The Soviet Challenge
to US Security Interests
NIE 11/4-82

THE SOVIET CHALLENGE
TO US SECURITY INTERESTS

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used in the preparation of this Estimate.
PREFACE

This Estimate analyzes those aspects of Soviet foreign and security policy that have significant consequences for US national security. As such, it is not intended as a comprehensive review of Soviet global involvement and regional policies. Rather, it seeks to explore the perceptions and likely assessments of the Soviet leadership with respect to Soviet-American interaction both in specific regions and in the bilateral realm. It also describes the means and instrumentalities by which Moscow has sought to implement its policies.

A specific purpose of the Estimate is to integrate recent work done within the Intelligence Community in an effort to develop a more comprehensive assessment of Soviet policies over the next three to five years. In particular, it offers judgments on the implications for Soviet policy options of the impending Soviet political succession, the consequences of declining economic performance, and the impact of increasingly heavy defense expenditures.
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KEY JUDGMENTS

The Soviet challenge to US security interests is rooted in Moscow's conception of its relationship with the United States as fundamentally adversary. This concept, based on ideological antagonism and geopolitical rivalry, governs Soviet behavior and also shapes Soviet perceptions of US policies toward Moscow. Its most dramatic manifestation is growing Soviet military power and capabilities which form the cutting edge of Moscow's persistent efforts to extend its global presence and influence at the expense of the United States and the West.

Although Soviet leaders regard military power as the USSR's principal currency as an international actor, they also view the East-West relationship as a more encompassing struggle involving political, economic, social, and ideological factors—a totality which the Soviets characterize as "the correlation of forces." Soviet leaders profess confidence that this correlation is "changing in favor of socialism" and Soviet policy, in turn, has sought to further this transition through the exploitation of a variety of means including military and economic aid, the use of proxies, covert activities, and the political alignment of the USSR with regimes or revolutionary movements opposed to US policies.

The Soviets believe that they enjoy some strategic advantages over the United States and view their current overall position as supporting the conduct of an assertive foreign policy and the expansion of Soviet influence abroad. However, they do not believe that they currently enjoy decisive strategic advantages over the United States and do not wish a major confrontation. They have an abiding respect for US military capabilities and are confronted themselves with the dilemmas of declining economic performance and the increasing burden of defense spending for the economy as a whole. They are unlikely to initiate military hostilities in an area of crucial importance to the United States like the Persian Gulf. However, they will seize opportunities offered by instability in the Third World to enhance their geopolitical influence and also to divert US attention from areas of direct US-Soviet interaction, even in situations where the USSR has little prospect of making significant gains for itself. Moreover, they may increasingly expect that the burden of avoiding potential confrontation, particularly in areas contiguous to the USSR, should shift to the United States. The Soviets' perception of their own opportunities is reinforced by a sense of US frustrations and geopolitical vulnerabilities, partic-
ularly in the Third World, where US regional equities appear to Moscow to be increasingly threatened by political radicalism and economic nationalism.

The advent of a new US administration, openly critical of the premises of detente and avowedly intent on increasing US military might, has not changed this basic perception but has raised Soviet concerns about a reinvigorated US effort to counteract Soviet expansionism and exploit underlying Soviet economic and geopolitical vulnerabilities. However, the Soviets view Washington’s ability to heighten the economic and military costs of the East-West competition to Moscow as subject to competing US domestic economic priorities and to reluctance on the part of US allies to incur the costs of increased defense expenditures, deferred economic opportunities, or increased tensions with Moscow. West European unease over a perceived lack of US commitment to arms control and US allies’ resistance toward US restrictive policies on East-West economic relations are viewed by the Soviets as presenting opportunities to provoke divisions between the United States and its principal allies.

In their current efforts to exploit these perceived divisions, the Soviets have been especially active in the clandestine realm. They have been engaged in a range of “active measures,” including the dissemination of forged documents intended to embarrass the United States and the covert financing of activities by some elements of the “peace movement” in Western Europe—particularly those groups either closely associated with indigenous Communist parties or anti-American in orientation.

The balance of strategic intercontinental nuclear forces is a critical index for Moscow’s assessment of relative military power between the United States and the USSR. The Soviets believe that in the present US-Soviet strategic relationship each side possesses sufficient capabilities to devastate the other after absorbing an attack. Soviet leaders state that nuclear war with the United States would be a catastrophe that must be avoided if possible and that they do not regard such a conflict as inevitable. Nevertheless, they regard nuclear war as a continuing possibility and have not accepted mutual vulnerability as a desirable or permanent basis for the US-Soviet strategic relationship. Although willing to negotiate restraints on force improvements and deployments when it serves their interests, they prefer possession of superior capabilities to fight and win a nuclear war with the United States, and have been working to improve their chances of prevailing should such a conflict occur. A tenet in their strategic thinking appears to be that the
better prepared the USSR is to fight in various contingencies, the more likely it is that potential enemies will be deterred from initiating attacks on the Soviet Union and its allies, and will be hesitant to counter Soviet political and military actions.

The sustained expansion and modernization of Soviet general purpose forces—both conventional and theater nuclear—highlight the broader aspects of Moscow's military challenge to the United States and its allies. The persistent Soviet effort to upgrade these forces demonstrates Moscow's intention of dominating the regional military balances in Central Europe and along the Sino-Soviet frontier. Moreover, Moscow's military salient in Afghanistan and the Soviet military presence in Ethiopia and South Yemen underscore the vulnerability of pro-Western Arab regimes to potential Soviet military action and the implicit threat to Western oil supplies.

In many respects, the Third World is seen by Moscow as the Achilles heel of the West, where the radicalization of postcolonial elites and the anti-US orientation of many "nonaligned" states have created tempting opportunities for the USSR to insinuate itself through offers of military and technical assistance. The USSR has developed only limited forces for operations beyond the Eurasian periphery, but modest improvements in Soviet airlift and amphibious capabilities enhance Soviet options for dealing with Third World contingencies in the future. In addition, the Soviets have been willing on occasion to use naval deployments to signify their political support for clients and friendly regimes, or to demonstrate Soviet interest in a regional conflict. The Soviets also hope to capitalize on opportunities to gain access to facilities for naval aircraft and ships.

Moscow's presence in the Third World is furthered by means of arms sales and military advisers. Arms sales do not necessarily translate directly into political leverage but they are a keystone of Soviet entree into the Third World and an important source of hard currency income to Moscow. The apparatus for administering arms sales and military training programs is highly centralized and, by drawing on existing large stockpiles, the Soviets possess an impressive capability to respond rapidly to the needs of clients or friendly regimes.

Another significant trend in Soviet Third World involvement is the continuing use of Cuban and East European proxies and other intermediaries together with covert Soviet involvement in supporting insurgent groups and the military adventures of client or dependent regimes. For the Soviets, the proxy relationship minimizes the level of direct Soviet involvement while achieving Soviet aims and projecting the ideological
image of "socialist solidarity" with the recipient regimes. Covert Soviet military support for clients allows Moscow the defense of "plausible denial" of Soviet involvement, as in Moscow's support for Cuban activities in Central America. Along with these efforts the Soviets also are involved with allied or friendly governments or entities—notably Libya, certain Palestinian groups, South Yemen, Syria, and Cuba—which in turn directly or indirectly aid the subversive or terrorist activities of a broad spectrum of violent revolutionaries.

Increasing foreign debt obligations and hard currency shortages could affect the level of Moscow's commitment to client regimes in the Third World. Even under present conditions, the hard currency crunch probably will make the Soviets reluctant to provide other clients with economic aid as extensive as that provided to Cuba or Vietnam. Soviet military assistance, however, probably will not be seriously affected and arms sales are unlikely to be affected. The net result is that Moscow will be more dependent on military aid as an entree of influence in the Third World.

The Soviets, nevertheless, recognize that even in areas where they have substantial political or military investments, they remain vulnerable to US and Western economic and diplomatic leverage, and that their ability to project military power into the Third World—with the important exception of the immediate periphery of the USSR—remains inferior to that of the United States. They have suffered dramatic failures in the past—as in their expulsion from Egypt in 1972—and they view current US initiatives, such as the attempt to broker political settlements in southern Africa and the Middle East, as threatening to erode Soviet influence. Regional hostilities, moreover, often present the Soviets with difficult policy choices.

Over the next three to five years, Soviet policies will be motivated by a desire to build upon the Soviet Union's status as a global superpower. Soviet policies, however, will also be determined by leadership anxieties about an uncertain—and potentially more hostile—international environment, the consequences of an ongoing political succession, and declining economic growth. The Soviets view as a serious problem the prospect of a mutual arms buildup with the United States which threatens to tax Soviet economic resources during a period of domestic political uncertainty. On the other hand, the heightened military challenge that the United States poses to the USSR, specifically in terms of strategic nuclear programs planned for the latter half of the 1980s, is an ominous development from the Soviet perspective. But, in
Moscow’s assessment, US plans could be curtailed as a result of domestic political and international factors affecting US policymakers.

It is doubtful, however, that Soviet leaders perceive a “window of opportunity” stemming from an overweening confidence in present Soviet nuclear forces relative to future prospects. From the perspective of the Soviet leadership, there will remain important deterrents to major military actions that directly threaten vital US national interests. These include the dangers of a direct conflict with the United States that could escalate to global proportions, doubts about the reliability of some of their East European allies, and an awareness of the greater Western capacity to support an expanded defense effort. These concerns do not preclude action abroad, but they act as constraints on military actions in which the risk of a direct US-Soviet confrontation is clear.

Strategic nuclear arms negotiations are likely to remain a central Soviet priority even in a post-Brezhnev regime. Moscow will continue to see the strategic nuclear arms control process as a means of restraining US military programs, moderating US political attitudes, and reducing the possibility of a US technological breakthrough that might jeopardize Moscow's strategic nuclear status. But any US decision to go beyond the putative SALT restrictions would induce a similar move by the Soviets. Some Soviet options, however, are reversible—such as an eventual failure to dismantle older missile submarines and land-based missiles as new ones are deployed. The Soviets might therefore undertake such measures either as a means to pressure the United States to refrain from certain weapons deployments or to induce Washington to resume the strategic arms dialogue within the general framework of previous strategic arms agreements.

Despite declining economic growth, we have seen no evidence of a reduction in Soviet defense spending. Indeed, on the basis of observed military activity—the number of weapon systems in production, weapon development programs, and trends in capital expansion in the defense industries—we expect that Soviet defense spending will continue to grow at about its historical rate of 4 percent a year at least through 1985. Such continued growth in defense spending could well lead to declines in living standards. Per capita consumption probably would continue to grow marginally for the next few years, but by mid-decade would almost certainly be in decline.

Although absolute cuts in defense spending are highly unlikely, declining economic growth will further intensify competition for resources, compelling Soviet leaders to weigh the effect of constant
increases in defense spending on the overall development of the economy.

