

Soviet Economic Options in the Eighties: Foreign Policy Implications⁽¹⁾

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1. Decades of Crises

The period of the Eleventh and Twelfth Five Year Plans (1981-

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(1) The views expressed herein are those of the author, not necessarily those of Congressional Research Service, or the United States Congress. Primary sources for this essay include the two volume compendia of the Joint Economic Committee, *Soviet Economy in a Time of Change*, October 1979, Vol. I, II. (Reference here-with will be to individual chapters of JEC-1979); H. Hunter (editor), *Future of the Soviet Economy*, Boulder, Colorado; Westview Press, 1979. Earlier papers of the author given at NATO-SHAP and the U.S. Military Academy were drawn on

1990) may be periods of sharp economic slowdown in growth with negative performance in some key sectors of importance to economic growth. At the same time economic potentials make possible a significantly more favorable growth performance rivaling the rapid, impressive rates of the recent past.

The Soviet economy, with other industrial economics, may be entering, or already in, a qualitatively different stage in development requiring new adjustment of ends and means, revised expectations, and different leadership opportunities. With more than its share of institutional rigidity the Soviet leadership may have difficulty adjusting to the new stage.

A change in top leadership is almost inevitable with the passage of Leonid Brezhnev from the scene. The potentiality in changed leadership derives in part from a generational change. A new generational group of leaders not only too young for involvement in the Bolshevik Revolution but lacking direct participation under the Stalinist system and the Great Patriotic War (World War II) may have either unsettling effects, open new opportunities or both.

A bipolar two camp, colonialistic world Stalin and his immediate successors perceived may be a pattern of the past. Even in security affairs the United States and the USSR may in the 1980's cease to be the final global arbiters. In economic affairs global policy formulation will need to include at least the Federal Republic of Germany and Japan. Each of the regions of the world are developing more regional identity and independence from the global super powers, especially in the Pacific Community.

Economic performance may well become a major issue in the inevitable succession process in Soviet leadership. Falling economic

liberally. See J. Hardt, "Soviet Economic Capability and Defense Resources," in Grayson Kirk and Nils H. Wessell (ed.), *The Soviet Threat, Myths and Realities*, Academy of Political Science, New York, 1978; "Military and Economic Superpower: A Soviet Choice," in Senior Conference of U.S. Military Academy, *Integrating National Security and Trade Policy*, Final report, June 1978, West Point, New York; "Military Economic Implications of Soviet Regional Policy," NATO Economic Secretariat, 1979.

performance is of concern to all groups in the leadership, as well as the Soviet population as a whole. An "industrialization debate," such as influenced the succession to Lenin may not be precisely revisited, but every period of previous political change seemed to concentrate attention on vexing economic problems. A profound change in political as well as economic policy is possible in the wake of Brezhnev's exit from the scene. Moreover, the time of succession is likely to coincide with a period of potentially sharp deterioration in economic performance. According to pessimistic U.S. intelligence estimates of energy and agricultural production and changes in the efficiency of labor and capital, the aggregate growth rate may be halved in the next decade to an average of little more than 2 percent, or less per annum in specific years with some years potentially evidencing negative growth. Others in the west with similar data conclude that a continuation of a 4 percent growth rate is a reasonable expectation.⁽²⁾

Each of the major aspects in change in the 1980's may lead to crises as perceived by Soviet leadership: an unacceptably low economic performance; unacceptable change in the economic system; unacceptable new professional aspirants for top party and governmental positions; an unacceptable change in the relationship of Soviet Russia to the world community. Crises involving acceptable outcomes are in this sense subjective to many of the decision makers. At the same time a negative economic growth and sweeping change in the nature of the top leadership as well as the personalities of the office holders would be viewed objectively as a revolutionary change and a basis for viewing such a development as a threat to the system, unacceptable change or as a crisis. Traditionalists would thus view any major political or institutional change as unacceptable, even under conditions of extremely poor economic performance. Less traditional, new

(2) Testimony of Admiral S. Turner, Director of Central Intelligence Agency to Joint Economic Committee, 26 June 1979. C.F. Donald W. Green, "The Soviet Union and the World Economy in the 1980's: A Review of Alternatives," in H. Hunter, *ibid.*, p. 42.

generations of leaders may view change differently.

