poor harvests, leading the experts to comment that “[a]griculture remains the Achilles’ heel of the Soviet economy” (December 1975). Failures in agriculture meant that the country needed to continue its huge imports of grain, and prevented the growth of its livestock, thus making it impossible to fulfill promises for the improved diet of its citizens. In 1976, the lowest grain harvest since 1965 (only 140 million tons), led again to distress slaughtering of livestock and to predictions for adverse effects in other sectors of the economy.<sup>124</sup> Speaking at the 1976 Party Congress but also at other occasions, Brezhnev unsuccessfully tried to reassure the Soviet citizen that he would deal with problems in consumer goods and light industry, and that the agricultural failures were being remedied.<sup>125</sup>

In the same year, a special study of the NATO Economic Committee focused on the problems of Soviet agriculture. The experts noted that the agricultural sector employed between one-fourth and one-third of the labor force, but produced only one-fifth of the Soviet NMP. There were many reasons for this: lack of incentives, over-centralization, as well as the trend for urbanization which deprived the agricultural sector of many technically skilled young people. The economic experts stressed that there was no danger of food shortages, but higher output was needed for farm produce, and for the Soviet consumer “who is becoming increasingly industrial and urban.” Despite the fact that transfer of resources to agriculture proved a big drain for the economy, it was imperative to meet its needs. Thus, the Soviet Union made a long-term agreement with the US for the purchase of grain in the period 1976-81.<sup>126</sup> A better crop in 1977 ameliorated the problem. However, the failures of the agricultural sector and the instability of its performance posed a huge question mark for the Soviet economy as a whole.

Agricultural failures contributed to (but were not solely responsible for) the “mixed” economic performance of the mid-1970s. A familiar pattern emerged again: heavy industry

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<sup>124</sup> Reports of economic developments and trends, CM(74)38, 12 June 1974; CM(75)73, 5 December 1975; CM(76)29, 13 May 1976. On problems of the Soviet transportation system, see the Economic Committee paper AC/127-D-367revised, 24 May 1973, drafted following a French proposal. See also NARA, RG 59, Streater (NATO) to State Department, 14 November 1975, Central Foreign Policy Files, 1973–79/Electronic Telegrams, assessed 7 February 2017.

<sup>125</sup> NARA, RG 59, Stoessel to State Department, 24 February and 7 September 1976, Central Foreign Policy Files, 1973–79/Electronic Telegrams, assessed 8 February 2017.

<sup>126</sup> NATO/CM(76)19, “The State of Soviet Agriculture,” 28 April 1976.

tended to grow faster than light industry and the production of consumer products, despite the fact that the plans provided for the opposite. Even the industrial performance was now constantly described as “sluggish,” especially after 1976 when the results of the bad harvests were felt, and the economic difficulties of the West led to a reduction of Soviet exports. Indeed, the NATO experts were impressed to find out that the 1976-80 Five-Year plan provided for even lower growth rates than before. They accepted the argument of the Chairman of Gosplan, Nikolai Baybakov (to whose views they always placed much emphasis), that the Soviet economy was “healthy [but] certain of its basic elements are holding up progress by the sheer force of their inertia.” The experts noted a decline in the productivity of labor, bad labor discipline, lack of incentives and poor quality of products. By 1977, the Economic Committee stressed that there was no sign for a move towards decentralization, without which no solution to the problem of productivity was possible. Targets in industry were set with priority to gross output, which discouraged innovation; mechanization and automatization were well below Western levels, and one-half of the industrial workers were engaged in manual labor. Many sectors of heavy industry were falling behind their scheduled targets, such as iron and steel, timber, and the “traditional laggard,” textiles. According to the economic experts, these pointed to “continuing, apparently intractable problems” regarding aging plant, delays in new equipment deliveries and “a chronic inability to complete new output facilities on schedule.” The economic experts also accepted American predictions for a decline of Soviet oil production in the 1980s. Thus, the system proved constantly unable to take advantage of its increased earnings because of the oil crisis. Still, the experts cautioned the NAC that the Soviet economy was growing, although even more slowly than before, at a time when the West was in recession.<sup>127</sup>

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<sup>127</sup> Reports of economic developments and trends, CM(74)38, 12 June 1974; CM(75)73, 5 December 1975; CM(76)29, 13 May 1976; CM(77)31, 19 April 1977; CM(77)90, 24 November 1977; CM(78)68, 17 November 1978. See also the American note for the problem areas in Soviet industry in NARA, RG 59, Bubs (Moscow) to State Department, 12 September 1974, Central Foreign Policy Files, 1973–79/Electronic Telegrams, assessed 6 February 2017. The Americans cautioned their allies that the Soviet situation was “much dimmer” in the medium term because of the projected decline of its oil production; indeed, the Americans even predicted, erroneously as it finally transpired, that in the future the Soviet Union might become a net importer of oil. For the predictions of the CIA regarding a fall in Soviet output of oil, see Haines and Leggett, eds., *CIA’s Analysis on the Soviet Union, 1947-1991*, Intelligence Memorandum, “The Impending Soviet Oil Crisis,” doc. 37. These predictions did not materialize, although a drop of oil production occurred in the mid-1980s; see also, Noren, “CIA’s Analysis of the Soviet Economy.”

In 1976-78, a further major change was recorded in NATO analysis. In 1976, the CIA changed its estimations of Soviet defense expenditure, based on a higher ruble-to dollar ratio used for estimating Soviet expenses. This amounted to a “bombshell” in the intelligence community, although the new estimations, by questioning the CIA’s earlier findings, tended to erode its credibility.<sup>128</sup> This impressive finding was diffused within NATO as well. From autumn 1976, following the submission of US and British assessments, the NATO experts noted for the first time, that Soviet defense spending might be rising faster than the Soviet economy as a whole.<sup>129</sup> The resulting studies of the Economic Committee are among the few NATO analysis documents which had a direct and immediate impact on alliance policy-making: the stepping up of the Soviet defense effort at a time when the West, hit by the economic crisis, felt that it could not follow, meant that there was the danger of a major disturbance in the European military balance, and consequently of a weakening of the West’s deterrence capability.<sup>130</sup> Luns expressed concern at the technological advances in Soviet weaponry.<sup>131</sup>

The NATO Economic Committee now came out with new assessments of the Soviet defense expenditure, and—very interestingly—in the following years even drafted unclassified documents, to be used as “a common source of information.” This meant that the NATO authorities felt that this subject was suitable for public dissemination, as it pointed to the need to step up Western defense programs at a time of economic difficulties and general public discontent. These unclassified reports always noted the divergence of the models of East and West in estimating defense expenditure. The experts made it clear that, despite the initial impressions and Moscow’s claims that defense spending had not risen, the Soviet military establishment had continued to be augmented since the early 1970s. New programs for strategic weapons, the progressive modernization of conventional weapons and the cost of maintenance called for an increasing commitment of resources. Soviet official sources estimated the country’s

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<sup>128</sup> Noel Firth and James Noren, *Soviet Defense Spending: A History of CIA Estimates, 1950–1990* (College Station, TX: Texas A&M University Press, 1998), 57-68.

<sup>129</sup> NATO/CM(76)64, “Trends in the Soviet Union and Eastern Europe,” 3 November 1976; AC/127-D/534 (US delegation), 21 May 1976; AC/127-D/536 (British delegation), 4 June 1976; AC/127-D/537 revised (French delegation), 29 July 1976; AC/127-D/569 (British delegation), 7 June 1978. See also NARA, RG 59, Robinson (State Department) to NATO delegation, 21 May 1976, Central Foreign Policy Files, 1973–79/Electronic Telegrams, assessed 8 February 2017.

<sup>130</sup> TNA/FCO 46/1475, Killick to Crosland, 4 January 1977, annual review for 1976.

<sup>131</sup> TNA/FCO 46/1476, Record (Owen, Luns), 28 March 1977.

defense expenditure at 17.43 billion rubles, but the Western experts estimated that it had risen from 40 billion rubles in 1970 to 50-55 billion in 1976. Further increases were expected by 1980, when new weapons would reach the stage of procurement. The defense industries absorbed the best managerial and technical staff, who were better paid than their counterparts in the civilian sector. The NATO economic experts estimated that in 1970-75 Soviet defense expenditure rose at an annual average of 4-5 percent; initially, in 1971-73 this figure was only three percent, but it rose significantly when new programs were launched. An estimated 11-13 percent of the Soviet GNP was attributed to defense, compared to seven percent under previous estimates. Twenty percent of industrial output, one third of the mechanical engineering industries, one fifth of the output of the metallurgical industry, one sixth of the chemical output and of energy production, and almost all the integrated circuits available were going to defense. Five million men serving in the Red Army and the frontier guards meant that a huge share of the country's working population was allocated to defense at a time of labor shortages. Moreover, the civilian economy was insulated from the defense sector for reasons of secrecy, and thus could not benefit from Research and Development advances of the military. By 1978, the NATO experts were convinced that, with an annual increase of 4-5 percent, the Soviet defense expenditure was growing faster than the Soviet economy as a whole: the growth of the Soviet national product would not be higher than three to 3.5 percent (although the Germans estimated that this would even be lower).<sup>132</sup> It should be noted that the estimations regarding the *future* increase of Soviet defense spending, based on CIA's assessments, proved mistaken, and the Soviet military programs did not in fact rise substantially compared to their 1976 levels.<sup>133</sup> However, the high cost of Soviet defense expenditure remained an important problem in an economy which was steadily slowing down.

Another novel aspect of the NATO reports of the mid-1970s concerned the phenomenon of "disguised inflation" in the Soviet Union and in the Eastern European satellites. This was due to the lack of a realistic price system, reflecting supply and demand. It also contributed to a vicious circle: due to the unavailability of consumer goods, the higher incomes in the Eastern

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<sup>132</sup> Reports on the Soviet defence expenditure, NATO/CM(77)11, 2 March 1977; CM(78)10, 20 February 1978; CM(78)59, 19 October 1978. In the first document, the term "milliard" was used instead of "billion."

<sup>133</sup> Noren, "CIA's Analysis of the Soviet Economy."

European states merely led to the growth of a “parallel,” effectively a black market.<sup>134</sup> In mid-1976, a special report of the Economic Committee stressed the existence of hidden inflation, to which the social costs of shortages, queues, delays and poor quality of goods should be added. The Soviet Union considered inflation as a capitalist disease and was trying to conceal it through heavy subsidies “the burden of which becomes heavier every year.” At the same time, the Soviet economic system proved unable to mop up excess liquidity by increasing the supply of consumer goods, and the citizens were turning to the illegal market. The Eastern European satellites had an even greater inflation, and needed external finance from the West to balance their foreign trade. Hungary and Poland had started introducing market elements in their economies, but this also made them more sensitive to external influences.<sup>135</sup>

In this context, the shortages of consumer goods in the Eastern European countries and their increased indebtedness were also discussed in various reports. The trend of migration from rural to urban areas caused shortages of manpower in agriculture but only insufficient gains in industry. Badly needed reforms were avoided, and “reform” programs merely constituted a return to the tried and inefficient models of the 1960s.<sup>136</sup> Apart from Poland, which was already heavily indebted, the Economic Committee also discussed the cases of East Germany, Hungary and Czechoslovakia, three industrialized countries, dependent on foreign trade (which equaled almost 30 percent of their national product). The Chairman of the Committee, the French Jacques Billy, stressed that the three countries still enjoyed growth, but things were more complicated exactly because they faced problems similar to those of the Soviet Union without having the advantage of the latter’s sheer economic size and resources. Production and development were organized in a politically motivated fashion, the priority for capital goods was an ideological principle, and often “production was for production’s sake.” The specter of the 1970 Polish troubles because of the lack of consumer goods was always strong. Moreover, their industrial

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<sup>134</sup> NATO/CM(75)60, “Council of Mutual Economic Assistance: Significant Features and Trends,” 20 September 1974; CM(75)58, “Recent Economic Developments in the GDR, Hungary and the CSSR,” 23 October 1975; CM(75)73, “Recent Economic Developments in 1975 in the USSR and Eastern Europe,” 5 December 1975.

<sup>135</sup> NATO/CM(76)38, “Inflation in the USSR and the Eastern European Countries,” 21 June 1976.

<sup>136</sup> NATO/CM(78)48, “Recent Economic Trends in Eastern European Countries,” 19 June 1978.

specialization had not led them to produce products which others would buy on the international market, but products which the Soviet Union wanted.<sup>137</sup>

Last but not least, all these factors opened another novel “front” in NATO analysis. Since 1974 and at Danish insistence, the NAC asked the economic experts to focus on the quality of Soviet products and the problems of daily life in the country, not merely on growth rates.<sup>138</sup> This was the first time that the NAC gave such a directive. Until the mid-1970s, the NATO experts had implied that the Soviet regime was legitimized in the Soviet society, as it had succeeded in raising the standard of living. However, they now noted shortages of consumer goods in the Soviet market, as well as the “resilience” of the Soviet consumer. In 1977, APAG stressed the “increasing qualitative gap with the West.” The expansion of the educated class needed for economic development raised demands for higher living standards which could only be met partially.<sup>139</sup>

In 1975, a colloquium was held in the NATO Headquarters on the economic aspects of daily life in the Soviet Union, with the participation of academics from the member-states. Thus the ensuing report was not an agreed minute, but an account of opinions of private individuals. Still, the findings were impressive. The living standards of the Soviet citizen had been rising for the previous ten years—the rise in per capita food consumption amounted to an impressive 60 percent. More meat and dairy products were available, compared to the older diet based mostly on bread and potatoes. Progress in other consumer goods was “slow but visible.” However, the Soviet Union lagged behind compared to Western countries or even some of the industrialized satellites, East Germany and Czechoslovakia. The Soviet per capita consumption was only one-third of that of the US and 50 percent of the British, French and West Germans. There were shortages of many goods, due to planning deficiencies, poor design, low durability and underinvestment. Shortages in the urban areas had created a “parallel” market: official prices remained stable, but inflation was growing in items sought by the most sophisticated consumers, for example clothing: “Only the Soviet elite with its extensive system of privileges is basically immune from such shortages and frustrations.” This could strike at the heart of the legitimization

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<sup>137</sup> NATO/CM(75)58, “Recent Economic Developments in the GDR, Hungary and the CSSR,” 23 October 1975.

<sup>138</sup> TNA/FCO 41/1440, McGinley to Lever, 29 November 1974.

<sup>139</sup> NATO/CM(76)51, “Recent Trends in the Soviet Economy,” 20 August 1976; CM(77)48, “The Future of East-West Relations” (APAG), 19 July 1977.

of the system, and the younger generation was aware of the low quality of the products. The speakers provided an explanation for this situation: in the Soviet Union there was no danger of bankruptcy because of low quality products or the production of unwanted goods, while state-fixed prices also led to products of low quality. The prices were being subsidized by the state, despite the rise in the cost of production. These subsidies, however, absorbed capital which could be channeled to new investments and thus allow the economy to cope with the expectations of the consumers. Demand was assessed from above, based on poor statistical data, and was never met if only because “the system tends to stress the wrong kind of information.” In this context, some sharp comments were made: “Professor Levine suggested that while the Soviet Union no longer creates the impression of being a large village, it has still to acquire the character of an urban civilization.”<sup>140</sup>

These observations were leading to a reassessment of perceptions about the Soviet Union. In the 1970s, the Soviet Union continued to spark awe and fear in the West, and was scoring impressive successes in the global south. The Soviet economy was huge and still growing, but had taken a markedly downward turn and proved unable to make the corrective moves in order to rise again. More importantly, any correction was seen as unlikely because of the sheer forces of inertia and the conservatism of the Soviet political system, and because Brezhnev’s steadily declining health tended to reinforce immobility. In other words, the Soviet problems were the result of a vicious circle. Reaching this conclusion in the mid-1970s, was a turning point for NATO analysis. During the 1950s and 1960s, the NATO experts had been puzzled to witness the rapid growth of an economy lacking a realistic price system, and relying on the arbitrary transfer of huge resources from one sector to the other. Although the experts had never said so expressly, this should not be happening according to economic science; it was the result of the sheer size and resources, and of the totalitarian nature of this state. In a sense, the picture of the Soviet economy in the mid-1970s reassured the Western economic experts for the first time since 1951: the perceived Soviet dead ends meant that, at last, the Soviet economy and the political system made sense.

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<sup>140</sup> NATO/CM(75)25, “1975 Colloquium on the Economic Aspects of Daily Life in the USSR,” 12 May 1975. The suggestion for a conference on this subject came from the NATO International Staff: NARA, RG 59, Rumsfeld to State Department, 30 May 1974, Central Foreign Policy Files, 1973–79/Electronic Telegrams, assessed 6 February 2017.

There was, admittedly, a minor change of perspective between the American administrations (Republican and Democrat) of those years. Under the direction of Kissinger and his people (mostly Sonnenfeldt), American analysis until 1976 was more structured and placed great emphasis on the general picture of the Soviet polity and on its huge military potential. Repeatedly President Ford reminded the public that the Soviet Union was “a superpower militarily and industrially,” which meant that the US interest called for a reduction of tensions.<sup>141</sup> Indeed, according to the Ford administration, the nuclear arsenal of the Soviets and their successes in Vietnam and Angola meant that their political and military potential was very much evident in the short term, while their economic problems were long-term and thus somehow less pressing. Kissinger repeatedly noted that the Soviet Union was developing “irregularly,” and that Soviet power was “uneven” and emerging in a “flawed way,” but insisted on the fact that the opponent was developing and emerging:

We are witnessing the emergence of the Soviet Union as a super power on a global scale. This will be a long-term process. It is a process that is just beginning in global terms as the Soviets are just now breaking out of their continental mold...There is no way to prevent the emergence of the Soviet Union as a superpower. What we can do is affect the way in which that power is developed and used.<sup>142</sup>

These views seemed to pave the way for the “incomplete superpower” thesis of later years, but the emphasis of the Ford administration was always placed on prudence and on the need to restrain a hugely powerful adversary. In March 1976, the Director of the Policy Planning Staff, Winston Lord, strongly cautioned against under-estimating Soviet power:

The power of the USSR is continuing to grow. The United States could not have prevented the Soviet Union’s rise to the stature of a superpower, nor can we make its power disappear. Our objective is to create inhibitions against the Soviets

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<sup>141</sup> *FRUS*, 1969-1976, Volume XXXVIII, Part 1, Ford interview with NBC journalist Tom Brokaw, 3 January 1976, doc 66.

