Approved For Release 2002/10/30 : CIA-RDP80R01731R002000090003-2

4 JUNE 1973

DDCI ADDRESS FOR
ARMY WAR COLLEGE
6 JUNE 1973

THE WORLD SITUATION

GENTLEMEN:

I AM SURE I NEED NOT REMIND YOU THAT THIS IS THE 6TH OF JUNE--THE ANNIVERSARY OF ONE OF THE MOST IMPORTANT ~~GREATEST~~ EVENTS EVER TO TAKE PLACE ~~ENACTED~~ ON THE CONTINENT OF EUROPE. THIS IS A FORTUNATE COINCIDENCE, BECAUSE IT SUPPLIES A STARTING POINT FOR WHAT I HAVE BEEN ASKED TO DISCUSS--NAMELY, THE WORLD SITUATION. OTHERWISE, WITH SUCH A LARGE SUBJECT, I MIGHT HAVE BEEN IN THE POSITION OF THE YOUNG ARAB PRINCE WHO WAS HAVING DIFFICULTY UTILIZING THE ABUNDANTLY STOCKED HAREM HIS FATHER HAD GIVEN HIM FOR HIS 21ST BIRTHDAY--HE KNEW WHAT TO DO, BUT COULDN'T FIGURE OUT WHERE TO START.

LET US BEGIN WITH WHAT HAS COME TO BE KNOWN AS THE "YEAR OF EUROPE." ACTUALLY, THERE HAVE BEEN MANY SUCH YEARS, FOR EVER SINCE THAT JUNE DAY IN 1944 CERTAINLY ONE OF THE PRIMARY CONCERNS OF THE

Approved For Release 2002/10/30 : CIA-RDP80R01731R002000090003-2

Approved For Release 2002/10/30 : CIA-RDP80R01731R002000090003-2

UNITED STATES HAS BEEN OUR RELATIONSHIP WITH OUR ALLIES OF WESTERN EUROPE. WE CAN GO ON EASILY FROM THERE TO THE "OTHER EUROPE," ESPECIALLY THE SOVIET UNION, WHERE ALMOST EVERY DEVELOPMENT IMPACTS ON US POLICY, AND FREQUENTLY THREATENS OUR NATIONAL SECURITY. CHINA, OF COURSE, IS ALSO VERY MUCH A PART OF THE WORLD SITUATION THESE DAYS, AS IS THE FESTERING--AND MENACING--STALEMATE IN THE MIDDLE EAST. I WILL CONCLUDE WITH A BRIEF DISCUSSION OF THE OUTLOOK FOR PEACE AND STABILITY IN INDOCHINA.

EUROPE

WHAT, THEN, HAS THIS "YEAR OF EUROPE" SO FAR PRODUCED? MOST OF WESTERN EUROPE HAS BEEN CONSOLIDATED AROUND THE EUROPEAN COMMUNITIES; THERE HAS BEEN PROGRESS IN EAST-WEST DETENTE; AND A NEW RELATIONSHIP BETWEEN WESTERN EUROPE AND THE UNITED STATES IS EVOLVING.

ONE ASPECT OF WESTERN EUROPE--AND THE MOST IMPORTANT--REMAINS THE SAME THE MORE IT CHANGES: THE PERSISTENCE OF POLITICS. ALL EUROPEAN COUNTRIES ARE MORE WORRIED ABOUT DOMESTIC INFLATION THAN FOREIGN AFFAIRS. MOST OF THE CONCERNS OVER FOREIGN AFFAIRS ARE SHARED CONCERNS: MULTILATERAL

Approved For Release 2002/10/30 : CIA-RDP80R01731R002000090003-2

Approved For Release 2002/10/30 : CIA-RDP80R01731R002000090003-2

RELATIONS IN THE EUROPEAN COMMUNITIES, RELATIONS WITH THE US, AND RELATIONS WITH THE USSR. WESTERN EUROPEANS ARE ALSO SEARCHING FOR ANSWERS TO SOCIAL, CULTURAL, AND ECONOMIC PROBLEMS AT A LOWER LEVEL, SUCH AS THE FESTERING WALLOON-FLEMISH PROBLEMS, AND ULSTER.

THE THREE LARGEST AND MOST IMPORTANT OF THE WESTERN EUROPEAN COUNTRIES--FRANCE, BRITAIN, AND WEST GERMANY--HAVE MUCH IN COMMON. THE THREE LEADERS ARE ALL CAPABLE MEN, TO BE SURE, BUT NONE PERHAPS SEEMS ~~IS~~ OF HEROIC STATURE. EACH, HOWEVER, HAS WEAK--IF NOT DEMORALIZED--OPPOSITION, AND CAN PROCEED WITH CONFIDENCE.

PRESIDENT POMPIDOU EMERGED FROM THE PARLIAMENTARY ELECTIONS IN MARCH WITH A SOLID MAJORITY IN THE NATIONAL ASSEMBLY, AND WITH INCREASED PERSONAL STRENGTH. MEN CLOSE TO HIM HOLD MAJOR POSTS AND THE INFLUENCE OF THE ORTHODOX GAULLISTS HAS BEEN SIGNIFICANTLY REDUCED. THE GOVERNMENT HAS ALREADY ACTED TO MEET ITS PRE-ELECTION COMMITMENT TO SOCIAL AND ECONOMIC REFORM. STUDENT AND WORKER DEMONSTRATIONS HAVE DIED DOWN AND ARE UNLIKELY AGAIN TO THREATEN GOVERNMENT STABILITY. PARIS SHOULD BE ABLE TO DEAL WITH ITS EUROPEAN PARTNERS AND THE US FROM A STRONG POSITION.

Approved For Release 2002/10/30 : CIA-RDP80R01731R002000090003-2

Approved For Release 2002/10/30 : CIA-RDP80R01731R002000090003-2

IT ~~LOOKS LIKE~~ APPEARS THAT PRIME MINISTER HEATH'S GOVERNMENT WILL SURVIVE ITS FULL TERM--UNTIL 1975. THE ECONOMY--HIS PRINCIPAL DOMESTIC PROBLEM--IS SHOWING SIGNS OF STRENGTHENING. UNEMPLOYMENT HAS FALLEN BELOW THREE PERCENT; ECONOMIC GROWTH IS APPROACHING A RATE OF 5 PERCENT; AND SOME INROADS ARE BEING MADE INTO THE INFLATIONARY RATE. MOST OF THE TRADE UNIONS CAPITULATED TO THE GOVERNMENT-ISSUED GUIDELINES EARLIER THIS SPRING, BUT SEVERAL MILITANT ONES WILL NEGOTIATE NEW CONTRACTS NEXT FALL. TALKS ON THE INDUSTRIAL RELATIONS ACT BETWEEN GOVERNMENT AND UNION LEADERS WILL BEGIN SOON, AND MAY BE A CLUE AS TO WHETHER BRITAIN CAN ACHIEVE SUFFICIENT INDUSTRIAL PEACE TO PERMIT ITS INITIAL ACCOMMODATION WITH EC MEMBERSHIP.

IN BONN, THE NEW GOVERNMENT OF SOCIAL AND FREE DEMOCRATS--LED BY CHANCELLOR BRANDT AND FOREIGN MINISTER SCHEEL--HAS A SIZEABLE PARLIAMENTARY MAJORITY AND SEEMS ASSURED OF STAYING POWER FOR THE FULL FOUR-YEAR TERM. AS ELSEWHERE, INFLATION HAS BEEN GROWING AT RECORD RATES, BUT THE CHANCELLOR SHOWS SIGNS OF GETTING ON WITH DOMESTIC REFORMS; THE FLESHING OUT OF THE EASTERN TREATIES WILL ALSO HELP

Approved For Release 2002/10/30 : CIA-RDP80R01731R002000090003-2

Approved For Release 2002/10/30 : CIA-RDP80R01731R002000090003-2

HIM; AND THE VISITS HE HAS JUST HAD WITH PRESIDENT NIXON AND WITH BREZHNEV HAVE ADDED TO HIS STATURE.

THE ENLARGEMENT OF THE COMMUNITY LAST JANUARY AND, MORE PARTICULARLY, THE SHIFTS IN NATIONAL POLICIES THAT MADE THAT ENLARGEMENT POSSIBLE, HAVE SET THE STAGE FOR RESUMING STEP-BY-STEP PROGRESS TOWARD A WESTERN EUROPE THAT CAN EVENTUALLY BE A COHESIVE FORCE IN WORLD POLITICAL AS WELL AS ECONOMIC AFFAIRS.