The Soviets believe that, without strong West European support, the United States would have little leverage to affect future Soviet economic choices. Although the Soviets would prefer to expand trade with the United States, particularly to achieve access to US credits and technology, they assess US attitudes toward such expansion as embodying unacceptable political linkages. Past experience undoubtedly has contributed to this assessment, and expanded trade with Western Europe is probably seen by Moscow as an acceptable substitute. The Soviets are likely to look increasingly to Western Europe and Japan as sources of trade and technology, dependent upon the willingness of Western bankers and governments to extend long-term credits to Moscow. In addition, the Soviets view security and trade divergences between the United States and other NATO members as major opportunities to undermine NATO's cohesion as a military alliance and to negate the possibility that the United States might involve its NATO allies in support of a more extended Western defense role beyond Europe.

The specific foreign policy options of a successor leadership will be conditioned not only by the level of East-West tensions but by the prevailing consensus within the new leadership. Fairly radical policy adjustments cannot be excluded as new leaders review existing policies. A new leadership, for instance, may attempt "breakthrough" policies toward Western Europe or China, designed primarily to undercut the US geopolitical posture. Moscow's principal assets in these instances would be the unique ability to offer greater intercourse between East and West Germany in Europe and, with China, to offer significant concessions on contentious military and border issues.

On the negative side, Moscow is probably concerned about the potential for renewed social and political turbulence in Eastern Europe. The economic conditions that engendered the political crisis in Poland in 1980 are present to varying but significant degrees in the other Warsaw Pact states. Increasing foreign debt obligations, diminishing hard currency reserves, and deteriorating economic performance throughout Eastern Europe will worsen these conditions. Soviet policymakers as a consequence will be confronted with the dilemma of weighing the increasing burden of economic subsidization of the East European economies against a political reluctance to accept greater economic reform. The result could be a recurring pattern of Soviet repression and intervention.
The Soviets are probably also pessimistic about the prospects for a significant moderation of US-Soviet tensions over the next several years, particularly in light of planned US weapons programs and the likelihood of a prolonged redefinition of the terms of the strategic arms dialogue. But, even in the event of an improved climate of US-Soviet relations, the fundamentally antagonistic nature of US-Soviet interaction will persist because of conflicting political and international goals. Limited accommodations in the areas of arms control or other bilateral issues are possible, but a more encompassing accord on bilateral relations or geopolitical behavior is precluded by fundamentally divergent attitudes toward what constitutes desirable political or social change in the international order. Moreover, factors that go beyond tangible or measurable indexes—such as ideological conviction and a lingering sense of insecurity and of hostile encirclement—as well as a contrasting confidence and sense of achievement in the USSR's emergence as global superpower, collectively will tend to reinforce Moscow's commitment to sustain the global dimensions of Soviet policy.

Despite uncertainties, the Soviets probably anticipate that they will be able to take advantage of trends in international politics, particularly in the Third World, to create opportunities for the enhancement of Moscow's geopolitical stature. The persistence of regional rivalries, economic disorder, and the political undercurrents of anti-Americanism are viewed by Moscow as developments that will pose continuing dilemmas for US policy and, conversely, relatively low-risk opportunities for Soviet exploitation of regional instabilities. Active Soviet efforts to exploit such instabilities are particularly likely in those areas—such as southern Africa, the Middle East, and Central America—where US policy is closely identified with regionally isolated or politically unpopular regimes. A basic Soviet objective, consequently, will be to frustrate US diplomatic and political attempts to resolve regional disputes in the Third World. In Third World regimes that experience successful economic growth, however, the Soviets will be poorly equipped to offset the economic benefits to such regimes of closer association with the industrialized West.

As the Soviet leadership moves further into a period of political succession, Soviet policies will become less predictable. The potential confluence of greater Soviet military power, increased regional instabilities, more assertive US policies, and the potential for expanded US military capabilities in the late 1980s could make a successor Soviet leadership increasingly willing to exploit opportunities in what it perceives as low-cost, low-risk areas. This attitude, in turn, could increase the possibilities of miscalculation and unpremeditated US-Soviet confrontations, most likely in the Third World.
DISCUSSION

I. The Nature of US-Soviet Relations

A. Current Trends

1. After several years of progressive deterioration, the US-Soviet relationship appears to have reached a new juncture. The decline in bilateral relations has its roots not only in a conflict of interests and policies but in a conflict of perceptions and assumptions. From the US perspective, moreover, the critical element in the changing fortunes of the relationship with Moscow has been the persistent effort by the Soviet Union to increase its global power and influence. This effort has been based largely on a sustained military buildup, supplemented by the use of proxy forces in the Third World. It has involved attempts to enhance Soviet influence by arms sales and support for leftist revolutionary movements; diplomatic and clandestine efforts to discredit US regional policies; and the direct reliance on military force to resolve political dilemmas closer to home, as demonstrated by Moscow’s invasion of Afghanistan and its complicity in the military crackdown in Poland.

2. The evolving pattern of Soviet policies suggests not only increased Soviet confidence in the overall global power position of the USSR relative to the United States—a confidence expressed in Soviet parlance as “the changing correlation of forces in favor of socialism”—but also a Soviet perception of continuing opportunities to exploit and to foster regional tensions and instabilities to the detriment of the United States. At the same time, Soviet international behavior reflects, in part, Moscow’s determination to resist and to counteract what it sees as a resurgent US effort to contain, if not to reverse, Soviet military and political gains of the past decade.

3. Moscow’s emergence as a global superpower has been based principally on the persistent investment in and expansion of Soviet military forces. In the critical realm of strategic nuclear forces, the Soviets now credit themselves with aggregate nuclear capabilities at least equal to those of the United States and, in some respects, such as the ability to threaten hardened land-based missile silos of the other side, with superiority. Soviet theater nuclear forces also have been improved significantly—highlighted by the deployment of the MIRVed SS-20 and the Backfire bomber. Coupled with the expansion of Soviet intercontinental forces, the Soviets have thus accentuated regional theater nuclear asymmetries opposite China and Western Europe. The Soviets in turn have sought to exploit resurgent West European concerns about a “decoupling” of the US strategic nuclear deterrent from the defense of Western Europe.

4. In the conventional realm, too, the Soviets have significantly upgraded their forces and equipment opposite NATO and China and, as a consequence of their invasion of Afghanistan, have raised a new threat to the security of US and Western interests in the Persian Gulf and Southwest Asia. In addition, the Soviets have continued to modernize their naval and airborne forces, and have extended the reach of their general purpose forces.

5. The momentum of Moscow’s military effort and its extended involvement in the Third World have also been accompanied, for most of the past decade, by a perception of the United States as constrained from direct military intervention in the Third World not only by the trauma of Vietnam but by an inability to reach a domestic political consensus on foreign policy in general and East-West relations in particular. Indeed, the Third World has been seen by Moscow as the Achilles heel of the West, where political and economic instability seemed endemic and where the radicalization of postcolonial elites and the emergence of “national liberation” movements have created tempting opportunities for the USSR to insinuate itself through offers of military and technical aid.

6. The Soviets believe that they enjoy some strategic advantages over the United States and view their current overall position as supporting the conduct of an assertive foreign policy and the expansion of Soviet

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influence abroad. However, they do not believe that they currently enjoy decisive strategic advantages over the United States and do not wish a major confrontation. They have an abiding respect for US military capabilities and are confronted themselves with the dilemmas of declining economic performance and the increasing burden of defense spending for the economy as a whole. They are unlikely to initiate military hostilities in an area of crucial importance to the United States like the Persian Gulf. However, they will seize opportunities offered by instability in the Third World to enhance their geopolitical influence and also to divert US attention from areas of direct US-Soviet interaction, even in situations where the USSR has little prospect of making significant gains for itself. Moreover, they may increasingly expect that the burden of avoiding potential confrontation, particularly in areas contiguous to the USSR, should shift to the United States. The Soviets' perception of their own opportunities is reinforced by a sense of US frustrations and geopolitical vulnerabilities, particularly in the Third World, where US regional equities appear to Moscow to be increasingly threatened by political radicalism and economic nationalism.

7. Since early in the Carter administration, Soviet analysts have been increasingly preoccupied with what they saw as growing divisions within the US administration and the US body politic at large over the conduct of policy toward the USSR. The failure of the Vienna summit in 1979 to lead to a reversal of what Moscow saw as the more ominous trends in US policy—exemplified by what it regarded as a fabricated confrontation over the Soviet brigade in Cuba—led the Soviets to conclude that the "antidetente" forces had achieved dominance in US policy circles. Thus, the stagnation of SALT II, the evolving US-Chinese rapprochement, US attempts to reinvigorate NATO, and Washington's efforts to enhance its military and political presence in the Persian Gulf and elsewhere, have all been seen by Moscow as part of a more profound shift in US policy aimed at countering Soviet influence and power. The advent of a new US administration, openly critical of the premises of detente and avowedly intent on increasing US military might, has further heightened Soviet concerns about the potential consequences of increased US-Soviet tensions.

8. Soviet military expenditures over the last two decades demonstrate remarkable upward momentum. The Soviets have many weapon programs in development that were conceived and planned independently of US weapon decisions to support their overall objectives. Nevertheless, the Soviets do respond to and attempt to counter specific US weapon development programs, often well in advance of the realization of those programs. The magnitude of US efforts to reverse the trend in altering the military dimension of the US-Soviet relationship, however, is still a critical variable from the Soviet perspective. The extent to which planned US programs are actually implemented will be an important factor for Moscow in determining its own future moves.

9. In conjunction with US plans to deploy a new generation of nuclear missiles in Western Europe—some of which will be capable of striking deep into the European USSR with a minimum of warning time—US strategic weapons developments are seen as attempts to create a credible US "first strike" threat against Soviet military targets. Moreover, new US strategic programs—the MX, the Trident/D-5 SLBM, and air- and sea-launched cruise missiles—are seen by the Soviets not only as attempts to exploit existing Soviet deficiencies in low-level air defense and anti-submarine warfare but as developments that might offset what Moscow regards as those elements of the strategic equation favoring the USSR. The United States is also seen as moving to enhance the global mobility and flexibility of its general purpose forces—a development which the Chief of the Soviet General Staff, Marshal Ogarkov, has labeled as evidence of a US intention to achieve a global conventional war capability, based on an ability to control "geographical escalation" of any future conflict with the USSR. Such Soviet statements, notwithstanding their self-evident propaganda intent, highlight Soviet concerns about the direction of US military programs, and the corresponding perception that US military options will be enhanced during the mid-to-late 1980s.

10. Moscow's concerns about what it perceives as a more assertive trend in US policy are accentuated by a sense of its own vulnerabilities, stemming both from the competing priorities of Soviet foreign policy and from the increasing economic costs of Moscow's empire.

— Continuing resistance to the Soviet occupation of Afghanistan, together with a general pattern of regional instability throughout Southwest Asia.
has heightened historical concerns in the USSR about the stability of its southern frontiers—while tying down a force of approximately 100,000 Soviet troops waging a slow but steady war of attrition in defense of the Soviet-installed regime in Kabul.

