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Author(s): ALAN P. DOBSON

Source: *Diplomatic History*, June 2005, Vol. 29, No. 3, Diplomatic History Roundtable: The Bush Administration's Foreign Policy in Historical Perspective (June 2005), pp. 531-556

Published by: Oxford University Press

Stable URL: <https://www.jstor.org/stable/24915133>

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The Reagan Administration, Economic Warfare, and Starting to Close Down the Cold War*

President Reagan's strategy to accelerate the demise of the Soviet Union consisted of five pillars: economic, political, military, ideological, and moral.

William P. Clark, President Reagan's national security adviser¹

The first Reagan administration adopted, designed, and successfully implemented an integrated set of policies, strategies, and tactics specifically directed toward the eventual destruction (without war) of the Soviet Empire and the successful ending of the Cold War with victory for the west.

Norman A. Bailey, NSC staff member, first Reagan administration²

[NSDD 75] . . . is for the longhaul . . . the U.S. must demonstrate credibly that its policy is not a blueprint for an open-ended, sterile confrontation with Moscow, but a serious search for a stable and constructive long-term basis for U.S.-Soviet relations.³

In order to implement [containment and roll-back; promotion of internal change within the Soviet empire; and negotiations in US interests on the basis of strict reciprocity], the U.S. must convey clearly to Moscow that unacceptable behavior will incur costs that would outweigh any gains. At the same time, the U.S. must make clear to the Soviets that genuine restraint in their behavior would create the possibility of an East-West relationship that might bring important benefits for the Soviet Union.⁴

Exactly what did the Reagan administration intend to do with economic defense policies? Were they designed to defeat or draw the Soviets into negotiation? Men such as Bailey and Clark believe that Reagan intended and suc-

*The author would like to acknowledge his gratitude to the Ronald Reagan Presidential Library for supplying photographs to illustrate this article.

1. Norman A. Bailey, *The Strategic Plan that Won the Cold War: National Decision Directive 75* (MacLean, VA, 1999), "Forward."

2. *Ibid.*, 8.

3. National Security Decision Directive 75 (NSDD 75), "US Relations with the USSR," 17 January 1983.

4. *Ibid.*



Figure 1: President Reagan and his staff in the early hard-line days of the first administration.

ceeded in bringing down the Soviet empire through a cleverly integrated and effectively delivered strategy, including economic squeeze, denial, and challenge policies. However, while the key policy document dealing with U.S.-Soviet relations, NSDD 75, clearly aimed at changing the Soviet Union, it articulated little that was different from the position of previous administrations. More importantly, in contrast with the views of Clark and Bailey, it spoke of establishing better long-term relations and of carrots and sticks to modify Soviet policy in a way that echoed the linkage policy of Nixon and Kissinger from the much reviled years of *détente*. NSDD 75 does not seem to meet even the criteria for prevailing over, never mind defeating, the Soviets.⁵

The Reagan administration's Cold War strategy is fraught with difficulties of interpretation. Some see Reagan in terms of symbolism or as an agent in the politics of decline. Others see him as incompetent, wayward, and overly influenced by Nancy Reagan. There are those who celebrate his revival of American values and strength, and those who revile his politics as chauvinism and his economics as exploitative capitalism. Some see him as an effective statesman because of his pragmatism, others because of an aggressive agenda dictated by his right-wing ideology.⁶ The latter has been a popular and powerfully presented

5. "That's always the expression. How we prevail." Interview by the author with Gus W. Weiss, 28 April 2003, Washington DC.

6. Robert Dallek, *Ronald Reagan: The Politics of Symbolism* (Cambridge, MA, 1984); Joel Krieger, *Reagan, Thatcher and the Politics of Decline* (Cambridge, UK, 1986); Geoffrey Smith,

view by those who saw Reagan's militarily buildup, the momentum he created for Western renewal, and the Strategic Defense Initiative (SDI), or Star Wars program, as part and parcel of a strategy aimed at, and which in their view achieved, victory over the Soviet Union.⁷

From yet another perspective, while U.S. policies were "hard-headed" and disruptive for the Soviets, radical change appears to erupt not primarily because of anything that Reagan did, but because of the long-standing structural flaws in the Soviet economy and the corrosive influence of Western ideas in an ever more interdependent world with permeable state borders. Seductive Western ideas began to take hold because of enhanced communications, the aggressive propaganda of the Roman Catholic Church, and the fora established by the Helsinki Accords for economic, political, and human rights reforms.⁸ Some even see the military strength Reagan developed as just another symptom of terminal superpower overstretch. Reagan's time in office gave new impetus to the debate about U.S. decline, fostered mainly by Paul Kennedy's *The Rise and Fall of the Great Powers*.⁹ Ironically, the most influential voice in rejecting that thesis, Joseph S. Nye's, still blamed Reagan for temporarily weakening the United

Reagan and Thatcher (London, 1990); Lou Cannon, *President Reagan: The Role of a Lifetime* (New York, 1991); "President Reagan, who may have had cynical advisers was not cynical himself. . . . took the principle of 'negotiation from strength' literally: once one had built strength, one negotiated." John L. Gaddis, *The United States and the End of the Cold War: Implications, Reconsiderations, Provocations* (New York, 1992), 125.

7. Peter Schweizer, *Reagan's War: The Epic Story of His Forty-Year Struggle and Final Triumph over Communism* (New York, 2002); Derek Leebaert, *The Fifty-Year Wound: The True Price of America's Cold War Victory* (Boston, 2002). Members of the Reagan administration who have written in a similar vein include Caspar Weinberger, *Fighting for Peace: Seven Critical Years in the Pentagon* (New York, 1990); Robert Gates, *From the Shadows: The Ultimate Inside Story of Five Presidents and How They Won the Cold War* (New York, 1996); Richard Pipes, "Misinterpreting the Cold War," *Foreign Affairs* 74 (January/February 1995): 154-61; Gus W. Weiss, *The Farewell Dossier: Strategic Deception and Economic Warfare in the Cold War—An Insider's Untold Story* (<http://www.cia.gov/csi/studies/96unclass/farewell.htm> and hardcopy supplied by Weiss to the author); and Bailey, *The Strategic Plan that Won the Cold War*. The idea that the U.S. military buildup was a major factor that led to the demise of the Cold War and Western "victory" is rejected by Russian insider experts such as Georgi Arbatov, *The Soviet System: An Insider's Life in Soviet Politics* (New York, 1992) and by scholars such as Frederich Kratchowil, in his scathing attack on neorealism, "The Embarrassment of Changes: Neo-realism as the Science of Realpolitik without Politics," *Review of International Studies* 19, no. 2 (1993): 63-80. Beth A. Fisher, *The Reagan Reversal: Foreign Policy and the End of the Cold War* (Columbia, MO, 2000), raises substantial doubts about cause and effect from both the U.S. arms buildup and the early Reagan administration hard line by close scrutiny of the chronology of Soviet policy developments.

8. R. Davy, ed., *European Détente: A Reappraisal* (London, 1992); K. Dawisha, *Eastern Europe, Gorbachev and Reform* (Cambridge, UK, 1990); David Ryall, "The Cross and the Bear: The Vatican's Cold War Diplomacy in East Central Europe" and Robert Bideleux, "Soviet and Russian Perspectives on the Cold War," in *Deconstructing and Reconstructing the Cold War*, ed. Alan P. Dobson with S. Malik and G. Evans, assoc. eds. (Andover, UK, 1999). A closely associated approach emphasizes the importance of the beliefs of Gorbachev and his associates: Don Oberdorfer, *The Turn from Cold War to a New Era* (New York, 1991) and McGeorge Bundy, "From Cold War to Trusting Peace," *Foreign Affairs* 69, no. 1 (1990): 197-212.

