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September 14, 1982

29386

Interagency Group No. 30

TO:

OVP	- Mr. Donald P. Gregg
NSC	- Mr. Michael O. Wheeler
ACDA	- Mr. Joseph Presel
USDA	- Mr. Raymond Lett
CIA	- [redacted] B3
Commerce	- Mrs. Helen Robbins
Defense	- COL John Stanford
JCS	- MAJ Dennis Stanley
Treasury	- Mr. David Pickford
UNA	- Amb. Harvey Feldman
USIA	- Ms. Teresa Collins

SUBJECT: Draft NSSD 11-82

In response to tasking assigned by Interagency Group No. 30 on August 27, the attached CIA draft addresses topics 1-3 of NSSD 11-82. This draft should be read in connection with the STATE draft of topics 4 and 5 circulated earlier. Both drafts will be considered at the meeting scheduled for 3:00 p.m., September 17 in Room 6226, Department of State.

L. Paul Bremer, III
Executive Secretary

Attachment:

CIA Draft

SECRET/NODIS

DECL: OADR

THE SOVIET CHALLENGE

29387

THE DETERMINANTS OF SOVIET BEHAVIOR

The primary determinants of Soviet international behavior are geography, an imperial tradition and ideology. The first of these is immutable; the second was inherited by the Soviet leadership in 1917; and the third has served to reinforce the imperial tradition and preserve some of its chief characteristics--suspicion, aggressiveness, and xenophobia.

Communist ideology posits an inevitable struggle between capitalism and socialism and thus views non-socialist states both as potential targets for revolution and as potential threats. It sees class antagonism as the driving force behind political and economic change, and the policies of other nations as shaped by domestic economic and social struggles. This view provides the intellectual prism through which Soviet leaders perceive the outside world, reenforces the expansionist tendencies inherited from the Russian tradition, and assures them that history is on their side.

Most importantly, Communist ideology is the main source of the regime's legitimacy. It explains why there is only one political party, which controls the state administration and all spheres of society, why the media are subject to censorship, and why the party Politburo dominates political life. For a variety of reasons--including a deeply rooted fear of anarchy and the absence of any regularized process for transferring power--questions of the regime's legitimacy continue to be of basic concern to Soviet leaders.

But Soviet authorities also see their own international role in terms of traditional great power interests. While as Marxists they believe in the ultimate transformation of the world along socialist lines, their specific policies and tactics are perforce often disputed by geopolitical considerations and frequently result in the subordination of the revolutionary dimension of their doctrine to such traditional calculations.

The insecurity and suspicion engendered by Russian history and Marxist-Leninist ideology have been tempered somewhat by the USSR's emergence as a military superpower and the concomitant growth of its political role in world affairs. Soviet leaders see military power as the essential foundation of an assertive foreign policy. The pattern of their policies since the mid-1970s suggests increased confidence in their global power position--expressed in Soviet parlance as "the changing correlation of forces in favor of Socialism." The Soviet leadership also sees continuing opportunities to exploit and foster international tensions and instabilities to their own advantage and the detriment of the United States. At the same time a new element of insecurity probably has been added by the growing recognition that serious domestic problems seem to defy solution.

SOVIET STRENGTHS AND WEAKNESSES

The political system that has evolved out of this historical and ideological tradition has provided the means for a serious challenge to US interests. Its leaders have formidable military power and considerable economic might at their disposal. The highly centralized decisionmaking apparatus also enhances the Soviet leadership's ability to develop a cohesive foreign and domestic policy and to move quickly to take advantage of international opportunities. At the same time such centralization often makes Soviet domestic policy rigid, and ideological orthodoxy inhibits adaptations to changing internal and international conditions. These strengths and weaknesses will be particularly in evidence as the Soviet Union deals with major global challenges and opportunities in the 1980s.

Internal Factors

The Economy.

The USSR has entered a period of slow economic growth that will confront the leadership with tough policy choices. Shortfalls in industrial production, and four consecutive harvest failures have reduced the growth in Soviet GNP to less than 2 percent a year since 1978—its lowest rate since World War II.

This decline indicates that the formula Moscow has used to stimulate growth over the past 25 years—maximum inputs of labor and investment—no longer works. During the past few years, the USSR has experienced:

- a sharp slowdown in oil production growth and a decline in coal production;
- a major rise in raw material costs;
- a fall-off in investment and labor-force growth; and
- a sharp decline in labor productivity growth.

To judge from 11th Five-Year Plan figures, the Soviet leadership, nevertheless, expects GNP to grow 4 percent per year through the mid-1980s. This goal, however, in our judgement is based on highly unrealistic assumptions about labor productivity growth. We estimate that GNP will continue to grow at less than 2 percent through the mid-1980s.

These economic difficulties have not led the leadership to make fundmental changes in policy. To maintain the military buildup, it has lowered the rates of growth for consumption and capital investment. If these priorities continue, however, the living standard will hold steady and may decline and investment will be squeezed further. The defense burden, as measured by share of GNP going to defense spending, might also approach 20 percent by the early 1990s compared to its current level of 13-14 percent--sharply restricting other claimants and heightening political tensions over allocation decisions.

Despite these gloomy prospects, the USSR continues to possess great economic strengths. It has:

- a wealth of natural resources, leading the world in the production of such key industrial commodities as oil, steel, iron ore, and nickel;
- the world's largest military-industrial complex; and
- a highly centralized economy that has enabled the leadership to command resources and set priorities between regions and sectors.

Moreover, although keenly aware of their difficulties, Soviet leaders apparently believe that the 1990s will bring some relief from at least two of their major problems—manpower shortages and energy constraints. They also take comfort in the gloomy projections of growth for most Western industrial nations and have expressed doubts both publicly and privately about the United States' ability to carry out its defense buildup.

Social Issues.

