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SOVIET FOREIGN POLICIES AND THE OUTLOOK FOR SOVIET-AMERICAN RELATIONS

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SOVIET FOREIGN POLICIES AND THE OUTLOOK FOR SOVIET-AMERICAN RELATIONS

SUMMARY

The USSR's View of Its World Position

A. Developments of recent years have given the USSR increased confidence in its security and strategic posture, in its capacity to engage its adversaries on favorable terms, and in the prospects for the long-term growth of its international influence. The Soviets have thus begun to pursue a more vigorous foreign policy and to accept deeper involvement in many world areas.

B. The attainment of rough parity in strategic weapons with the US has contributed more than anything else to the USSR's self-confidence. The Soviets have also been encouraged to see the US suffering a loss of influence in certain areas, facing economic difficulties at home and abroad, and coming under domestic pressure to curtail its world role. Largely on the basis of these considerations, Moscow believes that the US no longer enjoys a clear international predominance. It does not appear to have concluded, however, that US power has begun a precipitate or permanent decline; US economic, military, and technological capabilities continue to impress the Soviets. Thus, while they may be tempted to conclude that the US will no longer be the competitor it once was and may therefore be inclined as opportunities

occur to use their greater strength and flexibility more venturesomely, they can still see themselves getting into serious difficulties with the US if they press too hard.

C. The China problem is another factor which limits Soviet confidence. It has become increasingly clear to the Russians that China is capable of seriously undermining their international positions, keeping them off balance ideologically, and in the longer term, constituting a serious strategic threat. It unquestionably concerns the Soviets that China's ability to challenge them in all these ways would be all the greater in circumstances of Sino-American rapprochement.

Domestic Political and Economic Factors

D. The present Soviet leadership has been notable for its stability, and this has resulted in continuity in the decision-making process during most of the seven years since Khrushchev's overthrow. Brezhnev has clearly emerged as the principal figure in the regime and has been taking a vigorous lead in the area of foreign policy; he now has a personal stake in the USSR's current policy of selective détente. Decision-making, however, remains a collective process. Indeed, there are occasional signs of stress over the content and implementation of foreign policy. And maintaining a consensus behind a more active Soviet foreign policy, in circumstances of greater international complexity, may become increasingly difficult over time.

E. The USSR has been able to achieve rates of economic growth which are high by international standards and to maintain a military effort roughly equal to that of the US. But the Soviet economy is still backward in some sectors and it faces serious problems stemming from low productivity, the declining effectiveness of investment, and technological lag. Economic constraints do not *oblige* the Soviets to reduce military spending, however. While an agreement on strategic arms control would relieve somewhat the heavy demands which military programs impose on high quality human and material resources, agreements of the sort now contemplated would not enable the Soviets to increase the rate of economic growth appreciably.

The Strategic Weapons Relationship with the United States

F. We believe that the USSR has concluded that the attainment of clear superiority in strategic weapons—i.e., a superiority so evident

that the Soviets could be assured of success in a confrontation and even "win" should they press the issue to nuclear war, say, by a first strike—is not now feasible. Nevertheless, there are no doubt those in Moscow who believe that it may still be possible to obtain a meaningful margin of advantage in strategic weapons which would give the USSR increased political-psychological leverage. The Soviet leaders must, at the same time, reckon with the possibility that any attempt to gain such an advantage would look to the US much the same as an attempt to move toward clear superiority and would produce the same counteraction. The course they have chosen, at least for the immediate future, is to attempt to stabilize some aspects of the strategic relationship with the US through negotiations, and they appear to believe that a formal antiballistic missile agreement and an interim freeze on some strategic offensive systems, on terms they can accept, are within reach.[1]

G. Assuming such an agreement is reached, the Soviets would continue serious negotiations on more comprehensive limitations. But the Soviet leaders are probably not clear in their own minds as to where these negotiations should lead. They may fear that too comprehensive an agreement might involve disadvantages they could not anticipate or foreclose developments which might eventually improve their relative position. And the more complex the agreement being considered, the greater the difficulties the Soviet leaders would face in working out a bureaucratic consensus. Thus, their approach to further negotiations would almost insure that these would be protracted.

The Sino-Soviet Conflict

H. The Soviets understand that their difficulties with China are in many ways more urgent and more intractable than their difficulties with the US and that, as Chinese military power grows, the conflict may become more dangerous. Moscow no doubt expects that the approach to normalization in US-Chinese relations will strengthen Peking's international position and will make China even more un-

[1] For separate statements of the views of Lt. Gen. Jammie M. Philpott, Acting Director, Defense Intelligence Agency; Vice Adm. Noel Gayler, Director, National Security Agency; Rear Adm. Earl F. Rectanus, Director of Naval Intelligence, Department of the Navy; and Maj. Gen. George J. Keegan, Jr., Assistant Chief of Staff, Intelligence, USAF, see their footnotes to paragraph 28, page 16.

willing than before to consider concessions to the USSR. It has also occurred to the Soviets that the US may gain some increased freedom of maneuver against them and that Washington and Peking will in some situations follow parallel policies to Moscow's detriment. The new US-Chinese relationship could, in addition, make a military solution to the Sino-Soviet conflict seem to the Soviets an even less attractive alternative than before.

I. Sino-Soviet relations will not necessarily remain as bad as they are now. At some point, the two sides might arrive at a *modus vivendi* which would permit them to "coexist" more or less normally. But to obtain any deep and lasting accommodation the Russians would have to pay a price they would consider unacceptably high, including a lifting of military pressures, some territorial concessions, disavowal of Moscow's pretensions as the paramount authority among Communists, and acknowledgement of a Chinese sphere of influence in Asia.

J. The Russians are likely to want to establish a wider role in Asia in the next few years. Consolidation of the Soviet position in South Asia, with the focus on India, will be one feature of this effort. The Russians will also continue to work to prevent an increase in Chinese influence in North Korea and North Vietnam. In the case of the latter, this will mean that Moscow will remain staunch in its support of Hanoi's effort to obtain a favorable settlement of the Vietnam war. The Soviets will, as a further objective of their policy in Asia, try to increase their influence in Japan, and an improvement in relations has already begun. Soviet prospects in this regard are, however, probably limited by Tokyo's greater concern for its relations with the US and China.

Soviet Policy in Eastern and Western Europe

K. Although Moscow has made progress in restoring order in Eastern Europe, it has not come to grips with the root causes which have in recent years produced unrest or even defiance of Soviet authority there—in Romania, Czechoslovakia, and Poland. Many East European leaders still hope for greater national autonomy and wider political and economic intercourse with the West. The USSR's task of reconciling its efforts to consolidate its hegemony in Eastern Europe

with an active policy of détente in Western Europe can therefore only be complicated and delicate. If it came to a choice between erosion of their position in Eastern Europe and détente in Europe as a whole, the Soviets would choose to let the latter suffer.

L. The USSR's security concerns in Eastern Europe, its own economic weaknesses, and growing preoccupation with the Chinese have turned it away from a policy of crisis and confrontation in Europe. At the same time, the changing pattern of US-West European relationships and trends within Western Europe itself have evidently convinced Moscow that its long-standing European aims—including a reduction of the US role and influence there—have become more realizable than ever before. A conference on European security represents for Moscow one way of encouraging the favorable trends in Western Europe and slowing the adverse ones. The Soviets also hope that a conference would open the way to a definitive and formal acknowledgement of the status quo in Germany and Eastern Europe. Rejection of the West German-Soviet treaty by the West German Bundestag would deal a setback to Soviet confidence in the viability of its German policy and possibly of its wider European policy. We believe, however, that in these circumstances Moscow's inclination would still be, perhaps after an interval of threatening talk, to try to salvage as much as possible of these policies rather than to reverse course completely.

M. The USSR's position on force reductions in Europe appears to stem mainly from its overall European tactics rather than from economic pressures or from military requirements related to the Sino-Soviet border. Moscow has doubts about the desirability of reducing its forces because of its concerns about Eastern Europe and about its military position vis-à-vis NATO. We believe, nevertheless, that Moscow is coming to accept that, assuming continuation of present trends in East-West relations in Europe, it could safely withdraw some of its forces from Eastern Europe, particularly from the large contingent in East Germany. This does not mean the Soviets have decided on any reduction or soon will. But, if they should decide to move beyond their present position, they will presumably see advantage in thoroughly exploring the possibilities of a negotiated agreement rather than acting unilaterally. On the other hand, if they should

conclude that such negotiations are unpromising, they might make limited withdrawals on their own, mainly because they would judge that this would lead to more significant US withdrawals.

The USSR's Position in the Middle East

N. In order to protect their close political and military ties with Egypt, the Soviets have been willing to increase their direct involvement and to accept larger risks in the context of the Arab-Israeli conflict. A full-scale renewal of the Arab-Israeli war would, however, be unwelcome to the Russians and the present situation causes them some anxiety. There is thus some chance that Moscow will come to see the desirability of urging the Arabs to accept a limited, interim agreement which would diminish the dangers of renewed hostilities, while still allowing the Soviets to enjoy the fruits of continued Arab-Israeli animosity. The Soviets are, however, unlikely to be amenable to an explicit understanding with the US limiting the flow of arms to the Middle East, though they might see advantage in some tacit restraints.

O. The Russians are probably generally optimistic about their long-term prospects in the Middle East, believing that radical, anti-Western forces there will assure them a continuing role of influence and eventually an even larger one. But the Soviets are uncomfortable because their present position is tied so closely to the exigencies of the Arab-Israeli conflict. They have also seen that radical nationalism can occasionally take a violently anti-Russian turn and with increasing involvement they will probably encounter greater difficulty in following a coherent and even-handed policy among the diverse and quarrelsome states of the area. In order to put their position in the Middle East on a firmer foundation for the future, they are likely to try both to forge stronger political ties with the "progressive" Arab parties and to develop their diplomatic relations with the moderate Arab states.