Change may provide a basis for successful accommodation to challenge involving flexible adjustment within the long term Leninist and Russian tradition. Thus the upcoming political and economic crises may be both critical challenges and opportunities.

1. Economic Retardation or Continued Growth

The winter of 1978-79 was particularly bad for the economy: agricultural production fell, construction was slowed, output in most key energy, metals, and machine building industrial branches was down from planned levels. This retardation in winter 1977-79 was thought by some to be a forerunner of a slow or even no growth decade in the 1980s. Predicted oil output reductions, severe weather for agriculture, increasing labor shortages, rising capital equipment and infrastructure costs all would contribute, it was argued, to the lower decade level of economic performance in the 1980's. To be sure all industrialized economies grow at a slower rate as they became more mature and massive. The Soviet growth by most comparative standards has been impressive to date and might not be expected to continue. But the sharp step down of economic growth in the 1980s is a significant change in a short time period, i.e., from around 4 to 1-2 percent per annum on average. As demand was exceeding supplies of new goods and services with a 4 percent annual GNP growth, how would competing demands be satisfied with a 1 or 2 percent growth rate? A specific concern in growth reduction would be the priorities to defense, investment and consumption. In the past defense has been growing at an average decade rate of about 3 percent, which at a 4 percent GNP growth rate permitted a more rapid growth of consumption and investment. If growth falls to the lower rate how will the competing claimants be served? Continued priority to defense, which seems to be another view of the growth reduction school, would sharply restrict consumption and investment.⁽³⁾ Completion of large modernization projects improvement in housing, meat output and

(3) Turner, *ibid.*

other quality consumer goods would be deferred.

Alternatively there are those who would believe that a growth rate close to that of the past is possible with some good fortune, i.e., uncertainties in resource availability and weather are moderate to good, and economic policies are those favoring modernization and improved economic performance. These views of a growth maintaining school are related to emphasis on the modernization alternatives by Soviet leadership. The political-economic costs in modernization would be in a more flexible, efficient, professional system; greater emphasis on economic over security goals, increased and more efficient use of foreign economic relations including those with East Europe. Conflicting objectives, i.e., "muddling through" would not do for growth maintaining. The role of the Party as an economic intervener at all levels would be lessened.

A parallel to the growth reduction and growth maintaining schools for the Soviet Union may be similarly different perspectives of American economic growth prospects. Some American forecasters project a 3.4 percent real growth in the U.S. economy for the 1980s. The "rational optimists" base their continued growth estimates on an assumption that government intervention in the economy will be reduced, by new programs in energy and other critical areas will be set and followed, and increased investment to modernize and improve the productivity of the United States economy will be forthcoming.⁽⁴⁾ Others in the United States are more pessimistic, including no growth.

Those who view the prospects of continued growth of the Soviet economy might therefore be termed rational optimists. Either rational optimists or growth maintenance groups for U.S. and Soviet economies predict the super power economies will grow at the higher rate than in the past. Each emphasizes that the super powers may maintain growth if the leadership policy options available are ra-

(4) W. Bowen, "The Decade Ahead: Not so bad if we do things right," *Fortune*, Vol. 100, Oct. 8, 1979. The estimates are from Townsend Greenspan. Alan Greenspan was President Gerald Ford's chairman of Economic Advisors. See also Dave Gushee and John Hardt, "Comparative Energy and Programs and Policy of Comparative Policy Issues of Two Major Energy Producing/Consuming Nations: U.S. and U.S.S.R." presented at Vienna, April 1979.

tionally used. In this sense the economic growth outcomes in the 1980s for both the Soviet Union and the United States are wider than in the past, perhaps the range is greater in terms of credible outcomes than at any time in history, and more subject to leadership policy changes in each country.

