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USSR Monthly Review



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May 1984

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May 1984*

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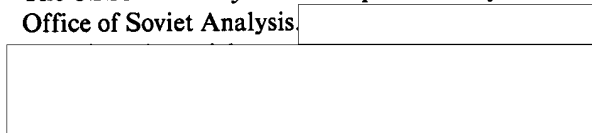
USSR Monthly Review



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May 1984

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[Redacted]

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Soviet-Swedish Relations: Will the Chill Continue?

[Redacted]

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Despite the importance of good relations with Stockholm's socialist leadership to the Soviet "peace campaign," Moscow has done little to quiet Sweden's complaints over Soviet submarine incursions and industrial espionage. The Soviets probably believe that Sweden's traditional commitment to neutrality will prevent the chill in bilateral relations from affecting its stance on multilateral issues.

[Redacted]

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[Redacted]

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The Soviet Economic Stake in Western Europe

[Redacted]

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The value of the USSR's trade with Western Europe topped \$40 billion in 1983, second only to its trade with the East Europeans. More important to Moscow, this trade was in the black by more than \$7 billion—a dramatic reversal of the situation a few years ago. The substantial surpluses with Western Europe are likely to continue at least through 1984, even if Soviet energy exports stagnate or drop somewhat.

[Redacted]

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[Redacted]

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Other Topics

Implications of Census and Birth Undercounts for USSR Manpower Problems

[Redacted]

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A recent study by US demographers showing that Soviet population data undercount children and young adults does not change our assessment that the USSR faces serious civilian and military manpower constraints. The military's problems with ethnic minorities may actually be worse than previously believed.

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Soviet Relations With Western Europe

 Perspective

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Moscow failed in its efforts to make 1983 a Soviet "year of Europe." The Soviets were unable to prevent US INF deployments and embarrassed by public disclosure of their involvement in industrial espionage and their violations of Sweden's territorial waters. Although the Soviets have responded with counterdeployments and have sharpened their criticism of Western leaders, their basic policy toward Western Europe has been little affected by these setbacks. The Soviets are maintaining normal political and economic relations with the West European states, apparently in an effort to preserve the direct benefits these contacts bring and to reinforce their propaganda claim that the United States is responsible for worsening East-West tensions.

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Economic considerations almost certainly have weighed heavily in the Soviets' decision to maintain positive relations with the West European states. In addition to providing the USSR with high-quality machinery and equipment, trade with Western Europe is highly profitable for the Soviets. Last year, Soviet exports to Western Europe amounted to \$25 billion and imports totaled \$18 billion, yielding a \$7 billion trade surplus. As in previous years, Soviet trade with Western Europe was heavily skewed toward West Germany, France, Italy, and the United Kingdom (see "The Soviet Economic Stake in Western Europe").

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The Soviets also have political equities in Western Europe that they apparently are reluctant to sacrifice. In West Germany, for example, they have grounds for satisfaction with Chancellor Kohl's stance on bilateral political issues, despite his support for INF deployments. Kohl has carried on the broad outlines of *Ostpolitik* and expressly endorsed the Soviet-West German treaty, an accord his party previously opposed. Moscow's appreciation of this stance and of West Germany's status as its largest Western trading partner probably goes a long way toward explaining its failure to follow through on last year's threats to reduce its political and economic contacts with Bonn (see "Soviet Policy Toward West Germany After INF Deployments").

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The Soviets evidently also perceive political and economic advantages in pursuing good relations with France and are responding in restrained but positive fashion to President Mitterrand's recent efforts to repair the East-West dialogue. Here, however, they probably are motivated as much by a wish to avoid stiffening France's commitment to defense as by satisfaction with Mitterrand or the state of Franco-Soviet ties. Presumably, the Soviets draw comfort from France's continued pursuit of an independent role within the Atlantic Alliance. On the other hand, Mitterrand's emphasis on the need for dealing with the USSR from a position of military strength and his willingness to use force in defense of France's friends in the Third World clearly disturb the Soviets. Their experience with France must make them especially mindful that there are risks as well as benefits in encouraging greater West European independence from the United States (see "Soviet-French Relations Since INF Deployment"). [redacted]

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Moscow is not limiting itself to "getting along" with Mitterrand or with Kohl. Soviet media have attacked the French Government's moves in Chad and its economic policies. The Soviets may also have encouraged the French Communist Party to sharpen its criticism of Mitterrand. The French Communists, however, clearly are constrained by their status as Mitterrand's coalition partners. Similarly, in West Germany the Soviets are encouraging the Social Democrats to continue their criticism of the government's security policies. In light of the Social Democrats' internal divisions and the Christian Democrats' seemingly secure political position, however, Moscow is unlikely to be optimistic about the prospects for a change in government in the near term. [redacted]

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Although Moscow's political relations with Rome have never been as close as those it has enjoyed with Bonn or Paris, the Soviets have an economic relationship with Italy that they clearly are reluctant to disturb. Moscow's trade surplus with Italy last year amounted to \$2 billion—its largest with any West European trading partner. Rome, moreover, is currently reassessing the tentative agreement for the purchase of Soviet natural gas reached in 1981. Despite their resentment of Italy's support for INF deployments, the Soviets are unlikely to make any moves that would undercut their efforts to conclude this long-delayed accord. [redacted]

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Elsewhere in Europe the Soviets do not have the same economic and political equities at stake that they have in the major continental countries. Yet, they may have more reason for optimism that developments in the smaller countries will evolve to their advantage or that the passage of time will eliminate some recent problems. In Belgium and the Netherlands, for example, support for INF deployments remains uncertain, and the Soviets may believe that either country's failure to proceed with deployments might encourage anti-INF forces in West Germany and Italy. Also, the

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Soviets' behavior toward Sweden suggests they believe that the Palme government's commitment to mediating between East and West on arms control issues will eventually override its concern with Soviet submarine incursions (see "Soviet-Swedish Relations: Will the Chill Continue?"). Meanwhile, however, Soviet-Swedish relations are at an ebb, and Moscow must cope with fallout from the submarine issue in its relations with Norway and Denmark.

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Moscow is not merely marking time or allowing the flow of events to determine when it can regain the initiative. Soviet military activities in Europe continue apace and, in the case of INF "counterdeployments" and large-scale naval maneuvers, have taken on an increasingly open character. The Soviets evidently are hoping that such military pressure will influence the flow of events and that West European public opinion will focus on these military activities but view them as countermoves for which the United States is ultimately at fault. Moscow's maintenance of normal political and economic ties with the West European states apparently is designed to foster such a perception—that is, to suggest that the USSR, not the United States, is committed to preserving stability in Europe.

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**Soviet Policy Toward
West Germany After
INF Deployments** [redacted]

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Soviet policy toward West Germany has been largely unaffected by the start of US INF deployments, despite earlier Soviet warnings of political and economic repercussions. Moscow has apparently decided to mark time with the Kohl government, preserving its existing equities while hoping to benefit from an eventual return to power by the Social Democratic Party (SPD). If the Soviets succeed in fostering the SPD's radicalization, however, they may hurt the party's chances of governing in the near future. [redacted]

Even before the Bundestag vote, however, there were some indications that the Soviets did not want the INF issue to destroy their economic and political ties to Bonn. [redacted]

[redacted]

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Predeployment Warnings

The Soviets conducted a protracted campaign of intimidation against West Germany prior to the November 1983 Bundestag vote approving NATO INF deployments:

Recent Mixed Signals

On the political front, Moscow's [redacted] signals to Bonn since deployment began last November have been inconsistent, perhaps reflecting uncertainty or disagreement about what to do next. In a January 1984 speech, Gromyko emphasized West Germany's shared responsibility for the dangers unleashed by US deployments but did not accuse Bonn of violating its treaty obligations. Just days later, however, CPSU secretary Grigoriy Romanov delivered a speech to the German Communist Party Congress in which he specifically accused Bonn of violating the Soviet-West German treaty. [redacted]

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- In an interview with *Der Spiegel* in April 1983, General Secretary Andropov raised the possibility of "damage" to bilateral relations if deployment occurred.
- In June, West German Economics Minister Lambsdorff told an interviewer that Soviet Premier Tikhonov had warned him that deployment would affect economic as well as political relations.
- When Chancellor Kohl visited Moscow in July, Andropov warned that a "palisade of missiles" would divide East and West Germany if Bonn allowed INF deployment to proceed.
- In October, [redacted] CPSU secretary Boris Ponomarev and other Soviet officials told a visiting Bundestag delegation that the USSR intended to retaliate against the introduction of new US missiles with cutbacks in trade that would increase unemployment in the FRG.
- In late October, Soviet Foreign Minister Gromyko and East German President Honecker issued a joint communique warning that the appearance of US missiles on West German soil would "contradict the spirit and letter" of the treaties that normalized Bonn's relations with Moscow and East Berlin. [redacted]