The Third World

P. The USSR's policies in the Third World are greatly affected by its urge to claim a wider world role for itself and by the need to protect its revolutionary credentials, especially against the Chinese challenge. In addition to its strong position in the Middle East, the USSR

has over the years won for itself a pivotal role in South Asia. It has also gained wider influence in Latin America. In Africa, the Soviet record is considerably more mixed and Soviet activities there now have a relatively low priority. In the Third World as a whole, partly because of some serious setbacks in the past, the Soviets are now inclined to view their prospects somewhat more soberly than they once did. Their approach is in general characterized by opportunism and a regard for regional differentiation. Nevertheless, by virtue of its acquisition in recent years of a greater capability to use its military forces in distant areas—a capability which is likely to continue to grow—Moscow may now believe its options in the Third World are expanding.

Future Soviet-American Relations

Q. The USSR has compelling reasons for wanting to keep its relations with the US in reasonably good repair, if only in order to control the risks arising from the rivalry and tensions which Moscow assumes will continue. It realizes that the larger world role it seeks is unrealizable except at the expense of the US. Whether the USSR will in particular circumstances lean toward sharper competition or broader cooperation with the US will naturally depend on the interaction of many variables. Crucial among these will be Moscow's appraisal of US intentions and its assessment of developments in the triangular relationship involving the US, China, and itself.

R. Progress in talks on strategic arms limitations might, by buttressing the USSR's sense of security, help to wear away some of its suspicion of US intentions. But problems in other areas where the political interests of the two countries are deeply engaged may prove to be of a more intractable sort. The conflict of interests in the Middle East seems likely to be prolonged. This may be true also in Europe where the Russians have an interest in the kinds of agreements which contribute to the security of the Soviet sphere but not in a genuine European settlement.

S. Whether the future will bring a more meaningful modification of the Soviet international outlook seems likely to depend ultimately on the USSR's internal evolution. And here the crucial question may be how the Soviet leaders deal with the problem of adaptive change in

Soviet society, including the problem of economic modernization: by minimal measures or by serious reform. The entrenched bureaucratic oligarchy now in charge is resistant to change. Among the younger men in the Politburo who now seem most likely to take over from the aging top leadership there may be some who harbor reformist views. But such tendencies, if they exist, are not now in evidence.

T. Thus, for the foreseeable future at any rate, Soviet policy, for reasons deeply rooted in the ideology of the regime and the world power ambitions of its leaders, will remain antagonistic to the West, and especially to the US. The gains the Soviets have made in relative military power, together with the heightened confidence these gains have inspired, will lead them to press their challenge to Western interests with increasing vigor and may in some situations lead them to assume greater risks than they have previously. At the same time, their policies will remain flexible, since they realize that in some areas their aims may be better advanced by policies of détente than by policies of pressure. They will remain conscious of the great and sometimes uncontrollable risks which their global aims could generate unless their policies are modulated by a certain prudence in particular situations.

DISCUSSION

I. THE USSR'S INTERNATIONAL POSITION: PURPOSES AND PERCEPTIONS

1. The underlying premises of Soviet foreign policy remain intact despite the changes which have affected Soviet society in the postwar period and despite the dramatic developments in the world situation during these years. The Soviet leaders continue to conceive of themselves as being in the service of Marxist-Leninist ideology and its promise of eventual success for Communism. And, while this body of doctrine does not prescribe particular actions in specific situations, it creates a set of mind which sometimes distorts the perception of the Soviet policy-makers, tends to set limits on how far and how fast they can go in modifying established positions, and represents a constant factor in internal party politics. These preconceptions argue that a fundamental reconciliation of interests between the USSR and the US is impossible and that an eventual convergence of political, economic and social systems is out of the question. Conflict in some form is seen as a permanent feature of the relationship, and Moscow assumes that the governing motive on each side is to gain ascendancy over the other. This means that the USSR is committed to efforts to magnify its relative power in a variety of ways. Yet, since the Soviet leaders consider the outcome of the enduring struggle to be foreordained in favor of Communism, they can also find justification in their ideology for a policy of gradualism and low risk.

2. While the USSR's international behavior in practice owes more to pragmatic considerations of national interest than to revolutionary goals, for the Soviet leaders to acknowledge that this is so would be to raise questions about the legitimacy of their own rule and to lend credibility to Chinese charges of betrayal. This helps to explain why the Russians continue to chase the illusion of international Communist unity and to struggle against the tide of growing Communist diversity even while they incline increasingly to the use of instruments other than Communist Parties in their efforts to gain wider influence abroad.

3. Although Soviet foreign policy in the mid-1960s often seemed to be marked by uncertainty, defensiveness, and a degree of immobility, in more recent years it has gradually acquired a new confidence and ambition. The earlier lack of confidence had several causes: the Cuban missile crisis had been a stinging political and psychological defeat widely viewed as evidence of Soviet inferiority to the US in strategic and conventional military power; the Soviet economy showed signs of being in serious trouble; after Khrushchev's overthrow the reconstituted Soviet Politburo underwent a lengthy period of shake-down; the 1967 war in the Middle East and its aftermath had confronted the USSR with unforeseen risks and costs; tension with China grew and finally erupted into sharp fighting on the border; and, in Eastern Europe, the Soviets felt threatened by developments in Romania and Czechoslovakia.

4. By the end of the decade, however, these difficulties must have seemed, from Moscow's vantage point, to have been overcome or at least made manageable and the Soviet position made markedly stronger in many areas. This has made possible a more active and more confident pursuit of fundamental foreign policy aims: to secure the USSR's strategic position and its land frontiers; to reinforce Soviet domination in Eastern Europe; and, to enlarge the USSR's world role.

5. At the beginning of the 1970s, the Russians see themselves as having at last made the grade as a superpower and believe themselves entitled to all the rights and privileges of that estate. Taking into account the various political, military and economic factors by which it reckons international power, Moscow believes that the US no longer enjoys a clear predominance. The attainment of rough parity in strategic weapons with the US has contributed more than anything else to the USSR's sense of having arrived. The USSR does not see itself as enjoying equality with the US in such matters as alliances or basing arrangements for its forces, but the Russians have begun to move in a variety of ways to establish their claims to equality with the US on a global scale. They have expanded their diplomatic ties around the world and have acquired conventional military strength which enables them to project military power into distant areas. And, while the USSR stands outside the international financial structure, its economic development has enabled it to open up wider political connections through trade and economic aid, and, especially in some areas, through an active program of military assistance.

6. The Russians have, at the same time, been encouraged by developments affecting the US position, for, despite their anxieties about the Chinese, they see the US as their only peer in strategic military power and as the main obstacle to the spread of their influence in many parts of the world. Therefore, it has given their confidence a boost to observe the US in recent years suffering a loss of influence in certain areas, facing social problems at home and economic difficulties at home and abroad, and coming under domestic pressure to curtail its world role.

7. Yet, we do not find either in what the Soviets say or in their behavior evidence that they have concluded to their satisfaction that US power has begun a precipitate or permanent decline. Such judgments as they have reached seem instead to be highly tentative. There is evidence that they expect the US economy to recover from its recent difficulties. They have a healthy respect for US military power and are frankly envious of US technological capabilities and management techniques. They appear to recognize also that while the central role of the US in the inter-

national economic system can be a vulnerability, it is a source of great political power and influence as well.

8. There are, moreover, many things about the American condition and US policy which are perplexing to the Russians.[2] Much as they would like to believe that discord within the US in recent years is explicable in standard Marxist terms of class conflict and thus exploitable, they see that matters are not so simple and that few of the US' dissidents are susceptible to Moscow's influence. They are also troubled by the unpredictability, the zigzags as they say, of US foreign policy, and they suspect that the official US attitude toward them is basically more unfriendly than it was a few years ago. They recognize that the US is moving to free itself of the heaviest burdens of the Vietnam war and may suspect that the US will on that account be in a position to contest them more vigorously in other areas. Thus, while the Soviets may be tempted to conclude that the US will no longer be ready to engage them in the same ways and on the same scale as previously, and they may be inclined as opportunities occur to use their greater strength and flexibility more venturesomely, they can still see themselves getting into serious difficulties with the US if they press too hard.

9. Despite the fact that the Soviets continue to maintain a strong military position in Central Europe, they do not now regard NATO as an imminent military threat and they believe that circumstances in Europe are favorable to the advancement of long-sought goals: the consolidation of their security and ideological buffer zone in Eastern Europe; the reduction of the US presence in Western Europe; and the containment of Germany as a power in Europe. The reactivation of Soviet détente diplomacy in Europe in the aftermath of Czechoslovakia recommended itself to Moscow both as a step towards stabilization in Eastern Europe and a means of winning influence in Western Europe at the expense of the US position there. But this policy, closely interacting with West Germany's Ostpolitik, has required Moscow to make certain concessions, as in Berlin, and to relax its hostility toward West German "revanchism".

10. China casts a shadow across the whole spectrum of Soviet policy. Though the Sino-Soviet border has been free of major incident since 1969, it has become increasingly clear to the Russians that China is capable of seriously undermining their international positions, keeping them off balance ideologically, and in the longer term, constituting a strategic nuclear threat. It unquestionably concerns the Soviets that China's ability to challenge them in all these ways would be all the greater in circumstances of Sino-American rapprochement.

11. In surveying the international scene, Moscow thus sees much to justify confidence in its security and strategic posture, in its capacity to engage its adversaries on favorable terms in many areas and by various means, and in the prospects for the long-term growth of the USSR's international influence. It is no doubt largely on the strength of such an appreciation that the Soviets have in recent years begun to pursue a more activist foreign policy and to accept deeper involvement in many areas abroad. But the Soviet leaders, inherently conservative, also see much in this environment which is unfamiliar, unsettling, and potentially a drain on their resources. Considerations like these dispose them to proceed with some care.

