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International Issues Review

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December 1983

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International Issues Review

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This publication is produced by the Office of Global Issues. Some issues contain articles drafted in other offices. Some articles are preliminary or speculative in nature, but the contents are formally coordinated as appropriate with other offices within CIA. Occasionally an article represents the views of a single analyst; these items are clearly designated as uncoordinated views.

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Algeria has taken steps toward diversifying its sources of arms supplies by buying naval equipment from the United Kingdom and investigating the purchase of some Western aircraft. Moscow, however, will continue to be Algeria's principal arms supplier. [redacted]

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Narcotics **Colombia: Prospects for Drug Control** [redacted] 37
 [redacted] *OGI/Strategic Narcotics Branch*, [redacted]

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Several recent actions suggest a change in Colombian attitudes toward stopping drug trafficking in that country. A set of indicators is proposed that may help signal further improvements or deterioration in Colombian attitudes. [redacted]

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Nuclear Proliferation **China's Entry Into the IAEA** [redacted] 41
 [redacted] *OGI/Weapons Proliferation Branch*, [redacted]

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China's entry into the IAEA has been welcomed by most members, although some are concerned that Beijing may continue to sell some nuclear materials to potential proliferators without requiring international safeguards. [redacted]

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Communist Activities

Soviet Exploitation of the West German Peace Movement

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Summary

Moscow has exploited the West German peace movement's opposition to deployment of US Pershing II and cruise missiles by pressing the West German and West Berlin Communist parties, with financial assistance from the East German party, into working with the movement. The parties have had some success because other organizations in the movement generally have not been as disciplined or well financed.

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The rise of the West German peace movement has presented political and propaganda opportunities for Moscow to exploit in its opposition to installation of new US missiles in Europe. The Soviets perceive the movement as the best in Europe since the end of World War II,

They targeted the movement at least three years ago and have used the West German and West Berlin Communist parties to influence development and evolution of the movement. These parties have committed their resources to collaboration with the peace movement and have proved quite flexible in avoiding a split with the movement, following the policy guidance and tactical advice of the Communist Party of the Soviet Union (CPSU) and the East German party.

composed of Green supporters, church groups, young socialists, splinter groups, prominent personalities, and others. The absence until last summer of representatives from the Social Democrats and the West German Trade Union Federation, both of which could provide serious competition to the Communist parties, made the parties' efforts easier.

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the Communist parties easily took the lead in the Easter marches, for example, since the potential opposition in the movement was uncoordinated. The Communist parties are worried, however, since the Social Democrats and trade unions have begun to take a more active interest, that they might be eased out of influential positions in the peace movement. More intense controversy about the direction of the movement can be expected in 1984.

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Although the West German and West Berlin parties cannot claim primary responsibility for the popular appeal and anti-INF thrust of the protest campaign, they have made significant inroads in the peace movement because as disciplined, well-financed organizations they have been disproportionately represented in an otherwise loosely organized movement

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CPSU Policy Guidance

The CPSU Central Committee's International Department, which is responsible for relations with nonruling Communist parties, has established guidelines for the participation of Western Communist parties in the peace movement, [REDACTED]

[REDACTED] The current guidelines require the parties to:

- Give priority to influencing the peace movement.
- Differentiate between US motives for deploying new missiles in Europe and the interest of European NATO countries, pointing out alleged contradictions between them.
- Cooperate with the non-Communist left represented by several groups within the peace movement and seek out joint peace actions with individual Social Democrats and trade unionists. Judging by the actions of the West German and West Berlin parties, there is also a guideline for avoiding cooperation, if possible, with the autonomous groups and other violence-prone elements of the peace movement. In October 1983, Moscow instructed the parties to use their influence to keep the peace movement alive after US missile deployments have begun, [REDACTED] One way to do this, Moscow suggested, is to broaden the focus of the peace movement to embrace the theme that US military policy is to blame for Europe's economic ills. [REDACTED]

Tactically, Moscow has advised the parties to associate themselves with those aspects of the peace movement supporting elimination of US missiles and simply ignore all other aspects critical of the USSR. However, this approach must be used carefully. [REDACTED]



Vadim Zagladin, First Deputy Chief, International Department, Central Committee, CPSU. [REDACTED]

TASS ©

These guidelines are delivered to the parties usually in face-to-face meetings between party executives and officials of the International Department. Vadim Y. Zagladin, first deputy chief of the International Department, is an authoritative spokesman for the Soviet Communist Party on this subject. D. N. Mochalin or Viktor Rykin are Zagladin's emissaries to West Berlin and to the Duesseldorf headquarters of the West German Communist Party, [REDACTED]

East German Guidelines

Moscow is prime adviser, but, we believe, the East Germans provide most of the close, detailed guidance to the two parties. For example, in early 1982, the East German party specified which upcoming events

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Herbert Haerber, Head, Western Affairs Department, East German Communist Party Central Committee. [redacted]



Herbert Mies, Chairman, West German Communist Party. [redacted]

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sponsored by the peace movement had the highest political importance: the Easter peace marches as well as antiwar demonstrations on VE day and on President Reagan's visit to West Germany and West Berlin, [redacted]

[redacted] the East Germans also have instructed the West Berlin party newspaper to give more coverage to Soviet disarmament initiatives and to the US peace movement. [redacted]

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Peace Activities of the West German and West Berlin Communist Parties

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To exploit the opportunities offered by the peace movement, the parties have committed their assets: ready cadres of workers, financial resources, experience at handling large-scale demonstrations, and printing presses. The West German party is small, with a membership estimated [redacted] at 40,000 in 1982, and with an unsuccessful electoral record. However, the party organization extends into 300 factory councils, 900 local communities, and 100 student associations. The party has 200 district offices, 14 publishing houses, and 30 bookstores. [redacted]

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Horst Schmitt, Chairman, *Neues Deutschland* ©
West Berlin Communist Party.

The parties have had an impact on several events sponsored by the peace movement, according to the West German Federal Office for the Protection of the Constitution. The Krefeld Appeal in 1980, sponsored jointly by prominent Greens, ecologists, and the West German Communist Party, was a petition to the Bonn government to revoke the 1979 NATO agreement for deploying new US missiles.

The party also was active in the 1981 demonstration in Bonn, assisting in the logistics and purchasing tickets for people in other cities to go to Bonn.

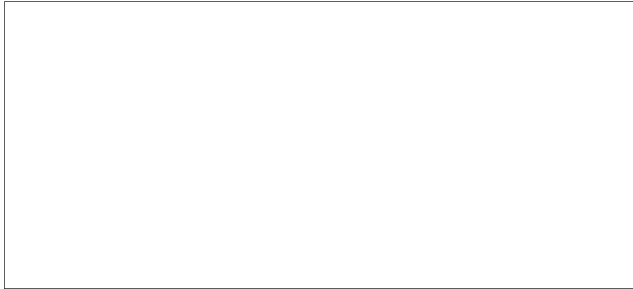
The West German party overplayed its hand in the Bonn demonstration of June 1982 against President Reagan's visit: it drew public criticism for a disproportionate, highly visible role in the demonstration. Peace activists such as Nobel Prize-winning author Heinrich Boell denounced the "excessive influence" of the Communist Party in the October 1983 demonstrations.

Outlook


The Soviets have a long-term interest in the West German peace movement. V. M. Falin, formerly with the CPSU Central Committee and now an *Izvestiya* commentator, told the West Berlin party in 1981 that the quality of anti-Americanism was good in West Berlin and West Germany.

The parties have used what they call united action, alliance politics in working with the peace movement. This has meant stressing the common interest with peace groups in opposing US missiles and setting aside divisive issues, attempting to influence the direction of the movement, but compromising when necessary to avoid splitting the movement.

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The Soviets will face trouble trying to use the German Communist parties to manipulate the peace movement in West Germany. The recent leftward swing in the Social Democratic Party, and its more active identification with the peace movement, suggest that it will play a greater organizational role, probably at the expense of the Communists. 

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The World Sugar Market: Opportunities for Soviet Influence

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Summary

Moscow's continuing demand for sugar, coupled with record worldwide stocks, provides the USSR the opportunity to use sugar purchases for maximum political gain. Such purchases allow Moscow to gain influence among certain LDC suppliers while satisfying domestic sugar requirements at a relatively low cost. Although Soviet moves to apply the sugar lever are likely to improve only marginally Soviet influence overall in the Third World, in individual cases the political gains could be great. Soviet officials know that the prospect of Soviet purchases looms large to sellers in a glutted market, particularly for financially strapped LDCs. Moscow's targets of opportunity may include Nicaragua, Mozambique, Guyana, Thailand, India, Argentina, and Peru.

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Recent trends in Soviet sugar production and consumption have made the USSR an increasingly important player in the world sugar market. Steady growth in consumption for more than two decades reflects the importance of sugar in improving the palatability of the Soviet diet. Soviet sugar production in contrast has shown little growth and has fallen back in some years.

million tons in 1980-82. Purchases from the European Community and six countries—Thailand, Brazil; the Philippines, the Dominican Republic, Australia, and Argentina—accounted for about 95 percent of Soviet purchases from non-Cuban sources. Current purchasing behavior suggests that the USSR has remained a major sugar importer in 1983.

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Moscow has responded to low domestic sugar production by boosting imports. In 1982 Soviet purchases reached a record 7.4 million tons, 40 percent higher than in 1981 and about double the 1976 level. Havana continues to be the USSR's chief supplier, although its share of the Soviet import market has fallen from more than 90 percent in 1976 to less than 60 percent in 1982. During this period Soviet purchases of sugar from all other countries increased from an annual average of more than 450,000 tons in 1975-79 to 2.3

We estimate that Soviet sugar production will continue to fall short of needs through the 1980s, resulting in a continuing demand for imports from both Cuba and the international market. Even under a scenario of high domestic production, the Soviets would need to import large amounts of sugar in the late 1980s. Non-Cuban imports are likely to range from perhaps 1 million tons to 2 million tons or more annually.