Subsequent high-level Soviet-West German meetings have revealed little about Soviet intentions toward Bonn. Gromyko met West German Foreign Minister Genscher in Stockholm in late January, and Chernenko met with Kohl in Moscow following Andropov's funeral in February. Both meetings were by all accounts businesslike and without acrimony. [redacted]

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The US Embassy in Moscow, however, reported that in early March Soviet leaders, particularly Ponomarev, virtually harangued a visiting SPD delegation led by the party's Bundestag leader, Hans-Jochen Vogel, on INF and US policies. Soviet media reported that Chernenko told Vogel that, in calculating the potential for bilateral cooperation, Moscow would "draw proper conclusions" from INF deployments in West Germany. [redacted]

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Economic Relations

While the Soviets may be trying to convince Bonn that political relations are strained, they clearly have backed off from earlier threats of economic retaliation for the missile deployments in the FRG. After participating in the November 1983 meeting of the Soviet-West German Mixed Economic Commission, Lambsdorff told reporters that the Soviets did not repeat their threats of the previous June but rather pledged that they would make an effort to expand bilateral economic cooperation despite the difficulties in political relations. [redacted]

Central Committee official and German specialist Leonid Zamyatin later acknowledged publicly that Moscow plans to continue trading with INF-basing countries. In a January appearance on Soviet television, Zamyatin virtually reversed Moscow's previous position on economic repercussions, warning West European countries to be on guard against alleged US efforts to use the INF issue to force a reduction in Soviet-West European trade. [redacted]

Moscow has much to preserve in its commercial relations with the FRG, its largest hard currency trading partner. Two-way trade in 1983 totaled nearly \$10 billion. Not only does Moscow voice a strong preference for trading with West German suppliers, but West Germany is the most important Western market for Soviet exports. The Soviets import steel, large-diameter pipe, machinery, and transport equipment from West Germany and export raw materials, especially natural gas and crude oil and oil products. Moscow has relied heavily on West German participation in the Siberian natural gas export pipeline project. German firms provided substantial engineering services, nearly half of the large-diameter pipe, and more than one-third of the gas turbines for compressor stations on the pipeline. [redacted]

Although trade growth could slow over the next few years, West Germany will remain the USSR's key Western trading partner. The level of Soviet exports will, of course, be set by factors we cannot now estimate accurately—German demand for Soviet natural gas, oil production constraints in the USSR, and decisions on export allocations. It also seems unlikely Soviet imports from Germany will expand much if at all from current levels. Completion of the Siberian

pipeline has already led to a slump in new orders, and the West Germans do not see many large projects on the horizon in the near term. Nevertheless, the Soviets continue to show interest in promoting deals across a range of sectors from energy to electronics to the food industry. [redacted]

Biding Time

The Soviets, while clearly preferring Social Democratic rule in Bonn, are apparently resigned to their current cool relationship with the Kohl government. Although Moscow is dismayed over Kohl's support for INF deployment, it has reason for some satisfaction with his performance thus far. In particular, Kohl has carried on the broad outlines of *Ostpolitik* and has expressly endorsed the Soviet-FRG treaty, an accord his party had formerly opposed. [redacted]

Meanwhile, Moscow has positioned itself to take advantage of an SPD return to power. Soviet officials have kept up regular and frequent contact with the SPD. Vogel has visited Moscow twice since becoming the party standardbearer in the autumn of 1982. Although protocol did not require it, he was received both times by the CPSU General Secretary. In 1983 Egon Bahr traveled to the Soviet Union twice, and security specialist Karsten Voigt went there once for talks with Soviet officials. [redacted]

The Soviet Embassy in Bonn also maintains regular contact with several SPD officials, such as foreign policy specialists Horst Ehmke and Eugen Selbmann. Selbmann is a particular Soviet favorite because of his strong support for detente. [redacted]

The Soviets are apparently counting on West German public disenchantment with US policies to pave the way for a leftwing government. Moscow probably expects that an SPD-led government at a minimum would demand withdrawal of US cruise and Pershing II missiles and most likely hopes that West German foreign policy would take a more independent turn.

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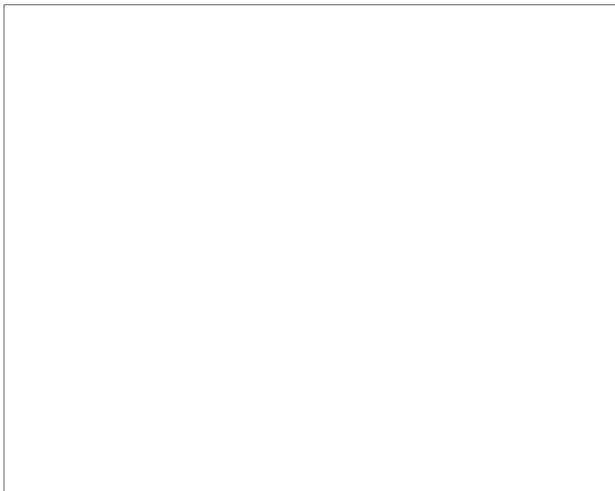
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Influential Soviet foreign affairs specialists Aleksandr Bovin and Nikolay Shishlin, however, have publicly expressed doubt that West European differences with Washington will lead to any rupture of the NATO Alliance. [redacted]

Moscow may have a long wait before the SPD is strong enough to return to power. The Christian Democratic government has three years of its electoral mandate left and, despite recent scandals, seems politically secure for the time being. The SPD has been weakened by internal divisions over INF, and no new leader has emerged with the political stature and wide electoral appeal of Helmut Schmidt. [redacted]



Meanwhile, we believe Moscow will continue to nurture its ties to the SPD and try to prod the party further leftward. This approach is unlikely to change as long as the 79-year-old Ponomarev, a Comintern veteran with a reputation for orthodoxy, remains in charge of relations with the European democratic left. The payoffs from this policy will be measured by the extent to which the Social Democrats, together with the Greens and the West German peace movement, can frustrate the conservative government's plans to proceed with further INF deployments, push it into greater independence vis-a-vis the United States, and influence the West German security debate in a direction more amenable to Moscow's interests. But the strategy also runs the risk of further weakening SPD electoral support and helping to relegate the party to the role of permanent opposition. The SPD—realizing this—will be hesitant to associate itself too closely with Moscow. [redacted]

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Prospects

One litmus test of the state of post-INF Soviet-West German relations will be whether Chernenko continues the 14-year practice of alternating summit meetings and goes to Bonn within the next 12 to 18 months. Kohl extended an invitation to Andropov last July during the Moscow summit. [redacted]

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[redacted] According to press accounts, Kohl extended an invitation to Chernenko while in Moscow for Andropov's funeral. A Chernenko visit to Bonn this year would indicate that Moscow values the maintenance of a state-to-state dialogue with West Germany over the marginal benefits of symbolically punishing Bonn for supporting INF deployment. [redacted]

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Soviet-French Relations Since INF Deployment

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Relations between the USSR and France remain fundamentally unchanged by the deployment of the first US INF missiles in Western Europe. The Soviets are urging continued French independence from the United States and are responding positively to President Mitterrand's efforts to repair the East-West dialogue. They continue, however, to criticize the Mitterrand government's support for INF and appear to harbor no illusions that major French concessions to other Soviet concerns are likely. The Soviets will give the French President a cordial reception when he visits Moscow later this year, but they probably will continue to encourage his East-West diplomacy with only cost-free political and economic gestures.

Past Relations

The Soviets have been wary of Mitterrand since before his election as President in May 1981. They openly supported the reelection of the center-right candidate Giscard d'Estaing, whom they commended for the "pragmatic" approach to East-West relations that he demonstrated by agreeing to meet Soviet President Brezhnev in Warsaw only five months after the invasion of Afghanistan. The Socialist Mitterrand, in contrast, made clear he had little regard for the Soviet system and condemned Soviet policies toward Afghanistan and Poland as outspokenly as he criticized certain Western policies. His active support for NATO's December 1979 INF decision—a decision to which the French were not even a party—was particularly galling to Moscow.

The Soviets were somewhat heartened, however, by the controversy that erupted immediately between the new French President and the United States over his appointment of four Communists to his cabinet. Additional friction over US Third World policies and other issues encouraged the Soviets to believe that Mitterrand did not intend to renounce the independent creed first espoused for France by President de Gaulle. The "special relationship" with France that the USSR had enjoyed since de Gaulle's time appeared to be in suspended animation, but the Soviets openly cherished hopes that it might soon be revived.