— The crisis in Poland and the increased dependence of the East European regimes on trade and credits from the West have once again highlighted for Moscow the specter of political ferment and ideological revisionism throughout Eastern Europe.

— In addition, continuing Sino-Soviet animosity, which has resulted in the deployment of roughly half a million Soviet troops along the frontier, has reinforced Moscow's sense of encirclement by hostile forces.

11. The Soviets also recognize that even in areas where they have substantial political and military investments their continued access is not guaranteed. The most dramatic example of a Soviet failure in this regard was the expulsion of Soviet military advisers from Egypt in 1972, due to Moscow's inability or unwillingness to satisfy the broader political and economic needs of its erstwhile ally. Similarly, the Soviets see current US efforts to broker a peace settlement in the Middle East and to achieve a negotiated settlement in Namibia as potentially leading to the erosion of Soviet influence in both of these areas.

12. Moscow's economic outlook is a further complicating factor for Soviet leaders, and a particular reason for concern about a reinvigorated US arms effort. From the accession to power of the current leadership in the mid-1960s until the mid-1970s, the Soviet economy achieved relatively high rates of growth, averaging almost 4 percent a year in spite of perennial problems in agriculture, and resulting in a significantly increased but still relatively low standard of living for the Soviet consumer. At the same time, defense spending was sustained at an average annual growth rate of about 4 percent, consuming a fairly constant 12 to 13 percent of Soviet GNP between 1971 and 1980. In effect, therefore, the regime was able to achieve its goals of increasing the production of both guns and butter. During the latter half of the 1970s, however, industrial growth began to slow as labor and capital productivity fell. This, coupled with three successive bad harvests, has restricted GNP growth to less than 2 percent annually since 1979. Soviet economic problems will continue to mount in the face of slowing growth of labor and capital inputs, less accessible and hence more costly energy and raw material supplies, and potential energy shortfalls. In the 1980s, slower economic growth will present the Soviet leadership with increasingly tough and politically painful choices in resource allocation and economic management. Annual increments to GNP, furthermore, will be too small simultaneously to meet mounting investment requirements, to maintain growth in defense spending at the rates of the past, and to raise the standard of living.

13. The Soviets have been relying on East-West trade and technology transfer to provide partial relief from the tightening squeeze that military programs place on economic resources. Legal and illegal acquisitions of military-related technology have saved the Soviets time and resources in designing and producing new weapons and military support systems, and Western goods have eased the burden of defense spending by alleviating strains in the civilian economy. Moreover, through trade the Soviets have been obtaining goods and technology to enhance expansion of civilian economic output and thus give the economy more breathing room.

14. While the Soviet need for Western goods and technology is rising, however, Moscow's hard currency earnings are likely to decline:

— Not only will the volume of oil exports gradually fall, but soft oil markets may well keep real oil prices from increasing for several years.

— Gas exports will grow substantially if the pipeline to Western Europe is built, but will at best only offset decreases in oil export earnings.

— Hard currency earnings from arms sales are unlikely to increase much, because Third World clients will be less able to pay.

— Earnings from gold sales are affected by fluctuations in the world price, while many other exports suffer from production problems or an inability to compete in Western markets.

15. Bleak prospects for hard currency earnings mean that any attempt to achieve a substantial increase in imports would quickly push up hard currency debt. Using credit to maintain the current level of
imports would require a doubling of the Soviet debt by 1985, resulting in a doubling of the debt service ratio to 30 percent—a level which would cause concern in Western financial markets. The Soviets have historically been concerned about their debt service ratio and creditworthiness and they could ameliorate their credit crunch somewhat through gold sales, barter trade, or some diversion of oil exports from Eastern Europe to Western markets.

B. Soviet Perceptions of US Vulnerabilities and Weaknesses

16. The Soviets nevertheless view Washington’s ability to raise the economic and military costs of the East-West competition for Moscow as being subject to competing US domestic economic priorities and to reluctance on the part of US allies to incur the costs of increased defense expenditures, deferred economic opportunities, or increased tensions with Moscow. Soviet press commentary has focused heavily on the “peace movement” in Western Europe (which has been encouraged by the Soviet Union both openly and covertly) and more recently on the nuclear freeze movement in the United States itself, professing to see these phenomena as increasing the pressures on Washington to resume the strategic arms dialogue and to restrain planned weapons programs. In addition, some Soviet analysts have argued privately that economic and political problems will force a curtailment of the more threatening dimensions of the US arms effort.

17. Growing unease within Western Europe over the perceived lack of US commitment to arms control and US allies’ resistance toward US restrictive policies on East-West economic relations are viewed by the Soviets as presenting opportunities to provoke divisions between the United States and its principal allies. In particular, the failure thus far of US efforts to dissuade its West European allies from participation in the Yamal gas pipeline project, has encouraged the Soviets in their assumption that, notwithstanding the salience of the INF question in Soviet-West European relations, US-West European differences can be exploited to Soviet advantage. In like manner, the pipeline deal has probably encouraged Soviet hopes that US economic sanctions will remain largely ineffective so long as Western Europe and Japan remain available sources of Western technology and industrial goods.

18. While anxious not to jeopardize the prospects for either a resuscitation of a US-Soviet strategic arms agreement or for a further erosion in US-West European relations, the Soviets have also sought to demonstrate their determination to continue to be recognized as a coequal superpower by the United States, and to compete politically and militarily with an assertive United States. Top Soviet leaders, including President Brezhnev and Defense Minister Ustinov, have proclaimed that the USSR will match any US military buildup. Such remarks, notwithstanding their propaganda value, are meant as serious statements of Soviet intent. Moreover, these statements have become increasingly acrimonious—with more explicit references to the opportunity costs of increased defense spending for the Soviet economy as a whole. They suggest, in turn, that Moscow is anxious about the decisions that it feels compelled to make to counter projected US programs.

19. Soviet attempts to improve the atmospherics of its relations with Beijing, highlighted by President Brezhnev’s call in March 1982 for an end to a decade of hostility, is also part of Moscow’s counterstrategy. Although the Soviets probably have little expectation of an immediate breakthrough in Sino-Soviet relations, their intention at this stage is to exacerbate US-Chinese frictions and to preempt what the Soviets regard as an effort by Washington to reinforce the US military presence in East and Northeast Asia, centered around Japanese rearmament and greater Sino-US military cooperation—a threat that Moscow has labeled the “Washington-Beijing-Tokyo axis.”

20. In many respects, however, the Third World looms as the testing ground for Soviet efforts to blunt what Moscow sees as resurgent US global activism. The Soviets continue to support the expansionist ambitions of regimes such as Libya and Vietnam, and to arm and fund insurgent movements such as SWAPO and the Palestine Liberation Organization. The Soviets also have sought to ingratiate themselves with the anti-American regime in Iran, and the invasion of Afghanistan raises the possibility of further Soviet military action to secure regional advantages elsewhere in Southwest Asia.

21. Another troublesome indication of the direction of Soviet policies is the pattern of Soviet activities in...
Central America. Here, the Soviets have deepened their political and military support for the self-styled Marxist regime in Nicaragua, and are continuing to underwrite Cuban-supported insurgents in El Salvador. The Soviets have increased the levels of their military deliveries to Cuba itself, including the renewed shipment of advanced aircraft, which have raised questions about the Soviet interpretation of the 1962 US-Soviet understanding prohibiting the introduction of certain types of offensive weaponry there. Furthermore, the Soviets appear to have raised deliberately the specter of Soviet medium-range missile deployments to Cuba, in the form of President Brezhnev's pronouncement that the USSR would put the United States in an "analogous position" if NATO proceeded to implement its plans to upgrade its theater nuclear arsenal. Although Brezhnev's statement was most probably intended more to stir up US anxieties than to signal Moscow's intention of undertaking such a move, it was nevertheless a deliberate escalation of verbal tensions between the superpowers.

II. The Nature of the Soviet Challenge

A. The Soviet Military Buildup

23. Moscow's military buildup under Brezhnev has emphasized the enhancement of key elements of Soviet military power—such as the expansion of Soviet ground forces and continued heavy emphasis on land-based ICBMs. In addition, Soviet developments have included continued deployment of the Backfire bomber and significant improvement of Soviet intermediate-range nuclear systems, highlighted by the deployment of almost 350 MIRVed SS-20 mobile missiles, supplemented by the introduction of new generations of tactical ballistic missiles. The Soviets have also been engaged in a sustained effort to enhance the mobility, firepower, and flexibility of their general purpose forces for use in either nuclear or nonnuclear contingencies in Europe and along the Sino-Soviet frontier. Further, these developments have somewhat improved the Soviets' capabilities for projecting their military forces into more distant regions. This is particularly evident in the expanded capabilities of the Soviet Navy and the incremental modernization of Soviet airlift and airborne forces. Although the Soviets have not developed forces specifically for overseas operations, they are clearly interested in developing the capability to project forces on a modest scale into the Third World, both to deter US military action against Soviet proxies and clients, and to assure the favorable resolution of regional conflict.

Figure 1
Soviet Ship-Days in Distant Waters, by Region, 1974–81

Legend:
- Pacific Ocean
- Indian Ocean
- Mediterranean Sea
- Caribbean Sea
- Atlantic Ocean
- West African waters

Figure 1 indicates the distribution of Soviet ship-days in distant waters from 1974 to 1981, with detailed data for different regions.
24. *Strategic Nuclear Forces*. The balance of strategic nuclear forces is a critical index for Moscow’s assessment of relative military power between the United States and the USSR. In 1981 the USSR further improved the striking power and survivability of its strategic intercontinental and intermediate-range nuclear offensive forces, made progress in overcoming some of the weaknesses of its strategic defenses, and improved its supporting command, control, and communications systems.

25. The Soviets believe that in the present US-Soviet strategic relationship each side possesses strategic nuclear capabilities that could devastate the other after absorbing an attack. Soviet leaders state that nuclear war with the United States would be a catastrophe that must be avoided if possible and that they do not regard such a conflict as inevitable. Nevertheless, they view nuclear war as a continuing possibility and have not accepted mutual vulnerability as a desirable or permanent basis for the US-Soviet strategic relationship. They have been willing to negotiate restraints on force improvements and deployments, when it serves their interests. They prefer possession of superior capabilities to fight and win a nuclear war with the United States, and have been working to improve their chances of prevailing should such a conflict occur. A tenet in their strategic thinking appears to be that the better prepared the USSR is to fight in various contingencies, the more likely it is that potential enemies will be deterred from initiating attacks on the Soviet Union and its allies and will be hesitant to counter Soviet political and military actions.

26. The Soviets have pursued a vigorous weapon development program. They have:

- Extensive research and development programs in advanced technologies such as directed energy weapons and nonacoustic antisubmarine warfare techniques.

- Several new or modified land-based ICBM programs, including a mobile system, in advanced stages of preflight development.

- A new strategic bomber also entering the flight test stage.

- Produced a new class of ballistic missile submarine, the Typhoon, which will enhance the capability and survivability of the Soviet sea-based strategic force.