<sup>142</sup> *FRUS*, 1969-1976, Volume XXXVIII, Part 1, Kissinger, circular telegram to all European diplomatic posts, 1 February 1976, doc. 68. See also, address by Kissinger, “America’s Permanent Interests,” 11 March 1976, doc. 71.

using their strength in ways that jeopardize our interests or those of our friends  
and, over time, to channel their energies in more positive directions.<sup>143</sup>

Moreover, countering inflated expectations of an impatient public opinion, the Ford administration was careful to note that the leverage of the West in various economic issues did not give the US an effective tool decisively to influence Soviet policy. Thus, the magnitude of the Soviet grain problem did not entail a capability of the US to guide Soviet policy. In March 1976, the State Department's Bureau of Intelligence and Research strongly noted the independence of the Soviet economy, and the *limited* leverage that the grain problem offered to Washington: "Under current circumstances, economic leverage can be effective when tactfully used to gain lesser accommodations in a given negotiation or situation."<sup>144</sup> This meant that Kissinger's diplomacy welcomed the prospects for the transformation of the Soviet polity, but felt that this was a prospect of the distant future. As Kissinger noted in autumn 1974 to *New York Times* journalist James Reston, who had asked him about the weaknesses of the communist systems:

I think that any attempt at domination in a nuclear age is going to involve risks that are catastrophic and would not be tolerated. If we remain strong enough to prevent the imposition of Communist hegemony, then I believe that transformations of the Communist societies are inevitable.<sup>145</sup>

There was a slight differentiation during the Carter years: contrary to the Republicans' hands-off approach with regard to Soviet internal problems, the new administration opted to raise the issue of human rights, and thus to attempt to intervene in Soviet internal realities. The Carter administration was welcoming signs that its leverage might be important, and the growing economic problems of the Soviet Union seemed to show that this could be possible. Brzezinski never suggested that this leverage would be decisive, but he clearly was willing to place more

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<sup>143</sup> *FRUS*, 1969-1976, Volume XXXVIII, Part 1, Lord, statement, "The Triangular Relationship of the United States, the USSR, and the People's Republic of China," 23 March 1976, doc. 72.

<sup>144</sup> *FRUS*, 1969-1976, Volume XVI, Scowcroft to Ford, 23 February 1973, doc. 267, and Saunders (Bureau of Intelligence and Research), Briefing memorandum to Kissinger, 2 March 1976.

<sup>145</sup> *FRUS*, 1969-1976, Volume XXXVIII, Part 1, Reston, interview with Kissinger, 6 October 1974, doc. 46.

emphasis on this possibility.<sup>146</sup> This more optimistic and active US attitude was not fully reflected in NATO documents. It is true that the other alliance members obviously felt more comfortable with Carter, rather than with the assertive Republicans (with Kissinger in their midst). NATO analysis followed the US lead and placed more emphasis on the movement of dissent. However, NATO analyses never suggested an interventionist policy. To a large extent, the very nature of NATO as an inter-governmental organization solved the problem for the alliance: it only required some skeptical member-states to prevent excessive optimism. This played an important role in the more reserved tone of the NATO papers.

## “Incomplete Superpower”: Perceptions of the Soviet System in the 1978 NATO Study of East-West Relations

By 1976-77 there was a feeling in the NATO Headquarters that a deeper discussion of East-West relations was needed. A “reinforced” NAC had discussed the subject in March 1974, but had not produced significant results. In 1976, the British Permanent Representative, Killick, noted the need for a more thorough review.<sup>147</sup> There were the usual hiccups in alliance consultation. Thus, a “reinforced” Economic Committee session examined the problem of technology transfer to the East in spring 1977, but the results were rather disappointing: despite the importance of the subject for NATO, there was a marked unwillingness of the national experts to discuss it openly, because of national political and commercial sensitivities.<sup>148</sup> Luns’ political appraisal in early May also noted the need for deepening alliance consultations.<sup>149</sup> APAG discussed the future of East-West relations in its meeting of May 1977, focusing on “extra-European developments on the security of the alliance.”<sup>150</sup> However, APAG was no longer the high-status body that it used to be, and anyway this rather poorly defined subject had been agreed by default, because of disagreements between one group of member-states, who wanted to discuss Eastern Europe and

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<sup>146</sup> *FRUS*, 1977-1980, Volume VI, Brzezinski to Carter, 24 June 1977, doc. 32.

<sup>147</sup> NARA, RG 59, Strausz-Hupe (NATO) to State Department, 29 September 1976, Central Foreign Policy Files, 1973-79/Electronic Telegrams, assessed 8 February 2017.

<sup>148</sup> NARA, RG 59, Strausz-Hupe to State Department, 19 April 1977, Central Foreign Policy Files, 1973-79/Electronic Telegrams, assessed 9 February 2017.

<sup>149</sup> NARA, RG 59, Bennett (NATO) to State Department, 3 May 1977, Central Foreign Policy Files, 1973-79/Electronic Telegrams, assessed 9 February 2017.

<sup>150</sup> NATO/CM(77)48, “The Future of East-West Relations” (APAG), 19 July 1977.

another who preferred to consider out-of-area developments.<sup>151</sup> In fact, the US preference for this compromise theme had been conveyed by Kissinger on 14 January, a few days before Carter took office. Thus, the APAG meeting was not the result of an initiative by the new American administration, although the latter encouraged the discussion which would anyway point to the need for a more thorough study.<sup>152</sup>

During the heads of government meeting at London in May 1977, the new US President, Jimmy Carter, broke this deadlock by proposing a comprehensive and formal study of East-West relations. In making his proposal Carter was motivated by a variety of considerations. Détente was on track, but there were many in the West who already thought that it merely accommodated the Soviets in Europe, allowing them to intensify their efforts to gain ground in the periphery. Carter, like any incoming US President during the Cold War, needed to reassure his allies about the American commitment to Europe. Moreover his emphasis on human rights had puzzled the allies, and a cooperative analysis of the opponent could help address their concerns. Last but not least, Carter wanted to assure the allies about his intention to deepen allied consultations—and usually incoming Democrat administrations were more successful than the Republicans in their efforts to strengthen the (constantly) wounded self-confidence of the allies. It was telling that, contrary to the similar effort of the Nixon administration in 1969 to broaden alliance consultation (which had embarrassed the Europeans and the Canadians with its unilateralism), the allied Permanent Representatives warmly welcomed these ideas prior to the London summit in 1977.<sup>153</sup> During the summit, Carter suggested two major projects: the long-term study of East-West relations, and the long-term planning of NATO defense, which would culminate in the Long-Term Defense Program (LTDP), based on an increase of three percent in the annual defense expenditure of the members, including a greater US commitment to European security.

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<sup>151</sup> NARA, RG 59, Strausz-Hupe to State Department, 12 January 1977, Central Foreign Policy Files, 1973–79/Electronic Telegrams, assessed 9 February 2017.

<sup>152</sup> NARA, RG 59, Kissinger to NATO delegation, 14 January, Christopher (State Department) to NATO delegation, 9 May, and Gammon (Paris) to State Department, 13 May 1977, Central Foreign Policy Files, 1973–79/Electronic Telegrams, assessed 9 February 2017.

<sup>153</sup> NARA, RG 59, Streater (NATO) to State Department, 26 April 1977, Central Foreign Policy Files, 1973–79/Electronic Telegrams, assessed 9 February 2017; TNA/FCO 46/1681, Killick to Owen, 4 January 1978, annual review for 1977. On the 1969 precedent, see Evanthis Hatzivassiliou, *The NATO Committee on the Challenges of Modern Society, 1969-1975: Transatlantic Relations, the Cold War and the Environment* (Basingstoke: Palgrave-Macmillan, 2017), 33-37.

The long-term study of East-West relations would be undertaken by the Council in Permanent Session, namely the Permanent Representatives. This meant that it was going to be a very formal procedure, leading to an agreed, “constitutionally” binding document. The previous time that this process had been followed was in 1966, when the permanent NAC had been asked to report on the prospects of détente; that report had opened the road for the crucial reform of NATO with the Harmel Report.<sup>154</sup> The East-West study was an exceptional procedure, pointing to the special importance of the task.

Drafting an agreed long-term assessment of East-West relations was a laborious task, in which all the alliance’s resources and experience were used. Despite French objections regarding the final section of “implications” (Paris thought that this entailed a commitment to a concerted NATO view on political affairs),<sup>155</sup> the exercise was concluded relatively smoothly. This was also due to the fact that the 1977-78 study concerned the opponent (on whom the member-states usually differed little), and not a reorganization of *NATO itself*, which was always a thornier issue sparking intra-alliance existential crises. Moreover, with President Carter personally committed to the venture, American diplomacy was actively engaged in the preparations of the study: it closely followed allied processes for its launching, provided guidance to the NATO authorities on the outline of the report, and proved effective in coordinating the members drafting the chapters.<sup>156</sup> According to a British assessment in autumn 1977, the alliance study “is arguably the most important single item of work currently in the NATO agenda.”<sup>157</sup>

The NAC and the NATO Senior Political Committee set the procedure in the second half of 1977. The study was going to be structured in three parts. Part I would examine current trends in the Soviet Union and Eastern Europe. This was drafted with the participation of all member states; as a result, according to the British, it was simplistic and “not a particularly well-drafted document,” since it “bears the signs of a multitude of different hands.” Part II, the assessment of

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<sup>154</sup> On the 1966 report of the permanent NAC, see Hatzivassiliou, *NATO and Western Perceptions of the Soviet Bloc*, 152-153. Since the early 1970s, the Council itself approved and issued biannual reports on the situation in the Mediterranean, which were thus becoming agreed minutes. But these were of an obviously lesser caliber than a long comprehensive analysis document on East-West relations.

<sup>155</sup> TNA/FCO 46/1477, Killick to FCO, 12 May 1977, and minute (Bone), 15 July 1977.

<sup>156</sup> NARA, RG 59, Bennet (NATO) to State Department, 3 June, Streator to State Department, 28 June, Vance to NATO delegation, 21 September 1977, Central Foreign Policy Files, 1973-79/Electronic Telegrams, assessed 9 February 2017.

<sup>157</sup> TNA/FCO 46/1479, minute (Scott), 3 November 1977.

the findings and the projections for the 1980s, was drafted by a small team, a “troika,” of Robert Ford, the Canadian Ambassador to Moscow, and two serving Permanent Representatives to NATO who had also served as Ambassadors to Moscow, the Danish Svart and the British Killick. This section was regarded as much more coherent and clear. It was not, perhaps, a coincidence that Svart had been the only participant in the March 1974 “reinforced” NAC who had elevated himself above the question of tactics in the CSCE, to raise issues about the long-term prospects of Soviet power and conduct; this was exactly what the alliance study was now expected to do. Svart’s Danish delegation had also distinguished itself in raising the issue of daily life in the Soviet Union, with its connotations about social and economic trends. Part III was the much-discussed implications section, which remained brief and was drafted by an open-ended group following submissions by the US, France, Canada and Britain. Significantly, the Americans refrained from participating in the drafting of the first two sections, thus giving the opportunity to the allies to make their points. The American officials tended to place more emphasis on the third section, on policy implications, which they finally described as an acceptable compromise.<sup>158</sup>

On the road to the production of the study, a series of meetings with national officials took place. On 10 November 1977, high-level experts discussed the draft of Part I, focusing on the “conservative” Soviet policies. As was usual in such high-level meetings, the debate was dominated by the American members, especially Samuel P. Huntington of the National Security Council. With his lead, the experts agreed that the Soviet Union appeared to be a superpower “in one field only,” defense: “the country at present showed an unbalanced profile, contrasting military might with ideological unattractiveness and economic weakness.” The Kremlin was expected to follow an unadventurous foreign policy. Eastern Europe was closer to instability, but for the Soviets “the maintenance of the E. European glacis remained the most important task.” Huntington also made an impressive remark, predicting “very severe problems in the form of an ‘economic crunch’” for the Soviet Union in the 1980s.<sup>159</sup> It is interesting that during the Permanent Representatives’ lunch on 15 November, when this meeting was discussed, the

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<sup>158</sup> TNA/FCO 46/1479, minute (Duff), 28 September 1977, and minute (Sutherland), 2 December 1977; FCO 46/1684, minute (Bone), 26 January 1978. See also NARA, RG 59, Christopher to all NATO capitals, 31 May 1978, Central Foreign Policy Files, 1973–79/Electronic Telegrams, assessed 10 February 2017.

<sup>159</sup> TNA/FCO 46/1479, Killick to FCO, 14 November 1977.

Ambassadors were interested in the “total lack of alarm” regarding a Soviet threat in the statements of the experts.<sup>160</sup> This was an indication of the trend of experts discussing the long-term prospects to bring out the deficiencies of the Soviet system, while those monitoring Soviet foreign and defense policy were usually impressed by the country’s military power and immediate gains.

A “reinforced” NAC in February 1978 continued this debate. Huntington noted that the Soviet Union was an “incomplete superpower,” specializing only in military power. As will be shown, this phrase was also used in the final document. The balance of opinion was that the world was moving towards multi-polarity, which would create further problems of adjustment for the Kremlin.<sup>161</sup> It was thus clear that the new study would have a markedly different nature than the last discussion of East-West relations of March 1974. In that previous case, the focus was on strategy and tactics in the CSCE and MBFR negotiations, not on the production of a detailed agreed assessment. Now, a much more systematic study dealt with the long-term trends of the Soviet economy, society and foreign policy.

In support of the long-term study, the other NATO analysis processes also produced studies with far-reaching conclusions. In January 1978 a colloquium was held in NATO on the subject “the USSR in the 1980s: prospects for growth and the role of foreign trade,” attended by academics and bankers. This was an effort of the NATO authorities to receive feedback from civil society. The speakers projected rather more positive predictions on Soviet growth compared to the alliance analysts, but the NATO authorities regarded their conclusions as compatible with theirs; they concluded that no change needed to be made in the methodology of the East-West study.<sup>162</sup> In March 1978, the Chairman of the Economic Committee, Jacques Billy, noted that the Soviet Union was probably entering into a period of steadily reduced economic growth. From 1951, huge labor and capital inputs had produced extensive growth. However, the growth rates of the Soviet GNP were declining. This was attributed to a variety of reasons: reduction in the growth of the industrial labor force, low capital productivity, agricultural failures and shortages

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<sup>160</sup> NARA, RG 59, Vance to Moscow, 18 November 1977, Central Foreign Policy Files, 1973–79/Electronic Telegrams, assessed 9 February 2017.

<sup>161</sup> TNA/FCO 46/1684, Holmer (NATO) to FCO, 1 March 1978.

<sup>162</sup> NARA, RG 59, Bennett to State Department, 24 January 1978, Central Foreign Policy Files, 1973–79/Electronic Telegrams, assessed 10 February 2017.

of high technology that was crucial in a more sophisticated and complex economy. The country could deal with these problems “only by an all-out attempt.” The Economic Committee stressed that the deceleration of manpower inputs was becoming a serious obstacle for Soviet growth.<sup>163</sup> The time of simple remedies was over; quality would now be as crucial as quantity, and this was not a strong point of the Kremlin.

The final document of the East-West relations study dealt with all aspects of Soviet policy, and naturally focused on Moscow’s foreign policy and its prospects until the late 1980s. However, the chapters on internal realities—the basis of Soviet power—confirmed the findings of NATO analysis of the previous years. The Permanent Representatives noted that, internally, the Brezhnev era was the longest period of stability in the Soviet Union: the citizen now had a sense of personal security unthinkable under Stalin and largely lacking under Khrushchev. Since the mid-1960s there had been a “perceptible, though uneven” improvement in living standards, and dissent did not endanger the regime, which was repeatedly described as “conservative.” The primacy of the CPSU was indisputable, and the Party was also supported by large groups of bureaucrats and technocrats who exercised control and enjoyed special privileges. The Soviet society was becoming more sophisticated, at a time when the Party continued to want “the people to think intelligently about scientific and technical matters, but not about politics.” Thus, the document described “a conservative society, and one which has much to offer to those who conform, and everything to lose for those who resist.”<sup>164</sup>

This was already an ominous sign for the regime, but the report went on to point to even more serious problems. It was impossible to solve the contradiction between an excessively centralized political structure and the need to revitalize the economy and boost research (thus also accepting a measure of freedom of expression). The country had entered into a prolonged period of reduced growth: the average annual growth of the GNP in 1951-70 was 5.3 percent, but had fallen in 1971-75 to 3.8 percent and was still declining. The Russian population was not growing rapidly, and by the year 2000 one quarter of the citizens would be of Central Asian origin. The post-Brezhnev leadership would have to show flexibility, but the conservative inertia would be difficult to overcome. Thus, difficult decisions would continue to be postponed at least

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<sup>163</sup> NATO/CM(78)9, “Soviet Economic Growth Prospects,” 13 March 1978.

<sup>164</sup> NATO/CM(78)35revised, “Alliance Study of East-West Relations,” 22 May 1978.

until the mid-1980s. Any meaningful reforms would be resisted by an “over-staffed and unwieldy bureaucracy,” the party hardliners and the military, and “inertia rather than reform may continue to be the rule of the day.” Still, in the 1980s the economy would face a crisis calling for “Khrushchevian reforms.” The Soviet Union was seen as capable of maintaining its control over its Eastern European satellites, which however were facing even worse problems, including the inability to reform and the accumulation of foreign debts. Poland was seen as a possible source of trouble, but the report did not make clear predictions about this. The report summed up the internal situation in the Soviet Union and its empire with the usual, in NATO documents, call for unity and for prudence. But its main theme was a great departure from the alliance conclusions of the previous decades:

The Soviet Union is basically an incomplete superpower, lacking the modern economic structure to complement its political and military strength...Its system of government and administration has proved incapable of creating an economy answering modern requirements, not only of quantity, but of diversification and quality...Nevertheless, its total control of very large territories and resources permits it to translate this unbalanced system into greater power than its inherent weaknesses would suggest.<sup>165</sup>

This was the most important conclusion of NATO analysis of the Soviet Union since its beginnings in the early 1950s. Killick, who had played a major role in the drafting, described the East-West study, rather modestly, as “inevitably an informed best guess.”<sup>166</sup> However, the alliance had managed to produce a comprehensive, agreed assessment of its opponent, and this was a major success of NATO consultation.

By May 1978, the NATO authorities also prepared an unclassified version of the study for public dissemination; the Americans resisted allied (mostly French and Belgian) calls for a very brief public document, and managed to convince the allies to produce a more substantive

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<sup>165</sup> Ibid.

<sup>166</sup> TNA/FCO 46/1959, Holmer (NATO) to Owen, 2 January 1979, annual review for 1978.

one.<sup>167</sup> Encouraged by the findings of the report, the US Permanent Representative to NATO, William Tapley Bennett, sent to the State Department a long analysis on the subject “a bright future for NATO.”<sup>168</sup> In autumn 1978, during a NAC discussion of a report on convertible currency balance of payments of the Soviet Union, the impact of the East-West study was clear: it was predicted that the balance would grow worse, since Soviet exports in convertible currencies had risen by eight percent, but the imports by thirteen percent. Killick noted that the East and West were becoming increasingly interdependent; he also described the Soviet Union as “still a developing country,” since it mostly exported raw materials, semi-finished products and toxic chemicals. His Danish colleague, Svart, intervened to say that a better description of the Soviet Union was that of an “incomplete superpower.”<sup>169</sup> Of course, this was only the one side of the coin. The Cold War was not only an economic/political, but also a strategic competition. The military might of the Soviet Union and its huge size and resources meant that the NATO analysts—even when they described the Soviet Union as “an incomplete superpower”—continued to view it with a large measure of fear and awe.