2. New Economic Era: Modernization and Interdependence

A policy change may have occurred in Soviet economic planning and management emphasizing the quality of output and efficiency of performance. This change may coincide with a new era of economic interdependence.⁽⁵⁾ This qualitative change is more likely to be in the Leninist and Russian tradition. Central planning may be blended with market-simulating mechanisms but western institutions are not likely to be directly adopted. In foreign economic relations, the new stage may reflect a desire to benefit from the technological advantages of the "economic miracles" of the western industrial economies.⁽⁶⁾

The new Soviet stage may coincide and be reinforced by qualitative changes in the world market economy. Some would suggest that qualitative changes in the world economy are historic, e.g., whereas in 1929 the global economy emerged from a British pound dominated era, in 1979 the change is from an American dollar centered world economy to another, new monetary system. Of course, with energy related changes the 1980s may find a structurally different economic pattern.⁽⁷⁾

3. Leadership Succession: Continuity or Change

Leonid Brezhnev and most of his close associates are at the age and state of health where wholesale changes in top leadership may be expected in the 1980s. The new generations of leaders will not be direct products of either Lenin's revolution or Stalin's systems of government. In many cases the new leaders may be more technical than political professional ("expert" rather than "red"). The old

(5) J. Hardt, "Stages in Soviet Economic Developments: A Sixty Year Record" Address for University of Southern California, October 31, 1977 in *Contemporary Domestic and International Economic Issue Series*.

(6) *Ibid.*

(7) *Ibid.*

Party loyalties and control may be more influenced by institutional and regional ties. Although the immediate top leader succeeding Brezhnev may be Suslov or Kirilenko, in not many years a new generation of leadership will characterize not only the Central Committee of the Party and the government bureaucracy but the summits of Soviet power in the Politburo and the Council of Ministers.⁽⁸⁾

4. New International Political Environment: Multipolarity and Post Colonialism

The United States and the Soviet Union have developed the habit of considering global events as irresolvable in bipartisan conflict and accommodation. The United States, indeed still retains the habits and disposition of a globally dominant power.

The Soviet Union and much of the third and fourth world still act in the context of a colonial world dominated by the western powers of the first world.

In SALT II discussion, the negotiations in South Africa and a few other cases the continuity of the past is relevant to the world political environment. In many other areas these old constraints are no longer relevant. The New International Economic Order [NIEO] is being formulated. What its shape and alignments will be is not clear. The energy rich OPEC nations have taken a position of power and significance. Newly industrial countries such as Korea are becoming important. The international system has not yet adjusted.

These elements of international continuity and change are likely to influence the new Soviet economic environment of the 1980s.

On issues such as the Law of the Seas, commodity trade, the various aspects of the NIEO, the United States and Soviet may find common interest and purpose.

North-South differences may become greater than East-West Europe cleavages. In any event the patterns are changing in the world arena.

(8) Jerry F. Hough "The Generation Gap and the Brezhnev Succession," *Problems of Communism*, July-Aug. 1979, XXVII, pp. 1-17.

II. Leadership Alternatives

1. Modernization⁽⁹⁾

If new leadership considers economic performance along western lines of efficiency to be paramount then there are options that may make a significant difference in performance. The cost of modernization are largely in political and institutional changes from the Stalinist priorities and institutions of the past. Let us then explore some of the changes in policy and performance necessary to check the retardation and possibly to raise Soviet performance closer to its full potential:

1. *Regional Policy: A Nation-wide Development Strategy.*⁽¹⁰⁾

Traditionally Russia and the Soviet Union have developed along regional lines. Regional self-sufficiency has usually been a development strategy. Problems of distance, resource dispersion, population location have made regionalism a rational and workable Soviet Russian strategy in the past. At this time in history continued regional emphasis will tend to retard economic growth. The very unequal distribution of natural resources, labor, and capital makes a unified national development strategy an economic necessity.