9. Paul Kennedy, *The Rise and Fall of the Great Powers* (London, 1988).

States through profligate defense spending and thus adding to the national debt.¹⁰ The hindsight of many in the “Reagan Cold War victory school” seems to have overlooked that there were deep concerns in the early 1980s of a U.S. economic collapse and its descent into isolation and a diminished status in world affairs. In fact, fears such as these were far more vocal than any debate about a Soviet collapse from whatever cause. Finally, some historians place more emphasis on a broad range of factors that influenced the dramatic events of the late 1980s and early 1990s, and some conclude that “we all lost the Cold War,” while others emphasize Reagan’s willingness to negotiate once he had achieved a position of strength and claim that those negotiations closed down the Cold War well before the collapse of the Soviet Union.¹¹

Within this fraught context, the difficulty of interpreting economic defense policy is compounded by the impossibility of disentangling the strategic from the tactical. Further problems lie in the frequent disjunction between Reagan’s rhetoric and actions, in the different motives that people held for pursuing the same policies, and in the tendency to identify the administration with a highly ideological group committed to aggressive strategies. In order to unravel this tangle one must judge the balance between the doctrinaire and the pragmatic in Reagan; distinguish between those who had different reasons for supporting the same actions to see what this tells us about the actual meaning of policies; and measure the extent to which the hard-line ideologues managed to determine policy. Two further questions of interpretation arise from this. First, to what extent was policy intended to be all-out cold economic warfare during 1981–1985? Terminology here requires a little elucidation. As with the terms “Cold War” and “war,” it seems that there are benefits to be derived from using “cold economic warfare” and “economic warfare” to distinguish between activities possible during war conditions and those possible under conditions of a hostile peace. Furthermore, while cold economic warfare might be construed as the application of economic instruments of statecraft to pursue noncommercial objectives short of defeating an adversary, all-out economic warfare is clearly directed at the collapse of, or regime change in, an adversary. While these stipulations may seem arbitrary at the moment, what follows should provide justification.¹² The second question is, even if there were such a dom-

10. J. S. Nye, Jr. *Bound to Lead: The Changing Nature of American Power* (New York, 1990).

11. Michael R. Beschloss and Strobe Talbot, *At the Highest Levels: The Inside Story of the End of the Cold War* (Boston, 1993); Richard Ned Lebow and Janice Gross Stein, *We All Lost the Cold War* (Princeton, NJ, 1995). A highly persuasive argument against the Reagan Cold War victory thesis is presented by Beth A. Fisher in a paper for the *Norwegian Nobel Institute*, “Reagan’s Triumph? The U.S. and the Ending of the Cold War,” 16 May 2002; see also her *The Reagan Reversal*. An interesting overview of the rather narrow “causal” accounts of the end of the Cold War is in Charles W. Kegley, “How Did the Cold War Die? Principles for an Autopsy,” *Mershon International Studies Review* 38, no. 1 (1994): 11–41.

12. For a more elaborate discussion of these matters see Alan P. Dobson, *US Economic Statecraft for Survival 1933–1991: Of Sanctions, Embargoes, and Economic Warfare* (London, 2002), chap. 11.

inant desire to destroy the Soviet Union and/or force a regime change through all-out economic warfare, was it consummated?

SIGNPOSTS TO REAGAN'S VIEWS

Reagan thought that the Soviets had serious economic problems and that their grip on empire, particularly on Poland, was slipping. His conversations with Pope John Paul II on 7 June 1982, further exchanges with the Vatican thereafter, and the text of his 8 March 1983 "evil empire" speech all clearly indicate those convictions.¹³ But victory over communism and the collapse of the Soviet Union were something else. There is no hint in NSDD 75 of imminent radical change in Soviet policies, nor of Soviet collapse and U.S. victory. There is little doubt that Reagan intended to renew America, reinvigorate the Western alliance, and challenge the Soviets more effectively. Precisely to what end and with what economic tactics is less easy to establish. During the 1980 election campaign he commented:

The Soviets have been racing but with no competition. No one else is racing. And so I think that we'd get a lot farther at the table if they know that as they continue, they're faced with our industrial capacity and all that we can do.¹⁴

Reagan wanted to compete in the Cold War more vigorously, but he took it for granted that "the Russians, . . . considered it unthinkable that the United States would launch a first strike against them."¹⁵ This conviction created room for aggressive maneuvering, which involved combative rhetoric to arouse U.S. public opinion, more assertive leadership of the West, a cutback in the technology flow to the East, and increased defense spending and technological innovations such as SDI, which were intended to challenge the Soviets to respond and thus place further pressure on their stretched economy. At the same time covert and counterintelligence activities were to be increased. In November 1980, Reagan's transition team had concluded: "Decisive action at the CIA is the keystone to achieving a reversal of the unwise policies of the past decade."¹⁶

13. See Christopher Andrew, *For the President's Eyes Only: Secret Intelligence and the American Presidency from Washington to Bush* (New York, 1996), chap. 12. In fact the Reagan record, both before and during his presidency, is replete with references to the unsustainability of the Soviet economic system in the long term, but one should not deduce from this that Reagan was bent on destroying the Soviet Union during his terms of office or that he expected his policies would cause its swift collapse.

14. Hedrick Smith et al., *Reagan the Man, the President* (Oxford, 1980), 120–21, citing sources International Associated Press interview, 1 October 1980.

15. Ronald Reagan, *An American Life* (New York, 1992), 588; Garthoff's judgment echoes this and even includes Reagan's more extreme colleagues: "Reagan was not disposed to take confrontational courses of action that risked a direct clash with the Soviet Union, nor were any of his principal advisers. . . ." R. Garthoff, *Détente and Confrontation: American-Soviet Relations from Nixon to Reagan* (Washington, DC, 1985, revised 1994), 1013.

16. Quoted from Rhodri Jeffreys-Jones, *The CIA and American Democracy* (New Haven, CT, 1989), 227–28.

And soon Reagan unleashed the ex-OSS (Overseas Strategic Service) operative William Casey as director of the CIA and conferred upon him the unprecedented position of cabinet member. Part of the justification for such robust action was the widespread concern about the impact that Soviet acquisition of Western technology would have on the strategic balance. In 1981 this fear rose to new levels of paranoia among many of the self-professed ideologues in the administration with the revelations of the Soviet Line X Operation, designed to steal Western technology. Even before he knew about Line X, Reagan wanted to cut down on the technology flow to the East, though not to the same extent as his more ideologically committed colleagues, or at too great a cost to both the unity of the Western alliance and his aim of drawing the Soviets into productive negotiations. This looks remarkably like the reincarnation of the Truman administration's convictions about the importance of allies and its adage of only negotiating from a position of strength. Not surprisingly, these complex aims sometimes caused apparent contradictions.

Reagan lifted the grain embargo against the USSR [imposed by the Carter administration in retaliation for the Soviet invasion of Afghanistan in 1980] without denying the principle of economic sanctions, which was invoked in the case of Poland less than nine months later. He denounced arms control, but in less than a year his administration was involved in negotiations. He denounced SALT 2 as fatally flawed but lived up to its provisions for five years. He attacked the Helsinki conference but continued to participate fully in the follow-on meetings at Madrid, Stockholm and Vienna.¹⁷

Whether or not Reagan opposed East-West trade on "moral, economic and strategic grounds" is debatable given his lifting of the grain embargo in April 1981 and other measures which he later approved, but it is clear that he appointed people to low-, middle-, and high-ranking positions who held such views. These included Gus W. Weiss and Norman A. Bailey on the National Security Council (NSC) staff, Richard Perle as assistant secretary of defense for international security policy, Richard Pipes, the main Soviet specialist on the NSC, Lawrence Brady, assistant secretary of commerce for export administration, William P. Clark, national security adviser, William Casey, director of the CIA, and Caspar Weinberger, secretary of defense.¹⁸ At the outset of his presidency, the use of economic sanctions was prioritized because Reagan and Weinberger thought that the United States would not send effective deterrent

17. G. Hyland, *Mortal Rivals: Superpower Relations from Nixon to Reagan* (New York, 1987), 232.

18. Steven Elliott, "The Distribution of Power and the US Politics of East-West Energy Trade Controls," in *Controlling East-West Trade and Technology Transfer: Power, Politics and Policy*, ed. G. K. Bertsch (Durham, NC, and London, 1988), 78. Brady had been fired by the Carter administration for publicly criticizing lax implementation of export controls; Reagan reappointed him at a higher level. B. W. Jentleson, *Pipeline Politics: The Complex Political Economy of East-West Trade* (Ithaca, NY, 1986), 175.

messages if they relied solely on U.S. military capabilities.¹⁹ Reagan attributed potency to economic measures and believed that they could bring the Soviets to the negotiating table. In 1982 he thought curtailing Western credits would confront the Soviets with a stark choice of currying favor with the West or starving. This message was also broadcast by his national security adviser William Clark, who told an audience at Georgetown University in May 1982: "We must force our principal adversary, the Soviet Union, to bear the brunt of its economic shortcomings."²⁰ In 1983 Reagan told Prime Minister Margaret Thatcher of Britain that "the task was to convince Moscow that the only way it could remain equal was by negotiations because they could not afford to compete in weaponry for very much longer." And after Mikhail Gorbachev became general secretary in April 1985, Reagan became convinced that if he waited long enough the Soviets would accept deep arms cuts because of the parlous state of the Soviet economy, even though the United States would proceed with SDI.²¹

Several scholars have talked of a strategy of all-out cold economic warfare and of its deployment during 1981–1985.²² Key figures, including Weinberger, Casey, Perle, Pipes, and Brady, all had the intention of waging all-out cold economic warfare, with the objective of causing the collapse of, or regime change in, the Soviet Union. However, this is incompatible with early signposts to Reagan's thinking, with his accommodating line after 1984, with the actual text of NSDD 75, and with his willingness to negotiate from a position of economic and military strength.

