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**CIA HISTORICAL REVIEW PROGRAM
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CENTRAL INTELLIGENCE AGENCY

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ORGANIZATION OF SOVIET FOREIGN MILITARY AND ECONOMIC AID

by

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SYNOPSIS

This synopsis

focuses on the institutional mechanisms which underlie Soviet foreign aid in both its military and economic aspects. It does not attempt to show how Soviet aid projects evolved and are administered in all the various recipient countries around the world, although the history of military aid in Egypt is briefly treated. Rather, it tries to demonstrate how the program's dynamics create pressures for and against extending aid--some driving the program, others forcing its reduction or redirection.

The study's principal conclusions are:

- Structured hierarchically, the political system forces the resolution of all important aid issues at the very top, by a small number of leaders at the Politburo level. Independent decision-making at the lower levels is limited to execution of aid policies.
- The implementation of economic and military aid, however, is supervised by knowledgeable and experienced bureaucrats whose advice and actions can have a considerable influence on the decisions of the less informed policy-makers.
- Aid policies and programs, by the very nature of the system, are subject to the conflicting goals, biases, and rivalries of numerous Soviet institutions and individuals.
- Soviet leaders give more emphasis to military than economic aid, evidently perceiving a greater payoff from the former in achieving and reinforcing political goals. A high

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degree of bureaucratic insularity and centralization give added impetus to the military-aid programs.

- The record indicates that the present regime will continue its pragmatic approach to the utility of economic and, especially, military aid, seeking targets of opportunity that promise, above all, some political leverage in key LDCs and, where possible, some relief or boost in Soviet economic sectors of strategic significance.

THE INSTITUTIONAL FRAMEWORK

An essential feature of the Soviet aid program, which is its use as a political and strategic weapon, is underscored by the fact that all of its major directions are determined by the Party Politburo. Foreign-aid matters come onto the agenda of formal Politburo sessions mostly in the context of larger policy issues--for example, during a discussion of the domestic and international priorities implicit in a draft five-year plan, or when major international developments, such as the Middle East wars, force immediate aid decisions.

At the same time, the representative structure and procedures of the Politburo allow vested interests to find expression in its deliberations and policy formulations. Most day-to-day decisions on economic aid probably are reached informally through the mechanism of the Party Secretariat and Central Committee departments; in the case of military aid, the Defense Ministry's General Staff appears to serve an analogous coordinating function, linking the various defense components and the Defense Council.

Within limits imposed by general foreign-policy and strategic goals, significant influence may be exerted on economic

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aid in high-level negotiations by the heads of the three main bureaucratic sectors--Party General Secretary Brezhnev, government Premier Kosygin, and state President Podgorny--and on military aid, additionally by the Defense Minister.

At a lower level of the aid hierarchy is the government Council of Ministers, which has extensive managerial authority for all areas of the economy. Subordinate to Premier Kosygin and his first deputy, Mazurov (also a Politburo member), are at least four administrative bodies which, to some degree, determine the actual shape of Soviet aid programs:

- The Commission for Foreign Economic Questions (FEC);
- The Military-Industrial Commission (VPK);
- The Commission for CEMA affairs;
- The State Planning Committee (Gosplan).

All four organizations are responsible for coordinating aspects of foreign-economic activity conducted by ministries and other government agencies and enterprises.

The most important of the government's supra-ministerial commissions in the field of foreign aid is the FEC. The commission's history of involvement in bureaucratic politics underscores its importance. Its current chairman has career ties to Brezhnev.

Finally, at a third level of significance in aid decision-making are the government agencies which actually administer aspects of the aid program. These institutions, because of their bureaucratic *raison d'etre*, would have the greatest vested interest in continuing and increasing the momentum of aid programs.

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OPERATIONAL PROCEDURES

The process by which Soviet foreign aid is implemented is well understood [redacted] [redacted] The State Committee for Foreign Economic Relations (GKES) is responsible for administering all economic aid under the supervision of the FEC. The Ministry of Foreign Affairs appears to have no real influence in aid decision-making, except such as Foreign Minister Gromyko might exert in Politburo discussions of aid policy. Military aid is administered by a GKES deputy chairman and two directorates--the Chief Engineering Directorate (GIU) and the Chief Technical Directorate (GTU)--which actually function as arms of the General Staff and its 10th Directorate. There is little if any cross-over from either the economic or military sector into the other's access channels, which run vertically to the senior decision-makers. The GKES chairman administers economic-aid programs through the FEC, and the GKES deputy chairman for military aid is accountable to the General Staff.