Recent Developments

Moscow's public reaction to Mitterrand's current diplomatic attempts to effect a resumption of the US-Soviet dialogue and a general reduction in East-West tension has been restrained but positive. The Soviets, who announced on 13 April that Mitterrand will visit the USSR later this year, have welcomed his avowed intention to seek an improved dialogue with the USSR and his apparent willingness to urge the United States to do likewise. They have applauded his calls for an amelioration of the post-INF atmosphere in Europe but remain publicly skeptical of his motivations and critical of his support for NATO's stance on security issues.

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The level and frequency of Soviet contacts with the French—as with other West European governments including those of the INF-basing countries themselves—have not diminished since NATO deployments began in December. France's Transportation Minister—a Communist Party official—visited the USSR from 6 to 10 December and later said he was impressed by Soviet willingness to expand relations despite continued differences on major issues, especially INF. In late December, senior officials of the two foreign ministries held their regular biannual consultations on the Middle East and met to discuss the impending Conference on Disarmament in Europe (CDE).

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Soviet media coverage of Foreign Minister Gromyko's meeting in Stockholm with Foreign Minister Cheysson at the CDE opening in mid-January avoided any direct attack on French policies—in sharp contrast to the acerbic treatment of Gromyko's talks with the US Secretary of State. During a colloquium on disarmament sponsored by the USSR-France and France-USSR societies in late January, Soviet representatives reiterated their insistence that French and British nuclear forces be included in any INF agreement. This demand has repeatedly been rejected by the Mitterrand government. The Soviets reportedly were upbeat, however, about the possibility of bilateral cooperation on some security issues.

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[REDACTED]

From 29 January to 3 February, First Deputy Premier Arkhipov visited France to sign a five-year trade protocol. Under the agreement, the Soviets reportedly promised to help reduce France's deficit in bilateral trade, which had reached \$938 million in 1983. In addition to the deficit, about which the French had been berating the Soviets for years, the contentious British and French forces issue surfaced again during Arkhipov's discussions in Paris. French officials and journalists nonetheless portrayed the visit as highly successful, and *Izvestiya* highlighted the special importance of the Soviet-French economic and political dialogue during periods of "aggravated international tension." [REDACTED]

French officials' initial contacts with General Secretary Chernenko evidently convinced them that the USSR would remain receptive to French overtures and might even take a more active role in fostering better bilateral relations. After meeting with Chernenko at Andropov's funeral in mid-February, Prime Minister Mauroy told French reporters that he regarded his reception by the new General Secretary as "a slight overture." In the February issue of *Novoye Vremya*, the Soviets underlined the potential for Soviet-French cooperation on such issues as the CDE and the Middle East (although the Soviets at the end of the month vetoed France's proposal to replace the multinational force in Beirut with a UN contingent).

France Between East and West

The Soviets took careful note of Mitterrand's statements both before and during his weeklong visit to the United States in late March. (The Soviet Embassy in Paris reportedly was taken by surprise when the French President told Paris *Match* on the eve of his departure that he also intended to visit the USSR before the end of the year.) Although critical of Mitterrand's references in Washington to Western allied solidarity on INF and other matters, *Pravda* highlighted US-French disagreement over Central

America, trade sanctions, and particularly Mitterrand's plea for an immediate resumption of the US-Soviet dialogue. Soviet media also tried to dilute the impact of Mitterrand's highly successful visit by contending that the French President needed to claim a "success" while he was having difficulties at home and with his Common Market partners and that the French press organs acclaiming the visit were influenced by the United States. [REDACTED]

In its commentary on Mitterrand's trip, *Pravda* commended the French Government for continuing to defend its interests and independence against alleged US pressure and noted that "despite Washington's opposition" Soviet-French trade and cultural exchanges had proliferated over the past year. Trying to portray Mitterrand's trip as a media event masking continued serious disagreements, the Soviets probably perceived a degree of truth in their own rhetoric. They almost certainly were pleased by reports that Mitterrand had stressed to President Reagan the need for a more positive US-Soviet relationship and by the possibility that a US failure to respond could create strains among the allies. [REDACTED]

The USSR's approach to Western Europe in the months since NATO deployments began has been designed to ensure an unbroken Soviet-West European dialogue, thereby putting pressure on the United States to reach accommodation with the USSR or risk isolation from its own allies. The Soviets may feel that France—a member of the Western Alliance but still officially outside the military structure and decisionmaking—is uniquely suited to press the United States in this way. Moscow almost certainly hopes as well that Mitterrand's example and interest in a coordinated Western diplomatic effort will spur the West German and other West European governments to more strenuous efforts of their own to improve relations with Moscow. [REDACTED]

Soviet Reservations

The Soviets, nevertheless, remain uneasy about Mitterrand. They have been gratified by his readiness to criticize US policies on the Third World, East-West trade, and other issues, but they are aware that

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neither his socialism nor his nationalistic determination to maintain an obvious independence from the United States and NATO translate into support for Soviet interests. Even while lauding Mitterrand's efforts in the East-West arena, Soviet media have assailed the French Government's policies in Chad and Lebanon, which Moscow probably perceived were aimed in part at containing Soviet expansionism. The Soviets almost certainly expect that they will come in for at least as much and possibly more pressure from the French leader regarding US-Soviet relations and that the credibility of the USSR's commitment to arms control and detente will be as much at risk as that of the United States. [redacted]

Thus, the Soviets appear to be keeping their counsel with regard to Mitterrand's current diplomatic efforts. They publicly criticized Mitterrand for bolstering his arguments to the US administration by claiming that, now that US INF missiles are deployed in Europe, the West can deal with the East from a position of strength. Meanwhile, Soviet media continue to focus on Mitterrand's domestic problems, as if both to remind him of his political and ideological vulnerabilities and to question his motivation for seeking policy success abroad. In addition, the Soviets have acquiesced in—and may even have approved—the French Communist Party's recent unprecedented attacks on its coalition partner. [redacted]

The USSR has not provided Mitterrand with concrete economic inducements of any substance to boost his domestic standing or to encourage him to assume the role of East-West mediator. The trade protocol signed by Arkhipov in early February represents little more than a promise to the Soviets to try to redress the trade imbalance and does not tie either side to specific projects or financial outlays. French officials nonetheless have interpreted what they describe as Soviet cooperativeness on trade issues as a "political" decision to seek better relations with France. [redacted]

Outlook

Moscow has been disappointed by Mitterrand in the past and probably will maintain its reserve with regard to his current efforts unless and until it discerns some significant benefit. As with Canadian

Prime Minister Trudeau's peace initiative, Soviet officials will be receptive to the French President's arguments but will remain noncommittal, seeking to place the onus for the failure of such initiatives on the West. [redacted]

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The USSR welcomes the planned visit by the French President—reportedly scheduled to begin on 21 June—in part perhaps because in the exchange of visits it is the Soviets' turn to send their leader to Paris, and Mitterrand's willingness to travel to Moscow could appear to put him in the position of supplicant. The Soviets probably will try to stage-manage the visit to dilute the residual effects of Mitterrand's trip to the United States. [redacted]

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Barring some major political development between now and then, however, the Soviets almost certainly expect the visit to yield little of substance. They will use the event primarily to demonstrate their willingness to meet and negotiate with any Western leader and to strengthen the USSR's political and economic ties with France and with the rest of Western Europe.



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**Soviet-Swedish Relations:
Will the Chill Continue?** [redacted]

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Although good relations with Stockholm's socialist leadership are important to the Soviet "peace campaign," Moscow has done little to assuage Sweden's complaints over Soviet submarine incursions and industrial espionage. The Soviets probably believe that Sweden's traditional commitment to neutrality will prevent the chill in bilateral relations from affecting its stance on multilateral issues. As long as this belief persists, they are unlikely to make more than token concessions to promote closer ties with Stockholm. [redacted]

Economic. The Soviets have only limited economic stakes in Sweden. Soviet-Swedish trade in 1982 totaled \$1.15 billion, placing Sweden 12th among the OECD countries trading with Moscow. The Soviet Union habitually runs a trade surplus with Sweden, a situation the Swedes would like to remedy. In 1981 the two countries signed a 10-year trade agreement that envisions a substantial increase in bilateral trade. That increase has yet to be realized, however. [redacted]

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Soviet Interests

Regional considerations—both Nordic and European—have usually predominated over bilateral issues in Moscow's approach to Stockholm. Moscow has been interested in Sweden more for the role it plays in European security and East-West disarmament questions than for the direct political or economic benefits that Soviet-Swedish ties bring to the USSR. [redacted]

Crude oil and petroleum products constitute the bulk of Soviet exports to Sweden. Moscow has tried to attract Swedish interest in Soviet natural gas via a proposed pipeline across Finland and the Gulf of Bothnia, but, [redacted] the Swedes will probably reject the project because of the prohibitive cost. [redacted]