THE SPECIFIC SIGNS OF THIS POSITIVE--IF STILL PAINFUL MOVEMENT--ARE EVIDENT IN MANY AREAS, SUCH AS:

--THE EXTENSIVE COVERAGE OF COMMUNITY AFFAIRS IN THE BRITISH PRESS;

--THE EXCELLENT PERSONNEL THAT LONDON HAS SENT TO STAFF THE EC'S INSTITUTIONS AND THE LIVELINESS OF THE DEBATES IN THE EUROPEAN PARLIAMENT;

--THE WILLINGNESS OF BONN TO DISAGREE WITH PARIS ON EC POLICIES;

--THE IMPATIENCE OF SOME OF THE NEW MEMBERS WITH THE INEFFECTIVENESS OF THE BRUSSELS INSTITUTIONS;

Approved For Release 2002/10/30 : CIA-RDP80R01731R002000090003-2

Approved For Release 2002/10/30 : CIA-RDP80R01731R002000090003-2

--THE GROWING HABIT OF WORKING TOGETHER IN THE POLITICAL CONSULTATIVE MECHANISM;

--THE ACTIVITIES IN NATO OF THE EUROGROUP, INCLUDING THOSE OPPOSED BY THE FRENCH;

--THE FORMATION EARLIER THIS YEAR OF THE EUROPEAN TRADE UNION ORGANIZATION;

--THE SCHEDULED REVIEW OF THE COMMON AGRICULTURAL POLICY; AND SO ON.

BUT IT IS THE IMPENDING ARRIVAL--NOT THE ARRIVAL--OF "EUROPE" THAT HAS INJECTED A NEW AND COMPLICATING FACTOR INTO THE UNFOLDING OF DETENTE ON THE EUROPEAN SCENE. WHEN MOSCOW FIRST ADVOCATED A CONFERENCE ON EUROPEAN SECURITY, IT IS DOUBTFUL THAT THE SOVIET UNION ACCEPTED THE "REALITY" OF THE COMMUNITIES. ALTHOUGH IT SEEMS LIKELY THAT THE FIRST MINISTERIAL SESSION OF THE CSCE WILL CONVENE AT THE END OF JUNE AS SCHEDULED, THE SOVIETS CANNOT HAVE BEEN TOTALLY PLEASED WITH THE WAY THE PREPARATORY TALKS HAVE GONE NOR WITH THE OUTCOME THAT SEEMS IN PROSPECT. MOSCOW WANTED AN EARLY AND QUICK COMMITMENT TO THE CONVENING OF CSCE, BUT INSTEAD WAS DRAGGED THROUGH LENGTHY DISCUSSIONS OF AGENDA ISSUES.

DESPITE THE QUALMS WITH WHICH THE UNITED STATES ENTERED THE CSCE, THERE IS A MUTUALITY OF INTERESTS

Approved For Release 2002/10/30 : CIA-RDP80R01731R002000090003-2

Approved For Release 2002/10/30 : CIA-RDP80R01731R002000090003-2

AMONG THE EUROPEANS THAT IS OFTEN STRONGER THAN THE LURE OF BILATERAL "DEALS" WITH THE RUSSIANS. MOREOVER, ALTHOUGH THE EUROPEANS ARE RELUCTANT TO PUT OUT HARD CASH FOR DEFENSE, THERE IS NO COLLECTIVE DESIRE TO COMMIT SUICIDE.

OUR ALLIES HAVE REACTED FAVORABLY TO MANY OF THE MBFR PROPOSALS WHICH WE PROPOSED THAT NATO SHOULD CONSIDER WHEN THE TALKS RESUME THIS FALL. NEVERTHELESS, THE REDUCTION OF THESE PROPOSALS TO SPECIFIC GUIDELINES AND TACTICAL APPROACHES WILL NOT BE EASY. MOST OF THE ALLIES ARE RESIGNED TO--AND SOME GRATEFULLY ACCEPT--CONFINING INITIAL REDUCTIONS TO US AND SOVIET FORCES. BUT THEY ARE PROFOUNDLY WORRIED THAT THE EXERCISE MAY DEGENERATE INTO A BILATERAL ONE AND THAT IT MAY TOUCH UPON THE FORWARD-BASED SYSTEMS WHICH MAKE POSSIBLE A FLEXIBLE RESPONSE STRATEGY.

THE EUROPEANS ARE PLEASED THAT WASHINGTON AND MOSCOW HAVE FOUND NEW AREAS OF WIDER AGREEMENT--PARTICULARLY IN STRATEGIC ARMS CONTROL; THAT THE US IS AGAIN FOCUSING ATTENTION ON EUROPE AND THAT WASHINGTON HAS FRANKLY ACKNOWLEDGED THAT IT WANTS A MORE MATURE ATLANTIC RELATIONSHIP IN WHICH THE PARTNERS ARE "MORE EQUAL." BUT THEY GREATLY FEAR THAT COMMON US-SOVIET INTERESTS MAY COMPETE INCREASINGLY WITH THE

Approved For Release 2002/10/30 : CIA-RDP80R01731R002000090003-2

Approved For Release 2002/10/30 : CIA-RDP80R01731R002000090003-2

MUTUALITY OF US-EUROPEAN INTERESTS; THEY SPECULATE THAT MBFR AND SALT II MAY RESULT IN A DECOUPLING OF THE DETERRENT; THEY THINK THEY DETECT AN AMERICAN IMPATIENCE THAT WESTERN EUROPE DOES NOT SPEAK WITH ONE VOICE; AND SOME FEEL THAT OUR COMMERCIAL AND MONETARY DIFFERENCES HAVE CONVERTED ALLIES INTO ADVERSARIES. THE AMBIGUOUS RESPONSE WHICH WESTERN EUROPE HAS SO FAR GIVEN TO DR. KISSINGER'S 23 APRIL SPEECH AND TO THE PRESIDENT'S ANNUAL FOREIGN POLICY STATEMENT REFLECTS THESE SENSITIVITIES.

AS WE PROCEED DURING THE REMAINDER OF THIS SUMMER TO WORK OUT THE OUTLINES OF A NEW ATLANTIC RELATIONSHIP--WHETHER IT IS CALLED A "CHARTER" OR SOMETHING ELSE--THE QUESTIONS OF DEADLINES AND EXPECTATIONS WILL BE CRITICAL. THE FACT OF THE MATTER IS THAT EUROPE MUST DO A GREAT DEAL IN A VERY SHORT TIME. IT MUST NEGOTIATE A NEW TRADING SYSTEM, CONTRIBUTE TO INTERNATIONAL MONETARY REFORM, ADOPT A POSITION ON AN ACCEPTABLE REDUCTION OF FORCES IN CENTRAL EUROPE; COMMIT ITSELF TO DO MORE FOR ITS OWN DEFENSE OR, AT LEAST, TO DO IT BETTER; FIGURE OUT HOW TO LINK JAPAN TO THE ATLANTIC NATIONS; AND FINALLY, CREATE A NEW ATLANTIC RELATIONSHIP.

Approved For Release 2002/10/30 : CIA-RDP80R01731R002000090003-2

Approved For Release 2002/10/30 : CIA-RDP80R01731R002000090003-2

ALL THIS MEANS THAT WESTERN EUROPE MUST COMBINE ITS SELF-INTERESTS WITH SOME MEASURE OF APPRECIATION OF ITS RESPONSIBILITIES AS AN INCIPIENT WORLD POWER. BUT, SINCE THE CONSTITUENT MEMBERS OF EUROPE STILL HAVE A LONG WAY TO GO TO WORK OUT THEIR MUTUAL RELATIONSHIPS, THE MOST THAT CAN BE EXPECTED IN THE NEAR FUTURE IS THE CONTINUATION OF THE SPECIAL EUROPEAN-US RELATIONSHIP THAT IS BASED ON COMMON VITAL INTERESTS.

THE SOVIET UNION

YOU HAVE NO DOUBT NOTICED HOW OFTEN THE SOVIET UNION HAS CROPPED UP IN WHAT WAS SUPPOSED TO BE A DISCUSSION OF WESTERN EUROPE. THIS IS, QUITE SIMPLY, A FACT OF OUR WORLD--THE RUSSIAN BEAR CASTS A LONG SHADOW, SO LET US LOOK AT THE POLITICAL, ECONOMIC, AND MILITARY SITUATION IN THE ONLY COUNTRY WHICH HAS EVER PUBLICLY THREATENED TO "BURY" THE UNITED STATES.

THE POLITICAL LEADERSHIP

THE SOVIET POLITICAL LEADERSHIP IS STABLE; ITS RELATIONS WITH THE MILITARY HIERARCHY ARE GENERALLY GOOD. GENERAL SECRETARY BREZHNEV'S POSITION AS THE FIRST-AMONG-EQUALS HAS STRENGTHENED IN THE PAST TWO

Approved For Release 2002/10/30 : CIA-RDP80R01731R002000090003-2

Approved For Release 2002/10/30 : CIA-RDP80R01731R002000090003-2

YEARS, AND THE POLITBURO CHANGES ANNOUNCED BY THE CENTRAL COMMITTEE ON 27 APRIL INCREASED HIS AUTHORITY. HE IS UNLIKELY TO TRY TO SEIZE ALL THE REINS OF POWER, HOWEVER, LEST HIS COLLEAGUES BECOME RESTIVE AND CLOSE RANKS, AS THEY DID IN 1964 WHEN KHRUSHCHEV WAS OUSTED.