Economic Aid

Established operational procedures put GKES in a position to exert significant influence on economic-aid programs, in particular on the amounts of aid to be provided. The top officials of GKES possess a wide array of administrative and technical expertise which the senior policy-makers require as a basis for formulating both preliminary negotiating positions and draft agreements with recipient countries. GKES officials also include planning specialists who draft the economic-aid section of the annual and five-year national economic plans. Although these plans and any major agreements require the approval of the Central Committee apparatus and the Politburo, the expertise of GKES officials gives them an advantage which they can use to influence the size of various economic-aid programs. Foreign trade associations, the GKES units which bear the brunt of day-to-day implementation of economic aid, are even allowed to negotiate short-term credits (up to five

-4-

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years' duration) within the limits of existing agreements without obtaining approval from the Central Committee apparatus. One constraint on GKES is the need to coordinate planning of aid allocations with other agencies, notably Gosplan, which have recourse to higher authorities in cases of disagreement. Gosplan, with its tendency to apply fairly strict economic criteria to aid programs, evidently acts in practice as a check on GKES.

Military Aid

It is the responsibility of the General Staff's 10th Directorate to prepare studies and proposals in support of preliminary military-aid negotiations and agreements with recipient countries and to draft the military-aid section of the national economic plans. Presumably, the 10th Directorate forwards its recommendations by strict military chain-of-command to the Defense Minister, who personally submits them to the Politburo. This procedure, involving a minimum of non-military input, would give the military-aid experts the same kind of leverage to bolster their programs as the GKES officials have in regard to economic aid.

Military aid, with its large potential benefits and risks, is more highly politicized than economic aid. Perhaps in recognition of the fact that military programs seem to build greater momentum and are more difficult to slow down or reverse than the economic programs, Politburo approval is required at each stage of the negotiating process. It normally consists of four distinct stages, establishing an increasingly explicit commitment while providing Soviet negotiators opportunities to reduce or heighten the level of their involvement:

- First, political discussions at the highest level result in a Soviet agreement in principle to provide military aid, and the client signs an "intent to purchase" statement.
- Second, discussions at the working level culminate in a General Agreement, which defines the procedural and administrative aspects of the aid project.

-5-

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- Next, a Project Requirements Document states the specific services and equipment to be offered. Although at this stage the client has become locked into the process, the document may lay the basis for additional projects unanticipated by the client or reduce the level of Soviet assistance, even to the extent of violating the spirit of the preliminary understandings.
- Finally, individual purchase contracts must be negotiated for each of the items of equipment and services needed to complete the aid project.

While these operational procedures appear designed to give Soviet negotiators flexibility, they also require rigid uniformity and considerable time. As a result, the entire military-aid program is characterized by significant bureaucratic inertia, which tends to create pressures for rather than against the program's perpetuation.

The actual administration of military-aid projects creates the same kind of pressures. Most significant projects require the assignment of Soviet military advisory groups (MAGs) to the host country, ostensibly to oversee initiation and maintenance of the projects and to offer military advice and combat support. At the same time, the use of MAGs offers the USSR important additional advantages:

- A visible Soviet presence in the host country;
- An entree to what is the primary locus of power in many LDCs, the military establishment;
- A base for Soviet intelligence operations.

In addition, the setting up of logistics systems in support of aid projects, by enabling the USSR to withhold and manipulate

-6-

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the supply of operational necessities, has provided a means of pressuring clients in political matters. No doubt the availability of such levers in the MAG and logistics systems is itself a tempting incentive for Soviet decision-makers to establish military-aid projects in susceptible LDCs.

PRESSURES FOR AND AGAINST EXTENDING AID

The choices facing Soviet decision-makers are, in general, made against the frequently contrasting claims of politics or ideology, on the one hand, and economics, on the other. Party officials tend to give priority to political considerations, while government administrators normally give precedence to hard-headed calculations of economic cost. Deviations from this tendency can be found, however, in Party and government institutions alike, and the process by which the Politburo leaders receive information and advice on foreign aid is complicated by the fact that the institutions which provide them may embrace differing or competing points of view.