[2] There are some signs that high levels in Moscow have during the last few years begun to feel handicapped by ignorance about the US. Attempts are being made to develop more sophisticated American studies, most notably in the Institute of the USA under Georgy Arbatov.

II. INTERNAL FACTORS BEARING ON SOVIET FOREIGN POLICY

The State of the Leadership

12. Though the standing of some leading figures has changed, the ranks of the Soviet collective leadership as a whole have remained remarkably stable for the past seven years, as though immune to the corrosive effects of political struggle and the toll of age. The consequence of this stability has been continuity in the decision-making process, a fair degree of steadiness in the execution of policy, and a tendency toward incremental changes in policy rather than abrupt shifts.

13. The Soviet leaders are probably convinced that this stability has served them well. And it has, indeed, helped them to put their house in better order after the disarray of Khrushchev's last years: by checking the decline in the rate of growth of industrial and agricultural output; by restoring a sense of continuity and security to the Party and government bureaucracies; and by establishing an equilibrium of sorts among the key political interest groups.

14. However, these accomplishments have had a price. One cost of stability has been a delay in the renewal of the leadership. Testifying to this is the fact that the average age of the 15 full members of the Politburo is 61.6, with Brezhnev and Kirilenko 65, Kosygin 68, and Podgorny and Suslov 69. It would be futile to attempt to predict when and how these men will end their political careers, but that some or all of the most senior leaders will have done so within the next five years, if only for reasons of age or health, is a near certainty. The changeover, whatever it causes, might upset the carefully constructed balance within the leadership and give rise to an intensification of political conflict in which the posing of alternative policies might figure.

15. With the re-establishment of consensual politics, Soviet foreign policy in the years immediately after Khrushchev's removal became less eccentric and less reckless; it also lost something in dynamism and inventiveness. An inevitable concomitant of rule by committee was a certain slowness of response and flatness of style which gave this Soviet leadership a reputation for mediocrity and unimaginativeness. This picture has changed considerably in recent years. Brezhnev has emerged publicly during the past two or three years as the leading figure in the Politburo and the principal exponent of policy. This development has probably had something to do with the reinvigoration of Soviet foreign policy. But decision-making at the top is still unquestionably a collective process. It needs to be observed, moreover, that Brezhnev holds his position not by right but on the basis of the support of his fellow oligarchs in the Politburo and that the withdrawal of this support, as in the case of Khrushchev, would almost certainly mean his downfall.

16. Brezhnev's present pre-eminence is therefore both a strength and a vulnerability. Because so much is concealed in Kremlin politics, it is impossible to say with confidence what the present balance of his strengths and weaknesses is. It does appear, however, that on major issues of policy he must still work for a consensus. It is nonetheless clear that his personal prestige is linked to the success of the USSR's current policy of détente with the West and we believe it will be important to him politically that the forthcoming US-Soviet summit give evidence that this policy is yielding results.

17. Certainly, there is general agreement within the Politburo on the main lines of Soviet foreign policy and acceptance that this must be defined by the principle of "peaceful coexistence", which sets outer limits to the conflict with the West. Yet, clearly there can be contention about the specific ingredients of such a policy and personal frictions are bound

to arise over the execution of policy. Signs that this is indeed the case appear from time to time and it may be that maintaining a consensus behind a more active Soviet policy, in circumstances of greater international complexity, will prove increasingly difficult. The USSR's German policy seems likely to remain a sensitive issue in internal politics, and any policy which gave Western influences meaningful access to Soviet people would arouse misgivings, especially among Party bureaucrats and security officials who have made careers of sealing off the Soviet population from alien influences.

18. Policy with respect to arms negotiations and the deployment of Soviet forces abroad especially engage the concerns of the Soviet military. Within the military there have no doubt been and may still be reservations about strategic arms limitation talks (SALT), and on questions of weapons policy its collective instinct will be to press for maintaining the momentum of growth. Soviet political leaders have recognized the military as an important interest group and evidently consult closely with it on issues which clearly lie within its area of professional competence. But the ultimate choice of policy clearly rests with the top political leadership and there seems little chance, in present circumstances, of a serious conflict of authority. Political controls over the military structure, which run from top to bottom, are evidently as effective as ever. There is, in any case, a broad identity of outlook between the political and military leaders concerning the USSR's security needs which serves to minimize serious divergences between them on major questions of foreign policy.

Economic Strengths and Weaknesses

19. Economic policy has always been a prime source of political controversy within the Soviet leadership. In the past, the issues raised have largely revolved around questions of growth rates and the allocation of scarce investment funds among competing economic groups. These problems remain, though they now take a more complicated form; while growth has been sufficient to support the USSR's expanding international role and a larger and more expensive military establishment, these enlarged demands make the budgetary choices more numerous and more complex. Thus, choices must now be made not only, as before, between heavy and light industry and military and civilian production, but also between multiple categories of military investment and between domestic economic growth and the expansion of international activity. And underlying these issues is the increasingly urgent problem of economic modernization.

20. The basis of the USSR's economic strength is its great natural wealth, which gives it self-sufficiency in nearly all important raw materials, and a labor force about half again as large as that of the US. Exercising tight central direction over these resources, the USSR has managed to achieve rates of economic growth which are high by international standards and to maintain a military effort roughly equal to that of the US. It has also been able to achieve a slow but steady improvement in the standard of living, although consumption levels are far below those in the advanced Western economies. In some sectors—e.g., the defense industries and some parts of heavy industry—the Soviet economy is in some respects as advanced and efficient as that of the US. In other sectors—such as agriculture and consumer goods industries—the Soviets remain woefully backward by comparison.

21. The regime has succeeded in checking, at least temporarily, the decline in the rate of growth which set in in the early 1960s but the rate still has not returned to the levels of the 1950s and is unlikely to do so in the foreseeable future. This recovery has not been due

to higher rates of growth in industrial production, which have remained relatively steady in recent years, but to improved output in construction and agriculture. Output in agriculture, however, has been and will remain subject to wide annual fluctuations; there may, for instance, be a sharp decline this year because of severe damage to the winter wheat crop. For the Five Year Plan period now in progress (1971-1975), the regime is calling for rates of increase in overall GNP and industrial output slightly above the rates achieved in the previous five years. The proportion of resources allotted to investment, consumption, and defense will evidently shift only slightly.

22. These plans are indicative of the present conservatism of Soviet economic policy. This was shown also by the timidity of the economic reforms introduced in 1965 and by the failure to follow through on even these with vigorous implementation. Though the regime appears to be unsure how to go about solving its economic problems, it is clearly aware what these are: low productivity and the declining effectiveness of investment, due mainly to an insufficiency of material incentives; and to slowness in introducing advanced technology and modern managerial methods. One sign of this official awareness is the growth in the USSR's purchases of agricultural products and consumer goods abroad and its interest in increasing trade with Western Europe and the US, especially in order to acquire advanced technology. Many of the industrial and agricultural products and much of the technology the Soviets seek can be obtained in other Western countries, but the US would be the best source of some kinds of equipment, some licenses, and some agricultural products (e.g., feed grains). Inherent economic limitations will, however, set bounds to any growth in US-Soviet trade.[3]

[3] The prospects for US-Soviet trade are discussed more fully in the attached Annex.

23. The implications of the USSR's economic strengths and weaknesses for its military posture and its position in SALT are of two kinds. Economic constraints do not *oblige* the Soviet leadership to reduce military spending; at present rates of growth, the economy is capable of supporting current military programs and would even be able to support a step-up in the rate of military spending, without an increase in the share of resources devoted to military purposes. The amount of resources which would be freed by the kind of limited agreement now on the agenda in SALT would be relatively small. The rate of economic growth would not be appreciably increased if these resources were transferred entirely to investment projects. Nevertheless, arms control could give the USSR economic benefits. This is because present military programs, by the demands they make on high-quality human and material resources, exacerbate the problems referred to above—problems of labor productivity, investment efficiency, and technological progress. And the Soviets have good reason to expect that, with an intensification of the arms competition, these problems would become even more marked.

Internal Dissent

24. The appearance and, even more, the persistence in recent years of an active political protest which has found some of its most effective advocates within the USSR's privileged scientific-technical community has attracted considerable attention in the West. Closely related to this is the growth in national consciousness and assertiveness among non-Great Russian minorities—Soviet Jews, Ukrainians, the Baltic nationalities and the Moslem-Turkic peoples of Central Asia. The regime has itself shown some sensitivity to the impact of these developments on its inter-

national image. But whatever their potential as future problems, these manifestations of internal tension and alienation for now have little relevance for Soviet foreign policy; what relevance they do have stems largely from their impact abroad. At home, to the extent that Soviet decision-makers concern themselves with opinion outside their own small circle, what counts more is the mood of the Soviet masses, with whom the intellectual dissidents have few connections. In general, this broad popular opinion reinforces the regime in its conduct of foreign policy, for there can be little doubt that the ordinary Soviet citizen—Russian and non-Russian alike—takes considerable pride in the USSR's world position.

III. MAJOR ISSUES AND OPTIONS IN SOVIET FOREIGN POLICY

25. By closing the gap in international power between themselves and the US, the Soviets—besides relieving themselves of many old anxieties—now believe that they have widened their options in the pursuit of long-standing foreign policy objectives and improved their opportunities for gaining advantages over their adversaries. Yet, the struggle to "catch up" for the most part posed fairly simple policy choices as compared with some of those which the Russians now face.

These involve such questions as:

would Soviet interests be better served by a stabilization of the kind of parity with the US in strategic weapons which now exists or should the USSR seek a certain margin of advantage;

is stabilization in Europe compatible with Soviet aims in either Western or Eastern Europe;

what is the most effective response to the Chinese on the several levels of rivalry—military, political, and ideological;

how far and in what places should the USSR pursue an activist policy in competition with the US, China, or both; and,

in light of the foregoing, is the area of possible accommodation with the US becoming wider or narrower?