EARLY DAYS AND RISING PARANOIA AMONG THE HARD-LINE IDEOLOGUES

For all its bold rhetoric, the Reagan administration took time to determine its way ahead. The most immediate issue was the grain embargo. Secretary of State Alexander Haig, true to his mentors President Nixon and Henry Kissinger, urged the president not to lift the embargo unless the Soviets recip-

19. The issue here is more complex than a straightforward inventory of U.S. military power. As Hyland argues, both U.S. weakness in 1981 and strength in 1985 were overexaggerated, but by 1985 Reagan had managed to change perceptions and most crucially of all, so far as Soviet assessments were concerned, he had set in train a trend of U.S. military buildup. Hyland, *Mortal Rivals*, 232.

20. Quoted from Louis J. Walinsky, "Coherent Defense Strategy: The Case for Economic Denial," *Foreign Affairs* 61 (Winter 1982/83): 471.

21. Andrew, *For the President's Eyes Only*, 468, citing Reagan, *An American Life*, 316, 320, Diary, 26 March 1982; Margaret Thatcher, *The Downing Street Years* (London, 1993), 324, and on the wisdom of Reagan holding out at Reykjavik, 471; Reagan, *An American Life*, 66, and Donald T. Regan, *For the Record: From Wall Street to Washington* (London, 1988), 295–98.

22. Most notably the leading scholars in this field, M. Mastanduno, *Economic Containment: COCOM and the Politics of East-West Trade* (Ithaca, NY, 1992), 233–34 and elsewhere in his various publications; Philip Hanson, "Soviet Responses to Western Trade Policies," in *East-West Trade and the Atlantic Alliance*, eds. David A. Baldwin and Helen V. Milner (London, 1990), 50; Jentleson, *Pipeline Politics*, 175.



Figure 2: State of the Union Address 25 January 1984, by which time Reagan had initiated a more conciliatory line with the Soviets.

roated with concessions. He argued, in particular, that a unilateral abandonment of the embargo would send the Soviets the wrong message when they were poised to intervene to restore their position in Poland, which was under attack from the Solidarity trade union reform movement led by Lek Walensa. At Reagan's first cabinet meeting, Secretary of Agriculture John R. Block argued strongly for lifting the embargo, but Reagan remained unmoved. However, as domestic pressures mounted, Block and presidential counselor Ed Meese prevailed and Reagan lifted the embargo on 24 April. The first major move of the administration in the economic defense sphere was to moderate President Carter's policy despite the opposition, not just of the pragmatic Haig, but also the hard-liners such as Jeanne Kirkpatrick, U.S. ambassador to the United Nations, Weinberger, and National Security Adviser Richard V. Allen.²³

Over the following weeks, the hard-liners and the pragmatists championed by the State Department struggled for influence to determine strategy. At the 7 July NSC meeting "a consensus emerged that Western equipment was important to Soviet economic development and also that the sale of critically strategic material should be curtailed."²⁴ But this was no different than the received wisdom in the Carter administration.²⁵ As the months went by, more signifi-

23. Alexander Haig, *Caveat* (New York, 1984), 57, 80–81, 210.

24. P. J. Fungello, *American-Soviet Trade in the Cold War* (Chapel Hill, NC, 1988), 196.

25. Carter, an engineer by profession, was probably the first president to take high-technology transfers such as computers really seriously.

cance was placed on restricting high-technology flows, partly because SDI emphasized the importance of technology applications for defense, partly because of the ceaseless pressures from Weinberger, Perle, et al., and partly because of yet more reports confirming the importance of restricting weapons technology transfers.²⁶ Nevertheless, this was not a dramatic development and at the Ottawa Western Economic Summit in July, although Reagan raised the issue of technology transfer, he made little impact on his allies and in the conference final communiqué was grateful for some anodyne phrases of compromise from Thatcher. “We concluded that consultations and, where appropriate, coordination are necessary to ensure that, in the field of East-West relations, our economic policies continue to be compatible with our political and security objectives.”²⁷ This was not a good augury for the ideological hard-liners who wanted to stiffen the backbone of their allies and strengthen the Western COCOM multilateral embargo.²⁸ All Ottawa produced was an agreement to talk at a COCOM meeting in January 1982. However, as luck would have it for the ideological hard-liners, revelations of the Line X Operation, along with Soviet pressure on Poland and the declaration of martial law that came in December 1981, provided fuel for their arguments, and new opportunities for pursuing their objectives.

The intentions of Richard Perle were abundantly clear before the Polish crisis erupted. In November he stated that “the assessment of the Department of Defense and of the Reagan Administration is that this highly coordinated Soviet effort [to match Western technology] is being carried out at the expense of the free world by a raid on our technology . . . from precision tools to process know-how technology.” In May 1982 Weinberger went even further: “Selling them our valuable technology upon which we have historically based much of our security is short-sightedness raised to the level of a crime.”²⁹ Behind these statements lay the knowledge of a well-organized Soviet conspiracy.

One of the more curious incidents of the extraordinary Cold War years was the revelation of the Soviet Line X Operation and the U.S. response through “Farewell.” In early summer of 1981 Marcel Chalet, head of the Direction de la Surveillance du Territoire, told Vice President George H. W. Bush about a

26. United States Government, *Soviet Acquisition of Western Technology* (Washington, DC, 1982); United States Government, *Soviet Acquisition of Military Significant Western Technology: An Update* (Washington, DC, 1985).

27. Quoted from Smith, *Reagan and Thatcher*, 53. Smith comments: “At Ottawa her [Thatcher’s] interest was to save him from political embarrassment without endorsing his entire position on East-West trade.”

28. The coordinating committee, or COCOM, was established in 1949. It was made up of NATO members except for Iceland and included Japan from 1952. It met periodically in Paris to establish lists of prohibited and restricted goods for export to the Soviet bloc and Communist China.

29. Both are quoted from Bertsch, *Pipeline Politics*, 17, 21, citing as sources Perle testimony before House Committee on Foreign Affairs, Sub-Committee on International Economic Policy and Trade, 12 November 1981, and Weinberger speech, Foreign Policy Association, New York, 21 May 1982.

new informant, Vladimir Vetrov, codenamed Farewell, who worked in the KGB's scientific and technological division. Later at the Ottawa Summit, President Mitterand passed to Reagan and Haig information from Vetrov about Line X, which had been running since 1970 out of over ten centers in Western Europe, the United States, and Japan. During 1980 "a total of 3,617 'acquisition tasks' had been under way, of which, 1,085 had been successfully completed in the course of the year, producing over four thousand 'samples' and more than twenty-five thousand technical documents. The main S [science] & T [technology] target, as in the case of political and military intelligence collection, had been the United States." According to Mitterand, Reagan and Haig thought that "the Vetrov revelations were 'the biggest affair of its kind since the Second World War.'" ³⁰ Why this caused such a fuss is slightly puzzling as the West had known for decades about Soviet technology thefts. Nevertheless, when interviewed, Gus W. Weiss was emphatic: "No! No! No! No! They didn't know the details and the scope."³¹

Once the Americans had the information from Vetrov there was something of a problem. "No-one could work out a way to make operational use of this stuff until I [Weiss] read it and it seemed obvious to me, if they want it we'll give it to them but we're going to do a little sabotage."³² Weiss went to William Casey with his idea of feeding the Soviets technological disinformation and defective hardware.³³ Casey liked it so much he presented it to Reagan without apparently acknowledging Weiss's input. The result was Operation Farewell.

