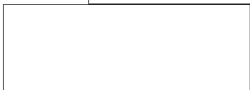




**Director of
Central
Intelligence**

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National Intelligence Daily

**Tuesday
27 September 1988**



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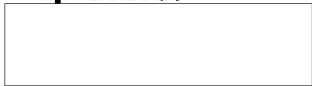
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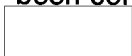
USSR:

Reassessing Collectivization


A distinct shift over the past month in the official view of Stalin's forced collectivization in the 1930s—from carefully balanced treatment a year ago to wholesale condemnation—seems intended to support General Secretary Gorbachev's initiatives to restructure the farm system. 

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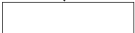
In a speech to media officials last week, Gorbachev noted that the long-awaited Central Committee plenum on agriculture would take place "first thing next year" but acknowledged that his program to give individual initiative more scope through long-term leasing arrangements was meeting strong resistance from officials and farmers alike. He blamed the legacy of collectivization in the 1930s. "We were in too much of a hurry to change things then, and we are still trying to untangle ourselves," he told farmers in Krasnoyarsk earlier this month. "We destroyed the peasantry." Gorbachev's impromptu remarks seemingly contradict the assessment in his anniversary speech in November 1987 that, although injustices had been committed, the policy of collectivization had proved "correct."



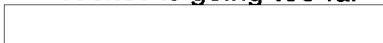
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The shift was reinforced in a *Pravda* article on 16 September by historian Viktor Danilov, who flatly asserted that "no objective factor can justify the violence that occurred during collectivization." His estimate of the number of victims who died during the famine that ensued in many rural areas was reportedly deleted, but the article described Western estimates of 3 to 4 million deaths as reasonable. This estimate contrasts with the estimate of thousands Gorbachev used in his 1987 speech. 

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Comment: Gorbachev's efforts to change farms into true cooperatives of independent leaseholders are not likely to succeed as long as Stalin's model of tightly controlled farms is the ideologically approved one. Even farmers whose initiative has not been destroyed might hesitate to enter leasing arrangements out of fear of being compared to *kulaks*, wealthy peasants who were dispossessed during collectivization. 

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Orthodox Communists remain uneasy over the current attacks on collectivization. "Second Secretary" Ligachev has recently come out strongly in favor of long-term leasing, but in the past he has forcefully defended collectivization and may believe Gorbachev is going too far in dismantling the existing farm structure. 

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CHINA-USSR:**Chinese Debate Relations With Moscow**

Chinese leaders apparently have been debating the timing and extent of further improvements in relations with Moscow, but Deng Xiaoping, who almost certainly has the final word on such decisions, apparently wants to proceed slowly for now.

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Uncorroborated information indicates a group of senior Foreign Ministry officials submitted a proposal this summer recommending closer party and governmental ties to the USSR, but as of early September there had been no response. The proposal reportedly was passed to Deng who, with the support of key military leaders, was considered likely to reject it. Other unconfirmed information indicates Beijing is waiting for specific Soviet measures on Cambodia and for the inauguration of the new US administration before scheduling a summit with Moscow.

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The US defense attache in Beijing reports China's military leaders oppose a rapid rapprochement with Moscow; they have indicated new preconditions for Sino-Soviet normalization may be raised. In response to a reporter's question, China's Foreign Ministry spokesman noted on Thursday that the USSR must withdraw all its forces from Mongolia as quickly as possible.

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Comment: Deng is probably not opposed to a Sino-Soviet summit as such, but he almost certainly believes he can win more concessions from Moscow by holding out and wants to keep Sino-Soviet relations from becoming a US election issue. The spokesman's response on Mongolia was uncharacteristically pointed and may signal Deng's effort to slow the normalization process.

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Deng may also hope to manipulate the timing of a summit so that it does not enhance General Secretary Gorbachev's international stature at his expense. China's military is more reluctant than some in the Foreign Ministry to improve relations with Moscow, in part because a reduced Soviet threat would almost certainly be followed by further cuts in the already spartan level for funds allocated to defense.