26. Difficult in themselves, these questions arise for the Soviets in a period of considerable flux in the post-World War II pattern of international political and economic relations, and of rapid technological change and widespread social dislocation within the advanced industrial nations. The scene facing them in the Third World is also in many ways more checkered. There, the Russians have in some cases, by extending their commitments, both increased their influence and narrowed their room for maneuver. And, in much of the non-aligned world, they can probably look for increasingly vigorous competition from the Chinese.

The Strategic Weapons Relationship With the United States

27. At some point during the last few years when the Soviets concluded that they were nearing rough equality with the US, they faced a broad choice concerning the further aims of their strategic weapon programs. They could push on in an attempt to establish clear superiority—i.e., a superiority so evident that they could be assured of success in a major confrontation and even "win", say, by a first strike, should they press the issue to nuclear war—or they could seek to control the competition by negotiating agreements which would stabilize the strategic relationship. There are persuasive reasons for believing that the Soviets decided against pursuing the first course on several grounds: that it would be enormously expensive; that it would engender a corresponding effort by the US; that success in such an effort is probably, in any case, not at present technically feasible.

28. It remains unclear whether the Soviets believe they can pursue a third option, that of striving for a meaningful margin of advantage, but one short of clear superiority.[4] Their on-going programs of strategic force improvements suggest that this could be their view. We have no reliable indication regarding Moscow's thinking as to what would constitute a useful edge in strategic weapons. It can be reasonably inferred, however, that there are some in Moscow who believe that the USSR would gain, beyond the benefits already conferred by the achievement of rough equality, from a demonstrable lead in one or more major strategic systems. They might calculate that this margin, even though its military significance might be highly problematical, would give the USSR increased political-psychological leverage, partly because it could be taken as a sign of the dynamic growth of Soviet power as well as of Moscow's determination to assert a strong international role. Such an argument might appeal to some within both the political and military leadership, to the latter if only because it would promise maintenance of the present momentum of arms growth. Against these considerations, however, the Soviet leaders would have to reckon with the possibility that any attempt to gain advantage would look to the US much the same as an attempt to achieve superiority and would produce the same counteraction.

29. The policy course the Soviets have chosen, at least for the immediate future, is to attempt to stabilize some aspects of the strategic weapons relationship with the US through negotiations. Throughout SALT they have laid greatest stress on limiting antiballistic missile (ABM) deployment—presumably because of concern that major US deployments would be destabilizing to their disadvantage, and probably also out of a desire to avoid the heavy new expenditures that any large-scale ABM deployment on their side would entail. However, they realize that any agreement would have to provide for some interim limitations on the further deployment of strategic offensive weapons. They appear

[4] Lt. Gen. Jammie M. Philpott, Acting Director, Defense Intelligence Agency, believes that the Soviets made the decision some years ago to obtain a meaningful margin of advantage in military technology and strategic weapons. He agrees that the USSR has concluded that the attainment of a clear strategic superiority is not now feasible. He believes, moreover, that the decision to obtain a meaningful margin of advantage could be modified as a result of a SALT agreement. In any case, the Soviets will continue their vigorous R&D programs to provide qualitative improvements to their strategic forces.

Vice Adm. Noel Gayler, the Director, National Security Agency, believes that there are three courses of action open to the Soviets with respect to strategic nuclear weapons:

(a) To settle for rough parity with the US. They retain this option at any time.

(b) To seek a margin of superiority sufficient to gain world-wide political and psychological advantage. This is the option they are now pursuing.

(c) To seek superiority so overwhelming that the Soviet Union could make a pre-emptive or initiative strike without risking unacceptable damage in return. Since this option is almost certainly technically infeasible, as well as provocative of strong US reaction, the Soviets in all probability do not intend it.

Rear Adm. Earl F. Rectanus, Director of Naval Intelligence, Department of the Navy, and Maj. Gen. George J. Keegan, Jr., Assistant Chief of Staff, Intelligence, USAF, believe the Soviets have made the decision to seek a meaningful margin of advantage in strategic weapons as well as in general military and technological capabilities, designed to enhance the USSR's political and psychological leverage against the Free World. They note the persuasive evidence of a continuing large-scale commitment of resources to modern science, militarily-related technology, and specific weapons-development programs far beyond those needed to assure rough equality. Lacking any convincing evidence of a leveling-off of Soviet R&D, construction programs, and deployments, they believe that the Soviet leadership considers attainment of a meaningful margin of advantage in both strategic and general purpose forces to be economically and technically feasible and is pursuing such a course.

to believe that a formal ABM agreement and an interim freeze on some strategic offensive systems, on terms they can accept, are within reach.

30. If, for some reason, an agreement is not soon arrived at, the Soviets would nonetheless probably want to avoid the consequences of a total failure in SALT. Such an outcome would introduce new uncertainties into the US-Soviet strategic relationship and the Soviets would have reason to expect that a resumption of unrestrained arms competition—perhaps even its intensification—would ensue. This would entail heavy costs for the Soviets but they would have no certainty that they would be able to stay abreast in the race. Thus, there would be some risk of their losing the strategic and political benefits which they derive from their present position of equality. The Soviets would also have to consider the possibility that the breakdown of SALT would seriously aggravate the overall climate of US-Soviet relations and contribute to an increase in international tension generally.

31. Such signs as have emerged from SALT suggest that the Soviets see some chance that the negotiations which will follow any first-stage agreement will yield further results. We do not have any good idea, however, as to how far and how fast they are prepared to go toward reaching agreement on comprehensive limitations. There is a good probability that the Russians themselves have not resolved these questions. There are many factors which might cause indecisiveness in Moscow and complicate the Soviet leaders' task of arriving at a workable consensus. They may fear that too comprehensive an agreement might involve disadvantages they could not anticipate or foreclose developments which might eventually improve their relative position. Further, they would expect that the more complex the agreement, the more the US would be disposed to press for modes of verification unacceptable to them. The Soviets would presumably expect that in negotiating the specific elements of an agreement difficulties would arise with the US over issues of asymmetry and equivalence and over their deployment of weapons against China. They and their military leaders might also find it hard to make choices with respect to the limitation of particular on-going programs or developmental systems which have promise for the future.

32. A further stage of negotiations could therefore well prove to be protracted and beset by frequent periods of stalemate. As the talks went on, the Soviets would no doubt proceed with certain additions to their strategic forces and continue intensive efforts in research and development and in the process might raise doubts in the US about their intentions. US activities could raise similar doubts in Moscow. Nonetheless, we think the Soviet inclination will be to continue the exploration. But the Soviets are likely to favor a gradualist approach, one which will enable them to discover through the negotiating process itself whether a more comprehensive agreement, and with it a fuller stabilization of the US-Soviet strategic relationship, is obtainable on acceptable terms.

China: The USSR's Second Front

33. The Soviets find it hard to acknowledge once and for all that the Sino-Soviet rift is unbridgeable. They are, in any case, loath to have it be thought that they are obliged because of their concerns to the East to be more accommodating toward the West. Yet, they seem to have recognized for some time that their problems with China are in many ways more urgent and more intractable than their problems with the US. They seem to

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realize also that the conflict—in both its great power and ideological aspects—is as likely as not to become more pervasive, and possibly more dangerous, as time goes on. This is so partly because of the potential growth of Chinese military power and partly because of China's emerging prominence on the world stage. In their world-wide contest the Chinese will sometimes be able to beat the Russians at their own "revolutionary" game. And they will enjoy (as the Russians themselves long did) the demagogic advantages which the weaker party often has over the stronger.

34. In dealing with the Chinese problem, the Russians have in recent years given highest priority to military measures aimed at securing their land frontiers and establishing the credibility of their military deterrent. This has led during the last seven years to a massive reinforcement of Soviet forces in the border area. In the course of this, Soviet ground forces opposite China have been increased from 15 to some 40 divisions, tactical aircraft from 200 to over 1,000, and tactical nuclear missile launchers from about 50 to over 300. Emphasis during the past two years has shifted from the introduction of new units to the fleshing-out of units already deployed and to improvements in the support structure. Though this may portend a leveling-off of the buildup, Soviet military planners will probably want at a minimum to prepare their forces in coming years for a wider variety of contingencies, defensive and offensive, than they are now designed for. Further deployments and improvements are therefore likely. At the same time, as China's military strength grows, increasing numbers of Soviet strategic offensive and defensive systems will need to be earmarked for use against a possible Chinese threat.

35. Moscow sought in 1969 to use its strengthened military posture opposite China to intimidate the Chinese. The Russians took other steps to this end (e.g., by conveying—through foreign Communist channels—an implied threat of nuclear attack). But if Moscow was then giving serious consideration to a military solution, it evidently rejected this option, choosing instead to temporize. This has meant keeping alive the border negotiations—from which, evidently, no agreements have emerged—some increase in trade; and holding open the USSR's offer of "normalization". Meanwhile, the USSR has proceeded with efforts to isolate and contain the Chinese by strengthening its own position in the countries on China's periphery.

36. Despite China's weakness relative to the Soviets, it has considerable capacity to frustrate the USSR's ambitions, undermining its position both as a world power and the paramount Communist state. Indeed, in much of the underdeveloped world the Chinese have better credentials than the Russians for the role of patron of small, weak nations and prophet of "national liberation". Among Communist Parties, including those in Eastern Europe, China attracts both genuine sympathy and self-interested support for its struggle against Soviet authority. And Maoism has wider appeal than Soviet Communism among the youth of the New Left.

37. The brunt of Moscow's anger over the Washington-Peking détente has fallen on the Chinese. To some extent, this is because Moscow recognizes that its relations with the US are at a delicate stage, but it also reflects the bitterness which China now inspires in Moscow, and probably also a sense of frustration at the realization that a decade of political and military pressures against the Chinese have proved to be futile. The Soviets certainly understand that Peking is now likely to be even more unwilling than before to make concessions to them, and that Chinese prestige and authority among Communists and under-

developed countries may now be significantly enhanced. It has no doubt also occurred to the Soviets that the US may well gain some increased freedom of maneuver against them; that, in the setting of a less hostile relationship, Washington and Peking will in some situations follow parallel policies at Soviet expense; and that the Chinese may be on the way to obtaining increased Western (and Japanese) industrial equipment and technology.