The sources of popular discontent in the Soviet Union--a perceived decline in the quality of life, continuing restrictions on freedom of expression and belief, and rising national consciousness among more than 20 major ethnic groups--pose problems of varying severity for the Soviet leadership. Discontent over the quality of Soviet life probably represents the most immediate and important challenge. The Soviet people no longer are confident that their standard of living will continue to improve. Food shortages have become more apparent and the availability of some consumer goods has dropped. The sense of rising expectations, made possible by real consumer advances until the mid-1970s, has yielded to an apparent growth of dissatisfaction and cynicism. This is manifesting itself in declining growth in labor productivity--a trend that will make it more difficult to achieve the rates of economic growth that the leaders plan. Recent regime actions--such as massive imports of grain and the creation of special food distribution systems—indicate that they are aware of the problems, but their policies are as yet inadequate to solve them.

The Soviet leadership thus far has been successful in isolating and repressing political, religious, and cultural dissent through widespread arrests and imprisonment of dissident leaders, confinement in psychiatric hospitals, and exile. In the long term, dissidence could become more widespread--because of dissatisfaction with living standards, a continuing decline in ideological commitment, and an apparent resurgence of interest in religious faith--and require even more leadership attention, but over the next 10 years there is little prospect that such activity will get out of hand and threaten party rule.

Discontent among the minority nationalities also represents a latent vulnerability. There is no widespread, disruptive protest now, however, nor does any appear likely in the near or mid-term. Regime policies—granting linguistic, territorial, and some cultural autonomy; improving the standard of living; and expanding the educational base—combined with the use of police power, have been largely successful thus far. A rising national consciousness among many of these groups, however, suggests that discontent could become more serious over the next several decades. It could result in work stoppages, demonstrations and greater assertiveness by local leaders—particularly in the Baltic States, the Ukraine and Central Asia--requiring the regime to reassess its basic approach to the problem.

Political Process and Structure.

The Communist Party's pervasive control gives great power and authority to its leaders, whose determination to insure the preeminence of the party and implementation of its decisions is an important underpinning of all national policy objectives. The successful pursuit of this aim, together with effective restrictions on public dissent, has given unity and cohesiveness to both domestic and foreign policy.

This focus on the maintenance of party control, however, also has introduced some rigidity and inefficiency that have been harmful to the pursuit of national goals. This has been especially evident in the economy. Party leaders, despite their interest in improving the efficiency and technological base of the economy, have been reluctant to fully back the kind of decentralization and economic incentives that would contribute to this end, mainly for fear that this would dilute their power. They have also been unwilling to codify their powers and responsibilities within the political system and develop an institutionalized process for replacing the top leader. As a result, political succession creates potentially disruptive personal and policy conflict. The lack of any mechanism to ensure rejuvenation of the administrative elite--while it has produced what are surely the world's most experienced bureaucrats--also has reduced the flow of fresh ideas and lessened the regime's ability to respond to new challenges.

Foreign Policy

Instruments of Policy.

To judge from the USSR's sustained heavy investment in military forces and weapons research and development, the Soviet leaders believe that military power is their principal instrument of influence and status in international relations. In strategic nuclear forces, the Soviets probably now credit themselves with aggregate nuclear capabilities at least equal to those of the United States and in some respects, such as the ability to threaten US land-based missile silos, with superiority. The Soviets have also significantly improved theater nuclear and conventional forces, accentuating regional military asymmetries opposite China and West Europe.

In the Third World, arms sales, military training and advisors also are effective instruments of Soviet policy. While such aid does not necessarily translate directly into political leverage, it usually is the keystone of Soviet relations with less developed countries and with revolutionary and insurgent groups. Despite Soviet interest in garnering hard currency from arms sales, Moscow has been willing, where it perceives political advantage, to make major concessions, such as extended repayment periods and payment in soft currency. This, combined with their apparent responsiveness, allows the Soviets to depict their actions as manifestations of solidarity with the Third World.

Another trend in Soviet Third World involvement is the continuing use of proxies and other intermediaries, together with covert Soviet involvement in supporting insurgent groups and in aiding the military ventures of client or dependent regimes. For the Soviets, the proxy relationship—one that has proven most successful in Angola and Ethiopia--minimizes the level of direct Soviet involvement while achieving Soviet aims and projecting the image of "socialist solidarity" with the recipient regimes.

Foreign debt obligations and hard currency shortages, however, affect the overall level of Moscow's commitment to client regimes. The hard currency crunch has made the Soviets reluctant to provide other clients with economic aid as extensive as that provided to Cuba or Vietnam. The net result is that Moscow is more dependent on military aid as an entree of influence in the Third World.

In recent years the Soviets also have strengthened their traditional diplomatic activities, supplementing them with increased usage of a broad range of pseudo-official and covert activities that the Soviets themselves refer to as

"active measures." The increased use of such measures is in part a reflection of the importance Moscow attributes to the "ideological struggle," which is waged not only through propaganda, but also with psychological warfare and subversion.

The Soviet Union and International Communism.

The international Communist movement is no longer the unambigious asset to the USSR that it once was. Threats to Soviet leadership and control of both ruling and non-ruling parties are growing. The turmoil in Poland and problems in Romania underscore the failure of the costly policy of buying stability and loyalty in Eastern Europe through economic subsidies.

The objective possibilities for continuing to pursue this policy, moreover, are fading quickly due to Soviet economic problems and Western resistance to deeper economic involvement in Eastern Europe. In the coming decade slow economic growth in Eastern Europe will threaten regime stability in bloc countries. The downfall of a corrupt and incompetent party leadership in Poland, precipitated by the protests of a popular workers' movement, and the use of the military to fill the gap, also raise disquieting questions about the legitimacy and effectiveness of Communist party rule throughout the bloc.

Despite these problems, Moscow's options are limited. An economic bailout would be too costly. Economic reform and greater Western involvement would diminish central control and could stimulate pressures for political reform. A resort to greater repression, on the other hand, would further complicate Moscow's relations in the West and the Third World.