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Table 1
USSR: Raw Sugar Imports

Thousand tons

Country	1975	1976	1977	1978	1979	1980	1981	1982
Total	3,237	3,760	4,776	3,993	4,080	4,981	5,204	7,363
From Cuba	2,964	3,067	3,652	3,797	3,707	2,647	3,090	4,224
From Free Market	271	529	959	193	315	2,010	2,078	2,954
Of which:								
Argentina	0	0	0	12	0	13	150	127
Australia	51	0	0	0	0	0	0	157
Brazil	95	0	24	83	69	466	347	362
Canada	0	0	0	0	0	0	14	22
Colombia	0	0	0	0	0	11	12	36
Dominican Republic	0	0	0	46	0	33	14	194
EC	0	298	249	40	235	856	873	1,263
El Salvador	0	0	0	0	0	26	0	0
Gabon	0	0	0	0	0	19	5	0
Guatemala	0	0	0	12	0	15	0	64
Guyana	20	0	0	0	0	0	0	0
Mozambique	0	0	0	0	0	0	0	25
Nicaragua	0	0	0	0	0	13	0	5
Peru	105	0	0	0	0	24	0	0
Philippines	0	224	635	0	0	333	281	216
Swaziland	0	0	0	0	0	10	0	0
Thailand	0	0	0	0	11	140	266	429
United States	0	0	0	0	0	0	40	0
Zimbabwe	0	0	0	0	0	15	0	0

Source: Statistical Bulletin, ISO London.

The continuing Soviet requirement for imports of sugar coincides nicely with a world sugar market that suffers from chronic oversupply. With the exception of a handful of years when major crop failures occurred, world sugar production has consistently exceeded consumption since World War II. This imbalance has been especially severe during the last two years and has led to record world sugar stocks. These surpluses enable Moscow to cultivate political good will and influence among certain LDC suppliers while satisfying domestic sugar requirements at a relatively low cost. [REDACTED]

The Sugar Lever—A Political Perspective

Moscow's attempts to play its sugar card will depend on the perceived political benefits, Soviet supply and demand for sugar, relationships with existing suppliers—particularly Cuba—and Soviet ability to pay for sugar imports either in convertible currency or in goods acceptable to sugar exporters. [REDACTED]

Moscow's ability to move among suppliers in the sugar market could create political gains from necessary commercial transactions. The fact that it can

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A Case for Political Purchases

Although the majority of Soviet sugar deals are transacted in normal commercial fashion, reflecting primarily supply and demand factors of the sugar market, some seem to exhibit astute political timing or a convergence of political and economic interests. Over the past eight years, Soviet sugar purchases from Peru, for example, occurred in only two years—1975 and 1980. In both of those years, there was a change in government. Although there is no evidence as to Moscow's motivation, it seems unlikely that the timing of the sugar purchases was coincidental with these major political events. They may have been linked with earlier Soviet arms sales. [redacted]

Zimbabwe is another case in point. The only recent Soviet sugar purchase occurred in 1980, the first year of independence. Moscow, which had backed the losing faction in the civil war, apparently felt the need to make a goodwill gesture toward the Mugabe regime by trying to improve trade relations. Certainly, the small amount of sugar it purchased—15,000 tons—could have been acquired more conveniently from another supplier, given the deterioration in Zimbabwe's transport system caused by the war.

Moscow's gesture apparently had little impact, however, as Mugabe did not establish diplomatic relations with the USSR until March 1982 and political ties remain generally cool. [redacted]

As for other examples, the only Soviet sugar purchase from Guyana occurred in 1975, the same year that Moscow's first resident diplomatic mission arrived in that country. The Soviets first purchased Nicaraguan sugar in 1980, just after the current leftist regime came to power. [redacted]

Finally, Moscow's opportunism may also be reflected in the Soviet response to the imposition of smaller sugar import quotas by the United States in May 1982. A country-by-country comparison of decreases in US sugar imports during 1981/82 with increases in Soviet imports by country in the same period shows a degree of correlation between the two. While the timing of the Soviet response may be purely coincidental and related more to Soviet needs for sugar, in some cases—particularly Thailand and Nicaragua—the virtually identical offsets suggest that politics may have played a role. [redacted]

simultaneously buy sugar and good will apparently has not escaped Moscow's attention (see box). Nevertheless, Soviet exercise of economic leverage for political purposes has always been cautious—restrained by a realistic assessment of the limits of such leverage and by the desire not to risk assets already in hand. [redacted]

The extent to which the USSR plans to use sugar as a policy lever is not known. However, for the LDCs the prospect of large Soviet sugar purchases takes on increased importance in a glutted market. Even relatively small Soviet purchases are helpful at the margin for financially strapped LDCs. [redacted]

In the case of new *leftist-leaning regimes*, such as Nicaragua, for example, the ability of the United States to hurt the Nicaraguan economy by reducing its sugar import quota from 53,000 tons to only 5,400 tons has been defused by a standing offer from Moscow to purchase any unsold sugar resulting from

this sanction, [redacted] To the extent that leftist-leaning countries believe a trade weapon is being used by the United States or its allies, Moscow can play on that fear. In most cases the Soviets can provide, if they desire, a guaranteed market, underwriting a portion of a country's economy as they have in Mozambique. [redacted]

In dealing with *sugar-surplus countries* that also have serious economic problems, Moscow, by providing a market for their sugar, could buy some political good will. Such transactions would be unlikely to change the basic position of a regime, but they could soften it. In Guyana, a country where economic prospects are deteriorating rapidly, a Soviet offer to take a large

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Table 2
Comparison of US and Soviet Sugar
Imports, Selected Countries

Thousand tons

	Changes in US Purchases ^a 1981-82	Changes in Soviet Purchases ^b 1981-82
Brazil	-564	+15
Australia	-567	+157
Dominican Republic	-185	+180
Argentina	-284	-23
Philippines	+147	-65
Thailand	-190	+163
Colombia	-128	+24
Guatemala	-58	+64
Swaziland	-107	
Panama	-25	
Zimbabwe	-84	
Honduras	-57	
Guyana	-35	
Malawi	-48	
Nicaragua	-4	+5
Costa Rica	-15	
Mozambique	-10	+25
Ecuador	-7	
Belize	-13	
El Salvador	+47	
Peru	+115	
South Africa	+64	
Total	-2,008	+545

^a Maximum imports allowed by 1982 quota compared with actual 1981 imports. Plus sign denotes an increase.

^b 1982 imports compared with 1981 imports. Minus sign denotes a decrease.

quantity of sugar could help improve a relationship that has been lukewarm. Moscow would be likely to play up the fact that the United States reduced its Guyanese sugar purchases by some 35,000 tons when it imposed a sugar import quota system in May 1982. The quota system reduced total US imports from an average of 4 million tons to 2.8 million tons.

Moscow could also use sugar purchases to influence countries squarely in the US camp. In the case of Thailand, the US import quota system has come at a

time when Bangkok has undertaken a successful export diversification program. Thailand's sugar exports nearly doubled in 1982, making sugar the third-leading export earner. While the United States reduced purchases from Thailand by nearly 200,000 tons, the USSR boosted its Thai sugar purchases by more than 160,000 tons. A mid-1982 trade agreement between Bangkok and Moscow, which calls for an expansion of bilateral trade and the setting of trade targets, could provide the basis for a long-term Soviet sugar purchase.

Other targets of opportunity may include such *non-aligned states* as India, Argentina, and Peru. While the sugar lever is not powerful enough by itself to pry any country off the fence, Moscow could, nevertheless, use sugar purchases together with other incentives to nudge a regime in its direction. Moscow may find India a particularly attractive target. With record production the last two crop years and a small export quota, India finds itself with rapidly mounting supplies of unsold sugar. New Delhi has said it plans to petition the International Sugar Organization (ISO) to raise its export quota by 50 percent, to 1 million tons, as well as to increase its own buffer stock from 500,000 tons to 1.5 million. Unless India's domestic production policies are changed, however, these actions will provide only temporary relief. An offer by Moscow to take a large quantity of sugar, perhaps bartering oil in return, might prove difficult to refuse.

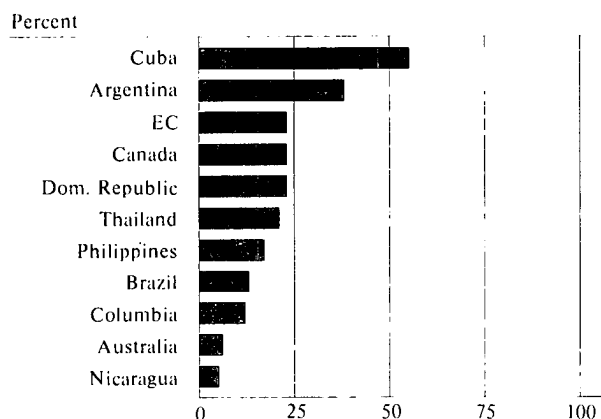
Moscow's strategy in the international sugar market may indeed be affected by whether it can arrange barter deals rather than pay for sugar imports with hard currency.² For example, the Soviets may attempt to barter various types of machinery which—though generally inferior by world standards—may be attractive to sugar-producing LDCs already facing large international debts and a glutted market for their primary export. The USSR's own hard currency position may be much tighter by the late 1980s, forcing Moscow to stress barter agreements. Such

² Nearly all of Cuba's sales to Moscow are conducted on a soft currency basis.

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Selected Countries^a: Share of Sugar Exports to the USSR, 1982



^a Major sugar exporters to the USSR.

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agreements would be consistent with current Soviet efforts to expand exports, especially to those countries such as India, Brazil, and Argentina where it is incurring large trade deficits.

How the USSR will play its hand with the LDCs is uncertain. Moscow does not hold all the cards. In the longer term it is somewhat constrained by a shortage of hard currency and a lack of salable export goods. Moreover, its course of action will continue to be influenced by the size of future Cuban sugar crops as well as its own. Nevertheless, the recent shift in Soviet sugar import needs, while creating additional foreign exchange pressures, presents Moscow with an instrument of influence that it certainly will not ignore.

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Aeroflot's Growing Worldwide Network

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Summary

Aeroflot is an important element in the Soviet Union's contacts with the rest of the world. In spite of worldwide concern over the recent Korean Air Lines incident, we believe the USSR will quickly resume its long-term campaign to expand Aeroflot's international network. The number of countries Aeroflot services has more than doubled in the last 15 years. This expansion has occurred primarily for political reasons because most of Aeroflot's international routes—especially Third World routes—operate at a hard currency loss. The Soviets, however, have been kept out of some key regions of concern to Moscow. In particular, they have been unable to conclude agreements with most of the Latin American countries. While seeking access to these and other countries, they will be working hard to expand the number and frequency of Aeroflot flights to countries they already service. In addition to worldwide commercial operations, Aeroflot has been involved in intelligence and military-related activities over the years, including in-flight intelligence collection, troop-lift support, and the use of Aeroflot personnel resident in foreign countries for espionage.