The resource potential of Siberia in energy, metals, timber—indeed all materials—is as yet only partially explored and largely untapped. The labor potential for Soviet economic expansion is largely in the eight republics of the Caucasus, Central Asia and Kazakhstan. European Russia is deficient in both natural resources and labor, but has the established capital plant and infrastructure of the Soviet economy. Efficient adaption to these regional disparities in resource location will be a fundamental factor in growth determination. Integration of the economies of the European Region, Siberian RSFSR, and the eight Southern republics is a difficult but

(9) William Diebold, *The Soviet Union in the World Economy*; JEC-79.

(10) See Hardt, "Military Economic Implications of Soviet Regional Policy," *op. cit.*; Martin C. Spechler, "Regional Developments in the USSR, 1958-78," in JEC-79; Theodore Shabad, "The BAM, Project of the Century," JEC-79; Holland Hunter, "Soviet Economic Problems and Alternative Policy Responses," JEC-79; Paul K. Cook, "The Political Setting," JEC-79.

economically attractive policy.

2. *Military Support Policy: Guns or Modernization.*⁽¹¹⁾ With some variation during the post-Stalin period, the trend has been to allocate in successive years a growing share of high-quality capital and labor resources to military pursuits. The military “burden” deterring economic growth is substantial, as may be the opportunity costs. A shift of resource allocation priority for high-quality investment and labor resources from military to economic modernization activities would be important to improved economic performance. This is the “guns or modernization” option. Specifically the priority for completion of major Siberian projects at an early date would mean a shift in priorities away from long terms military projects. Specific examples of these projects would be the East Siberian Baikal-Amur [BAM] related regional energy and metals development and West Siberian oil and gas complexes.

The fact that potentially competitive programs have been approved in long-term modernization projects and long-term defense programs does not mean that important choices may not be made on the margin.^{(12), (13), (14)} Specifically, a decision may be made to slow down or defer the expansion of agricultural equipment output, as it was in 1966, presumably to speed up the production of armored tracked vehicles, e.g., tanks, often made in the same plant complexes. Conversely, the priority for moving ahead on the Siberian Baikal-Amur railroad (BAM) appeared to be spurred in 1974 with a step-up in imports and use of military construction crews to facilitate progress on that so-called “project of the century.” On several occasions the West Siberian petroleum development has been accorded top priority, e.g., in January 1970 and December 1977. In each case

(11) John P. Hardt, “Strategic Alternatives in Soviet Resources Allocation Policy,” in *Dimensions of Soviet Economic Power*, Joint Economic Committee, 1962, p. 19.

(12) John R. Thomas “Political Strategic Factors in Soviet Modernization: Continuity and Change,” JEC-79

(13) Henry Schaefer, “Soviet Power and Intentions: Military—Economic Choices,” JEC-79

(14) Abraham Becker, “The Meaning and Measure of Soviet Military Expenditure,” JEC-79

resources, construction facilities and infrastructure development were all accorded top leadership priority. The crash effort—referred to characteristically as “storming” by the Soviets—probably drew from deferred civilian and/or military projects. In a 1970 Party and Government decree, according priority to the West Siberian development, the support of the Ministry of Defense Industries was specifically referenced as well as the cooperation required of the relevant civilian ministries.⁽¹⁵⁾

Resource overcommitment to meet the economic expansion targets of the Soviet economy is not a new phenomenon. Tautness in planning or systematic overcommitment is traditional. More projects have always been authorized than could be funded. The operational priority was established by the choice among projects to be preferred or deferred. The new characteristic, in the Brezhnev period, appears to extend the choice to competition between civilian and military projects. This may be described as the emergence of a marginal “guns” or “modernization” choice in the current Soviet resource allocation.

