



Defense Research Comment

Gorbachev: Soviet Economic Modernization and the Military

This unclassified paper was presented to the Subcommittee on National Security Economics of the Joint Economic Committee of the US Congress on 14 September 1987 by the Defense Intelligence Agency. The paper will be part of the public record on hearings held to look at the changes taking place in the Soviet economy, particularly in light of the June 1987 plenum, during which profound changes to the Soviet Union's economic system were approved and others proposed. The impact of these changes on the military is of significant concern.

While the June plenum sets the stage for economic and technological change, all evidence points to continuity in the Soviet Union's military policy. At the same time, changes are taking place in the military, as throughout the economy, aimed at increasing effectiveness, reducing waste, and improving performance. Should General Secretary Mikhail Gorbachev be successful in bringing about needed improvements, the United States may well face an economically and militarily stronger Soviet Union in the 21st century.

The Military and the Economy

There is a fundamental Marxist/Leninist dictum that has taken on renewed meaning under Gorbachev, which says that military strength depends on the strength of the economy. When Gorbachev came to power, he was obviously intent on revitalizing the economy and more importantly on bringing the Soviet Union to the forefront of technological development. He recognized that only in so doing will the Soviet system be able to keep abreast of Western military technology and maintain its power and prestige. Thus, the major challenge of the Communist Party is to revitalize the faltering economy to assure future expansion of its military capabilities. The party may well consider the June 1987 plenum a pivotal point in Soviet economic history, at which the stage was set for changes to bring about the successful transfor-

mation of the Soviet Union into a 21st century economic power.

Even as the June plenum appears to be the harbinger of change, Gorbachev also represents continuity in the most fundamental elements of the Soviet Union. The Soviet political and economic systems continue to foster the growth of military power.

The pre-Gorbachev Soviet Union

Gorbachev has raised the consciousness of the Soviet people and the world to the nation's economic problems. But these problems are not new. They go back at least to the early days of Leonid Brezhnev, when there was a realization that the long-neglected industrial base had to be modernized if future military security were to be assured.

The military industrial sector, long recognized as the most effective sector in the economy, has been repeatedly called on since the early 1980s to assist the civil sector, primarily by increasing its output of consumer goods. These calls have largely been ignored; however, there were transfers of key military industrial managers to civil industry and government positions.

Despite economic problems, as reflected in the Soviet Union's lowest growth rates since World War II, weapons production in the 1980s continued at extremely high levels, highlighted by introduction of the nation's most sophisticated and capable weaponry. Military research and development showed no signs of slackening.

In the armed forces, overall trends continued. Even though the annual production rates for some weaponry slowed, the forces were generally able to continue both modernizing their weaponry and expanding their weapons inventories. Concomitant with some selective expansions in force structures, key Soviet war-fighting programs, such as command and control and deep underground facilities programs for war survivability and sustainability, continued to expand.

Under Gorbachev

"...it is now that we are at a crossroad. The way the situation develops further will depend literally on what decisions are made in the next 2 or 3 years. Because defense is a load on the economy, apart from all else because it diverts enormous resources that could be redirected, and it is well known where, we have plenty of problems...."

(Mikhail S. Gorbachev, February 1987)

Gorbachev clearly realized the need for profound and dramatic change if the trends in economic performance were to be fundamentally altered. Since coming to power, he has been developing a long-term program for modernizing the technological base of industry and restoring more rapid rates of economic growth. There

was also recognition that the past pace of military expansion clearly detracted from the long-run economic potential of both the civil and military sectors.

The program calls for priorities to key hi-tech sectors of industry (computers, electronics, machine tools, etc.), which are essential to spur economic growth and in the long term will directly benefit the military. In fact, these hi-tech sectors are the same ones the military has urged be given the highest economic priority. Gorbachev's plans call for dramatic changes in the way the economy will operate — much more autonomy for enterprises, fewer day-to-day responsibilities for the central administrative bodies, and ultimately a largely demand-driven economy. The program also reflects a new cadres policy, which puts a premium on managers' ability to perform, rather than simply using party loyalty as a prime criterion.

It is essential to keep in mind that this is a long-term effort — at least 10-15 years, if not a generation — that will require innumerable short-term adjustments, many of which would initially be disruptive and confusing. So one cannot look at short-run results as indicators of the long run.

