

## Economic Constraints and the Turn towards Superpower Cooperation in the 1980s

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By the 1960s, the long years of the Cold War had shaped stable policy mindsets in the decision-making elites in both superpowers and lodged them deeply within their national security institutions and practices. Although there were notable shifts in the patterns of superpower relationships over 20 years of what might be called the 'mature' Cold War, what struck observers at the time, and still stands out in hindsight, is stability. By the 1980s, it had become clear that in the absence of major change in these deeply embedded foreign-policy mindsets – what many international relations scholars have come to call foreign-policy 'identities' – superpower cooperation could not develop beyond very strict limits. When superpower cooperation of a new and profoundly deep type finally emerged in the late 1980s, the tumultuous politics of identity change – at least, on the Soviet side – were at centre stage.

The end of the Cold War thus added a major impulse to the turn towards the study of ideas and identity in international relations.<sup>1</sup> The experience appeared to ratify the central proposition of constructivist scholarship that states' interests are powerfully shaped by their identities.<sup>2</sup> But the new wave of scholarship left unanswered two fundamental questions: Why do these deeply embedded ideas and policy practices (for convenience, let us adopt the convention and call them 'identities') change? And what role, if any, do material incentives play in prompting them to change and shaping their evolution?

In this chapter, we address these questions, using the Soviet turn towards superpower cooperation after 1985 as a case study of identity change. We argue that there are many reasons to expect that changing economic incentives can contribute to identity change, and that they clearly played a central role in the Soviet case. Elsewhere, we have established that changing economic incentives were of central importance in prompting the Soviet Union to alter course in international relations.<sup>3</sup> Indeed, few

scholars appear to question that basic proposition any longer.<sup>4</sup> However, many scholars hold that while economic incentives may have contributed strongly to the initiation of new Soviet approaches, only other factors such as new thinking or entrepreneurial leadership can explain the profound depth and extensiveness of the subsequent impulse toward cooperation.<sup>5</sup>

We show that this last argument is untenable. If a certain magnitude of economic pressures prompted Moscow to shift its approach, then there are strong reasons to expect an even larger amount of economic distress to generate movement towards a proportionately greater reduction in Soviet foreign-policy claims on the international system. This, it turns out, is precisely what happened during the turn to superpower cooperation, which only reached fruition when the Soviet Union was literally on its last legs, economically.

The chapter proceeds in four parts. First, we explain why scholars of international relations have been slow to explore the potential connections between economic incentives and identity change. In that section we set forth our simple model of identity change based on the standard economic mode of explanation: people change behaviour in response to relative costs and benefits measured in economic terms. Second, we briefly review the nature of the economic constraints facing the Soviet Union during the 1980s. Third, we show how changes in the Soviet approach to the outside world – associated policies, practices and beliefs that are all captured under the rubric of identity – progressed in tandem with these mounting economic constraints. We then show how each major policy departure was intimately related to rapidly escalating economic costs. The third section addresses the Soviet leaders' decision not to use force to retain their direct control over their Warsaw Pact allies in Eastern Europe. Finally, the fourth section addresses Moscow's anguishing decision to accept US and West German terms for a final ending of the Cold War in Europe.

### *Economic Incentives and Identity Change*

Given the premise of this chapter, two prior questions arise. First, why scholars of international relations have not already addressed the connection between economic change and identity change? Second, why should we expect to them be related at all?

#### *Why IR scholars have not explored the connection*

Broadly speaking, social explanations come in two forms originally identified by Max Weber: the economic and the social.<sup>6</sup> At least within international relations (IR) scholarship in the United States, three intellectual

biases prevent scholars from integrating these two perspectives and addressing the connections between economic constraints and identity change.

First, IR scholars who focus largely on economic incentives generally ignore questions of identity because they have taken their cue from economics, which, they believe, made immense progress precisely by excluding complex questions of preferences and tastes from their models.<sup>7</sup> Following their economist brethren, IR scholars who focus on economic incentives prefer to build their models by holding preferences constant and altering incentives. The net result is that examining how changing economic incentives affect identity formation simply does not present itself as a problem that is worthwhile for these scholars to explore. While a significant number of rational-choice theorists have recently turned their attention to the question of preference formation, relatively few have shown any interest in examining identity issues.<sup>8</sup>

Second, scholars interested in ideas and identity routinely use Kenneth Waltz's neo-realist framework as the foil for their analyses, because neo-realism is typically seen as providing the definitive theoretical word on material incentives in the international environment.<sup>9</sup> But neo-realism encourages a restrictive focus on the balance of capabilities to the exclusion of a broader analysis of economic incentives.<sup>10</sup> In addition, the standard neo-realist conception of state preferences, in which security trumps all other priorities, including economic capacity, leads scholars away from the causal mechanisms we address here.<sup>11</sup> Indeed, in situations such as that faced by the Soviet Union in the 1980s, it may make little sense to draw distinctions between economic capacity and security as state objectives, because, as we show, Moscow's changing material fortunes undermined both goals simultaneously.<sup>12</sup>

Third, constructivist scholars generally adopt a dismissive stance towards what they consider material factors, such as economic incentives. The burden of most constructivist arguments is to downplay the significance of material incentives and to highlight the role of ideas.<sup>13</sup> Perhaps the most prominent statement to this effect is Alex Wendt's claim that 'social life is "ideas all the way down"'.<sup>14</sup> When pressed, only 'radical' constructivists would likely defend an unconditional 'ideas all the way down' stance and all that such a theoretical position implies, empirically and theoretically.<sup>15</sup> Emblematic of this fact is that Wendt, in his later writings, has explicitly backed away from this position.<sup>16</sup> But even mainstream constructivism – or what Hopf calls 'conventional' constructivism – reflects an underlying assumption that ideas operate in the foreground of international relations and material forces in the background.<sup>17</sup>

Constructivist investigations of identity transformations clearly reflect this underlying theoretical stance. The explanatory goal in these studies is, typically, to show that change in identity can be understood without

having to rely upon material incentives. Hence, while few constructivists would align themselves with an 'ideas all the way down' position and many would grant that identity changes do not occur in a material vacuum, in practice, their analyses of identity transformations often appear to adopt just such a position. The essential problem is that two of constructivism's central criticisms of mainstream IR – concerning both its failure to recognize the significance of identity and its focus on material factors – overlap in a particular manner that encourages constructivists to marginalize the role that changing economic incentives may play in transformations of identity.

IR scholars of all theoretical stripes thus face strong incentives to ignore or reject out of hand the possibility that changing economic incentives may significantly affect identity transformations. This bias almost certainly exacts a punishing toll, for there are a number of reasons why economic change and identity change may be related. As we show below, this is a hypothesis that needs to be considered.

#### *Economic incentives and identity change*

Scholars use the term 'identity' to describe a complex package of ideas, mindsets and policy practices that is deeply embedded in the political fabric of a state. Together, these ideas and practices affect how elites think about their country, its interests and how it relates to the rest of the world.<sup>18</sup> Because they help shape interests and expectations, identities tend to be sticky, that is, resistant to change.<sup>19</sup> What then pushes aside path dependency to foster a new identity? One simple causal mechanism that needs to be considered is rising economic costs. That is, states may be prompted to change their approach to foreign policy when they conclude that the existing approach has become or is about to become unsustainably costly. There are many other potential causes, of course, but there are strong logical grounds for expecting that mounting economic constraints will at least sometimes contribute to identity change.<sup>20</sup>

First, in the absence of rising economic costs, actors may never question their state's identity in the first place. A state's identity makes sense of itself and its place in and relation to a complex world. So long as things are stable or going well, why change? But if maintaining the current identity suddenly leads to increased economic costs, actors are more likely to question it.

Second, absent a substantial increase in the economic costs of sustaining the old approach to foreign policy, and actors within a state who are prone to question the state's identity will be much less likely to assume political power. If everything is going well or is stable, then why select leaders who might subvert the tried-and-true identity? But if that identity is leading to increased material difficulties, pressure for change will likely

mount. In these circumstances, those who are willing to alter or adjust the hallowed precepts of the existing identity and its associated practices are more likely to assume power.

Third, absent escalating economic costs, it will be difficult for those who favour redefining the polity's understanding of itself and its place in the world to convince sceptics to go along. All the standard arguments in political science about why dramatic changes in state practices are often difficult apply with particular force to changes that portend threats to the accepted identity. In order to initiate a change of current practice, the would-be identity entrepreneur must be sufficiently powerful or convincing to overcome all potential 'veto points'.<sup>21</sup> If everything is going well or is stable, it will be harder for the identity entrepreneur to convince those who are resistant to change that new practices and understandings are necessary. In turn, those against a change in the status quo will be in a stronger political position because they will be more able to present a convincing justification for why no change should be undertaken. The converse will be true as well if the current identity is leading to reduced material advantages or a reduced ability to maintain the status quo; in these circumstances, those who are resistant to change will be in a much less tenable political position and will be easier to convince.

In short, there are strong logical reasons to expect that, absent a significant change that leads to reduced material advantages or increased material difficulty in maintaining the status quo: (1) few actors within a system may question the state's current identity; (2) those actors who do question the current identity will be less likely to assume political power; and (3) those actors who have questioned the identity and who do assume political power will be less able to convince or overcome those who are against changing the status quo.

In the case of the Soviet Union and the turn towards cooperation in the 1980s, this leads to a simple hypothesis: Moscow shifted from the old approach in response to the rising economic costs it imposed; moreover, the magnitude of the shift away from the old approach was a function of the severity of the economic constraints facing the Soviets. The re-emergence of cooperation between the longstanding superpower rivals was a dramatic story, with the twists and turns that one associates with any major event. Both the United States and the Soviet Union had to adopt new policies in order to make the journey out of the Cold War. But underneath the complex diplomacy, the big story was the Soviet Union steadily decreasing the scope of its claims on the international system, in general, and on the United States, in particular. That decrease, we argue, was largely in response to the increased material costs of sustaining those claims.

### *Soviet Decline, Globalization and the Turn Towards Cooperation*

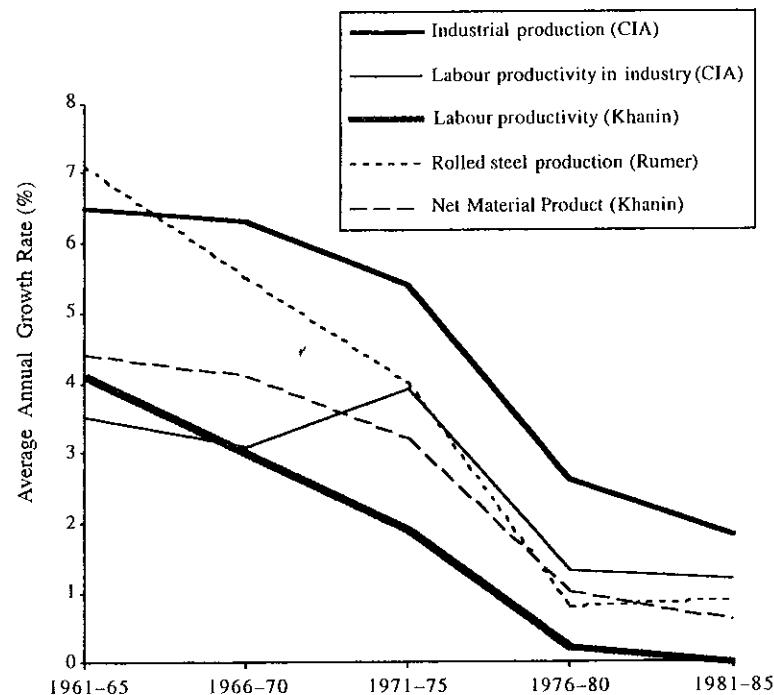
While particular individuals may be eager for major policy change at any given time, large polities are likely to resist such change until they are under pressure. So, how much economic pressure was the Soviet Union's foreign policy under in the 1980s? The conventional wisdom among scholars a decade ago was that Soviet material decline was negligible.<sup>22</sup> A second wave of empirical scholarship in the mid-1990s found that the Soviet material decline had actually been quite significant beginning in the early to mid-1980s.<sup>23</sup> Recent evidence shifts this assessment still further.<sup>24</sup> In particular, it is now clear that decline began earlier, progressed faster, was far more pronounced, and had far greater effects on policy deliberations than scholars assumed. Moreover, it is now apparent that changes in the world economy – especially the globalization of production – dramatically changed the incentives facing Moscow in the 1980s. In the subsections that follow, we review the basic nature of this evidence.

