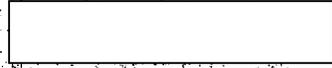


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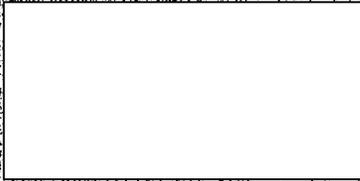
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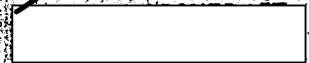
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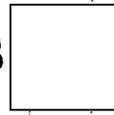


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The Afghan Crisis: Outlook for Western Responses



An Intelligence Assessment

*Research for this report was completed
on 28 January 1980.*

This assessment was prepared by analysts in the
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[redacted] Office of Economic
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This assessment was coordinated with the National
Intelligence Officers for Political-Economy and for
Western Europe.

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**The Afghan Crisis:
Outlook for Western Responses**

Overview

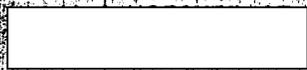
We believe that Allied nations' responses to Soviet aggression in Afghanistan will go further than they have to date but that the additional steps will not be taken quickly or match those taken by the United States. The British and the Canadians have been most willing to take measures against the Soviets, but others have not followed their lead. With the French unlikely to deviate much from their current hard line on sanctions, a favorable West German stance could be the key to a more effective response from other Allies.

Based on a review of country positions, a number of elements are likely to foster additional political/economic countermeasures: a greater understanding of the constancy of US policy and of long-term US strategy; a negotiating context in which a number of leaders privately agree to act together; and a willingness by the United States to accept private rather than public efforts on the part of our Allies.

The Europeans will focus increasingly on combating the potential Soviet threat to the Gulf region and South Asia through strengthening the economic and, to some extent, military capabilities of the countries in the region. For the European Community (EC), this will include greater urgency in talks with Yugoslavia, Turkey, and the Arab states of the Persian Gulf. We expect the European nations and Japan to ante up more aid for Pakistan, but commitments to date remain small. While Ottawa has taken a number of other measures, it will have difficulty increasing aid to Islamabad.

Some Europeans are worried about adverse US reactions to apparent West European coolness to strong actions. They may implicitly seek a trade-off between an increased willingness on their part to cooperate on anti-Soviet moves and US restraint on imposing economic sanctions against Iran. Such sanctions, they feel, would work to counter the solidarity among the Arab countries needed to combat the Soviet threat in the Middle East.

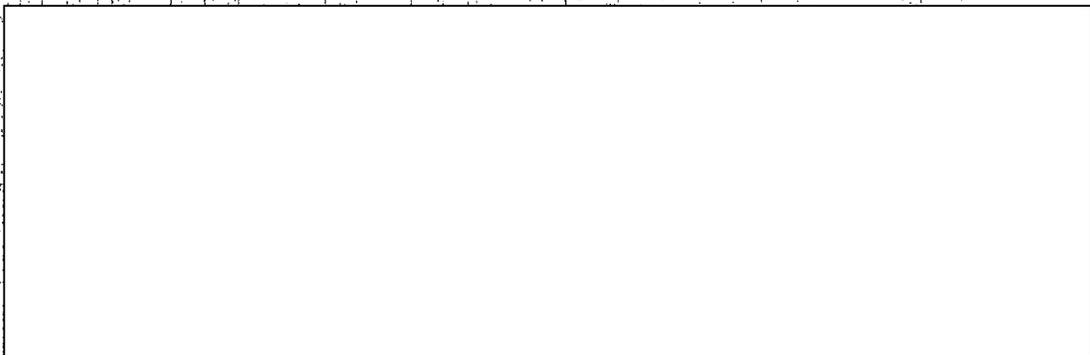
Soviet moves to go beyond Afghanistan toward Pakistan or Iran would, of course, create an entirely different situation. Even a hint of such moves would increase all governments' receptivity to direct anti-Soviet measures—as would Soviet attempts to take advantage of uncertainties in Yugoslavia in the event of Tito's death.