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UK-IRAN:**Renewing Diplomatic Ties**

British Foreign Secretary Howe and Iranian Foreign Minister Velayati may complete arrangements for renewing diplomatic ties this Friday at the UN, but the move apparently is not directly connected to the hostage issue. [redacted]

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London wants to reestablish a fully functioning embassy with a minimum of 10 diplomats, according to the US Embassy in London. The UK all but cut ties last summer—following the beating of a British diplomat by the Revolutionary Guard—and limited the Iranian presence in London to one. The Thatcher government is currently trying to still press speculation that the renewal of ties involves a deal for release of the three British hostages held in Lebanon. [redacted]

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Comment: Interest in renewing ties is mutual. Tehran is trying to expand links to the West and probably hopes the British will press Iraq toward conciliation in the UN-sponsored peace talks. Iran probably has been encouraged by recent British criticism of Iraq's use of chemical weapons against the Kurds. [redacted]

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London's primary motivation in restoring relations is stronger commercial ties. The Foreign Office has worried for some time that British firms may be left out of emerging trade opportunities; the recent decision by Paris to renew ties and growing Iranian trade links to West Germany probably have fueled the Foreign Office's eagerness. British officials have been more confident about posting diplomats to Iran since a British official received assurances of their safety during a recent visit to Tehran. [redacted]

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Leaders of the Church of England who are attempting to negotiate the freedom of Anglican envoy Terry Waite are likely to hope that stronger ties will result in the hostages' release, but London seems unwilling to link the renewal of diplomatic ties to the hostages' release. Tehran probably still believes that its influence with the Lebanese Hizballah terrorists holding the British hostages has helped encourage London to normalize relations. Prime Minister Thatcher reportedly has been less interested than the Foreign Office in restoring relations and almost certainly would oppose any dealings that might undercut her advocacy of strong counterterrorist measures. [redacted]

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PERU:

Coup Rumors Abate

Senior Peruvian military officers are increasingly concerned about the deteriorating economy and the perception that President Garcia is no longer managing policy, but they apparently believe the costs of a coup would still outweigh the benefits. [redacted]

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The longstanding antagonism toward Garcia among senior officers began to build earlier this month because of their concern about the impact of inflation on salaries and budgets. The US defense attache reports the Defense Minister told Garcia on 12 September that inflation, which is likely to reach 600 percent by December, is undermining the morale and reliability of the armed forces. [redacted]

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To head off discontent, Garcia has promised to increase military salaries by 50 percent and has committed the government to undefined budget increases for each service, [redacted] [redacted] Garcia has also confronted the Defense Minister with taped telephone conversations between military plotters, after which the Minister agreed to tour military bases with service chiefs to talk up the proposed pay increases with fellow officers and to discourage further plotting. [redacted]

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A source of the attache says that, before departing on the trip, the military leaders agreed among themselves that a coup would be ill advised at this point. They argued that the military does not have solutions for Peru's economic difficulties and that the government should be forced to take the heat for its own failures. [redacted]

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[redacted] senior Army officers in the military region around Lima assured the Defense Minister last week that they oppose a coup. The Minister later emphasized in two public statements that the armed forces fully support democracy, and the US Embassy says rumors of an imminent coup have faded. [redacted]

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Comment: Garcia probably has preempted whatever plotting was under way and bought himself some time with the military. Dislike of him remains widespread in the services, but he has supporters in key positions and no leader has yet emerged who seems capable of capitalizing on the antipathy toward him. Garcia's declining popularity may embolden some officers, but most probably have no desire to inherit the country's economic mess. [redacted]

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The public reaction to government austerity measures has been milder than expected so far, but, if widespread social disorder developed, the military would probably reassess its position. If Marxist Alfonso Barrantes continues to be the front-runner as the 1990 election approaches, moreover, the odds of a preemptive coup will increase. [redacted]

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BURMA: Increasing Troop Presence in Rangoon

The Burmese Government yesterday increased the number of troops in Rangoon to block an anticipated antigovernment protest and general strike, according to the US Embassy. Rangoon and Mandalay were calm this past weekend, but military searches and fear of government brutality have increased. The Burmese chief of police and six other senior police officials were sacked after the police chief refused to arrest opposition leader and former Prime Minister U Nu,

[Redacted]

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Comment: The display of military strength is a reminder of the government's willingness to use force to control dissent. The dismissal of police officers is probably intended to tell officials at all levels to tighten discipline and to carry out government directives. Student and opposition leaders, meanwhile, have warned against mass protests because of the hopelessness of confronting heavily armed troops. Some armed student protesters nevertheless will probably try to carry out sporadic attacks against government forces.