#### *Decline*

The Soviet economy grew at impressive rates in the 1950s, and registered a respectable performance in the 1960s, but in the second half of the 1970s it entered an acute decline from which it never recovered.<sup>25</sup> By the time Mikhail Gorbachev became general secretary of the Communist Party in 1985, the Soviet Union had grown on average at least 1–2 per cent slower per annum than the United States over the preceding decade.<sup>26</sup> And American allies such as Germany and Japan were also growing rapidly, making Moscow's relative decline all the more salient. The entire Soviet economic system was geared toward increasing such industrial-age metrics as steel production, yet, as Figure 4.1 shows, even those indices declined precipitously after 1976. Meanwhile, the country's longstanding qualitative lag increased in exactly this period, with the productivity of research and development (R&D) and technological progress both declining.<sup>27</sup> Compounded over time, an economic growth lag of 1–2 per cent per annum below the United States would have had devastating effects on the Soviets' ability to keep up with their Cold War competitors. Taking the US allies into account as well as the growing technological lag makes the equation appear even worse. With each passing year, it would have become harder for the Soviets to match US capabilities.

The causes of Soviet decline continue to be debated, but there is widespread agreement that an important part of the explanation lies in the large and growing costs of the Soviet Union's international position. As Vladimir Kontorovich sums up, 'The achievement of strategic parity with the west and the macroeconomic stagnation, or decline, in the late 1970s to early 1980s, are strongly related.'<sup>28</sup> Defence claimed a massive propor-

Figure 4.1. The Soviet Decline



Sources: Gertrude E. Schroeder, 'The Slowdown in Soviet Industry, 1976–1982', *Soviet Economy*, Vol. 1, No. 1 (January–March 1985), pp. 42–74; Boris Z. Rumer, *Soviet Steel: The Challenge of Modernization in the USSR* (Ithaca, NY: Cornell University Press, 1989) and G. I. Khanin, 'Ekonomicheskii rost: Alternativnaia Otsenka' [Economic Growth: An Alternative Estimate], *Kommunist*, No. 17 (November, 1988), pp. 83–90.

tion of Soviet resources. Despite daunting measurement problems, different sources converge around an estimate of roughly 40 per cent of the Soviet state budget and 15–20 per cent of GDP (gross domestic product) in the early 1980s, or at least four times the US level.<sup>29</sup> By any comparative standard, this is a punishingly high peacetime commitment to military power. Not only was the defence burden high, but it was generally rising from the mid-1970s on.<sup>30</sup>

These quantitative measures, dramatic as they are, fail to capture the fact that the Soviet military-industrial complex had a priority claim on scarce qualitative resources, such as high-technology and R&D expertise.<sup>31</sup> Moreover, defence allocations were only part of the story.

Moscow's international position imposed other costs that were also increasing in this period. The CIA estimated that the costs of the Soviet Union's 'global position' more than doubled between 1970 and 1982.<sup>32</sup> At the beginning of the 1980s, the Central Committee estimated Soviet spending on foreign aid alone at 2 per cent of GDP.<sup>33</sup> In addition, as we shall discuss in more detail below, the costs of Moscow's East European dependencies began to escalate in the late 1970s and early 1980s.

Two critical conclusions emerge from this discussion. First, the Soviet Union was in a state of severe relative decline beginning in the second half of the 1970s. Second, declining Soviet economic performance was to a significant degree a reflection of the international environment. The Soviet Union's position as one pole in a bipolar system, and as a formal challenger to the US-dominated international status quo, imposed massive and growing burdens on a Soviet economy that was in desperate need of renewed growth. Moreover, by the late 1970s, it was becoming increasingly evident to Soviet analysts that the world's most advanced economies – all of which were arrayed against the Soviet Union – were undergoing an important transformation involving the rapid development of high technology. The Soviets dubbed this the 'scientific and technological revolution', and there was little doubt that it was leaving them behind. This brings us to a second critical economic shift that influenced the course of the Cold War competition.

#### *The changing structure of global production*

As inefficiencies mounted in the Soviet economy during the 1970s, the global economy was concomitantly undergoing important transformations that served greatly to accelerate the opportunity cost of the Soviets' international economic isolation. Underlying these transformations were two inter-related technological shifts that accelerated in the late 1970s and early 1980s: the massively increased cost, risk, complexity and importance of technological development; and dramatic improvements in transportation and communications technology. The escalating cost and importance of technological development created strong incentives for crucial shifts in the structure of global production, which, in turn, were facilitated by cheaper and better transport and communications. Four shifts in the structure of global production were especially relevant to the superpower rivalry during the Cold War's last years: (1) the upswing in the number and importance of inter-firm alliances; (2) the growing opportunity cost of being isolated from foreign direct investment (FDI); (3) the increase in international outsourcing; and (4) the enhanced efforts by many global firms to break up the value-added chain and locate different parts of the production process in countries that offer the greatest locational advantages.<sup>34</sup>

The Soviet Union and its allies were almost completely isolated from these global production changes, which achieved their greatest salience among the Soviets' international competitors – the United States and its allies. Thus, 'globalization' was not in fact global: it took sides in the Cold War. While US and Western multinational corporations (MNCs) could exploit a greatly expanding web of international inter-firm alliances during the 1980s to increase their opportunities for technological innovation and reduce the risks and difficulty associated with R&D, the Soviets were completely excluded from this trend.<sup>35</sup> While rapidly increasing FDI inflows allowed the United States to gain access to the latest technologies and production methods from throughout the world, the Soviets were largely dependent on autonomous improvements in technology and production methods.<sup>36</sup> Instead of being able to disperse production throughout the world to reap various efficiencies, as firms from the United States and its main allies – Japan, West Germany, France and Britain – were able to do, Soviet enterprises were forced to generate almost all of their key components and production within the Eastern bloc.<sup>37</sup>

While relative Soviet autarky was a staple feature of the Cold War that had long entailed significant economic handicaps for Moscow, these handicaps greatly increased in relative importance as the cost, complexity and difficulty of technological development spiralled upwards in the late 1970s and 1980s, and as the globalization of production concomitantly accelerated.<sup>38</sup> Isolation from the globalization of production increased the difficulty of keeping up with the West in terms of general economic and technological productivity, likely the key concern of many new thinkers. Moreover, Soviet isolation from these global production changes simultaneously made it much more difficult to remain technologically competitive in the arms race – of foremost importance to more traditionally minded old thinkers. Inter-firm alliances in the 1980s were concentrated in those sectors with rapidly changing technologies and high entry costs, such as microelectronics, computers, aerospace, telecommunications, transportation, new materials, biotechnology and chemicals.<sup>39</sup> At the same time, production appears to have been most geographically dispersed in those sectors of manufacturing with high levels of R&D costs and significant economies of scale, such as machinery, computers, electronic components and transportation.<sup>40</sup> These sectors read like a 'who's who' of dual-use industries. In short, the very sectors that were becoming most internationalized in the 1980s were those that provide much of the foundation for military power in the modern era. For this reason, Soviet isolation from ongoing global production changes became a significant handicap relative to the West in the 1980s in the military realm.<sup>41</sup>

In sum, relative decline and Soviet isolation from ongoing global production changes created strong incentives for the country to retrench internationally; that is, to halt and, eventually, reverse the growth in the costs

of Moscow's global position. A Soviet leader could have resisted changes for a period of time, the length of which one can argue over counterfactually. An explanation rooted in changing economic incentives simply posits that the agents concerned responded to expectations of economic trends. Here, the most important question is: What were the alternatives to retrenchment? By 1985–87, there was no evidence that just clinging to the status quo and hoping trends would miraculously reverse themselves would be a sustainable policy over the long run. A renewed assault on the West would only increase the economic burden Moscow already faced. Given the United States' economic and military ascendancy, higher tensions would only reinforce its dominance over its own alliance and hence its ultimate superiority over Moscow. Preventive war was out of the question, given overall US material superiority, nuclear deterrence and the declining economic value of territory.

That left some policy of scaling back the costs of the Soviet Union's international position. But it is important to stress that economic pressures built over time. The effects were subtle at first – increased strains on the always shortage-prone Soviet policy-making environment. Over time, decline accelerated, economic pressures mounted and ever tougher trade-offs confronted Moscow. In these conditions, the model we set forth above would suggest that the turn toward cooperation, and the agonizing assault on the hallowed precepts of the old Soviet identity, would intensify over time. The evidence concerning perceptions of economic constraints and their connection to new ideas and policies is indeed strongly consistent with this basic model: the magnitude of the shift away from the old approach was a function of the severity of the economic constraints facing the Soviets. The sections that follow review this evidence in three key turning points in Soviet policy, beginning with the relatively easy initial policy departures in 1985–87, and ending with the anguishing decisions that marked the Cold War's end on largely Western terms in 1990.

### *Phase I: Economic Constraints and Initial Policy Departures*

Soviet policy-makers at the highest levels began to agonize over relative decline in the early 1980s, just as the systemic decline of the Soviet Union became undeniable.<sup>42</sup> Internal assessments of Soviet economic decline either matched or were more pessimistic than the data presented in Figure 4.1.<sup>43</sup> Naturally, there was a two to three-year lag between recognition of the systemic trend and the new policy response. Of course, the old Cold warhorses who then occupied the Kremlin preferred to avoid any change in the basic ideological precepts that lay at the root of the old identity. However, even in this period (roughly 1981–85), evidence reveals leadership efforts to constrain foreign-policy costs and close the widening gap

between capabilities and commitments. In particular, Brezhnev, Andropov and Chernenko all struggled to stem the growth in defence spending in the early 1980s, despite the hard line coming from Washington and heavy pressure from the military.<sup>44</sup>

The evidence shows how decline and resource constraints helped propel new policy departures. Memoirs and other recollections – by new and old thinkers alike – consistently document that the mounting evidence of Soviet relative decline and technological inferiority played a role in the evolution of individuals' policy perspectives.<sup>45</sup> The momentum behind new policy directions was intimately related to cascading information on the Soviet Union's material failings compared with the United States and its chief allies. At each wrenching step in the process of discarding old policy approaches and adopting new ones, resource constraints were of central importance.<sup>46</sup>

It is clear, moreover, that both new and old thinkers strongly resisted a complete abandonment of traditional Soviet ideas and policy practices. Precisely as constructivist theory (as well as most other social science theories from cognitive psychology to the new institutional economics) would expect, polities resist massive change. Gorbachev's initial response did not threaten system fundamentals. He adopted a policy of 'acceleration' (*uskorenie*) of the Soviet economy via discipline, new personnel in key managerial roles, an anti-vodka campaign and massively increased investment in the machine-tool sector of the economy (roughly 70 per cent of which was devoted to military production). In security policy, Gorbachev began by reversing the Brezhnev–Andropov–Chernenko effort to cap military spending and programmed into the 1986–90 five-year plan an increase in military outlays; he approved an effort to end the Afghan War by military escalation; and he agreed to increase arms transfers to Third World clients to magnify Moscow's bargaining leverage in talks on regional issues.<sup>47</sup>

