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THE SOVIET UNION:  
A POLITICAL ASSESSMENT

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Like Brazil, South Korea and the Philippines, the Soviet Union faces for the first time in recent history simultaneous economic and political transitions of great magnitude. It faces these transitions at a time of unusual difficulty in foreign policy. The 1980s should therefore be a period of unparalleled uncertainty and potentially serious discontinuity in Soviet political-economic development.

The Soviet Union faces a turnover of the entire senior political elite. For straightforward reasons of age, the entire leadership group which has ruled since the death of Stalin in 1953 will soon vanish. The transition will be constitutionally unregulated. Previous Soviet elite transitions (namely from Lenin to Stalin, Stalin to Krushchev, and Krushchev to Brezhnev) have invariably been exciting periods in Soviet history.

Economically the Soviet Union faces a period of labor shortages, of exhaustion of opportunities for extensive development of agriculture, of energy crunch, and of technological obsolescence. Productivity has not been increasing at all in recent years, and Soviet technology has not, on average, gained on the West in the last generation. The prospects are for average growth to be in the 1-3% range, a range hitherto regarded as utterly unacceptable. Pressures to keep military spending high and to improve consumer goods have already led to massive cutbacks in heavy industrial investments. Hence the political transition will occur at a time of heightened tension and competition among key social groups.

Socially the Soviet Union is entering a period of when the ethnic Russians will be a minority population while simultaneously nationalist sensitivities in other parts of the Soviet Union are rising. The more educated and professionalized population will make greater demands for autonomy of various groups. Consumer expectations are rising slowly, but definitely rising. While dissidents remain extremely weak, and worker consciousness on the Polish model appears unlikely for some years in the future, these social pressures will create difficulties in a time of economic stringency. They will not, however, in the next five years put the Soviet leadership in the Polish leadership's position of being so domestically weak as to risk loss of ability to run the economy.

The Soviet Union's foreign policy will continue to be a dangerous mix of assertiveness and insecurity. Soviet assertiveness derives from the Soviet Union's successful attainment of nuclear parity with the United States and of conventional military advantages in several critical areas: Germany, Iran, and South Asia. Soviet insecurity derives from economic weakness, ideological failures and the dangers presented by the great diplomatic coalition the Soviet Union has mobilized against itself: a historically unparalleled combination of the United States, Japan, China, most of Southeast Asia, much of the Muslim world, and Western Europe. Despite notable successes in several of the most primitive areas of the world, namely Ethiopia, Angola, and Afghanistan, the Soviet Union is bedeviled by loss of ideological influence in Western Europe, loss of control over Eurocommunist movements, demoralization in Eastern Europe and immediate crisis in Poland, loss of its base of guerrilla movements in the major countries of South America (notwithstanding current upheavals in Central America), and loss of influence in most of Northeast and Southeast Asia except for Indochina. Support of its interests in Afghanistan, Ethiopia, Cuba, and Indochina represents a continuing drain on Soviet resources -- to which has now

been added Poland and the potential for a further great hemorrhage of resources into Poland.

This combination of political, economic, social, and foreign policy difficulties implies extraordinary uncertainty as to the future directions of the Soviet Union. This is not to say that revolutionary upheaval is likely; it is not at all probable. Nor is it to say that the Soviet Union is in imminent danger of difficulties which would make it impossible to pay its debts or that it is on the verge of acquiring a radical leadership which would likely repudiate debts to the West; neither seems at all likely. The Soviet Union traditionally is conservative in its approach to financial management and is likely to remain so. Nonetheless, the Soviet Union will present an increasingly uncertain environment for investment. The principal source of potential difficulties in relations with Western banks probably comes through the medium of potential foreign policy crises with the West. In the event of a Soviet invasion of Poland, major projects are likely to be cancelled by the West. For instance, if arrangements are made for a natural gas pipeline from the Soviet Union into Western Europe, they might well be disrupted by the Soviet invasion of Poland. Severe economic sanctions by the West could conceivably lead to retaliation by the Soviet Union in a manner which would be damaging to Western banks. In short, the Soviet Union during this period must be treated essentially as a very large, economically conservative Third World country, whose scale and rapidity of change present both significant opportunities and major risks.

The Soviet experience of Poland and, perhaps more significantly, the Western reaction to Afghanistan, tends to reinvigorate traditional autarkic impulses. The Soviet leadership would like to avoid any further financial dependence on the West. However, economic imperatives are likely to override such desires and transform them into a preference for dealing with Western Europe rather than the United States. The Soviet financial leadership will probably have reason to perceive the U.S. as an unreliable supplier; their conclusions will reinforce the predilections of the foreign policy leadership for dealing preferentially with the West Europeans in order to split them from the U.S.