At the same time, the Carter administration continued to strive to enhance allied consultations mostly by revitalizing APAG. The US mission to NATO proposed the discussion of “an integrated Western assessment of the implications of the deteriorating economic prospects in the East,” but this was not taken up further.<sup>170</sup> American submissions of political assessment papers were accelerated, and were distributed to the allies through the NATO-wide communications system.<sup>171</sup> The Americans now raised the pivotal issue of interdependence in international affairs and of the “diffusion of power,” namely, the strengthening of some Third

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<sup>167</sup> NARA, RG 59, Bennett to State Department, 20 May, Vance to NATO delegation, 23 May and 27 May 1978, Central Foreign Policy Files, 1973–79/Electronic Telegrams, assessed 10 February 2017.

<sup>168</sup> NARA, RG 59, Claussen (NATO) to State Department, 22 May 1978, Central Foreign Policy Files, 1973–79/Electronic Telegrams, assessed 10 February 2017.

<sup>169</sup> NARA, RG 59, Bennett to State Department, 12 October 1978, Central Foreign Policy Files, 1973–79/Electronic Telegrams, assessed 10 February 2017.

<sup>170</sup> NARA, RG 59, Glitman to State Department, 23 February 1978, Central Foreign Policy Files, 1973–79/Electronic Telegrams, assessed 10 February 2017.

<sup>171</sup> See, among others, NARA, RG 59, Vance to NATO delegation, 2 August 1978, Central Foreign Policy Files, 1973–79/Electronic Telegrams, assessed 10 February 2017; Christopher to all NATO capitals, 22 August 1979, Central Foreign Policy Files, 1973–79/Electronic Telegrams, assessed 11 February 2017.

World countries, and especially of the PRC.<sup>172</sup> The State Department used APAG as the forum for this discussion. In February 1978 the Americans suggested the topic “Effects on the alliance of the Diffusion of Power” for the next APAG session, and, predicting French obstinacy for the discussion of an out-of-area issue, lobbied the allies to accept it. The NATO delegation received strong instructions from Washington to secure a consensus for this study.<sup>173</sup> The 1978 APAG meeting was duly convened, and Washington was satisfied to note that “discussion reflected broad agreement among allied participants that the instruments of political, economic and military power have become significantly decentralized over the last decade.”<sup>174</sup> When, in 1979 the French suggested the theme of Sino-Soviet relations for that year’s APAG session, the Americans intervened and secured the continuation of the discussion on the “diffusion of power.”<sup>175</sup> This was also a turning point in NATO’s difficult relation with out-of-area issues. Pointing to the “decentralization” of international affairs was a disturbing conclusion in an alliance which had been created to deal with a very traditional military threat at a specific area; many members did not want NATO to “distract” its attention to distant regions of the globe. This was a familiar pattern in NATO: the Europeans were strongly irritated by what they perceived as American unilateralism in international affairs, welcomed American efforts to consult them when dealing with the Soviet Union, but were reluctant to follow Washington when it was attempting to expand this consultation on a global scale. The East-West study remained the most important exercise of allied consultation in the 1970s.

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<sup>172</sup> NARA, RG 59, Vance circular telegram, 27 March 1978, Central Foreign Policy Files, 1973–79/Electronic Telegrams, assessed 10 February 2017.

<sup>173</sup> NARA, RG 59, Christopher to NATO delegation, 15 April, and Christopher to all NATO capitals and NATO delegation, 14 September 1978 (transmitting the US submission for the APAG session), Central Foreign Policy Files, 1973–79/Electronic Telegrams, assessed 10 February 2017.

<sup>174</sup> NARA, RG 59, Vance to NATO delegation, 23 January 1979, Central Foreign Policy Files, 1973–79/Electronic Telegrams, assessed 11 February 2017.

<sup>175</sup> NARA, RG 59, Christopher to NATO delegation, 15 June 1979, Central Foreign Policy Files, 1973–79/Electronic Telegrams, assessed 11 February 2017.

## A Formidable Opponent in a Crossroads, 1979-1982

### *Background*

The following four years were a very turbulent period. As détente collapsed and the so-called Second Cold War unfolded, crises erupted with an unusual speed: the Iranian revolution, the second oil crisis, stagflation in the West, the Euromissiles debate and crisis, Afghanistan, the Iran-Iraq war, a workers' revolution and a military junta in communist Poland, and the Lebanon war. Nuclear weapons were also at the center of the Second Cold War. A new Western leadership, following the electoral victories of Margaret Thatcher and Ronald Reagan, and later the advent of a new West German government under Helmut Kohl put forward a new model of governance for the West, although the new policies had not produced their full results until 1982, the year of Brezhnev's death. Western morale seemed to improve after NATO's December 1979 dual track decision, confirming alliance unity in the face of the Soviet nuclear build-up.<sup>176</sup> However, transatlantic relations suffered when the Europeans showed discomfort over the hardening of the attitude of the Carter administration towards the Kremlin, especially on East-West economic exchanges. This rift tended to become greater during the Reagan years, especially after the imposition of military rule in Poland, when the Americans tried to block the planned pipeline transporting Soviet gas to Western Europe.<sup>177</sup>

On the other side of the Iron Curtain, the Soviet growth rates continued to decline. In February 1979, a CIA projection noted that Soviet economic policy would "remain frozen in its

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<sup>176</sup> TNA/FCO 46/2165, Rose to Lord Carrington, 2 January 1980, annual review for 1979. On the dual track decision see, among others, Leopoldo Nuti, "The Origins of the 1979 Dual Track Decision: a Survey," in *The Crisis of Détente in Europe*, 57-70; Stephanie Freeman, "The Making of an Accidental Crisis: the United States and the NATO Dual-Track Decision of 1979," *Diplomacy and Statecraft* 25, no.2 (2014): 331-355; Joachim Scholtyseck, "The United States, Europe and the NATO Dual-Track Decision," in *The Strained Alliance*, 333-352.

<sup>177</sup> On the Polish crisis see, among many others, Zubok, *A Failed Empire*, 265-270; Ouimet, *The Rise and Fall of the Brezhnev Doctrine*, 108-186; Brown, *The Rise and Fall of Communism*, 424-437; Kotkin, "The Kiss of Debt;" Michael M. Szporer, *Solidarity: The Great Workers Strike of 1980* (Lanham: Lexington Books, 2012); Wojtech Mastny, "The Soviet Non-invasion of Poland in 1980/81 and the End of the Cold War," Cold War International History Project Working Paper No. 23, Washington, DC, 1998; Mark Kramer, ed., "Soviet Deliberations during the Polish Crisis, 1980-1981," Cold War International History Project Special Working Paper No. 1, Washington, DC, 1999. For an overview of transatlantic relations in this period, see Lundestad, *The United States and Western Europe since 1945*, 210-220. See also, Andrea Chiampan, "'Those European Chicken Littles': Reagan, NATO, and the Polish Crisis, 1981-2," *The International History Review* 37, no.4 (2015): 682-699;

pre-1979 pattern.”<sup>178</sup> In December 1982, another CIA assessment about Soviet society in the 1980s suggested that the problem of nationalities would not prove a threat to the state, but also pointed to the possibility of serious popular discontent over the decline of the quality of life. The document stressed that adequate resources were available in the Soviet Union, but the needed reforms were not being introduced.<sup>179</sup> Economic performances aside, the years from 1979 to 1982 witnessed an almost full *rigor mortis* of the Soviet political system. This intensified the sense of economic failure, and would continue until 1985, with the deaths of two more aging leaders. The Soviet Union’s bureaucratic inertia was now producing phenomena verging on the ridiculous:

In July 1979 the Party Central Committee and the USSR Council of Ministers issued a joint decree “On the improvement of Planning and the Strengthening of the Action of the Economic Mechanism on the Raising of Effectiveness of Production and the Quality of Work”...The text of the decree, even excluding its title, exceeds 10,000 words. Its practical results appear to have been negligible.<sup>180</sup>

This situation, now visible for all to see, sparked an even greater interest of the alliance in Soviet economic developments. The NATO Economic Committee sped up its “reinforced” meetings with national experts on various subjects: in 1979 alone these included sessions on Soviet defense expenditures, the Soviet merchant fleet, the Soviet balance of payments, economic reforms in the Soviet bloc, the PRC, Cuba, and energy.<sup>181</sup> The Economic Committee’s meetings with the heads of Economic Intelligence of the member-states had started in the mid-1970s but after 1981 became more systematic.<sup>182</sup> However, at this stage a major disagreement

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<sup>178</sup> Noren, “CIA’s Analysis of the Soviet Economy.”

<sup>179</sup> Haines and Leggett, eds., *CIA’s Analysis on the Soviet Union, 1947-1991*, SOVA Research Paper, “Soviet Society in the 1980s: Problems and Prospects,” December 1982, doc. 15.

<sup>180</sup> Hanson, *The Rise and Fall of the Soviet Economy*, 146.

<sup>181</sup> NARA, RG 59, Christopher to NATO delegation, 17 April and 26 May, Vance to NATO delegation, 16 May and 5 June, Bennett to State Department, 4 September 1979, Central Foreign Policy Files, 1973–79/Electronic Telegrams, assessed 11 February 2017.

<sup>182</sup> NATO/CM(81)88, “Principal Conclusions and Recommendations Arising from the Meetings of the Economic Committee with Heads of Economic Intelligence,” 9 December 1981; CM(82)65, “Meeting with Heads of Economic Intelligence,” 25 June 1982.

between the Americans and the other allies regarding Soviet economic prospects came to the fore.

*An intra-NATO Crisis over the Soviet Economy, 1982 (and counting)*

In 1982, Western analysis of the Soviet economy was linked to intra-Western differences of qualitatively different dimensions, involving both strategy and specific practical issues. This study will not attempt to present a full account of these transatlantic disagreements, but will discuss their relevance to, and impact on the processes of NATO analysis.

After 1981, the new US administration under Ronald Reagan represented new tendencies in the West. It considered that détente had worked to the advantage of the Soviets, offering to the Kremlin calm in Europe and allowing it to advance its position in the global south or to proceed to a massive military buildup. Seeking to re-establish American and Western confidence, the Reagan administration adopted a confrontational approach towards the communist East both in ideological terms and in political practice.<sup>183</sup> This alienated the European allies who were more inclined towards détente, and also felt that they had important economic interests to pursue in the East-West context.

Initially, in 1981, the Reagan administration had to decide its new Soviet policy. All the administration's people supported a tougher line towards the Kremlin, but soon an internal difference became apparent between proponents of an all-out confrontation (accepting a large degree of US unilateralism) and those placing emphasis on the need to carry the allies with them. The new administration also pointed to specific issues, namely, the extent to which Western credits or the sale of high-technology and equipment to the Soviet Union effectively subsidized its economy and facilitated its military effort.

Western concern about the technology transfer and about Western credits to the Soviet bloc countries was not a new issue, but now it came to the fore in a radically different form. COCOM (the multilateral Coordinating Committee deciding the strategic embargo lists) and the strategic embargo had been in place for decades. As shown above, the issue of technology transfer had been underlined in NATO documents since the early 1970s, and by the mid-1970s

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<sup>183</sup> On Reagan's strategy see Gaddis, *Strategies of Containment*, 349-377.

received an even greater emphasis. At that time the balance of opinion in NATO was that technology transfer had to be controlled, but it was not going to benefit strategically the Soviet economy without real and deep reforms. Moreover, during the 1970s the dominant Western view (or assumption) was that the Soviet interest in the technology transfer indirectly benefited the West, since it increased Moscow's incentives to embrace détente. The post-1981 American line was qualitatively different. The Reagan administration considered that détente had worked to the advantage of the Soviets, not the West, and had failed to moderate the Kremlin's international conduct. On the contrary, according to the new administration, the technology transfer eased Soviet economic problems and thus effectively aided the Soviet military build-up which Washington wanted to stop. The Reagan administration also held that stopping the technology transfer could prove crucial in disrupting the Soviet weapons programs themselves, although it would work only in the medium-term. Moreover, the Reagan government had to decide whether it would try to disrupt the Siberian gas pipeline project, in which its European allies had substantial economic interests.

In March 1981, the State Department under Alexander Haig tried to lay down a short-term policy, until the administration had the time to formulate its long-term strategy decisions. The State Department noted that the US should "correct the growing imbalance in US-Soviet military power, and restrain increasingly aggressive Soviet behavior...We want to establish a relationship based on much greater Soviet acceptance of reciprocity and restraint." This meant that the new administration would not conduct business as usual: it would maintain pressure on the Kremlin, but should also preserve allied solidarity by promoting "a policy of aggressive multilateralism" and avoiding unilateral initiatives bound to cause the discomfort of the allies. The general idea was that the development of East-West trade in the 1970s had no moderating effect on Soviet policies: the US should use the economic problems of the Soviet Union in order to lead it to moderate its policy.<sup>184</sup>

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<sup>184</sup> *FRUS*, 1981-1988, Volume III, Soviet Union, January 1981-January 1983, (Washington, DC: United States Government Printing Office, 2016), Memorandum, McFarlane to Wolfowitz, 6 February 1981, doc. 13, Memorandum, Eagleburger and Burt to Haig, 16 March 1981, doc 28, Minutes of an Interagency Coordinating Committee, 17 March 1981, doc. 29, and Memorandum, Wolfowitz, Eagleburger and Burt to Haig, 4 June 1981, doc 62.

The members of the new administration agreed that the Soviets were gaining ground, especially in the military field, and wanted to restore the balance. They also felt that Western credits and the technology transfer effectively allowed the Soviet Union to intensify its defense effort. But when these wider principles had to be translated into practical political decisions, the positions of individual statesmen or government departments differed. Throughout summer and autumn 1981, there were sharp internal differences in the National Security Council when issues came for discussion. Reagan's advisors easily agreed about the need to tighten controls for the transfer of technology through COCOM. However, the dilemmas on Soviet energy projects proved especially thorny. On the latter issue, the administration had to decide whether to propose to the allies a tightening of controls for technology transfer or, additionally, a cessation of the sale of equipment to the Soviets. This involved mostly the prospect of the completion of the Siberian pipeline for gas; many in the US feared that the pipeline could, in the medium term, make the European allies much more dependent on the Kremlin. Haig, supported by other Departments, including the Treasury, strongly insisted on the need to control the transfer of technology, but noted that the allies would not agree to stop the Siberian pipeline in which they had their own legitimate economic interests. On the other hand, the CIA and the Department of Defense under Caspar Weinberger, supported by Jeane Kirkpatrick, the US Ambassador at the UN, were in favor of a harder line, including the stopping of sales of oil and gas equipment, and aiming to kill the pipeline project.<sup>185</sup> By October 1981, a new CIA study, presented by its Director, William Casey, suggested that the Soviets were hugely dependent on the technology transfer from the West, not only in the form of purchases but also in "reverse engineering," namely, the illegal appropriation of Western technology. The CIA noted that any effects on Soviet defense spending would not be immediate (they could be felt only by the late 1980s), but these findings strongly reinforced Weinberger and the hard-liners in the White House Staff.<sup>186</sup> In

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<sup>185</sup> *FRUS*, 1981-1988, Volume III, Minutes of National Security Council Meetings, 6 July, 9 July, 16 October 1981, docs 68, 71, 94. See also Haig to Reagan, 8 July 1981, doc. 70.

<sup>186</sup> *FRUS*, 1981-1988, Volume III, Memorandum, Casey to Reagan, "The State of the Soviet Economy and the Role of East-West Trade," 29 October 1981, doc. 98, and Special National Intelligence Estimate, 17 November 1981, doc. 102.

November 1981, new intelligence providing “startling evidence of real economic distress in the Soviet Bloc” seemed to show to the hard-liners that a window of opportunity existed.<sup>187</sup>

It was the Polish crisis that brought things to a head. The imposition of martial law in Poland in mid-December 1981 tilted the balance in favor of a hard line—not only towards the Soviet bloc but also towards Washington’s allies as well. In a new NSC meeting, Haig supported limited economic sanctions, while Weinberger and Kirkpatrick wanted to use the crisis in an all-out effort to cripple the Siberian pipeline.<sup>188</sup> On 29 December, President Reagan announced US sanctions against the Soviet Union, including the suspension of export licenses for oil and gas equipment—a unilateral move embracing the harshest scenario.

Thus, the unilateral US sanctions were, among others, the product of an internal division and a power struggle within the Reagan administration. But their imposition caused what the British FCO called “multiple fractures” of allied views and sparked, in the words of the British Permanent Representative to NATO Sir John Graham, a “troubled year” for the alliance. From the perspective of this study, it is important to note that the unilateral US sanctions came in the midst of ongoing deliberations with the Europeans, and violated an already existing agreement within NATO on contingency plans for the Polish crisis.<sup>189</sup>

The unilateralism of the initiative, the disregard of NATO decisions, as well as the scope of the sanctions—the demand to stop the sale of equipment—angered the Europeans. A special Ministerial NAC on 11 January tried to establish a common position, but with little practical results.<sup>190</sup> Haig and his Deputy Secretary of State, Stoessel, were vindicated in their predictions about the reactions of the allies. Weinberger insisted in his position that the Polish crisis had “created our best opportunity for derailing the West Siberia to Western Europe national gas pipeline project;” yet, he thought that the US could carry the Europeans with it.<sup>191</sup> On this, Weinberger strongly miscalculated.

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<sup>187</sup> *FRUS*, 1981-1988, Volume III, Memorandum, Allen to Reagan, 18 November 1981, doc. 105.

<sup>188</sup> *FRUS*, 1981-1988, Volume III, editorial note, doc. 121.

<sup>189</sup> Chiampan, ““Those European Chicken Littles’.”

<sup>190</sup> TNA/FCO 46/3322, Graham to Pym, 5 January 1983, annual review for 1982; FCO 46/2955, minute (Mallaby) 22 February 1982.

<sup>191</sup> *FRUS*, 1981-1988, Volume III, editorial note, doc. 121, Memorandum, Weinberger to Clark, 27 January 1982, doc. 139, and Stoessel to Haig, 12 February 1982, doc. 142.