Beyond Eastern Europe, the most serious challenge to Soviet control and orthodoxy in the world Communist movement comes from Eurocommunism. The West European parties are trying to balance their ties to the Soviet Communist Party with their own national and political interests. They resist Soviet efforts to subordinate national parties to Soviet control. Criticism of Soviet policies has now become common and probably will increase if the Soviets exercise greater repression at home and political and military expansion abroad.

The return of the Chinese Communist Party to active involvement in the international movement and its opposition to Soviet hegemony also are potentially severe challenges facing the Soviet leadership. The Chinese are in the process of forming a tacit alliance with several of the leading West European parties. The Chinese, in addition, have indicated their intention to compete with the Soviets for influence with "progressive forces" in the Third World, including such pro-Soviet radical regimes as Ethiopia, Angola, and Mozambique.

The Economic Burdens of Empire.

The Soviets almost certainly believe that their economic support of other Communist countries and clients brings substantial strategic and political benefits, but its rising cost and economic stringencies are prompting a tougher aid posture. Assistance to East European and Third World clients rose dramatically from $1.7 billion in 1971 to $23 billion in 1980—some 1.5 percent of GNP. Moscow is prepared to shoulder a large aid burden for its Communist clients; their economies are generally in trouble, and their stability is important to Soviet foreign policy objectives. The Soviet leadership, nonetheless, is attempting to slow the rise in aid costs by cutting subsidized oil deliveries to

some East European allies, refusing increased deliveries of fuel to Vietnam and demanding that allies end their trade deficits with the USSR.

Moscow's tight-fisted aid policy toward non-Communist LDCs will almost certainly continue as well. Moscow's present hard currency problems will make it even more reluctant to extend substantial hard currency aid to such countries as Nicaragua, despite repeated requests for it. Several radical clients, such as Ethiopia and South Yemen, moreover, are increasingly unhappy with their inability to augment Soviet military support with extensive economic cooperation.

Opportunities and Challenges.

The Soviets are faced with both opportunities and challenges abroad. Their international strengths derive for the most part from their huge military investments; their vulnerabilities stem principally from changes in the international environment that could threaten past gains.

The Soviet Union's growing military power has strengthened its ability to pursue political goals in Western Europe. By threatening additional nuclear deployments if NATO's INF decision is implemented, the Soviets are in effect attempting to force the West Europeans to accept de facto Soviet military superiority on the continent.

The Soviets also believe Washington's ability to raise the economic and military costs of the East-West competition is subject to competing US economic priorities and to reluctance on the part of US allies to follow our lead. The Soviets think that conflict between Western Europe and the United States over arms control and East-West economic relations presents opportunities to provoke divisions within the alliance. In particular, the failure thus far of US efforts to dissuade its West European allies from participation in the Yamal gas pipeline project has probably encouraged the Soviets in their assumption that difference in the Western alliance can be exploited to Soviet advantage. Moscow also remains hopeful that NATO's fragile consensus in favor of new intermediate-range missile deployments can be broken, leading to a serious rupture in the alliance.

In the Far East, Moscow's military buildup opposite China remains not only a lever on the PRC but a potential bargaining chip should Beijing become more serious in its desire to ameliorate Sino-Soviet tensions. Opportunities in the Far East are also afforded by the frictions in US-Chinese relations and potential divergences between the United States and Japan stemming from trade problems, disagreements over economic sanctions against the USSR, and Japanese reluctance to accelerate defense spending.

Moscow believes that its military investment also has improved somewhat its capabilities for projections into more distant regions. Although the Soviets recognize the limitations of that capability against a major military power, they hope that their increased capacity will deter US military action against Soviet proxies or clients and assure the favorable resolution of regional conflicts. Moscow's increased involvement in the Third World also reflects a belief that the United States has been constrained from direct military intervention there by the trauma of Vietnam and the difficulty of reaching a domestic political consensus on foreign policy in general. Indeed, political and economic instability throughout the Third World, together with the radicalization of postcolonial elites, have been viewed by the Soviets as major US and Western vulnerabilities and, conversely, relatively low-risk opportunities for the Soviet Union to insinuate itself through offers of military and technical aid.

In addition to these opportunities, however, Soviet leaders also see new threats and challenges in the international arena. The deteriorating Soviet-US relationship is a source of concern, potentially eroding Soviet military and foreign policy gains of the past decade. Planned US strategic and theater programs also are seen by the Soviets as an attempt to negate the USSR's strategic advantages and to create a credible "first strike" capability.

In the Far East, the Soviets view China's improved relations with both the United States and Japan as a serious security problem, raising the possibility that the USSR might be opposed by all three countries in a conflict in the Far East. More immediately, the USSR suspects that this trilateral reapprochment portends active US and Japanese aid in the modernization of Chinese armed forces. Moscow's territorial disputes with both China and Japan, moreover, are major obstacles to any dramatic improvement in its relations with either country.

In the Third World, the Soviets recognize that even where they have substantial political and military investments their continued influence is not guaranteed. The defeat of Soviet clients in Lebanon and Soviet inability to intervene effectively was the most recent demonstration. Similarly, the Soviets see current US efforts to broker a more comprehensive peace settlement in the Middle East and to achieve a settlement in Namibia as potentially leading to a further erosion of Soviet influence in the Third World.

PROSPECTS FOR CHANGE

Soviet economic and social problems will provide the strongest impetus for systemic or policy change over the next 10 years. Unless major changes are forthcoming, economic growth rates will remain at historically low levels, popular dissatisfaction with a perceived decline in the quality of life will grow, and resource allocation decisions will become more difficult for the leadership. The gravity of these problems for the Soviet system, however, remains difficult to measure, and there are important uncertainties in our judgments about the possibility that they will cause major system or policy changes. We, thus, will examine possible major systemic discontinuities that—although much less likely—would have important consequences for US interests.