In the absence of further expansionist Soviet action, and particularly in the face of possible reassuring Soviet gestures, the Europeans will exhibit increasing reluctance to close the door on detente even though many leaders realize serious damage has been done to the concept. Some, the French for example, may see an even greater need to talk with Moscow about "confidence-building" measures in the context of CSCE (Conference on Security and Cooperation in Europe) and an eventual European Disarmament Conference. 

Ill-chosen or harsh pressure—public or private—on the Europeans and Japanese to follow the US lead on direct anti-Soviet measures would greatly exacerbate the difficulty of many governments in finding a national consensus on policies to deal with the crisis. On balance—and without a further Soviet expansion of the Afghan adventure—we believe the Allies would eventually feel they were being placed in an untenable position between the superpowers. Ultimately, security concerns would probably still require governments to "side" with the United States. 

Grain Exports. Although our Allies realize the importance of this issue to the United States, the major grain exporting nations probably have already done as much as they will do in support of the embargo. The EC, largely because of French resistance, is not likely to make permanent the suspension of subsidies on butter sales to the USSR or to hold up sales of poultry and pork. In cases where European and Japanese companies are attempting to get around the US embargo, individual governments doubtless could be persuaded to intervene. 



High Technology Exports. As with existing credit arrangements, no COCOM country is likely to move against ongoing export contracts with the USSR; US pressure on this front most likely would be futile. All governments will support a strict interpretation of existing COCOM



restrictions, but broadening the restrictions would prove difficult. The French, in particular, are unwilling to stop sales of advanced technology items for which they have already established a market in the USSR. The French interpret their commitment not to undercut US measures differently from Washington, stressing that French firms remain free to bid for contracts that were still being negotiated with US firms. 

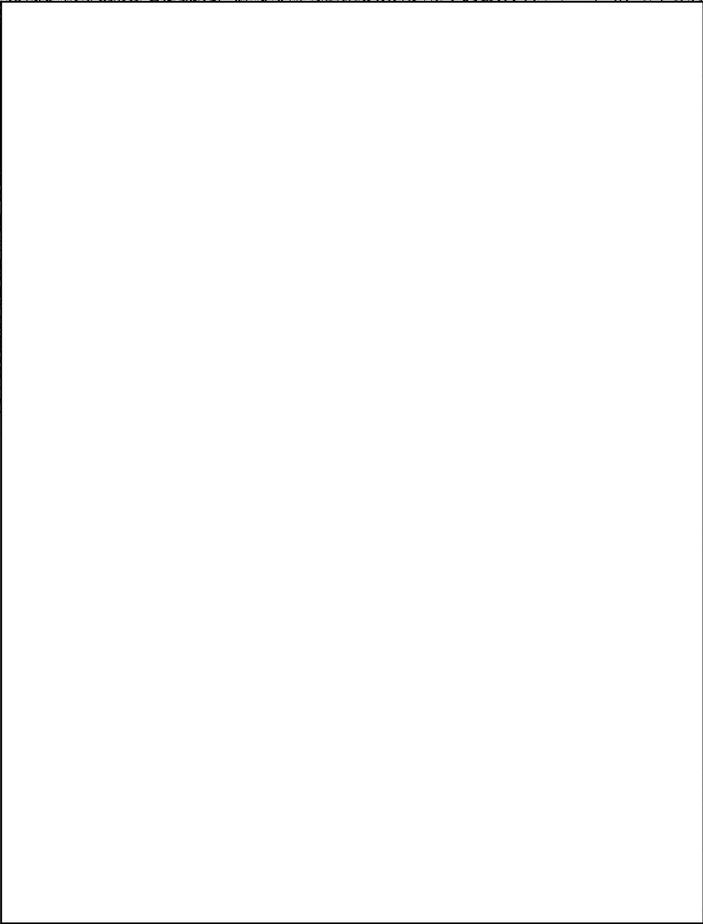
Olympics. We perceive a growing tide in favor of boycotting the Olympics. With several governments, including the United Kingdom, the Netherlands, and Canada, already willing to support a boycott if the Games cannot be moved, convincing  to join a boycott should bring most of the small nations into the fold. 