The effort to coordinate Western policy in 1982 proved a messy and untidy affair, both because American policy itself was not clear and consistent (the long-term strategy of the administration had not been decided yet), but also because, in the more complicated Western context of the 1980s, it involved a dramatic turn of US policy, affecting Western European worldviews and economic interests, as well as the competence of a series of Western organizations and structures, with partially different membership (NATO, OECD, COCOM, the G7 and so on). Since the late 1940s, it had never been easy to deal with economic issues in the Cold War, and this was becoming even more difficult in the uncertain early 1980s. Soon, the old and tried arguments and counter-arguments involving the impact of trade on Soviet development efforts, the possibility of differentiation between the Soviet Union and Eastern Europe (but also between Eastern European states), and the intra-Western debates (or accusations) regarding “economic warfare” and “trade wars” resurfaced.<sup>192</sup> This time, the positions tended to polarize even more strongly. More importantly, this was happening in a quasi-public manner, exactly because the unilateral US sanctions had brought differences into the open. As was usually the case, the British FCO provided a clear record of the differing positions. According to the FCO’s papers on East-West economic relations (two drafts, of spring and September 1982), the Reagan administration had grown hostile to the idea of interdependence, thought that Western interests lay in exacerbating Soviet economic difficulties, and feared that the Siberian pipeline would make the Europeans dependent on the Soviets. On the contrary, the Europeans accepted the view that the West should take advantage of Soviet difficulties, but doubted that economic measures would constrain the Kremlin; moreover, the Europeans had important economic interests in trade with the Soviet bloc. The West Germans needed to take account of their *Ostpolitik*, and the French were always against coordination of Western economic policies, especially through NATO. In September, the new British draft conceded that the hopes of the 1970s that trade would moderate Soviet behavior had not been vindicated. The Americans intended to wage “a limited economic war on the Soviet Union,” but their policy developed “inconsistently, and without adequate or at times any consultation with their allies.” For their part, the Europeans “do

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<sup>192</sup> See, among others, Ian Jackson, *The Economic Cold War: America, Britain and East-West Trade, 1948-63* (Basingstoke: Palgrave, 2001); Frank Cain, *Economic Statecraft during the Cold War: European Responses to the US Trade Embargo* (London and New York: Routledge, 2007); Hatzivassiliou, “Commerce as a British Cold War ‘Heresy’.”

not believe that the Soviet economy is facing the acute crisis the Americans suggest” or that pressure could force the Kremlin to cut down its defense budget. The Europeans also did not think that East-West trade had a decisive strategic significance.<sup>193</sup>

As was usual in intra-NATO crises, things had to get worse before they started to get better. After the initial shock, things deteriorated further in the first half of 1982. The Europeans did not freeze their cooperation with the Soviets on the gas pipeline. In March 1982, a mission to Europe by the US Under-Secretary of State, James Buckley, in order to discuss tightening of controls through COCOM, failed to bridge the differences. To make matters worse, a compromise agreed during the G7 summit in Versailles in June broke down because of misunderstandings between the Americans and the Europeans, and thus the alliance summit in Bonn a little later proved inconclusive.<sup>194</sup> In response, Reagan, again unilaterally, announced the extension of US sanctions to cover overseas manufacturers, namely, European and Japanese (who were interested in another large project in Sakhalin). This US decision was reached in the face of strong State Department opposition, during an NSC meeting in which Haig and Stoessel could not participate. The blow to Haig was severe, and caused his resignation and his replacement by George Shultz. All the Europeans were furious, including Reagan’s closest ally, British Prime Minister Margaret Thatcher. As Graham, the British Permanent Representative to NATO, noted in his annual review, “[t]he disunity of the allies was thus clear for all to see. The breach was serious.”<sup>195</sup> Evidently, the determination of many in the US administration to cripple the Siberian pipeline even at the expense of relations with allies appeared to be vindicated by yet another CIA estimation that this was the only project which would earn substantial amounts of hard currency for the Kremlin and would thus allow it, in the long term, to import Western technology and continue its defense effort.<sup>196</sup> The aim was still defensive, namely, to limit Soviet defense spending. However, once more a Republican administration had undertaken unilateral initiatives, ignoring established processes, and the repercussions in the alliance were serious.

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<sup>193</sup> TNA/FCO 46/2955, Draft, “Policy in East-West Economic Relations in the ‘80s,” no date [spring 1982]; minute (Mallaby), 22 February 1982; FCO 46/2956, Draft, “Policy in East-West Economic Relations in the ‘80s,” no date [September 1982].

<sup>194</sup> *FRUS*, 1981-1988, Volume III, memorandum of conversation (debriefing of Buckley), 25 March 1982, doc. 152; Chiampan, ““Those European Chicken Littles,”” 691-692.

<sup>195</sup> *FRUS*, 1981-1988, Volume III, editorial note, doc. 189; TNA/FCO 46/3322, Graham to Pym, 5 January 1983, annual review for 1982; FCO 46/2950, minute (Scott), 30 June 1982.

<sup>196</sup> *FRUS*, 1981-1988, Volume III, Special National Intelligence Estimate, 21 September 1982, doc. 213.

Searching for a forum to consider the ongoing differences, in summer 1982 the Americans suggested using the NATO Economic Committee for discussions. This brought to the fore the role (and exposed the limitations) of NATO consultation processes. The findings of the NATO experts involved monitoring and background information rather than decision-making. In fact, these bodies of lower-level consultation were usually discouraged from engaging in the discussion of political issues, especially of intra-allied differences. This had always been the competence of the political leaders.

It was clear that the expert working group on the Soviet Union and Eastern Europe could not handle such a delicate problem. The Europeans, especially the French, did not want the expert working group to discuss recommendations about Western strategy. Experts were encouraged to speak as individuals, not only as representatives of their governments, while the American preferences for a role of the expert working group in the coordination of policy was seen by the other members as potentially dangerous. As the FCO noted, “[t]he suspicion that an agreement at expert level could subsequently be cited as endorsing a particular line of policy would also cause concern.”<sup>197</sup> Thus, the expert working group tended, especially in the crucial year 1982, to go out of its way in order to evade the potential political disagreements. R. H. Smith of the FCO’s Eastern European and Soviet Department, who took part in the expert working group’s session of spring 1982, “lamented the extent to which crucial disagreements were set on one side.” As he noted in his report, during that meeting the experts simply brushed over disagreements, and the American representative himself (a State Department official), who clearly was not in agreement with the unilateralist policy of Washington, was reluctant to stress policy differences. Thus, Smith noted, it was ironical how easily the working group was able to agree on its report in spring 1982, during the very week when the Buckley mission was bringing out the serious policy divisions between the members of the alliance. Still, Smith noted, it was a useful exchange.<sup>198</sup> Moreover, the expert working groups were monitoring developments on a bi-annual basis; this meant that often their reports were out-of-date at the time when the NAC considered them. As the FCO noted, their role was to discuss “Allies’ perceptions of, rather than

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<sup>197</sup> TNA/FCO 46/2958, minute (Bone), 16 February 198[2].

<sup>198</sup> TNA/FCO 46/2958, minutes (Smith), 24 March and 1 June 1982.

policy towards, situations and events in their regions.”<sup>199</sup> Even the British delegation to NATO, with its traditionally pivotal role in the regional expert working groups, asked for better input from the FCO in order to discuss their reports at the NAC,<sup>200</sup> but did not consider these groups competent to deal with such salient policy divisions.

Nor was the more formal NATO Economic Committee better placed to deal with policy questions. This committee consisted of members of the national delegations in Brussels, but did not have the political leverage to settle such pivotal differences. As the British noted in spring 1982, the Economic Committee could not “tackle the policy questions.”<sup>201</sup> Even stronger views were expressed in London: “American behaviour is so maverick that there is some case in arguing that it might be better to let discussions .... to run into the sands of the NATO Economic Committee.”<sup>202</sup>

But the British rejection of a role for the NATO Economic Committee was based on additional considerations that echoed the discomfort of the other Europeans as well. In July 1982, commenting on the American suggestion to use the Economic Committee as a forum for discussions, the British Permanent Representative Graham noted that the unilateral US sanctions of December 1981 had anyway violated existing agreements in the NATO Economic Committee on possible reactions to Soviet moves in Poland. Even in June, during a press conference, Reagan had mentioned projected figures of Soviet earnings from gas pipelines that differed radically from those already accepted by the Economic Committee, with the agreement of the American representative. Thus, the prospect of a discussion in this forum was losing its credibility. But mostly, Graham stressed, the American unilateralism was alienating the allies: “It is almost as if they [the Americans] see virtue in whipping in the allies by sanctions directed against them, as much as against the Soviet Union.”<sup>203</sup> Last but not least, Graham noted in another dispatch, the idea of taking advantage of Soviet economic difficulties was vague: there was no agreement on which exactly were the weak points of the Soviet economy or on the ways

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<sup>199</sup> TNA/FCO 46/2950, Runacres (FCO) to Sizeland (NATO) 24 August 1982 and 14 September 1981 [the correct year is 1982], and minute (Walker), 21 October 1982.

<sup>200</sup> TNA/FCO 46/2948, Graham to Bullard (FCO), 26 April, Alston (NATO) to Logan (FCO) 27 April, and Weston (FCO) to Scott (NATO), 14 May; FCO 46/2958, minute (Imrie), 3 November 1982.

<sup>201</sup> TNA/FCO 46/2948, minute (Broomfield), 15 March 1982.

<sup>202</sup> TNA/FCO 46/2948, minute (Green), 12 March 1982.

<sup>203</sup> TNA/FCO 46/2956, Graham to Bullard, 5 July 1982.

to act on them.<sup>204</sup> Graham argued for an elevated role of the permanent NAC, but it was clear that even the Ambassadors themselves could not settle a problem of such political intensity. Effectively, the US unilateralism of December 1981 and June 1982 had exposed the limits of NATO consultation processes.

As was usual in intra-Western crises, a solution came through mutual restraint and only by carefully bringing in the political leaders. The new US Secretary of State George Shultz proved able to reassure the Europeans. At the same time, a new proposal by the West Germans was used to break the deadlock. Since early 1982, the Europeans were seeking ways to reestablish communications with Washington. An idea of the Italian Foreign Minister Emilio Colombo for meetings of the Ten with the Americans was quickly set aside, since it offended both the non-EC European members and the Canadians. But a more elaborate scheme by the West German Foreign Minister Hans-Dietrich Genscher won through. Genscher proposed the replication in NATO of the informal meetings of the European Community Foreign Ministers (the so-called Gymnich formula, from the place of the first such meeting). These had the advantage of open discussion, also because the Ministers were not accompanied by many officials and could speak more informally. The idea was received warmly in early 1982 by many members, including the Americans, although it was finally agreed to hold one such annual meeting since two, as initially proposed, would place a huge burden on the Ministers. As Genscher told the British, his idea was to find a way for the Europeans to influence American policy.<sup>205</sup> Despite the usual French discomfort concerning the discussion of economic affairs in NATO, it was this informal meeting in October 1982 at La Sapinière, together with a much more pragmatic proposal by Shultz that gave a way out. According to the Shultz proposal, the NATO members agreed not to sign new contracts for Soviet gas during the study of the alternatives; to strengthen controls on the transfer of technology; to harmonize export credit policies; and to study these issues mostly in the OECD and in COCOM.<sup>206</sup> After agreement on this proposal, Reagan decided to lift the US sanctions.<sup>207</sup> Equally important was the fact that, in December 1982-January 1983, the new agreed long-term Soviet policy of the Reagan administration

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<sup>204</sup> TNA/FCO 46/2956, Graham to Goodison (FCO) 6 August 1982.

<sup>205</sup> TNA/FCO 46/2948, Graham to FCO, 17 March, 27 April, 30 April, and Taylor (Bonn) to FCO, 13 April 1982.

<sup>206</sup> *FRUS*, 1981-1988, Volume III, National Security Decision Directive 66 (Reagan), 29 November 1982, doc. 246.

<sup>207</sup> *FRUS*, 1981-1988, Volume III, Minutes of a National Security Council Meeting, 9 November 1982, doc. 232.

maintained the hard line, but also accepted the prospect of negotiations with the new Soviet leadership after the death of Brezhnev. This constituted another change which could affect the overall climate.<sup>208</sup>

In December 1982, during the Ministerial NAC, the arrangement continued to be messy and confused, if only because the issues involved a series of Western international organizations and structures. Shultz noted that each organization would study issues of its own competence, and NATO would consider economic issues “as they affected security,” for example trade as related to military matters and not trade in general.<sup>209</sup> The ministerial session of the NAC would review these studies in June 1983.

This was the basis for a compromise. In January 1983 the Council in Permanent Session approved the draft work plan of the Economic Committee on “the implications for the security of the Alliance of the economic situation of the Soviet Union and of its external economic financial relations.” Preparing the study, the Economic Committee would also take advantage of scheduled meetings with national experts on economic trends in the Soviet Union and on Soviet agriculture. The work plan indicated that the study would involve issues such as the resource base of the Soviet economy, its economic structure and production, and the apparent problems, but it would place emphasis on its ability to sustain the military effort and on the effects of East-West relations on the Soviet economy.<sup>210</sup>

Following the attainment of a difficult compromise in late 1982, all sides now tried to keep their voices low. After all, 1983 proved to be a crucial year for the alliance: the Euromissiles were being deployed in Europe, they became an electoral issue in Britain and in West Germany, and also caused internal turmoil in other allied countries. At a time of such a crucial development, the allies once more instinctively tended to close ranks and avoided to allow past disagreements to aggravate the situation. According to Graham, “[t]he studies

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<sup>208</sup> *FRUS*, 1981-1988, Volume III, Ad Hoc Interagency Group on US-Soviet Relations, Response to NSSD 11-82, 6 December 1982, doc. 249, and National Security Decision Directive 75 (Reagan), “US relations with the USSR,” 17 January 1983, doc. 260.

<sup>209</sup> TNA/FCO 46/2956, Graham to FCO, no. 866 and 867, 10 December, Graham to Gillmore (FCO), 10 December, Alston to Broomfield, 14 December 1982.

<sup>210</sup> NATO/CR(83)2, 4 February 1983; the work plan in PO(83)4, da Rin to Permanent Representatives, 20 January 1983.

progressed harmoniously.”<sup>211</sup> The draft report of the Economic Committee (the final document is not yet available) noted that “mutually advantageous trade with the East on commercially sound terms contributes to constructive East-West relations,” although at the same time bilateral trade should not aid the Soviet military effort. Due to its large economic and political problems, mostly its *immobilisme*, its high defense expenditure and its inability to make substantial reforms, the Soviet Union needed trade with the West, mostly imports of food and advanced technology. The Economic Committee stressed that it was difficult to quantify the extent to which Western exports helped the Soviet military effort; the Soviet economy was largely self-sufficient, and Soviet trade with the West was small compared to its size; still, it was important to prevent the Kremlin from taking advantage of East-West trade in strategically sensitive sectors. These remarks, especially on the inability to determine the effect of trade on the Soviet military effort, signaled a major American concession to the European allies and their viewpoint. The NATO economic experts pointed to two major areas of East-West trade and their strategic significance. The first was badly needed Soviet imports of electronic technology from the West (computers, robotics, microprocessors, etc.), exactly because the Soviet system was inflexible and did not encourage innovation. The Soviets would try to acquire this technology either from NATO members or third parties or through illegal exports, and the West should keep its guard. The second problem involved a possible Western European future dependence on the Soviet Union for the import of oil and gas. The economic experts noted that this dependence was “limited and manageable,” while trade on these commodities gave important incentives to the Soviets to act moderately in world affairs. Still, the West should diversify its sources of imports of these materials, although this was easier in the case of oil rather than gas. The report was approved in June 1983 by the NAC ministerial session, the first held in Paris since NATO’s eviction from France in 1967.<sup>212</sup>

It was a cautious compromise. In his annual review for 1983, Graham stressed that the final wording of the report “in essence confirmed current policies but with acceptable references to commercial prudence and safeguarding technology.” Moreover, he continued, transatlantic

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<sup>211</sup> TNA/FCO 46/3781, Graham to Howe, 4 January 1984, annual review for 1983.

<sup>212</sup> NATO/CM(83)30, “Implications for the Security of the Alliance of the Economic Situation of the Soviet Union and of Its External Economic and Financial Relations,” 13 May 1983; CR(83)27, 20 June 1983.

differences were eased by the softening of the American approach to East-West trade and the strategic embargo; he attributed these to the greater experience of the Reagan administration. Still, he noted, transatlantic relations remained “somewhat wary.”<sup>213</sup>

Thus, once more a problem of transatlantic relations and consultation had appeared; but this time it practically involved the whole range of Western organizations, including the new practice of economic summitry. As had happened before, the American unilateralism was met with consternation in Europe, although a new element was the exceptionally strong European defense of the notion of *détente* in the face of an American policy which was apparently hawkish (although, interestingly and in a rather contradictory manner, it was also complemented by the resumption of the Soviet-American grain trade by the Reagan administration). On its part, an American Republican government was once more disappointed by the failure of the Europeans to deliver. Such disagreements were not entirely novel phenomena in transatlantic relations: the Europeans were always sensitive in the face of the perceived American unilateralism, although they also tended to panic and to develop their usual fear of abandonment whenever an American administration appeared willing to make openings to the Kremlin on strategic matters; in fact, this would happen again in a few years, following the Reagan-Gorbachev Reykjavik summit.<sup>214</sup> But even the tense 1982 disagreements did not unsettle the fabric of the West. The presence of a common adversary, hugely powerful militarily, and the intensification of the Cold War also played a role in this, but one should also point to the crucial role of George Shultz in stabilizing a rather difficult situation. Still, it was an insecure compromise, as was usually the case in transatlantic crises, and did not preclude the continuation of these disagreements in the future.

### ***NATO Analysis: Stagnation at the Top and a Death Foretold***

Since 1979, the expert working group on the Soviet Union and Eastern Europe (the political experts) had reported on the intensifying sclerosis of the Soviet political system. Dissent was “contained but not crushed” (especially on the road to the 1980 Moscow Olympics) and the problem of nationalities and of nationalism was seen as a possibility, rather than as an immediate

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<sup>213</sup> TNA/FCO 46/3781, Graham to Howe, 4 January 1984, annual review for 1983.

<sup>214</sup> Gaddis, *Strategies of Containment*, 366.

challenge. Still, during the “reinforced” NAC of May 1979, many delegations expressed the view that the dissident groups mostly drew their members from the intelligentsia, were isolated socially and received little support from the population at large. The political experts repeatedly noted that no spillover of Islamic revivalism was detected in the predominantly Muslim Central Asian Republics, and this accounted also for the use of Central Asian troops in the invasion of Afghanistan. The Soviet Union’s international image suffered enormously because of the invasion of Afghanistan, and Sakharov’s banishment to Gorki immediately afterwards was interpreted as a sign that the Kremlin no longer took into consideration Western public opinion. Still, the experts noted Soviet attempts to maintain détente with Europe. However, the latter conclusion touched upon potential differences between the US and the European allies over the handling of détente. As was usual in NATO, when reaching this point, the experts simply evaded the subject: they noted Soviet policies without going into detailed analysis.<sup>215</sup>

The leadership problem was one of the most important subjects of these reports. In 1979-82, Brezhnev was supreme and his people were rapidly ascending: Chernenko was now in the succession race together with the KGB chief, Yuri Andropov; Kirilenko seemed to lose momentum by 1982, while Nikolai Tikhonov also rose to become Prime Minister. There were new persons, such as the head of the troubled agricultural sector, Mikhail Gorbachev, whose rise impressed the experts. However, the picture of stagnation in the higher echelons was now complete. The 26th CPSU Congress in 1981 provided “a striking picture of immobility.” More worryingly, the death of Mikhail Suslov early in 1982 removed from the scene an irreplaceable experienced leader, the undisputed chief of the ideological front and “a mediator between the ruling bodies.” Thus, Suslov’s loss tended to complicate the succession problem exactly at the time when Brezhnev’s health was quickly deteriorating. In their last report of 1982, the political experts noted that “nothing indicates that Brezhnev is losing his grip.”<sup>216</sup> Ironically, the report was submitted on the very day of his death.