The Soviet leadership obviously has a more sanguine view of its problems than we do. While their rhetoric reflects evident concern, there is no sense of mortal danger to the Soviet state. The gloomier projections of foreign observers, on the other hand, reflect a perception that Soviet problems are intractibile and less optimism that the added manpower and energy resources the Soviets are counting on in the 1990s will reverse adverse economic trends.

Even with the more negative assessment of Soviet economic and social difficulties, however, we believe that the strengths of the system--its control mechanisms, its economic power, the patriotism and passivity of its populace--will allow Soviet leaders to manage whatever internal pressures for systemic change (changes in basic philosophy or the nature of Communist party rule) are likely to develop over the next decade. The regime while facing important long-term vulnerabilities, does not, in our judgement, appear to be in imminent danger.

While this assessment leads us to believe that the prospect for major systemic change in the next years is relatively low, the likelihood of policy

shifts is much higher. The immediate post-Brezhnev leadership will almost certainly make a more vigorous effort in the next 3-5 years to reverse the economic slowdown, and in the process alter sectoral and regional resource allocations, administrative structures, prices and incentives, and even tighten administrative controls. Toward the end of the decade and with the emergence of a new generation of leaders, more far-reaching solutions to this fundamental problem could emerge, involving perhaps much greater use of market forces, cuts in the growth rate for military spending or more repression. At the same time, any group of leaders almost certainly will continue to rely on military power as a key instrument of foreign policy and will be sure to maintain its competitive strength vis-a-vis the United States. They are likely to count on Third World developments to provide new political and diplomatic opportunities as well.

Changes in the Political System

Despite internal weaknesses, the institutions of political control remain strong and firmly entrenched in the USSR. Popular discontent--although threatening to economic goals—does not as yet challenge the party's authority. Revolutionary collapse or major alterations in the system are highly unlikely in the next three to five years.

In the longer run, institutional rivalaries will persist, and may increase as economic growth declines, but the party apparatus will probably remain the dominant political institution for at least the next decade. Where the party's potential competitors—the military, the KGB, and the government bureauracy—have political clout that can be especially important during periods of intra-party strife, none of them is well equipped to supplant the party and none seems inclined to try in the near term.

A military coup?

There is at most an outside chance of a military takeover within the next 10 years. Although the military has the organizational skills and certainly the muscle to take charge, it has been indoctrinated from the regime's beginnings to stand aside from higher politics and historically has rarely been a major political actor. Moreover, its interests have been well served by the current party leadership. It has, for example, been given a large role in defining the security threat and in determining the programs required to deal with it--its two main political interests. The party, in addition, has developed a wide array of checks and controls to forestall a military coup. The military probably would attempt to assume power only in the event of a significant "liberalization" of the political system that was viewed as undermining social discipline and threatening the military's priority claim to resources or under conditions of political and economic chaos similar to that in the Polish crisis.

Return to One-Man Rule.

Within the framework of the existing system of party rule, however, a variety of changes are possible. During the next decade, for example, a leader who exercised power far in excess of that wielded by Brezhnev or Khrushchev could emerge. Such a development (perhaps a 20 percent possibility) could result from frustration with the lack of clear national direction, a perception that more discipline is needed in the party and society, and a confluence of serious domestic and international problems. Although no leader who succeeds Brezhnev

will initially have such authority, the time required for his consolidation of power could be far shortened by a shared sense of urgent national tasks. The emergence of such a leader, less constricted by the need for consensus, would make major policy shifts and changes much more likely. Domestic policies probably would take an authoritarian turn, but external policies could range from highly aggressive to pragmatic.

"Liberalization" of the System.

Another possibility would be some liberalizing reform that would allow for much greater personal freedom and decentralization of political and economic authority. This seems a less likely prospect (perhaps a 10 percent possibility over the next decade), considering the absence of effective popular pressure for such change, the strength of the regime's control mechanisms, and the apparent lack of significant sentiment in that direction within the Soviet establishment. Given the nature of the great power rivalry, however, a "liberal" Soviet regime would not necessarily be more accommodating to US interests. Indeed, such a regime might be more effective at overcoming some of the Soviet Union's systemic and policy weaknesses, making it an even more formidable adversary.

Changes in Policies through the Mid-1980s

More likely than systemic change are changes in specific policies, some probably following shortly on Brezhnev's departure. Although our knowledge of Soviet internal debate is limited, there have been discernible differences among Politburo members on several key issues. Conflict over these and other issues, heightened by political jockeying and the complexity of the country's problems, could lead to major policy shifts in the next three to five years.

Economic Policy.

The most immediate changes are likely in economic policy, where the current investment strategy has provoked considerable debate. Differences in priorities already have emerged between the pronouncements of one group (represented by Kirilenko, Shcherbitskiy, and others) that has advocated the priority development of heavy industry, and another (represented mainly by Chernenko) that has emphasized the need to increase the availability of consumer goods. Whatever the outcome of this debate, a major reallocation of resources almost certainly will be undertaken in the immediate post-Brezhnev era, with agriculture—in the absence of its principal patron--becoming a likely target for cuts. Other sectors also will be affected by the political fortunes of their sponsors, however, making the eventual economic beneficiaries largely uncertain.

Military Spending.

Concern about the domestic economy also could eventually impel one or another leader to propose in the mid-1980s some reduction in the rate of growth of military spending, if not an absolute cut as Khrushchev did in the mid-1950s. A number of additional factors, however, make even symbolic reductions in the growth of the defense budget unlikely in the near term, including:

- the poor state of US-Soviet relations;
- the political commitment of most Soviet leaders to a strong defense;
- the challenge of planned US defense programs; and
- the momentum of weapon development and production programs that are under way.