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Aeroflot Today

For the Soviets, Aeroflot is an important political and economic link with the rest of the world. It is the world's largest airline, accounting for a fourth of all passenger kilometers flown worldwide. Published route data show it links more than 3,600 cities and towns within the USSR and operates international service to 94 foreign countries (including 82 non-Communist countries). According to International Civil Aviation Organization (ICAO) figures, the route network, which extends more than 1 million kilometers worldwide, carried 108 million passengers in 1982—mostly Russians and East Europeans. Aeroflot's vast fleet of aircraft and most of its skilled personnel focus almost exclusively on domestic operations, which account for some 97 percent of all passengers carried.

Aeroflot has developed a broad—but thinly served—international network concentrated primarily in Europe. The airline also provides regionally comprehensive service to Africa, the Middle East, and Southeast Asia. Service to Latin America is sparse. Although domestic flights usually operate at or near capacity, US Embassy reports indicate that the international services generally fly with load factors of 50 to 60 percent—comparable with those of Western airlines. In past years the quality of the Soviets' international service has been severely criticized, and in the last decade the Soviets have moved to improve operations—with new equipment, more skilled pilots, and the use of Western catering services—and to upgrade safety to Western standards.

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IL-86, flagship of the Aeroflot fleet [redacted]



Aviation Week & Space Technology ©

Aeroflot's Fleet and International Operations

During the past two decades, the Soviet leadership has emphasized the modernization of Aeroflot's fleet. We estimate the fleet now has more than 1,800 jets with a mix of capabilities for short-range to long-haul operations. The newest additions include the USSR's first wide body, the 350-passenger IL-86, and the 100-passenger trijet YAK-42—the first Soviet aircraft built to conform to Western safety standards. Aeroflot also has some 1,700 turboprops, which usually are pressed into service only during peak holiday periods. [redacted]

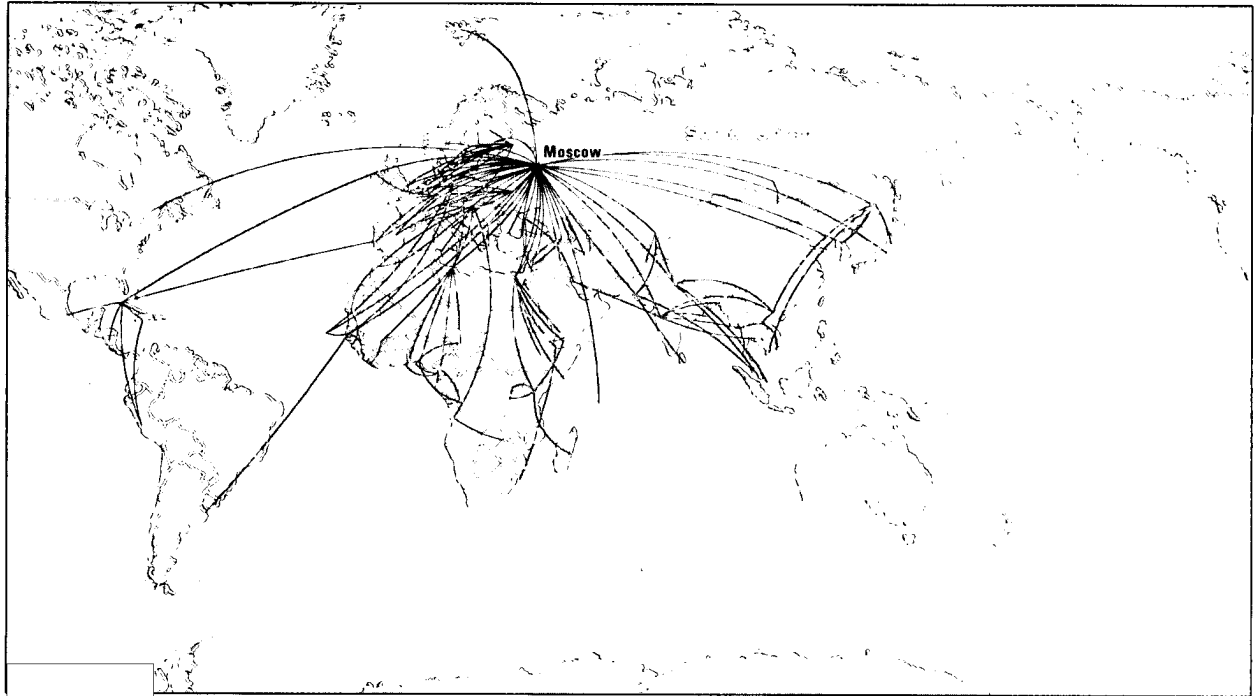
Aeroflot was established in 1932 and began to develop its international route network in the early 1950s. By the late 1960s Aeroflot was serving Eastern Europe; most West European capitals; and selected countries in the Middle East, Africa, and South Asia. Inauguration in 1968 of transatlantic service to the United States and Canada was the cornerstone for another decade of rapid Aeroflot expansion: between 1968 and 1977 the number of countries served increased from 44 to 77. Aeroflot's network has continued at a strong pace over the past five years, with service extended to an additional 17 countries. The most important new routes are in the Central American/Caribbean area, where flights were inaugurated to Mexico, Nicaragua, and Jamaica. Elsewhere, the Soviets added new services to such varied locations as Djibouti, Ho Chi Minh City, and Kinshasa. [redacted]

Despite continuing efforts, Aeroflot has been unable to move into several key regions—most notably Latin America and Oceania. Almost all the countries that have denied access to the Soviets have done so because of security concerns. In some cases government spokesmen have publicly voiced fears that Aeroflot would be used for intelligence and military functions:

- When Brazil rebuffed Soviet efforts to open a Moscow-Rio de Janeiro route in 1977, [redacted] the overriding reason for the refusal was security.
- [redacted] the Philippines has repeatedly rejected Soviet offers to conclude an air agreement because of the ties between Aeroflot and Soviet intelligence.
- In September 1983 [redacted] Colombia turned down a Soviet offer of Aeroflot service because of the potential security threat it posed. The Korean Air Lines (KAL) incident in September 1983 also may have influenced this decision. [redacted]

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Aeroflot's 1983 International Route Network

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Aeroflot's Competitiveness

Because the Soviets view Aeroflot principally as a political bridge between Moscow and the rest of the world, they have been willing to operate the airline's international service as a vast but only marginally profitable route network. Although our data are sketchy, we believe overall net hard currency earnings are small at best. The most profitable international routes are almost certainly those to Western Europe, which account for about half of Aeroflot's weekly international flights to non-Communist countries. The hard currency receipts from Aeroflot's European operations may to some degree offset losses incurred on other international routes. [REDACTED]

Aeroflot service to Third World countries probably operates at a hard currency loss. We believe that travel between these countries and the Soviet Union is minimal. The bulk of the traffic most likely consists of Soviet official delegations, technical personnel and military advisers, and Third World passengers traveling to the USSR at Moscow's expense. Some individual routes—particularly those to South Asia—may bring in a little hard currency. Routes to African

countries south of the Sahara are probably sizable financial losers for the Soviet Union, given today's airline operating costs and what we know of the load factors on these routes. [REDACTED]

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Bilateral Civil Aviation Agreements

Aeroflot's international route network is based on published bilateral civil aviation agreements with some 100 countries (table).² Most of these agreements provide overflight rights, landing and service privileges, and, where appropriate, reciprocal rights for the country's national carrier in the Soviet Union. Under normal operating conditions both parties are usually able to exercise the privileges contained in the agreements. Occasionally, participants have placed restrictions on some agreed privileges when the Soviets have attempted to carry out politically sensitive, risky, and potentially high-visibility operations. For example, Turkey, Iran, and Pakistan have been reluctant to

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² The agreements with the United States, Indonesia, and Chile have been suspended. [REDACTED]

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Soviet Civil Air Transport Agreements

Eastern Europe	Syria	Ghana
Bulgaria	Turkey	Guinea
Czechoslovakia	Yemen, North	Guinea-Bissau
Germany, East	Yemen, South	Kenya
Germany, West	East and South Asia	Liberia
Hungary	Afghanistan	Libya
Poland	Bangladesh	Malagasy Republic
Romania	Burma	Mali
Yugoslavia	China	Mauritania
Other European	India	Mauritius
Austria	Indonesia ^a	Morocco
Belgium	Japan	Mozambique
Denmark	Kampuchea	Nigeria
Finland	Laos	Rwanda
France	Malaysia	Senegal
Greece	Mongolia	Seychelles
Ireland	North Korea	Sierra Leone
Italy	Pakistan	Somalia
Luxembourg	Singapore	Sudan
Malta	Sri Lanka	Tanzania
Netherlands	Thailand	Togo
Norway	Vietnam	Tunisia
Portugal	Africa	Uganda
Spain	Algeria	Zaire
Sweden	Angola	Zambia
Switzerland	Benin	Western Hemisphere
United Kingdom	Burundi	Argentina
Middle East	Cameroon	Canada
Cyprus	Cape Verde Islands	Chile ^a
Egypt	Central African Republic	Cuba
Iran	Chad	Jamaica
Iraq	Congo	Mexico
Jordan	Djibouti	Nicaragua
Kuwait	Equatorial Guinea	Peru
Lebanon	Ethiopia	United States ^a

^a Suspended.