38. The new US-Chinese relationship could make a military solution to the Sino-Soviet conflict seem to the Soviets an even less attractive alternative than before. But this sign that a new Asian configuration has begun to emerge is likely to suggest to them a more active political involvement in Asia. The inclination of many of the Asian non-Communist states to strike a more even balance in their relations with the US, China, and the USSR will probably mean that the Russians will find freer entrée for their diplomatic and trade missions and greater hospitality for naval visits. At the same time, the Asian nations have shown a notable lack of enthusiasm for the Asian collective security system proposed by Moscow in 1969, and such a scheme seems likely to find wider appeal only if the threat of Chinese military expansion grows. The most profitable course for Moscow may therefore be to concentrate on strengthening its bilateral ties with the established governments in the area. While these efforts will enlarge the Soviet presence in Asia and its influence in certain countries, in the area as a whole, the Soviet role will be limited by the desire of most states to preserve their relations with other outside powers.

39. In both North Korea and North Vietnam, the USSR's minimum aim has been, and will continue to be, to prevent either of the two smaller Communist states from passing firmly into the Chinese sphere of influence. In its policy toward the Indochina war, the post-Khrushchev leadership has consistently taken great care to maintain solidarity behind the North Vietnamese in their war aims and negotiating position. Moscow would probably prefer to see the elimination of the war as a major issue in Soviet-American relations, but it would still want the struggle to end on terms that would assure final success for Hanoi's aims. In fact, against the background of an improved US-Chinese relationship, the Soviets are likely to want to show themselves as staunch as ever in their support of Hanoi. They probably believe that their interests vis-à-vis China would be best served if in the long run North Vietnam achieved dominance in Indochina. It remains unlikely therefore that Moscow would suspend material support to Hanoi or use its influence there—which is in any case limited—to urge the North Vietnamese to end the war on less than satisfactory terms.

40. The Soviets will have a major concern for consolidating their position in India. They are also obliged to look more intently toward their relations with the other great power in Asia, Japan. Strains in US-Japanese relations arising from economic frictions and the turn in US-Chinese relations give Moscow some encouragement. But the Japanese seem little inclined to prejudice future political and economic ties with China or their security ties with the US for the sake of better relations with Moscow. Moscow has reason to be concerned, in fact, that the Japanese will now move rapidly toward the normalization of their own relations with China. All the Russians have been willing to offer the Japanese so far is participation in the exploitation of the mineral, oil, and timber resources of Siberia, an offer the Japanese may find less tempting than the prospect of greater access to the Chinese market. It would appear therefore that, if the Russians hope to make headway in Tokyo, they will need fairly soon to

make concessions on the old issue of the Northern Territories, though the Japanese may settle for something less than the return of all of the disputed islands.

41. Although Sino-Soviet relations will not necessarily remain as bad as they are now, any deep and lasting accommodation would require the Russians to pay a price which they would consider unacceptably high. This would include a lifting of military pressures, some territorial concessions, a solemn disavowal of Moscow's pretensions as the paramount authority among Communists, and the acknowledgement of a Chinese sphere of influence in Asia. Nevertheless, at some point, the two sides might arrive at a *modus vivendi* which would permit them to "coexist" more or less normally, would reduce the chances of major border hostilities, and perhaps lead eventually to an understanding on nuclear restraint. There are no doubt many among the Soviet orthodox for whom the conflict with the West seems a much more natural and permanent condition than the conflict with China, and there are realists who will see steps toward normalization in US-Chinese relations as requiring offsetting Soviet moves toward Peking. A changeover in the leadership in Moscow or the death of Mao may, in any case, be followed by a new high-level Soviet approach to Peking.

Détente in Europe

42. Not coincidentally, the only policies to which the name of the principal Soviet leader has been attached, the "Brezhnev Peace Policy" and the "Brezhnev Doctrine" of limited sovereignty apply mainly to Europe. The policies embraced by these terms are, in fact, closely related, in that détente in Europe is viewed by Moscow as part of the process of strengthening its position in both Eastern Europe and Western Europe. The Chinese problem, though probably not at this stage a crucial factor, is, nevertheless, also an important strand in Soviet European policy. And, where it concerns the security of the Soviet sphere in Eastern Europe and the future of the two Germanies, this policy is apparently a sensitive issue of internal party politics and thus may be an area of policy more susceptible to tactical variation than others.

43. *The Soviet Position in Eastern Europe.* Without a secure position in Eastern Europe Moscow cannot face either the West or China confidently, but developments in Czechoslovakia in 1968 and in Poland in 1970 demonstrated that 25 years of Soviet hegemony had not actually guaranteed this security. Order has been restored in Czechoslovakia and Poland, and Romania and the USSR have veered away from a collision course. But in dealing with these different forms of defiance the Soviets have not got at root causes, among them the tenacious East European nationalisms and the inability of Soviet-installed political and social systems to respond to the present economic needs of those countries. In these circumstances, leaders in many of these countries have tried to make the task of governing easier by tapping the forces of nationalism, of which anti-Sovietism is an inevitable by-product. The leaders of the Czechoslovak reform movement tried to find a different set of answers and introduced some of the practices of social democracy, which in Soviet eyes are hardly less pernicious than nationalism. In any event, many East European leaders believe that with greater national autonomy and wider political and economic intercourse with the countries of the West they could better come to grips with their internal problems.

44. Among all Moscow's client states, East Germany is likely to remain for some time to come its major concern. The East German regime under Ulbricht's successors still has a deeper sense of political insecurity than any

other in Eastern Europe. Although Ulbricht managed over the years to create a certain sense of East German national identity, the regime is acutely fearful of the expansion of contacts between the two parts of Germany and in fact of any trend toward European détente. As a consequence, Moscow, though hardly without its own anxieties, found it necessary to keep a strong arm on the East Germans in order to carry them through the Berlin negotiations and into the inter-German talks.

45. There are many places in Eastern Europe where the Russians could be faced with difficult choices in the next few years. Internal problems and pressures for reform may recur in Poland and Czechoslovakia. The issue between Moscow and Bucharest has been postponed, not settled, and the Romanians can expect at some point to feel the cold Soviet breath on their necks again, either in the form of political or military pressures, or both. Yugoslavia remains—from the Soviet point of view—a baneful influence on the rest of Eastern Europe. It is, in a sense, unfinished business. The Soviets are no doubt watching with keen interest Yugoslavia's current internal difficulties and trying to anticipate the situation which will unfold when Tito has left the scene. If a period of disarray ensues, the possibilities for Soviet meddling would be considerable, and, if it saw a chance of restoring a pro-Soviet regime, Moscow would be strongly tempted to interfere in more direct ways.

46. The USSR has, since Czechoslovakia, intensified its efforts to improve its organizational control over the political, military, and economic affairs of the East European states. These efforts, centering on the Warsaw Pact structure and the Council on Economic Mutual Assistance (CEMA), are partly a matter of strengthening intra-Bloc discipline. They are probably also designd to insure that management of the Bloc's approach in any negotiations on European security and in dealings with the European Economic Community (EEC) will remain securely in Soviet hands.

47. The Soviets have made limited progress. The Warsaw Pact's political bodies are meeting more frequently than in the past, and with the creation of the Military Council and the Committee of Defense Ministers, as well as the expansion of the Pact staff, some steps toward integration of the Pact's military command structure have been taken. Moscow has, at the same time, sought to obtain further leverage, through CEMA and through bilateral arrangements, in the economic planning and trade patterns of the East European countries. Though full integration of the Soviet Bloc economies remains a distant goal, some East European governments have recently shown increased interest in limited moves in that direction.

48. Eastern Europe remains, in many ways, a millstone for the Russians. The USSR's task of reconciling its efforts to consolidate its hegemony there with its efforts to develop its relations with Western Europe can only be complicated and delicate. Its aim will be to limit the political and ideological impact of expanded East-West contacts and it is evident from its present course that the prevalent view in Moscow is that this can be managed. But, if it came to a choice between erosion of its position in Eastern Europe and détente in Europe, Moscow would choose to let the latter suffer.

49. *Objectives in Western Europe.* Beyond these security concerns in Eastern Europe, the USSR's own economic weaknesses and growing preoccupation with the Chinese front have turned it away from the politics of crisis and confrontation in Europe. At the same time, the changing pattern of US-West European relationships and trends within Western Eu-

rope itself favoring a winding-down of the prolonged East-West confrontation have evidently convinced Moscow that long-standing aims have become more realizable than ever before. It sees in these circumstances opportunities to weaken NATO, to secure the permanent division of Germany, to reduce the presence and influence of the US, and to advance its longer-term aim of establishing the USSR as the predominant political and military power on the continent. These motives have, during the last several years, gained added force from two significant developments, one positive from the Soviet point of view, the other negative: the recasting and reinvigoration of West Germany's Ostpolitik, and developments within the EEC.

50. What was new and important for the Soviets in the Brandt government's Ostpolitik, as compared with the Ostpolitik of the previous Government of the Federal Republic of Germany (FRG), was that it included a readiness to affirm the inviolability of the postwar borders of Eastern Europe and to accord de facto recognition to East Germany. Brandt also acknowledged that in seeking an opening to the East it was essential for him to work first through Moscow rather than with the individual East European governments. This in Moscow's view was a promising beginning. As Ostpolitik unfolded further the Soviets probably began to see the possibility of richer rewards in the future: that in time they would be able to bring pressure on the FRG's domestic and foreign policies because of its vested interest in maintaining Ostpolitik, and perhaps gradually compromise or loosen the FRG's security ties with the West and especially the US.