In a succession environment, however, no new leader, unless he perceives an existing consensus, is likely to risk antagonizing the military establishment and conservative forces in the party by proposing cuts in the growth of defense spending. Indeed, the military could even come away from the coming power struggle with some increase in the rate of growth for a few years.

Over time, as the post-Brezhnev leadership struggles with declining economic growth, there may be greater pressure to reduce the growth in military spending in order to free up the labor and capital resources urgently needed in key civilian sectors. In this connection, the cost-avoidance benefits of arms control agreements could assume greater importance. Even in the mid-1980s, however, absolute reductions in the defense effort seem unlikely, barring economic catastrophe. Moreover, Soviet military investment is now so large that even with reduced growth—or indeed with no growth at all—military capabilities would continue to increase well into the 1990s.

Economic Reforms.

In addition to investment disputes, succession politics may bring forth new proposals to improve the economy's efficiency. Concern over declining growth apparently has led some leaders to reevaluate economic and administrative reforms they earlier found unacceptable. Since 1978 several Soviet leaders have publicly endorsed Hungary's "New Economic Mechanism"--a system based on centrally formulated plans and economic goals but using some market forces to guide the economy at the micro-level.

Although there is little prospect that the Soviet Union will adopt changes so sweeping, some administrative reforms may well be enacted. The multitude of functionally related and overlapping ministries might be placed under more centralized management. This could be accompanied by some decentralization of operational authority—a move that already has been at least started in the agricultural sector. (It is in this area that the Hungarian model has been most closely studied and emulated.) Changes that are politically feasible, however, probably will not significantly improve the economic situation.

Foreign Policy.

The existing consensus on foreign policy is stronger than that on domestic issues, and major changes are less likely in that area in the next few years. Some issues, nonetheless, could become a bone of contention in the post-Brezhnev Politburo. Although these issues will be determined largely by the international situation at the time, a successor regime will have to deal with both the challenges and opportunities outlined above.

Rival claimants to leadership in the immediate post-Brezhnev era are likely to share a commitment to sustain the global dimensions of Soviet policy. This commitment could be reinforced by a possible tendency on the part of a younger generation of Soviet leaders to equate the growth of military power with the growth of global power and influence. Supporting such thinking, moreover, are factors that go beyond tangible or measurable indexes—ideological conviction, a sense of insecurity and of hostile encirclement, and a contrasting confidence and sense of achievement in the USSR's emergence as a global superpower.

Soviet leaders probably will wish to continue an arms control dialogue with the United States for at least the next few years, seeking new agreements that will slow US weapons programs, thereby facilitating Soviet planning, reducing weapons costs, and lessening the possibility of technological surprise. Although the Politburo as a whole now seems to believe the prospects for improved Soviet-US relations are dim, in the past some leaders (such as Andropov and Chernenko) have seemed more enthusiastic about pursuing this goal than others (such as Kirilenko). The price the Soviet leadership is willing to pay for an arms limitation agreement, therefore, may depend in part on the outcome of the succession.

A new Soviet leadership may, in addition, undertake new initiatives designed to alter the geopolitical environment. They may, for instance, attempt a breakthrough in relations toward Western Europe or China. Moscow's principal assets in these instances would be the ability to offer greater intercourse between East and West Germany and to offer China significant concessions on contentious military and border issues.

The Soviet Union's other future policy options will depend on events beyond its control. A collapse of the Saudi monarchy, for example, could usher in an anti-Western regime, presenting the Soviets with major new possibilities for expanding its influence in the area. Likewise, the outcome of the Iran-Iraq war might also create significant opportunities or dangers from Moscow's perspective that could lead to policy shifts.

Longer-Range Uncertainties.

For the next 3 to 5 years, the Soviet leadership will continue to be dominated by Brezhnev's current colleagues in the Politburo. Present policy already reflects their influence, and they may be less willing than their younger colleagues waiting in the wings to push for major policy or systemic change.

Soviet policies will become less predictable in the late 1980s and early 1990s, however, as the gap between economic performance and leadership expectations widens, as the basis for optimism about future economic performance erodes, and as the generational change in the Soviet leadership takes hold. The policy preferences of this younger generation are largely unknown. Although they have discretionary authority in implementing the Politburo's domestic policies, these officials now hold positions--in the Central Committee apparatus, regional party organizations, and the government bureaucracy--that provide little involvement in foreign policy.

What little evidence we have of this younger group's views reveals no clearly dominant orientation and no apparent consensus regarding the direction of future policies. Their eventual domestic course will probably reflect elements of both orthodox and reformist views, perhaps undertaking some decentralization of economic management, while at the same time tightening labor discipline.

Their foreign policy course is even more difficult to predict. Conceivably, some members of this group might favor a more accommodating foreign policy stance in order to increase trade with the West and ease domestic economic problems. The same pressures, however, might lead others to urge the adoption of economic self-sufficiency (autarky) at home and a more adventurist policy abroad, increasing the risk of a Soviet-US confrontation.

IMPLICATIONS FOR US POLICY

Changes in the Soviet system or policies over the next decade probably will have little impact on the basic nature of the Soviet-US relationship. Even if the climate of relations improved somewhat, the antagonistic nature of the interaction almost certainly will persist because of conflicting views and political goals. Limited accommodations in the areas of arms control or other bilateral issues may be possible, but a more encompassing accord on bilateral relations or geopolitical behavior is precluded by fundamentally divergent attitudes regarding desirable political or social change in the international order.

Although the Soviets will not wish a major confrontation with the United States, their belief that they now enjoy strategic equality and some advantages enhances the prospects for a more assertive foreign policy. Soviet leaders probably also can be expected to seize new opportunities offered by instability in the Third World to enhance Soviet geopolitical influence and divert US attention from areas of direct US-Soviet interaction, even in situations where the USSR has little prospect of making significant gains for itself. If the Soviets are able to ameliorate some of their current internal and external weaknesses--for example, by stemming the decline of economic growth—this also would improve their ability to compete with the United States for global influence.