[Redacted]

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NICARAGUA: Keeping Lid On Opposition

The regime is intensifying its harassment of internal opposition groups despite their already weakened position and low level of activity. Last week, unidentified assailants—probably officially sanctioned thugs, according to US Embassy sources—brutally attacked Joaquin Mejia, the editor of the opposition Liberal Independent Party's newspaper and a member of the National Assembly, after he published an article critical of the regime. [Redacted]

[Redacted] Sandinista officials recently warned a leader of the opposition umbrella group, Coordinadora, not to hold a protest march without permission last Sunday. The group's directors heeded the warning but held a 72-hour hunger strike last weekend to protest regime repression and an official propaganda blitz accusing them of being controlled by the CIA. [Redacted]

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Comment: The regime's campaign is discouraging all but innocuous opposition activity. The harassment of Mejia, who generally has worked within the system, suggests the Sandinistas are warning even the "loyal opposition" that there are limits to acceptable behavior. Allegations that the opposition is in the pay of the US are likely to make its leaders think twice about organizing public demonstrations and to give the regime additional justification for suppressing dissent.

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COLOMBIA: Rebels Counter Peace Bid With Violence

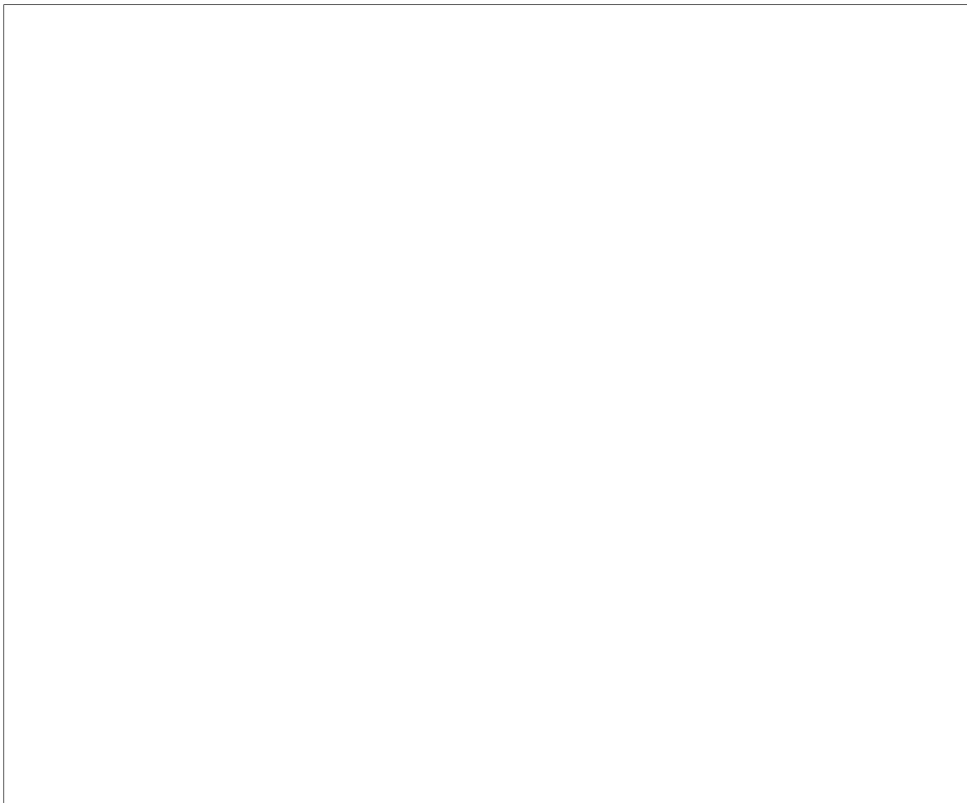
Rebel leaders have flatly rejected the government's recent peace offer and have begun a bold offensive against military installations. The Revolutionary Armed Forces of Colombia (FARC), the largest faction and leader of the national rebel alliance, last week countered President Barco's month-old call for guerrilla demobilization with a vague demand for broad popular dialogue, according to the US Embassy. FARC and its allies meanwhile launched an unprecedented series of strikes on military and police bases, in one case detonating a car bomb at a divisional Army headquarters in the northeast. [Redacted]

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Comment: The rebels may have delayed responding to Barco's offer in order to show that they can mount coordinated actions against the military, reportedly a primary objective of the alliance. They probably hope to weaken the counterinsurgency campaign by forcing the military to divert troops from combat to protecting bases. The rebels may also hope to undercut public support for the Barco government by calling attention to its inability to protect vital facilities—particularly in the northeast, where guerrillas have repeatedly damaged the major oil pipeline and other economic targets.

