



**Director of
Central
Intelligence**

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28 September 1982***

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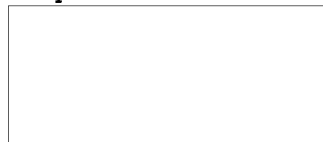
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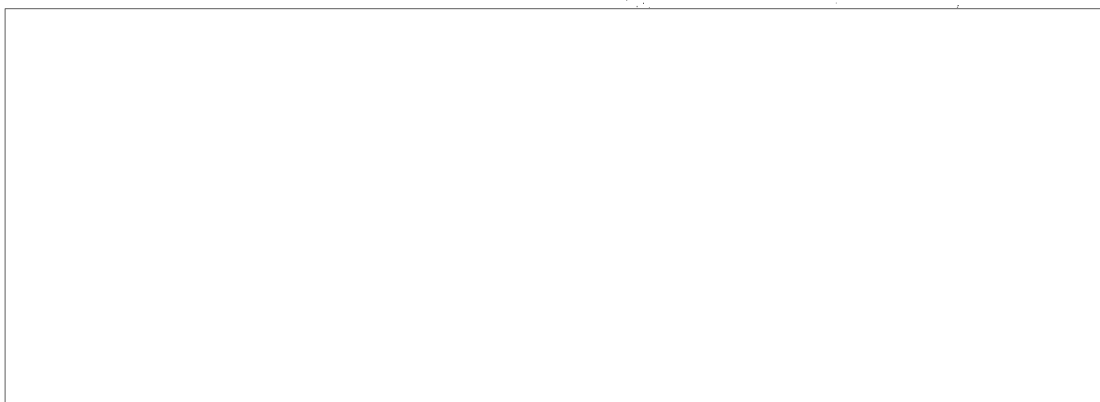
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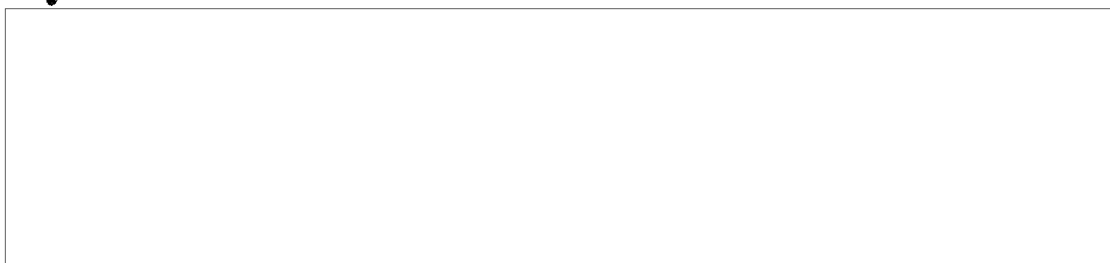
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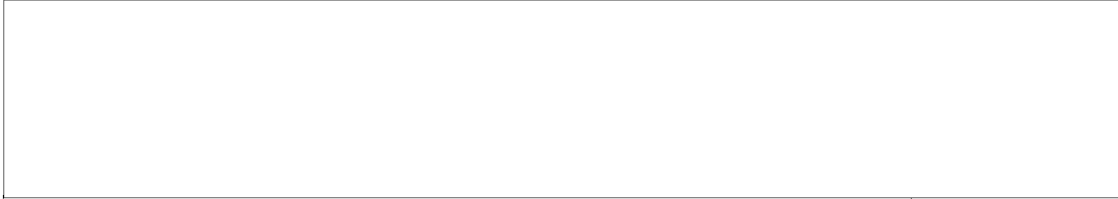


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②

JAPAN-US: Security Discussions

Soichiro Ito, Director General of the Japan Defense Agency, will have little positive to offer in talks in Washington this week.



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Recent press reports indicate Prime Minister Suzuki is willing to exempt the US from the arms export ban, except when the US is directly involved in hostilities.

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Comment: Ito is likely to argue that the 7.3-percent increase in the defense budget for 1983, tentatively approved last month, is the best possible, given the government's difficult financial situation and weak public support for more defense spending.

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Ito probably will be permitted to commit Japan to a study of joint sea-lane defense but not to agree to anything that could be interpreted by the Japanese public as a collective security arrangement. Such an arrangement would be contrary to Japan's constitution.

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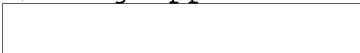
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Suzuki is preoccupied with his bid for reelection next month as president of the Liberal Democratic Party, and he is unlikely to give Ito any room to negotiate on politically sensitive defense issues. Ito's report on his visit will be scrutinized carefully for any sign that a breach with the US is developing. Although Ito has little influence with top Japanese policymakers, his briefing might nudge Suzuki toward a slightly more forthcoming approach to bilateral defense problems.