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grant overflight clearances to Soviet transports during times of crisis even though Aeroflot designations were used on military aircraft involved in the airlift activities. [redacted]

Historically, when the Soviets have encountered an outright refusal of overflight clearances, they have accepted it and sought alternative routes. Moscow's general respect for the denial of overflight clearances probably stems from sensitivity about its own airspace—as reflected in the KAL episode—as well as a desire not to impede the expansion of legitimate Aeroflot operations. [redacted]

Military Uses of Aeroflot

Although Aeroflot is a commercial airline, it is generally known to have close and continuing links to the military. Aeroflot aircraft, personnel, and facilities around the world have the potential for supporting limited military airlift operations, as well as selected deliveries of military spare parts and medical supplies. Aeroflot's large inventory gives the Soviets a capability to augment military transport aviation (VTA); passenger; and, to a lesser extent, cargo-lift capabilities for a variety of domestic and international missions. [redacted]

Aeroflot AN-12 medium-cargo transports are supporting Angolan forces. We believe that, in the more routine operations, scheduled Aeroflot flights may have delivered small amounts of military-associated spare parts and other supplies to Nicaragua. [redacted]

The routine use of Aeroflot markings on military aircraft has led to considerable press and public confusion over the Aeroflot role in airlift operations. In several past airlifts, the Soviets have deliberately misrepresented Soviet VTA transports as civil air transports operating as unscheduled Aeroflot flights by slightly modifying the trip numbers. They invariably paint civil markings on military aircraft used in international operations.³ For example, all AN-22s and IL-76s assigned to operational VTA units bear complete Aeroflot markings and paint schemes. Such practices have led uninformed observers to the erroneous conclusion that Aeroflot's cargo capabilities are much greater than they actually are. [redacted]

Intelligence Uses of Aeroflot

Aeroflot also occasionally serves Soviet political and strategic objectives by:

- Providing cover and logistic support for clandestine operations and military-related activities. [redacted]

[redacted] many of the Aeroflot personnel outside Soviet borders, including resident ground maintenance and flight personnel, have either KGB or GRU connections.

- Performing intelligence gathering, and possibly communications monitoring and aerial surveying. [redacted]

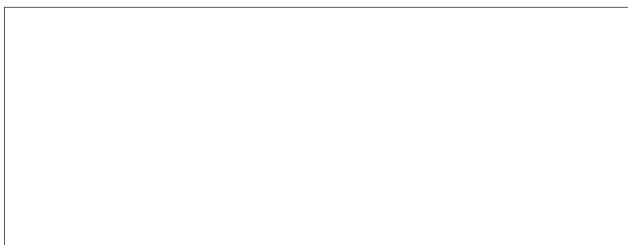
Although it is impossible to detail the full extent of such activities, a few examples serve to illustrate the range of intelligence collection and military-support activities associated with the Soviet airline:

- In the last three years Aeroflot representatives have been publicly expelled from France, Spain, Italy, and Indonesia for alleged espionage. In France when the assistant director of Aeroflot, Yuriy Solomonov, was arrested for espionage in June 1982, the press reported he had classified COCOM documents concerning international lists of embargoed materials in his possession. The Spanish Government reported in February 1980 that the director of the Aeroflot office in Madrid was expelled for espionage. [redacted]

- Aeroflot may occasionally transport undercover military personnel before the outbreak of hostilities. According to press reports, Aeroflot ferried Soviet commandos into Kabul before the invasion of Afghanistan in 1979. The commandos reportedly seized the airport before the arrival of airborne forces.

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- Aeroflot aircraft have occasionally ignored assigned flight paths and altitude clearances in the New York-New England area where several sensitive installations are located. In November 1981, for example, a Soviet flight between Washington and Moscow strayed from its prescribed flight path over the United States on both inbound and outbound flights, flying over several Air Force bases and the Groton shipbuilding facility in New England, possibly to collect photographic or signals intelligence.



Sanctions Stemming From the KAL Incident

Measures taken against Aeroflot in response to the KAL shootdown were the first major, collective attempt in history to constrain agreed flight and over-flight privileges among countries not officially at war. The boycott actions resulted in the cancellation of more than a fourth of Aeroflot's 223 weekly international flights for the two-week period. These actions also cut about half of the 78 scheduled commercial flights to the USSR by non-Communist carriers.

The impact of the sanctions, however, was muted by Moscow's ability to develop alternative routes to its key transport nodes that avoided flying over nations directly involved in the boycott. This was possible because none of Aeroflot's major international transit hubs—Shannon, Cairo, Bombay, Karachi, Havana, and Tripoli—was cut, although Ireland limited the airline to transit/refueling privileges only. We estimate the two-week shutdown probably only cost Aeroflot about \$2-3 million in revenues.

Aeroflot's Future Directions

Moscow will almost certainly continue to push expansion of Aeroflot's route network to complete its world airlinks. Latin America will remain the focal point of most of these efforts because of the present paucity of Aeroflot service and because the Soviets have political and economic reasons for strengthening their ties to

the region. Moscow is most interested in obtaining a bilateral air agreement with Brazil, the key economic and commercial force in South America. Although rebuffed six years ago, the Soviets expressed interest this year in reopening negotiations for an airlink between Moscow and Rio de Janeiro. Elsewhere on the continent, they have sought agreements with Venezuela, Panama, Bolivia, and Ecuador, among others. Although Panama and Colombia have rejected such agreements within the past year, the Soviets will probably attempt a return to the bargaining table in each case.

Soviet priorities for the remainder of the world are not as clear to us. The most likely targets for Aeroflot service will be countries in southern Africa, island nations in the Indian Ocean, and countries in the southwest Pacific. In southern Africa, Zimbabwe probably holds the most interest for the Soviets, and proposals for Aeroflot basing could surface in the course of trade talks. In the Indian Ocean, the Maldives is the most likely prospect. The Soviets have long pursued agreements with Australia and New Zealand and will surely renew their efforts in the near future.

In addition to lining up new countries, the Soviets may want to add more frequent service and stops in countries they already serve, like Nicaragua, where the need for additional service may increase. The most likely forms of expansion would include direct international service from additional Soviet cities, service to more cities in Western Europe, and improved service to some Third World countries like Libya, Nigeria, and Morocco. In the last case, such a move would run counter to current patterns of international service to most of the Third World, where capital cities are being developed as local transport hubs. Overall, the Soviets will demonstrate a flexible approach, seizing opportunities for further expansion of Aeroflot as they arise.



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Arms Transfers

East European Involvement in the International Gray Arms Market []

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Summary

We believe that Eastern Europe is a major source of much of the ordnance available on the international gray arms market. East European state-controlled, foreign trade organizations sell large quantities of weapons and munitions to private arms dealers and brokers. Because of the absence of effective end-user controls, these weapons are frequently acquired by belligerent or embargoed nations and terrorist, insurgent, or criminal groups throughout the Third World and Europe. The sale of weapons—mostly conventional small arms—to gray market brokers enables East European governments to earn badly needed hard currency while providing an element of deniability should East European weapons be discovered in the possession of politically embarrassing recipients. We believe that East European gray market activity may well increase and that many East European countries may begin selling more advanced ordnance to gray market customers to maintain or expand their share of this lucrative market. []

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Scope and Magnitude

In contrast to government-to-government and licensed commercial arms sales, the gray arms market encompasses the transfer of weapons and munitions by legitimate arms suppliers through unofficial—and sometimes illegal—intermediaries. While the intermediary is often a private individual, corporation, or group, state-controlled enterprises often facilitate the movement of weapons onto the international gray arms market. []

We believe that East European nations are major suppliers of gray market weapons.¹ Our estimate is that East European gray arms sales amount to some

\$100 million annually. However, because of the secretive nature of the market the actual value may be several times greater. Although the amount of gray market arms sales is small compared with the annual value of East European government-to-government arms deliveries—which averaged \$2 billion annually over the last five years—gray market sales pose a danger far greater than their actual monetary value. In contrast to most official arms transactions—where at least nominal control is maintained over the final disposition of the weapons involved—the ultimate recipient of a gray market weapon is seldom known in advance. This lack of accountability is further compounded by the longevity of modern small arms,

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Table 1
East European State-Owned Trade
Organizations Engaged in Gray Market
Arms Transactions

Country	Trade Organization
Czechoslovakia	Omnipol
	Merkuria
Bulgaria	Kintex
Romania	Romtechnica
	National Aeronautical Center (CNA)
	Dimex
	Terra
	Fata
	DCD
Hungary	Technika
	Weapons and Gasworks Factory (FEG)
Poland	Cenzin
	Universal
East Germany	Engineering-Technical Foreign Trade Corporation (ITA)

which are easy to maintain or refurbish. These factors allow gray market weapons to be bought and sold many times and preclude tracing them through complete purchase-to-delivery cycles. [REDACTED]

Trading Mechanisms

To ensure government control and to provide an element of cover, East European gray market arms transactions are conducted by state-owned foreign trade organizations, which also engage in government-to-government military sales or commercial arms deals with legitimate foreign clients (table 1). Nominally subordinate to their respective ministries of foreign trade, most of these organizations have ties to Bloc military and security services. Given the special role these services play in implementing the policies of the East European Communist parties, we believe that these state-controlled trading firms could not engage in gray market arms sales without the approval of the political leadership. [REDACTED]

There is little doubt that Moscow is well aware of East European involvement in the international gray arms market. We believe the USSR has traditionally

imposed few restrictions on these transactions provided the ordnance supplied is limited to small arms, crew-served infantry weapons, and munitions. Recent press allegations of Bulgarian—and, by implication, Soviet—involvement in illicit arms transfers may have caused Moscow to increase its control over East European gray market activities, however. [REDACTED]

Gray Market Weapons: Small Arms

The majority of East European gray market arms transactions involve conventional small arms and munitions rather than the more sophisticated weapons systems sold on a government-to-government basis. [REDACTED]

[REDACTED] such sales include pistols, assault rifles, and machineguns of proven Soviet design. They also include weapons produced in Eastern Europe that fire Western caliber ammunition, which is readily available throughout Europe and the Third World (table 2). [REDACTED]

According to Austrian officials, Czechoslovakia also sells its own version of the Browning pistol and other Western weapons to gray market arms dealers. [REDACTED]

Some East European nations apparently also manufacture and sell unmarked or counterfeit firearms. [REDACTED]

[REDACTED] Bulgaria and Czechoslovakia produce quantities of unmarked weapons that are sold to terrorists throughout the Middle East. Analysis of captured terrorist weapons suggests that Hungary

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Table 2
Typical East European Small Arms
Available on Gray Arms Market

Weapon	Caliber	Manufacturer
Handguns		
Duo	6.35 mm ^a	Czechoslovakia
M-52	7.62 mm	Czechoslovakia
CZ-70	7.65 mm ^a	Czechoslovakia
AP-66	7.65 mm ^a	Hungary
Walam	7.65-mm and 9-mm Short ^a	Hungary
Firebird	9-mm Parabellum ^a	Hungary
FP-9	9-mm Parabellum ^a	Hungary
CZ-75	9-mm Parabellum ^a	Czechoslovakia
P-64	9-mm Makarov	Poland
Submachineguns		
Skorpion	7.65 mm, ^a 9-mm Short, ^a 9-mm Parabellum, ^a and 9-mm Makarov	Czechoslovakia
WZ-63	9-mm Makarov	Poland
Assault rifles		
VZ-58	7.62 mm	Czechoslovakia
AK-47 and AKM	7.62 mm	Poland, Romania, East Germany, and Hungary
Sniper rifles		
FPK (Dragunov)	7.62 mm	Romania

^a Western calibers.

also sells counterfeit or unmarked copies of popular weapons on the international gray arms market (photos).