The rate of progress in major large-scale modernization areas may be given alternating priority status. Indeed, it is my observation that a variety of large-scale projects fluctuate from low priority (deferral) to high-priority (“storming”). In the latter case, priority is given to supply of hard-currency imports and world market level quality, domestic intermediate projects and skilled construction crews. The size of these latter claims on high-quality Soviet domestic resources is roughly three to five times the value of hard-currency imports for such projects as the Kama Truck Plant, comparing reported imports and domestic investment figures.⁽¹⁶⁾

Consumer incentives are also important. Availability of adequate housing, reliable passenger cars, meat and other quality foods provide important incentives for raising worker productivity and managerial

(15) *Pravda*, January 15, 1970.

(16) George D. Holliday, “The Role of Western Technology in the Soviet Economy,” in Joint Economic Committee, *Issues in East-West Commercial Relations*, op. cit., pp. 46-58.

efficiency. In this sense "guns or butter" is also a choice, fulfillment of consumer goods targets is tied to modernization of the economy.

3. *Economic Reform in Planning and Management Introduction of the New Programs and Methods.*⁽¹⁷⁾ With better economic data, improved analysis, modern econometric tools, and appropriate computer application, planning might be more efficient. With more authority for the enterprise managers and improved incentives, managerial efficiency might be improved. How much improvement is possible with more efficient planning and management is hard to estimate, but I assume it would be substantial and is an important variable in economic performance.

In central planning there has been a decade and half of development of the preconditions for modernization of the central planning process: more and better statistical information has been generated; better, western type economic analysis has been developed in many research institutions; mathematically oriented techniques of planning and accounting, e.g., input-output tables for the nation and republic, linear programming, etc., have been developed widely and for a series of years; a nationwide computer assistance system of economic reporting has been established. These preconditioned bases for improved central planning have gone through an important developmental period but have generally not been brought to bear on the central process of plan formulation and operation. Were this operational step taken, some changes in efficiency might be expected in central planning.

Managerial progress designed to improve quality of output, raise labor productivity and capital efficiency and accelerate technological change have been tested and approved. They have not, however, become the standard mode. Widespread adoption of a new managerial system is possible largely by general application of programs and procedures already approved in principle. The role of the Party in such change would be effected, especially at the local level. The

(17) C.F., Gertrude-Schroeder Greenslade, "Soviet Economy on a Treadmill of 'Reforms'," in JEC-1979.

increased Party control and intervention at the Central Committee level might facilitate this new “laissez faire” policy at the local and regional level.

4. *Western Technology Transfer: Selective Economic Interdependence.* Judicious imports of western technology, applications of western management systems for utilizing the processes, coupled with investment from domestic capital of high-quality plant and equipment might accelerate technological change and improve economic performance. The measured gains from interdependence involving western interrelations might not equal the “economic miracles” of western economic developments, but technology transfer will surely have a growth-accelerating effect.

To use imports of western technology more effectively, Soviet planners must revise traditional resource allocation policies and reform the institutional context in which the new complexes operate.⁽¹⁸⁾ The large western-assisted complexes place a heavy new demand on high-quality domestic inputs, such as technicians, materials and machinery. As such inputs are currently largely committed to traditional high-priority sectors of the economy, especially defense industries, Soviet planners will have to make difficult choices on resource allocation to provide adequate resources to western relative projects. Moreover, traditional Soviet enterprise management practices do little to provide effective utilization of foreign technology. More effective absorption of western technology could be facilitated by significant enterprise management reform, including the borrowing of western management techniques. One approach to reform might be the creation of foreign-technology-related “enclaves” which operate on a new style of management outside of the present bureaucratic chain of command. For example, the degree of independence and enhanced authority granted to the managers of the Volga Automobile Plant

(18) Lawrence Brainard, “Foreign Economic Constraint on Soviet Economic Policy in the 1980’s,” JEC-79; Phillip Hanson and Malcolm Hill, “Soviet Assimilation of Western Technology: A Survey of UK Exporters’ Experience,” JEC-79; Francis W. Rushing and Catherine P. Ailes, “An Assessment of the USSR-US Scientific and Technical Exchange,” JEC-79.

and the Kama River Truck Plant appear to be a limited step in this direction.