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French Defense Spending

	1978	1979	1980	1981	1982
Real growth in defense expenditures ^a	5.2	2.4	3.5	4.3	4.0
Defense expenditures as a percentage of Gross Domestic Product	3.63	3.62	3.67	3.85	3.89 ^b

^a Non-US NATO average for 1978-82 was about 2 percent.

^b Non-US NATO average is about 3.3 percent.



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⑧ FRANCE: Decline in Defense Spending

French defense spending will not keep up with inflation next year as the government imposes austerity measures. [Redacted]

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Comment: The defense budget proposal for 1983 calls for an increase of about 8.5 percent before inflation, roughly equal to the anticipated inflation rate. Even if this rate is met, the higher cost of defense acquisitions virtually guarantees that defense spending will suffer a real decline for the first time in 14 years. [Redacted]

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6 Attache and press accounts indicate that the military will get the smallest share of the government budget in decades and that the nominal increase in defense spending will be about 3 percentage points lower than for government spending as a whole. Slowdowns in equipment acquisitions are likely, and Paris reportedly is even considering cutting 50,000 personnel from its armed forces and disbanding two infantry divisions. [Redacted]

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2/7 Although France is not officially committed to NATO's goal of a 3-percent real increase in defense spending, it is the only major West European country to have exceeded that goal over the last five years. France's defense expenditures as a percentage of gross domestic product also have surpassed the non-US NATO average over that period. [Redacted]

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6 The austerity measures for 1983 probably also will be reflected in the new five-year defense program being developed for 1984-89. Minister of Defense Hernu says a reduction in defense spending will not affect the strategic nuclear deterrent, especially the ballistic missile submarine fleet. [Redacted]

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With unemployment an increasing problem, the Socialist government is not likely to reduce the personnel strength of the armed forces significantly. Conventional equipment modernization programs, especially for the Army, probably will be hardest hit by the austerity measures. [Redacted]

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[Redacted]

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SPECIAL ANALYSIS

13 USSR-AFGHANISTAN: Moscow's Balance Sheet

The USSR's third year of military campaigning in Afghanistan is drawing to a close with no appreciable progress having been made in expanding the control of the Afghan Government. The next few months should bring more adjustments in the way the Soviets conduct the war, possibly accompanied by limited troop augmentations. Moscow, however, is unlikely to undertake a large-scale reinforcement or withdrawal.



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The USSR has started to train a new generation of Afghan leaders and to reshape the country's political, social, and economic institutions along Soviet lines. The training effort will pay dividends only over the long term, however, and institutional reforms cannot be put into effect until the security situation improves.



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Moscow's View



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There are still no signs that the Soviets believe withdrawal or substantially increasing their commitment is necessary.



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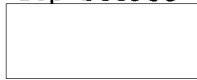
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Public statements suggest Soviet leaders believe enough progress is being made to continue the gradual approach toward turning Afghanistan into a client state.



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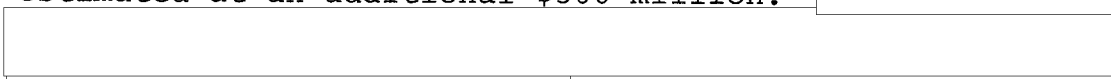
The Costs

The involvement in Afghanistan has not been a major drain on Soviet resources. The estimated direct military costs of the war in 1981 were \$2.5 billion, slightly more than 1 percent of estimated Soviet defense spending. About one-half of this amount are costs that would have been incurred even if the Soviets had not invaded Afghanistan.



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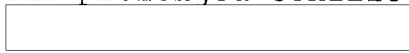
The value of Soviet equipment lost last year is estimated at an additional \$500 million.



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the leadership cannot be happy about the impact of the prolonged conflict on Soviet military prestige.



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Indirect economic costs are harder to quantify. The insurgency interrupted many Soviet economic development projects in the Afghan countryside and impeded internal commerce and forced the USSR to increase commodity aid.



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The estimated value of Soviet grant aid deliveries to Afghanistan last year--mostly grain--was at least \$200 million. Estimated military aid amounted to an additional \$160 million. The cost of other Soviet assistance, including petroleum products, is paid for by Afghan deliveries of natural gas--worth \$268 million in 1981.



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There is virtually no coverage by the Soviet media of the USSR's combat role in Afghanistan.



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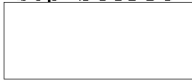
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In terms of political implications, several Soviet officials have stated they believe the conflict provides useful arguments to US proponents of an increase in US military power. In this connection, they have cited the resumption of US-Pakistani military ties; the damage done to Soviet relations with Iran, other Islamic states, and India; and condemnations from the Nonaligned Movement, the Islamic Conference, and the UN. 


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Moscow has put its prestige on the line, however, and withdrawal does not now appear to be an acceptable option. Many  statements by Soviet leaders attest to their belief that the intervention was necessary to keep Afghanistan in the USSR's sphere of influence, to "prevent another Chile," and to check the spread of Islamic fundamentalism. 