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Political. The Soviets have traditionally tried to establish common cause with Sweden and other neutral and nonaligned countries on international issues and have encouraged their "bridge-building" activities between East and West. Moscow generally welcomed the efforts of European neutral countries to find compromise solutions to disputes at the Helsinki, Belgrade, and Madrid meetings of the Conference on Security and Cooperation in Europe (CSCE). Soviet spokesmen have publicly expressed hope that the neutrals will continue to play that role at the current Stockholm Conference on Security and Confidence Building Measures and Disarmament in Europe (CDE). [redacted]

The Soviets import mainly steel, assorted manufactures, and foodstuffs from Sweden. The Swedes had hoped to cut their trade deficit with the USSR in half by landing a contract for the expansion of the port at Tallinn, but the Swedish bid was rejected last December in favor of one by a Finnish consortium. [redacted]

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Moscow has taken a particular interest in cultivating ties with Swedish Social Democratic Prime Minister Palme. Since 1980, Palme has served as chairman of the Independent Commission on Disarmament and Security Issues—generally known as the Palme Commission—which includes Soviet members. While Moscow has many differences with Palme and other European socialists, it values their disarmament activity as a source of pressure on the United States and NATO to modify policies toward the East. [redacted]

Sweden is not a member of COCOM and therefore not subject to its controls on technology exports to the USSR. However, Sweden ranks only ninth among the industrialized Western countries as a source of high technology¹ for the USSR. Thus far, its relative importance as a source has been limited by the high cost of Swedish high-technology goods, Sweden's relatively good security procedures for protecting foreign and domestic military technologies, its joint efforts with the United States to limit diversion of dual-use technologies to the Soviet Bloc, and Soviet success in obtaining technologies from other Western countries despite COCOM controls. Over the next decade,

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however, Sweden's efforts to improve its export competitiveness through investment in high-technology industries may make it a more attractive target for Soviet exploitation. [redacted]

Security. Swedish neutrality is important to the USSR's northern defense. Combined with Finland's neutrality and close ties to the Soviet Union, it helps deny NATO use of most of the Nordic region adjacent to Soviet territory. Moreover, Soviet defense of the Leningrad region in a conventional war hinges upon control of the eastern Baltic Sea, a task that is facilitated by Swedish and Finnish neutrality, Soviet territorial control of the Baltic states, and Soviet forces in Poland and East Germany. [redacted]

Impact of the Submarine Issue

Moscow's relations with Stockholm, which had been cordial through the 1970s, plummeted in October 1981 when a Soviet W-class submarine ran aground in Swedish waters near the Karlskrona naval base. That incident and subsequent reports of additional submarine sightings produced a bilateral chill that even the return to power of Palme and the Social Democrats in 1982 has not reversed. The tension was aggravated in 1982 and 1983 by Sweden's expulsion of six Soviets for industrial espionage and by its seizure of US computer parts being illegally diverted through Sweden to the USSR. [redacted]

The submarine incidents have sensitized Swedish public opinion to Moscow's apparent disregard for Sweden's territorial integrity and helped forge a political consensus for tough action. In October 1982, reports of sightings in the Stockholm archipelago prompted Palme to authorize the use of force against the intruders. Military action has been hampered, however, by Sweden's limited antisubmarine warfare capability. [redacted]

Palme also ordered a special bipartisan commission to investigate and report on the incursion problem. The commission's report, released in April 1983, found that submarine incursions were on the increase and concluded that the Soviet Union was the probable perpetrator. As a result of the report, Palme recalled the Swedish Ambassador to Moscow and issued a strong protest to the Soviet Union. [redacted]

The Palme government has since shown interest in improving relations, but its scope of action is limited by the political fallout from continuing reports of violations of Swedish territorial waters. Last autumn, Swedish media reported that Palme had authorized UN Ambassador Ferm to make a conciliatory overture to the Soviets the previous spring through Palme Commission member Georgiy Arbatov. The resultant political furor forced Palme to defend himself publicly. [redacted]

Palme continues to look for opportunities to improve relations, while attempting to project firmness on the submarine issue. He raised this issue in a January meeting with Soviet Foreign Minister Gromyko—the first ministerial-level meeting between the two countries since the W-class submarine incident. Gromyko denied that Moscow is responsible for the incursions and voiced no objection to Sweden's dealing harshly with future intruders. Afterward, Palme publicly portrayed Gromyko's words as a "signal" that Moscow intends henceforth to respect Sweden's territorial integrity. [redacted]

This momentum toward a thaw was disrupted in February when the Royal Swedish Navy discovered evidence of what was believed to be a foreign underwater vehicle in the Karlskrona archipelago. Once again, the Soviets were widely assumed to be responsible. [redacted]

The Navy's failure to come up with any direct proof after a two-month search enabled Palme to resist pressures to cancel a March visit to Moscow by the political director of the Ministry of Foreign Affairs, Jan Eliasson. In a newspaper interview in early April, Foreign Minister Bodstrom refused to comment on the Karlskrona incident and said that Stockholm places great stock in Gromyko's assurances on the submarine issue. [redacted]

Soviet Responses

Moscow has remained intransigent on the submarine issue and obviously has no intention of admitting to willful violations of Swedish territorial waters. The Soviets may hope that the Swedes' inability to capture

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or disable a submarine or submersible will erode the credibility of the accusations and fortify the Soviet claims of innocence. [redacted]

To counteract the submarine charges, Moscow has launched a propaganda attack accusing NATO and the Swedish military of manufacturing the whole affair and charging the Swedish media with waging a campaign of anti-Sovietism. The Soviet press has suggested that the Swedish military openly cooperates with NATO by sending its officers to the United States for training, instructing NATO pilots in Sweden, and permitting the transport of NATO military equipment across Sweden to Norway. [redacted]

Moscow has exempted Palme from public criticism and has continued to accord his disarmament activities favorable press coverage. [redacted] the Palme Commission's mid-January meeting in Rome typically played up his criticism of US arms policies. Following the meeting, a leading Soviet weekly featured a front page interview with Palme focusing exclusively on arms control and European security [redacted]

The Soviets have tried to burnish their image with the Palme government by moving closer to Palme's position on the proposed Nordic nuclear-weapons-free zone (NNWFZ). In a June 1983 speech, Soviet leader Andropov reversed Moscow's longstanding opposition to discussing nuclear-free status for the Baltic Sea, where the Soviets station six G-class ballistic missile submarines and other vessels carrying tactical nuclear weapons. Andropov's speech came just five days after Palme had advocated a nuclear-free Baltic in a speech in Helsinki. [redacted]

It is not clear whether Moscow has tried to use its limited economic leverage with Sweden to prod Stockholm into political concessions. Swedish officials believe that Moscow's rejection of Swedish participation in the lucrative Tallinn port expansion project, which was announced in the midst of the computer diversion case, was politically motivated. On the other hand, in courting the Swedes on issues such as the proposed natural gas pipeline through Finland, the Soviets continue to profess their interest in expanding commercial ties. [redacted]

Prospects

We believe that during the next few years any improvement in Soviet-Swedish relations is likely to be gradual. Palme apparently feels that the current chill serves no useful purpose, but the political constraints on his government will compel it to proceed with caution, especially as the scheduled 1985 Riksdag elections approach. Moscow, in turn, has only limited incentive to make concessions to the Swedes. The Soviets have not suffered economically because of strained relations, nor do they stand to gain substantial economic benefits from a thaw. More important, they apparently believe that Sweden is unlikely to abandon its traditional neutrality no matter how much it protests against territorial violations. [redacted]

The submarine controversy has hurt Moscow's image in the Nordic region, however. Thus, Soviet concessions, if they come at all, are likely to pertain to regional security issues—the Nordic nuclear-weapons-free zone above all—rather than to Sweden's concerns over its territorial integrity. Andropov's June 1983 offer to discuss nuclear-free status for the Baltic was an example of this strategy. Last December, a Soviet general told a Finnish newspaper that Moscow may also be willing to discuss partial denuclearization of Soviet territory "which borders on Finland and the Baltic states" in conjunction with the establishment of an NNWFZ, a statement Palme called a promising signal. As further inducement to Palme and other Scandinavian socialists, Moscow will probably continue to evince flexibility on the proposed zone. [redacted]

Under existing conditions, Moscow is most likely to continue to flail away at the Swedish press and military while it simultaneously woos the socialist government with European disarmament proposals. Any substantial change in the Soviet modus operandi would require a perceptible increase in the cost of its policy or a shift in the political-military consensus in Moscow. [redacted]

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The Soviet Economic Stake in Western Europe

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Moscow's trade with Western Europe is a highly profitable operation, in the black by more than \$7 billion in 1983.¹ The region is second only to Eastern Europe among the USSR's trading partners. Trade with Western Europe accounts for some 20 percent of Moscow's overall commerce and 65 percent of its hard currency exchanges. Nevertheless, we expect the USSR will continue to avoid becoming too dependent on trade with the West. Thus, Soviet imports of West European machinery and equipment—which surged in 1982-83 with deliveries for the gas pipeline from Siberia to Western Europe—are likely to stagnate or even decline.