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<sup>215</sup> Reports “The Situation in the Soviet Union and Eastern Europe,” NATO/CM(79)27, 27 April 1979 CM(79)61, 7 November 1979; CM(80)11, 10 April 1980; CM(80)71, 13 November 1980; CM(81)12, 8 April 1981; CM(82)12, 4 March 1982; CM(82)77, 10 November 1982. On the May 1979 NAC see RG 59, Bennett to State Department, 10 May 1979, Central Foreign Policy Files, 1973–79/Electronic Telegrams, assessed 11 February 2017; TNA/FCO 46/1964, Killick to FCO, 11 May 1979.

<sup>216</sup> Ibid.

Still, the economic situation called for reforms which seemed impossible in the prevailing conservative climate. In spring 1982, a study by the Political Committee on the succession issue noted that, despite appearances, Brezhnev's USSR was not a personal dictatorship: it was ruled by a collective system, whose conservative inertia could not be overcome. In this respect, the loss of the "king-maker," Suslov, was extremely important. The Political Committee pointed to three possible successors, persons who were both members of the Politburo and the Secretariat of the Central Committee: Kirilenko (75 years old), Chernenko (70) and Gorbachev (51). Andropov was also a possible candidate. The experts estimated that due to the rigid structure of the system, the succession would take place in two stages: first, there would be a collective leadership under an older leader, providing for the all-important continuity; then the younger generation would come forward, "and that is the succession which really counts." Innovations would be possible only at the second stage. The accuracy of the prediction was impressive, and it is clear that the experts had Gorbachev in mind (if only because he was the only one candidate belonging to a younger generation), but his name was not expressly mentioned as the likely ultimate successor. Moreover, the NATO analysts could not anticipate that the "first" stage of succession would require two, not one, leadership changes, and thus even greater confusion in the idiosyncratic, ultra-conservative, and troubled Soviet political system.<sup>217</sup> As the American representatives had told the "reinforced" NAC of May 1979 in which "Soviet gerontocracy" was discussed, "the age structure of the Soviet leadership throughout the system made it possible that any change would be both more radical and disorderly than in the past."<sup>218</sup>

The process was described admirably, but the fact was that Brezhnev's death, though expected for some time, was bound to create new insecurities in the alliance. During the NAC discussion after the receipt of the news and the elevation of Yuri Andropov in the leadership of the CPSU, the balance of opinion was that Soviet policy would be characterized by continuity, although there was hope that the new leader would make some reforms. Svart, one of the Permanent Representatives who had served in Moscow, took the opportunity to warn the

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<sup>217</sup> Ibid. See also CM(82)43, "Brezhnev and the Succession Issue," 7 May 1982.

<sup>218</sup> TNA/FCO 46/1964, Killick to FCO, 11 May 1979.

Americans, indirectly, that “it was a mistake to underestimate the strength of the Soviet economy.”<sup>219</sup>

In Eastern Europe, the growing indebtedness of the satellites and the need to improve the quality of products called for reform which would not be forthcoming, as “immobilization...is a feature of the Communist power structures.” Widespread shortages of consumer goods created a difficult situation, but the NATO experts remarked that the stability of the regimes was not threatened, “with the possible exception of Poland and then only if untimely and clumsy steps were taken” (April 1979). All satellites cut investment in order to meet consumer demand, although the NATO experts took it for granted that they would not accomplish the latter goal. The net convertible currency debt of these countries rose swiftly: from \$38.8 billion in 1978 to \$50 billion in 1980. Polish indebtedness was estimated to have risen from \$15 billion in 1979 to \$20 billion in 1980 and \$27 billion in 1981.<sup>220</sup> However, the experts did not point to any opportunities for the West in heavily-indebted Eastern Europe. We now know that the inconvertibility of Eastern currencies meant that the CMEA channeled Western funds to Eastern European states, effectively accelerating their dependence on the West. Recent scholarship points to a process by which the Soviets began to lose their grip on Eastern Europe, especially after the rise of US interest rates.<sup>221</sup> But this was not the conclusion of the NATO experts at that time. They kept insisting that Soviet control of the area was tight and could not be challenged, and one has to take into account that they had to consider not only finance, but also Soviet armor. They believed that as long as the Soviet power structure remained intact (and at that time it did), it could effectively repel any Western move in its Eastern European empire.

Predictably, the Polish crisis after 1980 took up a large part of the NATO reports. Poland had been the great hope of the NATO analysts since the mid-1950s: this was a strategically

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<sup>219</sup> TNA/FCO 46/2956, Alston to Gowan (FCO), 26 November 1982.

<sup>220</sup> NATO/CM79)60, “The Convertible Currency Balance of Payment of the USSR and Eastern Europe,” 29 October 1979; CM(80)31, “USSR and Eastern Europe: Recent Economic Performance and Outlook,” 19 June 1980; CM(81)23, “Recent Economic Developments in Eastern Europe,” 28 April 1981; CM(81)76, “Recent Economic Developments in the USSR and Eastern Europe,” 27 November 1981; AC/127-D/588, “Eastern Europe: Rise in Hard Currency Debt” (US delegation), 2 May 1979.

<sup>221</sup> Zubok, “The Soviet Union and Europe in the 1970s;” Arrighi, “The World Economy and the Cold War;” David R. Stone, “CMEA’s International Investment Bank and the Crisis of Developed Socialism,” *Journal of Cold War Studies* 10, no.3 (2008): 48-77. Notably, the Soviet Union itself was willing to step up aid to Poland exactly fearing its dependence on the West: see Kramer (ed.) “Soviet Deliberations during the Polish Crisis,” 17-22.

situated country, controlling the axes of communications both from the East to the West (from the Soviet Union to its “super-ally”<sup>222</sup> of East Germany) and from North to South (from the sea to the landlocked satellites). It had a notable anti-communist and anti-Russian disposition. The 1976 crisis had exposed the weakness of its government and its rejection by the people, while its high foreign debt made the regime more vulnerable. It was indicative that the American Embassy in Warsaw, discussing in late 1977 “the Polish economic morass” and noting that “the Polish economy seems to suffer new blows almost weekly,” strongly suggested that the US “help maintain a moderate Gierek-like regime,” and argued in favor of Western efforts to provide more credits and grain, in order to “avert an internal explosion like Gdansk 1970 or Radom 1976.”<sup>223</sup> During the years of the Carter administration, the Americans were afraid of the consequences of a destabilization of the country.<sup>224</sup>

By the late 1970s, Poland was no longer able to provide the other satellites with coal and equipment, and the communist centralized system of specialization “does not permit flexible or rapid responses to changed conditions.” The NATO experts always hoped for a more independent Poland, but they were not prepared for the impressive anti-Soviet movement from below of 1980. They noted that the 1980 crisis meant that “the whole institutional structure of socialism is undergoing a profound change.” They considered that the Polish crisis had been caused by the repetition of the mistakes of 1970 and 1976, mostly the inability or reluctance to prepare the population for price rises. However, the Polish Church (as well as the NATO experts) hoped to avoid a Soviet invasion to restore socialist “legality.” According to NATO analysis, the imposition of martial law in December 1981 under Wojciech Jaruzelski showed that the Poles had convinced Moscow to allow them to contain the crisis.<sup>225</sup> More importantly, the

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<sup>222</sup> Hope M. Harrison, “Driving the Soviets up the Wall: A Super-Ally, a Superpower, and the Building of the Berlin Wall, 1958-1961,” *Cold War History*, 1, no. 1 (2000): 53-74.

<sup>223</sup> NARA, RG 59, Davies (Warsaw) to State Department, 11 November 1977, Central Foreign Policy Files, 1973–79/Electronic Telegrams, assessed 9 February 2017.

<sup>224</sup> NARA, RG 59, Brown (Warsaw) to State Department, 18 February, and Vance to NATO delegation, 15 November 1978, Central Foreign Policy Files, 1973–79/Electronic Telegrams, assessed 10 February 2017; Christopher to NATO delegation, 26 June 1979, Central Foreign Policy Files, 1973–79/Electronic Telegrams, assessed 11 February 2017.

<sup>225</sup> We now know that the intra-Warsaw Pact process was much more muddled and uncertain. Moreover, the Americans at that time had much better information, but they did not seem to have made these available to the NATO experts. On American information, see Mark Kramer, “The Kuklinski Files and the Polish Crisis of 1980-

NATO experts stressed, the country now went into a deep recession: a decline of the GNP by four percent in 1980, 13 percent in 1981, and 5-10 percent in 1982; in 1981, shortages “dominate daily life, as wage increases rose ten times faster than consumer goods availability (20 percent as opposed to two percent).” The NATO analysts noted that the Polish unrest did not spread to the other satellites, whose governments, in fact, showed discomfort at the prospect of having to provide extra aid to the embattled regime of Warsaw. However, it is important to note that the NATO experts remained rather indecisive about the Polish developments: the Polish reaction to communism had come at last, but it had come in an unforeseen form, from “below,” not from a heretical leadership. Evidently, the NATO experts did not know how to evaluate or respond to such a fluid situation.<sup>226</sup>

It should be noted, however, that the political experts had their own limitations when discussing the Polish crisis, exactly because, as shown above, it was linked with wider intra-Western disagreements, especially in 1982. This was evident not only in the expert working group on the Soviet Union and Eastern Europe (see above), but also in the more formal NATO Political Committee. There are no minutes of the sessions of the Political Committee, which produced decision sheets rather than minutes. However, the British reports about its sessions in 1982 show that the national representatives presented their countries’ day-to-day dealings with Poland, which was extremely useful in allowing all the members to have a clearer picture of a very garbled situation, but carefully refrained from articulating on the major political disagreements over the consequences of the crisis.<sup>227</sup> This was not unnatural: the NATO Political Committee was a forum in which the member-states were consulting about, and monitoring, developments regarding Poland; it had neither a mandate nor the competence to bridge differences which appeared unbridgeable on higher echelons.

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1981: an Analysis of the Newly Released CIA Documents on Ryszard Kuklinski,” Cold War International History Project Working Paper No. 59, Washington, DC, 2009.

<sup>226</sup> NATO/CM(79)60, “The Convertible Currency Balance of Payment of the USSR and Eastern Europe,” 29 October 1979; CM(80)31, “USSR and Eastern Europe: Recent Economic Performance and Outlook,” 19 June 1980; CM(81)23, “Recent Economic Developments in Eastern Europe,” 28 April 1981; CM(81)76, “Recent Economic Developments in the USSR and Eastern Europe,” 27 November 1981. A prediction of “economically-generated disturbances” in Poland had been made during the Anglo-American planning talks of autumn 1979: TNA/FCO 46/1965, Record, 3 October 1979.

<sup>227</sup> See, among others, TNA/FCO 46/2948, Alston (NATO) to Smith (FCO), 16 and 23 February, 28 April, 5 May, and Fell (NATO) to Smith, 2 April 1982.

## ***A Picture of Economic Failure***

It was mostly the Soviet economy that provided a worrying picture. It should be noted that the American economic counter-measures following the invasion of Afghanistan rather confirmed that the Soviet economy, huge in size and largely self-sufficient, could not be hurt substantially by the West. As the American Embassy in Moscow reported in 1980, even the American grain embargo proved less effective than originally hoped, although it did aggravate the problems for the Soviets. It would require a systematic set of economic sanctions, by many important countries and over of period of some years to disturb the huge Soviet economy.<sup>228</sup>

The NATO analysts had never been very optimistic about the effect of economic sanctions, but the Soviet economic problem in the early 1980s seemed anyway huge. The economy continued to grow, but it was for the first time since the interwar period that it offered such disappointing results. Despite the rise of the price of oil and gold after 1979, Soviet growth rates now fell to an unprecedented low—less than two percent in national income (NMP) compared to a planned 4.3 percent in 1979, 2.9 percent in 1980, two percent in 1981. Industrial production grew in 1979 by 3.6 percent instead of a planned 5.7, and even this was due to the use of additional labor and capital investment, not better management. Even heavy industry (for example steel), the pride of the Soviet economy, had a disappointing performance, declining in 1980 compared to the 1978 levels. The May 1979 “reinforced” NAC noted that the country’s “technological backwardness in the industrial sphere” was not being remedied—while the very reference to “backwardness” in that particular sector was unprecedented. The year 1981 was described as the worst of Soviet industry since 1945. Oil and energy production was also doing badly: the NATO experts noted that the oilfields to the west of the Urals were already depleted, and huge new investment would be needed for the exploitation of resources further east, in Siberia. They accepted US estimations that by the mid-1980s Soviet oil production would decline while Soviet energy needs would increase. This would entail a larger reliance on natural

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<sup>228</sup> *FRUS*, 1977-1980, Volume VI, Overview of an Intelligence Assessment Prepared in the Central Intelligence Agency, “Impact of Economic Denial Measures on the USSR,” January 1980, and Watson (Moscow) to State Department, 15 July 1980, doc. 293. For a similar conclusion see also Hanson, *The Rise and Fall of the Soviet Economy*, 161.

gas, the only sector of production doing exceptionally well. But this would also be a significant blow for the Soviet economy since oil exports provided for one third of the Soviet convertible currency earnings. Still, the experts thought that the country was able to withstand the burden. The Soviet authorities responded to these difficulties by further centralizing the planning procedures, although they now introduced “gross sales” rather than “net output” as an indicator. This was, once more, a contradictory economic strategy in which the fixations on centralization canceled any attempt for a more realistic response to problems. Moreover the Soviets failed to solve another central problem, namely, how to increase labor productivity and output per manhour.<sup>229</sup>

Agricultural failure was again at the center of the problem. Even the good harvest of 1978 (235 million tons of grain) solved nothing, if only because a large part of its weight (almost 15 percent) was due to exceptionally high moisture content, while 10 percent was lost due to mismanagement of dockage and transport. Moreover, this crop was followed by a succession of disastrous ones—for example only 189 million tons in 1980 and 175 million tons in 1981. Indeed, well into 1982, the Soviet authorities did not even publish figures for the 1981 crop which the US authorities described as one of “dismal results.” The Americans took the view that the problems of Soviet agriculture were unsolvable, and the country would be unable to cover its needs in the medium term, even until the year 2000. Thus, in view of the US grain embargo following the invasion of Afghanistan, the Soviets were forced to turn to new markets like Argentina. The disastrous harvests, of course, hurt livestock: meat production declined by five percent in 1980. However, the economic experts noted that despite shortages in meat, any reaction from below was likely to be sporadic and would be easily controlled.<sup>230</sup>

The NATO experts stressed that while the economy was facing such predicaments and the growth of the NMP was at two percent, military expenditure remained a high priority of the

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<sup>229</sup> Reports on economic trends, NATO/CM(79)74, 7 December 1979; CM(80)31, 19 June 1980; CM(81)76, 27 November 1981; See also CM(80)35, “Energy Production, Potential and Trade in the USSR and Eastern Europe: Outlook for the 1980s,” 14 February 1980; CM(82)62, “East-West Economic Relations and the Convertible Currency Balance of Payments of the Communist Countries,” 28 July 1982. On the May 1979 “reinforced” NAC, see NARA, RG 59, Bennett to State Department, 10 May 1979, Central Foreign Policy Files, 1973–79/Electronic Telegrams, assessed 11 February 2017.

<sup>230</sup> Ibid. See also NATO/CM(79)32, “USSR and Eastern Europe: 1978 Growth, 1979 Plans and Prospects,” 7 May 1979; CM(82)57, “Soviet and East European Agriculture,” 16 July 1982; AC/127-D/617, “Long-Term Soviet Grain Prospects” (US delegation), 11 October 1979.

Soviet elite, and continued to grow at four to five percent yearly. In 1979-80, successive reports insisted that the steady rise in military procurements was leaving no space for more production of consumer goods, but the Kremlin showed no sign of reducing these expenses, especially following the invasion of Afghanistan, which led to an increase of one percent of the defense budget. According to US estimates, Soviet defense spending continued to rise. The greatest part of this rise involved procurement of weapons, and research and development; the cost of maintenance did not increase at the same rates. The burden on the economy was difficult to calculate, as Soviet methods of measurement differed radically from the Western ones. However, the NATO experts, based again on US calculations, regarded that defense represented 11-13 percent of the GNP and was expected to rise to 15 percent in 1985. In comparison, in the late 1970s investment expenditure was at 26 percent and health and education at 6-7 percent. The NATO Economic Committee estimated that defense expenditure would continue to rise at a 4-5 percent annually until the mid-1980s, since any cut would be politically impossible.<sup>231</sup>

After 1981, new parts were added to the reports on military spending, studying the relation between defense spending and the overall economic performance; they also included projections up to 1990. The experts noted that in the 1950s Soviet growth had relied on massive injections of labor and capital, controlled by a centralized planning and management system. In the 1960s these new resources were becoming more scarce, and the bureaucracy proved unable to provide for a solution. In the early 1970s there was an effort to stimulate productivity, with little results; still, defense expenditure continued to rise at the previous rates, eating away resources, human, material and technological. Indeed, there was evidence that even in the late 1970s, the leadership had ordered last minute changes to the 1981-85 plan in order to accommodate an even greater allocation of resources to defense. In 1980-85 the growth of the Soviet economy was estimated at an annual average of 2.5 percent, which would be further reduced in the second half of the decade; production costs would spiral because of the need to develop the Siberian resources; agriculture would continue to show poor results; the systemic weaknesses would not be remedied; and the burden of supporting the Eastern European satellites would remain. However,

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<sup>231</sup> Reports on Soviet defense expenditure and its future prospects, NATO/CM(79)50, 18 July 1979; CM(80)48, 8 September 1980. On the preparation of an unclassified report on Soviet defense spending, for public dissemination, see RG 59, Bennett to State Department, 30 October 1979, Central Foreign Policy Files, 1973-79/Electronic Telegrams, assessed 11 February 2017.

the country had already embarked on a major new cycle of weapons procurement which could not be stopped. During the 1970s, R&D was the fastest growing component of the Soviet defense expenditure, pointing to new weapons programs but providing for little growth for the civilian sector that remained insulated from the defense industry. Production facilities were already expanding faster than any time since the 1960s, and the Soviet armed forces were in the midst of their largest program for weapons modernization. New weapons systems were now entering the production stage, while older weapons continued to be produced at the same rates. Thus, the major investments had already been made, the expenses were already under way and it was difficult to reduce them. The NATO experts thought that a new leadership, after the mid-1980s, would probably have to plan some reductions, although this would not be easy and would not produce results immediately. Thus, defense spending would continue to rise even after 1985 at about four percent annually. Indeed, it was indicative that Soviet naval expansion continued, despite the fact that the economic welfare of the country did not depend on the sea routes.<sup>232</sup> Still, the Economic Committee thought that the country would be able to shoulder the cost. This was a widely accepted view in NATO. In April 1982 the working group on the Soviet Union and Eastern Europe, noting the huge internal problems of the country, went out of their way to caution the NAC:

In spite of a poor industrial performance, three bad harvests and substantial grain imports, the Soviet Union should be able to continue to mobilize sufficient resources to maintain its capacity as a major military power.<sup>233</sup>

In successive reports, the Economic Committee did not regard that aid to the Third World overstretched the Soviet economy.<sup>234</sup> In late 1981 (namely, after the advent of the Reagan administration), the Economic Committee made a partial change in tone. It noted that aid to the LDCs represented “a considerable—although still manageable—burden on the Soviet

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<sup>232</sup> Reports on Soviet defence expenditure and its future prospects, NATO/CM(81)72, 6 November 1981; CM(82)83, 12 November 1982; CM(83)2, 25 January 1983. See also CM(81)76, “Recent Economic Developments in the USSR and Eastern Europe,” 27 November 1981; CM(81)85, “Politico-military Implications of Soviet Naval Expansion,” 2 December 1981.