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ARAB STATES: Palestine Council Meeting Delayed

PLO Chairman Arafat has decided to delay convening the Palestine National Council for several weeks to get more time to seek a moderate consensus within his own ranks. [Redacted]

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The US Embassy in Algiers reports the PLO remains divided over the venue of the Council and local Palestinians expect a PLO decision this week. [Redacted]

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[Redacted] Arafat is facing determined internal opposition to any moderation of the PLO charter. [Redacted]

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Comment: Arafat is probably considering postponing the conclave until after the Israeli election on 1 November and holding it in Tunis rather than Algiers to avoid Algerian pressure. He probably believes he needs time to gain leverage over those PLO Executive Committee hardliners who fear he is inclined to offer excessive concessions to open a dialogue with the US. To maintain PLO unity, Arafat will probably try to prepare a compromise package, which might include the declaration of a Palestine government without defined borders or the formation of a small exile government with no independent authority. [Redacted]

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SAUDI ARABIA: Bond Market Opened to Public

Saudi Arabia's surprise move to expand domestic bond sales to the general public improves prospects for the government's sluggish financing program but risks new tension between the regime and the conservative religious establishment. The government is limiting publicity, but the US Embassy reports that Riyadh's new scheme removes most restrictions on bond sales and legalizes secondary trading. Earlier sales to financial institutions produced less than 40 percent of anticipated revenues because of bankers' concerns about the bonds' comparatively low interest rate and about the government's prohibition on secondary trading. [Redacted]

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Comment: Falling oil revenues and chronic budget deficits—\$14 billion this year—make the success of the bond program critical. Although bond sales almost certainly will increase with the new move, the government probably must also pay a higher interest rate on the bonds to sell enough of them to meet its revenue goals. The limited publicity about the expanded bond program probably will help mollify the conservative religious opposition, but that group is dogmatically opposed to interest-bearing securities and, at a minimum, will question the Islamic integrity of the kingdom's decision. [Redacted]

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POLAND: New Premier Designated

Poland's Communist party will nominate Politburo member Mieczyslaw Rakowski as Premier at today's session of the Polish parliament, according to Polish media. Rakowski, a close aide to party First Secretary Jaruzelski, is now the party's propaganda chief and has called Solidarity leader Walesa an enemy of the state. [redacted]

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Comment: Rakowski's previous hostility toward Solidarity should calm party hardliners' fear that the regime will go too far to placate Walesa. Rakowski advocates broadening the party's base while maintaining its supremacy, however, and is likely to reach out to nonparty independents—particularly leading Catholics—in forming his government. He is also a political ally of the party's foremost reform economist, Wladyslaw Baka, suggesting that his government will try to push economic reforms. Many opposition leaders distrust Rakowski, however, and he will have difficulty gaining support for his new policies from prominent figures close to either Cardinal Glemp or Walesa. [redacted]

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USSR-CHILE: Soviets Urge Nonviolent Tactics

Soviet disapproval of violent activity by the terrorist affiliate of the Chilean Communist Party (PCCh) is leading to tension between the party and Moscow, [redacted] The Soviets reportedly favor more moderate tactics to ensure the victory of the "no" campaign against President Pinochet in the 5 October plebiscite. Moscow reportedly fears that sustained violence would push voters into the "yes" camp. A senior PCCh official said earlier this year that the Soviets had been instrumental in influencing his party to support a "no" vote in the plebiscite rather than a boycott, [redacted]

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Comment: The Soviets evidently continue to believe that the "no" campaign is the best way to oust Pinochet and to broaden the PCCh's political base. If the "no" campaign wins, the Soviets almost certainly will press the PCCh to deemphasize violence and to build ties to Chile's main democratic parties to improve prospects for playing a role in a possible political transition. Moscow would probably condone some limited use of violence if Pinochet wins the plebiscite, provided that it would not irreparably damage PCCh ties to Chile's main democratic parties or provoke severe countermeasures by the military. [redacted]

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TAIWAN: Wrangling Over Mainland Policy