Just how effective the program was,³⁴ is difficult to determine as no assessment of the damage done is available. The head of French counterintelligence Yves Bonnet expelled forty-seven Soviet representatives in 1983, and one might plausibly surmise that this was at least partially linked with Farewell, but even though the British and other NATO allies were briefed on Line X operations nothing happened until September 1985 when Britain expelled thirty-one Soviet officials.³⁵ Mass expulsions from the United States, the main target of

30. Quoted from Andrew, *For the President's Eyes Only*, 465, citing sources C. Andrew and O. Gordievsky, *KGB: The Inside Story of Its Operations from Lenin to Gorbachev* (New York, 1991), 621–23; Philip Hanson, *Soviet Industrial Espionage: Some New Information* (London, 1987); and Pierre Favier and Michel Martin-Roland, *La décennie Mitterand* (Paris, 1990), 1:95.

31. Weiss interview. Undoubtedly some highly sensitive materials were pirated, but just what their overall impact was on the military and strategic balance is currently impossible to say.

32. Weiss interview.

33. Gus W. Weiss, *The Farewell Dossier*, <http://www.cia.gov/csi/studies/96unclass/farewell.htm>; see also Weiss, *Farewell Dossier*.

34. Or indeed is, as Weiss claims that it is still in operation. When asked targeted against whom, his reply was, "Whoever tries to steal it."

35. Geoffrey Howe, *Conflict of Loyalty* (London, 1995), 440; Thatcher, *Downing Street Years*, 470. It could be argued, of course, that expulsions were not made because the United States wanted to continue to feed the Soviets defective information, but there has been no suggestion that the British were also involved in that, so why they waited so long to expel Soviet agents is a little puzzling.

Line X operations, did not occur until even later in a tit-for-tat series of expulsions by the United States and the Soviet Union in 1986, involving approximately eighty Soviet representatives. Furthermore, it should be noted that the British and U.S. expulsions might have had more to do with the British Soviet informer Oleg Gordievsky, a KGB officer at the Soviet embassy in London, than with Vetrov. Just how significant all this was is difficult to assess. The most important thefts appear to have been to do with airborne surveillance and warning systems and nuclear detonators. Weiss believes that Line X revelations impacted on NSDD 75 and strengthened the determination to cut back on the technology flow to the Soviets. According to the U.S. intelligence community, the technological time lag between the Soviet Union and the United States had shrunk from fifteen to three to four years from 1970 to 1980 and the implication is that this was partly to do with Line X. However, once again things become opaque. In what areas did the time lag apply? Presumably not to military aircraft, where on American intelligence's own admissions Soviet planes were superior to their U.S. counterparts. What we can be sure of is that the Line X revelations fueled the ideological hard-liners' passion to wage all-out cold economic warfare as vigorously as possible to try to defeat the Soviet Union. They did not see the use of economic statecraft primarily as a means of articulating moral condemnation of the Soviets, or as a means of communicating resolve and deterrent messages, or as a means to pressurize the Soviets into constructive dialogue. For this group of advisers there were two fundamental justifications for all-out cold economic warfare: the denial of high technology,³⁶ and to increase stress within the Soviet system to the point where it would snap. With the Polish crisis they thought their opportunity to increase such pressures had arrived.

POLAND

Of Poland, Weinberger wrote in his memoirs: "The President-elect correctly sensed that this was to be his first test and that a great deal would depend, for at least the next four years, on how he, and the nation, reacted to Soviet pressure on Poland."³⁷ The key issue from the start was how could the United States send clear and convincing messages to deter the Soviets from further aggressive acts that might spiral out of control into a direct East-West military confrontation?³⁸ As Haig put it, "Our signal to the Soviets had to be a plain warning that their time of unrestricted adventuring . . . was over."³⁹ Prior to his inaugural, Reagan met with his security team at Blair House to discuss strategy. It agreed that if the Soviets moved militarily to shore up the Communist regime in Poland, the United States could not sit idly by, but the president was very

36. Weiss interview.

37. Weinberger, *Fighting for Peace*, 25.

38. See Dobson, *US Economic Statecraft for Survival*, 249–62.

39. Haig, *Caveat*, 96.

aware of making threats that could not be carried out and the consequences for future credibility if bluffs were successfully called.⁴⁰ “A telegram from Col. Ryszard Kuklinski, the CIA’s longtime source inside the Polish general staff, reported in early December 1980 that [General] Jaruzelski [the Polish leader] had ordered his Defense Ministry to approve Kremlin-sponsored plans to allow 18 divisions of Soviet, Czechoslovak and East German troops to enter the country. . . .”⁴¹ However, for some time after Reagan entered the White House, developments in Poland seemed to be on hold, but intelligence reports were still deeply ominous. In the spring, CIA intelligence from Poland suggested that a Soviet military entry into Poland was imminent. Reagan sent a secret letter to Brezhnev, warning him to expect “the harshest possible economic sanctions from the United States if they launched an invasion.”⁴² Reagan and Casey both saw Poland as the weak link in the Soviet ring of satellites, as, in fact, did Moscow.⁴³

Things took a dramatic turn on 13 December 1981, when the Polish government declared martial law. It took Washington by surprise, and it was several days before Reagan responded. Part of the problem was that there was no overt Soviet intervention. The United States and its allies had not prepared a collective response for this eventuality.⁴⁴ However, intelligence reports placed beyond doubt, in the collective mind of the Reagan administration, Soviet involvement and responsibility for martial law.⁴⁵ Reagan wrote to Thatcher of his outrage at the Soviet role in Poland.⁴⁶ On 29 December he announced a range of trade sanctions. His declared intention was “to convey to those regimes, how strongly we feel about their joint attempts to extinguish liberty in Poland.”⁴⁷ Notwithstanding the clampdown by the Polish authorities, there was still a possibility of direct Soviet military intervention. Recent evidence has cast new light on the role of Jaruzelski and the Soviets and while controversy abides, it would appear that Jaruzelski wanted direct Soviet intervention, but the Kremlin refused, fearing that it would be too provocative for the West.⁴⁸ Nevertheless, so far as the Americans were concerned, they knew that the Soviet Union had been a key mover of events, and they thought that a direct military intervention by the Soviets was still highly probable even after the declaration of martial law. These

40. Ibid.

41. Malcolm Byrne, “New Evidence on the Polish Crisis 1980–81,” *Cold War International History Project (CWIHP) Bulletin* 11 (Winter 1998): 3.

42. Reagan, *An American Life*, 302; and Andrew, *For the President’s Eyes Only*, 462.

43. Ibid., 468.

44. Smith, *Reagan and Thatcher*, 73.

45. Andrew, *For the President’s Eyes Only*, 466, citing Reagan, *An American Life*, 303.

46. Thatcher, *Downing Street Years*, 253, the letter arrived 19 December 1981.

47. *Public Papers of the President: Ronald Reagan 1981* (Washington, DC, 1981), 1202

48. Mark Kramer, “Jaruzelski, the Soviet Union and the Imposition of Martial Law in Poland: New Light on the Mystery of December 1981,” *CWIHP Bulletin* 11 (1998) and Jaruzelski’s reply, 32–40.

considerations are important because they have a bearing on establishing the motives and intentions behind U.S. sanctions.

Reagan's reasons for imposing sanctions on Poland overlapped with those of his hard-line Defense Department and NSC team, but it is possible to see other reasons at play as well to which he gave more emphasis than they. Reagan was determined to send a strong message of condemnation in order to redeem the threats he had uttered to try to deter Soviet involvement in the repression of the Polish reform movement and to try to deter them from further aggressive moves. There would also have been little chance of gaining Allied support for a more combative stance against communism if he had not taken punitive action. U.S. Eximbank credit guarantees were stopped, Polish fishing and airline rights in areas of U.S. jurisdiction were suspended, and the president requested the Allies to restrict high-technology exports. On 29 December similar sanctions were imposed on the Soviet Union, most notably including the suspension of talks for a new long-term grain agreement and an embargo on equipment for the Urengoi oil pipeline. However, these measures did not meet with the full approval of either the ideological hard-liners in the administration, who wanted and continued to push for more punitive measures, or the Allies, who would only muster feeble retaliatory measures against the Soviets and verbal condemnation at the NATO Council on 11 January. The polarization of views is well-illustrated by Weinberger's desire to declare Poland in default on its debt repayments and the expression of horror at such a prospect by Prime Minister Thatcher, who, by no one's account, could be considered to be soft on communism.⁴⁹ It became obvious on 23 January that there would be a real problem between the United States and its allies when the French signed a major pipeline contract with the Soviets: others soon followed.