- Been modernizing their existing antiballistic missile (ABM) system around Moscow since mid-1979.

Together with existing options, such as increasing the number of warheads on heavy ICBMs, the Soviets probably believe that they are well positioned to compete strategically with the United States in a non-SALT environment, at least over the next three to five years.

27. The Soviets nonetheless have hedged against the inherent uncertainties of the strategic arms competition through participation in an arms control dialogue with the United States. They have remained within the limits imposed by SALT I (ABM Treaty and Interim Agreement) and most of the provisions of the unratified SALT II Treaty, hoping to induce similar restraint on the part of Washington. The Soviets have not increased their strategic delivery vehicles beyond the number extant when SALT II was signed, but neither have they reduced to the aggregate force levels called for in SALT II. They value the strategic arms dialogue because:

- It is a forum for attempting to limit more threatening US systems while preserving areas of Soviet strategic advantage.

- It imposes a measure of stability and predictability on an otherwise unregulated strategic arms competition.

- It accords to the Soviet Union the symbolic stature and prestige of a coequal superpower along with the United States.

- The very existence of the strategic arms dialogue is viewed as a contributing factor to an atmosphere in the United States that is critical of new US strategic weapons programs and generally less supportive of increased defense spending.

In addition, the Soviets probably hope to use the bilateral dialogue on strategic arms to exploit divergent security concerns of the United States and its principal allies.
28. **General Purpose Forces.** The sustained expansion and modernization of Soviet general purpose forces—both conventional and theater nuclear—highlight the broader aspects of Moscow's military challenge to the United States and its allies. In the conventional area, the Soviets have, since 1965, expanded their already large ground and tactical air forces and introduced modern systems, some of them equal to or superior to those of NATO. The Warsaw Pact's military potential, however, is affected by its political cohesion. Pact performance on the field of battle would be heavily influenced by the attitudes and effectiveness of the non-Soviet armies, which have been assigned major roles in both combat and support, yet are less modern than those of the USSR. More important, the solidarity and enthusiasm that they would exhibit in combat against NATO, under some scenarios, are problematic.

29. The Soviets also maintain large forces opposite China. Since the late 1960s, the number of ground force divisions along the Sino-Soviet border has doubled and total ground force manpower has more than tripled to approximately 425,000 men.

30. The persistent Soviet effort to upgrade general purpose forces demonstrates Moscow's intention of dominating the critical regional military balances in central Europe and along the Sino-Soviet frontier through a combination of quantitative and qualitative force improvements. The effort to improve the overall command, control, and combat capabilities of Soviet forces also appears to be aimed at increasing Moscow's ability to exercise effective control over them in a potential conflict with NATO escalating from conventional to theater nuclear warfare. In addition, the Soviets have sought to develop a command structure that would allow them to conduct multitheater operations and to minimize the need for a drawdown of forces or a significant degradation of logistic support in one theater to support combat operations in another.
31. The breadth of Soviet general purpose force activities also testifies to the complexity of the geopolitical threat environment as seen from Moscow, which is accentuated by historical Soviet concerns about a two-theater war in Europe and the Far East. These concerns in turn reflect a recognition that simultaneous operations against NATO and major operations against China would present formidable logistic problems, and that transportation systems would be severely strained to sustain forces in both theaters. Severe problems would also be encountered if the Soviets were engaged in simultaneous military operations in Europe and the Middle East.

B. Force Projection, Proxies, and Military Activities in the Third World

32. The USSR has developed limited forces for military operations beyond the Eurasian periphery. The Soviets maintain a sizable permanent naval presence in the Mediterranean and the Indian Ocean, and regularly deploy small naval groups to West African waters and the South China Sea. They have access to air and naval facilities in all of these areas, as well as in Cuba. The only Soviet ground force unit outside of the Warsaw Pact, Mongolia, and Afghanistan is the Soviet brigade in Cuba. On the other hand, the Soviets have demonstrated an improved capability to transport and sustain, in the absence of effective local opposition, proxy intervention forces in Angola and Ethiopia. Similarly, the Soviets have been willing on occasion to use naval deployments to signify their political support for clients and friendly regimes, or to demonstrate Soviet interest in a regional conflict. (See chart on “Trends in Soviet Out-of-Area Naval Deployments Since 1974.”) The Soviets also hope to capitalize upon opportunities to gain access to facilities for naval aircraft and ships.

33. The Soviets also realize direct military advantages from their presence in the Third World. They maintain a large intelligence-gathering capability in Cuba directed against the United States, including a major SIGINT facility and regular patrols by Soviet reconnaissance aircraft along the US coast. The Soviets also conduct regular aerial reconnaissance and naval patrols from host bases in South Yemen, Ethiopia, Vietnam, and Angola. Over the past two years, the Soviets have also made use of port facilities in Aden and shore facilities at Ethiopia’s Dahlak Island in the Red Sea to help sustain their naval presence in the Indian Ocean.

34. Arms sales and associated training and advisory packages are a major instrument of Soviet policy in the Third World. (See appended table on “Soviet Arms Sales to Third World Countries.”) While such aid does not necessarily translate directly into political leverage, it usually is the keystone of Soviet relations with the LDCs and with revolutionary and insurgent groups like SWAPO and the PLO. The apparatus for administering these programs is highly centralized and in specific cases can be very responsive. Deliveries can be accelerated by drawing on stockpiles or even pulling
arms from active Soviet units. Training and maintenance are virtually always tied to arms sales, and currently there are more than 16,000 Soviet military advisers and technicians throughout the Third World. (See appended table on "Soviet Military Technicians in Selected Third World Countries, 1981.")

35. Soviet arms deliveries to the Third World continue a pattern that began in 1973 when arms sales became an important source of hard currency for the Soviets. The post-1973 gains reflect a larger volume of weapons sold and an 80-percent rise in ruble prices for military hardware. Aside from political considerations, Soviet weapons, even at the higher prices now charged, have been accepted because Moscow is willing and able to deliver quickly large quantities of modern military hardware. Despite Soviet interest in garnering hard currency from arms sales, Moscow remains willing, in cases where it perceives political advantage, to make major concessions, such as extended repayment periods and payment in soft currency. This, combined with their apparent responsiveness, allows the Soviets to continue to depict arms transfers and training as manifestations of solidarity with the Third World.

36. Another trend in Soviet Third World involvement is the continuing use of proxies and other intermediaries, together with covert Soviet involvement in supporting insurgent groups and in aiding the military ventures of client or dependent regimes. While the Soviets and their allies are jointly involved
in several Third World states, the proxy relationship applies most directly to joint ventures in Angola and Ethiopia. In both of these countries, the Soviets supply most of the weapons, materiel, and logistic support for Cuban combat forces. The Soviets transported the Cuban intervention forces into Angola and Ethiopia, and Moscow itself maintains over 1,000 military advisers in each of these states. For the Soviets, the proxy relationship minimizes the level of direct Soviet involvement while achieving Soviet aims and projecting the image of "socialist solidarity" with the recipient regimes. The Soviets have transshipped weapons to Nicaragua via Cuba and have also been involved in covert military support for revolutionary activities in Central America and elsewhere. A small contingent of Soviet military technicians is also known to have serviced Libyan military equipment in Chad following the Libyan intervention in that country in late 1980. Along with these efforts, the Soviets are involved with allied or friendly governments or entities—notably Libya, certain Palestinian groups, South Yemen, Syria, and Cuba—that in turn directly or indirectly aid the subversive or terrorist activities of a broad spectrum of violent revolutionaries.

C. "Active Measures" and Diplomacy

37. There is a strong linkage between Soviet diplomatic activities and a broad range of pseudo-official and covert activities that the Soviets themselves refer to as "active measures." Overall coordination of these measures is the responsibility of the International Department of the CPSU Central Committee. Soviet intelligence personnel are the principal executors of Soviet "active measures," although we believe that on occasion other official and quasi-official representatives abroad are involved in such activities. We currently estimate that approximately one-third of Soviet diplomatic personnel abroad are staff officers of the Committee for State Security (KGB) or the Main Intelligence Directorate of the Soviet General Staff (GRU).

38. "Active measures" are in large part designed to complement Soviet diplomatic overtures and initiatives. The common thread that runs through all "active measures" is a high degree of manipulation and misrepresentation, either to disguise Soviet involvement or to conceal the real purpose behind an activity in which a Soviet citizen is overtly involved. Such activities range from the anti-neutron-bomb campaign
to forgeries seeking to embarrass the US and Western
governments; from the manipulation of front groups
such as the World Peace Council to the operation of
clandestine radio stations such as the National Voice of
Iran.

39. We believe that the USSR's use of propaganda
and covert action to advance its foreign policy goals in
the international arena has increased in recent years.
The Soviets see their relations with the United States as
having entered a new phase—even before the invasion
of Afghanistan and the advent of the present
administration. In analyzing the increased use of propaganda
and "active measures," we must also take into account
the importance Moscow attributes to the "ideological
struggle" in world politics. This struggle is waged not
only through propaganda, but also with psychological
warfare and subversion, including the full range of
"active measures."

III. Regional Policies

A. Europe

40. Over the next three to five years, Soviet policy
toward Western Europe will assign high priority to
stopping NATO modernization and maintaining access
to technology and credits, while attempting to sharpen
differences between the United States and its alliance
partners. The Soviets view security and trade diver-
gences between the United States and other NATO
members as major opportunities to undermine
NATO's cohesion as a military alliance and to negate
the possibility that the United States might involve its
NATO Allies in support of a more extended Western
defense role beyond Europe. Through adroit diplomacy,
covert action, and intense propaganda, the Soviets
hope, in effect, to immobilize NATO's ability to reach
a consensus on defense policy issues and to encourage
neutralist and pacifist sentiment throughout Western
Europe.

41. Military power serves as the foundation of
Soviet policy in Europe, both East and West. The
threat of military intervention was the critical lever of
Soviet influence throughout the crisis in Poland, and it
was the decisive factor in compelling the Polish regime
toward the imposition of martial law in December
1981. Similarly, the changing dynamics of the East-
West military balance in Europe—most notably Mos-
cow's extensive deployments of the SS-20 intermedia-
te-range ballistic missile—have accentuated the re-
current debate within NATO over the respective
requirements of Alliance arms control and defense
strategies.

42. NATO's planned deployments of a new genera-
tion of intermediate-range nuclear missiles in response
to Moscow's buildup is the most important issue for
the future of Soviet policy toward Western Europe.
Moscow's massive anti-NATO modernization cam-
paign reflects both concern about the military conse-
quences of NATO's planned deployments and a recogni-
tion that the implementation of NATO's decision
would be a convincing reaffirmation of US political
and military leadership within the Atlantic Alliance.

43. Moscow's effort to block NATO's plans has been
waged primarily in the diplomatic and propaganda
realms. Diplomatically, they have sought to engage
West European governments in a dialogue on trade
and regional security issues, while emphasizing that
future ties to the East will be jeopardized if NATO's
modernization decision is implemented. In addition
the Soviets have conducted an extensive covert action
campaign aimed at manipulating public opinion in
those countries—such as the Netherlands—which are
seen as most vulnerable to domestic pressures to break
ranks with NATO's decision.