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Future Actions

Despite the Soviets' apparent confidence that they cannot be militarily forced out of Afghanistan, the increased casualty rates and lack of progress this summer toward achieving military objectives have to be causing concern in Moscow. 

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One recommendation may be for an augmentation in Soviet airpower, particularly helicopters. 

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 Another recommendation may be to increase troop levels in problem areas. 

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On the political front, the Soviets will continue trying to weed out incompetent or disloyal Afghan Communists in the government. Continuing positive Soviet media treatment of President Babrak, however, casts doubts on the recent rumors that he would be ousted for political reasons. 

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The Soviets also will try to mask any intensified counterinsurgency effort by continuing to profess interest in a political settlement. The recent Soviet-Pakistani talks on Afghanistan were unproductive. 

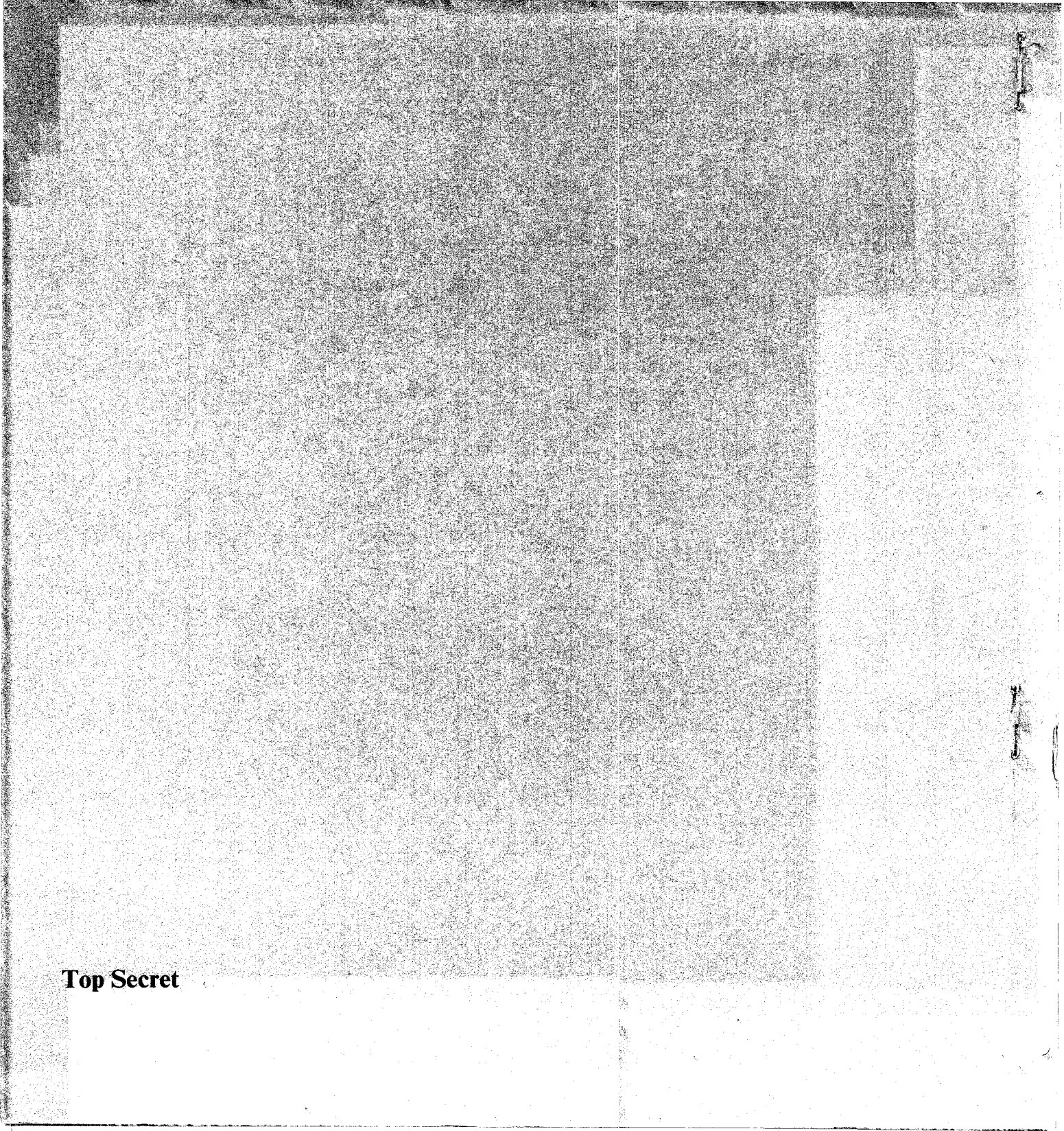
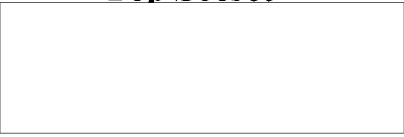
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