THE INCLUSION OF DEFENSE MINISTER GRECHKO, FOREIGN MINISTER GROMYKO, AND KGB CHIEF ANDROPOV IN THE POLITBURO, TOGETHER WITH THE OUSTER OF SHELEST, WAS INTENDED AS A SIGNAL THAT DETENTE AND COOPERATION WITH THE WEST COMMAND THE SUPPORT OF ALL MAJOR CONSTITUENCIES IN THE USSR. BREZHNEV'S REPORT TO THE CENTRAL COMMITTEE ON FOREIGN AFFAIRS WAS ENDORSED BY EVERYONE WHO COUNTS IN THE SOVIET LEADERSHIP. MOREOVER, THE CENTRAL COMMITTEE INSTRUCTED THE POLITBURO TO FORGE AHEAD, TO IMPLEMENT THE "PEACE PROGRAM" AND MAKE "IRREVERSIBLE" CHANGES IN THE INTERNATIONAL SITUATION.

IN WASHINGTON LATER THIS MONTH BREZHNEV CAN BE EXPECTED TO PRESS FOR A MAJOR EXPANSION OF ECONOMIC AND TECHNOLOGICAL COOPERATION--JUST AS HE DID LAST MONTH IN BONN. HE RECENTLY URGED SEVERAL US SENATORS TO CAST ASIDE COLD WAR MISCONCEPTIONS AND SEEK AREAS OF COOPERATION. BUT HE STRESSED THAT THE "UNLIMITED

Approved For Release 2002/10/30 : CIA-RDP80R01731R002000090003-2

Approved For Release 2002/10/30 : CIA-RDP80R01731R002000090003-2

POSSIBILITIES FOR ECONOMIC COOPERATION" WOULD REQUIRE THE MOST SENSITIVE TYPE OF POLITICAL DECISION. IN THIS CONTEXT, HE HELD OUT THE LURE OF LARGE-SCALE DEALS INVOLVING THE EXCHANGE OF WESTERN CAPITAL AND TECHNOLOGY FOR SOVIET RAW MATERIALS.

THIS PUSH FOR DETENTE REFLECTS THE KREMLIN'S ACCOMMODATION TO SOVIET DOMESTIC NEEDS, AND ITS APPRECIATION OF THE CHANGING INTERNATIONAL ENVIRONMENT. IN BRIEF, THE USSR HAS NO SATISFACTORY ALTERNATIVE TO A WESTERN ORIENTATION. FACED WITH A DECLINING ECONOMIC GROWTH RATE WHILE THE EXPECTATIONS OF SOVIET SOCIETY ARE RISING, BREZHNEV HAS MADE A SERIES OF PRAGMATIC AND FUNDAMENTAL CHOICES, PRIMARILY ECONOMIC, THAT WOULD BE DIFFICULT TO REVERSE WITHOUT EXPOSING HIS LEADERSHIP TO DAMAGE THAT COULD BE GRAVE--AND POSSIBLY FATAL.

THIS DOES NOT MEAN THAT THE SOVIETS WILL CEASE THEIR VIGOROUS COMPETITION WITH THE US FOR GLOBAL INFLUENCE AND PRESTIGE. FOR EXAMPLE, THERE IS NO SIGN OF LET-UP IN THEIR EFFORTS TO UNDERMINE OUR INFLUENCE IN THE MIDDLE EAST THROUGH DIPLOMATIC ACTION AND KGB OPERATIONS; NOR HAS THERE BEEN ANY INDICATION OF A DECLINE IN STRATEGIC WEAPONS PROGRAMS.

Approved For Release 2002/10/30 : CIA-RDP80R01731R002000090003-2

Approved For Release 2002/10/30 : CIA-RDP80R01731R002000090003-2

ASSUMING THAT THE LEADERSHIP REMAINS MORE OR LESS IN ITS PRESENT COLLECTIVE FORM, MAJOR POLICY SHIFTS SEEM UNLIKELY. BREZHNEV IS CAUTIOUS BY NATURE, AND IN ANY COLLECTIVE PROCESS, DEPARTURE FROM ESTABLISHED POLICY IS WRENCHING. DECISIONS ARE BASED ON CONSENSUS--A PROCESS THAT MILITATES AGAINST DRAMATIC CHANGES.

THIS APPLIES, TOO, TO DECISIONS INVOLVING THE MILITARY APPROPRIATIONS. NO LEADER CAN RISK EXPOSING HIMSELF TO THE CHARGE THAT HE HAS NEGLECTED DEFENSE NEEDS--NEITHER CAN HE GIVE CARTE BLANCHE TO THE MILITARY AND THE ARMS PRODUCERS. DEFENSE NEEDS MUST BALANCE OUT AGAINST OTHER PRIORITIES, AND ONE MILITARY REQUIREMENT MUST BE WEIGHED AGAINST ANOTHER. OCCASIONALLY THIS STRAINS RELATIONS BETWEEN THE POLITICAL AND MILITARY LEADERS.

GRECHKO'S ACCESSION TO THE POLITBURO NEED NOT MENACE DETENTE. IN THE SHORT TERM, IT MAY EVEN STRENGTHEN BREZHNEV'S HAND DOMESTICALLY ON MILITARY NEGOTIATIONS LIKE SALT AND MBFR BY REASSURING THE SOVIET PEOPLE THAT THE MILITARY SUPPORT HIS POLICY IN THIS AREA. IN THE LONGER TERM, HOWEVER, IT COULD MAKE IT INCREASINGLY DIFFICULT FOR THE USSR TO ACCEPT

Approved For Release 2002/10/30 : CIA-RDP80R01731R002000090003-2

Approved For Release 2002/10/30 : CIA-RDP80R01731R002000090003-2

CERTAIN RESTRICTIONS AT SALT. THE MILITARY NOW HAS A VOTE, AND THIS CANNOT FAIL TO HAVE AN IMPACT ON THE TRADEOFFS BETWEEN THE MILITARY AND THE POLITBURO.

THE QUESTION OF THE ECONOMY

IN DISCUSSING THE POLITICAL SITUATION IN THE SOVIET UNION, I HAVE SEVERAL TIMES MENTIONED ONE OF THE MOST TROUBLESOME PROBLEMS BESETTING THE POLITICAL LEADERS--THE ECONOMY.

IN THE PAST, MOSCOW HAS STRESSED ECONOMIC GROWTH AND INVESTMENT RATHER THAN CONSUMER GOODS. SINCE 1960, HOWEVER, INVESTMENTS HAVE BEEN YIELDING A STEADILY SMALLER RATE OF RETURN. GROWTH RATES FOR THE GROSS NATIONAL PRODUCT HAVE DECREASED FROM OVER 6 PERCENT ANNUALLY DURING 1951-60 TO LESS THAN 5.5 PERCENT PER YEAR FOR 1961-70. PRODUCTION OF CONSUMER GOODS AND AGRICULTURAL PRODUCTS HAS BEEN SLOWLY GAINING IN PRIORITY.

THIS DECADE WILL PROBABLY SEE AS MANY DISAPPOINTMENTS AS DID THE '60S. THE 1971-75 PLAN GOT OFF TO AN INAUSPICIOUS START IN 1971-72. THE GROSS NATIONAL PRODUCT GREW BY AN AVERAGE ANNUAL RATE OF ONLY 3 PERCENT FOR THE FIRST TWO YEARS, AND IN 1972 GAINS IN BOTH THE GNP AND INDUSTRY WERE THE SMALLEST SINCE WORLD WAR II.

Approved For Release 2002/10/30 : CIA-RDP80R01731R002000090003-2

Approved For Release 2002/10/30 : CIA-RDP80R01731R002000090003-2

THERE IS NO EVIDENCE, HOWEVER, THAT MILITARY PROGRAMS ARE BEING AFFECTED BY THE CURRENT ECONOMIC PROBLEMS. THE GROWTH OF MILITARY SPENDING HAS PROBABLY LEVELED OFF DURING THE PAST FEW YEARS, AS COMPLETION OF A NUMBER OF LARGE STRATEGIC DEPLOYMENT PROGRAMS HAS REDUCED SPENDING FOR MILITARY HARDWARE. THIS HAS BEEN OFFSET, HOWEVER, BY AN ACCELERATION IN THE RATE OF GROWTH OF SPENDING FOR MILITARY R&D.

DURING 1973-75, MILITARY SPENDING PROBABLY WILL RESUME ITS GROWTH AS THE SOVIETS BEGIN TO MODERNIZE THEIR STRATEGIC FORCES AND AS MILITARY R&D CONTINUES TO BE EXPANDED ON THE ORDER OF 8-10 PERCENT PER YEAR. THE AVERAGE GROWTH RATE IN TOTAL MILITARY EXPENDITURES WILL PROBABLY BE ABOUT 3 OR 4 PERCENT OVER THE NEXT FEW YEARS, WELL WITHIN THE CAPACITY OF THE DEFENSE INDUSTRIES AND THE ECONOMY IN GENERAL.