51. But the renewed movement toward West European economic integration, most clearly signaled by the prospective entry of Britain into the EEC, was a worrisome development for the Russians. The Soviets have feared that the EEC will evolve into a tight and exclusive economic community and that they and the East European countries will be put at a bargaining disadvantage in commercial dealings with it. Another concern is that the governments of West Europe will begin to move toward political unity as well—toward common foreign policies and common defense arrangements. Moscow's obvious preference is for a situation in which it can deal with the West European states separately rather than through the medium of NATO or a politically cohesive European Community. In this way it can better promote frictions between Western Europe and the US and among the West European states themselves. The Russians hope to find opportunities in this regard, for example, for playing on Franco-German rivalry, a rivalry which they have already shown some skill in manipulating.

52. A conference on European security represents for Moscow one way of encouraging favorable trends in Western Europe and slowing adverse ones. The Soviets have always believed that the organizing theme of such a conference should be "Europe for the Europeans", themselves included, and, though they have given up their efforts to have the US and Canada excluded, they still hope that the conference will give birth to permanent pan-European bodies which might come to serve as a counterattraction to the Western alliance and the EEC. More immediately, however, Moscow would expect the conference to constitute further acknowledgement of the status quo in Eastern Europe and, through East Germany's participation, further de facto recognition of the division of Germany. By strengthening the momentum of détente and easing West Europe's security concerns, the conference might also serve to deprive Western Europe of an incentive to political unifi-

cation and military cooperation. As a supplement to the security conference, the Soviets are holding out to West Europeans the prospect of East-West cooperation in the areas of transportation, power, communications, and environmental control, and the lure of access for their manufactures to the Soviet market (though the possibilities in this latter area are limited by an absence of reciprocal Western demand for the products of the East).

53. The Soviets have, of course, been required to make some concessions of their own in order to maintain the momentum of détente. With respect to Berlin, for example, for the sake of advancing their policies toward West Germany and gaining some increased recognition of East German sovereignty, the Russians have accepted the loss of some of the leverage which Berlin's isolation gave them in the past. They may come to believe at some point that in making further concessions in Europe they would be in danger of giving away too much. They will also be sensitive to the danger of ideological contamination from any substantial increase in East-West communication. And the Russians may move more slowly on détente if they encounter difficulties in maintaining strict discipline among the East European countries; some of these want to move faster than the Russians do in broadening contacts with the West, and others, like the East Germans, will insist on moving at the slowest pace possible.

54. The West German Parliament's stand on the ratification of the FRG-Soviet treaty will provide Moscow with an early, possibly even a crucial, test of the soundness of its German policy. It will give the Brandt government some assistance in promoting ratification of the pact. Rejection by the Bundestag would be treated as a grievous insult by Moscow, and it would, in fact, deal a blow to its rather fragile confidence in the "healthy forces" in West Germany. But the Soviets, recognizing that Brandt is working with the slimmest of majorities, have reckoned with the possibility that the treaty might run into trouble, and may thus be partly insulated against the shock of an initial defeat. In this case, the immediate result would probably be a display of Soviet anger, which would convey the implication that the entire process of European détente was endangered, and a clear indication that the agreement on Berlin was up in the air. This might then be followed by a pause pending developments in West Germany. Much more serious questions would naturally arise in Moscow if, in the new elections which would almost certainly ensue from defeat of the treaty in the Bundestag, the Brandt coalition was replaced by a government committed to a harder line toward the Soviets. In these circumstances, the Soviets might still be inclined to try, after a necessary delay, to salvage as much as possible of their German policy, for its own sake and for the sake of their European position as a whole. But strong anti-German impulses might by then have been revived and the issue become embroiled in Kremlin politics. There is the further possibility that Brezhnev himself, because of his close personal involvement, would suffer political damage from a setback to Ostpolitik.

55. *Force Reductions in Europe.* The USSR's present position on mutual force reductions in Europe (MBFR) appears to be primarily an element in its overall European tactics. This consideration, rather than economic pressures or force requirements connected with the buildup on the Sino-Soviet border, probably accounts for the more forthcoming attitude on this question adopted by the USSR in the last year or two. Thus, Moscow may have concluded that an expression of interest in NATO proposals on force reductions would hasten the convening of a conference on European security and in general contrib-

ute to the impression that Moscow is working in earnest for solutions to European problems.

56. Moscow has so far given little indication of how it intends to play its hand on force reductions. It has said that the result of any negotiations should be such "as not to be to the detriment of the countries taking part", and it evidently intends to resist strongly the notion of asymmetrical reductions. It is opposed to a bloc-to-bloc negotiation, presumably because in its view such an arrangement might give a lift to the vitality and organizational cohesion of NATO and have contrary effects within the Warsaw Pact. The Soviets would prefer to see the US and the USSR become the principal parties to further discussions, partly because this would arouse anxieties among the US' NATO allies, and they will probably try at the upcoming US-Soviet summit meeting to discover whether they can move matters in that direction.

57. Considerations of this kind have something to do with the tentativeness of the Soviet position on MBFR and the slowness with which it has unfolded. These may also be attributable to Soviet doubts as to whether negotiations are desirable in the first place and perhaps to internal differences in Moscow. Such doubts probably revolve around concerns over the potential effects of force reductions on the USSR's control in Eastern Europe and its military position vis-à-vis NATO. As long as concerns of this sort persist, there will be some reluctance in Moscow to carry out any reductions at all. It will be contended that the USSR's position in Eastern Europe is vulnerable to Western influences which would spread more easily in a relaxed political setting, and that even modest Russian troop withdrawals would whet nationalist aspirations. It may be further argued that a position of undiminished Soviet military strength in Europe not only serves as a powerful deterrent to NATO but also has a useful political and pyschological impact on the West.

58. We believe, nevertheless, that Moscow is coming to accept that, assuming continuation of present trends in East-West relations in Europe, it could withdraw some of its forces from Eastern Europe, particularly some of the 300,000 Soviet military personnel in East Germany, and still retain sufficient capability to maintain a strong posture against NATO, to intimidate the East European populations, and to reassert control in Eastern Europe quickly and decisively in an emergency. This does not mean the Soviets have decided on any reduction in their forces or that they are likely to make such a decision in the near future. But if they should decide to move beyond their present position, they will presumably see advantage in thoroughly exploring the possibilities of a negotiated agreement rather than acting unilaterally in any reduction of their forces. They might see this as a way of giving greater momentum to political forces in the West which they wish to encourage. They might also see in such an approach a means of influencing the pace and scope of US withdrawals and thus of preventing the sudden opening up of a military gap in Central Europe which they might fear the West Germans would move to fill.

59. On the other hand, if the Soviets concluded that negotiations are either not imminent or not feasible at all, or that negotiations once undertaken would prove too difficult to promise a favorable result, they might then make limited withdrawals on their own, primarily for political effect. They might do so in part on the calculation that US force reductions, which could be politically and militarily far more significant, would surely follow.

Soviet Involvement in the Middle East

60. Moscow has gone far toward realizing its historical goal of establishing itself permanently as a power in the Middle East and the Mediterranean. In order to do so, it has assumed extensive commitments to the Arabs in their conflict with Israel and in the process its prestige has become deeply engaged. At this stage, the USSR's close political and military ties with Egypt are crucial to its whole position in the Middle East, and in order to preserve these, as well as the military benefits which they themselves derive from the use of Egyptian facilities, the Soviets have been willing to increase their direct involvement and to accept larger risks. But the Russians have almost certainly not given the Egyptians an open-ended commitment. In general, the Soviets aim at giving the Egyptians a greater degree of military security and saving them from further humiliation at the hands of Israel, and thus fortifying Cairo's bargaining position, while forestalling the resumption of major hostilities.

61. A full-scale renewal of the Arab-Israeli war would be unwelcome to the Russians on several counts. The war would undoubtedly go against their clients unless they themselves were prepared to become directly involved on a sizeable scale. Such a course would carry with it a high risk of escalation and therefore of a severe US counteraction. It would probably also arouse great anxiety in Europe and thus damage Soviet détente strategy there. And in the face of these possibilities sharp divisions might arise within the Soviet leadership. Against this background, the Russians must view the present situation as fairly fragile and experience some anxiety because of the tenuousness of the ceasefire and uncertainty about President Sadat's readiness to hew closely to their lead. The Soviets have sought through the Soviet-Egyptian Treaty of May 1971 to gain some increased measure of control over Egypt's military policies and actions.

62. It may be that the Soviets anticipate and are prepared to live with a prolonged period of stalemate. They might reckon that, if political and military pressures are judiciously maintained, Israel and the US can eventually be brought to accept a political settlement which largely meets Arab terms. But they cannot be confident of such an outcome, and, in view of the present hazards in the situation, there is also some chance that Moscow will come to see the desirability of urging the Arab states mainly concerned to accept a limited, interim agreement—one which does not provide for the return of all Israeli-occupied territory. The Soviets might believe that such a step would diminish the dangers of renewed hostilities while still allowing them to enjoy the fruits of continued Arab-Israeli animosity, and, in addition, give them the benefits of passage through the Suez Canal.

63. But apart from the question of whether the Soviets will encourage the Arabs to move in this direction or what the terms of any agreement might be, they would be much concerned to insure that they have, and are seen to have, a major role in any deliberations affecting the Arab-Israeli conflict. They also want to insure that their Arab friends continue to look to them for political and military support. This consideration seems likely, in the Soviet view, to be a persuasive argument against an explicit understanding with the US limiting the flow of arms to the Middle East. This is not to say, however, that Moscow would not see in tacit mutual restraint a means of avoiding a spiralling arms race which would increase the uncontrollable elements in the situation, might draw the Russians into a more dangerous military involvement, and would be fairly costly.