Besides selling their own ordnance, East European nations also purchase large quantities of Western small arms on the gray arms market. Since these weapons are incompatible with those in use by East European military and security services, they are almost certainly intended for resale to gray market clients with access to Western ammunition:

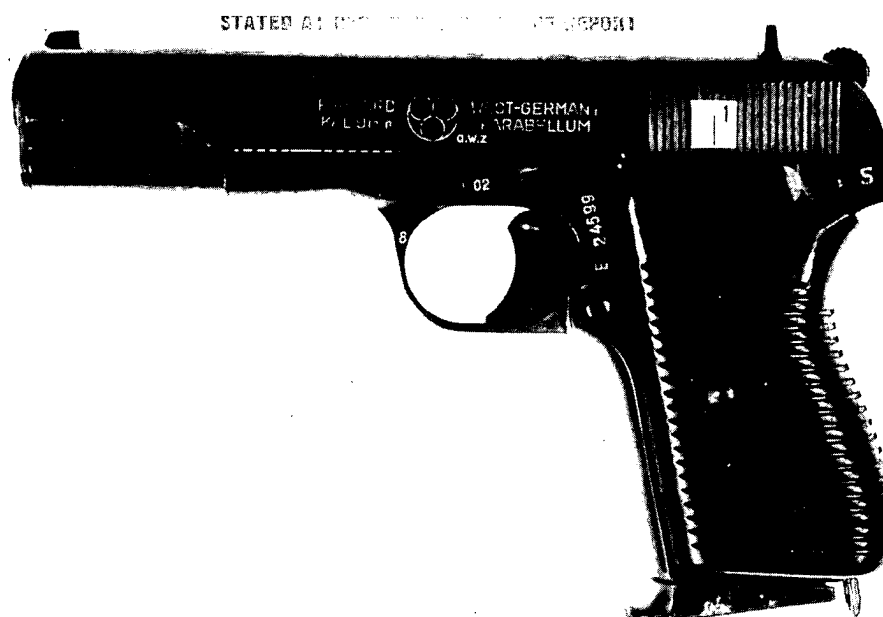
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Although stamped "Germany," both of these weapons were actually manufactured in Hungary and bear Hungarian proofmarks and serial numbers.



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- Defense attache and State Department reporting indicate that since 1974 Bulgaria has purchased at least 70,000 small arms from Western manufacturers.

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Gray Market Weapons: Advanced Equipment

In addition to small arms, East European nations also sell more sophisticated ordnance on the gray arms market. [REDACTED]

[REDACTED]

East European nations also use gray market intermediaries to purchase advanced Western military equipment that they would otherwise be unable to obtain. Weapons acquired in this manner can either be retained for familiarization or reverse engineering or be resold. [REDACTED]

[REDACTED]

Motivations

Economic Incentives. We believe that East European nations sell arms on the international gray arms market for many of the same economic reasons underlying their direct government-to-government arms transactions. Faced with rising trade deficits, these countries have increasingly turned to arms exports as one way to earn hard currency. [REDACTED]

[REDACTED]

[REDACTED]

Gray market sales offer several distinct financial advantages over official transactions. [REDACTED]

[REDACTED] East European nations almost invariably stipulate payment in cash—usually in US dollars or West German marks. This results in an immediate infusion of convertible currency, precludes complicated, long-term financial arrangements, and makes tracing such transactions more difficult. Gray arms market dealings also permit Bloc nations to profitably dispose of obsolete and surplus weapons, which would otherwise have to be stored, reconditioned, or given away as foreign military aid:

[REDACTED]

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Political Considerations. The use of gray market intermediaries allows East European governments to distance themselves from the ultimate end-users of their weapons and to maintain an element of deniability should Bloc weapons be discovered in the possession of politically embarrassing recipients. Thus, by dealing through foreign arms dealers or, in some cases, other governments, East European nations can sell weapons to a wide range of customers without being seen as actively selling guns or supplying non-socialist countries. For example:

- Bulgaria—acting through private West German and Austrian arms dealers and a Danish shipping firm—sold nearly \$50 million worth of small arms and ammunition to South Africa during 1976-80, according to European press reports published after two Danish sailors exposed the operation.² A Danish Foreign Ministry official told a US Embassy officer in 1983 that the Danish Government has known for some time that Bloc countries have been involved in arms shipments to South Africa.

We believe that East European nations also use the international gray arms market to curry favor with Moscow by acting as a conduit for the supply of arms and munitions to pro-Communist governments, insurgents, and national liberation movements throughout

² Such sales are presumably an attempt to earn hard currency while keeping Angola dependent on Moscow during its disputes with South Africa.

the Third World.

Various Palestinian groups have also received large quantities of Bloc arms:

- Photographs of weapons captured in 1982 by Israeli forces in Lebanon show original factory crates of Polish rifle-grenades consigned to the Popular Front for the Liberation of Palestine/General Command (photos).

Although we cannot confirm Italian press allegations that East European governments supply arms to European terrorists in order to contribute to Western political instability, we believe that lax or nonexistent end-user controls have allowed Bloc weapons purchased by private dealers, radical Arab states, and Palestinian organizations to be sold or traded to most major European and Middle Eastern terrorist groups. East European governments may not know the specifics of such arms transfers; however, we doubt if they have ever required—or even requested—that their clients cease such activities. A penitent Italian Red Brigade terrorist stated, for example, that the

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*Polish rifle-grenades captured
in Lebanon in 1982. Address on
crate indicates that these weap-
ons were intended for use by the
PFLP/General Command.*



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Czechoslovak Semtex-H explosive and Bulgarian PG-7 antitank grenades captured from Italian Red Brigade terrorists in 1982.

Czechoslovak submachinegun used to assassinate former Italian Prime Minister Aldo Moro in 1978 had been given to the Brigades by radical Palestinians.

_____ Palestinian terrorists provided the Red Brigades with explosives, hand grenades, and submachineguns—some of which were of Bloc origin (photos). Three-fourths of these weapons were reportedly to be retained by the Italian terrorists, while the remainder was to be stored in Italy for future Palestinian use.³ Press reports indicate that Polish weapons were used in a number of terrorist attacks on Israeli and Jewish targets in Europe during 1982. It is possible that some of these attacks may have been a form of “payment in kind” by West European terrorist groups for arms supplied in the past by Palestinian terrorists. _____

Besides facilitating the sale of arms to customers with access to Western ammunition, East European acquisition of Western small arms may be an attempt to ensure that Western weapons turn up in terrorist arms caches. According to Defense Department reporting, for example, Argentine 9-mm pistols confiscated from Turkish terrorists in 1977 were found to have been originally purchased by Kintex of Bulgaria earlier



that same year. Similarly, Italy suspended arms exports to Bulgaria in 1978 after Italian 7.65-mm pistols sold to Kintex were discovered in the possession of Turkish terrorists. The sale of unmarked or counterfeited Western arms by Hungary may also be an attempt by Budapest to distance itself from the ultimate recipients of these weapons and to conceal its involvement in the gray arms market. _____

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Secret**Outlook**

We believe that Eastern Europe's involvement in the gray arms market will continue and probably increase—given the growing demand for illicit weapons throughout the Third World and the large sums of hard currency to be earned in servicing this market. Moreover, East European nations may begin selling more advanced ordnance to gray market clients to maintain and expand their share of lucrative sales. As a result, we expect that significant quantities of silenced weapons, night vision scopes, automatic grenade launchers, and the newest versions of Bloc man-portable antitank and antiaircraft weapons will soon become regularly available on the international gray arms market. Much of this ordnance will be acquired by nations or groups inimical to the interests of the United States.

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Spain: The Socialists and Arms

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Summary

Spain, traditionally an arms importer, has in recent years moved closer to self-sufficiency in a range of armaments. Under the Socialist Party (PSOE), Spain has become an increasingly aggressive exporter of arms to the Third World. At the same time, Madrid has shown new sophistication as an arms buyer, and the Socialist government has quickly seized opportunities to turn military transactions to Spain's commercial or political benefit. Although specific industrial sectors are likely to gain from Madrid's astute management of the arms industry and the government may benefit politically through its arms sales, arms independence—Madrid's stated policy goal—will prove elusive.

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During a parliamentary appearance in February 1983, Spanish Defense Minister Narcis Serra proclaimed the new Socialist government's broad aim of using defense policy to support foreign and economic policy goals. He further noted the Socialists' specific intention to assure greater Spanish independence from foreign weapons suppliers. These two principles have come to govern Madrid's management of the domestic arms industry and the process of acquiring arms from abroad.

The Arms Industry

The arms industry over which the Socialists preside is closely tied to the military and almost completely dominated by the government. The Instituto Nacional de Industria (INI), a state-owned holding company, accounts for 70 to 80 percent of all defense production through its control of three subsidiaries: Empresa Nacional Bazan, (naval construction); Empresa Nacional Santa Barbara (tanks, munitions, small arms, and artillery); and Construcciones Aeronautica., S. A. (aircraft).

According to attache and embassy reporting, the arms industry has been a notable bright spot in a weak Spanish economy. While many manufacturers have been forced to cut production since 1977, the defense industry has continued to work around the clock. At a time when unemployment in Spain is 18 percent, the defense industry—which is comprised of some 100 firms—employs 65,000 workers, almost 2 percent of the labor force. Some 60 percent of the product from this industry is exported, accounting for almost 3 percent of total Spanish exports.