The General Picture

Moscow is maintaining its cautious approach to East-West trade and is increasing pressure on its Communist trading partners to provide more of the goods the Soviet economy needs. This caution stems from the Soviets' longstanding conservative approach to borrowing, reluctance to rely too heavily on non-Communist suppliers, and doubts about the capacity of their economy to assimilate large amounts of imported Western technology. The Western trade sanctions imposed after the Afghanistan invasion and the Polish crisis almost certainly dampened the enthusiasm of Soviet planners for depending on imports from the West.

Even so, the Soviets believe that maintaining trade ties with Western Europe carries both economic and political benefits. Economically, the region is a source of hard currency for their energy exports and a major supplier of machinery and equipment. Politically, the Soviets see trade ties as a way of diverting West European interests away from the United States. After rising sharply in the first half of the 1970s, this trade has grown more slowly since 1976.

Soviet trade with Western Europe is largely an exchange of fuels for steel and machinery. Energy products account for roughly 80 percent of Soviet

¹ Trade values used in this article are from officially reported Soviet data and, as such, vary somewhat from totals reported by the West Europeans. Both exports and imports are expressed on an f.o.b. basis.

exports to the area. Within the energy account, roughly two-thirds consist of sales of crude oil and oil products (both Soviet-origin oil and OPEC oil that Moscow lifts for resale in Europe), and natural gas accounts for most of the rest. Other Soviet exports include raw materials, chemicals, diamonds, and various precious metals such as platinum and gold.

Soviet imports from Western Europe are dominated by machinery (especially heavy industrial machinery) and steel products (notably large-diameter pipe). Imports of machinery and equipment—which in real terms had declined in 1977-81—surged in 1982-83 with deliveries for the Siberia-to-Western Europe gas pipeline. Moscow also has depended on Western Europe for some agricultural products. In addition to French grain, Moscow purchases sizable quantities of refined sugar, meat, and soybean meal from European suppliers.

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As a trading partner, Western Europe is far more valuable to the USSR than the Soviets are to the West Europeans. Exchanges with the region account for 20 percent of the USSR's overall trade. The export gas pipeline project, for example, required substantial imports, particularly compressors and turbines, as well as large-diameter pipe from West Germany, France, and Italy. Imported Western equipment has also been critical to Soviet efforts to expand the chemical and automotive industries. Moscow depends on West European suppliers for certain specialty imports (most notably plastics, pesticides, and manmade fibers) that the Communist countries either do not produce at all or do not produce in the quantity needed by the USSR.

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On the other hand, exports to and imports from the USSR represent less than 5 percent of Western Europe's overall trade. The obvious exception is energy. In 1983, Soviet oil deliveries accounted for nearly 10 percent of West European oil consumption, and the share of gas was even higher. By the end of the decade, when the Siberian gas pipeline system is fully operational, the USSR could be providing as much as one-third of the gas requirements of West Germany,

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France, and Italy. Energy demand in Western Europe is currently weak, however, suggesting that a Soviet effort to increase sales there could falter fairly quickly; demand for the USSR's nonenergy products also is uncertain.² (Moscow's economic relationship with the major West European countries is detailed in table 1.)

[Redacted]

[Redacted]

Recent Trade Trends

In 1983 the value of the USSR's trade with Western Europe topped \$40 billion, [Redacted] Soviet exports to the area amounted to nearly \$25 billion, and imports totaled nearly \$18 billion (table 2). This trade is heavily skewed toward the major industrial countries. Trade with West Germany,

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Table 2
USSR: Trade With Western Europe

Million US \$

	1980			1981			1982			1983		
	Exports	Imports	Balance	Exports	Imports	Balance	Exports	Imports	Balance	Exports	Imports	Balance
Total	22,578	16,405	6,173	22,393	16,839	5,554	24,598	16,186	8,412	24,798	17,616	7,182
Major partners	15,894	12,706	3,188	16,098	12,445	3,653	17,145	12,347	4,798	17,755	13,286	4,469
West Germany	4,767	4,603	164	5,053	3,757	1,296	5,610	4,020	1,590	5,490	4,536	954
France	3,453	2,326	1,127	3,509	2,314	1,195	3,162	1,749	1,413	3,270	2,332	938
Italy	3,235	1,438	1,797	3,453	1,393	2,060	3,952	1,687	2,265	4,048	1,939	2,109
United Kingdom	1,323	1,467	-144	897	1,193	-296	1,122	1,038	84	1,600	853	747
Finland ^a	3,116	2,872	244	3,186	3,788	-602	3,299	3,853	-554	3,347	3,626	-279
Secondary partners	6,684	3,699	2,985	6,295	4,394	1,901	7,453	3,839	3,614	7,043	4,330	2,713
Austria	894	610	284	1,187	705	482	931	739	192	764	1,063	-299
Belgium	1,297	590	707	1,038	625	413	1,423	790	633	1,337	825	512
Netherlands	1,582	555	1,027	1,417	637	780	2,163	496	1,667	1,653	661	992
Sweden	547	496	51	405	482	-77	587	476	111	881	344	537
Switzerland	685	620	65	460	691	-231	763	567	196	689	466	223
Other ^b	1,679	828	851	1,788	1,254	534	1,586	771	815	1,719	971	748

^a Finland and the USSR trade on a soft currency basis that carries a mandate for balanced trade.

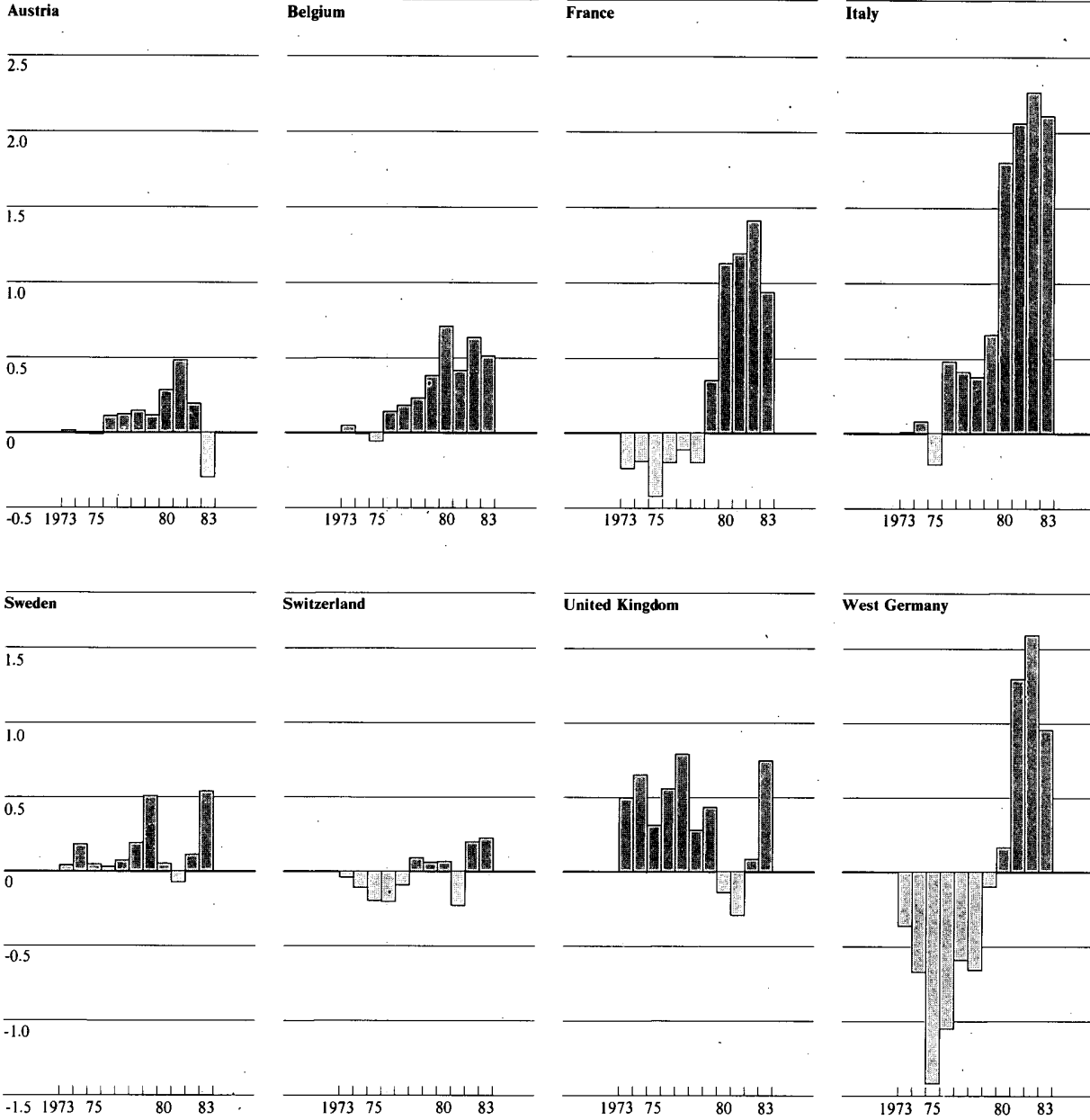
^b Includes Denmark, Greece, Ireland, Liechtenstein, Luxembourg, Norway, Portugal, and Spain.