5. *CMEA Policy. Modern Interdependence in East Europe.* In the short run, Eastern European requirements for energy and other goods the U.S.S.R. can export for hard or convertible currency are a drain on the Soviet economy. They divert resources such as energy from domestic consumption or western markets supplying foreign exchange for high-technology product imports. In the longer term, however, to the extent East European economies modernize and supply their modern economic products and systems to the Soviet Union in a more absorbable or adaptable technological form, intra CMEA relations may have a growth-stimulating result. A positive soviet balance of growth-stimulating benefit from East Europe may provide a major boost to Soviet economic performance. In order to obtain the long-term benefit of intra CMEA modernization and integration, however, a substantial short-term burden of diverting hard goods to Eastern Europe may be necessary for the Soviet Union. The longer-term, more active technology transfer mechanisms with which Soviet officials are experimenting could also help to facilitate more effective intra CMEA technology transfers. Although such changes will undoubtedly be seen by some Soviet officials as threatening the traditional bureaucracy and Party role in the economy, they may represent a necessary condition for effective modernization.⁽¹⁹⁾

Each factor influencing economic performance may be considered in the context of Soviet modernization policy. Traditional adherence to established priorities and institutions in the old European Russian emphasis may assure a deepening rather than an

(19) J. Hardt and G. Holliday, "Technology Transfer and Change in the Soviet Systems," in Frederic Fleron (ed.), *Technology and Communist Culture, the Socio-Communist Impact of Technology under Socialism*. New York: Praeger, 1977; reprinted in Hardt, Bresnick, Holliday (editors), *Issues in East-West Commercial Relations*, GPO, Joint Economic Committee, Jan. 1979, pp. 59-90; Martin J. Kohn, "Soviet-Eastern European Economic Relations, 1975-78"; Raimund Dietz, "Price Changes in Soviet Trade with CMEA and the Rest of the World Since 1975"; Morris Bornstein, "East-West Economic Relations and Soviet-East European Economic Relations," in JEC-1979.

amelioration of the crises impending in Soviet economic performance. Change in emphasis may be intertwined with modification of the economic policy choices discussed above.

2. Revived Control—A Neo-Stalinist Variant⁽²⁰⁾

A post Brezhnev leadership may not give priority to domestic economic performance but to a revived control system justified by perceived foreign/domestic threats and opportunities. A revival of “encirclement mentality” may be fostered by a perceived PRC-Western military alliance in Asia, a militarily strong, nuclear-armed Federal Republic of Germany, and a strong Islamic tide on the Southern Soviet borders. This external threat coupled with increasingly dissident non Great Russian population in the U.S.S.R. could further revive Slavic nationalism. The traditional Russification policy involves one nationality, one language, one orthodoxy of belief. Whereas the modernization scenario would involve five modernization policy options, the revived Great Russian neo-Stalinist variant might have the following different set of variables:

1. *Great Russian Centralism.* With a revival of the national siege mentality from external pressures, the rising non Russian national sentimentality within the U.S.S.R. might make the Russian dominated Soviet Union seem embattled from within. The likely official recognition in the 1980 census that Great Russian represent less than half the Soviet population might symbolize this sentiment of internal endangerment.

In this environment more attention might still be given to a national policy of economic development in the Stalinist tradition. Control in Siberia, the Caucasus, Kazakhstan and Central Asia, in that case, would be firmly in the hands of Great Russians or those who had been accepted as Russified.⁽²¹⁾

(20) Discussion with Hans Haymann, Jr. led to the inclusion of this set of policy variants.

(21) A recent conference on “The Russian Language-the Language of Friendship and Cooperation of the People of the U.S.S.R.” was held Tashkent in May 1979. See Roman Solcanck, “Russian, Russia, Everywhere,” New York Times, Oct. 11, 1979. James Gillula, “The Economic Interdependence of Soviet Republics”; Stephen Rapawy, “Regional Employment Trends in the USSR, 1950 to 1975” Murray Feshbach, “Prospects for Outmigrations from Central Asia and Kazakhstan in the Next Decade,” JEC-79.