44. The Soviets recognize that West Germany is the
key to NATO's prospective deployments, and they
have been particularly active in seeking to influence
the domestic debate there. The initial Soviet offer to
reduce the level of Soviet intermediate-range missile
and bomber deployments, should NATO forgo deploy-
ments of its own, was made by President Brezhnev in
a speech in East Berlin in October 1979. This offer was
accompanied by a Brezhnev announcement that the
USSR would "unilaterally" reduce its military man-
power in East Germany by 20,000 men. Soviet activi-
ties have also included intensive political lobbying in
long-established informal channels to the West Ger-
manny Chancellery and to senior leaders of the ruling
Social Democratic Party. At the same time, Moscow
appears to be funding the antinuclear activities of the
West German Communist Party through East German
intermediaries. Furthermore, a number of forged let-
ters and documents concerning NATO affairs, in-
tended to embarrass both Bonn and Washington, have
been floated in West German press circles, apparently
in Soviet agents.
In their effort to discredit the United States and NATO, the Soviets will continue to exploit antinuclear and neutralist sentiment throughout Western Europe. They also see US actions or pronouncements on the neutron bomb and limited nuclear targeting options as further opportunities to inflame suspicions in some segments of West European publics that the United States is seeking to limit any nuclear conflict to Europe.

The Soviets view trade with Western Europe as having intrinsic economic importance and as a means of increasing the distance between the United States and its principal allies. Western Europe accounted for more than 65 percent of total Soviet hard currency trade in 1981. In addition, since the mid-1970s, Moscow has relied heavily on European commerce to undercut US-initiated Western trade restrictions against it and to enhance its influence in Western Europe at US expense. The Soviets have used West European interests in expanding East-West commerce to substantially add to frictions between Europe and the United States over US economic sanctions related to Afghanistan and Poland. Moscow believes that strengthened economic ties with Western Europe will further limit US ability to obtain unified Western restraints on important goods and technology. Moreover, Moscow almost certainly expects that a larger West European stake in trade with the East will aid its efforts to increase US-West European differences over noneconomic issues.

The Soviets view the planned natural gas pipeline from Siberia to Western Europe as the cornerstone of East-West trade in the 1980s and as a major test of US and Soviet influence in Europe. The project represents a badly needed source of revenue and an opportunity to move Western Europe away from the United States. The Soviets see the West German and French agreements to purchase gas as a major step toward reducing US ability to restrict East-West trade. Moscow probably expects that substantially increased gas deliveries—possibly along with other long-term deals such as a Siberian coal gasification project—will increase the West European reluctance to join in possible future US sanctions and exacerbate US-West European differences. The Soviets probably also calculate that their greater role in most West European economies will enhance their potential to influence West European decisions on nontrade issues.

Soviet trade with Western Europe will remain a major source of goods and technology increasingly important to a strained Soviet economy and to the costly military programs that it supports. Imports of civilian goods and technology—such as large-diameter pipe and machine tools—have reduced industrial supply bottlenecks and increased efficiency in important industries, giving the economy more breathing room. As the economy's performance continues to worsen, and as Western weapons capabilities advance, Moscow will continue to assign top priority to trade with Europe in acquiring foreign goods and technology in selected areas, such as advanced microelectronics and machine tools.

The USSR's growing economic involvement with Western Europe—highlighted by the gas pipeline project—will enhance its potential to influence West European decisionmaking. The West European dependence on Soviet gas may reach 25 percent of total gas requirements by 1990, including 20 to 50 percent in those countries actually buying the gas. This would, however, constitute only 3 percent of total West European gas requirements.

\footnote{The 4,500-km pipeline could deliver as much as 455,000 barrels a day (b/d) oil equivalent to Western Europe. These deliveries, plus existing gas exports of roughly 425,000 b/d, will earn roughly $10 billion annually in the early 1990s, when Western credits have been repaid. Those credits will finance imports of approximately $7 billion in pipe and equipment, mostly from Western Europe. West Germany and France have signed contracts to purchase gas, and Italy, the Netherlands, Belgium, and Austria are negotiating.}
European energy consumption. Although the Europeans believe that they can minimize the impact of a Soviet gas cutoff, Moscow probably could cause some economic disruption in selected industries and regions by the late 1980s by halting gas deliveries at certain times, such as winter or a period of major economic growth. The Soviets probably would not bluntly threaten a gas cutoff, but they could feign technical difficulties in gas deliveries to remind the Europeans of their vulnerability. The USSR will probably also derive some influence through its importance as a market for key West European industries plagued by unemployment, such as West German steel.

50. But Moscow's role as a raw materials supplier and job provider will not give it unlimited leverage. Although individual countries' dependence on Soviet gas will be high, the pipeline system will not permit Moscow to interrupt gas deliveries to one country without affecting some or all of the others. Moreover, the Soviets themselves will be highly dependent on Western Europe for hard currency earnings and for some goods and technology. Gas cutoffs would risk a West European turn to alternative suppliers—an irreplaceable loss of revenue. The Soviets will also remain dependent on Western Europe for hard currency earnings and for some goods and technology. Gas cutoffs would risk a West European turn to alternative suppliers—an irreplaceable loss of revenue. The Soviets will also remain dependent on Western Europe for hard currency earnings and for some goods and technology. Gas cutoffs would risk a West European turn to alternative suppliers—an irreplaceable loss of revenue. The Soviets will also remain dependent on Western Europe for hard currency earnings and for some goods and technology. Gas cutoffs would risk a West European turn to alternative suppliers—an irreplaceable loss of revenue. The Soviets will also remain dependent on Western Europe for hard currency earnings and for some goods and technology. Gas cutoffs would risk a West European turn to alternative suppliers—an irreplaceable loss of revenue. The Soviets will also remain dependent on Western Europe for hard currency earnings and for some goods and technology.

51. The Soviets must also be concerned about countercurrents hindering attainment of their European policies:

- The military crackdown in Poland temporarily reduced the intensity of the anticommunist movement in Western Europe and has resulted in greater West European reluctance to extend new credits to Eastern Europe and the Soviet Union.

- In the wake of martial law in Poland also, the Conference on Security and Cooperation in Europe and its human rights provisions in particular have proved to be a political embarrassment for the Soviet Union and its allies.

- The Soviets still appear to be concerned that the United States may be able to sustain the fragile NATO consensus in favor of actual INF deployments by the Alliance, notwithstanding Soviet efforts in the ongoing US-Soviet negotiations to forestall if not avert NATO deployments.

52. Full INF deployment by NATO would be likely to provoke a Soviet countermove, ostensibly designed to put US territory in what Soviet President Brezhnev has called "an analogous position." While the image of Soviet missile deployments in Cuba is immediately conjured up by such a threat, the Soviet leaders would realize that any effort to reverse the outcome of the 1962 Cuban missile crisis would run an extremely high risk of a direct US-Soviet confrontation. Moreover, the Soviets have other military options short of the deployment of nuclear weapons in Cuba that would at least partially offset NATO's deployments without running the risk of a direct confrontation with Washington. Such moves could include the deployment of Soviet long-range sea-launched cruise missiles, an increase in the number of Soviet ICBM or SLBM launchers, or an increase in the number of warheads per missile on Soviet ICBMs. Short of "analogous" measures, the Soviets could deploy more SS-20s or shorter range Soviet missile and aircraft systems opposite Western Europe.

53. Conversely, a total erosion of NATO's consensus on INF deployments would be regarded by Moscow as a critical US defeat. While the Soviets would not respond by offering new concessions, they would probably maintain the appearance of existing moratoriums while redoubling their efforts to enlist West European support for Soviet positions on the Conference on Disarmament in Europe (CDE), on MBFR, or on regional nuclear-free zones. The Soviets would be likely to redouble their propaganda and "peace" campaign, hoping to provoke further dissension in NATO and to prompt an "agonizing reappraisal" in Washington over the US commitment to Western Europe's defense.

54. Should the Soviets fail to alter significantly NATO's position on the INF issue prior to actual
deployment, they may seek to focus more directly on negotiating limits on the scope of future deployments by NATO. For example, the Soviets might be willing to accept limits on their existing intermediate-range nuclear force, possibly including the SS-20, in return for a reduction in the scope of NATO's planned deployments. In so doing, however, they are not likely to accept a numerical equality that totally ignores French and British nuclear systems. In the near term the Soviets are most likely to continue to push hard for an agreement "in principle" that an INF balance exists, while carefully assessing the political commitment of Washington's NATO allies to actual implementation of NATO's modernization plans.

B. East and Northeast Asia

55. Soviet policy throughout the Far East is primarily the product of continued Sino-Soviet hostility but is further defined by Moscow's related objectives of impeding Sino-US relations, countering US military activities in the Western Pacific, and inhibiting greater integration of Japan into US defense strategy in Northeast Asia. In pursuit of their interests, the Soviets continue to invest heavily in expanding their military presence in the Far East. Recently, the Soviets have intensified their political and diplomatic activities to exploit what they see as persistent frictions in US-Chinese relations over Taiwan and potential divergences between the United States and Japan stemming from trade problems, disagreements over economic sanctions against the USSR, and Japanese reluctance to accelerate defense spending.

56. Moscow's military activities in the region have centered around a major buildup of Soviet ground forces, principally along the Sino-Soviet frontier. The deployment of a coastal division and air defense units to the islands immediately north of Japan signals Moscow's determination to maintain control over these "northern territories." The Soviets have also modestly expanded and modernized their Pacific Fleet and since late 1979 they have increased deployments of ships and aircraft to the Indian Ocean and established a new naval presence in Southeast Asian waters and Vietnam. In addition, about a third of the Soviet SS-20 force is capable of striking China, Japan, and other Far Eastern targets.

57. The Soviets view China's improved relations with both the United States and Japan as a serious security problem, raising the possibility that the USSR might have to fight all three countries in a conflict in the Far East. More immediately, the USSR fears this trilateral rapprochement portends active US and Japanese aid in the modernization of Chinese armed forces.

58. The Korean situation, especially the unpredictable behavior of Kim II-song is also a complicating factor in Soviet Far Eastern policy. Because renewed fighting between North and South could become the catalyst of a broader conflict involving the United States and the USSR, the Soviets would perceive a rapid cessation of major hostilities between the two Koreas to be in Moscow's best interests. The Soviets probably would provide some materiel support to the North but would conclude that the risks attending direct combat support would far outweigh the possible benefits unless the North were in danger of total collapse.

59. A renewal of fighting between China and Vietnam would lead to increased Soviet support of Vietnam. We would expect the Soviet reaction to be similar to that after the Chinese attack in 1979: an initial propaganda campaign and a substantial increase in materiel aid to Hanoi, which could be tied to increased use of Vietnamese military facilities. If the conflict were going badly for Vietnam, limited Soviet military action against China would be possible.