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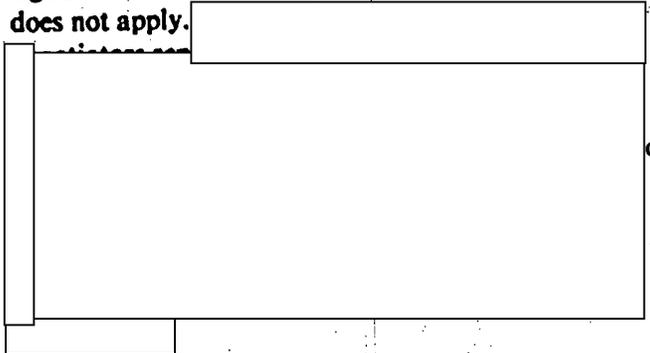
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moves would its decision be reconsidered. The French have, however, said they will draw out current negotiations on a new credit agreement and will stick by the OECD (Organization for Economic Cooperation and Development) consensus on interest rates. Paris has refused to commit itself on strict application of COCOM criteria but has agreed on the principle of "tightening the screws."

While promising not to replace contracts previously signed by American companies and advising at least some French firms to go easy on bidding for such contracts, French officials have stressed that France will turn down business only where sales would strictly replace contracted deals. Concerning Alcoa's breaking off negotiations with Moscow for a \$500-million aluminum project, for example, the French will almost certainly argue that since a French firm (PUK) was also bidding for the project and contracts had not been signed, France's commitment not to replace US goods does not apply.



France

France's overall position on the question of sanctions against the Soviets is clear and firm: it will not be a party to economic measures taken for political ends. Paris generally has resisted actions that it views as being designed simply to punish the Soviets for their invasion. The French are no less concerned about the implications of Afghanistan than other Western countries; they simply see little likelihood that economic sanctions or a boycott of the Olympics will in any way influence Soviet thinking.

To date, Paris has (a) condemned the Soviet invasion; (b) acquiesced in EC technical rules that have at least temporarily blocked additional exports of EC agricultural products; and (c) promised that French firms will not attempt to undercut US economic measures. Paris has indicated its willingness to join a multilateral aid or rescheduling effort for Pakistan but has refused to specify amounts.

Paris has refused to deny new official export credits, stating that only if the Soviets make further hostile

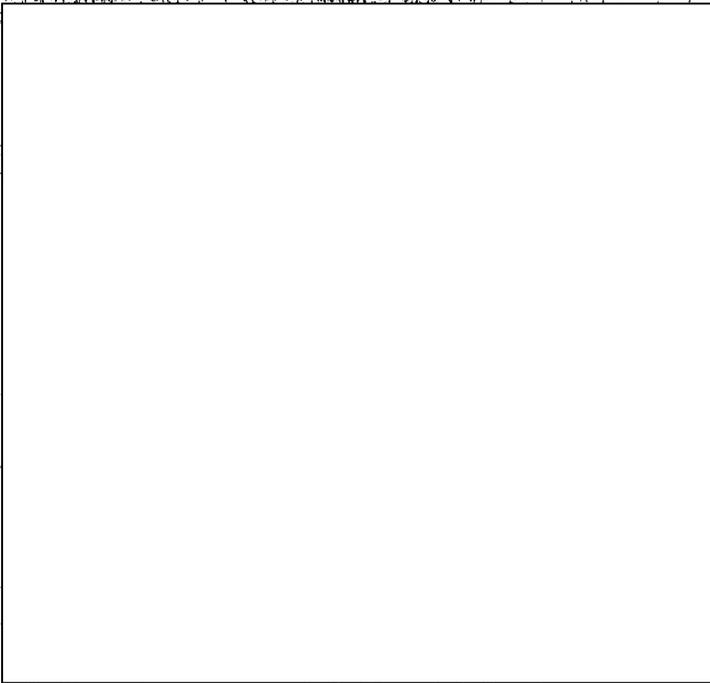
For the moment at least, France appears the least likely of the major Allies to follow the US lead in responding to Soviet aggression or to yield to US pressure. A key concern for Paris is maintaining its foreign policy independence, particularly with the campaign already under way for next year's presidential election. Paris has made it clear that it does not intend to let its policies be dictated by another country, and pressure from the United States—particularly if made public—could well harden its stance. At the same time, Paris has avoided criticizing the US position. The French may in fact be pleased that the United States has taken a firm stand. And, if the Afghan situation develops into a full-fledged East-West confrontation, there is every reason to assume that the French would quickly become more accommodating.