Taiwan's ruling party has expelled a senior legislator for violating the official policy of "no contacts, no negotiations, and no compromise" with China when he met with senior leaders in Beijing earlier this month and called for immediate reunification talks. The party claims his expulsion will not affect plans to liberalize Taipei's mainland policy further and announced late last week that some mainland residents will be allowed to visit aged relatives on Taiwan. Younger party members, however, have protested the expulsion and are calling for party workers to stage a mass walkout. [Redacted]

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Comment: Party conservatives—reacting viscerally to anything that resembles cooperation with the Chinese Communist Party—apparently have seized on the legislator's indiscreet behavior to try to slow the growth of unofficial ties between Taiwan and China. They see the new mainland policy as a security threat and are alarmed at the burgeoning indirect trade between Taiwan and China—likely to exceed \$2 billion this year. President Li Teng-hui and party Secretary General Li Huan, however, favor a more flexible policy toward China as a means of moderating Beijing's policies toward Taiwan. They may try to take advantage of public opinion favoring improved ties to China and press ahead with a more relaxed mainland policy during next year's legislative election. [Redacted]

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BAHRAIN-QATAR: New Talks on Hawar Islands Dispute

Bahrain has proposed to Qatar that the two countries settle their territorial dispute over the Hawar Islands through direct negotiations rather than through the World Court. The US Embassy in Doha reports that Bahrain's Crown Prince Hamad Al Khalifa and Qatar's Crown Prince Hamad Al Thani have met twice in the past two weeks to discuss the issue. The Bahraini Crown Prince reportedly fears tensions between Manama and Doha might disrupt the Gulf Cooperation Council's summit at Manama in December. [Redacted]

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Comment: Bahrain apparently is trying to maintain contacts with Qatar to soften Doha's insistence on bringing the dispute before the World Court. Qatar's willingness to discuss a political solution directly with Bahrain indicates that tensions have declined between Manama and Doha. Fundamental differences over ownership of the islands, however, are likely to delay significant progress toward a solution. [Redacted]

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In Brief

Europe

— Liberal Party member Frederick Bolkestein named **Netherlands** Defense Minister on Friday as government survived parliamentary crisis . . . predecessor forced to resign earlier this month for poor performance in previous position. [Redacted]

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— **French** Socialists gained slightly, extreme-right National Front declined in cantonal elections Sunday . . . lowest voter turnout since World War II . . . conservative parties will probably keep control of most departments after runoffs next Sunday. [Redacted]

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— Slovene reform advocate Franc Setinc has resigned from 14-member **Yugoslav** party Presidency . . . publicly attacked Serbian party chief Milosevic for manipulating ethnic tensions . . . foreshadows more leadership changes. [Redacted]

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International

— Foreign Ministers of Group of Seven countries, at **UN** this week, will probably approve recent antinarcotics proposals of joint task force . . . **France** somewhat skeptical, but topic probably high on summit agenda again next year in Paris. [Redacted]

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Middle East

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East Asia

— **Japanese** firming up plans for funeral of Emperor Hirohito, who remains in critical condition . . . to occur 40 days after death . . . government, banks, stock market to close for week at most . . . businesses likely to follow suit. [Redacted]

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— Press reports say **Taiwan** predicting 1989 exchange rate will average 28.5 New Taiwan dollars to US dollar . . . would mean no significant appreciation since late 1987 . . . ensures export growth, trade surplus. [Redacted]

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Americas

— US Embassy says **Salvadoran** President Duarte ordered separate judicial, military investigations of alleged Army massacre of 10 peasants last week . . . government concerned guilty finding might damage human rights image, threaten foreign aid. [Redacted]

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Special Analysis**PANAMA:****Noriega's Support Still Formidable**

Recent reporting strongly suggests Defense Chief Noriega has no plans for early retirement. [redacted]

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[redacted] Noriega is considering running for president in May 1989 and has ordered a poll to assess his chances if the election were honest. He probably sees the election as a solution to the political crisis that will legitimize his regime and allow the military's continued dominance of politics. [redacted]

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Noriega's recent actions regarding the possibility of renewed negotiations with the US also appear designed to keep his options open. He has sent tentative signals in recent weeks that he remains receptive to talks with Washington, but his public statement on Monday that the US had made the initial approach appears aimed at scuttling negotiations for the time being. [redacted]

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Noriega's traditional supporters are feeling the strain of 15 months of political and economic crisis in Panama, but they probably still see more risk than reward in breaking with him:

— Despite the recent surge in strikes, organized labor—a traditional bastion of military support—has shown no interest in uniting with the largely middle-class opposition, which it sees as too probusiness.

