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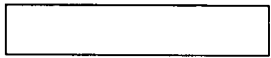
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SPECIAL NATIONAL INTELLIGENCE ESTIMATE

Implications of Reopening the Suez Canal

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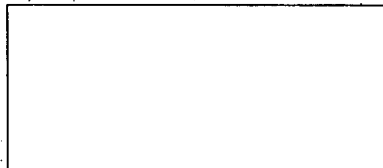
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SNIE 30-74

IMPLICATIONS OF REOPENING
THE SUEZ CANAL

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THIS ESTIMATE IS ISSUED BY THE DIRECTOR OF CENTRAL INTELLIGENCE.

THE UNITED STATES INTELLIGENCE BOARD CONCURS, EXCEPT AS NOTED IN THE TEXT, AS FOLLOWS:

The following intelligence organizations participated in the preparation of the estimate:

The Central Intelligence Agency and the intelligence organizations of the Departments of State, Defense, and Treasury, and the National Security Agency.

Concurring:

The Deputy Director of Central Intelligence representing the Central Intelligence Agency

The Director of Intelligence and Research representing the Department of State

The Director, Defense Intelligence Agency

The Director, National Security Agency

The Assistant General Manager for National Security representing the Atomic Energy Commission

The Special Assistant to the Secretary of the Treasury representing the Department of the Treasury, in respect to Section I, "Economic Consequences of a Reopened Suez Canal"

Abstaining:

The Assistant Director, Federal Bureau of Investigation, and the Special Assistant to the Secretary of the Treasury (in respect to Section II, "USSR Naval Implications"), the subject being outside of their jurisdiction

ALSO PARTICIPATING:

The Assistant Chief of Staff for Intelligence, Department of the Army

The Director of Naval Intelligence, Department of the Navy

The Assistant Chief of Staff, Intelligence, Department of the Air Force

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IMPLICATIONS OF REOPENING THE SUEZ CANAL

NOTE

This Estimate focuses primarily on the major economic and military implications of the prospective reopening of the Suez Canal. It is not intended as a comprehensive study of all the ramifications, but rather concentrates on those economic and military aspects felt to be of greatest importance for US decision-making in the short term. For the purposes of the estimate, the Indian Ocean includes the Persian Gulf and Red Sea. The economic judgments in this SNIE are based on an assumption that the Canal will be opened by the end of this year. It is estimated that it will take at least six months to clear the Canal of mines and obstructions and restore it to its 1967 condition.

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MAJOR JUDGMENTS

The prospective reopening of the Suez Canal has significant military and economic implications for the Middle East region, the broader Indian Ocean area, and for outside powers with major interests in the area. In most respects, the world has adjusted to and compensated for the Canal's closure since June 1967. The economic and military consequences of this process, however, have had an uneven impact on the concerned countries, and so will the Canal's reopening.

Economic Implications

In economic terms the reopening of the Suez Canal will not result in a return to the situation that obtained at the time of the Canal's closure. But to varying degrees consumers and producers around the world will benefit some from use of the Canal, with only shipowners and shipbuilders being injured. More specifically:

- Reopening the Suez Canal will have only a moderate economic impact because alternative shipping arrangements have been developed since its closing in 1967. Given the increased use of cost-efficient supertankers too large to transit Suez, most Middle East oil traffic will continue to take the longer Cape route to major Western markets. Prior to 1967, oil shipments comprised some three-fourths of Canal traffic. Most dry cargo traffic will be attracted back to the Canal, however, and the volume of this trade could be half again as large as in 1966. Total traffic through Suez thus should measure some two-thirds of its pre-closure rate.
- Shorter voyage times for trade moving via the Canal will reduce the number of ships needed to carry world trade, at least tem-

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██████████ reducing world shipping rates and slowing shipbuilding orders. Even with the Canal closed, demand for shipping is expected to slacken during the next year or so because of a slowdown in world trade and output.

- The direct economic *impact on the US will be beneficial but small*. Shorter hauls will reduce transport costs for oil and other raw material imports from regions east of Suez and lower worldwide rates will reduce US shipping payments even more.
- The net gain for Western Europe and Japan will be reduced by losses in shipping income and in shipbuilding orders.
- The USSR will benefit substantially because, among other things, Soviet merchant ships are small enough to transit the Canal fully loaded.
- Egypt stands to gain most from a reopened Canal. At a minimum, it could earn an additional \$145 million annually in foreign exchange unless other Arab states reduce their subsidies. Israel will gain little economically from a reopened Canal.
- Other Middle East states—like the Peoples Democratic Republic of Yemen and Sudan—will gain some port revenues, while nations along the Cape route will suffer a small decline. South Asian and East African less-developed countries will benefit from reduced shipping charges on their trade with Europe, and their export earnings will be boosted moderately.

Implications of the Reopening of the Suez Canal for Soviet Military Capabilities in the Indian Ocean

It is a basic judgment of this estimate that *the reopening of the Suez Canal will significantly increase naval flexibility but will not by itself precipitate a major change in the size of the Soviet naval presence in the Indian Ocean*. Use of the Canal would give the USSR easier and more timely naval access to the western Indian Ocean, but not the incentive to suddenly increase its naval force there on a permanent basis. A reopened Canal would expedite inter-fleet transfers, deliveries of military aid and logistic support of ships in the Indian Ocean. It would remove the current US geographic advantage for surge deployments into the area. Moreover, the Soviets would be able to replace

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surface ships drawn from the Mediterranean to the Indian Ocean more quickly than the US.

The Soviets would like to play a greater role in the Indian Ocean. They probably expect considerable political change over the next decade in the Persian Gulf, Saudi Arabia, and the Horn of Africa and would like to be in a position to influence and profit from such changes. The Soviets will use a naval presence as one element in a combined approach which utilizes political, economic, subversive, and military aid instruments as well.¹ In contemplating an expanded naval presence the Soviets will be conscious of a number of risks. These include possible future ejection from local shore facilities and excessive involvement with one partly to a regional rivalry.