It is doubtful, however, that Soviet leaders perceive a "window of opportunity" stemming from an overweening confidence in present Soviet nuclear forces relative to future prospects. From the perspective of the Soviet leadership, there will remain important deterrents to major military actions that directly threaten vital US national interests. These include the dangers of a direct conflict with the United States that could escalate to global proportions, doubts about the reliability of some of their East European allies, and an awareness of the greater Western capacity to support an expanded defense effort. These concerns do not preclude action abroad, but they act as constraints on military actions in which the risk of a direct US-Soviet confrontation is clear.

US Influence on Soviet Behavior

The future of the Soviet political system and its basic values will be determined primarily by internal political forces that the United States has relatively little ability to influence. Specific policies, and Soviet behavior in the international arena, nonetheless, can be affected by US policies designed to condition the Soviet perception of the costs and risks involved in continuing the military buildup and pursuing an expansionist foreign policy.

Impact on the Political System

US and Western influence over the ongoing Soviet political succession process is highly limited. Even if this were not the case, a contender whose stance appears more favorable to Western interests today may alter his position when he becomes party chief. In the initial stages of the Lenin succession, for example, Stalin appeared to be one of the more moderate Soviet leaders. During the Stalin succession, Khrushchev at first adopted a hardline internal position and later shifted to a more moderate course.

Western ability to influence the nature and evolution of the Soviet system is similarly limited. Although the United States and its allies can lend support to dissidents and call attention to Soviet violations of human rights, these actions in themselves are unlikely to hasten democratization of Soviet society. Despite the many weaknesses of the system, the passivity and patriotism of the Soviet citizenry and leadership sensitivity to any effort to play upon the system's vulnerabilities severely limit Western ability to effect its transformation.

Leverage over Policy

US policies, however, may be able to exacerbate several continuing weaknesses in Soviet foreign and domestic policy. Foreign policy actions which the Soviets perceive as necessary to preserve existing equities--such as repressive measures in Eastern Europe—tend to isolate them in the world and complicate achievement of other goals. Moreover, the attraction some Western values hold for the Soviet people will cause the regime to expend considerable effort to protect them from foreign contagion and to prevent the development of a stronger dissident movement. The Soviet economy also will be hard pressed to keep pace with rising consumer expectations, probably resulting in more leadership attention to work stoppages, strikes, and other manifestations of social unrest.

Past US efforts to use trade leverage to influence specific Soviet policies, however, have had only limited success. Moscow has circumvented most economic restrictions and refused to modify its policies substantially in return for increased trade. During the past two decades the Soviets have:

- thwarted the 1962 US-West German embargo on oil pipe by increasing their own pipe production and obtaining pipe from Britain, Sweden, and Japan;
- rejected the mid-1970s offer of lower tariffs and expanded trade credits when the Jackson-Vanik Amendment tied it to freer emigration for Soviet Jews; and
- successfully exploited Western differences over sanctions related to the Afghanistan invasion and—thus far--Polish martial law.

Western goods and technology are becoming more important to the USSR's strained economy; the volume of imports tripled in the 1970s and imports have been crucial to completion of several major production projects and to overcoming production shortfalls. But Moscow almost certainly will remain resistant to attempts at trade leverage. Unilateral US trade restrictions could create short-run difficulties for the Soviets in some sectors—such as the oil and gas and chemical industries--but would probably not persuade Moscow to alter major domestic or foreign policies. Similarly, the Soviets also certainly would view renewed US offers of increased trade for certain political concessions with considerable suspicion. Unified and sustained Western trade restrictions, particularly in such areas as energy equipment and agricultural products, however, could impose substantial costs on the Soviets. They probably would not change basic policies, particularly if international tensions were high, but would affect the Soviet calculation of costs and benefits in particular situations.

Moreover, the United States can affect the USSR's behavior in other ways, chiefly by conditioning the leaders perceptions of the costs and risks involved in Soviet expansionism. It is the Soviet leadership's respect for US military capabilities, for example, that has prevented it from becoming involved in military hostilities in the Middle East over the years. The Soviets recognize, moreover, that if the US has the political will, it is better positioned to use its military, economic, and political power on a global scale than they are.

Soviet perceptions of Western vulnerabilities and weaknesses, on the other hand, serve to enhance their confidence in their ability to compete with the US. The Soviets currently view Washington's ability to heighten the economic and military costs to Moscow as subject to competing US domestic economic priorities, the ability to rally popular support, and reluctance on the part of US allies to incur the costs of increased defense expenditures or increased tensions with Moscow. The Soviets recognize, moreover, that divergent views within NATO present opportunities to provoke major divisions between the United States and its principal allies. Strengthened Western unity and continued US resolve, therefore, could have a significant impact on future Soviet calculations and behavior.

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DEPARTMENT OF STATE

Washington, D.C. 20520

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October 27, 1982

TO:

OVP	-	Mr. Donald P. Gregg
NSC	-	Mr. Michael O. Wheeler
ACDA	-	Mr. Joseph Presel
CIA	-	Mr. Thomas B. Cormack
Commerce	-	Mrs. Helen Robbins
Defense	-	COL John Stanford
JCS	-	LTC Dennis Stanley
Treasury	-	Mr. David Pickford
UNA	-	Amb. Harvey Feldman
USIA	-	Ms. Teresa Collins

SUBJECT: Draft NSSD 11-82

There is attached a revised draft of NSSD 11-82 which will be considered at a meeting of the IG chaired by Assistant Secretary-designate Burt scheduled for 10:00 a.m., Tuesday, November 2 in Room 6226, Department of State. The purpose of this meeting will be to propose and discuss final changes in the draft so that it can be submitted to the SIG.

Attendance at the meeting will be principal plus one. Please telephone the names of your representatives to Mr. Tain Tompkins at 632-5804 by COB Monday, November 1.