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USSR: Balances With Selected West European Trade Partners

Billion US \$



Source: Official Soviet trade data.

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France, Italy, the United Kingdom, and Finland alone accounted for 20 percent of total Soviet exports and 16 percent of imports last year. With the first four of these, the USSR ran a trade surplus of \$4.7 billion. With the first two, its economic position is a dramatic reversal of the position a few years ago (see graph) []

Maintaining large trade surpluses with Western Europe allows the USSR to cover the trade imbalances it runs with hard currency suppliers elsewhere. In 1983, while the USSR's trade was in surplus with Western Europe, its trade with Japan, Canada, Argentina, and the United States was in deficit by \$7 billion. []

West Germany. West Germany is the Soviet Union's largest hard currency trade partner, accounting for nearly one-fourth of its trade with Western Europe. Moscow values the quality of industrial technology provided by the West Germans, who supply equipment and expertise for a number of large-scale development projects in the USSR. Their firms have provided nearly half of the large-diameter pipe, many of the turbines, and much of the management and technical expertise for the Siberian gas export pipeline. Soviet orders for West German equipment, however, have fallen more than 50 percent since pipeline and other contracts were signed in 1981, and in 1983 they totaled only \$800 million (table 3). []

Foreign Minister Gromyko, in talks in Vienna with his West German counterpart, reaffirmed his country's desire to expand trade. This reflects an effort to prevent the trade surplus with Bonn from dropping further (it fell from a record \$1.6 billion in 1982 to \$1 billion last year). In addition, Soviet officials participating in the Soviet-West German Economic Commission meetings in Moscow in November 1983 reassured their counterparts that INF deployment would not affect bilateral economic ties, despite earlier hints to the contrary. []

France. The Soviets have run trade surpluses with France ever since the late 1970s. France is a major buyer of Soviet energy, but French sellers generally are at a disadvantage when competing against other Western firms—particularly the West German. In an effort to redirect some purchasing toward France, the USSR reportedly will award the multimillion-dollar Tenghiz gas-gathering project contract in May to a

Table 3 *Million US \$*
USSR: Orders Placed for
West European Machinery and Equipment

	1980	1981	1982	1983
Total	2,066	5,380	3,184	1,310
Major partners	1,892	5,050	2,411	1,174
West Germany	892	1,797	1,162	808
France	806	1,948	746	123
Italy	55	843	326	140
United Kingdom	139	462	177	103
Secondary partners	174	330	773	136
Austria	121	137	655	19
Belgium	1	0	1	6
Netherlands	1	70	30	10
Sweden	30	93	11	30
Switzerland	0	29	11	41
Other ^a	21	1	65	30

^a Includes Denmark, Norway, and Spain.

[] consortium that includes French firms. This could be the first major Soviet contract awarded to France since 1982 and may improve Moscow's relations with Paris, which is known to be concerned about the perennial French trade deficit with the USSR. []

United Kingdom. Soviet trade relations with the United Kingdom have been strained for several years, with neither side inclined to launch a drive to expand ties. Moscow is suspicious of Prime Minister Thatcher's government and displeased by her strong support of Washington's policies. British business and industry representatives maintain contacts with Soviet counterparts, but their interest currently seems to be minimal. []

Italy. Close economic ties between the Soviet Union and Italy predate the growth in Soviet-West European trade that occurred in the 1970s. Trade relations, however, have been affected by Italy's frequent government changes, the limited Soviet demand for

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Italian exports, and Rome's reliance on Soviet energy supplies. The \$2 billion trade deficit the Italians ran with Moscow last year was the largest in Western Europe. Nevertheless, Italian firms continue to compete successfully for Soviet business—Montedison and Fiat maintain long-term economic cooperation agreements with the Soviets—and Italy remains a major purchaser of Soviet energy. [redacted]

Prospects

The large trade surpluses with Western Europe are likely to continue at least through 1984, even if Soviet exports stagnate or drop somewhat. Nonetheless, Moscow's ability to maintain its oil exports to the region could be constrained by domestic oil production difficulties, variations in the weather and energy demand in Western Europe, and OPEC pricing strategies. Earnings from gas sales—the USSR's second-largest export to the region—are subject to many of the same influences. Rome and Moscow have agreed that Italy will pay a lower price for gas and will buy less than it had previously contracted for; both Bonn and Paris have said they will try to duplicate the lower prices. [redacted]

As Soviet domestic difficulties mount and economic growth slows, it appears that Moscow will try to hold down Soviet reliance on economic ties with the West. Soviet planners apparently hope to reduce imports from the West this year, in order to offset the expected sluggishness of exports. The plan for 1984 calls for a rise of 10 percent in trade with Communist countries—implying a decline of roughly 10 percent in trade with non-Communist countries. Soviet aversion to the rapid growth of hard currency debt in the mid-1970s led to a sharply slower growth in real imports—from more than 18 percent a year during 1971-76 to about 2 percent a year during 1977-83—and restraints on new borrowing. (The sharp upturn in imports of Western farm products and pipeline-related equipment accounted for much of the trade growth in 1981-83.) [redacted]

Although the USSR continues to look to Western nations for advanced technology to boost its lagging productivity and growth, the value of Soviet orders for machinery and equipment declined last year, as shown in table 3. After peaking in 1981 at more than \$5 billion (mostly for pipeline equipment), orders amounted to just \$1.3 billion in 1983. The value of Soviet orders placed with West European firms last year was the lowest annual total since the early 1970s and 75 percent below that of 1981. [redacted]

In the longer run, we expect that Moscow will continue to give import priority to the equipment necessary for developing energy resources. The Food Program, which gives top priority to upgrading capital stock in all phases of food production, is also likely to receive special attention over the next few years. Imports of machinery for other sectors probably will suffer, though Moscow probably will try to continue its imports of spare parts and other maintenance items. [redacted]

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Other Topics

Implications of Census and Birth Undercounts for USSR Manpower Problems [redacted]

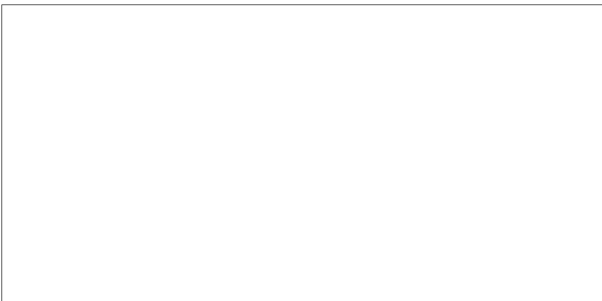
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A recent study [redacted] estimates that Soviet population data "miss" 4 to 6 percent of annual births and up to 3 to 4 percent of selected age groups under 25. Although the birth undercount may be slightly exaggerated, we believe the findings are basically accurate. [redacted]

We have adjusted our manpower estimates to reflect these findings, but the increase is too small to change our assessment that the USSR faces serious manpower constraints and regional imbalances in the 1980s.¹ The additional young adults are only 0.1 percent of the working-age population. The impact on our projections of draft-age youth (18-year-old males) is also minor, adding 1 to 4 percent. Thus, the military still faces a significantly reduced manpower supply. [redacted]

The Undercount Problem

Using complex but widely accepted techniques for manipulating population data, [redacted] found that published Soviet demographic data systematically undercount children and adolescents.² Comparing data from the



1959 and 1970 censuses with primary school enrollment data shows that both censuses undercounted children up to 6 by 3 to 4 percent; the 1970 census also undercounted those 16 and 17 and 20 to 24 by 3 to 4 percent. (The Soviets have made a complete count of males 18 and 19 in both censuses because of the universal conscription of males in this age group.) In addition, [redacted] estimated that Soviet birth statistics, which give us the annual population increments, missed 4 to 6 percent of all births in the 1950-70 period. [redacted]

We believe that primary school enrollment data, which [redacted] used, are more complete than census or birth registration data because of the virtually universal enrollment in the primary grades, the uniform age at entry, and the availability of data since 1950. However, most enrollment data are not reported by grade and must be adjusted for repeaters, dropouts, and enrollments in schools for the handicapped. Also, school and calendar years do not coincide. On balance, these disadvantages are outweighed by the fact that enrollment data provide a highly complete independent registration system. [redacted]

Young children, adolescents, and young adults are likely to be undercounted by censuses generally. Young Soviet adults (16 to 24) could be missed because they may be living illegally in certain cities without a required residence permit. They also would not appear on housing lists, which serve as verification

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for census takers. Moreover, people in this age group show the highest rates of migration and, as transients, are difficult to enumerate. They may be marginal members of households, such as temporary residents, or recent migrants supposedly counted elsewhere. Young adults also have the highest fertility rates, so any children they may have would be omitted as well.