SOVIET ADVANCED WEAPONS DEVELOPMENT

LAST YEAR, AS YOU KNOW, THE US AND THE USSR SIGNED AND RATIFIED THE ABM TREATY AND THE INTERIM AGREEMENT ON STRATEGIC OFFENSIVE WEAPONS. ALTHOUGH THESE ACCORDS ESTABLISH NUMERICAL LIMITS ON DEPLOYMENT OF ABMS, ICBMS, AND SUBMARINE BALLISTIC MISSILES, THEY DO NOT LIMIT QUALITATIVE IMPROVEMENTS

Approved For Release 2002/10/30 : CIA-RDP80R01731R002000090003-2

OF THESE WEAPON SYSTEMS. THERE IS, IN FACT, NO EVIDENCE THAT SALT HAS HAD ANY IMPORTANT EFFECT ON THE CURRENT SOVIET WEAPONS DEVELOPMENT PROGRAMS. EVEN BEFORE THE SIGNING, THE SOVIETS HAD BEGUN TO SHIFT RESOURCES FROM FURTHER DEPLOYMENT TO R&D PROGRAMS DESIGNED TO IMPROVE THE QUALITY OF THEIR FORCES.

THERE ARE DOUBTLESS MANY DIFFERENT MOTIVATIONS FOR THESE SOVIET R&D PROGRAMS. A SIMPLE DESIRE FOR SOME MEASURE OF STRATEGIC SUPERIORITY IS SURELY ONE FACTOR, ESPECIALLY SINCE THE SOVIET UNION HAS FOR A LONG TIME SUFFERED FROM WHAT MIGHT BE CALLED A MILITARY INFERIORITY COMPLEX. ANOTHER MOTIVATION MAY BE A DETERMINATION TO CLOSE THE ACROSS-THE-BOARD TECHNOLOGY GAP BETWEEN THE SOVIET UNION AND THE WEST IN GENERAL--AND THE UNITED STATES IN PARTICULAR--THAT HAS PLAGUED THE SOVIET LEADERSHIP FOR YEARS. PUBLIC LECTURERS IN MOSCOW ARE FREQUENTLY BADGERED BY CITIZENS WHO WANT TO KNOW WHY RUSSIA IS UNABLE TO PRODUCE THE GADGETS ~~THAT~~ TO WHICH WESTERNERS HAVE LONG BEEN ACCUSTOMED ~~TO~~. FINALLY, THE SOVIET LEADERS MUST RECALL WITH NOSTALGIA THE HEADY DAYS OF THE FIRST SPUTNIK--WHEN SOVIET TECHNOLOGY DID SCORE A COUP. I HAVE NO DOUBT THAT THE MEN IN THE KREMLIN WOULD LIKE TO

Approved For Release 2002/10/30 : CIA-RDP80R01731R002000090003-2

PULL OFF ANOTHER SIMILAR SPECTACULAR, AND EFFORTS TO ACHIEVE SOME SORT OF TECHNICAL BREAKTHROUGH ARE ALL THE MORE LIKELY NOW THAT SALT HAS PROHIBITED QUANTITATIVE INCREASES IN STRATEGIC WEAPONS.

MOSCOW APPEARS SO FAR TO BE COMPLYING WITH THE LIMITATIONS ON THE DEPLOYMENT OF STRATEGIC WEAPONS. WE ARE QUITE CONFIDENT THAT THE NUMBER OF DEPLOYED ICBM LAUNCHERS HAS NOT INCREASED SINCE THE AGREEMENTS WERE SIGNED, THAT DEPLOYMENT OF ABMS IS STILL IN ACCORDANCE WITH THE ABM TREATY, AND THAT CONSTRUCTION OF BALLISTIC MISSILE SUBMARINES, ALTHOUGH CONTINUING, IS WELL WITHIN THE SALT LIMITATIONS.

ICBM DEVELOPMENT

LET ME NOW DESCRIBE BRIEFLY SOME OF THE NEW WEAPONS UNDER DEVELOPMENT IN THE SOVIET UNION. AMONG THESE ARE AT LEAST THREE NEW ICBMS.

ONE OF THESE NEW MISSILES IS LARGE--IN THE SS-9 CLASS--AND IT MAY CARRY A PAYLOAD SOMEWHAT HEAVIER THAN THAT OF THE PRESENT SS-9. WE BELIEVE THIS NEW LARGE MISSILE WILL EVENTUALLY BE EQUIPPED WITH A MIRV PAYLOAD, ALTHOUGH TO DATE THE SOVIETS HAVE TESTED IT ONLY WITH A SINGLE RE-ENTRY VEHICLE. IT COULD BE READY FOR DEPLOYMENT IN 1975.

Approved For Release 2002/10/30 : CIA-RDP80R01731R002000090003-2

Approved For Release 2002/10/30 : CIA-RDP80R01731R002000090003-2

TWO OTHER NEW MISSILES ARE SMALLER. ONE IS IN THE SS-11 CLASS, THE OTHER IS LIKE THE SS-13. BOTH COULD BE OPERATIONAL IN 1975. THEY, TOO, HAVE SO FAR BEEN TESTED ONLY WITH A SINGLE RE-ENTRY VEHICLE, BUT WE SEE NO REASON WHY THEY COULD NOT EVENTUALLY BE EQUIPPED WITH MIRVS.

THE MOST SIGNIFICANT FEATURE OF TWO OF THESE NEW MISSILES IS THE INCORPORATION OF ON-BOARD COMPUTERS FOR A NAVIGATING GUIDANCE SYSTEM--A CLEAR DEPARTURE FROM EARLIER SOVIET GUIDANCE TECHNIQUES. THE NEW GUIDANCE SYSTEMS WOULD PERMIT THE SOVIETS TO ACHIEVE BETTER TARGETING FLEXIBILITY AND THE MISSILES WOULD BE MORE READILY ADAPTABLE TO A MIRV SYSTEM.

BALLISTIC MISSILE SUBMARINES

THE USSR IS CONTINUING ITS HIGH PRIORITY PROGRAM TO IMPROVE AND EXPAND ITS ALREADY CONSIDERABLE FLEET OF BALLISTIC MISSILE SUBMARINES. UNTIL LAST YEAR, THIS FORCE OF "MODERN BALLISTIC MISSILE SUBMARINES," AS IT IS REFERRED TO IN THE SALT AGREEMENT AND PROTOCOL, CONSISTED OF THE Y-CLASS SUBMARINES THAT THE SOVIETS BEGAN LAUNCHING IN 1966. LAST SUMMER, HOWEVER, A NEW CLASS OF BALLISTIC MISSILE SUBMARINE WAS DETECTED IN THE WHITE SEA. IT

Approved For Release 2002/10/30 : CIA-RDP80R01731R002000090003-2

Approved For Release 2002/10/30 : CIA-RDP80R01731R002000090003-2

RESEMBLES THE Y-CLASS BOATS, BUT IS LONGER AND HAS A HIGHER MISSILE BAY AREA. WE CALL THIS NEW SUBMARINE THE D-CLASS.

THE SOVIETS HAVE ALSO DEVELOPED A NEW AND LARGER NAVAL BALLISTIC MISSILE FOR DEPLOYMENT ON THE D-CLASS, WHICH HAS ONLY 12 LAUNCH TUBES IN COMPARISON WITH THE 16 ON THE Y-CLASS.

WE BELIEVE THE DEVELOPMENT PROGRAM FOR THE NEW MISSILE IS NOW COMPLETE--IN LATE 1972 IT FLEW SOME 4,300 NAUTICAL MILES. SUBMARINES ARMED WITH IT COULD BE WITHIN RANGE OF TARGETS IN THE US WHILE STILL IN HOME WATERS.

ABMs

THE SOVIETS ARE ACTIVELY PURSUING ABM DEVELOPMENT IN AREAS PERMITTED UNDER THE ABM TREATY, ESPECIALLY IMPROVEMENT OF EXISTING SYSTEMS. ONE MISSILE BEING DEVELOPED, FOR INSTANCE, IS BELIEVED TO HAVE A SLIGHTLY IMPROVED PERFORMANCE OVER THE GALOSH MISSILES DEPLOYED AROUND MOSCOW, AND THE RADARS USED WITH IT ARE LESS EXPENSIVE. THE SYSTEM, HOWEVER, PROBABLY WOULD NOT BE EFFECTIVE AGAINST CURRENT US STRATEGIC MISSILES, BUT--ESPECIALLY IF IT WERE READILY DEPLOYABLE--IT COULD BE VERY USEFUL IN DEALING WITH A LIMITED CHINESE MISSILE THREAT.

Approved For Release 2002/10/30 : CIA-RDP80R01731R002000090003-2

Approved For Release 2002/10/30 : CIA-RDP80R01731R002000090003-2

IN SUM, IT IS CLEAR THAT THE SIGNING OF THE SALT AGREEMENTS HAS NOT SLOWED SOVIET EFFORTS TO DEVELOP NEW AND IMPROVED STRATEGIC WEAPONS. THERE IS EVERY REASON TO BELIEVE THAT THE SOVIETS CONSIDER THEMSELVES TO BE IN A VERY SERIOUS COMPETITION WITH THE US, AND THAT THE DEVELOPMENT OF NEW WEAPON SYSTEMS AND ADVANCED TECHNOLOGY IS A MAJOR PART OF THAT COMPETITION. THE EVIDENCE SHOWS THAT THEY ARE PURSUING THIS COMPETITION VIGOROUSLY.