<sup>233</sup> NATO/CM(82)20, “The Situation in the Soviet Union and Eastern Europe,” 13 April 1982.

<sup>234</sup> See the reports on Communist aid to LDCs, NATO/CM(80)4, 25 January 1980; CM(81)54, 21 August 1981

economy.”<sup>235</sup> It also stressed that Soviet assistance was mostly given (in fact it had tripled in 1975-80) to the communist LDCs, Cuba, Mongolia, Vietnam, Cambodia and North Korea, while aid was offered also to some other client states like Angola, Ethiopia, Mozambique, Afghanistan and South Yemen, mostly in the form of military equipment. This represented 0.4 percent of the Soviet GNP, and the political value outweighed the cost. Even then, the experts did not regard this as an excessive burden on the Soviet economy, the major problems of which lay elsewhere.<sup>236</sup>

In other words, the prospects for the Soviet economy appeared rather gloomy. More worryingly, as a 1982 study confirmed, the huge injections of human resources would be lacking after the 1980s. Population growth was only one percent in the 1970s and was expected to be halved in the years around 2000. Even then, the increase would be recorded among the Muslim populations of the country. The proportion of Slavs had dropped from 77 percent in 1959 to 73 percent in 1979, and of ethnic Russians from 54 to 52 percent. However, due to Russification policies, the proportion of Russian-speakers had risen from 76 percent in 1970 to 82 percent in 1979. Still, the labor reserves were being exhausted, and this could be decisive in the Soviet economy.<sup>237</sup> In 1980, a special report following a “reinforced” meeting of the Economic Committee noted the repeated failures to reform the economy since 1965. The merger of enterprises into larger organizations in the late 1970s was a further step towards centralization. The aim was to improve quality and productivity, especially of consumer products. Still, the effort was contradictory: it sought to decentralize decisions, but to centralize control. It was “a process of adjusting plans to meet current production levels rather than vice-versa.” The only field where the forces of supply and demand were coming into contact was the “not inconsiderable private and ‘black’ markets—a ‘second economy’.” The uncertainties of Brezhnev’s succession also made it unlikely to attempt radical reform, and a younger leadership would have to be very certain about its position before doing so. In other words, the conservatism of the system was the main obstacle to the revitalization of the Soviet economy.<sup>238</sup>

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<sup>235</sup> NATO/CM(81)76, “Recent Economic Developments in the USSR and Eastern Europe,” 27 November 1981.

<sup>236</sup> NATO/CM(82)12, “Soviet Economic Relations with Selected Client States in the Developing World,” 4 March 1982.

<sup>237</sup> NATO/CM(82)96, “Soviet Population Development Patterns,” 28 December 1982.

<sup>238</sup> NATO/CM(80)49, “Economic Reforms in the USSR and Eastern Europe,” 5 September 1980.

Another report of the Economic Committee in late 1980 put it even more strongly: “the USSR has leapfrogged into modern industry without creating the economic infrastructure to support it.” The experts noted that the problem derived from a combination of the political and economic peculiarities of the country:

[T]he inadequacies are systemic and are unlikely to be eradicated in the foreseeable future...In a way, the economy is a prisoner in its own tentacles: its geographic extension as well as its expansion in many sectors bring new problems. Their solution in one area results in the creation of new ones in others, whilst the high level of military expenditure reflects the denial of a considerable part of the best resources available for the solution of Soviet economic problems.<sup>239</sup>

The Economic Committee believed that bold decisions were needed on seven sectors: agriculture, which “must be the greatest disappointment to the Soviet leaders;” raw materials, which were being depleted in the European areas; transport, the deficiencies of which were often leading to loss of bulk agricultural produce, but which would have to develop in order to move new raw materials from Siberia; energy; foreign trade; consumer products needed to offset the disappointment sparked by the realization of huge inequalities between the different strata of society; and defense. Indeed, the experts noted, the secondary and black markets, and the realization of social inequalities were leading to “a nation-wide common apathetic attitude to duty.” Moreover, the dead ends were interactive and formed a vicious circle:

The options available to remedy this major deficiency are examined from time to time: increase investment in machinery and plant, but already too many projects remain uncompleted and plant lies idle; favour production of consumer goods and services at the expense of producer goods, but the distribution inadequacies would remain and would be magnified if transport equipment production is reduced; establish a better distribution network, but the materials required—rolled steel, cement, etc.—are not produced in sufficient quantities. Two major options

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<sup>239</sup> NATO/CM(80)78, “Recent Economic Issues and Prospects in the USSR and Eastern Europe,” 5 December 1980.

remain—firstly the reallocation of resources from the military, but this would directly cut across the interests of a privileged class and, in Soviet eyes, would jeopardise the expansion of global influence and an ironclad rule regarding the necessity of Soviet strategic security. Secondly, the establishment of a market system throughout a much broader section of the economy, but this would be counter to the ideology still professed by the leadership and could conceivably lead to economic chaos: it is unlikely to be advocated by old leaders, and young aspirants, even whilst possibly believing such a change desirable and expedient, are unlikely to offer their future career as a sacrifice on the altar of reform.<sup>240</sup>

Was, then, the Soviet Union suffering from a fatal disease? The NATO experts did not believe so. In any event, it was impossible for the alliance analysts to suggest something like this. It would be taken as an encouragement for the relaxation of the defense effort of NATO at a particularly difficult moment, namely, during the Second Cold War and at a time when the focus was on the debate about nuclear weapons (a sector where the Soviets were hugely powerful) rather than economic prospects. The natural tendency of the analysts of a defensive alliance was to call for prudence and to prefer to err on the side of caution. No NATO report, including the ones dealing with defense expenditure, suggested that the Soviet Union was close to a collapse.

The larger questions were posed in two NATO documents in 1982 and 1983. The first was an APAG report in late 1982, dealing with the prospects of the Soviet bloc in the 1980s. The report dealt with the whole range of Soviet internal and external policies, as well as the implications for the West. Regarding the prospects of the Soviet regime, the APAG members stressed that it would be “dangerous to underestimate the resilience of the Soviet economy.” They noted the serious problems, such as the declining growth rates, the systemic defects in the Soviet Union and the even more grave problems in the satellites. Indeed, the economies of the satellites were “in a hopeless shape. Their goods are not competitive. There is no role for them in the world economy.” Moreover, “the role of communist ideology as a legitimizing force of party regimes is increasingly weakened...cynicism about the official ideological dogmas and the use to

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<sup>240</sup> Ibid.

which they are put is widespread.” However, ideology was not “a dead force:” it was not merely an instrument in the hands of the party; workers might also prefer job security, while managers might prefer to continue the present system of their own limited responsibility. The Brezhnev period was probably perceived in the country as “positive because it has given stability, some social progress and international prestige.” The Soviet Union had grown to become a global power, and the people were “far better off than they were under Brezhnev’s predecessors.” Despite problems in many sectors of the economy, the country’s debt burden was manageable, while “luck and weather play an important role. Two or three good harvests could show the Soviet economy in a much more favourable light.” Even the “shadow economy,” estimated at 10-25 percent of the total economy, effectively allowed the consumer to cope (although it also encouraged corruption). Thus, APAG expressly disagreed with assessments of doom because of the unfulfilled expectations of the Soviet consumer:

All too often Western analyses tend to give the impression that, partly as a result of this development, the USSR now faces an economic crisis of such magnitude as to threaten the very roots of the Soviet system. However, many of these analyses examine the Socialist economies and project their future applying Western standards thereby underestimating the resilience of the Soviet economy, overestimating peoples’ needs and generally ignoring the contribution made by the “shadow economy.”

As for the West, it “has no means of forcing a fundamental change in the Soviet system,” and even in the more exposed Eastern Europe “destabilization would not be in the Western interest.” The West’s economic power could only have a marginal effect. Thus, the NATO members had to continue their dual policy of military deterrence and East-West dialogue.<sup>241</sup> Arguably, in that case APAG directly contradicted the views of the hardliners in the Reagan administration.

The second occasion when the NATO experts addressed comprehensively the prospects of the Soviet system was the study of the security implications of East-West trade, approved by the ministerial NAC in June 1983 thus ending the intra-alliance disagreements of the previous

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<sup>241</sup> NATO/CM(82)75, “Prospects for Eastern Europe and the Soviet Union in the 1980s and their Implications” (APAG), 28 October 1982.

period. It should be noted that this report was essentially a summary of the studies of those years; it focused on specific issues—the ability of the Soviet Union to sustain its military effort and the role of East-West trade in this—and did not aim to break new ground in Western analysis. Therefore, it was hardly comparable to the much greater effort which had been mounted in the case of the 1978 study. It was also much shorter than the 1978 study—only 22 pages, plus an annex of 16 pages of tables. Still, summarizing the findings of previous years, it offered a comprehensive view. The experts pointed to the major problems of the Soviet economy: excessive centralization, lack of incentives, the role of military spending, the enormous problem of resources allocation (made worse by the privileged position of the military), the need to shift extraction sites to remote areas and make new investments in them, the slower growth of the labor force especially in the Slavic areas, but mostly the inability to reform because of the political/ideological rigidity of the system: the Soviet bureaucracy would undermine any substantial reforms and would resist institutional changes. The case of military expenditure was telling: this was growing faster than the Soviet economy itself, but any meaningful change was very difficult to implement because of political considerations. The NATO experts presented a very interesting summary of the impediments that caused the remarkable slowing down of Soviet growth:

The traditional growth strategy now seems no longer feasible because of a combination of factors. Some, such as weather, declining growth of the labour force, and increasing inaccessibility of raw materials, are beyond Soviet control. Others such as over-centralization and the setting of unrealistic planning goals reflect weaknesses inherent in the Soviet economic system. Finally, other factors represent policy choices such as the allocation of resources to defence. In any event, a continued slowdown in growth will pose increasingly difficult choices for the Soviet leadership as they allocate resources between defence, consumption and investment.<sup>242</sup>

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<sup>242</sup> NATO/CM(83)30, “Implications for the Security of the Alliance of the Economic Situation of the Soviet Union and of Its External Economic and Financial Relations,” 13 May 1983.

But these caused a slowdown of growth, not an existential crisis. The economic experts noted that the Soviet Union did not face a big problem in its external debt, and in the beginning of their report they carefully stressed that the country possessed enormous resources, and that its overall economic picture in the postwar period was far from that of a failure:

Since the end of the Second World War, the USSR has transformed itself from a state of relative economic weakness to a state of economic strength. This feat was accomplished largely by exploiting the country's abundant endowment of natural resources and by massive injections of capital and labour to sustain rapid economic growth. The highly centralized planning system was used to mobilize and concentrate resources in heavy industry and build a strong military capability at the expense of consumer industries. The Soviet Union's success is reflected in the size of the Soviet economy—one of the largest in the world; its labour force, which by world standards is well-trained and well-educated; and by the tremendous accumulation of capital assets.<sup>243</sup>

In other words, according to the NATO experts, the main problem of the Soviet Union was political, rather than economic. And the political developments in Soviet politics were, to say the least, difficult to predict.

## The Relevance of NATO Analysis

What was the role and the impact of the NATO analysis/monitoring papers? Were they important in the shaping of policy or simply the products of a cumbersome inter-governmental structure and the resulting red-tape? Did it matter, in the end, that the NATO committees and working groups produced these papers?

Trying to address these questions, it is important to take into account the nature of NATO reports on the Soviet economy and the political system. Lacking its own intelligence-gathering mechanism and resources, NATO had to rely on national submissions, whereas the member-states, especially the larger ones, were often reluctant to share highly-classified information for

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<sup>243</sup> Ibid.

fear of leakages; this was most pronounced in the case of the US, but Britain also did not forward to the alliance any documents with a classification above “confidential.” More importantly, NATO was not an actor in its own right, projecting its own understanding of the international system, distinct from those of its members. It always was (and is) an expression/synthesis of its members. NATO analysis documents were agreed minutes between its member-states; even those documents produced by experts on their own responsibility were the products of an international negotiation in which it was important to avoid leaving out the views of any state or analyst wishing to record them. The major aim of NATO was always the guarding of its own unity, which was a precondition for fulfilling its roles on security; this was becoming even more important during such a decade of uncertainty and transitions in the international system as the 1970s. To put it simply, for NATO experts and their superiors (both in the NATO structure but also in the member-states), the highest priority and principal goal was to guard and promote the unity of the alliance for which the need to arrive at compromise positions and consensus was always of paramount importance. Thus, NATO analysis papers always tended to present the lowest common denominator, and to serve the alliance’s most important goal—the precondition of its successful function—namely, its own unity. Even allowing for consideration of the special gravity of the views of its large member-states compared to the smaller ones, compromises were inevitable whenever disagreements occurred. Consensus (or, at least, the avoidance of further intra-alliance clashes) was the prime consideration, and references to intra-alliance disagreements had to be avoided or at least to be worded carefully—which meant that, as all prudent authors do, when in doubt, the NATO experts deleted.

Be that as it may, it would be a mistake to identify NATO reports merely with bureaucracy and the rigidities, largely unavoidable, of the processes of a cumbersome inter-governmental structure of the most traditional type, an alliance. The impact of the NATO analysis papers must be assessed carefully. As a rule, the NATO reports—both of the expert working group and of the Economic Committee—had an important, though limited impact. The ministerial NACs included a session under the title “Review of the International Situation,” but the Ministers had little time to discuss reports monitoring Soviet developments and long-term prospects. They mostly focused on the major political events, such as the prospects of the CSCE and Western negotiating tactics, West German *Ostpolitik*, intra-alliance differences, Soviet rearmament and (especially

after 1977-78) the renewed Soviet drive in the Third World and its repercussions in the “treaty area.” Thus, on the road to the CSCE, all Ministers kept stressing the need for allied unity, with the British Foreign Secretary, Alec Douglas-Home, the Italian Aldo Moro, the Belgian Pierre Harmel and Gaston Thorn of Luxembourg repeatedly noting that Soviet power did not allow for any relaxation in the West.<sup>244</sup> Moreover, the Ministers or heads of governments were rather reluctant to discuss Soviet long-term economic predicaments at a time of Western recession which evidently had hurt their confidence. During the 1977 heads of governments meeting, at a time when Jimmy Carter called for the drafting of a long-term study of East-West relations, the West German Chancellor, Helmut Schmidt, expressed his relief at the fact that Western economic problems had not led to economic nationalism, as had happened in the 1930s. The Greek Prime Minister, Constantinos Karamanlis, enjoying an unusually high prestige due to his role in the transition of his country to democracy, stressed that, due to a feeling of false relaxation, the balance of forces was changing to the disadvantage of the West, despite the fact that it had twice as large material means at its disposal compared to the Soviet bloc.<sup>245</sup> During the 1978 heads of governments meeting in Washington DC, most Ministers were impressed by the new Soviet drive in Africa,<sup>246</sup> and soon the emphasis would shift to the new Soviet missiles programs which would lead to the dual-track decision of 1979. The resurfacing of the debates on nuclear weapons in the early 1980s was hugely more pressing than the discussions on the long-term prospects of the Soviet economy, which most Ministers would regard as “academic.” The political leaders rarely focused on studies of long-term economic trends: the immediacy of political events was always much more pressing.

Still, some reports of the 1970s were influential. The NATO authorities were alarmed to find out in 1976-77 that Soviet military expenditure was, effectively, three times larger than announced in the official Soviet data, and this played a major role in the reexamination of allied defense spending and NATO’s long-term planning. Similarly, the 1977-78 long-term study of East-West relations was a major political document, in which the alliance’s experience in

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<sup>244</sup> NATO/CVR(71)30part2, 3 April 1971; CR(71)69part2, 6 March 1972; CR(72)25part2, 23 June 1972; CVR(72)60part1, 7 December 1972; CVR(73)36part1, 14 June 1973; CVR(73)74part1, 10 December 1973.

<sup>245</sup> NATO/CVR(77)22part 1 and 2, 10 May 1977.

<sup>246</sup> NATO/CVR(78)22part1, 30 May 1978.

studying the Soviet opponent was incorporated. Ministers tended to regard this study as a major guideline in their discussions.

However, if we move away from the Ministerial/higher political level, it is clear that the NATO reports were crucial in functional terms at the lower levels of officials. The British FCO made the central point, speaking about consultation in general (thus, also in the NAC as well as at the committees and expert working groups):

Political consultation in NATO is important first because defence planning in the Alliance needs to be properly informed by the regular exercise of political judgment on a collective basis; and secondly because major political developments (particularly in East/West relations) which may have implications for Allied security require full discussion in a forum which engages the Americans and our smaller European allies from the outset.<sup>247</sup>

There were additional factors which contributed to the usefulness of the reports. First, the NATO reports augmented the prestige of the major powers and allowed them to “educate” the smaller members.<sup>248</sup> Secondly, they were indispensable to the smaller NATO members, who lacked the intelligence resources to form a comprehensive picture of Soviet developments; to put it simply, these reports helped the smaller members to form a comprehensive picture of the Cold War, which they would never be able to do using their own national resources only. As the British noted in 1982, Whitehall itself usually learned little from these reports, but “[t]he smaller Allies, without other sources of information, are the main beneficiaries.”<sup>249</sup> In 1973-74, at a time when the procedures of the expert working groups were being reviewed, the Scandinavian countries, supported by the Assistant Secretary-General for Political Affairs and Chairman of the Political Committee, Jörg Kastl, strongly stressed that they regarded this exchange of views extremely useful for their officials.<sup>250</sup> Moreover, the production of these reports was bringing together national representatives and officials who had a crucial role in supporting their political leaders.