L. Paul Bremer, III
Executive Secretary

Attachment: Draft NSSD

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DECL: OADR

U.S. Relations With The USSR

Introduction and Overview

The record of U.S.-Soviet relations since October, 1917, has been one of tension and hostility, interrupted by short-lived periods of cooperation. The Soviet challenge to U.S. interests has many roots, including: (1) an imperial tradition; (2) threat perceptions rooted in Russian history; and (3) the nature of the Communist regime, its superpower ambitions, and its ideologically-mandated antipathy toward the United States as the "main bastion of capitalism."

Our tensions with the Soviet Union have resulted in substantial measure from the unrelenting growth of Soviet military power and Moscow's readiness to use force in ways which threaten our Allies and pose a threat to the security of the United States. We have built up our military power vis-a-vis the Soviets, and we have pursued intermittently a policy of containment on the periphery of the Soviet Union. Such responses are essential, and we must ensure that the United States sustains the resources and the will to compete effectively with the Soviet Union in all of these dimensions. This will remain the primary focus of American national security policy.

Because Soviet aggressiveness has sources in the Soviet internal system, an effective national strategy requires that our policies toward that country also take into account their impact on its internal development. It is inconsistent to raise the defense budget to meet the Soviet threat and at the same time allow our economic relations with Moscow to contribute directly to the growth of Soviet military power. It is also inconsistent to contest the expansion of Soviet power without exploiting the internal vulnerabilities that could weaken that power at its source. Finally, there is a strong and broadly-based concern among Americans about the human rights situation in the Soviet Union and the lack of individual freedom in Soviet society. This too compels us to keep the nature of the Soviet system at the center of our policy.

The Reagan policy toward the Soviet Union proceeds on the assumption that the maintenance of power by the Soviet regime rests ultimately on force and that Soviet external aggression stems in part from the nature of the Soviet political system. Our policy must therefore have a dynamic thrust which recognizes that a primary source of Soviet militarism and imperialism is the system itself.

We must, within the limits of our capabilities, design political, economic, and other measures which advance our long-term objective of promoting: (1) the decentralization and demilitarization of the Soviet economy; (2) the weakening of the power and privileged position of the ruling communist elite; (3) the creation of a more equitable relationship between the ruling Great Russian nation and its non-Russian subjects; and (4) gradual democratization of the USSR.

Thus, the first two tracks of our policy toward the Soviet Union are:

-- To compete effectively on a sustained basis with the Soviet Union in all international arenas in which our interests conflict, particularly in the overall military balance and in geographical regions of priority concern to the United States.

-- To undertake a coordinated, long-term effort to reduce the threat that the Soviet system poses to our interests.

There is an important third track. We need to engage the Soviet Union in dialogue and negotiations to convey our concerns clearly and also to attempt to reach agreements based on strict reciprocity and mutual interest.

We need to create and sustain negative and positive incentives powerful enough to influence Soviet behavior. Moscow must know that behavior unacceptable to us will incur costs that would outweigh any gains. At the same time, we must make clear to the Soviets that real restraint in their behavior would pave the way for a stable and constructive East-West relationship that would have important benefits for the Soviet Union.

The study which follows is in two parts. The first examines in detail the determinants of Soviet behavior, the strengths and weaknesses of the Soviet system, prospects for future development in Soviet foreign policy and within the Soviet Union itself, and the degree of vulnerability of the system to external leverage. The second part sets forth in greater detail a Reagan Administration policy toward the Soviet Union, with emphasis on the role of the military balance, relationships with our Allies and developing countries, interaction with Soviet allies in Eastern Europe and the Third World, and our bilateral relations with the Soviet Union itself. Within the latter we have laid particular emphasis on how our economic relations and expanded political action programs can be structured and utilized to advance our interests.

PART I - THE DETERMINANTS OF SOVIET BEHAVIOR

The primary determinants of Soviet international behavior are geography, an imperial tradition and ideology. The first of these is immutable; the second was inherited by the Soviet leadership in 1917; and the third has served to reinforce the imperial tradition and preserve some of its chief characteristics--suspicion, aggressiveness, and xenophobia.

Communist ideology posits an inevitable struggle between capitalism and socialism and thus views non-socialist states both as potential targets for revolution and as potential threats. It sees class antagonism as the driving force behind political and economic change, and the policies of other nations as shaped by domestic economic and social struggles. This view provides the intellectual prism through which Soviet leaders perceive the outside world, reinforces the expansionist tendencies inherited from the Russian tradition, and assures them that history is on their side.

Most importantly, Communist ideology is the main source of the regime's legitimacy. It explains why there is only one political party, which controls the state administration and all spheres of society, why the media are subject to censorship, and why the party Politburo dominates political life. For a variety of reasons--including a deeply rooted fear of anarchy and the absence of any regularized process for transferring power--questions of the regime's legitimacy continue to be of basic concern to Soviet leaders.

But Soviet authorities also see their own international role in terms of traditional great power interests. While as Marxists they believe in the ultimate transformation of the world along socialist lines, their specific policies and tactics are perforce often shaped more by geopolitical considerations.

The insecurity and suspicion engendered by Russian history and Marxist-Leninist ideology have been tempered somewhat by the USSR's emergence as a military superpower and the concomitant growth of its political role in world affairs. Soviet leaders see military power as the essential foundation of an assertive foreign policy. The pattern of their policies since the mid-1970's suggests increased confidence in their global power position--expressed in Soviet parlance as "the changing correlation of forces in favor of Socialism." The Soviet leadership also sees continuing opportunities to exploit and foster international tensions and instabilities to their own advantage and the detriment of the United States. At the same time a new element of insecurity probably has been added by the growing recognition that serious domestic problems seem to defy solution.