— [redacted] some officers privately favor Noriega's departure, fear of losing their perquisites—or their lives—in an attempt to oust him continues to inhibit the formation of any dissident group within the military.

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— The regime coalition remains united in spite of evidence of growing differences between Acting President Solis Palma and his cabinet. [redacted]

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Noriega is no doubt concerned about the recent labor strife, but, the military's takeover of key public services indicates he has not been intimidated and is resolved to hang onto power. Noriega is probably prepared to use greater force if necessary to quell future labor unrest, although he will first try his usual tactics of intimidation and negotiation. The recent decision by striking workers to return to work without additional government concessions has probably increased his confidence in his ability to retain control. [redacted]

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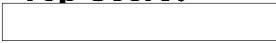
As long as Noriega is confident that he still has military support, he is not likely to give up power. He may quickly change his mind, however, if his tactics fail to stem labor unrest or begin to cost him support in the military. [redacted]

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France



Mitterrand: Ensuring His Place in History

With no higher office to run for and without a strong domestic policy agenda, Francois Mitterrand may try to perfect his place in history through lasting accomplishments in arms control and other foreign policy areas. The role of venerable helmsman suits the French President, who prefers dealing with broad concepts rather than details. Foreign affairs and defense are his constitutional prerogatives, and he can operate with greater freedom than in the domestic arena. Focusing on international affairs would allow Mitterrand to skirt the mire of everyday domestic politics. [redacted] he is displeased with much of the Socialist Party for criticizing his opening toward the center. [redacted] [redacted] the 72-year-old President as clearly irked that speculation about who might succeed him has begun so soon after his triumph at the polls in May.

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Special Analysis

FRANCE: Mitterrand Reviewing Arms Control Policy

President Mitterrand's public support for arms control over the past year is designed to increase France's leverage, strengthen European cooperation, and encourage progress in arms control—particularly on conventional arms—at a time when movement seems possible. His main objective is to dispel France's reputation as a spoiler on arms control. Because he is still refining his agenda on arms control, his visit to Washington this week presents an opportunity to influence his views. [Redacted]

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Mitterrand believes France's negativism on this issue has reduced French influence, and he wants Paris to be a player, particularly on NATO SNF modernization and on conventional disarmament. He also believes the warming of East-West relations should be exploited to produce further progress in arms control. He hopes as well to build on an increasingly close relationship with West Germany and to win economic and other concessions in exchange for insulating West German Chancellor Kohl from Allied pressure to make such difficult decisions as accepting the follow-on to the Lance missile. [Redacted]

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Mitterrand nonetheless has vacillated about what his priorities are. Before the NATO summit earlier this year, for example, he played down the importance of SNF modernization and questioned the usefulness of short-range nuclear systems. More recently, however, he has toned down these criticisms and concentrated instead on conventional force and chemical weapons issues. [Redacted]

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Focusing on Conventional Arms

The US Embassy in Paris reports Mitterrand is particularly concerned about the slow progress of discussions on conventional arms, and he has stated repeatedly in recent months that conventional forces should come first on the arms control agenda. He reportedly is trying to bring French policy on conventional arms control closer to that of other West European governments without abandoning France's opposition to bloc-to-bloc negotiations. The Embassy says he convened a brainstorming session of Foreign and Defense Ministry officials earlier this month to ensure that French positions do not hamstring negotiable Western proposals. [Redacted]

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Mitterrand believes that the conventional stability talks later this year will be political and should not be stymied by "complicated military factors," according to the Embassy. It is this attitude that probably led the Defense Ministry to brief him on the conventional imbalance in Europe. [Redacted]

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Defense Minister Chevenement's Visit

Chevenement will be in Washington at the same time as Mitterrand but is heading a separate delegation. He will highlight arms control topics but has other issues on his agenda:

Arms Development Cooperation. Chevenement lacks the technical expertise former Defense Minister Giraud had in this area. Although he has said that French participation with the US in codeveloping arms will go forward, he will probably take a hard look at how French industry might benefit from such projects and from possible joint development of a follow-on to the Lance missile. The French Navy's interest in buying the US-built F-18 fighter is a high-priority topic, not only because Chevenement recently postponed trials on a French aircraft carrier, but also because the F-18's competitor, a carrier version of Dassault's Rafale, will not be available before 1996. The US defense attache reports the only solution to the issue Chevenement would accept is one that would preserve Dassault's identity as a French company.