Preschool children might also be missed in the census, because resident registration, particularly in rural areas, is often incomplete. Privately owned houses, commonly found in rural areas, are not subject to mandatory household registration, so parents could neglect to register children with the housing authorities.

The principal reason for the birth undercount is that the Soviet Union relies primarily on *parental* initiative in registering births. Estimates of birth registration are likely to be low by as much as 4 to 6 percent despite the fact that registration facilitates access to medical services, housing, and monetary rewards. Although [redacted] do not estimate the regional breakdown of the undercount, most of the births not counted are almost certainly in Central Asia. A comparison of reported births with the census shows that in the late 1960s birth registration in the European republics was virtually complete, but in the Central Asian republics from 5 to 10 percent of births were missed.³ [redacted]

The undercount is not surprising to those familiar with collecting population data. What is unexpected is that the Soviets apparently pay no attention to the problem. To the best of our knowledge, not one Soviet publication addresses national enumeration issues. [redacted]

Implications for the Labor Force

Historically, rapid growth in the size of the labor force has been a major contributor to Soviet economic growth. During the 1980s this will not be possible because growth of the working-age population (males 16 to 59, females 16 to 54) and of the labor force will decelerate sharply. The working-age population during 1981-90 will increase only one-quarter as much as

it did during 1971-80. This slower growth rate will be caused by fewer children reaching working age, reflecting the sharp fall in the birth rates in the early 1960s, and more adults reaching retirement age, reflecting the high birth rates during the 1920s and 1930s. [redacted]

The tightness in the national labor market will be exacerbated by differences in regional manpower availability. Of the roughly 9.5 million workers who will join the labor force during this decade, about 90 percent will come from Central Asia and Kazakhstan. But the greatest demand for workers in the 1980s will be in the highly industrialized western USSR, where the native labor force is expected to decline, and in the resource-rich but climatically severe area of West Siberia, which has traditionally had to rely on immigration for the bulk of its labor increments. [redacted]

Our projections of the working-age population to 1990 were adjusted upward to account for the findings of [redacted]. We increased the number of 16-year-olds and persons 20 to 24 by up to 3.5 percent annually.⁴ Figure 1 shows that the adjusted increment to the working-age population in 1990 will be 150,000 larger than our original projection. This change is only 0.1 percent of the working-age population, too small to indicate that the labor shortage will be significantly less severe than we had thought previously. Moreover, workers in the southern-tier republics generally have less education and fewer skills, and the economy there is more heavily agricultural than in other parts of the country. Therefore, adjustments to our projections of economic growth would show an even smaller impact if we took into consideration differences in the contribution of labor from these regions. [redacted]

Military Manpower Implications

Quantity. Since 1977 we have estimated that the Soviets will have a serious military manpower shortage in the 1980s. We are not sure exactly when this shortage will occur because there is a ± 10 percent

⁴ Age data from the 1979 census have not been released thus far, but would probably show a similar undercount. [redacted]

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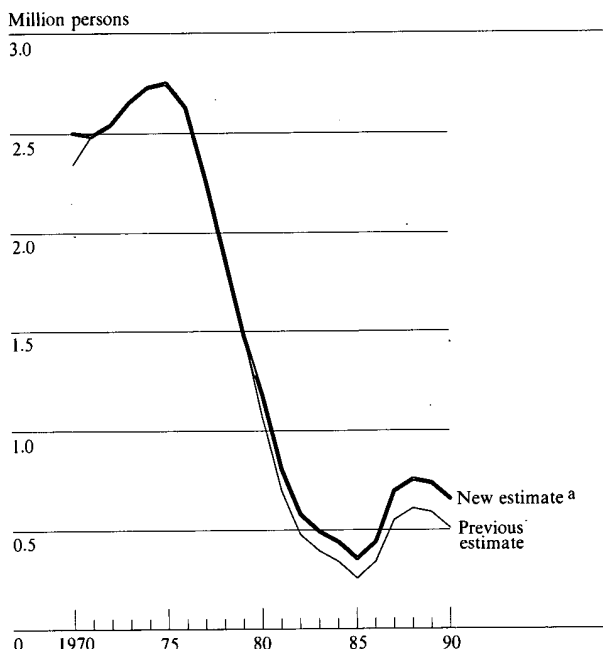
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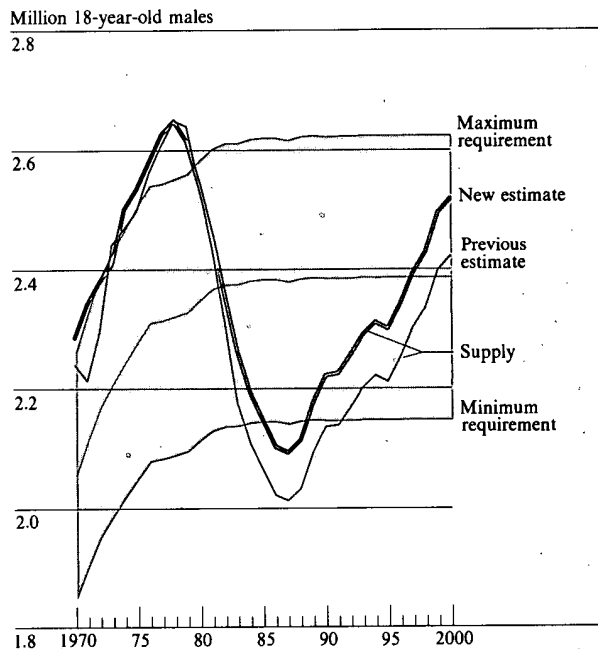
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Figure 1
USSR: Increments to Working-Age Population



^a Adjusted by 3.5 percent in 1970 for the 1970 census undercount of 16-year-olds, by 2.5 percent in 1980-86 for the 1970 census undercount of 0- to 6-year-olds, and by 3.5 percent in 1987-90 for birth undercount.

Figure 2
USSR: Conscript Demand Versus Supply

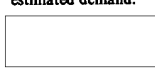


Note: Requirements assume constant force levels after 1983 and are 7.5 percent more than estimated conscript demand to account for health, education, and family hardship deferments. This assumes that education deferments after 1982 are minimal; if they are closer to historical levels, manpower requirements would be 10.5 percent more than estimated demand.



uncertainty in our estimate of military manpower requirements and we do not know how many unconscribed males under 27 are available to help offset the decline in the number of 18-year-olds. For example, as recently as 1980, there were 200,000 more 18-year-olds than we estimate the military required. These youths can be conscripted any time during 1981-88.

The addition of 1 to 4 percent more 18-year-olds obviously improves the Soviet picture, but not dramatically, given our uncertainty range (see figure 2). With the adjusted estimate, there are just enough 18-year-olds to meet the estimated minimum annual requirements except during 1986-88; the unadjusted estimate was below the minimum annual requirement for 1984-91. In both cases, there is a marked change from the situation during the 1970s, when there were



enough 18-year-olds to meet even the maximum requirement. Regardless of which estimate of the 18-year-old population we compare with the midrange projection, manpower constraints are severe: the number required exceeds the unadjusted, lower estimate of 18-year-olds from 1982 to 1998 and the revised, higher estimate from 1983 to 1996.