A similar story of resistance (both intellectual and political) and pressured change applied to Moscow's relation to the world economy. As our analysis of globalization would suggest, Soviet analysts and, later, policy-makers concluded that it was necessary to 'participate more fully in the international division of labor' (in non-socialist parlance, to increase Soviet access to global firms and the international economy) in order to prevent a severe erosion of the Soviet Union's technological capacity and relative position.<sup>48</sup> During the 1980s, this became a prominent argument advanced by scholarly experts.<sup>49</sup> In particular, they maintained that the oil boom of the 1970s had shown that 'passive' technology transfers (that is, simply purchasing technology from foreign suppliers) was insufficient; it was also necessary to be engaged in 'active' technology transfers (that is, interacting directly with global firms) in order to acquire the full benefits of the latest foreign technologies and to acquire management skills.<sup>50</sup>

However, powerful ideological, political and bureaucratic constraints confronted any policy-maker who ventured to act on this assessment. Thus, upon entering office Gorbachev stressed that the Soviets could redress the technological gap with the West without relying upon technology transfers from abroad, but rather through 'transfusions' of ideas and innovations from within the USSR and the Soviet bloc.<sup>51</sup> In particular, Gorbachev pinned his hopes on what he called 'dismantling our internal CoCoM'; that is, trying to get the commercial sector to learn from and duplicate the supposed efficiency of the military sector.<sup>52</sup> At the same time, the Gorbachev team placed greater emphasis on trying, as Prime Minister Nikolai Ryzkhov stated in 1986, to get the CMEA (Council for Mutual Economic Assistance) to 'move away from largely trading links toward interaction in production, toward a high degree of specialization and coproduction'.<sup>53</sup>

By 1987, however, it became apparent to Gorbachev that an attempt to apply the productivity 'secret' of the military sector to the commercial sector was doomed to failure. As Gaddy points out, this was because 'The "secret" was that the military sector cannibalized the economy ... To ask the military industry to apply its methods to serve civilian industry was not simply politically impossible but also illogical.'<sup>54</sup> At the same time, it was also becoming clear that efforts to duplicate the increasing international production linkages that were occurring in the West by expanding specialization and production linkages within CMEA were bearing little fruit.<sup>55</sup> Increased specialization within CMEA was fine in principle, but it was evident that none of the countries in the Eastern bloc had the capacity to match the West technologically using indigenous sources. This is most apparent by examining East Germany, which had long been the most economically competitive member of the Eastern bloc.<sup>56</sup> Even in East Germany, major reforms and policy initiatives in the 1980s intended to match the productivity and technological capacity of the West in areas such as computers and consumer electronics were utterly disastrous. For example, extensive efforts in East Germany to produce computer chips (at a cost of 12–14 billion Eastern marks) in the 1980s were completely ineffective. As Charles Maier points out, 'The GDR aspired to produce 500,000 256-kilobyte memories (already out-moded abroad) and had turned out only 90,000 even after importing Western equipment ... [Moreover,] the 256K memory cost GDR consumers 534 marks instead of 4–5 valuta [convertible] marks' that the chips cost on world markets.<sup>57</sup>

Thus, it very soon became clear that if the Soviets were going to obtain advanced technology and enhance economic productivity, this was not going to be accomplished by relying upon sources from within the Soviet bloc. It was in this context that, in 1987, Gorbachev began to discuss publicly the mounting costs of Soviet international economic isolation.<sup>58</sup>

More importantly, Gorbachev's public pronouncements were matched by politically difficult and momentous policy reversals: efforts to participate in the IMF (International Monetary Fund), the World Bank, and GATT (General Agreement on Tariffs and Trade); to achieve greater cooperation with the then EC (European Community); and, most notably, the decision in 1987 to legalize foreign direct investment within the Soviet Union for the first time since the 1920s.<sup>59</sup> To be sure, these initial moves regarding joint ventures were quite modest (foreign participation in joint ventures was limited to 49 per cent) and great efforts were made to camouflage the nature, extent and existence of these reforms.<sup>60</sup> But, as time progressed and as the nature of the Soviet's technological lag became even more apparent, efforts to attract foreign direct investment expanded greatly: while majority Soviet equity in joint ventures had initially been the 'sine qua non of the Soviet leadership', in December 1988 majority foreign ownership (theoretically up to 99 per cent) of joint ventures was permitted in an effort to increase greatly the attractiveness of the Soviet Union as a site for foreign investment.<sup>61</sup> While the Soviet leadership advanced many reasons for pursuing joint ventures, 'the main ones were to acquire technology and management know-how and to develop exports of manufactured goods'.<sup>62</sup> Similarly, Gorbachev's modest early efforts at reforming the foreign trade monopoly gave way to the granting of direct foreign trade rights for virtually all enterprises in late 1988.<sup>63</sup>

Gorbachev's initial policy package failed to turn the economy around (see Table 4.1) and produced only the beginnings of a potential burden-reducing entente with the West. As resource constraints mounted, the foreign-policy strategy became more radical. By 1988, the Soviets had moved from graduated initiatives premised on reciprocity to escalating unilateral concessions. By then, resource constraints were escalating even further, and there was a lack of any obvious quick fixes other than to reduce the external pressure and perhaps exploit the economic benefits of reduced tensions as rapidly as possible.<sup>64</sup> As Shevardnadze's adviser Sergei Tarasenko noted in an interview:

Already after the 19th Party Conference, as we confronted the difficulties inside the country, the realization began to take shape that we would be able to continue on for a little while and perhaps retain the status of a great power only by relying on the United States. We sensed that were we to take two or three steps away from the US, we'd be tossed aside. We had to move as close as possible to the United States ... [This point of view came to the fore in 1988], when the policy of acceleration turned out so badly. The USA had always wanted to cut us down [*dozhat' nas*]. Had we at that time acted in a confrontational way, the Americans would have easily cut us in two.<sup>65</sup>

Table 4.1: Soviet Economic Performance under Gorbachev

	1986	1987	1988	1989	1990	1991
GNP growth (%/yr) <sup>a</sup>	4.1	1.3	2.1	1.5	-12	-13
Internal Debt (as % GDP) <sup>b</sup>	20	22	36	43	55	na
Budget Deficit (as % GDP)	-2.4	-6.2	-8.8	-11	-14	-20
Balance of Payments in Convertible Currencies (\$US bn) <sup>c</sup>	0.637	-2.3	-0.72	-3.7	-11.8 <sup>d</sup>	na

Sources: David Kotz with Fred Weir, *Revolution from Above: The Demise of the Soviet System* (London: Routledge, 1997); International Monetary Fund, The World Bank, Organization for Economic Cooperation and Development, and European Bank for Reconstruction and Development, *A Study of the Soviet Economy* (Paris: OECD, 1991); Sergei Germanovich Sinel'nikov, *Biudzhetniye krizis v rossii, 1985-1995 gody* (Moscow: Evraziia, 1995); Michael Ellman and Vladimir Kontorovich (eds), *The Destruction of the Soviet Economic System: An Insider's Account* (Armonk, NY: M. E. Sharpe, 1998).

Notes: <sup>a</sup> 1986-90 are CIA estimates; 1991 is official Russian data as reported in Sinel'nikov.

<sup>b</sup> 1986-89 are official data; the figure for 1990 is an estimate reported in Ellman and Kontorovich, *The Destruction of the Soviet Economic System*.

<sup>c</sup> On a settlements basis. Payments deficits in non-convertible currency.

<sup>d</sup> First half of 1990 only.

Throughout, change was resisted. After all, the policy changes harmed the direct material interests of large and influential sectors of the Soviet political economy; and they progressively required explicit renunciation of the hallowed precepts of the old Soviet foreign-policy identity. But this resistance was hampered by the fact that the 'old thinkers', who adhered strongly to the old identity, tended to see the same underlying trends as the new-thinking policy entrepreneurs. William Odom finds, 'In interviews and in their memoirs senior former Soviet military officers uniformly cited the burden of military spending as more than the Soviet economy could bear.'<sup>66</sup>

Traditionally minded officials such as KGB chief Vladimir Kryuchkov, chief of Gorbachev's staff Valery Boldin, Defence Minister Marshal Dmitry Yazov, Chief of the General Staff and military adviser Marshall Sergei Akhromeev – all of whom participated in or (in Akhromeev's case) sympathized with the August 1991 anti-Gorbachev putsch – agreed that the Soviet economy could not bear the Cold War status quo and that the technological gap was large and widening.<sup>67</sup> Despite deep disagreements with Gorbachev, Akhromeev, insisted that 'All who knew the real situation in our state and economy in the mid-1980s, understood that Soviet foreign policy had to be changed. The Soviet Union could no longer continue a policy of military confrontation with the United States and NATO after 1985. The economic possibilities for such a policy had been exhausted.'<sup>68</sup> When asked in an interview whether the Soviet Union had to get out of the Cold War, Yazov responded: 'Absolutely ... We simply lacked the

power to oppose the USA, England, Germany, France, Italy – all the flourishing states that were united in the NATO bloc. We had to seek a dénouement ... We had to find an alternative to the arms race ... We had to continually negotiate, and reduce, reduce, reduce – especially the most expensive weaponry.'<sup>69</sup> Not only did he express these views in hindsight, he used the very same arguments while implementing retrenchment policies as defence minister.<sup>70</sup>

Given their recognition of these underlying trends, old thinkers faced great difficulty in making the case for a plausible alternative to retrenchment. Indeed, despite a sustained and intensive research effort, scholars have yet to uncover contemporary evidence of a strategic alternative.<sup>71</sup> Clearly, many traditionally minded officials were convinced at the time, and remain so in retirement, that they could have implemented a retrenchment strategy better than Gorbachev was able to. But they were not able – in office or in hindsight – to make a coherent case for a general foreign policy alternative.

### Phase II: Giving up the Outer Empire

Rising economic constraints pressed the Soviets to retrench. But what, exactly, was meant by retrenchment? How much would Moscow have to give up? Answers to these questions were often obscured at the time by the temporary euphoria unleashed by Gorbachev's new thinking, which sometimes made it seem as if Moscow could have more sway in world politics at less economic cost.<sup>72</sup> Eventually, however, the real implications of retrenchment were bound to become clear. A development that forced the Soviets to face the tough trade-offs implicit in their policy in a starkly new manner was the fall of allied communist regimes in central Europe.

The decision not to use force to retain suzerainty over central Europe exemplifies our model of the role of economic costs in explaining how changes in long-standing foreign policy identities can occur. The security benefits of a buffer zone in central Europe had diminished once the Soviets had acquired an assured 'second-strike' nuclear capability in the 1960s. But the Soviets had little need to question their Cold War foreign-policy commitment to central Europe as long as there was no reason to think that maintaining these commitments was unbearably costly. Undertaking a decision to abandon the East European dependencies would obviously have been a major policy departure, running up against all the political, institutional and intellectual impediments to major change with which scholars are so familiar.