CHINA

IF WE TURN NOW TO CHINA, WE FIND A MUCH LESS STABLE POLITICAL SITUATION, COUPLED (STRANGELY ENOUGH PERHAPS) WITH IMPRESSIVE PROGRESS IN ADVANCED WEAPONS PROGRAMS.

INTERNAL POLITICS

PEKING'S DETENTE WITH THE US IS PROGRESSING DESPITE THE UNRESOLVED INTERNAL POLITICAL SITUATION IN CHINA.

THE FIRM AND DECISIVE DIRECTION THAT HAS GUIDED CHINESE DIPLOMACY IS LACKING IN DOMESTIC AFFAIRS. CLEARLY, PEKING--A FULL 20 MONTHS AFTER THE ALLEGED COUP ATTEMPT BY FORMER DEFENSE MINISTER LIN PIAO--IS STILL STRUGGLING WITH THE REPERCUSSIONS OF THE AFFAIR.

Approved For Release 2002/10/30 : CIA-RDP80R01731R002000090003-2

Approved For Release 2002/10/30 : CIA-RDP80R01731R002000090003-2

THE UNFINISHED BUSINESS ON THE POLITICAL AGENDA IS CONSIDERABLE:

--OF THE 25 MEMBERS NAMED TO THE POLITBURO IN 1969, ONLY A DOZEN APPEAR TO BE TAKING PART IN POLITICAL AFFAIRS IN A MEANINGFUL WAY;

--THERE IS NO VISIBLE CENTRAL PARTY APPARATUS; THE SECRETARIAT AND ITS TEN OR SO OPERATIONAL DEPARTMENTS HAVE NOT BEEN FORMALLY RECONSTITUTED.

--THERE HAS BEEN NO DESIGNATED MINISTER OF DEFENSE SINCE LIN PIAO FELL, NOR ANY FORMAL REPLACEMENTS FOR THE ARMY CHIEF OF STAFF OR THE HEADS OF THE AIR FORCE, NAVY, AND LOGISTICS SERVICES--ALL OF WHOM DISAPPEARED AT THE SAME TIME.

--OVER A THIRD OF THE GOVERNMENT MINISTRIES LACK AN APPOINTED HEAD.

--THERE ARE SEVERAL VACANCIES IN THE PROVINCIAL LEADERSHIP.

--THE CONSTITUTION PROMULGATED IN 1969, WHICH DESIGNATED LIN PIAO AS MAO'S SUCCESSOR, HAS NOT BEEN REVISED.

THESE MATTERS CLEARLY ARE IMPORTANT ENOUGH TO CALL FOR A NEW PARTY CONGRESS, BUT NONE SEEMS IN THE OFFING.

Approved For Release 2002/10/30 : CIA-RDP80R01731R002000090003-2

Approved For Release 2002/10/30 : CIA-RDP80R01731R002000090003-2

ONE OF THE MAJOR POLITICAL DEVELOPMENTS SO FAR THIS YEAR WAS THE REHABILITATION IN APRIL OF TENG HSIAO-PING, THE SECOND HIGHEST RANKING PARTY OFFICIAL PURGED DURING THE CULTURAL REVOLUTION. THE MOVE PROBABLY IS AN EFFORT BY MODERATES SUCH AS CHOU EN-LAI TO MAKE FORMER PARTY LEADERS AVAILABLE TO FILL HIGH-LEVEL POSITIONS NOW VACANT.

THE ISSUES THAT DIVIDE THE PRESENT LEADERSHIP ARE VARIED AND COMPLEX. THE MAIN ONES SEEM TO BE:

--WHAT TO DO ABOUT A WHOLE RANGE OF RADICAL "REFORMS" INSTITUTED DURING THE CULTURAL REVOLUTION. SOME HAVE BEEN OR ARE BEING MODIFIED, OR THREATENED WITH COMPLETE REVERSAL;

--HOW TO RE-ESTABLISH THE PARTY'S PARAMOUNT AUTHORITY, AND WHO SHOULD TAKE OVER THE LEADERSHIP POSITIONS;

--THE ROLE OF THE ARMY IN POLITICAL AFFAIRS;

--REORGANIZATION OF THE GOVERNMENT BUREAUCRACY;

--THE QUESTION OF AUTHORITY IN THE PROVINCES, WHERE THE RESPECTIVE ROLES OF THE PARTY, THE GOVERNMENT BUREAUCRACY, AND THE ARMY MUST BE BALANCED AND WHERE PEKING'S CONTROL IS BEING RE-ESTABLISHED;

Approved For Release 2002/10/30 : CIA-RDP80R01731R002000090003-2

Approved For Release 2002/10/30 : CIA-RDP80R01731R002000090003-2

--THE MECHANISM FOR MANAGING THE SUCCESSION TO MAO AND CHOU WHEN THEY DIE, AND THE LEADERS WHO WILL SUCCEED THEM.

CHAIRMAN MAO STILL IS THE ULTIMATE ARBITER, AND PREMIER CHOU SEEMS FIRMLY IN CONTROL OF THE DAY-TO-DAY ADMINISTRATION. THE CHAIRMAN HAS CLOSELY IDENTIFIED HIMSELF WITH THE PRESENT MODERATE FOREIGN POLICY, BUT SOME ASPECTS OF THE GOVERNMENT'S DOMESTIC PROGRAMS MAY NOT SIT QUITE SO WELL WITH HIM.

THE EFFECT OF THIS MURKY POLITICAL SITUATION ON PRESENT AND FUTURE MILITARY PROGRAMS IS HARD TO JUDGE. WELL-ESTABLISHED R&D ACTIVITY HAS PROBABLY NOT BEEN DRASTICALLY AFFECTED. THERE IS NO EVIDENCE THAT ARGUMENTS OVER PRIORITIES AND ALLOCATIONS INVOLVING MILITARY R&D PROGRAMS CONTRIBUTED TO THE LIN PIAO AFFAIR, NOR DO SUCH ARGUMENTS SEEM TO BE A PRIMARY BONE OF CONTENTION AT THE MOMENT.

ADVANCED WEAPONS DEVELOPMENT

IN ANY CASE, CHINA TODAY IS A NUCLEAR POWER, ALTHOUGH IT STILL LACKS THE CAPABILITY TO POSE A MEANINGFUL STRATEGIC THREAT TO THE CONTINENTAL UNITED STATES. THE CHINESE HAVE ALREADY DEPLOYED TWO BALLISTIC MISSILE SYSTEMS, WITH RANGES OF 600 AND 1,400 NAUTICAL MILES. THESE CAN REACH MOST

Approved For Release 2002/10/30 : CIA-RDP80R01731R002000090003-2

Approved For Release 2002/10/30 : CIA-RDP80R01731R002000090003-2

MILITARY TARGETS IN THE EASTERN HALF OF THE USSR, ALL OF JAPAN AND SOUTH KOREA, AS WELL AS SIGNIFICANT TARGETS IN INDIA AND SOUTHEAST ASIA.

ICBMs

THE CHINESE ARE PUSHING AHEAD WITH THE DEVELOPMENT OF OTHER WEAPONS THAT COULD IN FACT POSE A THREAT TO AT LEAST PORTIONS OF THE US IN THE FUTURE. A TWO-STAGE MISSILE, WITH AN ESTIMATED RANGE OF AS MUCH AS 3,500 NM. HAS BEEN TEST-FLOWN TWICE. IT WOULD HAVE A GOOD CAPABILITY AGAINST EURASIAN TARGETS, INCLUDING MOSCOW AND MOST OF THE WESTERN USSR. IT COULD ALSO REACH PARTS OF ALASKA. ANOTHER, LARGER ICBM CAPABLE OF STRIKING TARGETS ANYWHERE IN THE US IS UNDER DEVELOPMENT, BUT WILL NOT BE OPERATIONAL FOR AT LEAST THREE YEARS.

IN ADDITION, THE CHINESE PROBABLY ARE DEVELOPING A SUBMARINE-LAUNCHED BALLISTIC MISSILE, BUT WE HAVE NOT YET DETECTED ANY LAUNCHES FROM CHINESE SUBMARINES.

NUCLEAR WEAPONS PROGRAM

IN A GENERALLY SUCCESSFUL PROGRAM THAT BEGAN IN 1964, CHINA HAS SO FAR CONDUCTED 14 NUCLEAR TESTS. THE FIRST FEW WERE LIMITED TO NUCLEAR DEVICES WITH LOW YIELDS, BUT THE CHINESE CLAIMED THAT ONE OF THE DEVICES--DETONATED IN 1966--WAS DELIVERED BY A

Approved For Release 2002/10/30 : CIA-RDP80R01731R002000090003-2

Approved For Release 2002/10/30 : CIA-RDP80R01731R002000090003-2

MISSILE. PROGRESS WAS RAPID, AND BEFORE LONG THERMONUCLEAR DEVICES, INCLUDING SEVERAL WITH MULTIMEGATON YIELDS, WERE BEING TESTED. URANIUM

X1

25X
25X

25X

THIS IS AN AMBITIOUS PROGRAM. CAN THE CHINESE ECONOMY SUPPORT IT?