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In keeping with the desire to become more self-sufficient in arms production, Spain has gradually upgraded the production capacity of its defense industry. Historically, according to the US military attache, the Spanish defense industry has been strongest in the manufacture of standardized weaponry—small arms, ammunition, and explosives—for domestic use

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and export to Latin America and the Middle East. Spain produces a variety of moderately sophisticated weapons: AMX-30 tanks; Daphne-class submarines; FFG-7 and FF30 frigates; a family of wheeled fighting vehicles; and transport, training, and combat aircraft. []

Acquiring Foreign Technology

The Spanish historically have not invested heavily in weapons research and development, relying instead on imported military technology. As a result, the Spanish defense industry even now is critically dependent upon foreign technology, and most moderately sophisticated Spanish weaponry and equipment is produced under US or West European license. []

In seeking foreign technology, the Socialists have been quick to turn to their own advantage the commercial leverage they possess as major arms purchasers. Throughout 1983, Madrid has stressed the significance it attaches to provisions for technology transfer in negotiating major arms purchases. In particular, the Socialists wish to ensure that Spanish outlays for advanced foreign weapons are offset by contracts which stimulate diversification of Spanish exports generally, transfer specific technology to the domestic arms industry, and create additional jobs. []

Madrid's interest in coproduction arrangements, joint ventures, and licensed manufacture of foreign weaponry predates the PSOE's accession to power last year. The Socialist government, however, has pursued arms purchases with more political sophistication than its predecessors. For example, during the negotiations for Spain's purchase of the US-built F-18 fighter aircraft last spring, Madrid employed judicious press leaks, discreet diplomatic pressure, and hard bargaining with contending US and European aircraft manufacturers. Madrid pressed hard on prices, commercial offsets, and forgiveness of nonrecurring research and development costs. By threatening at the last minute to reconsider the previous government's decision in favor of the F-18, the Socialists managed to negotiate an agreement favorable for Spanish industry. []

Specific sectors of the Spanish defense industry are likely to benefit substantially from the Socialist government's continued emphasis on importing foreign military technology. Madrid hopes, for example, to improve Spanish production capacity for AMX tanks, HOT antitank weapons, and Roland antiaircraft missiles through a defense cooperation agreement recently signed with France. CASA's capabilities in the aerospace field are slated for improvement through the terms of the F-18 purchase and possible future Spanish participation in the development of an Agile Combat Aircraft (ACA) with British Aerospace, Aeritalia, and West Germany's Messerschmitt-Bolkow-Blohm. Companies of INI's electronics division—manufacturers of guidance-control systems and other electronic equipment—already produce much of their output under foreign license. The largest private-sector electronics firm in Spain is negotiating with Hughes Aircraft for the production of two flight simulators, the first to be built in Spain. []

Arms Exports and Sales Practices

As the capacity of the Spanish defense industry has expanded, Madrid's presence in international markets as a supplier of arms has grown dramatically. Madrid sold \$1.3 billion worth of military equipment and services in 1980-82, more than tripling sales of the preceding five years (figure 1). []

The Spanish sales effort has been geared primarily toward the Third World. The Middle East accounts for over 70 percent of Spanish arms sales (figure 2). The sale to Egypt of \$500 million worth of weapons makes Cairo Spain's largest customer. The Latin American market represents over 20 percent of Spanish sales with Mexico being the primary customer. Patrol boats, amphibious vehicles, and jet trainers have sold well in the region. Sales to Asia, Africa, and Europe are small and consist of transport aircraft and ground forces equipment. []

Spanish foreign policy, which is generally favorably disposed to Third World issues, contributes to Madrid's ability to sell arms. According to attache

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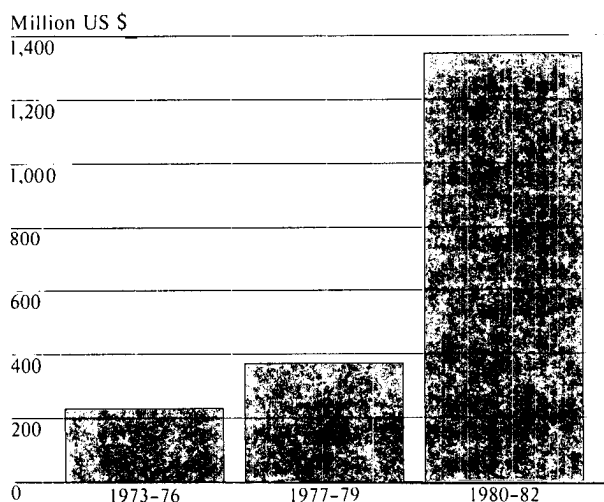
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Average Annual Spanish Arms Sales



Source: FOMA

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reports, Third World customers seeking to preserve their nonaligned status and avoid dependence on the major powers, have found Spain an attractive alternative supplier. [redacted]

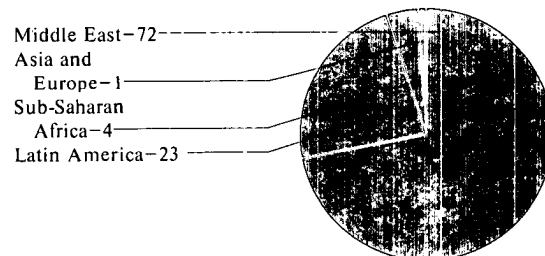
[redacted] sales efforts to the Middle East have benefited from Madrid's pro-Arab stance on regional issues. [redacted]

Political Considerations

Madrid has not usually allowed the politics of potential customers to interfere with sales. Indeed, Spain is increasingly directing its sales efforts toward countries unable to purchase weapons from larger suppliers because of export restrictions. According to attache reports, for example, Madrid is marketing the AMX-30 tank and BO-105 helicopter—produced, respectively, under French and West German license—to Chile and other countries embargoed by Paris and Bonn. In those cases in which the Socialist government thinks arms sales could be politically awkward, it has used “gray arms” channels or ignored US licensing restrictions. [redacted]

Spanish Arms Sales by Region, 1978-82

Percent



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Political concerns weigh more heavily in Madrid's arms purchases. Embassy, attache, and press reporting indicates that the Socialist government has consistently sought to advance Spanish foreign policy objectives through its selection of weaponry for the armed forces. For example, Madrid succeeded in

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DEFEX: Spain's Arms Sales Organization

DEFEX is the official Spanish arms sales organization. Established in 1972, DEFEX promotes the products of the major Spanish arms manufacturers and markets their products through representative offices in the Arab world, in South America, and in some African and Asian nations. The firm's governing board consists of representatives from the major arms-manufacturing companies as well as from the ministries of defense, foreign affairs, industry, and commerce. The president of DEFEX is appointed by the Minister of Defense. [redacted]

The DEFEX structure gives Madrid significant commercial and political advantages in arms transactions. The private-sector DEFEX companies, according to the defense attache, acquire new markets with little or no promotional expense, while competition based on price is eliminated. The INI-owned firms gain publicity, sales promotion, and market representation without the expense of hiring their own staff to perform those functions. The government benefits through heightened visibility as an arms supplier, greater market penetration, and increased sales. Moreover, Spain can conduct its arms business in near total secrecy. The executive branch entirely controls DEFEX and has great influence over the government board—largely a rubberstamp body—that must approve all exports. [redacted]

getting Bonn to offer support for Spanish EC membership as an inducement for Spanish coproduction of the Leopard II tank. On a more general level, Madrid has made no secret of its intent to use arms purchases to improve ties with West European governments.

[redacted]

Outlook

To the extent that Madrid is able to improve the capability of the Spanish arms industry, the Socialists will advance toward their goal of arming the military with a greater proportion of domestically produced weaponry. Yet, we believe arms independence probably will prove difficult. The Spanish arms industry lacks the capability to indigenously design and manufacture the broad range of sophisticated weaponry

and equipment necessary to modernize the armed forces. Advanced combat aircraft, missiles, and modern antitank weaponry are all beyond Madrid's technological reach, and the military will continue to depend upon foreign suppliers and technology for those and other weapons. There is, in addition, no evidence that Madrid is either willing or able to undertake the major research and development investment that would be necessary to build an arms industry to rival those of other West European nations. To do so would, in any case, bring Madrid into head-to-head competition with established producers for higher technology arms sales, a market whose growth is likely to be restricted.¹ [redacted]

There is little doubt, however, that Spain, under the Socialists, will remain a sharp competitor in sales of lower and moderately sophisticated technology weaponry. There has been no change in the secrecy surrounding most Spanish deals, and under the Socialists arms sales probably will continue to be determined more by commercial considerations than by political factors. Conversely, in the realm of arms purchases, given the needs of the defense industry and the government's priorities, political and economic stipulations probably will continue to weigh at least as heavily as purely military considerations. US weapons makers—in bidding on sales to Madrid—will doubtless find the Socialist government highly interested in commercial offsets and industrial provisions. But they may find it difficult to compete with foreign firms whose governments are willing to offer political concessions in return for signed contracts. [redacted]

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Algerian Arms Diversification

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Summary

Responding to the need to upgrade its navy and air force and to the desire to balance its East-West ties, Algeria has taken initial steps toward diversifying its sources of arms supplies. The Algerian Navy has already purchased some ships from the United Kingdom, and the Algerian Air Force plans to upgrade with Western transport and training aircraft. The preponderance of Soviet equipment, particularly in the Army, however, assures Moscow of a continued role as the principal arms supplier to Algeria.

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During the last year the Algerian military has begun to take initial steps toward diversifying its sources of military equipment. The Algerian Navy has been the most active in its pursuit of Western military hardware. The United Kingdom broke into the Algerian market with the sale by Brooke Marine of two logistic ships and six fast patrol craft. The logistic craft can handle 10 to 11 main battle tanks or 200 troops per ship and accommodate a Westland Sea King helicopter. Training, spare parts, and repairs will be handled directly by British commercial firms. When operational, the new craft will complement Soviet equipment and make it possible to lift approximately a battalion-size unit. The sale could reflect Algerian intentions to develop an amphibious- or marine-landing capability. Of the six fast patrol boats sold to Algeria, two were delivered in September 1982 and March 1983, and four more are to be built in Algeria. The British sale is significant since it represents a breakthrough by London into traditional US, French, or Soviet arms markets in North Africa. The Algerians have also been negotiating for British submarines and for Italian Lerici minehunter ships, according to the US defense attache in Algiers. The navy has also diversified its sources of training, with personnel

receiving instructions from Yugoslavia, Italy, West Germany, and the United Kingdom.

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A military source who has frequent contact with Algerian force personnel indicates that the Algerian Air Force also plans to upgrade its inventory with Western equipment but has not yet signed any agreements. Algeria intends to phase Soviet transport aircraft out of the Algerian military transport fleet and, by 1985, hopes to have a fleet consisting primarily of US C-130s. The Air Force has shown a strong interest in the French Alpha Jet, the British Hawk, and the Spanish C-101 as fighter/trainer aircraft. The defense attache in Algeria has revealed Algeria is also seeking contracts with France's Thompson CSF for an air defense electronics package. It also wants to acquire advanced fighter bombers and attack helicopters but harbors no illusions about obtaining these from the United States. The Algerian Air Force is likely to remain basically Soviet in its fighter composition. Algeria has not begun any negotiations with Western countries for combat aircraft.