60. The Soviet Far Eastern position is further complicated by Moscow's limited diplomatic and political flexibility vis-a-vis its principal antagonists. The Soviets do not even have diplomatic relations with South Korea. Territorial disputes with both China and Japan are a major obstacle to any dramatic improvement in Soviet relations with either country. Moreover, the Sino-Soviet border dispute and Soviet occupation of Japan's "northern territories" are intimately linked: for Moscow to concede on one would implicitly open the issue of the other. Finally, Moscow's regional military buildup, together with the Soviet invasion of Afghanistan and Moscow's support for the Vietnamese invasion of Kampuchea, has further aggravated relations with China, Japan, and the ASEAN countries.

61. The Soviets have nevertheless sought to mute the political impact of their invasion of Afghanistan and to exploit US differences with Japan and China by a series of recent diplomatic initiatives. In early 1982,
Figure 7
Northeast Asia

The "Disputed Northern Territories" are administered by the Soviet Union, and claimed by Japan.
President Brezhnev and Soviet Premier Tikhonov called for a broadening of the dialogue on disputed issues with both China and Japan. Brezhnev, in particular, proposed a regional dialogue on military confidence building measures. Soviet propaganda has sought to supplement these initiatives by emphasizing Moscow’s desire for a moderation of tensions and the expansion of trade. Soviet overtures, however, are unlikely to make significant headway. In fact, these efforts have been hindered in some ASEAN states by recent exposures of KGB operations.

62. We see little likelihood that the Soviet leadership will reverse the momentum of Moscow’s military effort in the Far East. Indeed, Soviet concerns with Sino-American ties and with the potential upgrading of Japan’s Self-Defense Force have probably already been factored into Soviet defense planning. Only a radical change in Chinese attitudes would be likely to produce incentives for Moscow seriously to pursue a reconciliation of differences with China.

C. South and Southwest Asia

63. Moscow’s decision to invade Afghanistan was in many respects a watershed in US-Soviet relations. The Soviets presumably anticipated a temporary setback in bilateral relationships, but were clearly surprised by the intensity of the US reaction, particularly the grain embargo. The Soviets also appear to have miscalculated the military cost of their intervention, expecting neither the accelerated decline of the Afghan Army...
nor the protracted war of attrition against a determined resistance force.

64. Moscow's inability to consolidate the Soviet position in Afghanistan has led to changes in operational methods and a modest increase in troop levels. Since November 1981 the Soviets have engaged in a limited augmentation of their forces there, bringing the total Soviet force level to some 100,000. The Soviets appear reluctant to deploy the considerably larger force needed to bring a quick end to the resistance and to seal off insurgent movements from Iran and Pakistan.

65. The Soviets have sought to alleviate their military problems within Afghanistan by trying to end Pakistan's role in aiding the insurgents. The effort has involved both pressure and blandishment. The main blandishments have been continued Soviet economic aid to Pakistan and the promise of Afghanistan's recognition of Pakistan's version of their disputed border. The pressures have involved diplomatic overtures as well as increased support for some of President Zia's domestic opponents. There have been infrequent raids against Afghan insurgent positions in Pakistan by the Soviets and Afghans. While the most likely course of Soviet action will remain diplomatic pressure, further increased aid to Zia's domestic opponents is a Soviet option. We cannot rule out a limited intervention into northwestern Pakistan to destroy insurgent bases. But any increase in Soviet military activity in this area could complicate Soviet relations with India.

66. The maintenance of good relations with India remains one of Moscow's primary goals in South Asia. Moscow will continue to offer sophisticated weapons to India at concessionary rates in an effort to prevent a warming of relations between New Delhi and the West, and the USSR is likely to remain India's largest foreign weapons supplier. Nevertheless, in recent months India has concluded a major arms deal with the French, and has taken tactical steps to improve relations with Pakistan, China, and the United States. The March 1982 visit of Soviet Defense Minister Ustinov to New Delhi failed to block the French deal.

67. The overall volatility of the region will continue to create opportunities and dilemmas for Moscow. The Soviets have been seeking to improve their relations with Iran while sustaining Iraqi dependence on Soviet arms supplies. Soviet options will be strongly influenced by events within Iran, and Iranian actions within the Persian Gulf region. The Soviets clearly look to a post-Khomeini regime for more significant opportunities to improve their position in Iran, but they also appreciate that political evolution in Iran is highly unpredictable.

68. So long as the situation in Iran remains relatively stable, Moscow almost certainly will adhere to the course it has followed since the revolution: seeking to improve economic and military ties, hoping to forge an arms sale relationship with Tehran, and encouraging the Khomeini regime's anti-US orientation. Moscow will seek the best possible relations with Tehran and will advise the Tudeh (Communist) Party to do the same, subordinating Soviet use of "active measures" in order to avoid damaging relations with the regime and risking severe repression of Tudeh. At the same time, Moscow will seek to strengthen the position of Tudeh.

69. Should the political situation in Iran deteriorate dramatically, producing internal chaos and possible fragmentation, the Soviets probably would undertake large-scale assistance to leftist and pro-Soviet Iranian elements, seeking to manipulate events to their advantage. Prolonged chaos or civil war with attendant disruption in the Soviet-Iranian border areas could lead Moscow to opt for limited military intervention, at least in those areas. Likewise, a US military incursion into Iran or the threat of such a move could evoke a Soviet military response or preemptive intervention.
D. The Middle East

70. The Middle East remains the most volatile area of US-Soviet regional interaction with the greatest potential for a direct confrontation between Moscow and Washington. Notwithstanding US success in brokering the Camp David agreement, Soviet entree into the region is ensured by the polarization of the Arab states over the Camp David process itself, continued US military support for Tel Aviv, the persistence of the Palestinian problem, and recurrent hostilities between Israel and its Arab neighbors. Despite Moscow’s extensive military and political commitments to Egypt’s regional rivals, Libya and Syria, the Soviets will continue to seek improved relations with Egypt because of its geostrategic position and historical role in the Arab world.

71. Ultimately Moscow’s influence throughout the Middle East is heavily dependent on its ties to the radical Arab regimes of Syria, Libya, and South Yemen, in addition to the Palestine Liberation Organization. These relationships in turn are sustained primarily by the Soviet arms umbilical and advisory presence.

72. Moscow’s ability to supply arms and military advisers to clients, however, contrasts sharply with the limitations of Soviet diplomatic options throughout the Middle East. Moscow’s primary concern is that the United States might still be able to engineer a Middle East settlement that would effectively exclude or isolate the Soviet Union in the region, notwithstanding the Israeli action in Lebanon. This concern is based on the recognition that only Washington has the diplomatic credibility and influence to negotiate simultaneously with Israel and the principal Arab parties toward any potential peace arrangement. Other serious Soviet liabilities are the paucity of Soviet economic aid and the region’s economic links to the West, the dependence on military assistance to sustain Soviet influence in the region, and the ideological antipathy of Islam toward Communism.

73. To preserve Soviet diplomatic equities in the region, President Brezhnev in early 1981 outlined the Soviet Middle East peace plan, centered around a broad international conference of all interested parties, including the United States and the USSR. The Soviet plan has not been well received, however, even by Moscow’s closest supporters—such as Syria and the PLO—principally because it explicitly recognizes Israel’s right to exist. More active Soviet efforts have been directed at forging a broader coalition among radical anti-US Arab regimes. The Soviets played an indirect and behind-the-scenes role in the formation of the tripartite security pact among Libya, Ethiopia, and South Yemen, signed in August 1981, although Soviet hopes for a broader alliance including Syria, the PLO, and Algeria have not been realized. The Soviets are nevertheless encouraged by the deepening hostility between Iran and the pro-Western Arab states of the Persian Gulf. As a consequence, the Soviets may seek to encourage evolving ties between Iran, Libya, and Syria as a means of countering US influence with moderate Arab and Gulf states, and possibly improving Iranian-Soviet relations as well.

74. Recent Soviet policy in the Middle East has also been characterized by Moscow’s attempt to woo states such as Jordan and Saudi Arabia. The Soviets have sought to provoke distrust between these regimes and Washington, attempting in particular to capitalize on frustration in Amman and Riyadh over the lack of progress on the Palestinian issue and their sense of vulnerability to Israeli military action. The Soviets have concluded an important sale of mobile air defense equipment to Jordan—their first ever to that country—following a US refusal to supply such weapons. The Soviets have continued their private lobbying for the establishment of diplomatic relations with Saudi Arabia. Kuwait, a limited Soviet arms client, has been enlisted in this lobbying effort.
75. The Israeli invasion of Lebanon has complicated Soviet policy in the region. Over the long run, the Soviets may benefit from increased cooperation between radical and moderate Arabs, increased Syrian dependence on the USSR, and a possible weakening of Egyptian political links to the United States. In the near term, however, the Lebanese crisis has led to a political and military setback for major Soviet clients, Soviet diplomatic isolation from the key developments, and Arab accusations of Soviet perfidy. Syrian inability successfully to utilize Soviet military equipment could lead some Third World states to question the effectiveness of Soviet arms and training programs. Above all, the Soviets are faced with the prospect of US force deployment to monitor any political settlement while Moscow remains on the sidelines.

76. The Soviets will continue to politick hard against US diplomatic initiatives that exclude Moscow or any moderation of Arab-Israeli tensions that threatens to diminish Soviet influence in the Middle East. The Soviets clearly do not wish to encourage Arab-Israeli hostilities that might precipitate a US-Soviet crisis. On the other hand, Moscow sees a continued polarization of political opinion within the Arab camp over the dispute with Israel and US peace initiatives as the best means of ensuring the dependence of radical Arab regimes on Soviet arms and diplomatic support. The task of Soviet policy, therefore, is to frustrate US efforts to moderate the Arab-Israeli dispute without provoking another Middle East conflict. The inherent difficulty in this pursuit increases the dangers of miscalculation with respect to Moscow's ability to constrain its Arab clients militarily. In like manner, it increases the possibility of an unwanted regional conflict escalating into a US-Soviet confrontation.

E. Africa

77. Moscow's growing African involvement reflects both opportunism and the longer term objective of channeling the political currents of postcolonial nationalism in an anti-Western direction. More immediate Soviet goals in Africa are served by the enhancement of Moscow's strategic military presence in the form of air and naval deployments off West Africa and in the Indian Ocean.

78. As in the case of its Middle East involvement, Moscow's influence in Africa is in large part dependent on arms sales and military aid. Politically, the Soviets benefit by supporting black nationalist liberation movements and by exploiting opposition to South Africa. The principal weakness of Soviet policy in Africa remains its relative lack of diplomatic or economic flexibility in contrast to the United States and the West. Soviet involvement in Africa is characterized by the dependence of Moscow's principal clients, Angola and Ethiopia, on the direct presence of Soviet, Cuban, and East European military personnel to sustain the regimes of those countries against internal armed opposition. Without Soviet and Soviet proxy...
Figure 12
Southern Africa
support, the regimes would either fall or their pro-Soviet character would be substantially changed.