The economic opportunity cost of maintaining the Soviet empire, however, began to escalate rapidly beginning in roughly the mid-1970s. The best-researched account of Soviet-Warsaw Pact economic relations

concludes that, during the 1980s, 'Soviet subsidies to the region were becoming an intolerable burden ... What had been a serious problem in the early 1970s had grown into a crisis of threatening proportions by the mid-1980s.'<sup>73</sup> This imperial crisis stemmed from a variety of factors. Following the rise of the trade union Solidarity in Poland and the imposition of martial law in 1981, the Soviets bankrolled a huge outflow of subsidized loans in the early 1980s to Poland, East Germany and Bulgaria and, at the same time, sought to 'ease Eastern Europe's financial situation by accepting increased imports'.<sup>74</sup> However, the goods that the allies shipped to the Soviets were falling further and further behind world standards; most were of much lower quality than the Soviets could have obtained on the open world market in exchange for the energy and raw materials they sent to Eastern Europe.<sup>75</sup>

At the same time, the Soviets' marginal cost of extracting the energy and raw materials they supplied to Eastern Europe in exchange for these goods was progressively increasing, because most of the easily exploitable sources in the Soviet Union had already been exhausted.<sup>76</sup> By 1983, as noted, Siberian oil production began to decline, and the perennial Soviet problem of 'shortage amidst plenty' suddenly worsened.<sup>77</sup> Finally, the East European allies' need for Soviet help increased as time progressed, because they suffered a marked slowdown in both technological competitiveness and economic growth – declining from an average real GDP growth rate of 3.23 per cent in 1971–80, to 0.9 per cent during 1981–85, and eventually reaching an average growth rate of –1.16 per cent in 1989.<sup>78</sup>

For these and other reasons, by the mid-1980s the Soviets felt 'increasingly exploited by the East Europeans', and there was growing Soviet 'exasperation at what they considered the self-seeking behavior of their East European liabilities'.<sup>79</sup> This led Soviet leaders to take the uncomfortable step of publicly castigating their allies in the CMEA. The most notable public expression of this growing frustration was at the 1984 CMEA summit, where General Secretary Konstantin Chernenko issued a stern warning to the East European countries to start living up to their economic 'responsibilities',<sup>80</sup> and the summit's final document bluntly directed them to start 'supplying the USSR with the products it needs'.<sup>81</sup> Similarly, at a 1986 summit of CMEA party leaders in Moscow, 'the Soviet leadership had repeated complaints about the poor quality of East European manufactured exports to the Soviet Union'.<sup>82</sup>

While the economic rationale for cutting back Soviet ties with Eastern Europe was thus becoming stronger and stronger, it would be wrong to say that these changing incentives led mechanistically to a positive Soviet decision to withdraw from Eastern Europe. In fact, available evidence indicates that there was no plan to withdraw from Eastern Europe, whether to reap economic benefits or for any other reason. Some key decision-makers – notably, Shevardnadze and Ligachev – retrospectively claimed 'that the

Politburo renounced the Brezhnev doctrine in 1985'.<sup>83</sup> The evidence, however, does not support the argument that such a proactive decision was actually made. On the contrary, Vladislav Zubok's extensive review of recently released archival documents concludes that, 'All the evidence indicates that Gorbachev and his advisers had no new policy for Eastern Europe ...'.<sup>84</sup>

Rather than a clear, forward-looking strategy, what the Soviets had in these years was a clear sense of their immediate requirements: to reduce the burden of subsidies to the allies; to get them to supply better goods; and to lower the strain of maintaining the forward-defence posture in Eastern Europe. In short, maintaining the foreign-policy status quo in Eastern Europe was becoming very expensive in economic terms, and the Soviets wanted drastically to cut back those costs. As Jacques Lévesque notes, under Gorbachev 'Moscow was much more demanding and stingy in its economic relations with its allies than it had been in the past'.<sup>85</sup>

An obvious way for the Soviets to cut costs was to demand less obedience from their allies. When policy-makers such as Shevardnadze and Ligachev recall 'renouncing the Brezhnev Doctrine' in 1985, what they probably have in mind is the resolve to reduce Moscow's interference in its allies' domestic choices. This self-restraint is understandable when one considers how very expensive it is to induce obedience from balky allies – as the Soviets discovered in the Polish crisis of 1980–81. Reducing costs and interference is very different, of course, from saying that the Soviets had a plan to jettison Eastern Europe. Had the citizens of communist states in Eastern Europe not organized to overthrow the existing regimes, the Soviet leadership – Gorbachev included – would have been quite happy to hold on. In the end, the only thing that had changed was the Soviet willingness to pay high costs in order to prevent this from happening.

While there is no evidence that Moscow made a proactive, advance decision to exit Eastern Europe, there is abundant evidence that Soviet leaders weighed the growing costs of using force in Europe prior to 1989. Following the Polish crisis in 1980–81, the Soviet leadership pondered this very question at length. The evidence that has emerged here indicates that the Soviet leadership ruled out direct intervention in Poland as being beyond Soviet capabilities. According to KGB veteran Nikolai Leonov, Yuri Andropov opined in 1980 that 'The quota for our interventions abroad has been exhausted ... The Soviet Union already lacked the power for such operations'.<sup>86</sup> Available documents on the Polish crisis reveal that the Politburo was deeply reluctant to enforce the Brezhnev Doctrine and was acutely aware of the punishing costs of doing so.<sup>87</sup> In reviewing the classified documents of the Politburo commission on the Polish crisis, Georgy Shakhnazarov notes that there was 'total unanimity ... that the use of our military contingent in Poland should be excluded from our arsenal'.<sup>88</sup>

The key point here is that if the Soviets already felt in 1981 that military intervention in Eastern Europe had become too costly, then the logical expectation is that the willingness to use force in 1989 would be even lower after a further decade of decline, after the Western debt burdens of the allied governments had radically increased, and, most important, when the Soviet economy was in a complete free fall. For by the time the question of continued Soviet suzerainty over central Europe was posed in stark terms, the Soviet economy was in a deep crisis, as Table 4.1 shows.

Indeed, it is clear that once the depth of economic distress was understood, the punishingly high costs of using force were apparent – and not just to Gorbachev and the new thinkers, but to most ‘old thinkers’ in the Soviet Union as well.<sup>89</sup> The use of force in these circumstances would have ended the emerging détente with the West, increased the West’s allocations for defence, closed off all credits to a Soviet economy in desperate need, and shut down all hopes of technology transfers or joint ventures. Moreover, intervention would imply the assumption of direct responsibility for Eastern Europe’s growing foreign debt, whose servicing would have added massive burdens to the Soviet economy; or, of course, a default, which would have further closed Western markets. As Chernyaev recalls, Gorbachev’s resigned response to worries that Poland was moving away from the Soviet alliance owed much to his awareness of these economic constraints: ‘What can we do? Poland has a \$56 billion debt. Can we take Poland on our balance sheet in our current economic situation? No. And if we cannot – then we have no influence.’<sup>90</sup>

To carry the counterfactual further, had Moscow intervened militarily, it would then have had to establish new client regimes whose obvious dependence on the Soviet Union would have implied even higher governance costs for the Soviet budget than the old Soviet empire. The use of force would, in short, have entailed a new Soviet isolation unseen since the 1950s, and it would have required Moscow to extract 1950s-level sacrifices from its own population. But in the 1950s, the Soviet economy was growing at 8 per cent yearly, and Soviet leaders consequently had some confidence in their system’s ability to deliver growth. Some 15 years of decline had sapped that confidence, and with it the willingness to die, kill and impose material hardship in the name of socialism. Given these trends, it is not surprising that no old thinker advocated the use of force in 1989, and none has since suggested that such a decision would have served Soviet interests.<sup>91</sup>

To summarize, the key security benefits of the empire had long ago faded; the economic burdens of the East European empire were rapidly rising; Soviet policy-makers across the political spectrum wanted to scale back these growing costs of empire; the costs of using force in Eastern Europe had been deemed unacceptably high as early as 1981; and all decision-makers were aware of the prohibitive costs of using force in 1989. In

short, there were powerful incentives against the major use of force. Knowledge of these incentives would lead us to expect policy-makers to try hard to avoid armed confrontations. Soviet behaviour is consistent with this expectation. As Andrew Bennett points out, ‘thus far no evidence has come to light that any top Soviet leader argued for using force in Europe in 1989, or that the military or security bureaucracies were asked for or volunteered operational plans for using force’.<sup>92</sup> In fact, Gorbachev took active measures to avert an inadvertent ‘Kent State’ kind of confrontation between armed soldiers and demonstrating civilians.<sup>93</sup> Of course, there was never a guarantee that policy-makers would be successful in their efforts to avoid armed confrontation. There is nothing in our analysis that rules out the possibility of policy-makers or commanders losing control in a tense situation.

### *Phase III: Settling the Cold War Asymmetrically: German Unification*

Conceding to US positions on INF (Intermediate-range Nuclear Forces) was difficult in 1987. Making large unilateral cuts was a challenge in 1988. Standing by and watching allied regimes in Eastern Europe being swept aside was dramatic for all, and traumatic for most Soviet policy-makers in 1989. Still, even after the direction of change was clear in central Europe, it was possible to believe that Moscow might retain some alliance relations in Europe for a time, and that it might have a major voice in shaping a new post-Cold War pan-European security structure – long a treasured Soviet goal. Internal documents show that this hope was alive and well in late 1989.<sup>94</sup> Under severe and mounting economic constraints, the Soviets, fitful and resistant all the way, came eventually to abandon their hope of grasping victory from the jaws of defeat and ending the Cold War symmetrically as equal partners with the United States.

Soviet decisions to submit to Western terms in negotiations over German reunification clarified, as no previous event had, the reduced scope of Moscow’s ability to elicit deference from other states. It was clearly an undesired outcome that the Soviets acquiesced in once events conspired to leave them with no better alternative. The key question that needs to be resolved in is why the Soviets eventually faced no better policy alternatives. The expectation derived from our analysis is that Moscow opted to capitulate to Western terms on German reunification in large part because doing otherwise would have been unacceptably costly. Once Moscow opted for retrenchment, each passing year would make a reversal of course less likely. This would be true even if the various trends we have documented facing Moscow in the 1980s had not accelerated. But, of course, these problems did accelerate. By 1990, the Soviet economic crisis had reached a new and dramatically worse level. Taking a hard negotiating line on this issue would

have created an environment in which it would have been impossible sharply to cut back Soviet defence expenditures at a time when the Soviet economy was spiralling out of control. In addition, taking this route would have threatened the Soviets' efforts to increase access to the international economy.

For many scholars, it is axiomatic that the Soviets had a number of viable potential alternatives concerning German reunification. Thomas Risse, for example, notes:

Although Moscow could no longer influence events or bargaining outcomes in its desired direction, it still could make life quite miserable for the West and for Germany in particular. First, Moscow could have forced the German people to choose between unification and NATO membership, thereby triggering a major domestic dispute in the country during an election year. Second, the Soviet Union could have provoked an international crisis and confrontation with Bonn and Washington by fully insisting on its legal rights over Germany as an allied power. The price to be paid by both sides would have been to start another Cold War just as the first one was about to end peacefully. Third, in the absence of a cooperative agreement with the West, the Soviet Union could have decided to leave its 300,000 troops in East Germany.<sup>95</sup>

Given the extent to which the Soviet economy spiralled out of control after 1989, there is little reason to think that the second option Risse lists above actually was on the table. To the extent that the Cold War was too costly in the 1980s, this economic burden was exponentially higher in the early 1990s – by which time there was a complete loss of control over the state budget (a deficit of 12–14 per cent of GDP in 1989 and over 20 per cent in 1990), severe recession (a 5 per cent contraction in 1990, 10–15 per cent in 1991), hyperinflation (2–5 per cent a week in 1991); an overpowering foreign exchange crisis; and a chaotic, empire-wide grab for resources and power by various sub-elites.<sup>96</sup> Given these circumstances, few, if any, policy-makers in Moscow thought the Soviet Union had the capacity to start a new Cold War at this time.

With regard to the third option Risse notes above, the opportunity cost of taking a firm stance and leaving Soviet troops in East Germany would have been punishingly high. We need more evidence on this period, but there are indications that once the Soviet economy went into a severe tail-spin, Gorbachev, Shevardnadze and a few other top new-thinking officials realized quickly that they were simply not in a position to make strong demands of the West. Given that the GDR's economy was collapsing even faster than the Soviet one, it was clear that, whoever took responsibility for maintaining order, there was a massive financial burden far beyond Moscow's means.<sup>97</sup> Publicly, Gorbachev and his aides stuck to the old definition of Soviet interests – no NATO expansion to the GDR – but privately they appear to have concluded that dragging out the negotiations

and sticking to the old position would gain less than it would cost in terms of bad faith, fewer loans and grants from the West to ease the foreign-exchange crisis, and slower integration into Western political, security and financial institutions – all of which would serve to impede their efforts to put the Soviet economy back on track. As Chernyaev put it, had the Soviets continued to stall the negotiations, 'Germany would have been united anyway – without us and against us. And we would not have received the compensation that the Germans gave us – both material and political.'<sup>98</sup>

Thus, of the counterfactual Soviet policy options Risse mentions, it is the first – a cleverer diplomatic strategy for dividing the US–German alliance – that is plausible. Gorbachev might well have forced Helmut Kohl's hand by agreeing to unification on easy terms in exchange for the new Germany's exit from NATO's security structures, packaged with an appropriate upgrading of the Conference on Security and Cooperation in Europe (CSCE) – the broad security organization Moscow had long favoured. Oleg Grinevsky did, in fact, forward the idea in February that Moscow should immediately support unification but insist on a neutral, demilitarized Germany.<sup>99</sup> In this scenario, the Germans would have been forced to confront a trade-off between unity and loyalty to the United States and NATO.