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Economic considerations also are important in France's refusal to apply countermeasures. France is vitally interested in developing high-technology industries and has been counting on the Soviet Union as a leading market for French electronics, data processing, and telecommunications equipment. The French are almost certainly looking beyond their short-term commitment to avoid replacing American supplies to the possibility of picking up a large share of trade that previously might have gone to US firms.

The Sakharov incident may have caused some second thoughts about countermeasures, but a basic change at this juncture seems unlikely. The Olympics decision in particular could prove difficult to change. In a rare display of unanimity, all four major political parties have come out against a boycott, although some dissenting voices have been heard.

Under current circumstances, Paris is much likelier to respond positively to suggestions that it join in measures aimed at minimizing Soviet opportunities for encroachment elsewhere in South Asia—such as in Pakistan. Out of its desire to avoid portraying the Afghan problem in East-West terms, the French will continue to discourage NATO actions of this sort, but further ad hoc bilateral or multilateral arrangements or cooperation through the European Community are possible.



Last October, the Italians agreed in principle to grant the USSR \$640 million in new credits during the 1980-85 period, but the Ministry of Foreign Trade postponed a 6 January meeting with the Soviets to discuss terms. In addition, Rome claims to be pushing for a joint EC position on export credits that would punish the Soviets, either by limiting the credit amounts or by boosting interest rates. It is not clear what Rome will do if the European Community fails to achieve a joint position on this matter. The Italians would resist pressure to formally break credit negotiations in part because of concern over possible Soviet countermeasures. Italy depends on the USSR for a significant proportion of its energy needs.

Under US pressure, Rome would likely agree to a multinational aid package for Pakistan but would plead poverty (despite the possibility of a current account surplus in 1980) when the size of its donation was being determined. The Italians would welcome the chance to sell arms to Islamabad if payment were financed by the United States.

Italy

Italian officials have publicly affirmed Rome's commitment to "total solidarity" with Washington in the Afghanistan crisis. However, the Cossiga government's ability to follow through on any tough anti-Soviet countermeasures is limited by the Prime Minister's tenuous hold on power and Italy's heavy reliance on the Soviets for energy.

Thus far, Italy's response to events in Afghanistan has consisted of:

- Supporting Security Council and General Assembly action on the Afghan problem.
- Condemning the Soviet invasion and calling for the immediate withdrawal of Soviet troops.
- Restricting some political, economic, technical, and cultural contacts with the Soviets.
- Postponing negotiations with the Soviets on new lines of export credits.
- Canceling aid to Afghanistan.

Italy's reaction to pressure to adopt "substantive" countermeasures against Moscow is likely to vary from issue to issue. In general, the odds of a favorable response would improve to the extent that Washington could make guarantees that would cushion the domestic impact of these moves in both economic and political terms.

The government has not yet taken an official position on the Olympic boycott issue, but the Italian Olympic Committee favors sending a team to Moscow. There seems to be strong, widespread public opposition to a boycott of the Olympics, and Cossiga would be hard pressed to meet US urging in this regard unless most other EC countries agreed.