Both Mastanduno and Jentleson argue that the Polish sanctions issue was hijacked by the hard-liners in Washington. Martial law in Poland may have been the "proximate," but it was neither the only nor the "most significant cause" for the sanctions against the pipeline. It all became part of "the broader attempt to retard the Soviet economy over the long run."⁵⁰ Indeed, the principal "architect of the pipeline sanctions was Richard Perle, who obtained the full backing of Weinberger. It was a characteristic Perle move, an example of swift lateral thinking that took his adversaries by surprise."⁵¹ His statement "indicated that American coercive objectives ran much deeper than the symbolic and compliance objectives associated with the issue of martial law in Poland." It was, Jentleson suggests, part of an "overarching strategy" to return to the economic

49. Mastanduno, "The Management of Alliance Export Control Policy," in *East-West Trade*, ed. Bertsch, 302–3; Thatcher, *Downing Street Years*, 354–55; Haig, *Caveat*, 255.

50. Bruce W. Jentleson, "The Western Alliance and East-West Energy Trade," in *Controlling East-West Trade*, ed. Bertsch, 331; Mastanduno, *Economic Containment*, 246.

51. Smith, *Reagan and Thatcher*, 73.

coercion of the 1950s.⁵² Perle and his allies seized the unexpected turn of events in the Polish crisis as an opportunity to push their agenda of waging all-out cold economic warfare against the Soviets. The hard-line ideologues such as CIA Director Casey, who by late 1981 was Reagan's key adviser on Poland, had much input into the decision to sanction Poland and the Soviet Union. These officials had no faith in linkage. They believed that the way forward was to cow the Soviets into submission by forging ahead with high-technology upgrades of U.S. armaments, by economically and psychologically damaging the Soviets with a comprehensive and multilaterally applied embargo policy, and by demonstrating that they could not economically meet the challenge posed by the U.S. military buildup. According to Haig, the ideological hard-liners pushed things to the extent of overreaching their authority: "When the decision [to sanction] was applied by the Department of Commerce, one of its officials, going beyond the letter of intent of the President's policy, interpreted it as being retroactive." "I doubt that this was the President's intent . . . , certainly this issue never won support in discussion around the NSC table." "Inexplicably, the Administration accepted this bureaucratic fiat."⁵³ What this meant was that European allies would be required to break contracts already concluded with the Soviets and U.S. subsidiaries in Europe and European companies that relied on U.S. technology would be subject to U.S. sanctions if they did not abide by the new U.S. East-West export restrictions. All Haig could do, with the help of Donald Regan, Secretary of Commerce Malcolm Baldrige, and U.S. Trade Representative William Brock, was to delay implementation while Undersecretary of State James Buckley went to canvass European opinion. Reagan was willing to risk Allied "estrangement" over sanctions, but the extent to which this pushed them away eventually inclined him to compromise: not so with the ideological hard-liners.⁵⁴

PROBLEMS WITH ALLIES

In the meantime, the high-level COCOM meeting agreed upon at Ottawa convened and decided to strengthen its enforcement procedures, review the embargo lists, and extend the export no-exceptions policy adopted in 1980 to at least 1983. The Americans, Brady in particular, made it plain that the United States wanted to go far beyond these modest initiatives and begin to control technology, process know-how, and equipment that did not directly relate to military use. The Europeans firmly rejected this. When the United States and its allies reviewed progress at the Williamsburg Economic Summit in 1983, the Americans were disappointed to say the least at the modest progress that had been made. The Europeans had insisted on keeping the embargo criterion of "direct military value," and while fungibility made that flexible and subject to

52. Jentleson, *Pipeline Politics*, 173.

53. Haig, *Caveat*, 254.

54. Reagan, *An American Life*, 303.

interpretation, only two categories were moved from foreign policy to national security criteria.⁵⁵ During 1982–1984 in the overall review of the COCOM controls, 58 out of 100 specific proposals from the United States were accepted and there was further compromise in which controls over computers were liberalized in return for a tightening of controls on computer software and digital switching systems.⁵⁶ “The new items on the control list were certain types of machine tools, dry docks, semi-conductors, manufacturing equipment, robotics, super-alloy technology and software.”⁵⁷ Significantly, however, as Jentleson rightly observes, these improvements were due to “the shared assessment that much high-technology trade, legal and illegal, posed a serious security threat.”⁵⁸ The Europeans were willing to strengthen the strategic embargo: they were not willing to adopt a strategy of all-out cold economic warfare directed toward causing an implosion of the Soviet Union.

Although changes in COCOM began to gather pace, the hard-liners in Washington were not satisfied and still looked to impose pipeline sanctions, unilaterally if necessary. Buckley’s trip to Europe did not resolve things and in May, on the urgings of Secretary Haig, George Shultz was sent to explore the possibilities of a compromise. One idea that had gained favor was to control credits to the Soviets. In February at the Allied conference in Madrid, the Europeans had told Haig that this was a real possibility. On 8 March, Thatcher, deeply worried about the prospects of a serious rift in the Western alliance, wrote to Reagan expressing the hope that new credit controls might provide the basis of a compromise and avert the imposition of U.S. retroactive extraterritorial sanctions against the Allies.⁵⁹ Shultz’s visit to Europe confirmed Allied willingness to move on this: he reported that no one wanted to subsidize the Soviet Union.⁶⁰ Haig now used this as the basis for an agreement at the Versailles Summit.⁶¹ A compromise was struck on the basis of an implicit understanding that “the United States would not apply retroactive, extraterritorial pipeline sanctions” in return for action on credits for the Soviets. The most recalcitrant of the Allies, France, was given the additional incentive of an offer of U.S. dollar support for the ailing franc. Unfortunately, Treasury Secretary Regan was not privy to the making of this arrangement and when he was apprised of things he rejected the deal. The U.S.-Allied compromise came apart and the United

55. Mastanduno, *Economic Containment*, 260.

56. Mastanduno, “COCOM and American Export Control Policy: The Experience of the Reagan Administration,” in *East-West Trade and the Atlantic Alliance*, eds. D. Baldwin and H. V. Milner (London, 1990), 195.

57. S. Alam, “Russia and Western Technology Controls,” *International Relations* 11, no. 5 (1993): 469–91, and 477, citing source, *National Academy of Sciences, Balancing the National Interest: US National Security Export Controls and Global Economic Competitiveness* (Washington, DC, 1987).

58. Jentleson, *Pipeline Politics*, 180.

59. Thatcher, *Downing Street Years*, 255.

60. Shultz, *Turmoil and Triumph: My Years as Secretary of State* (New York, 1993), 137.

61. Haig, *Caveat*, 305.



Figure 3: Cabinet, 20 January 1984, with George Shultz as secretary of state.

States and its allies fell into deeper disarray. The ideological hard-liners in Washington now moved in for what they thought would be the kill. Maneuvering so that Haig was out of Washington at the time, the new NSA William Clark scheduled an NSC meeting to consider how to proceed on the pipeline issue. Lawrence Eagleburger represented State, but the hard-liners, particularly Clark, Casey, and Weinberger, pushed through the decision to go ahead with retroactive sanctions to stop the export of gas and oil industry equipment and apply them extraterritorially against U.S. subsidiaries and foreign companies manufacturing such goods under license. “Clark placed only the strongest option paper before Reagan, who uncharacteristically approved it on the spot. There had been little discussion of the issue, and virtually no participation by the president himself.”⁶² This was a Pyrrhic victory. The response of the Allies was one of indignant fury. Even Thatcher condemned it publicly and Britain along with other countries and the European Community denounced the action as illegal and took steps to require their national companies to fulfill their legally binding contractual obligations. This created the very scenario that Haig (and Thatcher) had so dreaded, particularly as Pershing II and Cruise missile Euro-

62. *Ibid.*, 312.

pean deployment was only months away. Not only did the European reaction create a serious divide in the Western camp at a time when that could be very costly, but more specifically for the focus of attention here, it weakened and ultimately negated the thrust of the U.S. sanctions campaign.