Military Use of Space. The French military has its own communications satellites but will not have an imaging system until the early 1990s, when France expects to launch the first Helios satellite from its joint program with Italy and Spain. Helios is to have photographic, infrared, and electronic intelligence capabilities. The French will probably want the satellite to evaluate the performances of Soviet ABM and early warning radars in particular. Paris is looking as well for cooperation—most likely with the US and its EC partners—in the fields of optics, radar, electronic intelligence, early warning, and surveillance, according to the defense attache.



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Reassessing Position on Chemical Weapons

France has long supported the negotiations in Geneva on a chemical weapons convention but has hindered progress out of concerns about verification and protecting its own program. Paris probably still hopes to slow chemical weapons negotiations that Bonn has been pushing hard to complete and continues to press its proposal permitting parties to maintain a minimum security stockpile during a 10-year reduction period. The Embassy recently reported that disagreement exists within the Foreign Ministry on this issue and that senior officials—including Mitterrand, Defense Minister Chevenement, and Foreign Minister Dumas—may agree to deemphasize the idea if other interim proposals appear promising.

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Views on NATO SNF Modernization

French support for, or acquiescence in, a NATO decision next year to deploy a follow-on to the short-range Lance missile would be critical to winning West German support for the Lance program. Mitterrand has long seen NATO SNF modernization as undermining prospects for arms control and as furthering a strategy of flexible response, which France opposes. He also thinks that playing down the need—or, at least, the urgency—of SNF modernization will aid Kohl, who wants to postpone a decision on the Lance follow-on.

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Mitterrand has tried to get the Soviets to agree to major conventional cuts by threatening to push for NATO SNF modernization within two years if Moscow refuses. One of his aides at the Elysee has also hinted that French SNF modernization might not go forward if the Soviets are cooperative. Although opposed to SNF negotiations, the French are more sensitive than most Allies to West German concerns and probably would accept some movement toward NATO-Warsaw Pact talks.

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Opportunity for the US

Mitterrand wants movement in arms control, but his specific goals are still in flux. His instinct as he enters his second term is to nourish the West German connection and to improve on his reputation as a statesman by taking a more flexible view of the military balance. His presence in Washington provides the opportunity to discuss the necessity and timing of proposed NATO decisions and the attitudes of other Allies. According to a press report, France might even make a major policy departure and consider including its own short-range nuclear forces if the Soviets make significant conventional cuts.

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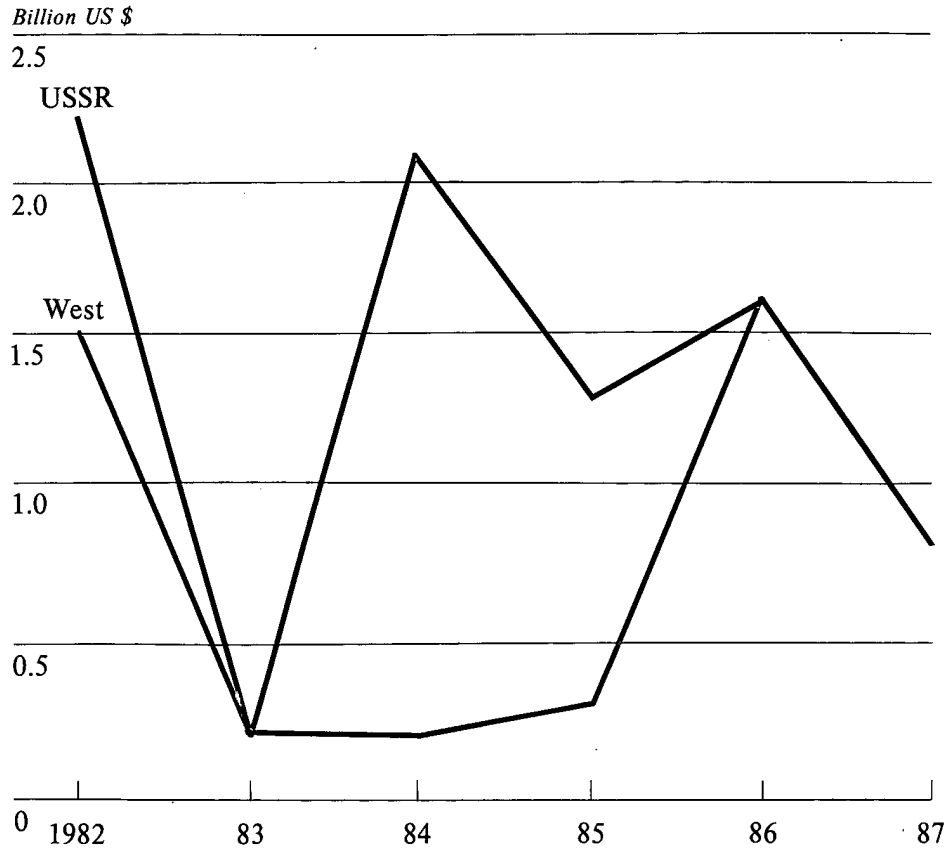
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Indian Arms Agreements, 1982-87