What would have happened if the Soviets had adopted such a tougher bargaining stance? The Western powers did discuss this scenario and resolved to stick to their position if it led to a showdown with Moscow.<sup>100</sup> According to Western officials, Washington and Bonn had contingency plans in case the Soviets balked and asserted their residual four-power rights from World War II. The Western three would simply have unilaterally withdrawn their rights, leaving Moscow alone against the Germans. The resulting formula would have been neither '2+4' nor '4+2' but rather 5 (the two Germans, and the other three Allied World War II powers) versus 1 (Moscow). If the West was truly willing to risk a return of Cold War confrontation rather than acquiesce to German neutrality, then there were few policy-makers in Moscow who thought the Soviet Union could prevail. If negotiations broke down, the likelihood was that the Soviets' bargaining position would only deteriorate with time as the Soviet and Eastern German economies continued their precipitous decline. Meanwhile, the West German government was busy creating facts on the ground; in effect, beginning to provide governance for the Eastern German territory.<sup>101</sup> Moscow simply lacked the resources to counter this influence – unless it was truly willing to crack down forcefully and assume full responsibility, something no one in Moscow wanted to contemplate.

In the end, it thus appears that the new thinkers were probably right to concede on an issue they would lose after a costly diplomatic struggle. But contingency plans do not a policy make. It is conceivable that Kohl would

have been faced with intolerable public pressure to accept the Soviet deal, which could have led to a break with Washington. Or it is possible that Kohl and Bush, seeing the trend, would have countered with offers of more restrictions on Germany's role in NATO. While these outcomes were certainly possible, it is not surprising that the Gorbachev team decided not to gamble on them given the collapse of the GDR, the rapid deterioration of the Soviet economy, and the immense costs to Moscow of actually using its military muscle in central Europe. Had the Soviets risked an assertion of their power or their residual rights over Germany, in all likelihood they would have had to face an overwhelming diplomatic counter-coalition.

Rational expectations of which side would prevail if negotiations broke down – as well as which side could offer more material rewards in return for concessions – help explain Gorbachev's sudden acquiescence to Western terms in the spring of 1990. Gorbachev was reluctant to endorse any diplomatic ploy that banked on the GDR, which by January he had concluded was doomed.<sup>102</sup> He seems to have concluded that as much as he opposed the inclusion of Germany within NATO, a concession on this issue would pay off in the future in terms of better relations with the new Germany. Various factors appear to have been factored into his thinking on this score. For one thing, in 1990, West Germany ranked first as provider of capital investment to the Soviet Union, as well as being the number one source of joint ventures in the country.<sup>103</sup> In short, West Germany was a very lucrative economic partner – and had the potential to become an even more important one in the future. Moreover, the growing economic crisis facing the Soviet Union made joint ventures and capital all the more necessary; Gorbachev specifically noted in 1990 that it was exactly at this moment that Western economic involvement was most urgently needed.<sup>104</sup> For these reasons, the risks of spoiling the emerging relationship with Germany seemed high indeed. Of course, beyond these potential costs of adopting an intransigent position in the negotiations, moving forward on German reunification also had very substantial, direct economic benefits for the Soviets, most notably DM 20 billion to offset the costs of repositioning Soviet troops as well as new grants and loans on favourable terms.<sup>105</sup>

It is here, ironically, that we find the most likely potential alternative to Gorbachev's policy. In contemporary debates, many old thinkers castigate Gorbachev not for allowing German reunification, but rather for not receiving enough financial compensation from the West in return.<sup>106</sup> Thus, the old thinkers' great alternative on German reunification seems to boil down to a claim that they would have been sharper economic bargainers with the West. Adopting a tougher bargaining strategy in this instance may or may not have meant a larger inflow of financial capital into the Soviet Union. While adopting such a ploy might have resulted in a momentarily less cash-strapped Soviet Union, it would not have changed the course of the Cold War's resolution to any meaningful degree.

The main objection to this line of analysis is that superpower cooperation at the Cold War's end was really premised upon mutual concessions rather than the Soviets caving in to the West. While acknowledging Soviet economic decline, many scholars and former Bush administration officials contend that the accommodating Soviet stance during the Cold War endgame – and particularly in the negotiations over German unification – were prompted by a general US strategy of engaging in concessions and other forms of reassurance, which allowed Gorbachev to trust the United States to a remarkable degree.<sup>107</sup> This objection raises a simple empirical question: as the Soviets revamped their foreign-policy practices and engaged in one concession after another in the late 1980s and early 1990s, did the United States reciprocate? More specifically, did the Soviets submit to Western terms on German reunification and other issues due to the cumulative effect of a cooperative pattern of interaction characterized by mutual concessions and assurances in the late 1980s and early 1990s? Scholars who advance this form of argument are certainly right that Gorbachev desperately wanted his Western partners to match Soviet concessions, and that he tried through appeals and gestures to get them to do so.<sup>108</sup> However, the evidence overwhelmingly shows that the Cold War's end simply ratified pre-existing foreign policy interests in the West.<sup>109</sup>

As far as Western decision-making elites were concerned, the end of the Cold War was the wholesale collapse of one worldview and the triumph of the other. The general pattern that emerges from the evidence is clear: Washington was slow to respond to Gorbachev's concessions, never reciprocated them in kind, and never compromised its basic approach to international security.<sup>110</sup> US decision-makers rebuffed Gorbachev's nuclear weapons testing moratorium; they insisted on the SDI (Strategic Defense Initiative), despite a ceaseless campaign by Gorbachev; they held an Afghan settlement hostage to their right to arm the mujahedin rebels to the end; they engaged in a prolonged 'strategic review' to assess Soviet intentions even after Gorbachev had made a series of spectacular unilateral concessions; they would not alter their policy on the Baltic states even in 1990, the year in which US-Soviet relations were the closest they had ever been; and the United States – together with its West German ally – forced through German unification within NATO against Gorbachev's and Shevardnadze's insistent, near-hysterical, pleading.

The most striking evidence concerning US policy is what is absent from the policy-making record: that is, any serious argument for doing what Gorbachev wanted, which was to treat the ending of the Cold War symmetrically, as if the Warsaw Pact and NATO were equals. The major debate concerns whether President Bush and Secretary of State Baker, who did change their rhetoric but never significantly altered any basic Western security institution or practice, went too far in 'coddling' Gorbachev. The general alternatives within US policy circles were strongly

weighted towards even less willingness to bend for Moscow's benefit.<sup>111</sup> The actions of US officials, if not their words, bespoke confidence that Soviet relative decline had left Gorbachev with few realistic options other than to make concession after concession to Western views. The Bush administration's policy towards Moscow, as formulated in National Security Directive (NSD) 23 (September 1989), called for 'the integration of the Soviet Union into the existing international system', which required 'fundamental alterations in Soviet military force structure, institutions, and practices that can only be reversed at great costs, economically and politically, to the Soviet Union'.<sup>112</sup>

If the Gorbachev team balked at US terms, the Americans were apparently ready to revert to a Cold War confrontation in which they knew they held the upper hand.<sup>113</sup> To be sure, President Bush was extremely careful to say nothing to humiliate Gorbachev publicly. At Malta, he even agreed to cease talking about uniting Europe on the basis of 'Western values', agreeing to use the more neutral 'democratic values'.<sup>114</sup> But privately the president and his aides believed the United States had won the Cold War. As Bush told Kohl at the Camp David summit in February, 'the Soviets are not in a position to dictate Germany's relationship with NATO. What worries me is talk that Germany must not stay in NATO. To hell with that! We prevailed, they didn't. We can't let the Soviets clutch victory from the jaws of defeat'.<sup>115</sup>

This was neither the attitude nor the behaviour of people who believed that the Soviet change of heart was in any way contingent upon any foreign-policy concessions on their part. Such basic confidence led the Western powers to be extraordinarily tough bargainers with the Soviets. Regarding German unification, in particular, former West German and US officials and others argue the West sought successfully to exploit Soviet weakness to achieve German unification 'utterly and unequivocally on western terms'.<sup>116</sup>

In sum, the evidence indicates that the United States simply did not adjust its foreign-policy practices to any meaningful degree during the Cold War endgame, and that this was in large part because the Soviets were in no material position to push Washington in that direction. It is true that personal relationships of trust did evolve among key leaders in the three main governments concerned – the Soviet, West German and US, but these relationships were quite slow in developing. Indeed, the process of the dissolution of communism in central Europe was well advanced before relations of trust appeared to take hold among Kohl, Gorbachev and Bush. In other words, trust emerged when the economic fortunes of the Soviets collapsed, and they agreed to Western terms. It is thus difficult to disentangle the importance of interpersonal synergy from the dictates of dire necessity, in the case of Gorbachev, and the delights of getting exactly what one wants, in the case of Bush and Kohl.

Of course, in any particular negotiation, one can find instances of US-Soviet give-and-take, and indeed, some concessions on the part of the United States. In the final analysis, however, there is no way to avoid the overall conclusion that the United States was extraordinarily firm in the positions it adopted, and that the emergence of cooperation during the Cold War's end was largely the product of an often reluctant, resisted and anguished shift by the Soviets toward longstanding US positions. For this reason, it is hard to place much weight on the importance of an overall atmosphere of trust and reassurance generated by mutual concessions as an influence on the outcome of the negotiations over German reunification, or the Cold War more generally.

### *Conclusion*

In March 1985, Mikhail Gorbachev took the helm of an overstretched superpower with an inefficient economy that was declining alarmingly in relative terms. Existing policies of maintaining the Cold War status quo demanded increased expenditures, which increased the imperial burden as a share of the economy. A more vigorous prosecution of the Cold War rivalry was unlikely to relieve the economic burdens on the Soviet Union. On the contrary, there was every reason to conclude that a renewed assault on US positions internationally would invite an escalatory response from a stronger rival. As a result, a general strategy of reducing Cold War tensions and scaling back the imperial burdens on the Soviet economy gained numerous adherents in Soviet ruling echelons. In significant part because the Soviet Union's economic fortunes were rapidly declining, Gorbachev's efforts to engage the United States in security negotiations while initiating economic reform were supported or at least tolerated by a critical mass of the Soviet policy-making elite. Each subsequent step towards greater cooperation with the West was premised upon further Soviet concessions, which were made easier to swallow by increased economic constraints. Cooperation emerged, in short, because the weaker side began to decline and opted to capitulate to the stronger side. Not surprisingly, therefore, the transformation of identity occurred in the state that was weaker and weakening further, not the stronger and strengthening state.

The concept of identity remains ambiguous, but it is nevertheless clear that the basic process that scholars commonly call 'identity change' is important. The most significant theoretical implication of our analysis is that we should not necessarily be too quick to endorse a 'staged' method of enquiry – whereby, as many scholars have recently suggested, constructivists can first explain why shifts in foreign policy identities occur and then 'pass the baton' to theorists who focus largely on material incentives.<sup>117</sup> Although it is true that scholars who highlight material incentives typically

assume fixed preferences, there is no reason to think that changing material incentives cannot at least sometimes help explain shifts in identities. When analyzing specific cases, constructivists themselves sometimes make brief throwaway arguments along these lines, but have so far been unwilling to explore this point in any depth.<sup>118</sup> If the current approach to examining how identities change were optimal, it is highly unlikely that the basic model we presented here would do so well in this case. We therefore conclude that researchers interested in identity change need to be sensitive to the possibility that changing material incentives may be an important part of the story. In advancing this general point and in clarifying the role that changing economic incentives played in the reorientation of Soviet foreign policy, we hope that this analysis will make it possible to further the dialogue concerning the role of ideas in the end of Cold War, and in international relations more generally.