Whether or not the Suez Canal is reopened the Soviet Union is likely to increase its continuous deployments in the Indian Ocean. If there is no substantial increase in US naval forces in the area, this increase is likely to be gradual leading to a continuously deployed force of, say, 8-12 surface combatants in 1976 or 1977. The Soviets can be expected to probe for and test in a measured way the tolerance of the US and the major littoral states. With the Canal open, they could also test the reaction by making short-term developments from the Mediterranean. *Should the US make a substantial increase in its naval presence in the Indian Ocean a Soviet buildup faster and larger than that described above would be likely.* In any event, the Soviets would probably be unable to sustain an Indian Ocean force significantly larger than that presently deployed there without reordering their priorities and shifting naval forces from other areas.

Apart from the issue of permanent deployment, *the opening of the Canal would give the Soviets a new capability for rapidly and significantly reinforcing their naval strength in the Indian Ocean from their Mediterranean and Black Sea naval forces.* The USSR will recognize that the Suez Canal is subject to closure in a crisis, but in some limited crisis situations this would not in itself be a deterrent to Soviet deployments. With the Canal open, they might be encouraged to launch surge deployments on their own initiative, rather than merely reacting to US moves.

¹ Several USIB members believe that the above understates the degree of importance of the Soviet naval presence in the Indian Ocean, Persian Gulf, and Red Sea. For their views see footnote to paragraph 26.

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I. ECONOMIC CONSEQUENCES OF A REOPENED SUEZ CANAL

World Shipping

1. Although the Suez Canal almost certainly will never regain the importance it had prior to June 1967, it will still be a major shipping route. Its reopening will reduce the number of ships needed to carry world trade, at least temporarily depressing world shipping rates and slowing shipbuilding orders. The effects of reopening are likely to be overshadowed, however, by more important factors. Even with the Canal closed, demand for shipping services is expected to slacken during the next year or so because of a slowdown in growth of world trade and output. Demand for tankers already has dropped in response to Arab oil cutbacks and price hikes, and excess capacity will increase in the months ahead as deliveries of previously ordered ships accelerate. The reopening of Suez will compound the excess capacity problem and further cut into shipowners' profit margins. The net effect will be to transfer income from shipowners to consumers and producers.

2. Restoration of the Suez Canal to its pre-closure draft limit of 38 feet will permit transits by fully loaded tankers and dry cargo ships up to 50,000 deadweight tons (DWT)

and transits without cargo (in ballast) by ships up to 150,000 DWT. Given the current composition and employment of the world tanker fleet, only about 65 million tons of petroleum traffic is likely to be attracted back to the Canal while some 400 million tons would continue to go by the Cape route. This would be a sharp drop from the 175 million tons of oil that passed through the Canal in 1966, when such shipments accounted for 75 percent of traffic. The volume of dry cargo moving via a reopened Suez, however, could easily exceed 100 million tons—more than half again as much as in 1966. Except for some ore and grain trade, dry cargoes generally move on ships small enough to pass through with full loads. Total traffic through the Canal during its first year thus would probably amount to about two-thirds of its 1966 volume.

3. Sailing distances and times will drop dramatically when ships shift from the Cape to the Canal route, thus lowering freight costs in this trade. Crude oil from the Persian Gulf to Rotterdam would move only 6,500 miles compared with 11,300 miles via the Cape. Roundtrip time would drop from 61 days to 38 days for tankers able to transit the Canal loaded, and bigger tankers (up to 150,000 DWT) would be able to make at least one

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additional voyage per year using the Canal only for return trips. Similar savings would, of course, occur on dry cargo shipments through the Canal.

4. Shipping rates world-wide also will decline because shorter hauls through the Canal will create a shipping surplus estimated at 18 million DWT—about 4 percent of world capacity. Diversion of tankers up to 50,000 DWT from the Cape route to Suez will make about 4 million DWT redundant, and routing tankers of 51,000-150,000 DWT through the Canal in ballast will free another 6 million DWT. Use of the Canal by dry cargo ships will put almost 8 million DWT of bulk carriers, cargo liners, and container ships on the unemployed list.

5. This glut of shipping will be reflected in an almost immediate drop in both voyage and time charter rates. Owners will scrap some marginal ships and lay up idle tramp and liner vessels too modern to scrap. Both used and new ship prices will fall; buyers of ships in the surplus category may accept penalties to cancel contracts particularly if construction has not yet begun.

Future World Oil Trade

6. Because of the pronounced increase in use of large tankers, the Suez Canal will not resume its pre-1967 role as a vital route for world oil trade. In the last 10 years, the average-sized vessel in the world tanker fleet has increased from 25,000 DWT to 58,000 DWT. The size of the largest tanker in operation has jumped from 130,000 DWT to almost 500,000 DWT. About 70 percent of tanker tonnage currently in use could not move loaded through the Canal at its pre-closure depth of 38 feet (see Table I). Even if Suez were deepened to 60 feet—a project requiring at least seven years and \$500 million dollars—it would still not be able to accommodate loaded passage of the growing number of tankers exceeding 200,000 DWT.²

7. Tankers small enough to transit the Suez fully loaded (up to 50,000 DWT) have high per-unit operating costs. Even now, with bunker fuel prices at three to four times their mid-1973 levels, it would be cheaper to move

² In contrast to this trend, Soviet and East European tankers do not exceed 50,000 DWT.