64. Although the Arab-Israeli conflict has contributed greatly to the growth of the Soviet role in the Middle East, Moscow no doubt aims at establishing a position in which neither its military presence in the Mediterranean nor its political influence in the area is dependent on the exigencies of that conflict. The Russians will probably want, besides solidifying their position in the Arab world, to further enhance the capabilities of their Mediterranean naval forces and will probably try to expand their operations in the Western Mediterranean. The Soviets may also hope in the long run to gain an influential role in the Middle East oil industry. The pursuit of these various aims will entail, in addition to efforts to consolidate the Soviet political and military position in Egypt, attempts to strengthen ties with the other radical Arab states, probably involving in some cases treaty relationships as well as continuing emphasis on military assistance. It will also mean further cultivation of the moderate Arab states of the area.

65. The Russians are probably generally optimistic about their long-term prospects among the Arab nations of the Middle East. They are no doubt right in thinking that the existence of radical, anti-Western nationalism will continue to assure them a role of influence in the area; they may believe, beyond this, that these forces will spread and will eventually enable the USSR to establish itself as the dominant power in the Middle East. But Moscow nonetheless has cause to feel some insecurity in its present position. It has seen that radical nationalism has on occasion taken a violently anti-Russian turn—as in Libya and the Sudan. It has some sense of the difficulty of following a coherent and even-handed policy among the diverse and quarrelsome states of the area and of staying aloof from their rivalries and jealousies. And, more important, there is uncertainty in Moscow as to whether the links it has forged with ruling parties in the radical Arab states—e.g., the ASU in Egypt and the Baath parties in Syria and Iraq—are strong enough to withstand the vagaries of Arab politics.

The Soviets and the Third World

66. During roughly 15 years of active involvement in the Third World, the USSR has gained, besides its present strong position in the Middle East, a pivotal role in South Asia and wider influence in Southeast Asia, Latin America, and Africa. For the reasons suggested in the preceding section, the Arab Middle East will surely continue to be an area of priority interest for the USSR. Other areas close to the USSR's southern periphery—e.g., Turkey, Iran, and Afghanistan—will remain, as they have long been, of special concern to Moscow. The Russians may also become more active in Asia in the next few years as part of their effort to check the spread of Chinese influence. But the view prevalent in Moscow a decade or so ago that the entire Third World was a fertile field for Soviet exploitation has since given way, partly under the impact of some serious setbacks, to more sober calculations. Especially in the more distant areas, such as Africa and Latin America, where Soviet security interests are not so closely engaged and the USSR cannot so readily bring its military power to bear, this earlier exuberance seems to have faded; in those areas Moscow is now much more likely to respond to such opportunities as occur on a careful, case-by-case basis.

67. Viewed as a naval and maritime medium and as a segment of the Third World, the Indian Ocean and its littoral states may represent for the Soviets a kind of geopolitical unity. Otherwise, though their presence in the area as a whole has grown in recent years, this vast area contains a wide range of interests for the Soviets and within it they are pursuing a variety of more or less distinct regional objectives. Soviet interests and activities in the

Red Sea and Persian Gulf areas are, thus, largely an outgrowth of Soviet aims in the Arab Middle East generally. The growth of the USSR's political presence in South and Southeast Asia and its naval presence in the Indian Ocean also serve its Chinese policy. India is important to Moscow as a counterweight to China in Asia, as a sometimes anti-American influence, and in its own right as the dominant power in the subcontinent.

68. The Soviets no doubt see their position in South Asia as having been considerably strengthened by the outcome of the Indo-Pakistani war. They have moved quickly in the aftermath to establish themselves in Bangladesh. They will certainly work to insure that their ties with India remain firm and durable. There are sure to be irritations in the relationship, nonetheless, and serious frictions may even occur in time. The Indians would not welcome an overly assertive Soviet presence in the area. The Russians for their part will not want their position in the area to be linked too exclusively to Indian policy. Although Moscow is likely to be faced with increasing demands for aid, it will be reluctant to assume any very heavy burdens in supporting the economic development of India or of the many other economically backward countries of the region. Broadly speaking, this will probably be true also for the Indian Ocean area as a whole. As for the Soviet naval presence in the Indian Ocean, we would expect over time only a moderate growth, though this rate might be increased if there were any significant increase in US or Chinese activity in the ocean.[5]

69. Africa seems likely to have a relatively low priority for Soviet policy for some time to come. The Russians will, however, be watching closely the activities of the Chinese, and to the extent that Peking seems to be gaining influence among "progressive" Africans, Moscow will consider countermeasures or matching programs. At this stage, Moscow seems willing to leave to the Chinese a grandiose project like the Tan-Zam Railroad but will probably offer more competition if Chinese activity greatly expands in sub-Saharan Africa.

70. In Latin America, the rise of radical nationalism and the election of a Marxist-led government in Chile are viewed in Moscow as promising trends. The Soviets will be alert for opportunities to encourage anti-US trends and to extend their own influence in the area, with continued emphasis on the expansion of diplomatic ties with the Latin American countries. Soviet cultural and propaganda activities will probably also grow. The USSR's trade with Latin America is not likely to increase substantially in the near future, though Moscow may find a number of openings for the sale of arms. The Soviets may, in addition, move gradually to show their naval forces occasionally in Latin American waters beyond the Caribbean—where they now have a small but virtually continuous presence. However, the Russians will probably take some care to keep their military activities in the area at a level which will not prove provocative either to the US or the Latin American states.[6]

71. Though characterized by opportunism and regional differentiation, the USSR's approach to the Third World is, at the same time, broadly conditioned by its urge to claim a wider world role for itself and by the need to protect its revolutionary credentials. The USSR's acquisition in recent years of a greater

[5] See NIE 11-10-71, "The Uses of Soviet Military Power in Distant Areas", dated 15 December 1971, SECRET, paragraphs 45-49 and 95-97, for a more extensive treatment of the political and military aspects of the Soviet presence in the Indian Ocean.

[6] See NIE 80/90-71, "The Soviet Role in Latin America", dated 29 April 1971, SECRET, for a more extensive treatment of this subject.

array of military instruments which can be used in distant areas—though these support the overall military mission of the Soviet armed forces—may seem to Moscow to give it wider options in its pursuit of these political objectives. This capability enables the Soviets to support political forces friendly to their policies and may make it possible in some situations for them to pre-empt the actions of others or to deter their intervention.

72. But the Soviets are limited in their capabilities to use force at long range to establish themselves against opposition. The growth of these capabilities has not followed the course that might have been expected if the Soviets were building them specifically for direct military intervention in Third World countries. Nevertheless, as, in the years ahead, the USSR further involves its policy and prestige in remote areas, it will have to consider requirements for forces to respond to a wide range of contingencies, whether to prevent setbacks or to exploit opportunities. We believe that step-by-step the Soviets, perhaps without ever making a decision on the general principle, will acquire capabilities which would permit them to employ combat forces in distant areas.

73. In these circumstances, the Russians will have a growing need for shore-based facilities in foreign countries. They will, however, face difficulties in meeting their future needs in this respect, particularly because most of the countries which are geographically positioned to offer the kind of facilities the Russians might want will be reluctant, on political grounds, to do so. Few are likely to believe, as Egypt and Cuba did, that they have such a need for Soviet support against a third-party threat as to warrant the granting of basing rights. We do not rule out the establishment of other facilities in Third World countries—especially if comparable circumstances recur—but the force of nationalism will remain an impediment in most cases.[7]

IV. THE FUTURE SETTING OF SOVIET-AMERICAN RELATIONS

74. The preceding paragraphs have suggested a number of ways in which the broad setting of US-Soviet relations has been altered in recent years. The Soviets evidently believe that as a consequence of these changes their international position relative to that of the US has been strengthened, though in a situation of considerable flux. The continuing overriding necessity of avoiding nuclear war with the US will for some time to come remain an important constraint on Soviet behavior, and the uncertainties stemming from the shifting pattern of international alignments may act as an inhibition on them. At the same time, because of the USSR's urge to enlarge its world role, its relationship with the US will retain a sharp competitive edge.

75. The USSR has compelling reasons for wanting to keep its relations with the US in reasonably good repair. A certain level of amity is essential in the first place to the maintenance of communications on issues affecting the bilateral strategic relationship. It is also useful to Moscow to have open channels for the discussion of such issues of common concern to the superpowers as nuclear nonproliferation and for crisis management in those cases where conflicts between other parties contain the threat of escalation to general war. A worsening of relations, conversely, could create complications for Moscow in the conduct of its policies in Europe and toward

[7] The USSR's capabilities for distant military action and Soviet thinking about their uses are dealt with more fully in NIE 11-10-71, "The Uses of Soviet Military Power in Distant Areas", dated 15 December 1971, SECRET.

China. Rising tension with the US would also have undesirable internal consequences for the Soviet leaders to the extent that it generated military requirements which would add to economic strains. It may be that in the present phase the Soviet leaders regard normal and continuing contact, perhaps including occasional meetings at the highest level, as essential to a careful management of the multifaceted Soviet-American relationship.

76. But continued political rivalry involving some amount of tension is implicit in the philosophical divergence between the US and the USSR over the ordering of international relations and the USSR's refusal to underwrite stability, except in Eastern Europe and the USSR itself. It is also owing to the fact that the larger world role to which the USSR aspires is unrealizable except at the expense of the US. Tension with the US, at the same time, has traditionally been used by the regime to mobilize and control the Soviet population and to sanction its monopoly of power.

77. Whether, within these broad limits, the USSR will in particular circumstances lean toward sharper competition or broader cooperation with the US will naturally depend on the interaction of many variables. Crucial among these will be Moscow's appraisal of US intentions, and, in particular, the extent to which it will be able to overcome the suspicion that the US aims at using conciliation as an instrument of political and ideological subversion within the Soviet sphere. Given their present reading of comparative strengths, there may, on the other hand, be instances in which the Soviets will take US conciliatoriness as a sign of weakness.