In the domestic political context, the Cossiga government is extremely vulnerable to Communist and Socialist arguments that adopting retaliatory measures would further damage detente and endanger international peace. In a parliamentary vote of confidence on sanctions, the almost certain opposition of the two leftist parties could cause the Cossiga government's collapse. Because of the potential costliness of Italian support, Cossiga probably would need some sort of *quid pro quo* from the United States, such as greater flexibility on the question of Communist participation in the government.

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European Community

The European Community has given assurances it will not move directly or indirectly to replace Soviet grain supplies lost through denial of US exports. In support of the United States, the Community has:

- Suspended specific subsidies on exports of cereals, pork, and poultry to the Soviet Union.
- Taken administrative steps to monitor agricultural trade flows in order to minimize transshipments to the USSR.
- Curtailed butter and butter oil trade by suspending the advanced fixing of export subsidies.

Exporters still can collect subsidies on sales of certain products (primarily wheat flour and rye) to the USSR and other Communist countries. Barley sales to the Soviet Union, the major portion of EC-Soviet grain trade, may be reconsidered for specific subsidization in keeping with the concept of "normal" trade patterns. The Community lacks the power or mandate to control grain products exported without subsidy.

Although the EC has expressed support of the US grain embargo and its mechanisms permit control of destination, new sales of at least 70,000 tons of EC wheat to the USSR have been reported since the embargo. Whereas export rebate certificates now exclude the USSR, those issued prior to the embargo did not. Therefore switching can occur and some traders believe that as much as 500,000 tons of wheat will move to the USSR in this manner.

The range of further direct EC responses to the Soviet invasion is narrow because of legal limits on the Community's powers. Although the member states may prefer the EC as a forum for consultations or even joint decisions, the EC as an institution has only a few limited powers that are pertinent. The EC has no power, for instance, to limit any kinds of exports to the Soviet Union directly. The powers it has exercised over agricultural trade derive from its vast system of agricultural subsidies, which are not duplicated in any other sector.

The EC response will be further limited by differences among the member states. Almost all significant Community actions are subject to veto by any one member. Thus the Commission study of export credits, for example, is unlikely to have any concrete results because of French opposition. Similarly, although the Commission may not resume advanced setting of subsidies on butter exports for a while, the decision ultimately rests with the member states. In any case, US initiatives in any areas of EC institutional competence or active political consultations will be better received if Washington strictly observes the formality of approaching the Community through the Commission and the Presidency country.

Indirect EC responses through aid and cooperation with threatened countries will be less restrained but of minor impact. Food aid to Afghanistan has been suspended and emergency aid will probably be sent to Afghan refugees in Pakistan. Further EC economic aid to Pakistan is possible, although it is unlikely to be substantial. The EC is also moving toward rapid conclusion of an agreement for economic cooperation with Yugoslavia and may now be willing to negotiate a more favorable association agreement with Turkey.

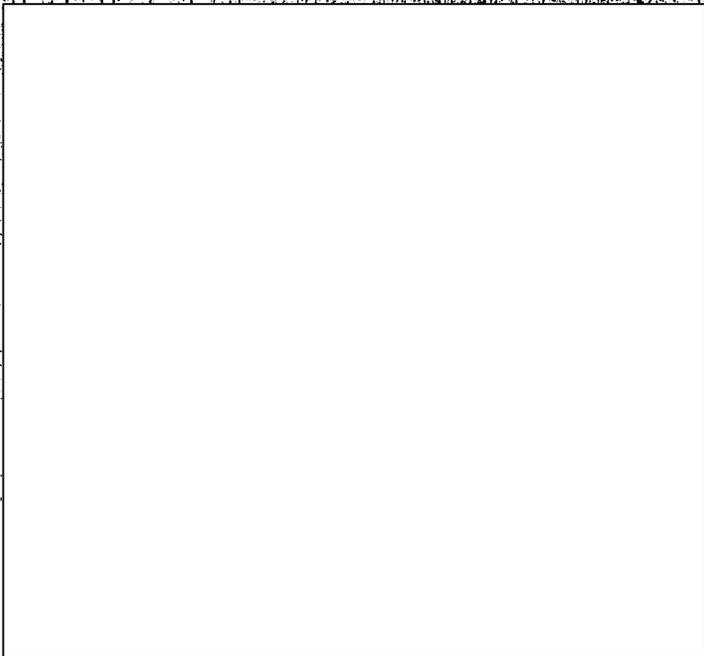
For the most part, the West Europeans favor the European Community as a focal point for cooperative reaction to the Soviet moves because the Community is one step removed from US influence and because most contemplated sanctions are economic. Although the West Europeans specifically reject a direct NATO military response to the Afghan crisis, they recognize that the Alliance may have to review its defense posture.