## NOTES

- 1 As Alexander Wendt notes, 'The revival of constructivist thinking about international politics was accelerated by the end of the Cold War ... Mainstream IR theory simply had difficulty explaining the end of the Cold War, or systemic change more generally. It seemed to many that these difficulties stemmed from IR's materialist and individualist orientation, such that a more ideational, and holistic view of international politics might do better.' A. Wendt, *Social Theory of International Politics* (Cambridge: Cambridge University Press, 1999), p. 4. See also, for example, Peter J. Katzenstein, Robert O. Keohane and Stephen D. Krasner, 'International Organization at its Golden Anniversary', *International Organization*, vol. 52, no. 4 (Autumn 1998), p. 670; and Peter J. Katzenstein, 'Introduction: Alternative Perspectives on National Security', in P. J. Katzenstein (ed.), *The Culture of National Security* (New York: Columbia University Press, 1996), p. 2.
- 2 For an overview of constructivist theory, see Wendt, *Social Theory of International Politics*.
- 3 Stephen G. Brooks and William C. Wohlforth, 'Power, Globalization and the End of the Cold War: Reevaluating a Landmark Case for Ideas', *International Security*, vol. 25, no. 3 (Winter 2000/01), pp. 5-53; idem, 'Economic Constraints and the End of the Cold War', in Wohlforth (ed.), *Cold War Endgame: Oral History, Analysis, Debates*, (University Park, PA: Pennsylvania State University Press, 2002); and idem, 'From Old Thinking to New Thinking in Qualitative Research', *International Security* vol. 26, no. 4 (Spring 2002), pp. 93-113.
- 4 For example, one prominent critic of our earlier work, Robert English, agrees that 'Economic decline was clearly a necessary factor in the inception of Soviet reform.' R. D. English, 'Power, Ideas and new Evidence on the Cold War's End: A Reply to Brooks and Wohlforth', *International Security*, vol. 26, no. 4 (Spring, 2002), p. 92.
- 5 English, *ibid.*, is a recent example. Also see Robert D. English, *Russia and the Idea of the West: Gorbachev, Intellectuals and the End of the Cold War* (New York: Columbia University Press, 1999).
- 6 John A. Hall, 'Ideas and the Social Sciences', in Judith Goldstein and Robert O. Keohane (eds), *Ideas and Foreign Policy: Beliefs, Institutions, and Political Change* (Ithaca, NY: Cornell University Press, 1993).

- 7 George Stigler and Gary Becker, 'De Gustibus non est Disputandum', *American Economic Review*, vol. 67 (1977), pp. 76-90.
- 8 See Gary Becker, *Accounting for Tastes* (Cambridge, MA: Harvard University Press, 1996); other notable exceptions include James Fearon 'What is Identity (As We Now Use the Word)', unpub. MS, University of Chicago, 1997, and David Laitin, *Identity in Transformation* (Ithaca, NY: Cornell University Press, 1998).
- 9 Kenneth N. Waltz, *Theory of International Politics* (Reading, MA: Addison-Wesley, 1979).
- 10 For a further discussion of these theoretical issues, see Stephen G. Brooks, 'The Globalization of Production and International Security', (PhD dissertation, Yale University, 2001), Ch. 3.
- 11 See the discussion in Stephen G. Brooks, 'Dueling Realisms', *International Organization*, vol. 51, no. 3 (Summer 1997), esp. pp. 450-3.
- 12 As William Odom notes, it is important to recognize the 'symbiosis of economic policies and military considerations in the Soviet Union'. Odom, 'The Soviet Military in Transition', *Problems of Communism*, vol. 39 (May-June 1990), p. 62.
- 13 On this point, see Jack L. Snyder, 'Anarchy and Culture', *International Organization*, vol. 56, no. 1 (Winter 2002), pp. 7-45.
- 14 Alexander Wendt, 'Constructing International Politics', *International Security*, vol. 20, no. 1 (Summer 1995), p. 74.
- 15 While what exactly constitutes the 'radical' constructivist position is debatable, Ronald Jepperson, Alexander Wendt and Peter Katzenstein, 'Norms, Identity and Culture in National Security', in Katzenstein (ed.), *The Culture of National Security*, identify the work of Richard Ashley, David Campbell, R. B. J. Walker and Cynthia Weber as being representative of this branch of constructivism.
- 16 Wendt, *Social Theory of International Politics*, pp. 109-13.
- 17 Wendt stresses that a key tenet of constructivism is that 'the structures of human association are determined primarily by shared ideas rather than material forces'. Wendt, *ibid.*, p. 1. Ted Hopf, 'The Promise of Constructivism in International Relations Theory', *International Security*, vol. 23, no. 1 (Spring 1998), pp. 171-200.
- 18 For more on how to define identities, see Fearon, 'What is Identity?'; (As We Now Use the Word?); and Wendt *Social Theory of International Politics*, pp. 224-33.
- 19 See, for example, Alexander Wendt, 'Anarchy is What States Make of It: The Social Construction of Power Politics', *International Organization*, vol. 46 (1992), pp. 335-92; Mlada Bukovansky, 'American Identity and Neutral Rights From Independence to the War of 1812', *International Organization*, vol. 51, no. 2 (1997), pp. 209-43; and Thomas Banchoff, 'German Identity and European Integration', *European Journal of International Relations*, vol. 5, no. 3 (1999), pp. 259-89.
- 20 Some of these other potential causes are reviewed in Paul Kowert and Jeffrey Legro, 'Norms, Identity and Their Limits: A Theoretical Reprise', in Katzenstein (ed.), *The Culture of National Security*; and Wendt, *Social Theory of International Politics*, Ch. 7.
- 21 George Tsebilis, 'Decision-Making in Political Systems', *British Journal of Political Science*, vol. 25, no. 3 (July 1995), pp. 289-325.
- 22 See, for example, Charles Kegley, 'The Neoidealist Moment in International Studies? Realist Myths and the New International Realities', *International Studies Quarterly*, vol. 37, no. 2 (June 1993), pp. 131-47.
- 23 See, for example, Coit D. Blacker, *Hostage to Revolution: Gorbachev and Soviet Security Policy, 1985-1991* (New York: Council on Foreign Relations, 1993); and William Wohlforth, 'Realism and the End of the Cold War', *International Security*, vol. 19, no. 3 (Winter 1994/95), pp. 91-129.

- 24 For a thorough analysis of these constraints, see See Brooks and Wohlforth, 'Power, Globalization and the End of the Cold War'.
- 25 See *ibid.*, pp. 14–20, and sources cited therein.
- 26 1 per cent is the CIA's calculation, reported in Joint Economic Committee, US Congress, *Measures of Soviet Gross National Product in 1982 Prices* (Washington, DC: Government Printing Office, 1990). Two per cent is the estimate of Russian economist G. I. Khanin, in 'Ekonomicheskii rost: Alternativnaia otsenka' [Economic growth: An alternative estimate], *Kommunist*, no. 17 (November 1988), pp. 83–90. Analysts agree that official data vastly overstated Soviet economic performance. Most now also agree that the CIA's estimates, which were based on a complex reworking of official data, significantly overstated Soviet output. Most importantly, CIA estimates dramatically under-reported the severity of the decline that preceded Gorbachev and accelerated during his leadership. See Vladimir Kontorovich, 'Economists, Soviet Growth Slowdown and the Collapse', *Europe-Asia Studies*, vol. 53, no. 5 (July 2001), pp. 675–95.
- 27 See Vladimir Kontorovich, 'Technological Progress and Research and Development', in Michael Ellman and Vladimir Kontorovich (eds), *The Disintegration of the Soviet Economic System* (New York: Routledge, 1992). A good assessment of the military implications of this technological lag is, Central Intelligence Agency, Directorate of Intelligence, 'The Soviet Defense Industry: Coping With the Military-Technological Challenge', SOV-87-10035DX (July 1987), declassified and made available on CD-ROM by the CIA's Center for the Study of Intelligence.
- 28 Ellman and Kontorovich, *The Disintegration of the Soviet Economic System*, p. 9.
- 29 See Noel E. Firth and James H. Noren, *Soviet Defense Spending: A History of CIA Estimates, 1950–1990* (Houston, TX: Texas A&M Press, 1998), for the CIA estimate of around 15 per cent in 1980. Using a different methodology (percentage of the workforce in the defence sector), Clifford Gaddy estimates 20 per cent; see C. Gaddy, *The Price of the Past* (Washington, DC: Brookings Institution, 1997), Ch. 1.
- 30 See Brooks and Wohlforth, 'Power, Globalization and the End of the Cold War', p. 24.
- 31 As Gorbachev notes, 'Of 25 billion rubles in total expenditure on science, 20 billion went to the military for technical research and development.' Gorbachev, *Memoirs*, p. 215.
- 32 Firth and Noren, *Soviet Defense Spending*, p. 134.
- 33 Ellman and Kontorovich, *Destruction of the Soviet Economic System*, p. 293.
- 34 For thorough reviews of these changes in the structure of global production, and the role of technological shifts in producing them, see Brooks, 'The Globalization of Production and International Security', PhD dissertation, Yale University, 2001, Ch. 4.
- 35 The overwhelming majority (more than 90 per cent, by many estimates) of inter-firm alliances during the 1980s were located within the triad of western Europe, Japan and North America; see Stephen Kobrin, 'The Architecture of Globalization: State Sovereignty in a Networked Global Economy', in J. Dunning (ed.), *Governments, Globalization and International Business* (Oxford: Oxford University Press, 1997), p. 150.
- 36 During the 1980s, the 'annual average growth rate for FDI outflows reached 14 per cent'. Geoffrey Jones, *The Evolution of International Business* (London: Routledge, 1996), p. 52. As the absolute level of Foreign Direct Investment (FDI) rose dramatically in the 1980s, the Soviets remained isolated from these flows, while the share of FDI based in western Europe, the United States and Canada