CONFLICTING MOTIVES

The tactical victories of the ideological hard-liners were short-lived. When Haig resigned on 25 June, he was replaced by George Shultz who was a much more effective operator and someone who was on record as a critic of what he called “light-switch diplomacy,” or turning on and off trade flows.⁶³ He soon made it a priority to end sanctions. Reagan also had a rather different position to Weinberger, Perle, et al. He had threatened the Soviets in the spring of 1981 with dire economic consequences if they were to enter Poland militarily and had confided to Weinberger his fears about not being able to convey strong enough messages to the Soviets to act as deterrents. More than anything else, those considerations motivated Reagan to impose sanctions. He was in the business of sending messages. If high-technology denials slowed down the Soviets’ military programs or hurt them economically then these things were also desirable. He wanted to use economic measures to pressure the Soviets. But his goal was negotiation, not the collapse of, or uncontrollable turmoil in, the Soviet Union. It was on these objectives that he parted company with the hard-liners in his entourage. In short, different factions in the administration had different reasons for wanting to see sanctions imposed. Some indeed saw them as a further step along the road to all-out cold economic warfare, but others, including the president, did not. And even if the Reagan administration had an overarching strategy to implement all-out cold economic warfare (the present argument rejects this), one must agree with the judgment that Reagan was in the end reduced to “verbal denunciation and the most limited and ineffective economic sanctions.”⁶⁴ The overall conclusion here is that there was no overarching strategy because key people in the administration did not favor all-out cold economic warfare. And, as a strategy pursued by the ideological hard-liners, it amounted, in the end, to wishful thinking because they could not carry either key figures within the Reagan administration with them, nor the Allies.

Weinberger, Perle, Clark, Casey, and Brady now discovered that the Europeans were no easier to coerce than the Soviets, and that Shultz was just as able to outmaneuver them as they had Haig.

Shultz and Baldrige moderated the impact of the sanctions by restricting their scope. There were also moves on the credit issue in the Organisation for Economic Co-operation and Development (OECD) in July, which went some

63. Haig, *Caveat*, 240; Shultz, *Turmoil and Triumph*, 137.

64. Stephen E. Ambrose, *Rise to Globalism: American Foreign Policy since 1938* (Harmondsworth, 1988), 316.

way toward appeasing the Americans. The Soviet Union and its satellites were recategorized as “relatively rich,” which meant minimum credit terms rose from 10.5 to over 12 percent. However, still more needed to be done to bridge the rift between the United States and its allies. In a meeting on 5 August, Weinberger remained robustly militant: “I don’t want to hear about legalities,” he snapped, and ‘was against the very idea of a negotiation to resolve this bitter dispute.’”⁶⁵ But Weinberger was no longer dealing with Haig. The very next day Shultz went to work on the president, who gradually moved more and more to accommodate the Allies.

Shultz began a dialogue, using the good offices of Francis Pym, British foreign secretary, in order to get things moving. At the October NATO Foreign Ministers’ Conference in Canada, he negotiated a general strategy on East-West economic relations that would save face for the United States and allow Reagan to lift the sanctions on U.S. allies. At the NSC meeting on 15 October Weinberger tried to hold out for more, but Shultz effectively would have none of that. He got his way.⁶⁶ The United States tried to represent the deal as one that would create a “tougher general trade policy toward the Soviet Union,” but it was largely a face saver and one can really only have minor differences with the claim that it “was not” a tougher policy in substance.⁶⁷ On 13 November, the president lifted the sanctions on oil and gas equipment and announced that a substantial accord had been achieved among the Allies. They had agreed:

Not to engage in trade agreements that “contribute to the military or strategic advantage of the USSR,” particularly high tech goods and oil, gas equipment; not to give preferential aid; not to sign new gas agreements pending completion of energy alternative study by allies; to strengthen COCOM controls; to monitor financial relations with view to harmonizing credit policies.⁶⁸

There were further, if rather minor, developments in COCOM over the following six years, but the pipeline crisis was at an end and it turned out to be the high water mark for those pushing for all-out cold economic warfare. It soon became clearer than ever that the primary intent of the administration was negotiation, not outright victory, through exhausting the Soviet Union into col-

65. Shultz, *Turmoil and Triumph*, 138. However, on 9 October 1982, U.S. disregard for legalities was demonstrated when it withdrew MFN status from Poland, contrary to the rules of GATT; see James Mayall, “The Western Alliance, GATT and East-West Trade,” in Baldwin and Milner, *East-West Trade*, 28.

66. *Ibid.*, 141.

67. Garthoff, *Détente and Confrontation*, 1035.

68. G. C. Hufbauer and J. S. Schott, *Economic Sanctions Reconsidered: History and Current Policy* (Washington, DC, 1985; 2nd ed. with Ann Elliott, 1990), 699–700, citing sources, *Congressional Quarterly*, 20 November 1982, p. 2883; *Department of State Bulletin*, January 1983, p. 28.

lapse. By March 1983 Shultz was gaining ascendancy in the administration and pushed through new initiatives for talks with the Soviets. In September, though not without difficulty, he headed off attempts to mount a new sanctions campaign in retaliation for the shooting down by the Soviets of the Korean civilian airliner KAL-007. At the end of 1983 the president shifted decisively toward negotiation and relations thereafter steadily improved. All-out cold economic warfare was now definitely out, and soon economic help was to come in.

Even during the period 1981 to the end of 1983, on both counts of alleged administration intent to wage all-out economic warfare and having the actual means to consummate such intent, matters fell far short of the mark. Bureaucratic infighting, the impact of Allied policies, and Reagan himself prevented either the firm establishment of a clear intent on the part of the U.S. administration, or the implementation of an effective strategy of all-out cold economic warfare, though policy for a time moved further along the continuum away from a strategic embargo to engage with the intention of damaging the Soviet economy for the reasons above and beyond considerations of strategic defense.

The bureaucratic infighting was notorious and a cause of serious embarrassment at home and at international gatherings. "At worst, what Richard Perle called Reagan's extreme 'intellectual delegation of authority' invited either bureaucratic chaos, or the pushing of policy far into the regions of unaccountability."⁶⁹ On at least two occasions this chaos favored the hard-line ideologues who sought to push policy further into the realms of all-out cold economic warfare with the Soviets, but as Shultz observed, "No decision could ever be regarded as final or implemented with confidence as policy."⁷⁰ In the end, opportunism, afforded by temporary advantage gained in the Washington bureaucratic struggle, did not produce a coherent policy. The squeeze policy was never clearly established, among other reasons because Reagan did not consistently apply it.⁷¹ Somewhat ironically, Mastanduno, after arguing that the United States did develop an economic warfare strategy (and more ambivalently claims that it was deployed), itemizes attributes of U.S. policy toward COCOM which appear to belie that claim. He observes that U.S. policy was a "broad denial strategy of economic warfare," which used linkage, but had a lack of consensus, except over agricultural exports, involved a high level of bureaucratic

69. John Dumbrell, *American Foreign Policy from Carter to Clinton* (Basingstoke, 1997), 59. The disagreements and feuds were not just between departments and agencies, but within them as well; for example, Michael Pillsbury, acting director of the Arms Control Agency in the Department of State, see Strobe Talbot, *Deadly Gambits: The Reagan Administration and the Deadlock in Nuclear Arms Control* (New York, 1984), 45.