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Current Dependence on the USSR

Soviet military equipment is the backbone of the Algerian armed forces. Through mid-1983, the Soviet Union has provided 75 percent of the value of all Algerian arms purchases, the bulk of which was ordered from 1975 to 1980 when \$4.6 billion in Soviet military accords were signed. Soviet equipment currently in Algeria's inventory includes advanced fighter aircraft, tanks, surface-to-air missiles, frigates, and other sophisticated weapons. In addition to weapons, Algeria has received Soviet electronics equipment that is probably associated with air defense as well as communications equipment, cargo trucks, POL/water trucks, maintenance equipment, and large quantities of ordnance. The integration of all this equipment into military units has significantly improved Algeria's overall combat capability.

Algeria has not signed any new military agreements with Moscow since 1980, but this is probably more a reflection of Algeria's need to draw down the \$3 billion 1980 accord than a sharp turn toward other suppliers. Over the last year, the Algerians continued to receive significant quantities of Soviet arms, including two to three regiments of SAM-6 anti-aircraft systems as well as a large number of BMP armored personnel carriers. The Algerian Navy also took

possession of a Romeo-class submarine in 1982 and another in 1983, and the Air Force received several new MIG-23s.

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According to defense attache reporting, the Algerian Army has no plans to change the general thrust of its ground forces, which are primarily Soviet in terms of equipment, training, and doctrine. The Algerians have large quantities of SAM-6s, and their armor is also of Soviet origin. Army training at all levels continues to be provided by Soviet advisers in Algeria or undertaken in the USSR. According to reporting from the US military attache, the FRG has been approached by Algiers on coproduction of military vehicles.

Algeria's cautious move toward arms diversification is also reflected in the reduced Soviet military advisory forces in Algeria. During the past year, the number of advisers has been reduced from 1,200 to 1,500 down to 760 to 800 personnel. Factors responsible for the drop in Soviet personnel

include frustrations over problems in obtaining spare parts and warranty maintenance and Algeria's attempt to maintain a nonaligned policy.

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Short-Term Prospects

Algeria's purchase of Western naval equipment and expressed interest in Western transport and training aircraft are significant because they reflect Algeria's cautious turn toward the West. Politically, Embassy reports indicate Algeria has been seeking to reduce its military reliance on the USSR to improve relations between Algeria and the West, particularly France, and to bolster Algeria's efforts to play a leading role

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**Algerian Arms Agreements/Deliveries
1954-Mid-1983***Million US \$*

	Agreements	Deliveries
Total	6,515	5,388
Communist	5,070	4,655
Bulgaria	105	105
China	12	12
Cuba	3	3
Czechoslovakia	1	1
Hungary	3	3
Poland	NEGL	NEGL
USSR	4,945	4,530
Yugoslavia	1	1
Non-Communist	1,445	733
Austria	2	2
Brazil	410	
Egypt	5	5
France	114	46
West Germany	584	584
Iraq	4	4
Italy	110	10
Morocco	1	1
Netherlands	26	26
Pakistan	1	1
Switzerland	1	1
United Kingdom	187	53

Algeria is, and will remain, dependent on Moscow to support much of the equipment in its inventory. Algeria knows that it cannot risk a loss of spare parts and support for its Soviet equipment, and in any case a large share of the Algerian military leadership has been trained on Soviet equipment. Nevertheless, Algeria has demonstrated that it is willing to deal with other suppliers and its actions have undercut, if only slightly, the Soviets' principal source of influence in Algeria. Moscow can no longer take it for granted, as it could only a few years ago, that most future Algerian purchases will be from the USSR. In searching for new military suppliers, Western Europe is likely to appear more attractive to Algiers than the United States for practical and ideological reasons. Closer ties with Western Europe would be less complicated and have fewer political repercussions than one with the United States. In Western Europe, Algeria can deal with nationalized firms similar to its own, whereas in the United States Algeria must deal with private firms whose contracts are not guaranteed by the US Government.

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among the countries of the Middle East. Algeria is also moving to diversify its sources of arms supplies for military and economic reasons. Algeria's military establishment perceives Western military equipment to be superior in some respects to that produced by the USSR, according to defense attache reporting. The proficiency the Israeli forces demonstrated in the destruction of Syrian MIG fighters and SAM-6 batteries in Lebanon promoted the Algerian desire to shift gradually from the USSR as its principal source of military supply. From an economic perspective, Moscow's unwillingness in recent years to provide preferential financing for arms sales also has encouraged Algeria to shop around.

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Narcotics

Colombia: Prospects for Drug Control

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Summary

Several recent actions by Colombian officials may signal a change in traditional governmental attitudes toward Colombia's drug problem. The issuance of arrest warrants for several important drug traffickers, investigations into drug-related judicial corruption, and the initiation of a major campaign against drug abuse highlight a growing concern over the drug problem in Colombia. Increased bilateral cooperation with the United States in drug control, however, will continue to be limited by President Betancur's lack of personal commitment to the problem and by his foreign policy, which is designed in part to demonstrate his independence from the United States. We do not believe Betancur will discontinue any existing drug-control programs, but, without his support, new programs—especially an aerial herbicidal spray campaign—will face an uphill battle.

Since August 1983, several Colombian officials have initiated and supported a number of drug-control measures that suggest a growing recognition of the need to counter the dangers drug trafficking poses to Colombian society. The impetus for a tougher anti-drug stand appears to be an increased awareness of the growing domestic drug-abuse problem, a reaction to the public flaunting by some drug traffickers of their illicitly acquired wealth, and increasing concern over the blatant efforts of some traffickers to participate in the Colombian political process.

Some of the measures taken include:

- Participation of several government ministers in a drug-abuse awareness conference sponsored by the United States in September in Bogota. Breaking with tradition, these ministers acknowledged publicly that Colombia has a drug-abuse problem. The US Embassy in Bogota believes the conference contributed materially to a more favorable climate for US drug-control initiatives.
- Announcement at the conference by the Minister of Health of plans for a national drug-abuse awareness and prevention campaign to be headed by the wife of Colombian President Betancur.
- A speech in September by the mayor of Bogota outlining a proposed antidrug campaign that would feature a crackdown on street sales of cocaine-laced marijuana cigarettes, called *bazucas*, to juveniles.
- Congressional hearings in August on the influence of drug money in Colombian politics that brought unexpected national attention to the growing infiltration of drug traffickers into the Colombian political process.

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The Drug Scene in Colombia

Conditions in Colombia favor large-scale and wide-spread drug production and trafficking. A troubled economy, continued domestic violence and crime, and a nagging terrorist and insurgent threat have made it difficult for Colombia to concentrate its resources and energies on its drug problem:

- *Colombia is a major producer of marijuana and, according to the US Embassy in Bogota, supplies some 55 percent of the US market. We estimate that 12,000 metric tons of marijuana were produced in Colombia this year, about the same annually as during 1979-81 but about 60 percent over the drought-affected crop of last year.*
- *Colombian traffickers are the primary processors of Bolivian and Peruvian coca leaf and paste, control much of the flow of cocaine into the United States, and are responsible for Colombia's rapidly becoming a major coca leaf producer in its own right. Our recent estimates indicate Colombia could produce as much as 11 metric tons of cocaine hydrochloride from domestically grown coca in 1983.*
- *Colombia continues to manufacture and export methaqualone to the United States—although reportedly in a lesser quantity than in 1981 and 1982.*

[REDACTED]

-
- Bogota's decision to send eight technicians to Mexico and the United States in late September to study the use of herbicides in controlling marijuana and coca cultivation.
 - Minister of Justice Rodrigo Lara Bonilla's plans, according to the US Embassy, to publicly identify trafficking organizations, discredit drug traffickers through media campaigns, cancel the pilot licenses of traffickers, disable unauthorized landing strips, issue arrest warrants for major drug traffickers, and investigate drug-related judicial corruption.

- The creation of a bilateral enforcement working group with Venezuela, according to the US Embassy, to foster closer cooperation on drug control, including intensifying interdiction efforts at airfields, ports, and other transit points and increased cooperation on drug production and consumption problems. [REDACTED]

Constraints

Despite these positive steps, the development of an effective and coordinated drug-control policy in Colombia is constrained by domestic and foreign policy considerations. Official Colombian interest in narcotics control has varied from administration to administration and with the electoral calendar. From 1978 to 1982, under Betancur's predecessor, Agustin Turbay, Colombia responded favorably to several US initiatives on drug control including accession to the Vienna Convention on Controlled Substances, signing an extradition treaty with the United States, assignment of drug-control responsibilities to the Colombian military, and participation in joint interdiction efforts with the United States. As Turbay's term drew to a close, however, he showed an increasing reluctance to become involved in drug-control efforts. Betancur avoided drug-control issues during his campaign and has shown little interest in drug control since taking office in August of last year. He has, however, delegated responsibility to members of his administration, principally Minister of Justice Lara who has taken his responsibilities seriously. Nevertheless, Betancur's public posture of indifference echoes and reinforces the traditional Colombian attitude that drugs are a US problem. [REDACTED]

Betancur's foreign policy may also constrain development of a Colombian antinarcotics policy. His Hispanic nationalism has resulted in the implementation of a new, foreign policy more oriented toward the Third World and designed to demonstrate both Colombia's independence from the United States and to propel the country to the forefront of Latin America's

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diplomatic ranks.¹ This policy has already contributed to two setbacks for US drug-control efforts in Colombia:

- The foreign relations committee of the Colombian House of Representatives—echoing and probably influenced by President Betancur's views—voted to postpone indefinitely debate on the US-Colombian Mutual Legal Assistance Treaty, according to foreign press reports, on the grounds that certain articles are unconstitutional and should be renegotiated.



Indicators of Possible Change

We share the Embassy's assessment that the recent moves may signal a change for the better in Colombian attitudes at the Ministerial level toward narcotics control. Betancur's sensitivity to appearing too yielding to US pressure on this issue could, however, offset these gains. We have identified a number of indicators that bear watching in months to come that could reflect further improvement or backsliding in Colombian attitudes toward drug control. The clearest of these involve decisions that will be made at the highest level of government:

- The decision by President Betancur on the extradition to the United States of major Colombian national narcotics violators, Lucas Gomez van Gricken and Emiro de Jesus Mejia Farirez.
- Decisions by the Colombian Government on whether or not to reintroduce the Mutual Legal Assistance Treaty that is designed to facilitate US investigation of illegal drug-related financial transactions and seizures of drug traffickers' financial assets.