79. Soviet policy in the Horn of Africa has traded on the Ethiopian-Somali conflict and the Mengistu regime's need for Soviet military aid to meet ethnic insurgencies. The Soviets have welcomed Ethiopian efforts to undermine Somalia and Sudan as counters to the increased US military presence in the region. While the Soviets may see renewed fighting along the Ethiopian-Somali border as pushing Somalia closer to the United States, they have nonetheless publicly sided with Ethiopia, claiming that the conflict reflects internal Somali opposition to the Siad regime and its close ties to the United States.

80. Southern Africa is the principal focus of US-Soviet interaction, centered around the problem of Namibian independence and the conflict between the Republic of South Africa and the "Frontline" black African states. The Soviets remain deeply suspicious of the US- and Western-sponsored initiative to foster the emergence of an independent Namibia within the context of a broader regional settlement. In particular, Moscow is firmly opposed to linking any settlement in Namibia with the withdrawal of Cuban forces from Angola, a step which Moscow believes could result eventually in the emergence of a pro-Western government in Angola.

81. The noticeable increase in Soviet propaganda alleging US-South African "collusion" and "shared objectives" is aimed at diminishing Washington's diplomatic credibility as an objective broker in Namibia. Soviet propaganda linking the United States to the abortive coup in Seychelles, as well as to the South African-backed insurgencies in Angola and Mozambique, serves to reinforce the image of US-South African collaboration.

82. Moscow had made its most serious disinformation efforts on issues that directly impinge on key actors in the Namibia talks. For example, a disinformation operation alleging US training of Angolan resistance forces in Zaire was clearly intended to raise doubts in Luanda about US trustworthiness and to reemphasize Angola's dependence on Soviet military assistance. Soviet-inspired disinformation also may have contributed to the periodic strains in US-Zambian relations; Moscow probably hopes that Zambian fears of alleged US involvement in subversion will translate into a greater skepticism of US negotiation efforts in Namibia.

83. Having clearly expressed their reservations about the US and Western initiative and their position on the Cuban troop issue, the Soviets will closely monitor how the Frontline States, particularly Angola, and SWAPO proceed from here. Even if the Soviets find the evolving settlement tolerable, they will nevertheless seek to fuel tensions and suspicions to ensure that the final accord is reached in an atmosphere of antagonism and distrust rather than reconciliation. The Soviets would hope that, in such an environment, the Namibian Government would turn to the USSR for support.

84. If the present US initiative collapses, or is indefinitely dragged out, the Soviets will be quick to remind the black Africans that their warnings and suspicions were justified. US "hypocrisy" and "collusion" with South Africa will be highlighted in major propaganda campaigns aimed at further discrediting US intentions in the Third World. Moscow may push for United Nations sanctions, hoping to force the United States into the difficult position of voting for or against South Africa.

85. A successful settlement would enhance the United States' and the West's standing in black Africa. As long as South Africa remains under minority white rule, however, Moscow will have an issue to exploit. Given black African expectations that the West—and in particular the United States—has the leverage to force change in South Africa, Moscow will be able to continue to cite US collusion with Pretoria. Moreover, the failure of a Namibian settlement either to lead to regional economic and political development, or to end Pretoria's aggressive behavior in the region, would provide the Soviets with a new opportunity to reassert their influence.

F. Central and South America

86. Soviet activity and interest in Latin America have increased significantly in the past few years, and in the aftermath of the battle for the Falklands the Soviets and their Cuban allies will be probing for new opportunities. Since 1979, Moscow has moved more

\[\text{For a more detailed assessment of Soviet policy toward this region see SNIE 11/80/90-82, Soviet Policies and Activities in Latin America and the Caribbean, July 1982.}\]
aggressively to exploit opportunities presented by pressures for revolutionary change in Central America and the Caribbean and by the willingness of Latin American states to deal with the USSR and its allies. The Soviet Union has helped to consolidate revolutionary regimes in Nicaragua and Grenada, has provided aid—mainly through proxies and other third parties—to revolutionaries elsewhere in Latin America, and has intensified its efforts to develop favorable political and economic ties with such countries as Argentina, Brazil, and Mexico.

87. Cuba plays a central role in Soviet relations with Latin America not only as a dependent client serving Moscow’s interests but also as an independent actor influencing Soviet policies and tactics. Fidel Castro’s vigorous support of Nicaraguan revolutionaries, for example, was originally a Cuban initiative, and the Sandinista victory had a marked impact on Soviet attitudes and policies. Soviet leaders came to share Castro’s assessment that the prospects for the success of revolutionary forces in Central America were brighter than they had earlier calculated. Moreover, the Soviets appear to assume that direct military intervention by the United States in support of threatened governments would only engender a broader tide of anti-Americanism and revolutionary ferment throughout Latin America as a whole. Also, the Soviets may doubt that Washington would be able to sustain a domestic consensus in favor of military intervention in Central America.

88. Nevertheless, the Soviets probably believe that further Soviet and Cuban support of revolutionary activity in Central America could precipitate US military action against Cuba—an event the Soviets clearly wish to avoid. Thus, Soviet policy in Central America is to promote the fortunes of the revolutionary left while avoiding a more extensive or direct commitment that might precipitate a US military countermove. This element of flexibility in Soviet policy is reflected in the nature of Moscow’s response to the Reagan administration’s heightened commitment to stability in El Salvador.

89. While encouraged about the prospects for the revolutionary left in Central America, the Soviets do not wish to jeopardize evolving economic and political ties more broadly throughout Latin America by a more assertive or opportunistic involvement in the region. In Argentina, Brazil, and Peru, Moscow’s policy has aimed largely at cultivating positive state-to-state relations. This approach has emphasized trade expansion and readiness to sell military hardware:

- Brazil is becoming an important Soviet trading partner.
- The Soviets have a substantial arms supply relationship with Peru.
- Argentina is a major exporter of grain and beef to the USSR and, in the wake of the Falkland Islands dispute, could conceivably become an importer of Soviet arms.

90. The Soviets further recognize that, with the important exception of Cuba, Latin America remains relatively peripheral to Soviet geostrategic concerns. Moscow, therefore, can afford to be patient and temporize in its support for the radical left. Even in Nicaragua, where Moscow clearly wishes to encourage the “socialist transformation” of the current regime, the Soviets have been careful not to become involved
Diplomatic relations

- Established since January 1969
- Established before 1969
- Never established

*Relations maintained 1945-47; no missions exchanged since.*
*Relations established April 1945; Legation opened in Moscow but closed July 1946; no missions have been exchanged since.*
*Relations established 1944; broken off 1947, reestablished 1964; broken off again 1973 after ouster of Allende.*
in an entangling commitment. The Soviets have extended both economic and military aid to Nicaragua but appear to be wary of assuming a greater economic burden in the near term.

91. To support Latin American revolutionary movements while distancing the USSR from what would be seen as especially provocative acts, the Soviets are relying extensively on the use of proxies and other third parties. Within the region, Cuba has recently been joined by Nicaragua in playing this instrumental role. Nicaragua maintains training camps for Latin American insurgents and acts as a funnel for transporting externally supplied arms into El Salvador, Guatemala, and—to a lesser extent—Honduras. Arms and other support are shipped from or through a number of countries. Other actors encouraged by Moscow include most prominently the PLO, but Libya, Vietnam, and several East European countries have also participated. Latin Americans are sent for paramilitary and political training to sites in Cuba, the Middle East, Libya, Eastern Europe, as well as the USSR.

IV. Policy Options and Policy Dilemmas

A. The Strategic Outlook

92. The policy environment for the Soviet leadership over the next three to five years will be determined primarily by the interplay between an ongoing political succession, continuing slowdown in economic growth, and an uncertain—and potentially more hostile—international environment. Declining economic growth will further intensify competition for resources and will pose increasingly acute policy dilemmas for the Soviet leadership. Policy divergences over a combination of economic and international issues could entail significant consequences for the conduct of Soviet foreign policy. Nevertheless, no Soviet leader is likely to open himself to the charge of undercutting national security needs as defined by the military establishment, through advocating absolute cuts in the defense budget during an interregnum. Furthermore, Soviet leaders of the 1980s will be confronted with the problems of restructuring a dialogue with their principal adversary against a background of a mutual arms buildup, the threat of technological surprise, and a distrust on both sides engendered by the collapse of the attempt at limited political accommodation during the previous decade.

93. The Soviets view as a serious problem the prospect of a long-term mutual arms buildup which threatens to tax Soviet economic resources during a period of domestic political uncertainty. The heightened military challenge that the United States poses to the USSR, specifically in terms of strategic nuclear programs planned for the latter half of the 1980s, is an ominous development for the Soviets. But, in Moscow's view, the realization of US plans will be strongly dependent on domestic political and international factors affecting US policymaking. In any event, the accumulated military assets of Moscow's military investments over the past two decades are a source of Soviet confidence.

94. It is doubtful, however, that Soviet leaders perceive a "window of opportunity" based on any overweening confidence in present Soviet strategic nuclear forces relative to future prospects. From the perspective of the present and probable future Soviet leadership, there will remain important deterrents to major military actions. These include the dangers of a direct conflict with the United States that could escalate to global proportions, concern about the reliability of some East European allies, and an awareness of the greater Western capacity to support an expanded defense effort. These concerns do not preclude action abroad but they act as constraints on military actions that could lead to a direct US-Soviet confrontation.

95. Strategic nuclear arms negotiations are likely to remain a central Soviet priority even in a post-Brezhnev regime. Moscow will continue to see the strategic nuclear arms control process as a means of moderating broader US political attitudes toward the USSR and of reducing the possibility of a US technological breakthrough that might jeopardize Moscow's strategic nuclear status. Although anxious about the potential technological dimensions of a reinvigorated strategic arms competition, immediate cost considerations are less a factor in the Soviet calculus—even given declining economic performance. Spending for strategic nuclear forces constitutes roughly 15 percent of the Soviet defense budget and even an intensified effort in a non-SALT environment would be unlikely to result in a disproportionate increase in this amount. In addition, strategic nuclear force requirements are less labor intensive than other military services, and the high-technology production resources devoted to
strategic nuclear systems are less easily transferable to civilian purposes.

96. A more compelling economic incentive to arms control talks, however, could be the cost avoidance benefits. In the absence of an arms control agreement to channel and limit US weapons developments, Moscow could see itself as locked into spending even larger sums on developing new systems and deploying a greater number of them. Such concerns, particularly if they were reinforced by the feeling that the United States was successfully reversing the overall military trends of the last decade, could, in turn, add to the impetus for strategic arms control agreements encompassing the more threatening US systems. The Soviet offer to place a cap on Typhoon submarine deployments in exchange for Trident constraints is an example of the type of limited accommodation the Soviets could accept. Such an accommodation would accomplish a reduction in Trident capability which their own defenses could address only at great cost and in the indefinite future.⁴

97. If the Soviets should conclude that there is no prospect in the near term for an advantageous result from a renewed strategic arms dialogue with Washington, then they may decide to ignore SALT constraints. Among the earliest indications that they had decided to do so would be the failure to dismantle older systems as new ones are deployed, the testing of ICBMs with more reentry vehicles than permitted under SALT II limits, and the testing of more than one new type of ICBM. Moreover, they are well positioned for potential force expansion and could increase the number of MIRVed ICBMs, continue SSBN production without any dismantlement of older missile launching submarines, increase Backfire production, and test and deploy new strategic systems. Some of these actions, such as the failure to dismantle older missile submarines and land-based missiles in accordance with the putative SALT restrictions, are reversible. The Soviets might undertake such measures to pressure the United States either to refrain from certain weapons deployments or to induce Washington to resume the strategic arms dialogue within the general framework of previous strategic arms agreements.