Overall, we continue to believe that the military faces an extended period of manpower constraints. The additional 18-year-olds may make it slightly easier to cope with this problem without extending the term of service; but the Soviets almost certainly will not be able to maintain current force levels without significant changes in their personnel practices. Possible

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measures include selective reductions in the rear services or construction troops; heavier use of reservists; greater reliance on civilians or women; a covert, selective extension of the service term for specialists; and an across-the-board troop reduction. [redacted]

Ethnic Mix. For most of the USSR's history, the ethnic mix of the draft-age population has been relatively stable with slightly more than 20 percent non-Slavic. In the late 1960s the non-Slavic share began to grow rapidly—it now stands at 35 percent and will reach at least 39 percent by the end of this decade. Since the birth undercount is concentrated in Central Asian republics, this latter figure may be higher, perhaps 41 percent. This shift toward non-Slavic groups has intensified the military leadership's longstanding concerns about non-Slavic soldiers. Open-press articles cite three ethnic-related problems: Russian-language deficiencies, lower educational achievement, and conflict among nationalities (which is referred to obliquely).⁵ There may also be lingering doubts about the loyalty of some non-Slavic groups because of Soviet experience in World War II. [redacted]

Although these problems are not new, they are taking on a new priority. The June 1983 Central Committee plenum directed that schools, particularly premilitary programs, intensify Russian-language instruction, that political indoctrination of conscripts give more prominence to ethnic issues, and that more non-Slavic candidates be "nominated" for officer schools. None of these moves represents a fundamental reform, however, and none is likely to achieve quick results. [redacted]

Since upgrading education and language skills among non-Slavs will be a slow process, the military will have to rely on its ability to assign conscripts to positions that match their abilities. We do not know the details of Soviet assignment practices, but it is clear that units with minimal security or skill requirements have highly disproportionate numbers of ethnic minorities. We estimate that about 65 percent of the Construction, Railroad, and Internal Security (MVD) conscripts are non-Slavs, twice the non-Slavic share of the draft-age population in 1980. As a result, the national security force has disproportionately few

⁵ See, for example, Adm. A. I. Sorokin, first deputy chief of the Main Political Directorate of the Armed Forces, "Developed Socialism's Armed Forces," *Voprosy filosofii*, Number 2, February 1983. [redacted]

non-Slavs.⁶ We estimate that, because of intensifying demographic pressure, the share of non-Slavs in the national security force has risen from 9 percent in 1970 to 22 percent today. Given the Soviet practice of conscripting nearly all available men and the concentration of the birth undercount in Central Asia, we project that by 1990 this share could reach 30 percent, rather than 27 percent as previously estimated. [redacted]

This greater reliance on non-Slavs has probably outstripped any improvements in education and language abilities. Our undercount-adjusted estimates imply that in the late 1960s the national security force was relatively selective, taking about 20 percent of non-Slavic conscripts, presumably the better educated 20 percent, while the rest did construction work or prison guard duty. By 1980 the national security force had about 40 percent of the non-Slavic conscripts, and, if overall manpower levels remain constant, this figure will reach 50 percent by 1990. Dramatic improvements in overall education and language ability among non-Slavs would be required for conscript qualifications to remain the same. Therefore, the average non-Slavic conscript in the armed services probably is less educated and less fluent in Russian than was the case 15 years ago. In the future, manpower qualifications will probably be an even bigger problem than at present. [redacted]

Soviet Perceptions

If Soviet demographers factored in the undercount, would it change civilian or military planning? The negligible impact on the labor force suggests that awareness of the undercount would not change economic planning. [redacted] the military collects its demographic data for males under 16 from local school enrollments, the very source against which [redacted] tested the census and birth data. The military is therefore already using the USSR's most reliable data, and its planning is probably unaffected by census and birth undercounts. [redacted]

⁶ We define the Soviet *national security force* as those elements that perform missions of national defense similar to those of the US military. These are the 4.4 million men in the armed services, the KGB Border Guards, and national command and support units. Excluded are the 1.5 million men in the Construction, Railroad, Internal Security (MVD), and Civil Defense Troops. For details of this estimate, see *Ethnic Balance*, op. cit. [redacted]

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Briefs

**Differences on INF
Within Warsaw Pact**

The communique issued following the Warsaw Pact Foreign Ministers' meeting on 20 April and recent statements by some East European leaders reflect continuing East European disagreement with Soviet INF policy despite Soviet pressure for greater Pact unity. The communique softened Soviet INF rhetoric slightly, placed more emphasis on dialogue to resolve disputes, and was less categorical in demanding a reversal of NATO's INF decision as a prerequisite for resuming negotiations.

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Despite superficial support for Soviet positions in public statements, most East European regimes favor a compromise by the superpowers that would allow a resumption of the Geneva talks.

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**Nonparticipation
in the Olympics**

Moscow's decision not to participate in the summer Olympics in Los Angeles was intended to dramatize its dissatisfaction with the state of US-Soviet relations, primarily in order to increase domestic and international pressure on the US Government for more conciliatory policies. The Soviets focused on security issues, charging "connivance" by US authorities in the activity of extremist groups and claiming that anti-Soviet "hysteria" was being generated in the United States.

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Moscow was almost certainly concerned both about security and about opportunities for defection among its athletes. The action, however, was taken for maximum political effect. Along with suspension of the Geneva talks on limiting nuclear weapons, the Soviet decision marks a departure from Moscow's approach to bilateral relations for over a decade, when the USSR was reluctant to disrupt such highly visible contacts. Following General Secretary Chernenko's statement the previous week indicating that US efforts to improve the relationship were inadequate, the action suggested a Politburo consensus that only unprecedented toughness on Moscow's part would evoke a moderation of US policies.

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Results of Soviet Naval Exercise

A review of the recent Soviet naval exercise—one of the largest ever conducted—shows that it was a test of the Navy's ability to quickly mobilize its forces.

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[Redacted]

The exercise tested and demonstrated the Navy's concept for protecting its ballistic missile submarines and defending them and the USSR from attack by NATO naval forces. It included most of the steps necessary to prepare the Soviet naval forces for hostilities. The exercise was the first, however, to contain all these elements on such a large scale and in a short time.

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Soviet-Ethiopian Relations Strained

[Redacted]

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Moscow appears to be worried that it may lose influence in Addis Ababa despite its extensive military aid and that arms credits will never be repaid. The Soviets might consider making new military or economic aid commitments if pro-Soviet civilians were given important positions in the new Communist party. Mengistu's nationalistic military clique, however, probably will control the party. Chernenko is unlikely to attend the party inauguration in September unless he is satisfied that the party is pro-Soviet. The USSR, however, will continue to provide the minimum amount of military and economic aid needed to maintain its position in Ethiopia.

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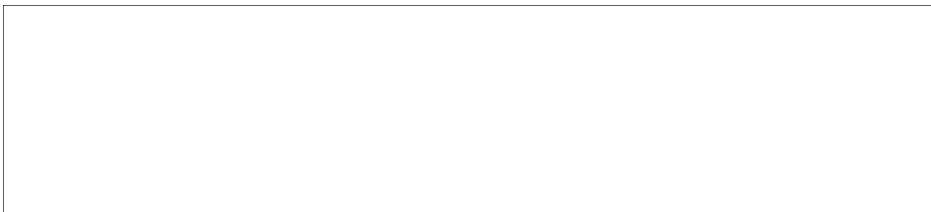
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Moscow Raises Large Loan in the West

The Soviet Foreign Trade Bank, Moscow, and Dresdner Bank International (DB), Luxembourg, have reached final agreement on a \$250 million general purpose loan syndication, culminating DB's six-month search for participants. Although the loan had originally received a cool reception in the Euromarket, the final figure reflects a subscription of \$150 million more than Moscow had requested. Press sources report that, had Moscow been interested, the value of the syndication might have climbed still further. No US banks are taking part in this syndication.

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Several factors probably contributed to the enthusiasm eventually elicited by the loan The USSR, with its current high credit rating, is an attractive borrower at a time when there is a definite shortage of relatively low-risk outlets for Western bank funds. Also, enough Western banks indicated interest (31 participated) that the share of risk borne by any one bank was reduced to acceptable levels. Perhaps most important, the Soviets, while refusing to let Dresdner Bank raise the actual interest rate spread, agreed to pay a management fee and shorten the term of the loan, thus bringing the effective rate spread into line with current market rates.

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Japanese Aid for Phosphate Project

The USSR plans to develop East Siberian phosphate deposits with Japanese assistance on a compensation basis This is the first known instance of a Western country's participation in phosphate mining in the USSR. Moscow plans to invest \$190 million over the next 10 years to develop Seligdar phosphate deposits near Alden in East Siberia. The USSR estimates Seligdar's phosphate reserves at 3 billion tons. During 1986-90 the Soviets plan to construct production capacity for an annual output of 1.5 million tons of apatite concentrate, and they plan to double that amount during 1991-95.

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Development of the deposit will make it possible to increase supplies of badly needed phosphate fertilizer to Siberia—supplies are currently transported from the western part of the country. Extension of a spur from the BAM will be needed to make the deposit accessible.

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