TABLE I
COMPOSITION OF THE WORLD TANKER FLEET BY SIZE

Size Category in DWT	31 December 1972			31 December 1968			31 December 1963		
	Num- ber	1,000 DWT	Percent of DWT	Num- ber	1,000 DWT	Percent of DWT	Num- ber	1,000 DWT	Percent of DWT
Total.....	3,728	217,836,200	100.0	3,317	124,324,700	100.0	2,928	74,369,100	100.0
50,000 and under....	2,424	62,597,100	28.7	2,559	63,290,400	51.0	2,788	65,335,200	87.0
51,000 to 100,000....	753	53,627,000	24.6	636	44,192,600	35.5	136	8,567,400	11.5
101,000 to 150,000...	187	22,116,000	10.2	86	9,764,600	7.8	4	466,500	0.6
151,000 to 200,000...	78	13,067,100	6.0	17	2,942,600	2.4
201,000 to 300,000...	278	63,770,700	29.3	17	3,531,500	2.8
300,000 and larger...	8	2,658,300	1.2	2	624,000	0.5

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TABLE II
BREAKEYEN COSTS—PERSIAN GULF
TO ROTTERDAM
(US\$ Per Ton of Cargo)

Tanker Size (DWT)	Via the Cape Roundtrip	Via the Cape Loaded and Via Suez in Ballast*	Via Suez Roundtrip*
350,000	4.82
250,000	5.43
150,000	7.15	5.91	...
100,000	8.87	7.28	...
60,000	11.78	9.60	...
50,000	13.24	...	8.63

* Assuming pre-closure toll rates.

oil from the Persian Gulf to Rotterdam via the 11,300-mile Cape route on tankers exceeding 100,000 DWT than to use small tankers on the 6,500 mile Suez route. Larger tankers up to 150,000 DWT can cut costs further by using the Canal for the return trip in ballast (see Table II).

8. Despite their higher costs, tankers of 100,000 DWT and less remain in the Persian Gulf trade because of limitations on depth at some ports of consignment and on the ability of some terminals and refineries to absorb deliveries. In fact, demand has kept charter rates for such ships at high levels despite today's generally depressed market. For shippers in this portion of the trade, use of 50,000 DWT tankers via Suez will be a particularly attractive option.

9. Over the longer run, oil trade through the Canal also will be affected by completion of the Sumed Pipeline. This line will link a tanker terminal on the Red Sea with one on the Mediterranean, providing another attractive alternative for moving oil from the Persian Gulf to Western Europe and North America. Its southern end will be served by super-tankers and its northern end by various-sized tankers, depending on the requirements of the recipient. Once financing for the \$360 million

project is arranged and work begun, completion of the first phase will take two years. At that time, the pipeline will have an annual capacity of 40 million tons. A second phase, scheduled for completion during the third year, will raise total capacity to 80 million tons a year. Preliminary estimates indicate that it will cost about 15 percent less to use the pipeline than the Canal.

The United States

10. The direct economic impact of the reopened Canal on the US will be beneficial but small. Shorter hauls from regions east of Suez will reduce the cost of oil and other raw material imports. More important will be the benefits from reduced shipping rates generally, since the US is the world's largest trading nation. The US merchant fleet is small relative to our total trade, and benefits from lower shipping costs thus will be only slightly offset by reduced income from shipping services. Because the US shipbuilding industry serves a protected market, it will be little affected by the drop in world shipping demand and rates.

Western Europe

11. Western Europe will also benefit from reduced shipping costs resulting from the reopening of the Suez Canal. Imports of many raw materials will be cheaper. The net gain for Western Europe will be small, however, because shipbuilding industries will be hurt by the drop in demand for new vessels and some countries such as Norway and Greece will suffer severe losses in shipping income. Shifts in shipping patterns will benefit Mediterranean ports at the expense of those on the European Atlantic.

Japan

12. Reduced rates and shorter delivery times will considerably improve Japan's competitive

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in European and distant third markets. This gain will be offset, however, by a drop in shipping income and in shipbuilding orders. Japan's shipbuilding industry accounts for about half of world tanker production. Because it has a huge backlog of orders with delivery dates extending through 1977, the industry probably will continue to operate at capacity for at least this year. New orders already have slipped sharply in response to the oil crisis, however, and contract cancellations are expected.

USSR

13. Moscow will benefit substantially from a reopened Canal because most Soviet merchant vessels are small enough to transit Suez fully loaded. Since the Canal closed, the USSR has incurred some \$30 to \$50 million annually in additional shipping costs to service its Black Sea trade with India, Iraq, North Vietnam, and other countries east of Suez. In shifting to the much longer Cape route, it has had to divert about 580,000 DWT of shipping from other tasks. Reopening Suez may also provide an alternative route for shipments that now move overland between the Black Sea region and the Soviet Far East.

14. When the Canal reopens, the USSR will also be able to restore its once sizable exports of petroleum from the Black Sea to India, Japan, and Sri Lanka. Whether it does so will depend on the desirability of continuing swap arrangements made after 1967. Under these deals, Persian Gulf crude controlled by international oil companies has been shipped to Japan on Soviet account and Soviet crude from the Black Sea has moved to the companies' European customers. Because other Warsaw Pact countries are expected to increase imports of Arab oil in the years ahead, they too would benefit from reopening of the Canal.

Middle Eastern and African Countries

15. *Egypt*—If reopened this year at pre-closure toll rates,³ the Canal would earn an estimated \$145 million in foreign exchange in 1975—about \$75 million less than 1966 earnings but enough to cut Egypt's prospective balance-of-payments deficit by one-third. The major uncertainty for Egypt is the attitude of wealthy Arab states toward continuing Khartoum subsidies once the Canal is open. Set up in 1967, the Khartoum agreement provides Egypt approximately \$250 million annually in subsidies until "the effects of the (1967) aggression have been removed"—a condition generally interpreted to mean until the Canal is reopened.⁴ Libya has already indicated that its \$59 million share will be discontinued, primarily because Qadhafi is opposed to disengagement. If such cuts are not covered by other Arab states, Canal revenues will be partly offset by a loss in subsidy payments.

16. Indirect gains are potentially more important to Cairo. By promptly reopening the Canal and announcing a multi-million dollar Canal improvement program, President Sadat would be reassuring the world of Egypt's peaceful intentions. These actions in turn would further stimulate private investors, interest, perhaps permitting Egypt to achieve some of its ambitious and long-delayed development goals.