2. *Military Dominance: Fortress Moscow.* Were there a breakdown in arms negotiations and a rising requirement for strategic arms for competition with the U.S., more dangers and opportunities in Eurasian conventional and nuclear theater areas to deal with the dangers perceived from Chinese, Germans and the unsettled southern border, might be an environment in which more new military programs would be approved. The Siberian developments related to the Baikal Amur Railway would, in this context, have more of a military orientation. The developments of the eight, southern republics would be closely tied to the interests of the center with Moscow controlling military and other security means.

3. *Control and Incentives in Planning and Management.* Labor availability in a more controlled environment might be ensured by a revival of the universal labor draft and Stalinist economic criminal code. Mobility between and among regions might be assured by revival and an expansion of the penal camp (GULAG) system. Centralized planning and control might be facilitated by more extensive use of computer related control systems and more security sensitive information systems.

4. *Selective Isolation or Autarchy.* With greater hostility at home and abroad commercial relations would be restricted by both East and West. Moreover, the hard currency exports of petroleum products, sales of gold, use of western government and private credit, tourism, merchant marine interchanges other balance of payments related activities would be restricted. Moreover the large Siberian civilian projects would have less domestic priority and reduced need for imported foreign systems. Foreign managerial involvement in the U.S.S.R. would be especially restricted.

5. *CMEA Orthodoxy.* The attraction of centrifugal forces carrying the smaller East European nations to Western relations would be more than balanced by its centripetal forces drawing them closer to Moscow. Emphasis, in turn, would revert to control mechanisms rather than consumer incentives and modernization. Political instability—even violence—might be the result in the pattern of the earlier Berlin riots, Hungarian uprisings, Polish riots. The Warsaw Pact

command clearly has adequate force to contain East European instability if the costs of internal use of military force within the Eastern countries is deemed acceptable. This was the kind of decision made in the Czech invasion of 1968.

3. Status Quo-Equivocal Extension of Present Trends

If present trends continue with little change in economic policy or leadership stability, economic slowdown seems very likely, even inevitable. Under these circumstances there would be a narrow range of performance in the annual growth range around two percent—roughly half that of the recent five year plan.⁽²²⁾ This current policy extension or holding action of the leadership would provide the basis for very modest results. If, however, all the natural uncertainties of weather and resource availability were bad, an unacceptable crisis might develop even in the view of equivocal leadership. This kind of equivocal scenario appears particularly relevant for the period prior to Brezhnev's succession by a new generation of leaders. The initial temporary replacement of Brezhnev might then find economic performance a major policy issue.

III. Industrialization/Modernization: The Economic Debate of the Eighties

A new "industrialization debate," if it occurs, may find its forum in the Central Committee of the Party. All the important regional, institutional, governmental interests are represented in this elite institution. Just as names of successors to Lenin, Stalin, and Khrushchev were difficult to foretell, identifying the personalities of the eventual successors to the Brezhnev generation will have to await the unfolding of events. It does seem likely though, as in previous succession crises, that economic issues will be intertwined within the political succession debate.

In this new "industrialization debate," if it does occur, what the new generation of leaders may see and wish to act on is a widening gap between perceived economic needs and potential and actual

(22) National Foreign Assessment Center, *Simulations of Soviet Growth Options to 1985*, Washington, D.C., ER 79-10131, March 1979, p. 22.

performance. The emerging new post-Brezhnev generation may be able to overcome the institutional stagnation and traditionalism of the Brezhnev generation which is still rooted in the Stalinist system. This kind of fundamental change in the objectives, priorities, institutions, and cadre of the Soviet leadership may not prove possible. However, recent economic developments in Hungary, Poland, and the People's Republic of China illustrate the possibility of major change without abandoning the system. Closing the economic performance gap through basic changes in traditional economic priorities and institutions may be a central issue in a post-Brezhnev policy debate.