There is no evidence that the Afghan crisis has increased Belgian or Dutch willingness to base new theater nuclear weapons. Belgium may eventually go along, but it will not speed up its review of the deployment decision. In addition, so far there is little evidence that countries presently falling short of 3 percent real growth in defense spending will alter this trend in reaction to Afghanistan. Although most members face domestic opposition to larger military budgets, softening economic growth in coming months could change this climate (particularly in London and perhaps Ottawa).

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Portugal

Portugal has moved more boldly than almost any other COCOM country to protest the Soviet invasion of Afghanistan; it has little leverage left except to join in an Olympic boycott:

- The Portuguese Ambassador to Moscow has been recalled for consultations; the Portuguese charge d'affaires in Moscow has said that relations might remain at the charge level until the Soviets withdraw their troops from Afghanistan.
- A meeting of the Portuguese-Soviet Commercial Consultative Group scheduled for this month has been postponed indefinitely, as have the meetings of all other bilateral commissions.
- Soviet press and commercial personnel in Portugal are being reduced in number.
- Consideration of a date for the visit to Lisbon by Soviet Foreign Minister Andrei Gromyko has been postponed indefinitely.
- Lisbon announced on 24 January that it will not sign a recently negotiated fisheries agreement with Moscow.

Furthermore, [redacted]

[redacted] Lisbon would begin studying additional measures once parliamentary debate on the new government's program had ended. [redacted]

Portugal would welcome and participate in further economic and political measures against Moscow. The Portuguese are prepared to slow down CSCE consultations with the Soviets provided other NATO allies do the same. Portuguese officials insist, however, that sanctions should be maintained over time to keep pressure on the Soviet Union; to initiate policies without following through would indicate, these officials think, that the Allies can be lulled into acquiescence. [redacted]

Strict COCOM sanctions would not affect Portuguese interests because advanced technology plays only a tiny role in Portugal's industrial production and exports. The Portuguese Government, which holds a monopoly in foreign trade in foodstuffs, would neither sell nor divert grain to the Soviet Union. Portugal has never extended credits to the Soviets and, as an aid recipient, is not in a position to give aid to Pakistan. Because of long-established policy as well as tactical considerations, Lisbon does not, however, want to support moves to boycott or transfer the site of the Olympics. [redacted]

The Portuguese Government feels uncomfortable with its strong stand because most other NATO governments have not taken similar actions. The opposition Socialists have already attacked the government's "disproportionate" reaction, and the Communists—who accept Moscow's explanation of the invasion—have labeled the moves ridiculous for such a small country. [redacted]

Greece

After a timid initial condemnation of Soviet behavior in Afghanistan, the Greek Government has concurred in a number of US-sponsored anti-Soviet measures and is disposed to add some of its own. [redacted]

In the diplomatic area, the Greeks have decided to reduce the number of Soviet diplomatic, consular, trade, and media officials in Greece. They have also agreed to undertake several unspecified anti-Soviet economic measures, although these apparently will not have much effect on their trade with Moscow which essentially consists of Soviet oil in return for Greek bauxite, fruits, and vegetables. [redacted]