17. *Israel*—Use of a reopened Canal would have little impact on Israel's economy. Because internal transport has been improved

³ Pre-closure tolls approximated 23 cents per DWT for a ship in ballast and 50 cents per DWT for a loaded ship. Once the Canal is reopened, Egypt could double these rates with little diminution of the Canal's competitive advantage.

⁴ *Ad hoc* contributions have provided an even larger financial cushion. For example, during the late 1973 war, wealthy Arab states transferred an estimated \$800 million to Egypt.

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considerably since 1967, Israel can move supplies to southern ports for export to the East almost as easily by land as by sea. Moreover, movement of Persian crude through the Elat-Ashkelon pipeline—supplied by supertanker to Elat and exported to Europe from Ashkelon—should continue to be cost-competitive as long as the Canal can accommodate only smaller tankers.

18. *Other Middle East and Africa*—Countries along the Red Sea and Gulf of Aden will gain from increased bunkering and other port-related activities, regaining some of the earning power lost when the Suez Canal was closed in 1967. Sales of bunkers in Aden, for example, dropped from \$60 million in 1966 to \$6 million in 1968; Djibouti and Port Sudan also suffered severe losses in revenues during this period. Countries or possessions along the Cape route—Kenya, Mauritius, South Africa, and the Canary Islands, in particular—will sustain a small decline in their port and bunkering earnings. The reopened Canal will have some favorable impact on the trade of most countries in the region because of reduced shipping, insurance, and storage costs.

South Asia

19. The principal countries of South Asia—India, Pakistan, Bangladesh, and Sri Lanka—will benefit from substantially reduced freight costs on food and machinery imports if the Suez is reopened. Their export earnings also will be boosted moderately. India ships about 45 percent of its exports to Europe, Pakistan and Sri Lanka about 30 percent, and Bangladesh about 40 percent. Their major exports will face stiff competition, however, from other countries also benefiting from the Canal reopening. Tea from India and Sri Lanka, for example, will gain little advantage over East African competitors. Cotton textiles, a prin-

cipal export of India and Pakistan, will still have to compete with other Asian producers using the Canal. Bangladesh jute exports—already booming because of decreased competition from petroleum-based synthetics—and Indian heavy manufactures probably will be the main beneficiaries from the shortened trade route.

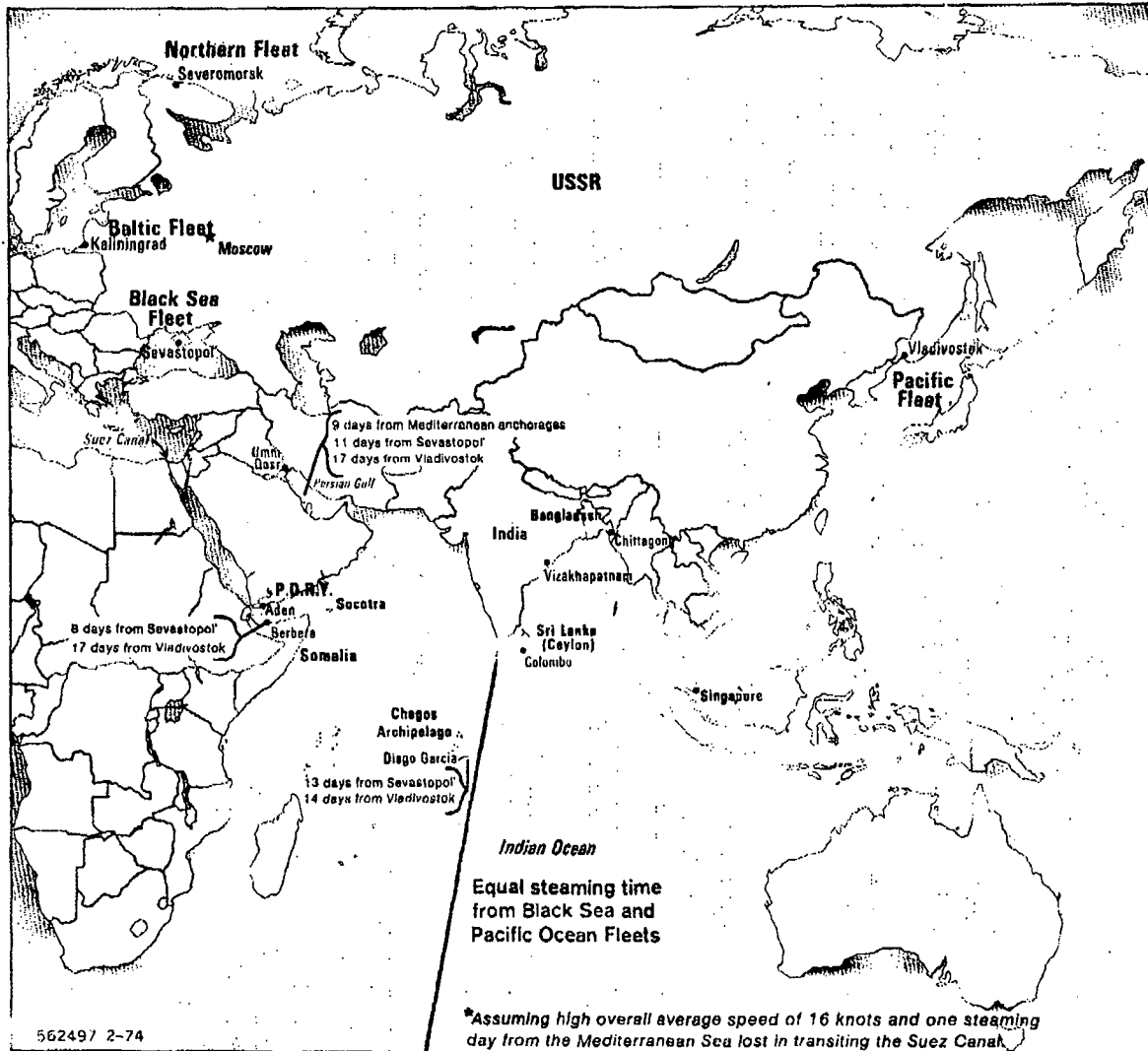
II. USSR NAVAL IMPLICATIONS

The Effect of an Open Canal on Soviet Naval Capabilities to Operate and Maintain Military Forces in the Indian Ocean Area