THE ECONOMY

ALTHOUGH THIS ECONOMY IS SOMETIMES CALLED "UNDERDEVELOPED" OR "DUALISTIC," CHINA DIFFERS MARKEDLY FROM THE CUSTOMARY IMAGE OF A LESS DEVELOPED COUNTRY. ITS RESOURCES HAVE BEEN MOBILIZED, EFFECTIVELY FOR THE MOST PART, TOWARD TWO BASIC ECONOMIC

Approved For Release 2002/10/30 : CIA-RDP80R01731R002000090003-2

Approved For Release 2002/10/30 : CIA-RDP80R01731R002000090003-2

OBJECTIVES--FIRST, TO DEVELOP ON A SUBSTANTIAL SCALE BOTH CONVENTIONAL AND ADVANCED WEAPONS, WITH THE RELATED INDUSTRIAL AND TECHNICAL BASE; AND SECOND, TO MAINTAIN ADEQUATE, IF AUSTERE, LIVING STANDARDS FOR THE EVER-GROWING MASSES.

ECONOMIC GROWTH DURING THE FIRST TWO DECADES OF COMMUNIST RULE, ALTHOUGH ERRATIC, WAS FAIRLY STRONG. PERIODS OF INTERNAL UPHEAVAL UPSET THE ORDERLY EXPANSION OF AGRICULTURE, ENLARGEMENT OF INDUSTRY, MODERNIZATION IN ARMAMENTS, AND GROWTH OF FOREIGN TRADE. THE MOST SERIOUS INTERRUPTIONS WERE THE GREAT LEAP FORWARD OF 1958-60 AND THE MORE RECENT CULTURAL REVOLUTION. IN SPITE OF THESE SET-BACKS, THE CHINESE LEADERS CAN LOOK BACK ON THE ECONOMIC ACHIEVEMENTS OF THEIR FIRST TWO DECADES OF CONTROL WITH CONSIDERABLE PRIDE. HEAVY INDUSTRIES--THE CHIEF SUPPORTS OF CHINA'S MILITARY PROGRAMS--HAVE EXPANDED RAPIDLY FROM THE TINY BASE COMMANDEERED BY THE COMMUNISTS IN 1949.

THE PAST THREE YEARS SHOW THE CYCLICAL BEHAVIOR OF CHINA'S ECONOMY. THERE WERE RECORD HARVESTS OF FOOD GRAINS AND HIGH INDUSTRIAL OUTPUT IN 1970. THESE HIGH GROWTH RATES TAPERED OFF A BIT IN 1971, AND THEN WANED NOTICEABLY IN 1972. ASSUMING REASONABLE

Approved For Release 2002/10/30 : CIA-RDP80R01731R002000090003-2

Approved For Release 2002/10/30 : CIA-RDP80R01731R002000090003-2

LUCK WITH THE WEATHER, LAST YEAR'S SETBACKS SHOULD BE ONLY TEMPORARY. THE MODERN INDUSTRIAL BASE WILL CONTINUE TO ENLARGE ITS CAPABILITIES TO SUPPORT THE DEVELOPMENT OF ADVANCED WEAPONS.

THE COSTS OF THE CHINESE MILITARY EFFORT OVER THE YEARS HAVE BEEN A BURDEN ON THE ECONOMY. MILITARY PROGRAMS ACCOUNT FOR A LARGE PORTION OF ACTIVITY IN THE ADVANCED INDUSTRIAL SECTOR--FAR LARGER, FOR EXAMPLE, THAN IN THE UNITED STATES OR THE SOVIET UNION. RECENT LEVELS OF MILITARY PRODUCTION HAVE PRESSED HARD UPON CHINA'S LIMITED TECHNICAL BASE, AND THE COUNTRY'S SCIENTIFIC MANPOWER AND TECHNOLOGICAL CAPABILITIES CANNOT SUPPORT RAPID DEVELOPMENT IN A WIDE RANGE OF ENDEAVORS AT ONCE. CONSEQUENTLY THE MODERNIZATION OF THE CHINESE ARMED FORCES WILL BE A LENGTHY PROCESS. LAST YEAR--FOR WHATEVER REASON--THE PRODUCTION RATE OF TU-16 MEDIUM JET BOMBERS DROPPED TO ONLY HALF THE RATE OF PREVIOUS YEARS. Ch Drop

25X6

Approved For Release 2002/10/30 : CIA-RDP80R01731R002000090003-2

Approved For Release 2002/10/30 : CIA-RDP80R01731R002000090003-2

25X6

EGYPT AND THE OTHER ARAB STATES WANT ISRAEL TO VACATE ALL OCCUPIED TERRITORIES, AND THEY WILL NOT COUNTENANCE DIRECT NEGOTIATIONS. EGYPT INSISTS THAT ANY INTERIM AGREEMENT ON THE SUEZ CANAL BE TIED TO AN ISRAELI COMMITMENT TO PULL BACK.

SOME ARABS FEEL TIME IS RUNNING OUT. THROUGHOUT THE EARLY SPRING, EGYPTIAN STATEMENTS AND ACTIVITIES EMPHASIZED PREPARATIONS FOR WAR. PRESIDENT SADAT WAS SAYING THAT THE TIME HAD COME FOR AN "ALL-OUT CONFRONTATION." CAIRO HAS BEEN MORE SUBDUED LATELY, BUT THE EARLIER RHETORIC WAS COUPLED WITH SOME OF THE TACTICAL MOVES WE WOULD EXPECT IF CAIRO WERE PLANNING TO RENEW CONFLICT.

--COMBAT AIRCRAFT FROM LIBYA AND IRAQ HAVE BEEN TRANSFERRED TO EGYPT.

--BLOOD DONOR DRIVES HAVE BEEN LAUNCHED AND CIVIL DEFENSE MEASURES IMPLEMENTED.

Approved For Release 2002/10/30 : CIA-RDP80R01731R002000090003-2

Approved For Release 2002/10/30 : CIA-RDP80R01731R002000090003-2

--MILITARY COOPERATION WITH OTHER ARAB STATES HAS INCREASED--FOR EXAMPLE MOROCCAN TROOPS ARE MOVING TO SYRIA.

ALL THIS, HOWEVER, DOES NOT POINT TO AN EGYPTIAN DECISION TO ATTACK AT A SPECIFIC TIME OR IN A SPECIFIC MANNER. THE EGYPTIANS KNOW THEIR PROSPECTS--NEVER GOOD--HAVE WORSENED SINCE THEY EXPELLED SOVIET ADVISERS A YEAR AGO.

SADAT IS PROBABLY TRYING TO DRAMATIZE--ESPECIALLY TO THE US--THE NEED FOR DIPLOMATIC INITIATIVES. MEANWHILE, HE WANTS TO FEND OFF CRITICISM THAT HE IS NOT AGGRESSIVE ENOUGH WITH THE ISRAELIS. WE ASSUME THAT SOME OF THE WAR TALK IS MEANT TO DIVERT ATTENTION FROM PROBLEMS SUCH AS STUDENT UNREST, ECONOMIC SHORTAGES, AND THE PRESSURES OF A POPULATION TOO BIG FOR THE NILE VALLEY.

NONETHELESS, THE PERIOD AHEAD IS LIKELY TO BE DANGEROUS, PARTICULARLY IF DISCUSSIONS AT THE UN AND THE COMING US-USSR SUMMIT FAIL TO DENT THE ARAB-ISRAELI IMPASSE.

WE COULD FIND OURSELVES EMBROILED WITH MOSCOW IN COMPLEX AND PERHAPS DANGEROUS WAYS IF THE MIDDLE EAST HEATS UP. THE SOVIETS HAVE BEEN TRYING TO KEEP THEIR PROBLEMS WITH CAIRO FROM JEOPARDIZING

Approved For Release 2002/10/30 : CIA-RDP80R01731R002000090003-2

Approved For Release 2002/10/30 : CIA-RDP80R01731R002000090003-2

THEIR OVER-ALL STANDING IN THE ARAB WORLD. THEY SHOW NO SIGNS OF JETTISONING THEIR CENTURIES-OLD AMBITIONS TO PLAY A MAJOR ROLE IN THE AREA. FOR THEIR PART, THE ARABS HAVE NO REAL ALTERNATIVE TO SOVIET AID.

ONLY SEVERAL HUNDRED RUSSIANS REMAIN IN EGYPT, BUT SPARE PARTS FOR THE EQUIPMENT TURNED OVER TO THE EGYPTIANS AND ECONOMIC ASSISTANCE FLOW ON, AND THERE ARE FREQUENT CONSULTATIONS BETWEEN THE SOVIETS AND EGYPTIANS. THE PRESENTLY TROUBLED BUT MUTUALLY ADVANTAGEOUS RELATIONSHIP COULD CONTINUE FOR SOME TIME.