So far, the Greeks have been reluctant to boycott the Olympics, to terminate their controversial agreement to repair Soviet naval auxiliary vessels, or to provide Voice of America with additional radio frequencies. They might well reconsider if most other NATO and EC countries follow the US lead and Washington brings strong pressure to bear, particularly if this is accompanied by positive inducements. A commitment to provide greater military aid and support for Greek reentry into the military wing of NATO may be necessary to persuade the Greeks to abrogate the ship repair deal or to provide additional radio frequencies. [redacted]

Turkey

Turkey has condemned the Soviet invasion of Afghanistan and has not recognized the new Afghan regime, but Ankara has not taken any concrete measures to protest Moscow's behavior. The Turks have already ruled out economic sanctions because they have no economic leverage over the Soviets and because they need Soviet oil and economic aid. [redacted]

At best, the Turks might give rhetorical support to symbolic diplomatic actions that appear to entail little cost. They will not consider any stronger measures, such as an Olympic boycott, unless such actions are supported by most Allies. Indeed, Ankara now expects the United States to be more sensitive to Turkey's strategic importance and believes that recognition of this fact would temper US demands on the Turks. Ankara could, under extreme diplomatic pressure, undertake selective political or diplomatic sanctions in return for a substantial Western aid package; even then, the Turks would emphasize national prerogatives and balance commitments to Washington with efforts to mollify the Soviet Union. [redacted]

Others

The Benelux countries along with Denmark and Norway have condemned the Soviet aggression but will not get out in front of their EC or NATO partners on the issue of economic sanctions. Denmark and Norway have placed limits on diplomatic, military, and other official exchanges with Moscow but have begged off on unilateral economic restraints. All have pledged to refrain from filling any commercial vacuum created by sanctions the United States might impose and will follow decisions made in COCOM, OECD, and, except in the case of Norway, the European Community, on exports and credits to the USSR. A practically unanimous Western response would be required to elicit meaningful measures from these smaller Allies:

- *Belgium*, if pressed, would probably restrict the volume of Soviet trade through Antwerp, one of the largest ports in Western Europe, since this would entail little political or financial cost. Antwerp is a major grain transshipment point. Close to 6 million tons of grain passed through its ports last year, of which 1.6 million tons were transferred to the USSR via small coastal craft. In addition, over the years, Belgium has cut down on the number of work permits issued to Russians to work in the country's many Soviet-Belgian firms. The Belgians could be talked into accelerating this trend, which would involve only minimal financial or diplomatic costs for them.
- *Denmark* does not wish to antagonize the Soviets, who supply 12 percent of Danish oil, by tampering with present levels of trade. Copenhagen's \$9.5 million loan to Afghanistan, agreed upon in 1978, is being withdrawn, and the government is likely to favor aid to Afghan refugees in Pakistan.
- *Luxembourg* is considering reducing the number of freight charter flights granted Aeroflot and probably will at least make negotiating procedures more difficult. An effort to restrict regular flights is unlikely, however, because it might cause the Soviets to cancel their contract to buy Luxembourg steel.

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- **Norway** has asked to be excused from joining a ban on Soviet fishing, saying that such a move could further complicate the delicate Soviet-Norwegian negotiations on the Barents Sea economic zone and efforts to work around conflicting interpretation of the Svalbard Treaty. A fishing ban also could be counterproductive since most species spawn in Soviet waters, where fishing is now limited for conservation purposes.
- **Holland** has put a freeze on government and cultural contracts with the Soviets. The Hague may move further and attempt to gain EC support for holding up sales of grain substitutes. Although opinion had been running 2 to 1 against an Olympic boycott, the Sakharov case has apparently reversed the trend. Spokesmen for a majority of the parties in parliament, including the governing Christian Democrats and Liberals, are now demanding an unconditional boycott. The Dutch Cabinet has followed suit and advised the Dutch Olympic Committee to boycott the Moscow Games.

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