20. A reopened Suez Canal would improve Soviet naval flexibility by substantially shortening the transit time to the western Indian Ocean from their western fleet operating areas. (See map.) The reduction in transit time to the Indian Ocean would not be great enough in itself to cause a significant increase in the number of ship-days on station in the Indian Ocean. It would, however, reduce the logistics problem of supporting an Indian Ocean naval presence. Assuming a high overall average speed of 16 knots, transit time from the Black Sea (Sevastopol) to Berbera, Somalia, at the western edge of the Indian Ocean, would be 8 days, to Diego Garcia, in the central Indian Ocean, 13 days. Transit times from the Pacific Fleet, which now supplies the units for Indian Ocean deployments, are 17 days to Berbera and 14 days to Diego Garcia. For crisis-inspired surge deployments, the Soviet Mediterranean force would, from its normal anchorages, be only about 9 days from the Persian Gulf area in the northwestern part of the Indian Ocean as compared to the 17 days necessary for the Pacific Fleet ships to reach the Gulf.

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Comparative Steaming Times For Soviet Black Sea and Pacific Ocean Fleets With a Reopened Suez Canal*



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21. The size of the Soviet Navy, in terms of surface combatants, will probably remain about constant over the next few years. The USSR is investing in modern ships and improving the capabilities of recently constructed ones, and at the same time is retiring older vessels at about the same rate as it is commissioning new ones. The result is a navy of growing capabilities for distant operations but one of numerical stability. Any substantial buildup in the Indian Ocean in the short term, therefore, would require Moscow to draw upon other naval forces. Over the longer term, however, the greater capability of the new ships will, in effect, increase the number of ships available for distant operations.

22. Ship-days in the Indian Ocean have risen from about 1,000 in 1968, when continuous deployments began, to about 5,000 in 1973, but still account for less than 15 percent of the ship-days spent away from the USSR.⁶ (See Figure 1.) The number of ships on routine deployment to the Indian Ocean has gradually increased since 1968. (See Figure 2.) The typical Soviet force there during 1973 included one gun-armed cruiser or missile-equipped ship, two destroyers or destroyer escorts, one mincraft, an amphibious ship, a diesel submarine, and six auxiliaries. Under ordinary conditions, operations are limited to port visits and extended periods at anchor in the northwestern portion of the ocean. Most of these ships are drawn from the Pacific. Since 1968 naval units built in the western USSR have been transferred to the Pacific via the Indian Ocean. These ships normally operate for several months in the Indian Ocean before continuing to Vladivostok and account for less than 20 percent of the Soviet ship days in the area. The Soviets have not sent naval

⁶ All these figures exclude a protracted Soviet mine-clearing operation in the Bangladesh harbor of Chittagong.

units from their western fleets to the Indian Ocean in response to a crisis.

23. In addition to this continuous presence, Soviet surge deployments to the Indian Ocean have been highly responsive to US naval activities and will probably continue to be so. This was a prominent feature of their naval deployments during the Indo-Pakistani war, which eventually brought their force level there to eight surface combatants, four submarines, and some auxiliaries. Following the Arab-Israeli war of 1973, the Soviets responded to the sudden deployment of a US carrier task group to the Indian Ocean by sending additional units into the area. Reopening the Suez Canal would facilitate such Soviet surges to the western Indian Ocean and remove the geographic disadvantage that now prevents the Soviet Navy from reaching some potential crisis areas there as quickly as US naval forces can.

24. The present Indian Ocean force level is not limited by a closed Suez Canal. The Soviets have over the last few years developed operating patterns for the principal surface combatants of their fleet which provide for:

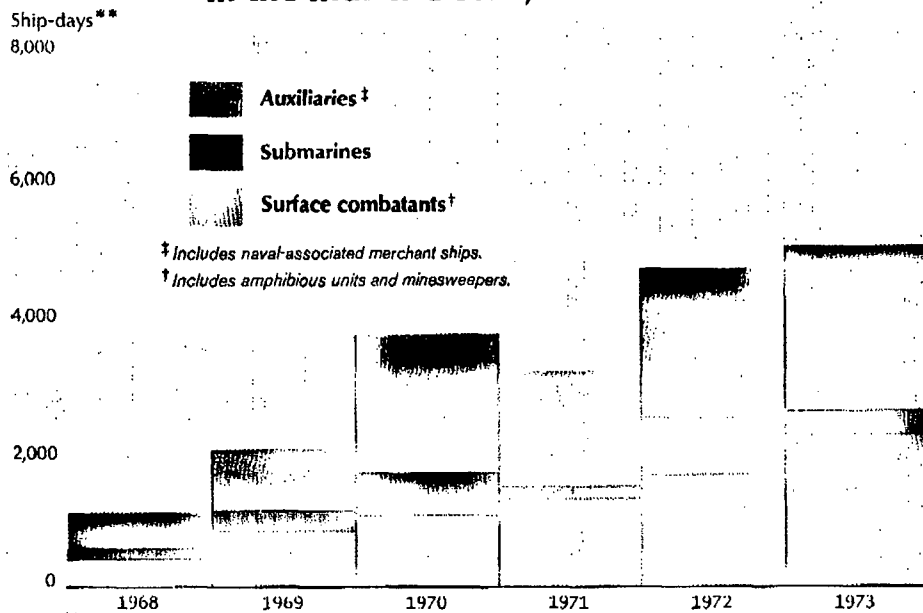
- a sizable permanent deployed force in the Mediterranean;
- ready forces near the important coastal areas of the USSR;
- a few ships from each fleet area in readiness for contingencies abroad;
- about five combatants in the Indian Ocean (not including mincraft) and one or two off West Africa;
- a few additional ships visiting foreign ports in other parts of the world, and;
- sufficient ships undergoing overhaul, repair, and workup to support the operations.