IV. Global Implications and Influences of Soviet Economic Policy Options

Domestic political factors are likely to dominate the economic policies of the Soviet leadership in the 1980s. Foreign policy relates in bipolar Great Power interaction. European, Asian and global affairs may influence or be influenced by the Soviet economic policy options followed.

1. Soviet Global Outreach

1. New international political environment: multipolarity, post-colonization, modernization and interdependence.

or

2. Revived political-ideological competition for dominance through political-military means.

A review of Soviet global policy in the context of a domestic modernization priority might place the U.S.S.R. more in line with policies of the industrial nations of the North and foster more East-West industrial economic cooperation.

The New International Economic Order might have a mechanisms for adjudicating North-South disputes and differences in which East-West policies were joined.

A revival of a Soviet control system might shift Soviet foreign policy back to a two world, anti-colonial ideological policy designed to control sources of material supplies to the West, destabilize, and benefit from disruptions in the evolving process of change.

2. European Interactions

1. Increased economic interrelations, "humanization" of borders and social interchange, moderation of military confrontation.

or

2. Return to greater control and orthodoxy in East Europe, insulating regions from interchange with West, heightening tensions and potential political-military confrontation.

With improved Soviet-American normalization European-Soviet commercial relations and cooperative activity will likely rise to reach a new higher trend line. Even if European relations improve in spite of deteriorating Soviet-American relations the relations in energy, e.g., German pipe for Soviet gas, automobile and other areas is likely to continue, albeit more modestly.

A newly isolationist, militarily threatening Soviet Union would, however, revive defense sentiment in Europe and NATO.

3. Asian Relations

1. Greater cooperative involvement in Siberian development, increased interchange with developed and new industrial economies (NIE) and developing economies of Japan, Korea and Taiwan, reduction of tensions and military buildup.

or

2. Enhanced efforts to become preeminent political-military power in Pacific region, isolate PRC by developing encircling alliances or Soviet containment, sharpened division between communist and noncommunist countries.

Normalization in Asia would have a significant effect on Soviet North Asian commercial relations. The Far Eastern development, even some of East Siberian development, is helpful to expand to the Pacific community. Increased emphasis on this area would benefit greatly by enhanced Soviet economic cooperation with Japan, Korea, Canada and the rest of the Pacific community.

Russification, revival of authority, retrenchment would have more serious implications to Asia than most areas. A revival of Great Russia nationalism, withdrawal from the world economy, enhance-

ment of the control mechanism of the Stalinist era would not stimulate Asian interdependence. Soviet military advances in Kamchatka, the Kuriles, and throughout the Maritime Provinces might well continue and further retard normalization and Soviet Siberian modernization.

4. American Relations

1. Revival of arms control measures, normalization of economic, and other relations, lessening of tensions.

or

2. Increased emphasis on military buildup and use of political-military power, with increased competition on all fronts and heightened tensions.

Progress in arms negotiations and normalization of commercial relations are likely to affect Soviet economic performance. If modernization policy emphasizes interdependence increased trade turnover, industrial cooperation and technology transfer may positively benefit economic performance. Agricultural energy, and automobile technology may be of singular importance. A wide range of industrial and material sectors may also be affected. With a trade agreement, normalized trade, and expanded relations in binational and multinational relations the selective interdependence would be marginally beneficial. Over the decade of continuous relations cooperation in such areas as agriculture and energy would be cumulatively beneficial to Soviet economic performance.

The economic impact of denial of Western industrial technology may lead to extensive application critical shortages in computer, energy, automobile or other industrial technology. However the impact of denial is likely to decrease over time as alternative sources of technology increase and the United States has diminishing unilateral control of advanced technology. Thus the range of impact of Soviet-American relation on Soviet economic policy is likely to be relatively small compared to domestic options. Agricultural supplies are likely to be available even if relatively limited; whereas agricultural technology transfer is likely to be minimal, in any event.