Gorbachev's modernization program will continue to have some impact on the military industrial sector. Military industry continues to be entreated to do more for the civil economy; in particular, improving the quality of civilian output, operating more efficiently, with less waste of energy and materials, and thereby producing more without increasing the amount of inputs. There have been isolated instances of more cooperation with civil industry, but there is no evidence of military plants or production lines being converted to civil use. Some managers continue to be transferred to the civil sector. In addition, a number of personnel changes have occurred since Gorbachev took over. These include the Central Committee secretary for military industry; and the head of the Military Industrial Commission (VPK). Also, half of the ministers in the all-important machinery-producing ministries have been re-

placed. These changes mirror those throughout the entire Soviet system.

Not surprisingly, there has been substantially less impact on the military, as overall military policy remains unchanged. There is continued party supremacy over the military. The military, as in the past, is the implementer, not the maker, of military policy. The military continues to get what it needs.

Military programs in the last few years have also seen a continuation of past trends, with force structures selectively expanding and equipment levels in some units increasing. Overall, military capabilities are increasing, sustainability is improving, and military research and development programs are continuing at the same growth rates and with roughly the same numbers of programs as in earlier decades.

There have been some changes, which are consistent with what is occurring throughout the Soviet Union. Greater emphasis is being put on accountability, conservation of resources, and improving effectiveness, particularly in combat readiness and training. Many in the military probably did not consider *perestroika* in the armed forces seriously. But the Cessna/Red Square incident was a timely opportunity for Gorbachev, who used it to advantage. By replacing the Defense Minister with a strong supporter of *perestroika*, Gorbachev gave a very clear signal to the military that restructuring is indeed to be taken seriously.

A number of other significant changes in military personnel have occurred. Including the new Defense Minister, 9 members of the 16-member high command are new.

The Future

Gorbachev's view of the future places the military as uppermost in the long run.

"...we would welcome any opportunity to switch resources and forces from defense into civilian sectors, into increasing people's pros-

perity. But we will never sacrifice security interests...."

(Mikhail S. Gorbachev, September 1986)

"...you can rest assured when it comes to defense. That is point number one, and point number two as well."

(Mikhail S. Gorbachev, February 1987)

The constancy of the Soviet Union's national security objectives strongly suggests that Gorbachev will take all necessary steps to assure the nation's military capabilities. The ambitious goals of the modernization program, however, may cause competition in the near term for selected scarce resources, such as computers, advanced electronics, and top scientific talent. This could be intense, inasmuch as these are the resources needed both for economic growth and for development of advanced weaponry.

Arms control agreements could give Gorbachev some breathing room without sacrificing relative military capabilities, so he could funnel more resources to the civil economy and perhaps ease the need to expand the military budget at a higher rate. He could choose to stretch out some procurement programs or reduce lower priority military programs or activities. *Perestroika* as applied to the military may involve changes in some practices which would serve to reduce outlays, such as possible alternatives in force structure or changes in training or manning levels and increased pressures to conserve resources.

All these changes would not impact negatively in the short run on military capabilities, readiness, and sustainability. In fact, if *perestroika* were at all successful in its stated goals of increasing combat readiness, improving training and strengthening of discipline and order, the result could be a more effective military. If Gorbachev is successful in boosting economic growth rates, the military's share of the resource pie is likely to remain at present levels — around 15 to 17 percent of GNP. However, if the disruptive nature of the economic

adjustments prevents growth from accelerating, the military's share could increase. In any case, the military is not likely to suffer any diminution in capabilities.

Despite the reservations many of the military elite reportedly have about some of Gorbachev's plans, the military, under the new leadership of Defense Minister Dmitriy Yazov, will continue to support the modernization drive. The military realizes that the technologically sophisticated requirements for future generations of weapon systems can only be provided reliably by a strong economy with a modern industrial base.

Conclusion

DIA does not believe that Mikhail Gorbachev has launched his modernization program

and is proposing radical change in the Soviet Union's economic system for altruistic reasons. His program is aimed at assuring the long-term security of the nation. And that goal will be pursued vigorously, although with some difficulty, should the modernization program not succeed. Should Gorbachev's program be successful, the United States will be facing a substantially stronger Soviet Union, economically, politically, and militarily, in the 21st century.

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