A second set of indicators that reflect further changes in attitudes at the ministerial level include both domestic and foreign policy actions. On the domestic scene:

- The extent of the Government of Colombia's multi-media campaigns and sponsorship of city and departmental drug-abuse conferences.
- Government response to the favorable report by the Colombian technical team on the use of herbicides to eradicate coca and marijuana crops such as the implementation of a test spray program.
- The level of military action against insurgent groups engaged in drug cultivation and trafficking, especially in the Cagueta and Vaupes region.
- The extent of Colombian Government enforcement of drug laws as measured by National Police eradication and interdiction statistics.

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On the foreign policy side:

- Extent and status of Colombian efforts to implement regional initiatives in drug control, particularly the agreement reached between Venezuela and Colombia.
- Colombian Government reactions to US legislation curtailing US foreign aid to drug-source countries that do not demonstrate verifiable progress in illicit crop reduction.
- The level of cooperation between Colombian Government personnel and Drug Enforcement Administration and State Department narcotics officers.

The second set of indicators is not as likely as the former to provide an unambiguous signal of the direction of change in Colombian narcotics policy but may help predict additional leadership decisions.



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Nuclear Proliferation

China's Entry Into the IAEA

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Summary

China's entry into the International Atomic Energy Agency (IAEA) will place Beijing under greater international pressure to exercise restraint as a nuclear exporter. Should Beijing continue to export nuclear materials to potential proliferators without requiring IAEA safeguards, however, confidence in the IAEA nuclear safeguards system would weaken. In addition, China's demand for a permanent seat on the Agency's Board of Governors, a request that will require either disrupting the status quo or increasing the Board's membership, could tip the voting majority in favor of the developing countries.

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China's entry into the International Atomic Energy Agency (IAEA)—a development which probably will be formalized in January—is a major political development because it signifies Beijing's willingness to support the organization that administers controls to discourage the use of nuclear technology for military purposes. Although there was unanimous approval for Chinese membership at the annual IAEA General Conference meeting in Vienna last October, some members, such as India, are fearful that Chinese membership might eventually affect their own position within the IAEA. Other member states, such as Japan and the Soviet Union, have expressed concern to US officials that Chinese membership may still not signify Beijing's commitment to nonproliferation. These general concerns reflect the expectation that there will be problems with:

- The Chinese practice of authorizing nuclear assistance to potential proliferators without international safeguards.
- Beijing's desire for a permanent seat on the IAEA Board of Governors.
- China's attitude toward the continuation of IAEA safeguards inspections of Taiwan's nuclear activities.

China's Nuclear Export Activities

The most important issue connected with Chinese membership in the IAEA will be whether Beijing discontinues its practice of exporting unsafeguarded nuclear materials to potential proliferators. During the past few years, the Chinese have sold enriched uranium and heavy water either directly, or indirectly through middlemen, to Argentina and South Africa without insisting on IAEA safeguards. Furthermore, Chinese nuclear assistance to at least two potential proliferators—Argentina and Brazil—is continuing. In addition, there has been widespread speculation about potential Chinese involvement in the Pakistani nuclear program, perhaps to the extent of providing assistance in the weapons application area. Finally, according to US Embassy reports, Beijing has only required customers to pledge that nuclear materials be used for peaceful purposes. Without inspection rights, however, Beijing cannot monitor the use of Chinese-origin nuclear material and equipment to ensure that the pledge has been honored.

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Members of the Board of Governors, 1983-84

Western Group	Socialist Group	Developing Group
Australia ^a	Bulgaria	Argentina ^a
Austria	Hungary	Brazil
Belgium ^a	Soviet Union ^a	Chile
Canada ^a		Cuba
Denmark		Egypt ^a
France ^a		India ^a
Italy		Iraq
Japan ^a		Kenya
Portugal		Libya
UK ^a		Mexico
United States ^a		Nigeria
West Germany ^a		Pakistan
		Philippines
		Syria
		Thailand
		Tunisia
		Venezuela
		Yugoslavia
		Zaire

^a Permanent seats.

These actions have raised questions among other supplier states about China's willingness to exercise restraint in its nuclear export activities. Skepticism regarding China's intentions concerning its future export activities may be well founded. For example, Chinese officials in mid-July promised their US counterparts that Beijing would request IAEA safeguards for all its nuclear exports after becoming an IAEA member. They were more ambiguous, however, in their commitment on this point in discussions with IAEA Director General Blix in Beijing in August. Furthermore, the head of the Chinese delegation to the IAEA General Conference did not make an unqualified commitment that Beijing would insist on IAEA safeguards in his speech following the membership vote. Although he stated China did not encourage nuclear proliferation, he criticized the NPT as discriminatory and emphasized Beijing's reservations about efforts to expand nuclear export controls.

The Chinese could defend unsafeguarded nuclear exports after becoming an IAEA member on narrow legal grounds. The IAEA statute does not specifically require a nuclear supplier state to impose IAEA safeguards on all its transfers. It merely states that IAEA safeguards are necessary for any Agency-related nuclear project or in those cases where the supplier and customer mutually agree on the desirability of safeguards for a nuclear transfer. The Chinese are almost certainly aware of this loophole in the IAEA statute. The ambiguous nature of their commitment on safeguards suggests that they may think other nuclear supplier states will not create an outcry if clandestine unsafeguarded nuclear transactions are uncovered. We believe that such an assumption would be a miscalculation. The reactions of the United States, the Soviet Union, and other major nuclear supplier states is likely to be severe in view of their recent extensive efforts to tighten export controls and safeguards coverage for sensitive nuclear materials, equipment, and technology. Some of them, in response, might refuse to assist China in developing a domestic nuclear power program.

China's Seat on the Board

Beijing's request for a permanent seat on the IAEA Board of Governors sometime next year is the second major issue that will cause some problems. Because there is no vacant seat on the Board, either one current Board member must relinquish its permanent seat or the number of Board seats must be increased.¹ There are now 34 seats on the Board, of which 12 are permanent. Nine permanent seats are reserved for those countries with the most advanced nuclear technology, and the remaining three, which are allocated by regions, are held by Australia, Egypt, and Argentina. The Chinese are certain to demand one of the nine permanent seats reserved for countries with advanced programs.

None of the permanent Board members is likely to relinquish its seat for China. Western nations with permanent seats on the Board can be expected to

¹ Taiwan was a member of the IAEA until 1971 when it was expelled in the wake of China's entry into the United Nations. Taipei never had a permanent seat on the Board of Governors.

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resist strongly any solution that reduces their influence on the Board. The seat traditionally held by Italy is the most vulnerable. On the basis of an agreement earlier this year, this seat will rotate among Italy and four other West European countries. Belgium is holding this seat during the 1983-84 period and could come under pressure to step down in view of its modest nuclear program. The only other way to expand the Board's size without a formal amendment to the IAEA statute is for India to accept a seat designated for the South Asia region. This would allow China to have a permanent seat without any of the current permanent Board members giving up their seats. However, India is adamantly opposed to any solution that suggests that it accept a "regional" permanent seat, because New Delhi does not want to give the impression that it has lost status in the organization. []

A formal amendment to the IAEA statute to increase the number of permanent seats on the Board could take several years because of the difficulties in securing a two-thirds majority of all IAEA members for approval. The issue of Board expansion is one of the most controversial for the IAEA inasmuch as it stimulates demands for additional seats from Pakistan and black African states that have long complained about underrepresentation. According to the US Mission to the IAEA, the Western industrial nations want to retain the blocking power they now have on Board actions requiring a two-thirds majority. One extra seat for China would still leave the western nations with enough votes to determine Board decisions. The addition of two extra seats, however, would force the Western countries to depend on support from the Soviet Union and other members of the socialist group to prevent China and the developing nations from controlling the decisionmaking process. []

Safeguards on Taiwan

Unlike the issues concerning Chinese nuclear exports and the seat on the Governing Board, future safeguards covering Taiwan's nuclear program is the one problem that required some degree of understanding between Beijing and Washington before a vote on China's membership at the General Conference. The IAEA continues to implement safeguards under the auspices of a trilateral agreement involving the Agency, Taiwan, and the United States. Chinese officials

acknowledge that the continuation of international inspections of nuclear facilities on the island to ensure their peaceful use is in China's own interest. They have informed their US counterparts that their country is not opposed to the continuation of this unusual arrangement as long as it is in harmony with Beijing's political position that Taiwan is not a separate state. IAEA officials, with US support, have given assurances to the Chinese that the Agency will characterize Taiwanese participation in the trilateral arrangement as "nongovernmental" and will refer to the island in IAEA publications as "Taiwan, China." []

Despite these concessions, we believe there is still potential for trouble over the Taiwan safeguards issue because Beijing clearly wants to preserve the right to define the future nature and scope of the IAEA's presence in an area that it considers to be a part of China. Chinese officials have informed IAEA Director General Blix that Beijing considers the trilateral safeguards agreement as only an "interim solution." The Chinese, following their acceptance into the IAEA last October, characterized the existing trilateral agreement as "illegal" and called for its renegotiation. Blix has expressed the view that such public statements would be "for the record" and that Beijing will not press the issue further. We also doubt that the Chinese will mount an aggressive legal attack on the Taiwan safeguards arrangements in the near term, but the Chinese claim could eventually pose political problems for the IAEA should the existing safeguards on Taiwan be deemed no longer adequate or should there be a deterioration in US-Chinese relations. []

Outlook

Over the longer run the willingness of the Chinese to place their future nuclear exports under IAEA safeguards will be the principal test of whether their entry into the IAEA strengthens international efforts to control nuclear proliferation. We believe that Beijing cannot continue clandestine unsafeguarded nuclear

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transfers to potential proliferators without being discovered and without triggering controversy in the IAEA concerning China's behavior as a nuclear exporter. The effectiveness of the IAEA in the safeguards area could also be jeopardized if Beijing decides to support Third World efforts to shift the Agency's focus toward the promotion of nuclear assistance programs for developing nations. China may be willing to further politicize debates over budgetary matters and perhaps even to side with Third World efforts to restrict the membership rights of Israel and South Africa. In short, there is considerable potential that Chinese membership could reinforce negative trends in the IAEA that have posed serious policy problems for the United States.

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