MEANWHILE, THE SOVIETS HAVE SHIFTED ATTENTION TO THE OTHER ARAB STATES. SINCE MID-1972, THEY HAVE SENT A CONSIDERABLE AMOUNT OF UP-TO-DATE MILITARY HARDWARE TO SYRIA--ALTHOUGH NOT ENOUGH SO FAR TO POSE A SERIOUS THREAT TO ISRAEL.

MOSCOW HAS RECEIVED LITTLE IN RETURN. IN SPITE OF THE SOVIETS' DISPLAY OF THEIR PRO-ARAB CREDENTIALS, THEY HAVE FAILED TO GAIN BASE RIGHTS IN SYRIAN PORTS OR EVEN TO CONCLUDE A FRIENDSHIP TREATY LIKE THE ONES THEY HAVE WITH EGYPT AND IRAQ.

THE PALESTINIANS HAVE BEEN THE ODD MEN OUT IN THE MIDDLE EAST. MORE THAN A MILLION AND A HALF

Approved For Release 2002/10/30 : CIA-RDP80R01731R002000090003-2

25X1

Approved For Release 2002/10/30 : CIA-RDP80R01731R002000090003-2

Next 1 Page(s) In Document Exempt

Approved For Release 2002/10/30 : CIA-RDP80R01731R002000090003-2

Approved For Release 2002/10/30 : CIA-RDP80R01731R002000090003-2

WORLD, AND SHARPENED ITS CHALLENGE TO ISRAEL'S SUPPORTERS--ESPECIALLY THE UNITED STATES. THE CUTS IN US DIPLOMATIC PERSONNEL IN TRIPOLI LAST YEAR, EXPULSION OF TWO US DIPLOMATS LAST MONTH, THE PROPAGANDA ASSAULTS ON US POLICY THROUGHOUT THE WORLD, AND--MOST DRAMATICALLY-- THE LIBYAN ATTACK ON A US RECONNAISSANCE FLIGHT IN MARCH ARE SYMPTOMATIC OF QADHAFI'S VIOLENT ANTAGONISM.

THE LARGESSE HE DISPENSES FROM HIS COUNTRY'S $1.5 BILLION IN ANNUAL OIL REVENUES MAKES OTHER ARAB LEADERS RELUCTANT TO OFFEND HIM. THE EGYPTIANS, IN PARTICULAR, NEED HIS ANNUAL CONTRIBUTION TO SUPPORT THEIR WAR EFFORT, AND OTHER ASSORTED CLIENTS CAN ILL AFFORD TO GO WITHOUT THE MORE THAN $100 MILLION HE PROVIDES EACH YEAR IN ARMS, SUPPLIES, AND OCCASIONALLY CASH.

NEVERTHELESS, QADHAFI IS NOT INVULNERABLE. THE MERGER WITH EGYPT, WHICH HE IS DETERMINED TO BRING OFF IN SEPTEMBER, IS NOT AT ALL POPULAR IN LIBYA. MOREOVER, ALTHOUGH HE HAS CALLED FOR JOINT ARAB PRESSURE ON US OIL INTERESTS AND HAS EVEN THREATENED UNILATERAL ACTION, HE KNOWS HE COULD NOT GIVE UP HIS OIL INCOME FOR LONG WITHOUT WEAKENING HIS HOLD OVER HIS CLIENTS.

Approved For Release 2002/10/30 : CIA-RDP80R01731R002000090003-2

Approved For Release 2002/10/30 : CIA-RDP80R01731R002000090003-2

LIBYAN OIL IS ONLY ONE ELEMENT--AND A RELATIVELY SMALL ONE AT THAT--IN A LARGER MIDDLE EAST OIL PICTURE THAT WILL REQUIRE MORE AND MORE OF OUR ATTENTION IN THE YEARS AHEAD. THE FOCUS OF OUR INTEREST, AND THE INTEREST OF OTHER OIL-CONSUMING STATES, WILL BE THE PERSIAN GULF.

THE GULF STATES HAVE ENORMOUS SUPPLIES OF OIL--MORE THAN HALF OF THE WORLD'S KNOWN RESERVES. WE WILL BE HEAVILY DEPENDENT ON THIS OIL BY THE END OF THE 1970S, WHEN WE WILL HAVE TO IMPORT HALF OF WHAT WE USE.

THIS MEANS WE WILL HAVE A DIRECT STAKE IN POLITICAL STABILITY IN THE GULF STATES--AND THIS STABILITY IS BY NO MEANS ENSURED.

--OMAN IS FIGHTING A GUERRILLA WAR WITH A MARXIST ORGANIZATION THAT WANTS TO OVERTHROW NOT ONLY OMAN, BUT THE OTHER SMALL GULF STATES AS WELL. SOUTH YEMEN, A MARXIST STATE SUPPORTED HEAVILY BY THE SOVIETS AND TO A LESSER EXTENT THE CHINESE, HELPS THE GUERRILLAS.

--IRAQ IS SUPPORTING SUBVERSIVE GROUPS IN THE GULF, AND HAS BEEN TRYING TO INTIMIDATE KUWAIT, WHOSE TERRITORY STANDS IN THE WAY OF FREE ACCESS TO AN IRAQI NAVAL BASE ON THE GULF.

Approved For Release 2002/10/30 : CIA-RDP80R01731R002000090003-2

25X

X1

COOPERATIVE EFFORTS BY IRAN AND SAUDI ARABIA COULD DO MUCH TO ENSURE STABILITY IN THE GULF. SO FAR, HOWEVER, MUTUAL SUSPICIONS HAVE INHIBITED CO-OPERATION, ALTHOUGH THE TWO DO OFTEN WORK ON PARALLEL TRACKS.

SOVIET POLICY TOWARD THE PERSIAN GULF--STILL PROBING AND EXPLORATORY--IS ANOTHER CONCERN. IN THE LONG RUN, MOSCOW MAY FIND ITSELF IN SOME STICKY SITUATIONS IN THE AREA. FOR EXAMPLE, RECENT SOVIET PLEASANTNESS TOWARD IRAN--AN EFFORT TO SHIFT THE SHAH A DEGREE OR TWO EASTWARD--LIMITS WHAT MOSCOW CAN DO WITH IRAN'S CHIEF ADVERSARY, IRAQ. MODERN ARMS SUPPLIED TO MOSCOW'S FRIENDS IN BAGHDAD ONLY INCREASE THE SHAH'S APPETITE FOR MORE SOPHISTICATED MILITARY EQUIPMENT FROM THE WEST.

Approved For Release 2002/10/30 : CIA-RDP80R01731R002000090003-2

WITHIN SUCH LIMITATIONS, THE SOVIETS WILL TRY TO EXPAND THEIR ASSETS IN THE AREA, WORKING PARTICULARLY THROUGH IRAQ AND SOUTH YEMEN. THEY WILL AIM TO REDUCE WESTERN INFLUENCE AND PARTICULARLY TO OBSTRUCT THE CREATION OF WESTWARD-LOOKING GULF ALLIANCES THAT MIGHT BE INIMICAL TO SOVIET INTERESTS. THEY WILL ALSO WANT TO BLOCK INROADS FROM PEKING.

INDOCHINA

NOW, IN CONCLUSION, LET US LOOK AT THE SITUATION IN INDOCHINA. FOUR MONTHS HAVE PASSED SINCE THE SIGNING OF THE PARIS AGREEMENT, AND THE OUTLOOK FOR LASTING PEACE OR STABILITY IN THE AREA IS STILL UNCERTAIN.

PROSPECTS IN VIETNAM

IN VIETNAM, THE FIGHTING HAS SIMMERED DOWN, BUT THE COMMUNISTS HAVE BEEN REBUILDING THEIR MILITARY STRENGTH IN THE SOUTH SINCE THE CEASE-FIRE. THE RAINY SEASON WILL SOON BE IN FULL SWING EXCEPT ALONG THE NORTHERN AND CENTRAL COAST. THE RAINS WILL INHIBIT COMMUNIST TROOP MOVEMENTS AND USE OF HEAVY EQUIPMENT IN MOST OF THE COUNTRY, BUT THEY WILL ALSO HAMPER SOUTH VIETNAMESE AIR OPERATIONS. EXCEPT IN NORTHERNMOST SOUTH VIETNAM, THE RAINS WILL SLOW THE INFILTRATION OF MEN AND SUPPLIES FROM NORTH VIETNAM.

Approved For Release 2002/10/30 : CIA-RDP80R01731R002000090003-2

Approved For Release 2002/10/30 : CIA-RDP80R01731R002000090003-2

ON BALANCE, THERE SEEMS A PRETTY GOOD CHANCE THE COMMUNISTS WILL NOT TRY ANYTHING BIG BEFORE FALL, WHEN THE RAINS END.