- increased from 62 per cent of the world total in 1980 to 70 per cent in 1993. See *ibid.*, pp. 48, 54.
- 37 In combination, these five Western countries accounted for 74 per cent of the total world FDI stock in 1980. See *ibid.*, p. 47. One reflection of the enhanced degree to which the production of US MNCs became strongly integrated internationally during this period is that 'the value of United States intra-firm exports increased by nearly two-thirds between 1977 and 1982 and by over 70 per cent between 1982 and 1989'. UNCTAD, *World Investment Report 1994*, p. 143. Another reflection of this trend is that the value of offshore outsourcing by the US increased from US\$ 48.8 billion in 1972 to US\$ 356 billion in 1987; see World Bank, *Global Economic Prospects and the Developing Countries* (Washington: World Bank, 1997), p. 42.
- 38 On the changing nature of technological development, see Stephen Kobrin, 'The Architecture of Globalization', pp. 149–50.
- 39 See, for example, Peter Dicken, *Global Shift: Transforming the World Economy* (New York: Guilford, 1998), p. 229; and Kobrin, 'Architecture of Globalization', p. 150.
- 40 See World Bank, *Global Economic Prospects*, p. 42.
- 41 For a detailed analysis of this point, see Brooks, 'The Globalization of Production and International Security', Ch. 5.
- 42 See Mark Kramer, 'Ideology and the Cold War', *Review of International Studies*, vol. 25, no. 4 (October 1999), pp. 539–76.
- 43 This is the general finding reported in Michael Ellman and Vladimir Kontorovich, 'The Collapse of the Soviet System and the Memoir Literature', *Europe-Asia Studies*, vol. 49, no. 2 (March 1997), pp. 259–79. More specific recollections include: Michael Ellman and Vladimir Kontorovich (eds), *The Destruction of the Soviet Economic System: An Insider's Account* (Armonk, NY: M. E. Sharpe, 1998); Gorbachev, *Memoirs*; Vitaliy Ivanovich Vorotnikov, *A bylo eto tak... Iz dnevnika chelna Politburo TsK KPSS* [That's How it Really Was... From the Diary of a Member of the CC-CPSH Politburo] (Moscow: Sovet Veteranov Knigoizdaniia, 1995); Yegor Gaidar, *Days of Defeat and Victory*, trans. Jane Ann Miller (Seattle, WA, and London: University of Washington Press, 1999); Stanislav Shatalin, "'500 dnei" i drugie dni moei zhizni' ("Five hundred days" and other days of my life'), *Nezavisimaya gazeta*, 31 March and 2 April, 1992; Nikolai Ryzhkov, *Perestroika – Istoriia Predat' tsv* [Perestroika: A History of Betrayals] (Moscow: Novosti, 1992).
- 44 According to Firth and Noren, *Soviet Defense Spending*, they succeeded in capping budgetary growth, but because the economy actually declined in 1980–82, defence outlays as a percentage of GDP probably rose.
- 45 General analyses that demonstrate this point include: Aleksandr Shubin, *Istoki perestroiki: 1978–1984 gg.* [The Origins of Perestroika] (Moscow: [s.n.], 1997); Paul Hollander, *Political Will and Personal Belief: The Decline and Fall of Soviet Communism* (New Haven, CT: Yale University Press, 1999). Particular memoirs that are especially telling on this score are Nikolai Leonov, *Likholet'e* [Cursed Years] (Moscow: Mezhdunarodnye otnosheniia, 1994); Sergei Fedorovich Akhromcev and G. M. Kornienko, *Glazami marshala i diplomata: kriticheskii vzgliad na vnesniiu politiku SSSR do i posle 1985 goda* [Through the Eyes of a Marshal and a Diplomat: A Critical View of USSR Foreign Policy before and after 1985] (Moscow: Mezhdunarodnye otnosheniia, 1992); Anatoly S. Cherniaev, *My Six Years with Gorbachev*, ed. and trans. Robert D. English and Elizabeth Tucker (University Park, PA: Pennsylvania State University Press, 2000); Vorotnikov, *A bylo eto tak*; and Georgii Khosroevich Shakhnazarov, *Tsena svobody: reformatsiia Gorbacheva glazami ego pomoshchnika* [The Price of Freedom: Gorbachev's Reformation through the Eyes of his Aide] (Moscow: Rossika-Zevs, 1993).

- 46 Two salient examples of this dynamic are the unilateral conventional force reductions in November–December 1988 (see the accounts in Cherniaev, *My Six Years*; Akhromeev and Kornienko, *Glazami*; and Vorotnikov, *A bylo eto tak*) and the twin decisions to demand hard currency for energy exports to the East European allies while reducing interference in their domestic policy choices (see the accounts in Ryzhkov, *Perestroika*; and Shakhnazarov, *Tsena svobody*).
- 47 Rhetoric aside, Gorbachev made no effort to increase outlays for consumer welfare in this period. See Sergei Germanovich Sinel'nikov (-Murylev), *Budzhetniye krisisi v rossii, 1985–1995 gody* [Budget Crisis in Russia, 1985–95] (Moscow: Evraziia, 1995), p. 36. Aleksandr Lyakhovskiy, *Tragediia i Doblest' Afgana* [The Tragedy and Valour of the Afghan] (Moscow: GPI Iskona, 1995), documents the early escalatory policy on Afghanistan. For Gorbachev's own contemporary description of these policy moves in Politburo settings, see, for example, National Security Archive, 'Understanding the End of the Cold War: The Reagan/Gorbachev Years' (Providence, RI: Brown University, 1998), esp. Doc. Nos 44, 52. For an analysis of the competitive impulse behind 'acceleration', see Vladimir Shlapentokh, *A Normal Totalitarian Country: How the Soviet Union Functioned and How it Collapsed* (Armonk, NY: M. E. Sharpe, 2001).
- 48 See, for example, the discussions in Jerry Hough, *Opening up the Soviet Economy* (Washington, DC: Brookings Institution, 1985); idem, *Russia and the West: Gorbachev and the Politics of Reform* (New York: Simon & Schuster, 1988); Ed Hewett, *Reforming the Soviet Economy: Equality versus Efficiency* (Washington, DC: Brookings Institution, 1988); Hewett and Gaddy, *Open for Business*; Leonard Geron, *Soviet Foreign Economic Policy under Perestroika* (London: Pinter, 1990); and NIE 11–18–85, 'Domestic Stresses on the Soviet System', in NSA, 'Understanding the End of the Cold War'.
- 49 While few went so far as to say that 'International integration is the chief strength of the Western economy' – as the economist Grigorii Khanin argued – by the 1980s, there was a general recognition that the ability of the West to exploit international linkages had become an important relative advantage over the Soviets, and one of ever-increasing saliency; Khanin as cited in Philip Hanson, 'The Internationalization of the Soviet Economy', in Alan Sherr *et al.* (eds), *International Joint Ventures: Soviet and Western Perspectives* (New York: Quorum Books, 1991), p. 119. As the 1980s progressed, economic analysts and scholars – liberals and conservatives alike – increasingly began openly to challenge the long-accepted orthodoxy of Soviet autarky. As Jerry Hough points out, 'From a policy point of view, the important thing was not that such statements passed censorship, but that they won such wide support among specialists. They were seldom challenged directly ... The scholars who made these strong statements ... were fairly high members of a policy-oriented world, and were looking to their future careers. It is hard to believe that the community would have swung so far to one side in criticizing current Soviet policy if it had not had a sense that its views were shared by the successor generation of high officialdom.' Hough, *Opening Up the Soviet Economy*, p. 59.
- 50 See Hough, *Russia and the West*. For the distinction between passive and active technology transfers in the Soviet context, see Philip Hanson, *Trade and Technology in Soviet–Western Relations* (London: Macmillan Press, 1981), pp. 6–29.
- 51 'An Interview with Gorbachev', *Time*, 9 September 1985, p. 25.
- 52 Gorbachev, *Izbraannye rechi i stat'i* [Selected Speeches and Articles] (Moscow: izdatel'stvo politicheskoi literatury, 1990), vol. VII, p. 288. Gaddy, *The Price of the Past*, pp. 47–61.

- 53 Speech by Nikolai Ryzhkov to CMEA in December 1986, as cited in Deborah Anne Palmieri (ed.), *The USSR and the World Economy: Challenges for the Global Integration of Soviet Markets under Perestroika* (Westport, CT: Praeger, 1992), p. 170.
- 54 Gaddy, *The Price of the Past*, p. 56.
- 55 Geron, *Soviet Foreign Economic Policy under Perestroika*, p. 43.
- 56 In 1988, when Soviet exports totaled \$108 billion by official reckoning, the GDR, with about one-fifteenth of the population, exported just under \$48 billion; Charles Maier, *Dissolution: The Crisis of Communism and the End of East Germany* (Princeton, NJ: Princeton University Press, 1997), pp. 66–7.
- 57 Maier, *Dissolution*, pp. 76–7, and especially informative on the international sources of these East German reforms, see Ronald Rogowski, 'Adaptation to the World Economy in the Former German Democratic Republic', unpublished manuscript.
- 58 Hough, *Russia and the West*, p. 199.
- 59 See, for example, Hewett and Gaddy, *Open For Business*, Ch. 2; and Robert Cutler, 'International Relations Theory and Soviet Conduct Toward the Multilateral Global-Economic Organizations: GATT, IMF, and the World Bank', in Palmieri (ed.), *The USSR and the World Economy*, p. 171.
- 60 See Hough, *Opening up the Soviet Economy*, pp. 56–7.
- 61 Geron, *Soviet Foreign Economic Policy Under Perestroika*, p. 47; and Palmieri (ed.), *The USSR and the World Economy*, p. 172.
- 62 Hewett and Gaddy, *Open for Business*, p. 77.
- 63 *Ibid.*, pp. 58–68.
- 64 For more on this critical reversal see Chernyaev, *My Six Years*, pp. 193–5; Akhromeev and Kornienko, *Glazami*, p. 55; Ryzhkov *Perestroika*, pp. 232–3; Eduard Amvrosievich Shevardnadze, *Moi vybor: v zashchitu demokratii i svobody* [My Choice: In Defence of Democracy and Liberty] (Moscow: Novosti, 1991), pp. 110–11; and Vorotnikov, *A bylo eto tak*, pp. 223.
- 65 Transcript of interview by Oleg Skvortsov, director of the Oral History Project at the Institute of General History, with S. P. Tarasenko, 19 March 1999 (on file at the National Security Archive, Washington DC, and the Institute of General History, Moscow, 1999). Hereafter cited as 'Skortstov interviews'.
- 66 William E. Odom, *The Collapse of the Soviet Military* (New Haven, CT: Yale University Press, 1998), p. 225.
- 67 Based on Skvortsov interviews with Kryuchkov, Boldin and Yazov. See also Vladimir Kryuchkov, *Lichnoe delo* (Personal file) (Moscow: Olymp, 1996), pp. 273, 282; Akhromeev and Kornienko, *Glazami*; and Aleksandr' G. Savel'yev and Nikolai N. Detinov, *The Big Five: Arms Control Decision-Making in the Soviet Union* (Westport, CT: Praeger, 1995). Odom also documents Soviet military concern over the technological gap: 'It was becoming clear to Soviet military leaders that they were facing a third wave of new military technologies. The developments in micro-electronics, the semiconductor revolution and its impact on computers, distributed processing, and digital communications were affecting many aspects of military equipment and weaponry ... [The] new revolution in military affairs was demanding forces and weapons that the Soviet scientific-technological and industrial bases could not provide.' Odom, 'The Soviet Military in Transition', pp. 52–3, 63–4. For more, see also Thomas M. Nichols, *The Sacred Cause: Civil–Military Conflict over Soviet National Security* (Ithaca, NY: Cornell University Press, 1993), pp. 115, 116.
- 68 Akhromeev and Kornienko, *Glazami*, pp. 314–15.
- 69 Skvortsov interview with Yazov, 11 March 1999.
- 70 See L. G. Ivashov, *Marshal Yazov (Rokovoi Avgust 91-go): Pravda o 'putche'*