78. The Soviets will also attach great weight to their assessment of developments in the triangular relationship involving the US, China and themselves. Their aim obviously will be, in general, to prevent the two other sides of the triangle from combining against the USSR, and consequently Moscow may now believe that it can no longer afford a serious confrontation with either of the other two parties. This consideration now seems to give Moscow an incentive to "normalize" its relations with the US, but it will also have an incentive to try to normalize relations with China to an extent which will deny the US the leverage which the Sino-Soviet conflict now gives it. The longer term is therefore likely to see shifts of emphasis in the USSR's approach to the US and China in accordance with its appraisal of the balance at any given time and its calculation of the comparative costs of improved relations with either party.

79. Progress in talks on strategic arms limitations, especially if a first-stage agreement leads on to a broader stabilization of the US-Soviet strategic relationship, may, by buttressing the USSR's sense of security, help to wear away some of the USSR's suspicion of US intentions. These talks seem likely to be less vulnerable to the influence of external factors than other aspects of US-Soviet relations. But, by the same token, a positive outcome in SALT will not necessarily have a direct and immediate impact on other areas of the relationship where the requirements of mutual self-restraint may seem less urgent to Moscow. Problems in other areas where the broad political interests of both the USSR and the US are deeply engaged may prove to be of a more intractable sort. This may be true in Europe, for example, where the Russians have an interest in the kinds of agreements which contribute to the security of the Soviet sphere but not in a genuine European settlement so long as they see a good chance of bringing about changes to their advantage. Similarly, in other areas their concern for the enhancement of their world position is greater than their interest in broad undertakings regulating US-Soviet rivalry.

80. Negotiations with regard to control of conventional arms will encounter additional difficulties arising from the asymmetries in the US and Soviet geographical positions and force structures, as well as delicate questions for both sides concerning the consequences of any agreements for relations with allies and friends. For these reasons, the US may find it exceedingly difficult to obtain acceptable terms from the Russians with respect to force reductions in Central Europe, arms limitations in the Middle East, or control of naval deployments. Practice has shown, however, that some military-related problems which are largely bilateral in character are amenable to solutions which help to reduce US-Soviet friction. Understandings pertaining to activities in space, the control of bacteriological weapons, and incidents at sea are examples of this kind.

Longer-Term Prospects

81. These observations are not meant to suggest that we see the US facing a Soviet Union which will be permanently intransigent and unfulfilled in its international ambitions. To say that the Soviet policy is at present in a forward phase is not to say that it will remain so. There is much that is tentative and experimental about this policy and it can be questioned how long it can be sustained before Moscow would be in danger of overextension. As noted earlier, developments in Germany or Eastern Europe could cause Moscow's détente policy in Europe to founder. Conversely, because of its economic needs and the pressures generated by the Chinese problem, the USSR may come to regard détente in Europe as indispensable and worth the concessions required to maintain it. The Soviets might, in the same way, come to see the need for more flexible forms of political, economic, and military cooperation in Eastern Europe and for a lowering of the barriers to communication between the states of Eastern and Western Europe.

82. The USSR's efforts to extend its presence and influence in the Third World will come up against nationalist resistance and will inevitably encounter a certain number of setbacks. Limitations on Soviet resources will also have a bearing on Soviet activity in the Third World, especially if, as seems possible, expenditures there in coming years yield diminishing political returns. Certain other developments of an essentially unpredictable kind—a severe worsening of the Sino-Soviet conflict, or a convulsion in the Soviet leadership—could have an even more significant impact on the direction of Soviet foreign policy. But whether goals are altered or not, it cannot suit the USSR, because of the complexity of its interests, to have an uncontrolled international environment. Chances are that with time and wider involvement, the USSR will discover more frequently than hitherto a common interest with the US in containing some of the causes of international tension and in seeking the bases for limited accommodations.

83. Whether the future will bring a more meaningful modification of the Soviet international outlook and behavior seems likely in the end to depend on the USSR's internal evolution. And here the most crucial question may be how the Soviet leaders deal with the problems of adaptive change in their society—particularly with the problem of economic modernization: by minimal measures or by serious reform. The entrenched and self-perpetuating bureaucratic oligarchy now in charge is resistant to change. Among the men in the Politburo who now seem most likely to take over from the aging Brezhnev, Kosygin, and Podgorny, there may be some who will eventually reveal reformist inclinations. But such tendencies, if they exist, are not now in evidence. The present Politburo is, by and

large, an Old Guard presiding over the preservation of a system which must seem to its members to have served the Soviet Union's and their own personal interests well. They are disposed to change it as little as possible and they will attempt to stimulate economic growth and technological progress by resorting to traditional methods of discipline and persuasion supplemented by modest modifications of the economic structure and such technical assistance from abroad as they can obtain.

84. But, in view of the USSR's ambitious international goals, this may not be enough. Confronted by economic frustrations and faced, perhaps, by a growing cleavage between itself and its educated elite, nationalist ferment, and loss of popular élan, the regime might move in the direction of severe repression. It is possible that repression would bring on a general crisis of the system in which it was recognized that the Party was no longer capable of governing effectively. In these circumstances, the Soviet military might take on the task of maintaining national unity. What is perhaps more likely in such a situation is that a new generation of Party leaders of a more flexible disposition would begin to emerge. Such men might see in the USSR's internal problems a cause for seeking greater international tranquility and the elimination of many of the sources of international tension. They might, at the same time, be less ready to respond to the old doctrinal shibboleths and less inclined to see an incompatibility between Soviet national interests and increased political and economic stability in the international order.

ANNEX

THE PROSPECTS FOR SOVIET-AMERICAN TRADE

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THE PROSPECTS FOR SOVIET-AMERICAN TRADE

1. The Soviets have long resorted to the import of Western equipment and technology as a way of helping to compensate for their technological lag vis-à-vis the developed West. During the last Five Year Plan period (1966-1970), Soviet imports of Western machinery and equipment went up from a level of $560 million to $1.1 billion. Because there has been a sharp upsurge in Soviet orders for Western plant and equipment since the end of 1970, it is expected that imports will continue at this high level throughout the current Five Year Plan period (1971-1975). Soviet needs are particularly acute in the electronics, telecommunications, chemical, oil, gas, and automotive industries.

2. The USSR's inability to generate sufficient exports to pay for imports from the West has caused it to suffer hard currency deficits in almost every year of the past decade. In 1970, for example, Soviet imports from hard currency countries, amounting to $2.7 billion, exceeded exports by $500 million. Since 1966, when the USSR stopped selling gold, Soviet deficits have been financed in the main by credits. As a result, Soviet long-term indebtedness has climbed rapidly, rising above $2 billion in 1971. The growth of this debt has also led to a sharp increase in debt service charges which now take up about one-fifth of the value of Soviet hard currency earnings annually.

3. If this trend continues, the USSR will have mortgaged a large share of its future export earnings for debt service and its flexibility in trade with the West will be reduced. Recognizing this, the Russians have attempted in recent trade negotiations to arrange that payment for sought-after Western equipment would be tied to deliveries of the products from the installations built with Western credit. These efforts have produced gas-for-pipe contracts with Austria, Italy, and West Germany and a Soviet-Japanese wood-for-equipment contract. A number of proposed contracts are on the same order, among them a gas-for-pipe deal with France, and oil-, coal-, and gas-for-pipe deals with Japan.

4. It is estimated, however, that the growth in Soviet exports to the developed West will slow drastically in the 1970s, principally because of the short supply of Soviet products saleable in the West, most notably oil. The USSR thus will have to finance increased imports by other means or ration its imports more strictly. The USSR has added considerably to its gold reserves since 1965 and now produces more than $200 million in gold annually. There are indications that the USSR may now be willing to part with some of its gold to pay for imports. If so, it could continue to import more than it exports. But if the Soviets choose, instead, to ration their imports more strictly, imports of highly prized Western equipment and technology will, nonetheless, be maintained to the extent possible, though there will probably be greater emphasis on importing technology rather than equipment. Although consumer goods normally would be among the

first to be reduced if imports are curtailed, Soviet promises of improvement in the consumer's diet may limit Soviet options in this sphere. Indeed, Kosygin has indicated that the USSR is prepared to import 10-15 million tons of feed grains from the US in the next 5 years, which would entail an outlay of $750 million to $1 billion.

5. The annual level of US-Soviet trade has remained below $200 million. In 1970, this trade represented only about 4 percent of East-West trade turnover. The Soviet interest in raising this level rests on both economic and political factors: Moscow needs Western technology and equipment but it also wants the US to demonstrate willingness to deal with it in this area on equal, non-discriminatory terms. The USSR for its part has indicated a readiness to resume discussions on outstanding economic differences, e.g., the lend-lease debt. The USSR wants to obtain from the US, on the other hand, a relaxation of export controls, government (Eximbank) guaranteed credits, and most-favored-nation treatment on tariffs for Soviet exports.

6. With the lowering of trade barriers, US exports to the USSR could well increase from the 1971 level of about $160 million to perhaps $500-$600 million by 1975. The bulk of Soviet imports would be in the machinery and equipment category. The USSR has made known a long list of expensive capital equipment it desires from the West—automotive manufacturing, deep well drilling, automatic oil transfer and storage, oil refining, rolling mill, off-the-road vehicles, computers, instruments, data transmission, and numerically controlled machine tools—and it considers the US equipment and technology in many of these categories to be superior to all others. Many of these Soviet needs thus might be purchased from the US if credit terms can be arranged, although some will be purchased from the US in any case.

7. Soviet imports would be considerably in excess of exports and the USSR would still have a large trade deficit just as at present. In 1971, US exports to the USSR exceeded imports by about $100 million. By 1975 the US surplus would be substantially higher because most Soviet exports would not find a market in the US for the next few years at least. Any large orders from the US would lead to a large increase in Soviet indebtedness. The USSR's ability to secure long-term credits from the US will thus have a crucial bearing on expansion of US-Soviet trade. Barter arrangements would also mitigate the debt problem. Arrangements involving the repayment in products for assistance in raw materials development, such as those made with other Western countries, are also being proposed to the US and some may be concluded, e.g., the proposed gas deal.

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