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<sup>247</sup> TNA/FCO 46/2948, minute (Gillmore), 21 August 1981.

<sup>248</sup> See for example, TNA/FCO 46/1682, Margetson to Fall (Moscow), 7 March 1978.

<sup>249</sup> TNA/FCO 46/2958, minute (Runacres), 10 August 1982.

<sup>250</sup> TNA/FCO 41/1160, Staples (NATO) to McLaren (FCO), 25 October 1973; FCO 41/1439, McGinley (NATO) to Lever, 8 August 1974.

Often these meetings of officials were the fora where the members could get advance notification about the views of their partners, before the issues reached the more sensitive higher echelons. It was crucial to reach an understanding about the world on these “lower” levels: this could not be done abruptly, momentarily or (much more important) smoothly directly at the top. The British noted that, even if these reports were not usually read by the Ministers of the larger members, they were indispensable on this lower level: “The main value of the Group meetings lies in the opportunity provided for representatives to exchange information and to probe and test assessments of the political scene.”<sup>251</sup> The NATO consultation system was an important process which allowed the convergence of national views, especially during such an uncertain period as the 1970s.

In his excellent article on Western institutions during the Ford era, Piers Ludlow notes the improvements in Western high-level consultation processes and the rise of economic summitry in 1974-76; he argues that economic summits of the G5, G6 and finally the G7 offered the opportunity for US Presidents to meet European leaders and discuss the salient issues that the economic crisis raised. Thus, he concludes, this involved a relative downgrading of NATO as the seat of such summits, but also a growing influence of the Western European states in economic deliberations.<sup>252</sup> This thesis is accurate as far as high-level intra-Western economic consultations are concerned. NATO summits also took place in 1974, 1975, 1977 and 1978, but they were no longer the exclusive processes for heads of governments meetings; and economic affairs, rapidly growing in significance, were discussed elsewhere. In any event, the larger members usually preferred to avoid the examination of economic issues in NATO.

On the other hand, NATO had not lost its value as a venue of intra-Western consultation. Defense issues were still its domain. And on a lower-level, that of officials (crucial in the preparation of the making of decisions and even of summits), NATO continued to play an important role. It remained the instrument where ongoing consultations were taking place, and its significance on this level was augmented with the 1977-78 study of East-West relations. In other words, NATO consultation processes and the production of the reports were not a determining

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<sup>251</sup> TNA/FCO 41/1160, minute (Brewer), 6 November 1973.

<sup>252</sup> Ludlow, “The Real Years of Europe.”

factor for the making of Western policy. However, they were crucial ingredients which allowed the West to fulfill its international roles.

## The Limits of Analysis and the Mirror of Galadriel: Western Assessments and the End of the Cold War

Admittedly, analysis (mostly, the central, though often elusive concept of “trends”) involves an effort to reach an understanding about future eventualities. Not surprisingly, this causes heated debates, especially when the end of the Cold War and the collapse of the Soviet Union are being discussed. The Western experts, including the American, the British, and those of NATO, did not predict the end of the Soviet system. This has sparked strong criticism—mostly on the accuracy of CIA’s assessments of the Soviet economy—by scholars who have argued that Western analysis was flawed. According to this criticism, Western analysts failed even to pose the question whether the Soviet system could survive, while they suffered from a “gross underestimation of the scope of falsification that affected indicators of Soviet economic performance.”<sup>253</sup> Others point out that different methods of measurement of the Soviet economic performance made little difference in the end result, and that Western (particularly the CIA’s) studies of the Soviet economy were systematic and produced a realistic, if sometimes partially blurred, picture.<sup>254</sup> This author cannot enter into the complicated world of technical economic estimations of Soviet economic growth. As stated at the outset, this is not a study of Soviet economic history, but one of Western perceptions of the Soviet Union. Moreover, it is wise to wait until we have access to a wider body of archival evidence, both Western and Soviet, on the events of 1989-91. Yet, it may be interesting to revisit the functions and the limits of international analysis, and to project some working hypotheses.

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<sup>253</sup> See among others, Nikolai Petrakov, “Another Look at the Soviet Era,” in *US Assessments of the Soviet and Post-Soviet Russian Economy: Lessons Learned and Not Learned* (Washington, DC: Woodrow Wilson International Center for Scholars, Kennan Institute, Occasional Paper no. 282, 2002), 12-17. Available at [https://www.wilsoncenter.org/sites/default/files/op283\\_us\\_assessments\\_soviet\\_post\\_russian\\_economy\\_conference\\_2002.pdf](https://www.wilsoncenter.org/sites/default/files/op283_us_assessments_soviet_post_russian_economy_conference_2002.pdf), assessed 19 February 2017. A strongly critical view of the CIA’s record can be found in Tim Weiner, *Legacy of Ashes: the History of the CIA* (New York: Doubleday, 2007).

<sup>254</sup> See among others, Maddison, “Measuring the Performance of a Communist Command Economy;” Abraham S. Becker, “Revisiting Postwar Soviet Economic Performance,” in *US Assessments of the Soviet and Post-Soviet Russian Economy*, 18-38. See also the analysis in Michael Cox, ed., *Rethinking the Soviet Collapse: Sovietology, the Death of Communism, and the New Russia* (London: Pinter, 1999).

In J. R. R. Tolkien's *The Lord of the Rings*, the Mirror of Galadriel (the elf co-ruler of Lothlórien), was not exactly a mirror, but a basin of water which showed glimpses of the past, the present, and the future. The important thing is that, unlike the magic mirror of Snow White's stepmother, this one shows versions of possible futures, but does not necessarily respond to one's specific questions. When Galadriel invites the Hobbits Frodo Baggins and Samwise Gamgee to look at it, she explains the Mirror's complicated, sometimes disturbing function:

"Many things I can command the Mirror to reveal", she answered,"and to some I can show what they desire to see. But the Mirror will also show things unbidden, and those are often stranger and more profitable than things which we wish to behold. What you will see, if you leave the Mirror free to work, I cannot tell. For it shows things that were, and things that are, and things that yet may be. But which it is that he sees, even the wisest cannot always tell. Do you wish to look?"<sup>255</sup>

Tolkien put it excellently, and his concept raises a crucial question: what is it that analysts can "see," and what should we expect from them?

The dissolution of the Soviet Union is a momentous event of world history, and it is natural that we should be trying to understand it. However, it is important to avoid the arrogance of hindsight. "We now know," and we can make the impressive observation that the Soviet economic performance in the late Cold War was "strikingly similar" to that of a Third World region such as Latin America.<sup>256</sup> In fact, Samuel Huntington came very close to making this point during the 1977-78 NATO study of East-West relations. However, it is clear that no prediction about a Soviet collapse could reasonably be made at that time—if it could be made even at the very end of 1989-91. Even in the late 1970s and the early 1980s, the Soviet economy, having at its disposal huge resources, was slowing down; it was not collapsing. A paper by the FCOs planning staff of summer 1979 noted that Russian history was one of "insecure despotism," while Marxist ideology was useful in offsetting "the natural lack of self-confidence

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<sup>255</sup> J. R. R. Tolkien, *The Lord of the Rings*, (London: George Allen and Unwin, 1968), 381.

<sup>256</sup> Arrighi, "The World Economy and the Cold War."

of Russian leaders.” Still, the paper did not predict internal change “for many decades.”<sup>257</sup> American experts of the early 1980s noted that successive reforms of the Soviet economy always avoided attacking the central problem.<sup>258</sup> But again, they could not conclude that its collapse was near: the mounting difficulties or the successive and inter-related dead ends of the Soviet economic, political and social system did not refer to a collapse. And in the second half of the 1980s, Paul Kennedy’s major work on the rise and fall of the great powers could point to the complicated prospects of the demographic realities and to the structural problems of the Soviet economy,<sup>259</sup> but even then it was not possible to predict an “implosion.” During a NATO colloquium of spring 1987, in which the Gorbachev economic reforms were discussed, prominent analysts of the Soviet economy noted that if the economic trends of the recent past were not reversed, the Soviet Union would “slide down the economic league-table of nations” or that it could revert to an aggressive behavior, but they had nothing to indicate a collapse or a dissolution of the state.<sup>260</sup>

Recent literature cautions against hasty judgments: “The Soviet economy at the end of the Brezhnev years faced serious problems but was not yet a hopeless case.”<sup>261</sup> Moreover, as scholarship correctly notes, researchers should be cautious not to jump to conclusions about the end of the Cold War in 1989-91, before establishing an accurate and comprehensive picture of developments of the 1970s and 1980s.<sup>262</sup> During the 1970s or early 1980s and despite the uncertain performance of the Soviet economy, in political and military terms the country was at the height its power: its victories in the Third World were leading many in the West to fear that the Soviets might, in the end, win the Cold War. The Soviet Union’s new blue-water fleet was creating important complications for a West so dependent on sea routes. The Soviet nuclear arsenal was huge, and with the SS-20s trained on European cities, it is really impossible to

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<sup>257</sup> TNA/FCO 46/1964, FCO Planning Staff, “Managing Russia,” July 1979.

<sup>258</sup> Robert W. Campbell, “The Economy,” in *After Brezhnev: Sources of Soviet Conduct in the 1980s*, ed. Robert F. Byrnes (Bloomington: Indiana University Press, 1983), 68-124.

<sup>259</sup> Paul Kennedy, *The Rise and Fall of the Great Powers: Economic Change and Military Conflict from 1500 to 2000*, second edition (London: Fontana Press, 1989).

<sup>260</sup> Philip Hanson, “The Soviet Twelfth Five-Year Plan,” and Hans-Hermann Höhmann, “Gorbachev’s Approach to Economic Reforms,” in *The Soviet Economy: a New Course?* (Brussels: NATO, 1988), 10-28 and 29-45 respectively.

<sup>261</sup> Harrison, “Economic Growth and Slowdown,” 38.

<sup>262</sup> Leopoldo Nutti, “*On Recule pour Mieux Sauter*, or ‘What Needs to Be Done’ (to Understand the 1970s),” in *Reinterpreting the End of the Cold War*, 39-51.

imagine Western experts claiming that a Soviet collapse was near. The very rise of the Reagan team came as a response to Western fears arising from that picture of Soviet global success and from what has been perceptively described as the “arrogance of its military might.”<sup>263</sup> During the 1970s, the Warsaw Pact was still planning an offensive in Europe in the event of war, and in fact it intensified its preparations for war in the second half of the 1970s.<sup>264</sup> From a historical perspective, the Western victory in the Cold War came as a result of the West’s own revitalizing abilities (and its ability to respond to the problems of late modernity) and from the Soviet system’s inability to do so. But, even in the 1970s, the outcome of the confrontation could still go either way. The Western preponderance in resources would have mattered little if the West itself had proved unable to cope successfully with the challenges it faced. In this respect, the Cold War was, to use Wellington’s words, “a damned close-run thing.” Any other assumption would come perilously close to a triumphalism unworthy of the (eventually victorious) liberal West.

In this context, it would have been a mistake of the Western analysts to start debating the theoretical eventuality of a Soviet collapse. The dissolution of the Soviet Union came only when these economic dead ends were combined with political decisions (and inertia) and with specific political developments which could not be predicted—for example the turmoil of the successive leadership changes of 1982-85. The dogged resistance of the bureaucracy and the Party apparatus to Gorbachev’s perestroika could be foreseen (and indeed it was foreseen in the 1983 NATO study of the security implications of East-West trade), but the outcome of that power struggle, and mostly the disastrous Moscow coup of August 1991 could not. Last but not least, when discussing the NATO (or the State Department, or the CIA) reports, it is important to keep in mind that the experts could not possibly have suggested that the Kremlin was no longer a huge power. This simply was not true. But (mostly) they could never reach a conclusion that would have encouraged the West to relax its defense effort, especially at a time when the West itself was facing both economic troubles and its own crushing military inferiority, at least in conventional forces. This would simply be outside their terms of reference.

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<sup>263</sup> Mastny, “The Soviet Non-invasion of Poland,” 7.

<sup>264</sup> Wojtech Mastny, “The Warsaw Pact as History,” in *A Cardboard Castle? An Inside History of the Warsaw Pact, 1955-1991*, eds. Wojtech Mastny and Malcolm Byrne (Budapest: Central European University, 2005), 1-74.

Thus, the debate moves on to the next stage: what is it that we expect—and can reasonably expect—from international analysis? The critique about the faults of Western assessments seems, to this author at least, to miss the point. The aim of analysis is, first of all, to provide a comprehensive picture of its subject, and at a second instance, to help political leaders in reaching decisions. In this endeavor, the analysts, working so “close” to the events, cannot but make errors or fail to point to some aspects which will become more evident at a later stage; the important thing is that these errors should not be of such fundamental importance, as to lead to mistaken decisions, especially on peace or war. Western analysis of the Soviet Union never fell into this category. It consistently was able accurately to point to medium- and long-term trends of the Soviet economy and the society, even if—quite naturally—these trends were only becoming clearer only with the passing of time.

But the aim of analysis is not to “predict” specific events, which is simply impossible. Western analysis consistently failed to “predict” political events (for example, the 20<sup>th</sup> Congress of the CPSU and the invasion of Hungary in 1956, the building of the Berlin Wall in 1961, the Cuban missile crisis in 1962, the fall of Khrushchev, the Polish disturbances of 1970, 1976, 1980). Political events and decisions depend on the circumstances of the moment, the psychology of the actors or even on events which are simply unpredictable—witness, for example, the submission of the NATO report concluding that “nothing indicates that Brezhnev is losing his grip,” on the very day of his death. One could, of course, laugh at the coincidence, but this would be a rather shallow attitude.

On the other hand, economic trends involve the huge forces of economic and social inertia, and are more easily traceable. But the “trends” refer to projections and to eventualities, not to specific outcomes. And they can also be dramatically influenced by the inherently unpredictable political events. For example no one can know, even now, what could have happened if the August 1991 Moscow coup had not been attempted (or if it had succeeded, an eventuality we do not want to consider). But we do know that the coup’s initial success (against Gorbachev) and its final failure destroyed with one stroke all the actors representing the scenario of the continuation of the Soviet Union as a federal state—both Gorbachev’s reformism and the conservatives of the Party and the army. In this respect, the question involving the Soviet collapse was not whether the Soviet system was on the road to an implosion; the question was

whether it was unreformable. Essentially, this involved the development of Soviet politics, and could not be answered until the very end. Thus, and although we will need to wait in order to gain access to more sources, it is the hypothesis of this author that the “implosion” and the dissolution of the Soviet Union could not be predicted prior to the August 1991 coup, namely, until too late, when the writing was on the wall.

What was, then, the phenomenon that the NATO experts were able to see? On this level, we should be able to discuss their conclusions about the nature of the Soviet system, without the anxiety of having to connect their assessments with the particular outcome of December 1991. From Huntington’s observations about the “incomplete superpower,” echoed in the book by Paul Dibb almost ten years later<sup>265</sup> and Paul Kennedy’s analysis of the late 1980s, to today’s historiography, analysts and scholars have made some points which were not lost on the NATO experts—although we now can make them with considerably more clarity and certainty. Odd Arne Westad discussed the thesis of “imperial overstretch,” noting that the Soviet Union was not exactly a classic example of that rule: the Soviet Union was not a proper Great Power; it had “unevenly developed capabilities”—strong armed forces, well-developed selective sectors of science related to defense, and a world ideology—but it was not fully integrated into modernity due to structural weaknesses, directly connected with its political and social system.<sup>266</sup> Brezhnev’s era was indeed one of stagnation in the top echelons and in the system as a whole, and of rapidly rising expectations at the social level. The Soviet system tried to “produce both guns and butter” in the early 1970s, and this actually was one of its incentives for détente.<sup>267</sup> The communist system saw the rising social expectations, and it is not enough to point out that it wanted to meet them;<sup>268</sup> the important thing is that it tried but failed to do so. In essence the last decades of the Soviet Union led to “the routinisation of Soviet revolutionary modernity,”<sup>269</sup>—arguably, a very ominous thing for a “revolutionary modernity.” These observations were also made by the Western analysts at that time, although we can make them now with more

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<sup>265</sup> Paul Dibb, *The Soviet Union: the Incomplete Superpower* (Basingstoke: Macmillan, 1986).

<sup>266</sup> Odd Arne Westad, “The Fall of Détente and the Turning Tides of History,” in *The Fall of Détente: Soviet-American Relations During the Carter Years*, ed. Odd Arne Westad (Oslo: Scandinavian University Press, 1997), 3-33.

<sup>267</sup> Zubok, *A Failed Empire*, 223.

<sup>268</sup> Anna Paretskaya, “A Middle Class without Capitalism? Socialist Ideology and Post-Collectivist Discourse in the Late-Soviet Era,” in *Soviet Society in the Era of Late Socialism*, 43-66.

<sup>269</sup> Hanson, “The Brezhnev Era.”

confidence and accuracy. But the Western analysts of that era could not go beyond that—and it would have been unwise or even irresponsible on their part, with the evidence at hand, to attempt to do so.

In other words, the aim of analysis is not to predict the future, but to point to larger trends and to eventualities—to the various possibilities of future wider trends—thus aiding (not substituting) the political process of decision-making. Most of all, the assumption that “experts” can, or are expected to, “predict” developments is a controversial concept. Experts (or academics) are not social engineers, and societies grow, they are not “made” from above, as the Soviet leaders eventually discovered to their dismay. Much like the Mirror of Galadriel, international analysis shows the limits of the assessments, and mostly the importance of that central notion of Western liberalism, the need for self-restraint and modesty. This, after all, was the option of Galadriel herself in Tolkien’s masterpiece: in the end, in front of her Mirror, and having managed to resist the tempting offer of the ring of power, she gives us the answer: “I pass the test. I will diminish, and go into the West, and remain Galadriel.”<sup>270</sup>

## Conclusions: NATO and the Riddles of Soviet Modernity

During the 1970s the NATO analysts pointed, for the first time with such emphasis, to the Soviet Union’s structural deficiencies. Admittedly, their task was not easy, as they had been caught in an intellectual crossfire. They were engaging in analysis and projections about the defects of the adversary, at a time of severe difficulties for a West that was seeing its own comparative advantage—its economy—getting into trouble. This was a largely insecure West, fearing a repeat of the painful rise of the extremes as had happened during its most traumatic period, the Great Depression. Successive transatlantic differences manifested themselves on multiple levels: monetary and financial affairs, trade, the handling of détente, and out-of-area crises. This meant that unity needed to be sought and cultivated, but the West’s foundations in the 1970s were solid enough to allow it to survive the test of that painful and transitory phase.

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<sup>270</sup> Tolkien, *The Lord of the Rings*, 385.