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Figure 1

Operations of Soviet General Purpose Naval Forces in the Indian Ocean, 1968-1973



‡ Includes naval-associated merchant ships.

† Includes amphibious units and minesweepers.

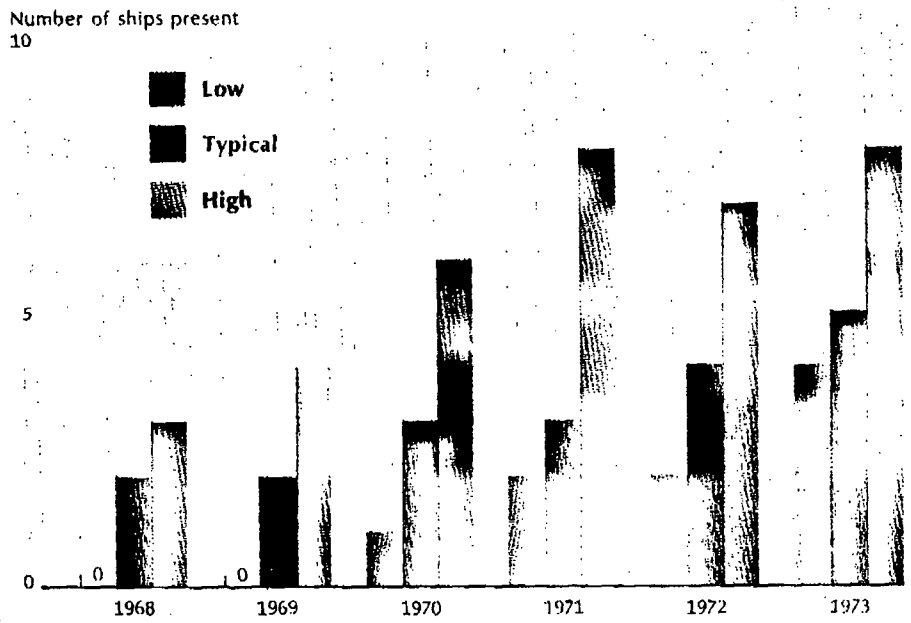
* Excludes ballistic missile submarine, oceanographic, and space support ship activity.
Data for 1972 and 1973 exclude harbor and mine clearing activity in Bangladesh.

** The term "ship-days" refers to the number of days spent by each vessel deployed in a particular area.

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Figure 2

Soviet Surface Combatant Deployment Levels in the Indian Ocean, 1968-1973*



*Includes amphibious units and minesweepers but excludes units conducting mine clearing operations in Bangladesh.

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The Soviets would have to draw down naval forces now allocated to other tasks to increase substantially the number of principal surface combatants they deploy on a continuing basis in the Indian Ocean.

Factors Bearing on Soviet Deployment Levels in the Indian Ocean

25. A number of factors will determine whether, and to what extent, the USSR will alter its present priorities to provide for a larger Indian Ocean deployment if the Suez Canal is reopened. These include:

- the political opportunities seen in the region;
- the political costs and risks of an expanded presence;
- the effects on naval flexibility;
- the shore facilities available and anticipated;
- and the actions of other outside powers, especially the US.

26. *Political Opportunities.* The Soviets would like to play a greater role in the Indian Ocean. They probably expect considerable political change over the next decade in the Persian Gulf, Saudi Arabia, and the Horn of Africa. They would like to be in a position to influence and profit from such changes. A naval presence is a useful element in a combined approach which utilizes political, economic, subversive, and military aid instruments as well. Its utility as an instrument of political influence varies considerably from case to case. For instance, in the case of India, where the Soviets have substantial interests, they have clearly depended on diplomatic, economic, and military support and have restricted their naval presence in Indian waters. In the case of Somalia, on the other hand, the

naval presence *per se* clearly plays a more important role.⁶

27. *Political Risks.* In contemplating an expanded naval presence, the Soviets will be conscious of a number of risks.

- Insofar as they use local shore facilities, they risk sudden limitations or even ejections by the host government. In light of their experience in Egypt and Sudan, they recognize that Somalia, the Peoples Democratic Republic of Yemen, and Iraq could be transformed into politically embarrassing losses by virtue of a change in policy or even government. Nor will the Soviet Union find it easy to expand the list of cooperating states in an area generally inhospitable to great power intervention. There is already a consensus among many of the Indian Ocean states that the US and USSR should limit their respective military forces in the area.
- The USSR will be wary of excessive involvement with one party to a regional rivalry lest it compromise its prospects with the other party. Its concern for relations with Iran, for example, may limit

⁶The Director of Intelligence and Research, Department of State; the Director, Defense Intelligence Agency; the Director, National Security Agency; the Assistant Chief of Staff for Intelligence, Department of the Army; the Director of Naval Intelligence, Department of Navy; and the Assistant Chief of Staff, Intelligence, USAF, believe the above paragraph understates the degree of importance of the Soviet naval presence in the Indian Ocean, the Persian Gulf, and the Red Sea. They believe the Soviet Navy is deployed in this area to serve political and military ambitions. By developing such a military force, the Soviets seek to increase their political leverage in an area of limited stability. The Soviet naval presence is a visible reminder that the USSR is capable of protecting its own interests and those of its Indian Ocean friends. They feel that the Soviets perceive that this capability will enhance Soviet prestige and place the USSR in a stronger position to compete for political influence among Indian Ocean nations.

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the degree to which the USSR, in association with Iraq, poses a naval threat in the Persian Gulf.

- Having represented Soviet policy and presence in the area as aimed at the expulsion of "US imperialism", the USSR must manage its own presence with some care, lest it be interpreted as the presence there of a new imperial power. From time to time, this concern may influence particular Soviet decisions.