70. Shultz, *Turmoil and Triumph*, 690.

71. Dumbrell, *Carter to Clinton*, 117; Peter Boyle, *American-Soviet Relations: From the Russian Revolution to the Fall of Communism* (London, 1993), 207.

infighting, and was inconsistent.⁷² Mastanduno's intention was to highlight the discrepancy between aims and results in COCOM, but can one actually call this a strategy of cold economic warfare when there was a lack of consensus on what to control, inconsistency in policy, and a high level of bureaucratic infighting? This was bad enough for the hard-line ideologues whose ambition it was to wage all-out cold economic warfare, but there were also problems both with U.S. capabilities and allies.⁷³

A long-standing critique leveled against proposals that the United States should conduct economic warfare against the USSR was that if a total embargo were instituted the impact would be negligible. Even before Carter's retaliation for the invasion of Afghanistan, the total of U.S.-USSR trade was tiny in relation to each country's GDP. By 1981, U.S. exports had dropped to about \$1.5 billion, and most of that was in foodstuffs. The argument that it was the high-technology quality of U.S. exports and their potential to open Soviet production bottlenecks carried some, but by no means decisive, force and, in any case, there were alternative sources of supply except for a tiny range of products. The Bucy Report in 1976 had emphasized the dangers of technology transfers, but it, and Bucy's subsequent journal articles, did not argue for economic warfare, unless one wants to define that concept as maintaining a technological lead time over the Soviets.⁷⁴ Thus, if stopping U.S. trade would not impact significantly on the Soviets, then the next logical step was to ask the question: would it have significant impact if it were to be applied multilaterally? The answer to that question, however, was a moot point, because the Allies made it abundantly clear that they were not willing to develop anything that smacked of cold economic warfare. Even Reagan's closest ally Thatcher stood out against American calls for extending the Western embargo in response to the declaration of martial law in Poland. When Haig visited Downing Street on 29 January 1982, Thatcher also ridiculed the idea of calling in Polish debts because of the chaos that would cause to Western banking. She pointed out the asymmetry in burdens when the United States was proposing that members of the alliance

72. Mastanduno, "COCOM and American Export Control Policy: The Experience of the Reagan Administration," in *East-West Trade*, eds. Baldwin and Milner, 213.

73. To be fair to Mastanduno, whose work I have the utmost respect for, at times he seems to be arguing that the *intent* of the Reagan administration was to develop and wage a strategy of economic warfare, rather than actually succeeding; see *ibid.* and *Economic Containment*, 233–36, 263–64. But at other points he seems to suggest that economic warfare was actually practiced; see *ibid.*, 13, where he identifies 1949–1958 and 1980–1984 as periods of U.S. economic warfare and defines it: "Economic warfare is aimed to weaken the military capabilities of a target state by weakening the state's economy." However, as demonstrated here, actual policy never approached the scope, effectiveness, or consistency required for economic warfare. On this latter point, the area of difference between Mastanduno and my position seems to hinge on different understandings of economic warfare.

74. Defense Science Task Force on Export of U.S. Technology, *An Analysis of Export Control of US Technology—A Department of Defense Perspective* (Washington, DC, 4 February 1976); F. Bucy, "On Strategic Technology Transfer to the Soviet Union" and "Technology Transfer and East-West Trade: A Reappraisal," *International Security* 1 (Spring 1977) and 5 (Winter 1980/81).

should shoulder an oil and gas industry equipment embargo, while there was no talk of a U.S. grain embargo. And finally, she bluntly told Haig, and subsequently Reagan by letter, that there was no possibility of West Germany or France (and by implication, Britain) giving up their pipeline contracts with the Soviets.⁷⁵ Six months later in June 1982, Thatcher, on one of her numerous visits to Washington, continuously harangued the president and his advisers about the extraterritorial application of U.S. sanctions against recalcitrant allies in the pipeline crisis.⁷⁶ As the Europeans were refusing to cooperate with such determination, it became clear to most rational people that a policy of effective Western cold economic warfare was simply not going to happen in reality, though that did not stop the ideologically committed from advocating and trying to develop such a policy. Shultz's comments about William Casey are apt here: "But his views were so strong and so ideological that they inevitably colored his selection and assessment of materials."⁷⁷ The lack of cooperation by the Allies is fully documented in the works of Mastanduno, Jentleson, Hanson, and others, but its implication for the claims about economic defense strategy and its application are not always clearly drawn, even when it is acknowledged that the Europeans did not allow COCOM "to be an instrument of America's broader economic warfare strategy."⁷⁸

THE PRESIDENT

Where did Reagan stand on all this? What were his intentions and just how hard-line was he? While Reagan's language was often provocative and harsh, his actions toward the Soviets were consistently more moderate. Sometimes this was because of his own agenda, sometimes because of arguments that prevailed upon him from advisers or allies. At the 30 April 1981 NSC meeting, the first since Reagan had been gunned down by a would-be assassin in March, Haig managed to get the president to approve arms talks with the Soviets before the end of the year, in part to appease restless allies. Thus talks came, albeit after some delay, but one should not read too much into that for, as one scholar has put it, "by far the most important reason for the delay was intra-mural" bureaucratic warfare, not "international" reasons.⁷⁹ Later, the United States significantly allowed neither the Polish nor the KAL-007 crisis seriously to compromise those talks once they had begun. When NSDD 75 codified U.S. strategy and, advocating Weinberger's line, called "for an explicit objective of the United States, the use of economic pressure to influence the internal politics of the Soviet Union," it also stipulated that the United States should negotiate agreements with the Soviets that were in U.S. interests. In short the

75. Thatcher, *Downing Street Years*, 255; Haig, *Caveat*, 255–56.

76. Smith, *Reagan and Thatcher*, 100–102.

77. Shultz, *Turmoil and Triumph*, 691.

78. Mastanduno, *COCOM and American Export Control Policy*, 195.

79. Talbot, *Deadly Gambits*, 49, 233.

“directive’s main thrust was . . . pragmatic.”⁸⁰ Furthermore all this was before, not after, the change to the more accommodating stance of the administration, which became evident in 1984.

“Some advisers, like Weinberger, Perle, and Pipes, saw the situation [in the early 1980s] as a historic opportunity to exhaust the Soviet system.”⁸¹ Reagan appears to have had a rather different agenda. In April 1981 he lifted the grain embargo and the balance in the administration between the pragmatists and the ideological hard-liners soon shifted. Pipes left after only two years and Haig’s successor, George Shultz, gradually outmaneuvered the vestiges of the ideological hard-liners. Finally, the bare facts tell a pragmatic rather than a consistent doctrinaire story. The United States imposed sanctions on Poland and the USSR in December 1981, and extended them extraterritorially against its allies in the summer of 1982. It also, however, granted exceptions for a major contract for pipe layers for the Caterpillar Company in July 1981 and eventually lifted the extraterritorial sanctions in November 1982. In August 1983 it lifted the embargo on pipe layers, and when Brady, Clark, and Weinberger sought to introduce another round of sanctions in response to the KAL-007 outrage, it caused a real furor, with William Root of the State Department resigning in protest. Shultz successfully headed off this new drive for more intensive cold economic warfare.⁸² Successively in January and August 1984, Washington lifted most of the sanctions on Poland, and at the beginning of 1985 the first U.S. trade mission since 1978 went to Moscow.⁸³ Needless to say by this time Brady was out of the Commerce Department. Even without considering the motives behind and the aims of these actions, the picture that is forming does not seem consistent with a vigorously prosecuted campaign of all-out cold economic warfare.

In addition to the evidence of Reagan’s motives in imposing sanctions is the fact that he began to change his public attitude and posture toward the Soviets during 1983 in order to engage them in constructive talks.

1983 was a crucible for change. However, given the hard-line of the Reagan administration and the disasters that blighted U.S.-Soviet relations during the course of the year, *prima facie* it seems strange that the change was to more temperate moderation. On 8 March, Reagan made his most notorious speech on the Soviet Union in front of the National Association of Evangelicals in Florida. He was widely reported as having condemned the Soviet Union as an

80. Andrew, *For the President’s Eyes Only*, 468; Mastanduno, *Economic Containment*, 238; Garthoff, *Détente and Confrontation*, 1012.

81. Gaddis, *The United States and the End of the Cold War*, 125.

82. Jentleson, *Pipeline Politics*, 210; P. Hanson, *Western Economic Statecraft in East-West Relations: Embargoes, Sanctions, Linkage, Economic Warfare and Détente* (London, 1988), 43, quoting Shultz from the *New York Times*, 14 September 1983, “Trade sanctions, particularly agriculture, would not be invoked unless we got Canada, Australia, and Argentina to go along with us.”