BUT WHAT THEN? RIGHT NOW, NO PROGRESS IS BEING MADE TOWARD ANY FINAL POLITICAL SETTLEMENT BY THE THIEU GOVERNMENT AND THE VIET CONG IN THEIR TALKS IN PARIS. WHILE SOME BREAKTHROUGH CANNOT BE RULED OUT, IT IS MORE LIKELY THAT EACH SIDE WILL GO ITS OWN WAY.

THERE ARE TWO DANGERS IN THIS. ONE IS THAT THE CURRENT SMALL-SCALE FIGHTING MAY SLOWLY ESCALATE AND THE WAR MAY RESUME FULL-BLOWN. IF THIS HAPPENS, THE SITUATION WILL BECOME EVEN MORE COMPLICATED. THE INTERNATIONAL COMMISSION FOR CONTROL AND SUPERVISION IS NOT MUCH OF A RESTRAINING FACTOR, AND UNLESS THE US CAN DIG UP SOME SUCCESSOR FOR THE CANADIANS, IT MAY SIMPLY FALL APART BY MID-SUMMER. THE OTHER ENFORCING ORGANIZATION, THE JOINT MILITARY COMMISSION COMPRISED OF GVN AND VIET CONG DELEGATIONS, IS STILL INEFFECTIVE.

CREEPING ESCALATION OF THE FIGHTING WOULD NOT NECESSARILY CONFRONT THE US WITH A DECISION WHETHER OR NOT TO INTERVENE, ALTHOUGH PRESIDENT THIEU PROBABLY WOULD REQUEST AIR SUPPORT IF GOVERNMENT FORCES BECOME HARD PRESSED. THE NEED FOR SUCH A DECISION COULD ARISE

Approved For Release 2002/10/30 : CIA-RDP80R01731R002000090003-2

Approved For Release 2002/10/30 : CIA-RDP80R01731R002000090003-2

QUITE SUDDENLY IF THE COMMUNISTS SHOULD RESUME THE WAR THROUGH AN ALL-OUT OFFENSIVE OR EVEN A SERIES OF CO-ORDINATED MAJOR OPERATIONS. INDEED, SOME INTELLIGENCE ANALYSTS BELIEVE THAT HANOI HAD SUCH ACTIONS IN MIND WHEN IT BROUGHT IN NEW TROOPS AND SUPPLIES DURING THIS WINTER'S DRY SEASON. UNDER THIS THESIS, WITH THE US MILITARY WITHDRAWAL ACCOMPLISHED, THE COMMUNISTS CAN AFFORD TO IGNORE THE CEASE-FIRE, AND THE POLITICAL WEAKNESS OF THE VIET CONG IN South Vietnam LEAVES THEM LITTLE OTHER ALTERNATIVE.

SHOULD THE WAR RESUME SOON, SAIGON WOULD STILL HAVE A CLEAR ADVANTAGE IN TERMS OF GROUND COMBAT TROOPS--ABOUT 287,000 AGAINST 103,000--BUT THE COMMUNISTS MAY HAVE A SLIGHT EDGE IN FIREPOWER. THE COMMUNISTS HAVE STOCKPILED ENOUGH SUPPLIES FOR ABOUT SIX MONTHS' HEAVY FIGHTING.

THE COMMUNISTS, HOWEVER, MAY WISH TO HUSBAND THEIR ASSETS FOR SOME TIME IN ORDER TO DEVELOP A STRONG RIVAL PRESENCE IN SOUTH VIETNAM. THEIR INTENSIVE RESUPPLY AND ROAD CONSTRUCTION ACTIVITY MAY BE POINTED TOWARD CREATING A SECURE MILITARY ENCLAVE FROM THE DMZ ALMOST TO THE DELTA. THEY COULD MAKE OTHER MOVES, ALL WITHIN THE LIMITS OF THE PARIS AGREEMENT, TO TRY TO DEVELOP A FUNCTIONING ADMINISTRATION IN THIS AREA. THEY WOULD HOPE THAT THIS

Approved For Release 2002/10/30 : CIA-RDP80R01731R002000090003-2

VIRTUAL EXTENSION OF THE DRV ALONG SOUTH VIETNAM'S WESTERN BORDER WOULD GRADUALLY FORCE SAIGON TO ACCEPT THEIR POLITICAL TERMS. IT WOULD ALSO PUT THEM IN A STRONG POSITION TO FIGHT AGAIN, IF NECESSARY.

LAOS

THE CEASE-FIRE IN LAOS, ALTHOUGH BY NO MEANS FLAWLESS, IS HOLDING BETTER THAN IN VIETNAM, BUT THE COMMUNISTS ARE STALLING IN THE POLITICAL NEGOTIATIONS, ALTHOUGH THE GOVERNMENT OF PRIME MINISTER SOUVANNA IN VIENTIANE APPARENTLY IS PREPARED TO SHARE POWER WITH THE PATHET LAO. AN EVENTUAL COALITION GOVERNMENT IN LAOS SEEMS A PRETTY GOOD BET, BUT WHETHER IT WILL WORK ANY BETTER THIS TIME THAN BEFORE--OR WHETHER IT WILL LAST--IS QUESTIONABLE. MORE TO THE POINT, THERE IS NO EVIDENCE THAT NORTH VIETNAM IS PULLING OUT ANY OF ITS 85,000 TROOPS. WITH NO US BOMBING AND WITH THE CEASE-FIRE, THE COMMUNISTS SHOULD NOT NEED ALL THESE TROOPS, BUT THEY ALMOST CERTAINLY INTEND TO KEEP ROADS IN THE LAO PANHANDLE OPEN. THEY ARE CREATING A NEW NORTH-SOUTH ROAD SYSTEM ON THE SOUTH VIETNAMESE SIDE THAT COULD IN TIME OBVIATE THE NEED FOR THE LAOS COMPLEX, AND ALLOW SOME FORCES THERE TO GO HOME. THUS, LAOS COULD

Approved For Release 2002/10/30 : CIA-RDP80R01731R002000090003-2

PROBABLY GET OFF THE BURNER IF THE SOUTH VIETNAMESE AND CAMBODIAN SITUATIONS WOULD SO ALLOW.

CAMBODIA

IN CAMBODIA, THERE IS STILL NO CEASE-FIRE. KHMER COMMUNIST TROOPS, WITH SUPPORT AND GUIDANCE FROM THE NORTH VIETNAMESE, HAVE INCREASED PRESSURE ON THE GOVERNMENT'S OVERLAND LIFELINES TO PHNOM PENH--INCLUDING THE MEKONG RIVER--AND ARE OPERATING CLOSE TO THE CAPITAL'S OUTSKIRTS. THE LON NOL GOVERNMENT IN PHNOM PENH IS SHAKY, AND THE MORALE AND PERFORMANCE OF ITS ARMY ARE POOR. US AIR STRIKES HAVE BEEN KEEPING THE COMMUNISTS FROM SCORING MAJOR LOCAL VICTORIES.

A RECENT BROADENING OF THE GOVERNMENT HAS BROUGHT BACK SOME MEN OF TALENT, BUT HOW LONG THEY WILL BE ABLE TO PULL TOGETHER IS QUESTIONABLE. THEY HAVE NOT ACCOMPLISHED MUCH SO FAR. IF, HOWEVER, THEY CAN GET THE CAMBODIAN ARMY BETTER LEADERSHIP AND OTHER FORMS OF ESSENTIAL SUPPORT, THE GOVERNMENT SHOULD BE ABLE TO RESIST THE CURRENT COMMUNIST PRESSURE THROUGH THE REST OF THE YEAR. ITS SURVIVAL COULD, THEN, INDUCE HANOI AND THE KHMER COMMUNISTS TO OPT FOR A CEASE-FIRE IN CAMBODIA--WHICH WOULD INCLUDE AN END TO US BOMBING--FOLLOWED BY SOME KIND OF NEGOTIATIONS.

Approved For Release 2002/10/30 : CIA-RDP80R01731R002000090003-2

Approved For Release 2002/10/30 : CIA-RDP80R01731R002000090003-2

This is brief is a look at the World today. A sometimes trying but always challenging place in which America's Resolve and steadfastness in Defense of freedom will have much to do with the Shape of the tomorrows of all Mankind.

Thank you

Approved For Release 2002/10/30 : CIA-RDP80R01731R002000090003-2

Approved For Release 2002/10/30 : CIA-RDP80R01731R002000090003-2

As things stand now, the Communists would be bargaining from a position of strength. If they entered a coalition government, they probably would soon come to dominate it. This could in time open the way to shipping in heavy military equipment through the seaport of Kompong Som and Communist access to the country's airfields. Extensive North Vietnamese use of Cambodia could have considerable impact on the capabilities of Communist forces in South Vietnam, and on Saigon's will to resist.

The Great Power Factor

In any of these equations, actions of the US may or may not exert a restraining influence on Hanoi. Other factors will also be at work. One is the extent to which North Vietnam can count on additional, and indefinite, military support from its Communist allies--primarily the USSR and China--for military adventures in the rest of Indochina. These are questions and factors about which opinions differ widely and evidence is sparse, but they could well be a key to whether or not Indochina soon settles down.

Approved For Release 2002/10/30 : CIA-RDP80R01731R002000090003-2