28. *Naval Flexibility.* The opening of the Canal would give the Soviets, for the first time since 1967, the capability for significantly and rapidly reinforcing their naval strength in the Arabian Sea area from their Mediterranean and Black Sea naval force. On the other hand, the USSR will recognize that the Suez Canal is subject to closure in a crisis. In some cases, the Egyptian Government might do so, or an involved party might scuttle one of its ships in mid-canal. The USSR would not wish to be caught with a substantial portion of available naval units on the wrong end of a blocked canal, and in considering this contingency it would give priority to the Mediterranean. If the Soviets judged that Western interests in an Indian Ocean crisis were such that no Western response—or only a minimal or local one—was likely, they would probably not be constrained by the risks of a canal closure. In this case, the Soviets might bolster a Mediterranean force suddenly depleted for Indian Ocean deployments with ships from the western fleets.

29. Moreover, in reacting to US moves where the speed of the Soviet response would be critical, the possible closure of the Canal would probably not be crucial to a Soviet decision to deploy from the Mediterranean.

30. Subject to the above considerations, the Soviets would have a substantially greater capability for making surge deployments into

the Indian Ocean. In a crisis they could send a total of 10-15 surface combatants including some amphibious units there, drawn from their Black Sea and Mediterranean naval forces as well as a similar number from the Pacific Fleet. This capability would permit them to respond to US deployments faster and on a larger scale. It might also encourage them in a crisis to launch a surge deployment on their own initiative, rather than merely reacting to US moves.

31. The reopening of the Suez Canal would give the USSR certain other advantages:

- Inter-fleet transfers would be easier.
- The USSR, in future crises, could make quicker and larger deliveries of military aid to client states in the entire area east of Suez.
- Units deployed in the Indian Ocean could be supplied, at some savings, by support ships coming through the Canal.

32. At present, US forces in the Western Pacific can deploy to the area more quickly than can the Soviet from Vladivostok. With the Canal open both the US and the Soviets could reinforce from the Mediterranean. Theoretically this would make reinforcement capabilities equal. However, some significant advantages would accrue to the Soviets in deploying forces from the Mediterranean:

- The Soviets could replace surface ships drawn from the Mediterranean more quickly than could the US.
- All major Soviet surface combatants could transit the Canal whereas 12 of the 14 US attack aircraft carriers could not. Further, Soviet ships in the Mediterranean generally operate closer to the northern end of the Canal than do Sixth Fleet units.

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33. As a general rule, the Egyptians will probably adhere to a practice of equal treatment to all users of the Canal.⁷ The Egyptians might delay either US or Soviet—though probably more often US—combatants attempting to pass through the Canal but only in those cases when Egyptian interests were involved. Neither the US nor the USSR will in all cases be able to count on unrestricted access to the Canal for their naval vessels.⁸

34. *Shore Facilities.* The Soviet Navy has traditionally taken care to avoid dependence on foreign facilities. In the Indian Ocean it makes substantial use of Berbera for replenishment and minor repairs—but loss of its rights there would be little more than an inconvenience. If the Suez Canal were reopened, logistic requirements would be cascaded, and the value of shore facilities would on this account decline. On the other hand, any increase in the Soviet naval presence in the Indian Ocean could work in the opposite direction. The Soviets probably hope to increase their capabilities for air reconnaissance in the Indian Ocean, and this would involve a greater need for access to shore facilities. These factors suggest that the USSR will be interested in improved

⁷The Director of Intelligence and Research, Department of State, believes that if the Canal is opened it would reflect progress toward an Arab-Israeli settlement which would provide Egypt with an incentive for more balanced relations between the US and the USSR. Thus in any crisis, involving the transiting of the Canal, e.g., a crisis in the Persian Gulf or the Indian Ocean, the Egyptians might try to prevent or limit Soviet naval involvement.

⁸The Director, Defense Intelligence Agency; the Assistant Chief of Staff for Intelligence, Department of the Army; the Director of Naval Intelligence, Department of the Navy; and the Assistant Chief of Staff, Intelligence, USAF believe that in crisis reinforcement, the US would be more likely to face at least administrative delays in transiting an Egyptian managed Canal than would the Soviets because Egyptian and Soviet interests are more likely to coincide, particularly in the types of crises likely to occur in the region.

shore facilities in the littoral states, but that their availability will not be a crucial factor in Moscow's broad naval policy in the region.

35. Somalia and the Peoples Democratic Republic of Yemen will continue to present the best opportunities for limited use of shore facilities and both of those governments may accept some increased Soviet presence. The Soviets probably will also make more calls to the port they helped build at Umm Qasr in Iraq, but its location close to Iran and at the head of the narrow Persian Gulf argues against major Soviet use of it. Moscow is unlikely to succeed in its efforts to gain routine access to military facilities in India. Soviet ships will probably increase the number of port calls at those places they have used in the past. (See Table III.) In the majority of these countries the host nation will seek to balance Soviet and Western port use, and this is not likely to change with the opening of the Canal.

36. *Outside Powers.* A key determinant in the size of the Soviet naval presence in the Indian Ocean area will be its perception of US actions. The Soviets recognize how important the Persian Gulf oil and sea lines of communications are to the West and probably anticipate that the US will build up its naval forces in the Indian Ocean. The Soviets are not seeking a major regional naval rivalry but, if the US were to increase its presence, the Soviets would also increase theirs.⁹ The area is of sufficient importance for Moscow to be un-

⁹The Director, Defense Intelligence Agency; the Assistant Chief of Staff for Intelligence, Department of the Army; the Director of Naval Intelligence, Department of the Navy; and the Assistant Chief of Staff, Intelligence, USAF believe that in the Soviet view a major regional naval rivalry is not in itself a decisive consideration in Soviet calculation in the Indian Ocean. The Soviet naval forces in the Indian Ocean are so deployed in order to support their state interests, not the least of which is the achievement of the ability to influence, control, deny or disrupt Western and Japanese access to the energy resources of the Persian Gulf.

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willing to appear to be second best. The relative military standing of the US and USSR in the Indian Ocean area carries broader implications for the image of superpower equality

that has become increasingly important in Soviet calculations. They would certainly wish to respond to US carrier operations in the area with the deployment of large surface ships of their own.