- [Marshal Yazov (That Fateful August 1991): The Truth about the 'Putsch'] (Moscow: Biblioteka Zhurnalna 'Muzhestvo', 1992), Ch. 2, esp. p. 27.
- 71 For a discussion of the evidence on this point, see Brooks and Wohlforth, 'From Old Thinking to New Thinking in Qualitative Research'.
- 72 For a brilliant demonstration of this effect, see Jacques Lévesque, *The Enigma of 1989: The USSR and the Liberation of Eastern Europe* (Berkeley, CA: University of California Press, 1997).
- 73 Randall Stone, *Satellites and Commissars: Strategy and Conflict in the Politics of Soviet-Bloc Trade* (Princeton, NJ: Princeton University Press, 1996), p. 134. More evidence for Stone's central conclusion is presented in Hannes Adomeit, *Imperial Overstretch: Germany in Soviet Policy from Stalin to Gorbachev* (Baden Baden: Nomos Verlagsgesellschaft, 1998). For an analysis based on earlier data that reaches this same general conclusion, see Valerie Bunce, 'The Empire Strikes Back: The Evolution of the Eastern Bloc from Soviet Asset to Liability', *International Organization*, vol. 39, no. 1 (Winter 1985), pp. 1-46.
- 74 J. F. Brown, *Eastern Europe and Communist Rule* (Durham, NC: Duke University Press, 1988), pp. 129, 138. As Brown reports, 'in the winter of 1980-81, Soviet money almost literally poured into Poland. Some Western observers even put the total of Soviet assistance as high as nearly \$5 billion' (p. 54).
- 75 Smith notes, for example, that Soviet analysts 'complained that Soviet imports from Eastern Europe largely consisted of poor quality machinery and equipment that were obsolete on world markets but which were priced at prices equivalent to or even higher than the world market price for higher quality goods'. Alan Smith, 'Economic Relations', in Alex Pravda (ed.), *The End of Outer Empire: Soviet-East European Relations in Transition, 1985-1990* (London: Sage, 1992), p. 82. See also Mark Kramer, 'The Soviet Union and Eastern Europe: Spheres of Influence', in Ngaire Woods (ed.), *Explaining International Relations since 1945* (Oxford: Oxford University Press, 1996), p. 112, who reports that most of these East European exports to the Soviet Union were of such poor quality that they 'would have been unmarketable, or saleable only at highly disadvantageous prices, outside the Soviet bloc'.
- 76 Stone, *Satellites and Commissars*, p. 37.
- 77 See Thane Gustafson, *Crisis amid Plenty: The Politics of Soviet Energy under Brezhnev and Gorbachev* (Princeton, NJ: Princeton University Press, 1989).
- 78 Carol Clark, 'Relative Backwardness in Eastern Europe: An Application of the Technological Gap Hypothesis', *Economic Systems*, vol. 17, no. 3 (September 1993), pp. 167-93, is a good source on declining technological competitiveness. Growth figures are calculated from data in *ibid.*, p. 170.
- 79 Brown, *Eastern Europe and Communist Rule*, p. 155.
- 80 *Ibid.*, p. 154.
- 81 As Brown points out, 'The directness of the above-quoted passage, which was, after all, part of an agreed document, gives some idea of what the debates over the issue must have been like and of what the Soviets' original suggestions might have been.' *Ibid.*, p. 155 (emphasis in original).
- 82 Smith, 'Economic Relations', p. 77.
- 83 Mark Chafetz, *Gorbachev, Reform, and the Brezhnev Doctrine: Soviet Policy Toward Eastern Europe, 1985-1990* (Westport, CT: Praeger, 1993), p. 63.
- 84 Vladislav Zubok, 'New Evidence on the "Soviet Factor" in the Peaceful Revolutions of 1989', *Cold War International History Bulletin*, Issue 12/13 (Winter 2001), p. 7. On security matters, Zubok stresses, 'Gorbachev and Shevardnadze had no coherent policy at all for the Warsaw Pact', p. 8. For another exhaustive review of documentary evidence on this point, see Adomeit, *Imperial Overstretch*, Ch. 4.

- 85 Lévesque, 'Soviet Approaches to Eastern Europe at the Beginning of 1989', *Cold War International History Bulletin*, Issue 12/13 (Winter 2001), p. 49.
- 86 Quoted in Leonov, *Likholet'e*, p. 281.
- 87 See Vojtech Mastny, 'The Soviet Non-Invasion of Poland in 1980-81 and the End of the Cold War', Working Paper No. 23 (Washington, DC: Cold War International History Project, 1998).
- 88 Shakhnazarov, *Tsena svobody*, p. 115.
- 89 See Andrew O. Bennett, 'Ideas and the Non-Use of Force in the End of the Cold War', paper prepared for the Conference on 'Ideas and the End of the Cold War', Dickey Center, Dartmouth College, June 2001, pp. 17-18, and sources cited therein.
- 90 Cited in Zubok, 'New Evidence on the "Soviet Factor"', pp. 10-11.
- 91 Andrew O. Bennett, 'Trust Bursting out all Over: The Soviet Side of German Unification', in Wohlforth (ed.), *Cold War Endgame: Oral History, Analysis, Debates* (University Park, PA: Penn State University Press, 2003).
- 92 *Ibid.*
- 93 Gorbachev's preventive actions are discussed in Kramer, 'Ideology and the Cold War,' and Lévesque, *Enigma of 1989*.
- 94 See, for example, 'Ob ustanovke v Pol'she, vozmozhnykh variantakh ee razvitiia, perspektivakh sovetsko-pol'skikh otnoshenii' [On the situation in Poland, possible directions in its development, prospects for Soviet-Polish relations], and attached note of 29/09/89. Protokol No. P166/23 of CC-CPSU Politburo session of 28/09/89.
- 95 T. Risse, 'Let's Argue! Communicative Action in World Politics', *International Organization*: vol. 54, no. 1 (2000), pp. 1-40.
- 96 Data are from sources in Table 4.1.
- 97 For an insider's contemporary assessment of the GDR's economy at this time, see Hans Hermann Hertle, 'Staatsbankrott: Der ökonomische Untergang des SED-Staates', *Deutschland Archiv*, vol. 25, no. 10 (October 1992), pp. 1019-30. For scholarly treatments that document the economic crisis and the lack of viable options, see, in particular, Maier, *Dissolution*; and Jeffrey Kopstein, *The Politics of Economic Decline in East Germany, 1945-1989* (Chapel Hill, NC: University of North Carolina Press, 1997).
- 98 Aleksandr Galkin and Anatoly S. Chernyaev, 'Pravda, i tol'ko pravdu' [The truth, and nothing but the truth], *Svobodnaia Mysl'*, Nos 2-3 (1994), p. 28. For reconstructing Soviet thinking in this period, the authors are grateful to Anatoly Cherniaev, Sergei Tarasenko, Andrei Grachev and Oleg Grinevskiy for discussions on this subject conducted at the Conference on 'German Reunification and the End of the Cold War', Wildbad Kreuth Germany, 21-24 October 1999. Excellent published sources include Philip Zelikow and Condoleezza Rice, *Germany Unified and Europe Transformed: A Study in Statecraft* (Cambridge, MA: Harvard University Press, 1995); Angela E. Stent, *Russia and Germany Reborn: Unification, the Soviet Collapse, and the New Europe* (Princeton, NJ: Princeton University Press, 1999); and Adomeit, *Imperial Overstretch*.
- 99 Oleg Grinevsky, 'Kak nachilos' ob'edninenie Germanii' [How German unification began], unpublished MS, courtesy of Ambassador Grinevsky. Other alternative diplomatic strategies very roughly along these lines - but vetted later in the endgame - are detailed in Julij A. Kwizinskij, *Vor dem Sturm: Erinnerungen eines Diplomaten* (Berlin: Siedler, 1993); and Valentin Falin, *Politische Erinnerungen* (Munich: Droemer Knaur, 1993).
- 100 Zelikow and Rice, *Germany*, Ch. 5.
- 101 These measures are detailed in Doris G. Wollgramm, *The Kohl Government and*

- German Reunification: Crisis and Foreign Policy* (Lewiston, NY: Edwin Mellen Press, 1997). They were part of Bonn's larger policy of using economic incentives in the diplomacy of reunification, which is brilliantly documented in Randall E. Newnham, *Deutsche Mark Diplomacy* (University Park, PA: Pennsylvania State University Press, 2001).
- 102 The 27 January 1990 Politburo meeting at which Gorbachev formally decided to bank on the FRG is recounted in Chernyaev, *My Six years with Gorbachev*, Ch. 7.
- 103 In March 1990, West Germany provided 13.7 per cent of the total number of joint ventures in the Soviet Union and 12.5 per cent of the initial capital investment in the country. See Alan B. Sherr, 'Foreign Direct Investment in the Soviet Union: Status and Trends', Briefing Paper No.5, Center for Foreign Policy Development, Brown University (May 1991), p. 33.
- 104 *Ibid.*, p. 16. Gorbachev described Bonn's willingness to agree to assume financial responsibility for the GDR and offer Moscow new credits 'oxygen' for *perestroika*. Quoted in Stent, *Russia and Germany Reborn*, p. 126.
- 105 Newnham, *Deutsche Mark Diplomacy*, is the best source here.
- 106 Thus, at a conference in Moscow organized by Russia's Institute of General History and the Merzhon Center at Ohio State University, Yazov responded to the question of what he would have done differently regarding German unification by stating, 'I would have demanded more money from the Germans!'
- 107 The most recent articulation of this popular argument is Andrew Kydd, 'Trust, Reassurance, and Cooperation', *International Organization*, vol. 54, no. 2 (2000), pp. 325–57, esp. p. 350.
- 108 In his introductory remarks at the Princeton conference on the Cold War endgame, Anatoly Cherniaev noted his surprise that it was the ideologically steeped Soviets rather than the pragmatic Westerners who were first to trust their old adversaries. See Wohlforth (ed.), *Cold War Endgame*, Ch. 1.
- 109 See Shoon Murray, *Anchors Against Change: American Opinion Leaders' Beliefs After the Cold War* (Ann Arbor, MI: Michigan University Press, 1996).
- 110 This is the basic theme of Raymond L. Garthoff's magisterial *The Great Transition: American-Soviet Relations and the End of the Cold War* (Washington, DC: Brookings Institution, 1994).
- 111 See Robert M. Gates, *In from the Shadows* (New York: Simon & Schuster, 1996); Zelikow and Rice, *Germany Unified*; Robert L. Hutchings, *American Diplomacy and the End of the Cold War* (Washington, DC: Woodrow Wilson Center, 1997); Jack F. Matlock, Jr., *Autopsy on an Empire: The American Ambassador's Account of the Collapse of the Soviet Union* (New York: Random House, 1995).
- 112 NSD 23 (9/22/89) 'United States Relations with the Soviet Union', from National Security Archive's Briefing Book for its oral history conference 'The End of the Cold War in Europe, 1989: New Thinking and New Evidence', Musgrove, St Simon's Island, Georgia, 1–3 May 1998.
- 113 Zelikow and Rice, *Germany Unified*, report that Washington was ready to insist on German unification in NATO even at the risk of a crisis in the relationship. In the spring of 1988, the CIA predicted that Moscow would embark on unilateral arms reductions out of economic necessity: Doc. no. 59 in National Security Archive, 'Understanding the End of the Cold War'. In September 1989, the Agency asserted that Soviet domestic instability would 'prevent a return to the arsenal state economy that generated the fundamental military threat to the West ... since World War II', whether or not Gorbachev retained power. 'Gorbachev's Domestic Gambles and Instability in the USSR', declassified, in National Security Archive.
- 114 The memorandum of conversation is excerpted in Mikhail S. Gorbachev, *Gody*

- Trudnykh Reshenii* [Years of Difficult Decisions] (Moscow: Tortuga, 1993), pp. 172–97.
- 115 George Bush and Brent Scowcroft, *A World Transformed* (New York: Norton, 1998).
- 116 Zelikow and Rice, *Germany Unified*; Robert L. Hutchings, *American Diplomacy and the End of the Cold War: An Insider's Account of US Policy in Europe, 1989–1992* (Washington, DC: Woodrow Wilson Center, 1997); Horst Teltschik, *329 Tage: Innenansichten der Einigung* (Berlin: Siedler, 1991).
- 117 Numerous scholars have endorsed this staged approach in recent years. See, for example, Jeffrey Checkel, 'The Constructivist Turn in International Relations Theory', *World Politics*, vol. 50, no. 2 (January 1998), p. 346; Katzenstein, Keohane and Krasner, 'International Organization at Its Golden Anniversary', p. 682; John G. Ruggie, 'What Makes the World Hang Together? Neo-Utilitarianism and the Social Constructivist Challenge', *International Organization*, vol. 52, no. 4 (Autumn 1998), pp. 866–7; and Alan Lamborn, 'Theory and the Politics in World Politics', *International Studies Quarterly*, vol. 41, no. 1 (June 1997), p. 205.
- 118 See, for example, Wendt, *Social Theory*, p. 129; Wendt, 'Anarchy is What States Make of It', p. 420; Robert G. Herman, 'Identity, Norms, and National Security: The Soviet Foreign Policy Revolution and the End of the Cold War', in Peter J. Katzenstein (ed.), *The Culture of National Security*, New York: Columbia University Press, 1996, p. 277; and Bukovansky, 'American Identity and Neutral Rights from Independence to the War of 1812', p. 217.