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Special Analysis**INDIA-USSR:****Changing Arms Relationship**

Soviet Defense Minister Yazov will probably raise the prospect of new weapons deals during his current visit to New Delhi in an attempt to solidify the Indo-Soviet arms relationship. Despite some recent highly publicized deliveries, the Indians are ordering less military hardware from Moscow as they try to develop their own defense industry and shop for high-technology items in the West. New Delhi will continue to buy from the Soviets, however, because Soviet prices are attractive and because it wants to maintain close ties to Moscow. [redacted]

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The US Embassy in New Delhi speculates that Yazov may discuss the availability of advanced Soviet weapons, such as the MIG-21U Mongol jet trainer, the T-80 tank, and the MI-35 attack helicopter. He may also bring up possible technological cooperation on India's indigenous Light Combat Aircraft project. The Indians, however, appear to favor Western aircraft for their jet trainer and are making progress on their own tank and attack helicopter programs with help from Western firms. And for its Light Combat Aircraft project, India has used Western technology transfer agreements and bought Western subsystems that the Soviets usually have been either unable or unwilling to match. Yazov must offer highly sophisticated systems at most favorable terms to raise much interest in New Delhi. [redacted]

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Advanced Soviet Weapons

New Delhi has acquired some of the Soviets' most advanced weapon systems over the past year or so as Moscow has sought to protect its position as India's major arms supplier:

- India became the first country to lease a nuclear-powered submarine, a Soviet Charlie-I-class.
- It was the first recipient of Soviet TU-142 long-range antisubmarine warfare aircraft.
- India got the first export of the MI-26 heavy lift helicopter and some of the earliest exports of Igla-1M portable surface-to-air missiles.
- India acquired MIG-29s last year after the Soviets agreed to provide advanced subsystems they had previously been reluctant to export. [redacted]

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[Redacted]

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[Redacted] the Indians have agreed in principle to buy the A-50 Mainstay AWACS from the Soviets. New Delhi, however, has turned down offers of coproduction rights on the MIG-29 and of Koni-class frigates and additional Kashin-class destroyers; India apparently is confident it can fill these gaps in its force structure with indigenous designs and production. [Redacted]

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No Growth in Arms Purchases

Despite the deliveries of major items this year, Indian military purchases from the USSR appear to have peaked. The two countries are not signing enough new purchase agreements to maintain current levels of arms deliveries into the 1990s. Moscow's aggressive marketing of advanced weaponry at favorable terms, however, may slow the general decline in arms purchases. [Redacted]

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The usually attractive terms of Soviet military sales, including low prices and interest rates and payments in soft currency and manufactured goods, have helped India acquire a massive arsenal that gives it a strong advantage over its neighbors. Diplomatic reporting indicates, however, that New Delhi is putting an increasing premium on sophistication and technology transfer in defense purchases so that the investment will pay dividends for India's developing industrial and technological base. New Delhi wants to move from buying and coproducing arms to designing and building its own major weapons systems, and Moscow so far has shown little inclination to match the technology transfers and subsystem sales that New Delhi gets from the West. [Redacted]

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Outlook

The Indo-Soviet arms trade probably will decline, but only slowly. New Delhi cannot afford to disregard Moscow's favorable prices and terms. The Indians also will preserve access to a reliable supplier that can provide advanced items—such as the Mainstay—that India cannot produce quickly enough or acquire from the West. The arms relationship also gives India access to spare parts for its Soviet equipment and a counterweight to Pakistan's US and Chinese patrons. [Redacted]

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