TABLE III

SOVIET PORT CALLS IN THE INDIAN OCEAN*

	1968	1969	1970	1971	1972	1973
Ethiopia	0	1	1	1	1	1
India	8	2	6	1	4	7
Iran	3	7	0	2	2	0
Iraq	3	8	2	11	14	16
Kenya	5	0	3	0	2	4
Kuwait	0	1	0	0	0	0
Malagasy Republic	0	1	0	0	0	0
Maldives	1	1	0	1	0	1
Mauritius	2	4	17	5	20	11
Pakistan	2	2	2	0	0	0
Seychelles Islands	0	0	0	0	3	0
Somalia ^b	3	13	18	11	38	97
South Yemen						
(PDRY)	4	13	7	13	12	7
Sri Lanka	4	8	2	2	14	9
Sudan	0	2	0	2	0	0
Tanzania	4	2	2	0	0	0
Egypt (ARE)	3	1	0	0	0	0
Yemen	0	2	3	0	0	0
Number of Port Calls Per Year	42	68	63	49	110	153
Number of Countries Visited Each Year	12	16	11	10	10	9

* "Port calls" reflect every entry of each Soviet naval ship into a foreign port but do not reflect the duration of the visits which varied from one day to 16 months. Port calls by oceanographic research and space event support ships are included in the totals because the data available for 1968 through 1971 are not categorized by ship. Singapore is not included in the table because it is a Pacific Ocean port. However, Soviet ships from the Indian Ocean occasionally call there and Soviet naval auxiliaries are overhauled in Singapore's shipyards. In addition, ships engaged in long-term harbor clearing operations in Bangladesh are not considered to be conducting routine port calls, and therefore are not included.

^b The large increase in visits to Somalia since 1971 reflects the USSR's development and use of the port of Berbera for naval support. Most of the remaining port visits in the Indian Ocean—particularly those by combatants—were undertaken for diplomatic purposes.

37. Another factor in Soviet calculations will be the size and composition of non-US naval forces in the area. The British currently maintain an "east of Suez" task force of a guided-missile frigate and five ocean escorts—two of these six are kept in the Indian Ocean. France has some eight surface combatants in the area. These forces probably do not constitute an important Soviet reason for increasing the USSR's deployments. Should French and British strength increase as a consequence of reopening the Canal, this would tend to argue for a Soviet increase, but not so strongly as a comparable US increase, because the element of global superpower competition would be absent.

38. There remains the further question of whether a concern for good relations with the West, particularly the US, will condition Soviet naval policy for the Indian Ocean. This involves the vigor with which the USSR seeks to expand its influence in the area, which in some cases will involve competition with Western interests. More particularly in naval terms, it involves the degree of naval competition with the US which the Soviets wish to pursue and the degree to which they would use a naval presence to inject themselves into an area so intimately connected with the West's oil supplies coming from the Persian Gulf.

39. Our present judgment is that a concern for good relations with the West will impact on Soviet decisions, although it will not always be the determining factor. Their decisions will be tailored to specific circumstances, and they will be ready to advance when Western reactions to their presence are not sufficient to discourage this. But our view of Soviet global

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priorities leads us to believe that concern for Western reactions will be a factor making for some restraint in behavior. This judgment presumes, of course, that opportunities of extraordinary attractiveness do not present themselves and that Western concerns are emphasized to Moscow. It does not mean that the Soviets will accept their current level of presence and influence as a limit, or that they will not contest or seek to compensate for future Western gains.¹⁰

40. In the near term it is doubtful that Soviet competition with China will have much impact on the Soviet naval presence in the western part of the Indian Ocean area. The

¹⁰The Director, Defense Intelligence Agency; the Assistant Chief of Staff for Intelligence, Department of the Army; the Director of Naval Intelligence, Department of the Navy; and the Assistant Chief of Staff, Intelligence, USAF believe that this paragraph overstates the effect Soviet concern for good relations with the West will have in conditioning Soviet policy in the Indian Ocean. So far there have been no indications that the Soviet's desire for détente and better relations with the West have restrained naval deployments. In the Mediterranean, during the October 1973 Arab-Israeli War, the presence of Soviet naval combatants was very pointedly increased to an all-time high to demonstrate Soviet interests in the conflict. This action was not for strategic defense of the homeland, but a clear demonstration to the nations involved—and to the world—that the USSR has the power and the resolve to exert military leverage in Third World conflicts in which Soviet interests are less than vital. It is also believed that Soviet decisions on future levels of naval deployments in the Indian Ocean will be based on cost-benefit analyses which emphasize gains in political influence with littoral nations. US and Western naval deployments must, of course, be part of the equation, but mainly from the point of view of how littoral nations view that presence in relation to how they view the Soviet naval presence.

rivalry becomes more important farther east in the area, but there the significance of a reopened Canal is less important to naval operations.

41. All these considerations lead us to estimate that, whether or not the Suez Canal is reopened, the Soviet Union is likely to increase its continuous deployments in the Indian Ocean. If there is no substantial increase in US naval forces in the area, this increase is likely to be gradual, leading, we believe, to a continuously deployed force of, say, 8-12 surface combatants in 1976 or 1977. Such a measured approach would enable the USSR to gauge the reactions of the littoral states, would allow for a continuous evaluation of Western responses, and would run the least risk of generating a Western response, in both military and political terms. One way for the Soviets to test the responses of both the littoral states and the West would be to augment their normal force there with short-term deployments. With the Canal open, for example, they might be willing to send a couple of ships from their Mediterranean force for this purpose.

42. Should the US make a substantial increase in its naval presence in the Indian Ocean, a Soviet buildup faster and larger than that described above would be likely. Again, this would be the case whether or not the Canal were open, but if it were, the Soviet task of responding to the US would be easier. In any event, the Soviets would probably be unable to sustain an Indian Ocean force significantly larger than that presently deployed there without reordering their priorities and shifting naval forces from other areas.

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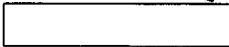
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