By the nature of things—mostly the alliance processes and limits, discussed above—NATO analysis documents could not achieve an intellectual breakthrough, comparable to the functions of national analysis, where a clear thesis can take the upper hand, impose itself, and provide for simple and concise policy recommendations. This was almost impossible to achieve in NATO. Alliance analysis tended to describe the situation in terms of a 15-nation consensus, rather than offer options.

Operating within such limits, it should not be surprising that NATO studies of the opponent left much to be desired. The assessments of Soviet developments were not always clear or accurate, especially where figures were concerned, even taking into account the difficulty in measuring Soviet performances. The experts were assessing developments too close to the events, and thus sometimes were bound to lose sight of certain elements. For example, there is little reference in NATO (or US) analysis documents to the fear of the Soviet leadership about a popular reaction, perhaps violent, to the failure to raise the standard of living.<sup>271</sup> On the contrary, NATO analysis did not doubt that the Soviet political system enjoyed a large degree of legitimization within the country, although (perhaps not surprisingly, in the Cold War context) they usually refrained from saying this in so many words. The NATO experts were thinking in terms of the traditional power structures of the international system, and admittedly failed to assess, as recent bibliography does, the crucial role of the transnational human rights networks or the ability of the EC in loosening Cold War constraints in Europe.<sup>272</sup>

However, on the whole, the NATO experts were able to point to medium-term economic trends, forming the background of the Soviet political and economic realities and of East-West relations. During the first half of the 1970s, the picture of the Soviet Union was that of an ascending superpower, with which the West had engaged in crucial negotiations. At that time, Soviet economic troubles were noted by the experts, but did not seem insurmountable—and anyway the West seemed to be in deeper trouble. Thus, the experts tended to use the picture of the “uneven” growth of Soviet power in order to offset the awe that this Soviet power caused to the West. But things changed drastically in the second half of the 1970s. The West was still in

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<sup>271</sup> Hanson, *The Rise and Fall of the Soviet Economy*, 149-152.

<sup>272</sup> Angela Romano, “Untying Cold War Knots: the EEC and Eastern Europe in the long 1970s,” *Cold War History* 14, no.2 (2014): 153-173.

economic dire straits and the Kremlin was scoring impressive successes in the global south, but the Soviet Union's structural deficiencies had come out into the open. It was not a single factor that created this picture. The Soviet Union suffered from a combination of interrelated problems: the excessive centralization and rigidity of its one-party political system; the age of its leaders; the conservatism of its ruling elite and the resulting conformism of its society (perhaps the most deleterious element of all, pointing to structural deficiencies "from below"); the absence of a realistic price system; the lack of incentives; the agricultural failures that precluded the raising of the standard of living and now tended to spill over to other sectors of the economy, even to heavy industry; excessive military spending which was eating away resources of civil society, and so on. The gigantism of the Soviet economic administration, and—mostly—the Kremlin's dogged determination to ignore economic processes from below (in other words, its refusal to accept a market system of demand and supply) meant that a parallel, effectively a "black" market was called upon to redress the deficiencies of the system. The Soviet Union, as Huntington noted, was an "incomplete superpower." But the most important aspect lay elsewhere: political stagnation and conservatism made it impossible to reform the system. This was the most ominous sign for the Soviet Union. And this was why the NATO analysts, even during the West's years of stagflation and its "winters of discontent," even at a time when the Soviets were galloping in the global south, retained a measure of self-confidence towards their adversary.

It is also important to note a difference of perspective between the NATO experts themselves. The economic experts (or the political experts when discussing the Soviet economic system) tended to point to Soviet medium- and long-term problems, and were always more optimistic regarding the superiority of the West than the political/military experts who had to monitor the Soviet political and military potential and its impressive successes of the 1970s on a global scale. This partial divergence of the positions of the two groups is telling: the Kremlin was a hugely powerful political and military actor, although its economy was in a less than satisfactory state. Essentially, this divergence was a direct result of the Soviet Union's nature as an "incomplete superpower." During the 1970s "this increasingly creaky economy, led by increasingly creaky old men, was enjoying its strategic golden age."<sup>273</sup> Thus, the experts could

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<sup>273</sup> Hanson, *The Rise and Fall of the Soviet Economy*, 131.

not but point to the realities of Soviet power, and caution their political masters about the Kremlin's capabilities in the Cold War.

When all is said, the NATO experts managed to make the major point, which is stressed by recent literature: "one of the major lessons of the twentieth century" is that political freedom favors productivity and innovation.<sup>274</sup> This is the main reason why the Soviet system proved unable to adjust to the post-industrial era; and while the NATO experts did not use this phraseology, they certainly were able to point to this crucial element.

### ***Soviet failures, Western hopes***

These observations, in turn, allow us to move to a wider subject, and attempt a more general interpretation. With the benefit of hindsight, we know that Soviet communism proved unable to move on from the crude—nearly pharaonic—development strategies of the Stalin years to more elaborate ones that could allow for freedom and interaction with society, thus producing economic rationality and facilitating technological progress. The Soviet system proved incapable of going beyond the easy (for such a huge country) recipe of extensive growth, involving gigantic inputs of labor and resources. It tried to legitimize its model of growth thanks to an "objective" or "scientific" theory of "History" that allowed it to radiate its worldview on a global scale. Effectively, this was a system working exclusively from "above," in a top-down mode, contrary to the market system which allowed for processes from below: supply and demand, a realistic system of prices, and the workings of representative democracy. The Soviet system was shaped during the industrialization phase of the 1930s, and no subsequent leadership attempted to reform it radically until Gorbachev tried and failed; post-Stalin attempts at liberalization merely undermined the authority of its centralism, without addressing the main problem and without offering workable alternatives.<sup>275</sup> These did not mean that its final implosion was inevitable, but do explain why in its late stages the system run in deep trouble.

Was then, twentieth century "orthodox" communism a kind of historical accident? This author increasingly tends to consider this view. It just happened that this particular ideological variation managed in 1917, for reasons which are beyond the scope of this work, to gain power

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<sup>274</sup> Loth, "The Cold War and the Social and Economic History of the Twentieth Century," 503.

<sup>275</sup> Hanson, *The Rise and Fall of the Soviet Economy*, especially 1-21 and 240-253.

in an exceptional state. It was the size and the richness of resources of this particular state that allowed this flawed version of the Enlightenment to have a relatively long life. The Soviet polity had huge material and human resources that allowed it to survive, contrary to all sensible economic theories, for many decades. But it did so because it was ruling the Soviet Union, and by effectively eating away its almost inexhaustible resources. During the 1950s and early 1960s the NATO economic experts were on the verge of despair: they monitored an economic system able to move resources arbitrarily from one sector to the other without any social accountability, lacking a realistic price system, and still being able to score impressive growth rates. For reasons having to do both with national character (the unyielding resilience of the Russian population towards ineffective and authoritarian policies, but also its stern patriotism) and historical experience (the tradition of despotism in Russia, the glory of the Soviet victory against Hitler, but also the relative improvement of daily life of the Soviet citizen in the postwar period) the system endured. Because of its size and resources, this state could sustain the hardships of a regime that ignored to such a large extent the fundamentals of economic theory and practice. With the possible exception of the early PRC (another huge state), no country of a smaller size implemented orthodox communism with anything approaching the Soviet (and the early PRC's) endurance: the Eastern European regimes were found in dire straits by the 1950s, and other more unfortunate cases of the Third World, trying to copy the Soviet model (for example Ethiopia of the early 1980s), faced humanitarian disasters. Only the Soviet Union and the PRC were big and rich enough to throw away so many resources, human and material, in the effort to build their "socialism."

There are many factors that account for the failure of the Soviet system—and in this case "failure" refers to its condition in the late 1970s, not necessarily to its final demise of 1991. "The Soviet economy was collapsing under the weight of its own structural deformations," a scholar notes—although the verb "collapse" is, according to this author, an overstatement.<sup>276</sup> But more than that, the Soviet economy also failed because of its neglect of common sense rather than because of anything else: "the inability to make a good plan was not a failure to do clever things but a failure to do what might appear to be simple things."<sup>277</sup> Mostly, it failed because it found

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<sup>276</sup> Petrakov, "Another Look at the Soviet Era," 13.

<sup>277</sup> Hanson, *The Rise and Fall of the Soviet Economy*, 147.

itself out-of-line with contemporary trends: “Affected by the changes but slow to adapt, the Soviet system lumbered on, an industrial behemoth in post-industrial age.”<sup>278</sup> This was extremely evident in the 1983 NATO study of the security implications of East-West trade, when the NATO economic experts noted that the Soviet system was incapable of progress in those spheres (computers, robotics, communications) that were becoming important and required a sphere of innovation, namely, freedom. Even in terms of information gathering, an aspect which was becoming even more crucial as the post-industrial era dawned, it has been suggested that “the conditions under which the Soviet economy could grow in this manner [during the 1920s-1950s] were impermanent,” and this is why it began to slow down in the 1970s, a development “that cannot be explained by any exogenous shock.”<sup>279</sup>

Yet, a crucial aspect of this story also has much to do with the overlapping failures of the Soviet system to adjust on many levels. Its dogmatism, its *immobilisme* and the systematic avoidance of any real reform were the fruits of a political system based on one-party rule, set to guarantee the prerogatives, material and other, of its ruling class only, especially after the de-Stalinization endeavor of the 1950s and during the Brezhnev era. The economic failures were perpetuated and exacerbated because of this political system, thus creating a vicious circle from which its post-1985 leadership would have no adequate time to escape. By the late 1970s, it was not a problem of resources, which the country still possessed in abundance; it was a problem of not being able to deploy these resources effectively and even rationally—therefore, principally, a political problem. The Soviet Union faced its dead ends because it could not reform, evolve and adjust: “the Soviet Union and its allies could maintain authoritarian leadership—a fundamental requirement on Marxist-Leninist states—only by means that ensured economic obsolescence.”<sup>280</sup> Even in the debate whether the Soviet Union exploited Eastern Europe or funded it (at least after 1956), a “third” answer may also be legitimate: it appears that in this idiosyncratic economic system, by the late 1970s both sides were losing.<sup>281</sup> Sadly, the answer is that “we now know,” only because we can think with hindsight. This author is extremely skeptical towards any

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<sup>278</sup> Engerman, “The Romance of Economic Development,” 50. See also, Ivan T. Berend, *From the Soviet Bloc to the European Union: the Economic and Social Transformation of Central and Eastern Europe since 1973* (New York: Cambridge University Press, 2009).

<sup>279</sup> Harrison, “Economic Information in the Life and Death of Soviet Command System,” 109.

<sup>280</sup> Gaddis, *We Now Know*, 191.

<sup>281</sup> Hanson, *The Rise and Fall of the Soviet Economy*, 156-157.

thought of “inevitability,” but the following interpretation appears to come very close to a grand narrative that can be verified:

In retrospect, the implosion of the Soviet bloc was a belated shattering of the illusions and self-deceptions that the leaders of the October Revolution had imposed on post-tsarist Russia, and which thereafter had been believed by generations of communists the world over.<sup>282</sup>

However, it is important to remember that what happened in 1991 was not the West’s preference. Since the 1960s Western intellectuals—most notably, William H. McNeill in his groundbreaking book on the rise of the West—while recording their fears of totalitarianism and of the seemingly limitless capabilities of “command economies,” noted the possibilities of a convergence of the two Cold War systems, since they were both rooted in the Renaissance and the Enlightenment.<sup>283</sup> This was a “forward” (or, as the diplomats might say, idealist) view of the intellectuals, but neither was the political leadership of the West thinking in terms of an annihilation of the Soviet opponent. The West hoped that the Soviet Union would *evolve*, not that it would collapse. As APAG noted in late 1971: “The real interest of the West lay in promoting quiet or evolutionary change: change with stability.”<sup>284</sup> During the ministerial NAC of December 1974, the new Canadian Foreign Minister Allan MacEachen revealed the West’s awe at the prospect of a Soviet destabilization. He noted that the alliance did not want “overnight changes” which would destroy the Soviet system, or changes which could undermine its stability and thus also international stability and peace.<sup>285</sup> As noted above, Kissinger and the Republican administrations of the 1970s hoped to contain the rise of Soviet power, “prevent the imposition of Communist hegemony,” and limit the risks, hoping to get to a point where it would be possible to “channel [Soviet energies] in more positive directions,” or to help “transformations of the Communist societies.” The evolution of the Soviet Union, not its collapse, was the ultimate hope of the West, although during the 1970s this evolution seemed to be a distant prospect.

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<sup>282</sup> Loth, “The Cold War and the Social and Economic History of the Twentieth Century,” 523.

<sup>283</sup> William H. McNeill, *The Rise of the West: History of the Human Community* (Chicago: The University of Chicago Press, 1963).

<sup>284</sup> NATO/CM(71)66, APAG, 8 November 1971.

<sup>285</sup> NATO/CVR(74)60part1, 12 December 1974.

It is often claimed that there were people within the Reagan administration, willing to consider a policy aiming at “breaking” the Soviet Union. This author thinks that much of what has been written on this issue seems to have been excessively influenced by post-1991 hindsight. According to the available evidence, even Weinberger aimed to disrupt the Soviet armament programs rather than dissolve the Soviet state. But in any event, the aim of the Reagan administration was not to destroy the Soviet Union. On the road to deciding its long-term policy towards the Soviet Union, in summer 1982, the Reagan administration posed the question of a possible break of the opponent during a meeting with prominent personalities on long-term strategy. The balance of opinion in that meeting was in favor of an effort to encourage the evolution of the Soviet Union.<sup>286</sup> In his first strategy paper, dealing with strategic nuclear weapons, in May 1982, Reagan noted that he aimed to force the Kremlin “to bear the brunt of its economic shortcomings, and to encourage long-term liberalizing and nationalist tendencies within the Soviet Union and allied countries.”<sup>287</sup> When it decided its long-term policy, in December 1982 and January 1983, the administration noted that it aimed to encourage Soviet evolution. The aims included the decentralization and demilitarization of the Soviet economy, the weakening of the power of the party, and the “gradual democratization of the USSR.”<sup>288</sup> Issuing his resulting directive on strategy, Reagan set as his government’s aims to “contain and over time reverse Soviet expansionism,” to engage the Soviets in negotiations enhancing US security, and, in the long run:

To promote, within the narrow limits available to us, the process of change in the Soviet Union toward a more pluralistic political and economic system in which the power of the privileged ruling elite is gradually reduced.<sup>289</sup>

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<sup>286</sup> *FRUS*, 1981-1988, Volume III, Memorandum, McFarlane to Clark, 21 August 1982, doc. 205.

<sup>287</sup> Quoted in Gaddis, *Strategies of Containment*, 355.

<sup>288</sup> *FRUS*, 1981-1988, Volume III, Ad Hoc Interagency Group on US-Soviet Relations, Response to NSSD 11-82, 6 December 1982, doc. 249.

<sup>289</sup> *FRUS*, 1981-1988, Volume III, National Security Decision Directive 75 (Reagan), “US relations with the USSR,” 17 January 1983, doc. 260. This pivotal strategy document concluded: “At the same time, the US must demonstrate credibly that its policy is not a blueprint for an open-ended, sterile confrontation with Moscow, but a serious search for a stable and constructive long-term basis for US-Soviet relations.” See also Gaddis, *Strategies of Containment*, 363.

Thus, even the policy of the most “aggressive” and ideological American administration aimed at a change, not at the destruction, of the Soviet state and its economy.

Apart from political decisions, this is also evident in the perceptions and attitudes of the major Western experts of the Soviet world. A very representative and notable example of the attitudes of a Westerner, knowledgeable about the Soviet Union, is the valedictory report of Ambassador Stoessel, a veteran of Western analysis of the Soviet economy (and a person who would assume high office in the Reagan administration), in September 1976, when leaving his Moscow post. In a long report titled “Reflections on Leaving the Soviet Union,” he stressed that he had first served there almost 30 years ago; the changes for the better during this period were considerable, both for the Soviet citizen and for the foreign diplomat. The Soviet Union, Stoessel wrote, was “the last great empire,” and there were observers who held that the nationality problem would in the end signal the Soviet collapse; Stoessel noted that predictions were difficult, but “my own view is that it is most unlikely in the foreseeable future (i.e. two or three decades) that nationality pressures will pose intolerable strains on the Soviet system.” In the past decades, Stoessel continued, the Soviet economy had grown, but it faced important problems and needed to import advanced technology. In this context, he painted a picture of inefficiency:

The Soviet Union has been described as a “middle aged economy,” but one wonders, given its glaring inconsistencies and unevenness, if even this is not giving it more than its due. The centralized planning system produces great rigidity; workers lack inducements; managers are fearful of taking responsibility for change and operate in a system which in many respects actively discourages innovation. No real reform which would correct these problems is in sight, and the slowing in the growth of the labor force which is noticeable now and will grow more marked in the future will seriously hamper Soviet efforts to improve economic performance. No one should think of the Soviet economic system as being on the verge of collapse, because it is not. It works after a fashion and it has provided a solid heavy industrial base and the wherewithal for an impressive military machine; moreover, starting from a very low base, it has made possible a fairly steady if modest increase in living standards for the general population. This being said, it remains that the Soviet economy is weak in important respects

in comparison with other advanced states and there seems little prospect that this weakness will be overcome.

In this context, Stoessel perceptively remarked, the attitude of the average citizen was becoming increasingly cynical and conformist:

Certainly, the materialism of the average citizen is striking; these are people deprived for long years of the good things of life and they are on the make to acquire what they can of the slowly increasing volume of consumer goods which is becoming available. With this goes a cynicism toward ideology, a waning interest in professed communist ideals, and a considerable credibility gap about the propaganda line.

In other words, Stoessel was seeing the trends which would prove fatal for the Soviet Union, but his data did not allow him either to see this country in a demeaning (much less an “orientalist”) manner, or to suggest that it was on the verge of an implosion. He also put forward a general conclusion:

I see the Soviet Union as a powerful, dangerous force which must be countered and against which a balance of power must be maintained; but I also see the Soviet Union as a flawed colossus with its own intractable problems, with no overwhelming desire or intent to destroy the US, and with a serious and increasing stake in stability in some key areas. Chip Bohlen talked of the time when the Soviet Union would act “more like a country than a cause.” This has not yet come to pass in its entirety, but it is beginning to happen, and our efforts should be devoted to encouraging the trend.<sup>290</sup>

This, at the end of the day was the real aim of the liberal West: the adjustment, the evolution or (in Cold War parlance) the “taming” of the Soviet Union. A Soviet collapse was a nightmare scenario, which would create a power vacuum in an increasingly unstable globe; the Western

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<sup>290</sup> NARA, RG 59, Stoessel to State Department, 12 September 1976, Central Foreign Policy Files, 1973–79/Electronic Telegrams, assessed 8 February 2017.

analysts would not even want to think about it. A Soviet collapse would bring chaos, whereas an evolution of the Soviet system would entail adjustment and continuity. A Soviet evolution and adjustment was the West's real dream of the post-Cold War world. But this was not what happened in 1991.