⁴ For a detailed discussion see NIE 11-5/8-81, Soviet Capabilities for Strategic Nuclear Conflict, 1981-91, Volume II, 23 March 1982

B. Defense-Economic Trade-Offs

98. The Soviets recognize that military power is their principal foreign policy asset and that continued high levels of defense investment are necessary to sustain the present dimensions of Moscow's global role. Despite declining economic growth, we have seen no evidence of a reduction in Soviet defense spending. On the basis of observed military activity—the number of weapon systems in production, weapons development programs, and trends in capital expansion in the defense industries—we expect that Soviet defense spending will continue to grow at about its historical rate of 4 percent a year at least through 1985.

99. We estimate, on the other hand, that annual Soviet economic growth will be only 1 to 2 percent in the mid-1980s, and will remain near the 1-percent level through the 12th Five-Year Plan (1986-90). If defense spending is to continue increasing at about 4 percent per year, the defense share of GNP consequently will be at least 15 percent by mid-decade. If these trends are not changed in the 12th Five-Year Plan, the defense share of GNP could approach 20 percent by 1990. This level of military spending would drastically reduce the ability of the Soviet leadership to allocate additional resources to investment and consumption. Under these conditions, continued growth in defense spending at its historical rate could lead to declines in living standards. Per capita consumption probably would continue to grow marginally for the next few years, but, by mid-decade, would almost certainly be in decline.

100. It is likely that the Soviets' perceptions of their economic predicament are less pessimistic than those of Western analysts, thus reducing the likelihood of major economic reforms. This might partly explain why, for example, the USSR's 1981-85 plan fails to address adequately the declining ability of the economy to offset slow labor growth with more capital investment. The opportunities for growth from substituting capital for labor will be limited by the continuing decline in capital productivity as well as by the need to sink most of the investment increment into capital-intensive projects, particularly in the energy sector, the return from which is long deferred. This constraint suggests that by mid-decade the Soviets will face a larger defense burden than they currently anticipate, and pressures for a slowdown in defense spending could increase.
101. Because military programs require long lead-times, a reduction in the rate of growth of defense spending would probably have little impact on Soviet military capabilities during this decade. Soviet weapons that will be in the field through the 1980s will consist primarily of systems already deployed as well as those now entering production and in the late stages of development.

102. The foreign policy payoffs of high military spending might engender Politburo deliberations of even larger allocations to defense. Such increases in military spending might be managed by the selective acceleration of individual Soviet weapons programs, but the social costs would be high. To the extent that any plan revisions increased investment in defense industries, investment in some civilian sectors would suffer. Cuts in the consumer sector, however, could have two unpalatable consequences: they would worsen already poor prospects for improving labor productivity, and they might increase worker discontent. Moscow is counting heavily on large gains in labor productivity to meet the economy's output goals. Indeed, the plan directives currently stipulate that 90 percent of the growth in industry and all of the growth in agriculture must come through increases in productivity. Without some improvement in consumer welfare, chances of generating the productivity gains implied in the 11th Five-Year Plan will be much reduced.

C. The Political Succession and Foreign Policy Options

103. The economic dilemma outlined above will serve as the critical backdrop to the decisions taken by the post-Brezhnev leadership on domestic policy and will influence foreign policy choices as well. A major issue confronting the future Soviet leadership will thus be how to sustain high levels of defense spending without imposing severe cutbacks on consumer welfare or reducing the rate of industrial modernization and renovation. In spite of the declining economic growth rate, the Brezhnev regime has opted to sustain the rate of growth in defense spending and, aided by high levels of investment in agriculture, to continue to seek marginal improvements in consumer welfare.

104. A successor leadership may be inclined to reexamine these priorities, particularly the high levels of investment in agriculture—a commitment closely identified with Brezhnev personally. Although absolute cuts in defense spending are highly unlikely, declining economic growth will further intensify competition for resources, compelling Soviet leaders to weigh the effect of constant increases in defense spending on the overall development of the economy.

105. Soviet leaders are likely to seek greater commerce with Western Europe—and the United States if political conditions allow—to relieve economic pressures at home. Such a move also might be seen by future Soviet leaders as having the political virtue of increasing Soviet-West European political interaction, possibly at US expense. However—assuming no major increases in the price of oil, gas, or gold, or any significant expansion in Soviet arms sales—a substantial increase in imports beyond the 1981 level would be achievable only if Moscow were willing to increase its foreign debt. The level of debt, in turn, would be contingent upon the willingness of Western bankers and governments to extend further long-term credits to Moscow.

106. The Soviets believe that without strong West European support the United States would have little leverage to affect Soviet economic choices. They anticipate that any US-instigated effort to embargo or
restrict the flow of technology or food to the USSR can be circumvented by turning to Western Europe, Japan, or alternative grain suppliers such as Canada and Argentina.

107. Increased debt and hard currency shortages could affect the level of Moscow's economic commitments to client regimes in the Third World. Even under present projections, the hard currency crunch probably will make the Soviets reluctant to provide other clients with economic aid as extensive as that provided to Cuba or Vietnam. As in Eastern Europe, Moscow is already cutting back on subsidized shipments of commodities that can be diverted to Western markets, such as oil, or goods for which the Soviets must pay hard currency to import, notably agricultural products. Soviet military assistance probably will not be seriously affected and arms sales are unlikely to be affected at all. Arms aid will not increase the strain on Soviet domestic economic resources as directly as deliveries of important commodities and industrial goods. Moscow is likely to be even more active in seeking new purchasers of Soviet arms and seeking hard currency as payment from existing clients. The net result, therefore, is that Moscow will be even more dependent than at present on military sales as a lever of influence in Third World regimes.

108. Rival factions or claimants to leadership in the post-Brezhnev era are likely to share a determination to maintain and expand Moscow's global presence. This determination could be reinforced by a possible tendency on the part of a younger generation of Soviet leaders to equate the growth of Soviet military power with the growth of Soviet global power and influence. Supporting such thinking, moreover, are factors that go beyond tangible or measurable indexes, factors such as ideological conviction, a lingering sense of insecurity and of hostile encirclement, and a contrasting confidence and sense of achievement in the USSR's emergence as a global superpower. Collectively these will tend to reinforce the new leadership's commitment to sustain the global dimensions of Soviet policy.

109. The specific foreign policy options of a successor leadership will be conditioned not only by the level of East-West tensions but by the prevailing consensus within the new leadership on foreign policy commitments. In past successions, some fairly radical policy departures were in fact undertaken. The post-Stalin leaders, for instance, moved quickly to end the Korean war. Within the first months of its tenure, the post-Khrushchev collective sought to mend (albeit unsuccessfully) the political breach with China and made the decision to increase sharply Soviet assistance to North Vietnam. If precedent is a guide, therefore, a post-Brezhnev regime could explore options relative to the USSR's more pressing foreign policy dilemmas.

110. The Soviets are probably pessimistic about the longer term prospects for a moderation of US-Soviet tensions, particularly in light of planned US strategic weapons deployments and military programs projected for the latter half of the 1980s. But even in the event of an improved climate of US-Soviet relations, the fundamental antagonistic nature of US-Soviet interaction will persist because of the two sides' conflicting political and international goals. Moreover, the Soviet perception of underlying US hostility toward the USSR, combined with the persistence of broader East-West problems, will result in continued Soviet efforts to undermine and discredit US policies.

111. A post-Brezhnev regime could examine new possibilities for accommodation with Beijing, in the hope of undercutting a US global strategy predicated on Sino-Soviet hostility. But such a move would be contingent on prior improvement in the Sino-Soviet political dialogue, and Moscow would have to offer significant concessions on contentious military and border issues.

112. Western Europe looms as another area of intensified maneuvering by a successor regime for significant geopolitical advantage over Washington. The prize in this instance would be the erosion of NATO or, at a minimum, the provoking of serious divisions within the core of the US alliance structure. The principal sources of Soviet leverage in this regard would be Moscow's potential ability to ease fears in Western Europe that the region might become a nuclear battleground, and to offer greater intercourse between East and West Germany.

113. Potential Soviet flexibility toward Western Europe, however, would be compromised by an outbreak of renewed social and political turbulence in Eastern Europe. The economic conditions that engendered the political crisis in Poland since 1980 are present to varying but significant degrees in the other states of Moscow's East European empire. Increasing foreign debt obligations, diminishing hard currency reserves, and deteriorating economic performance will worsen
these conditions. Moreover, Soviet policymakers will be confronted with the dilemma of weighing the increasing burden of economic subsidization of the East European economies against a political reluctance to allow greater economic reform.

114. Dramatic unanticipated changes in the international environment could have a profound impact on future Soviet policy options. A collapse of the Saudi monarchy, for example, could usher in an anti-Western regime, precipitating the expulsion of the United States and potentially dividing US interests in the Persian Gulf from those of Europe and Japan. Likewise, the outcome of Iran's revolution and the Iran-Iraq war might also create significant opportunities or dangers from Moscow's perspective, raising the possibility of a further Soviet military incursion into Southwest Asia or the Persian Gulf region.

115. Despite uncertainties, the Soviets probably anticipate that they will be able to take advantage of trends in international politics, particularly in the Third World, to create opportunities for the enhancement of Moscow's geopolitical stature. The likely persistence of regional rivalries, economic disorder, and the political undercurrents of anti-Americanism are probably viewed by Moscow as developments that will pose continuing dilemmas for US policy and, conversely, relatively low-risk opportunities for Soviet exploitation of regional instabilities. Active Soviet efforts to exploit such instabilities are particularly likely in those areas—such as southern Africa, the Middle East, and Central America—where US policy is closely identified with regionally isolated or politically unpopular regimes. A related Soviet objective will be to frustrate US diplomatic and political attempts to resolve regional disputes in the Third World.

116. As the Soviet leadership moves further into a period of political succession, Soviet policies will become less predictable. The potential confluence of greater Soviet military power, increased regional instabilities, more assertive US policies, and the potential for expanded US military capabilities in the late 1980s could make a successor Soviet leadership increasingly willing to exploit current opportunities in what it perceives as low-cost, low-risk areas. This attitude, in turn, could increase the possibilities of miscalculation and unpremeditated US-Soviet confrontations, most likely in the Third World.
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* Excludes troops in integral units.
Table 2

Soviet Arms Sales to Third World Countries

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