The case of military aid to the Arabs, for example, reveals crosscurrents within the Defense Ministry. There are, of course, grounds for divergence in outlook generally between the General Staff planners, who are accustomed to thinking in terms of both broad strategic implications and cost-effectiveness, and the service chiefs with their operational orientation and possibly greater interest in finding opportunities to test equipment and combat methods on "neutral" ground. In any case, General Staff recommendations on aid before 1971 probably tended to be cautious, reflecting the views of its independent-minded chief, Marshal Zakharov. Since then, however, the General Staff has been headed by a former MAG chief who enjoys Brezhnev's favor and who may take a more openhanded approach to military aid.

The recently deceased Defense Minister Grechko himself was perhaps stronger than his chief of staff in his advocacy of military support for the Arabs. After becoming a Politburo

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member in 1973, the Marshal had a much greater opportunity to influence the shape of military-aid programs and evidently tried to gain direct control over the military-aid function at the expense of the General Staff. Bureaucratic jockeying for control over this function could have resulted in a less than unified Ministry position on military aid. Grechko's replacement, the civilian Ustinov, may be forced to rely more on the General Staff for aid advice and support.

The flow of the decision-making process for economic aid is subject to even stronger crosscurrents and, as a result, is even more likely to result in lowest-common-denominator policies. Some institutions--for example, the Ministry of Foreign Trade, Gosplan, and industrial ministries which are involved in support of aid programs--tend to give preference to trade on the grounds that it, unlike aid, brings a profit. The economic argument against aid as being wasteful or unprofitable prevails among the general Soviet public and even is encountered in educated and official circles, including parts of the military establishment.

Differing emphases can be found also within the two Party institutions which directly advise the Politburo on foreign policy. Although these departments appear to have a strong vested interest in promoting Soviet political-ideological goals by every means, including aid, officials and academic specialists associated with them express opinions which cover a fairly broad spectrum of sophisticated and realistic political and economic approaches.

The approach of officials in the Department for Liaison with Communist and Workers' Parties in Socialist Countries (the so-called Bloc Department) appears based on the premise that an improved Soviet strategic position allows a more vigorous aid policy on the part of the Bloc. They seem especially interested in providing economic aid aimed at developing fuel resources within the LDCs for export to CEMA countries, as well as for the internal consumption of these countries. This approach is shared by the foreign-economic planners in Gosplan, who appear

-8-

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to favor coordinating CEMA plans with the LDCs in the area of fuel and raw materials in order to ease the burden of heavy capital investments in Soviet extractive industries.

By contrast, the International Department strikes a more reserved pose, suggesting that the social and political ills of the LDCs can vitiate the utility of Soviet aid. There seems to be a consensus among International Department specialists that the LDCs must develop their economies gradually, avoiding overly ambitious plans. Indeed, some of these specialists come close to calling into question the general usefulness of economic aid, arguing that it is more important for Soviet policy to focus on the political and social problems of LDCs. The implications of such sober assessments are fairly obvious: foreign aid should be relatively modest in scope and aims.

On balance, the advice emanating from these various sources appears to be weighted on the more sober and pragmatic side. The record of Soviet aid in the past decade indicates that aid policy is, in fact, based on a healthy pragmatism which tries to take advantage of targets of opportunity that promise to enhance the Soviet position in key LDCs and geographic regions. The goal of achieving a significant economic payoff, in the fuel and extractive industries or elsewhere, appears clearly subordinate to the political goal.

PERCEPTIONS OF EXTERNAL AND STRATEGIC GOALS

However much the recommendations of various Soviet institutions and specialists enter into the thinking of Politburo members, there is evidence that they can and usually do make their decisions on the basis of an evaluation of broad national interests. Even when an individual Politburo member has qualms about the economic costs of foreign aid, he is likely to perceive the political value of aid programs quite clearly and to consider this the overriding factor. Indeed, Soviet aid programs appear to be shaped by both optimism and opportunism in the Politburo

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leaders' perceptions of how the USSR can and should behave as a great power. Deriving added strength from the belief that in recent years the strategic balance has shifted in favor of the Soviet bloc, Soviet policy-makers seem to feel that time and patience will eventually yield a payoff from most foreign aid.

It seems that, because of the many institutional interests involved and the various crosscurrents which have been alluded to, there is no exact correlation between the USSR's aid program and the general direction of its foreign policy. Nevertheless, the degree to which emphasis should be placed on detente or on support for "liberation movements" undoubtedly is a significant influence on the thrust of the aid program.

-10-

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