83. Hufbauer and Schott, *Economic Sanctions*, 683–711.

“evil empire.”⁸⁴ Later that month, he announced the SDI program. The tone was harsh at the outset of the year and in the autumn a series of events cast an even deeper pall over U.S.-Soviet relations. On 1 September there was the KAL-007 incident. On 6 October, much to Soviet embarrassment, Lek Walensa was awarded the Nobel Peace prize. That same month the United States suffered heavy casualties in its peacekeeping force in Lebanon when a terrorist truck bomb exploded in the Marine barracks, and in the Caribbean a U.S. force invaded Grenada to restore order, protect U.S. lives, and overthrow the Communist regime there. In early November the NATO exercise Able Archer was seen temporarily by the Soviets as being potentially the real thing, that is, a preemptive Western strike against the Soviet Union. And finally, in November, the United States started to deploy Pershing II and Cruise missiles in Europe: the Soviets walked out of the arms talks in Geneva. It was against this backdrop of rising tensions that Reagan began to shift his stance and look for negotiation rather than confrontation.

Exactly when this shift took place is not easy to determine. However, there were signs evident throughout the year that the U.S. position was not thoroughly hostile and uncompromising. On 15 February Reagan had his first formal discussion with a senior Soviet official when he met with Ambassador Dobrynin. Economic sanctions were eased and the United States did not embark upon new sanctions after KAL-007, nor did it walk out of the Geneva talks in protest. At the height of U.S.-Soviet tensions on 10 November, the ailing Brezhnev finally died. When Reagan visited the Soviet embassy to pay his respects he projected a friendlier image. Dobrynin even notes in his memoirs, “There are some who say that the historic turn in our relations began with this visit. . . .”⁸⁵ Crockatt identifies change in the presidential election year of 1984, whereas Garthoff identifies a range of reasons, but without judging which were the most important: the election year; more united allies; the fait accompli of U.S. Pershing II and Cruise missile deployment; and the renewal of U.S. strength. Gaddis opts for spring and summer 1983 after the savage criticisms of Reagan’s evil empire speech.⁸⁶ The president’s language was certainly more restrained after March 1983 and less than a year later Dobrynin noted the moderation and more friendly tone in a major speech about U.S.-Soviet rela-

84. In actual fact, the tone of the speech was much more moderate than one might think from the reports. Most of the speech was not about the Soviets. Ironically, Reagan used the phrase “evil empire” in the midst of a plea for toleration for the opening of negotiations with the Soviets. Source: *The Greatest Speeches of All Time* [this speech certainly does not merit such an accolade], Jerden Records, 1996, Ronald Reagan, “Evil Empire” extract.

85. A. Dobrynin, *In Confidence: Moscow’s Ambassador to America’s Six Cold War Presidents 1962–1986* (New York, 1995), 511–12.

86. R. Crockatt, *The Fifty Years War: The United States and the Soviet Union in World Politics 1941–1991* (London, 1995), 317; Garthoff, *Détente and Confrontation*, 1013; Gaddis, *The United States and the End of the Cold War*, 125.

tions that Reagan gave on 16 January 1984.⁸⁷ By September 1984 Reagan was forthright in his call for talks. "America has repaired its strength. . . . We are ready for constructive negotiations with the Soviet Union."⁸⁸ Although repairing U.S. strength, or, perhaps more importantly, perceptions of U.S. strength, was very important for Reagan, there were other factors at work that point toward November 1983 as the crucial turning point in Reagan's stance toward the Soviets.

In 1983, both London and Washington were influenced in their outlooks by information given by Gordievski, the KGB number two at the Soviet embassy in London, to British intelligence. The British foreign secretary at the time, Sir Geoffrey Howe, records: "It played an important part in shaping our strategy."⁸⁹ In particular, reports on Soviet suspicions that the CIA had contrived the whole KAL-007 episode and that they feared that Able Archer could be the real thing persuaded him just how paranoid they actually were. This helped to push Howe into what he termed "Howe's Ostpolitik," involving Prime Minister Thatcher's visit to Hungary in February 1984.⁹⁰ Evidence suggests that Reagan was similarly moved.

Robert McFarlane, national security adviser 1983–1985, has testified that Reagan was told about the Soviet fears of Able Archer and that it had impact on him.⁹¹ He realized that the Soviets really were scared about a Western nuclear first strike. This changed his perceptions about the room to maneuver aggressively. For all his combative rhetoric, Reagan's abhorrence at the prospect of a nuclear war is well-authenticated. There was no more talk of the evil empire. Shultz soon became the key policymaker for U.S. relations with the Soviets, and Reagan gave him the task of exploring new avenues of communication.⁹² In December 1984, Margaret Thatcher met Mikhail Gorbachev, at Chequers, her official country residence. She pronounced him to be "a man with whom I could do business."⁹³ Shortly after, in March 1985, Gorbachev became leader of the Soviet Union and the world discovered that Reagan also could do business with him.

87. Dobrynin, *In Confidence*, 545; *Public Papers of the Presidents of the United States: Ronald Reagan 1984* (Washington, DC, 1986), 40–44.

88. Quoted from Garthoff, *Détente and Confrontation*, Reagan's speech to the UN General Assembly, citing *Presidential Documents* (1 October 1984), 20:1356.

89. Geoffrey Howe, *Conflict of Loyalty* (London, 1995), 350.

90. *Ibid.*; and Thatcher, *Downing Street Years*, 454–58.

91. Smith, *Reagan and Thatcher*, 123. For details of Soviet fears, their reactions to perceptions of Western aggression, and Western analyses of all this, see the work of Ben F. Fischer and especially his *A Cold War Conundrum: The 1983 Soviet War Scare* (Washington, DC, 1997) and "More Dangerous Than We Thought? New Evidence on the Soviet War Scare," paper to the *Norwegian Nobel Institute*, 2 May 2002.

92. Andrew, *For the President's Eyes Only*, 476–77; Reagan, *An American Life*, 588–89.

93. Thatcher, *Downing Street Years*, 463.

CONCLUSION

The United States was rarely a unitary decision maker, and a unitary executive force did not propel the government. Actors changed their positions over time, key personnel came and went, and circumstances altered. These factors and the way the president interacted with—what may be loosely corralled into two factions within his administration—the ideological hard-liners and the more pragmatic Cold War warriors determined policy. Unlike his more ideological colleagues, Reagan never intended or expected to destroy the Soviet Union. Instead he strove to draw it into constructive negotiations. Despite all the violent criticisms of détente, in the end, Reagan practiced something similar himself. At Geneva in November 1985 Reagan and Gorbachev held the first U.S.-Soviet summit for six years. Dobrynin later described it in Churchillian terms as “the beginning of the end of the Cold War.”⁹⁴ Over the next three years the two leaders made substantial progress on disarmament and in generally improving East-West relations. At the time no one quite understood just how radical the changes were to prove. They ended what was already by then a very low key Cold War, and soon after, the Soviet Union collapsed. Ironically, by 1989 establishment conservatism in the form of George H. W. Bush thought that Reagan had moved too far too quickly with Gorbachev, in rather the same way that the radical right in the 1970s thought that Nixon and Kissinger had moved too far and too fast with Brezhnev.⁹⁵

Reagan was a great communicator and he used economic sanctions and the COCOM embargo primarily as forms of communication to bring the Soviets to the negotiating table. At times his wish for more aggressive economic statecraft coincided with the wishes of the ideological hard-liners, but the motives behind the wishes were different. Reagan believed that the Soviet Union would indeed expire under the weight of its contradictions, its inhumanity to its own citizens, its corruption, and its economic inefficiency. But there is little if any evidence to suggest that he expected its demise to be imminent or that he thought that U.S. economic actions would greatly hasten things. Even during 1981–1983, when the rhetoric resonated with the clamor of strategic and economic aggression, and the ideological hard-liners were at their most potent and presented with rich opportunities, a state of all-out cold economic warfare was never achieved nor even prevailed as a policy objective within the Reagan administration. Four main reasons have emerged for these conclusions. The first was the limited capacity of the United States to inflict damage economically because of the small amount of trade it conducted with the Soviet Union. The second reason was the lack of compliance with U.S. policy by its allies, which preempted the possibility of an effective multilateral embargo. The third reason was to do with bureaucratic differences and conflict within the admin-

94. Dobrynin, *In Confidence*, 564.

95. Beschloss and Talbot, *At the Highest Level*, chaps. 1–3.

istration and the fact that the ideological hard-liners only ever managed to achieve short-term tactical advantage. And the final and decisive reason was that Reagan intended to negotiate with the Soviets from a position of strength. He expected his overall strategy, including the array of economic tactics deployed, to bring the Soviets to constructive agreements rather than to vanquish them and their system. He neither intended nor expected the early demise of the Soviet Union to be a direct consequence of his actions.