SOVIET STRENGTHS AND WEAKNESSES

The political system that has evolved out of this historical and ideological tradition has provided the means for a serious challenge to U.S. interests. Its leaders have formidable military power and considerable economic might at their disposal. The highly centralized decision making apparatus enhances the Soviet leadership's ability to develop a cohesive foreign and domestic policy and to move quickly to take advantage of international opportunities. At the same time such centralization often makes Soviet domestic policy rigid, and ideological orthodoxy inhibits adaptations to changing internal and international conditions. These strengths and weaknesses will be particularly in evidence as the Soviet Union deals with major global challenges and opportunities in the 1980s.

Internal Factors

The Economy

The USSR has entered a period of slow economic growth that confronts the leadership with tough policy choices. Shortfalls in industrial production, and four consecutive harvest failures have reduced the growth in Soviet GNP to less that 2 percent a year since 1978--its lowest rate since World War II.

This decline indicates that the formula Moscow has used to stimulate growth over the past 25 years--maximum inputs of labor and investment--no longer works. During the past few years, the USSR has experienced:

-- a sharp slowdown in oil production growth and a decline in coal production;
-- a major rise in raw material costs;
-- a fall-off in investment and labor-force growth; and
-- a sharp decline in labor productivity growth.

To judge from 11th Five-Year Plan figures, the Soviet leadership nevertheless expects GNP to grow 4 percent per year through the mid-1980s. This goal, however, is based on highly unrealistic assumptions about labor productivity growth. We estimate that GNP will continue to grow at less than 2 percent through the mid-1980s.

These economic difficulties have not led the leadership to make fundamental changes in policy. To maintain the military buildup, it has lowered the rates of growth for consumption and capital investment. If these priorities continue, however, the living standard will hold steady and may decline and investment will be squeezed further. The defense burden, as measured by share of GNP going to

defense spending, might approach 20 percent by the early 1990s compared to its current level of 13-14 percent--sharply restricting other claimants to resources and heightening political tensions over allocation decisions.

Despite these gloomy prospects, the USSR continues to possess great economic strengths. It has:

-- a wealth of natural resources, leading the world in the production of such key industrial commodities as oil, steel, iron ore, and nickle;
-- the world's largest military-industrial complex; and
-- a highly centralized economy that has enabled the leadership to command resources and set priorities between regions and sectors.

Moreover, although keenly aware of their difficulties, Soviet leaders apparently believe that the 1990s will bring some relief from at least two of their major problems--manpower shortages and energy constraints. They also take comfort in the gloomy projections of growth for most Western industrial nations and have expressed doubt publicly and privately about the United States' ability to carry out its defense buildup.

Social Issues

The sources of popular discontent in the Soviet Union--a perceived decline in the quality of life, continuing restrictions on freedom of expression and belief, and rising national consciousness among more than 20 major ethnic groups--pose problems of varying severity for the Soviet leadership. Discontent over the quality of Soviet life probably represents the most immediate and important challenge. The Soviet people no longer are confident that their standard of living will continue to improve. Food shortages have become more apparent and the availability of some consumer goods has dropped. The sense of rising expectations, made possible by real consumer advances until the mid-1970s, has yielded to an apparent growth of dissatisfaction and cynicism. This is manifesting itself in declining growth in labor productivity--a trend that will make it more difficult to achieve the rates of economic growth that the leaders plan. Recent regime actions--such as massive imports of grain and the creation of special food distribution systems--indicate that they are aware of the problems, but their policies are as yet inadequate to solve them.

The slowing of economic growth, and the consequent near stagnation in per-capita consumption, has led to a growing malaise in Soviet society--manifested in growing consumption of alcohol, increasing labor turnover, sporadic strike activity, a flourishing black market, and corruption. Such phenomena are not only contributing to the reduction of labor productivity, but also creating

elite concern over the political implications of this shift in popular attitudes.

The malaise in Soviet society is symptomatic of an underlying loss of commitment to the system and to the political order. Although impossible to quantify, the ideological underpinings of the system have clearly been eroding. Some erosion was probably inevitable as the generation that made the revolution passed from the scene, but a more fundamental problem has been the increasingly palpable inconsistency between the socialist ideal -- equality, community, etc. -- and the reality of a bureaucratic state whose principal purpose is maintaining in power the present elite. The threat this loss of moral authority poses to the regime and its order is hard to determine -- to the Soviet leaders as well as to ourselves. But from the Soviet perspective the trends are not good, and it is hard to see how the current set of leaders could lead or control a reformation that would restore a sense of shared belief in the rightness of the present order. It seems likely that this problem will loom larger in the concerns of Soviet leaders, and they will feel themselves increasingly defensive and vulnerable to efforts by the West to give succor to the idea that beneficent change is possible in the USSR.

The Soviet leadership thus far has been successful in isolating and repressing political, religious, and cultural dissent through widespread arrests and imprisonment of dissident leaders, confinement in psychiatric hospitals, and exile. In the long term, dissidence could become more widespread--because of dissatisfaction with living standards, a continuing decline in ideological commitment, and an apparent resurgence of interest in religious faith--and require even more leadership attention, but over the next 10 years there is little prospect that such activity will get out of hand and threaten party rule.

Discontent among the minority nationalities also represents a latent vulnerability. There is no widespread, disruptive protest now, however, nor does any appear likely in the near or mid-term. Regime policies--granting linguistic, territorial, and some cultural autonomy; improving the standard of living; and expanding the educational base--combined with the use of police power, have been largely successful thus far. A rising national consciousness among many of these groups, however, suggests that discontent could become more serious over the next several decades. It could result in work stoppages, demonstrations and greater assertiveness by local leaders--particularly in the Baltic States, the Ukraine, and Central Asia--requiring the regime to reassess its basic approach to the problem.

Political Process and Structure

Soviet leaders exercise pervasive control over political activity in the USSR, and their determination to insure the preeminence of the party and implementation of its decisions is an important underpinning of all national policy objectives. The successful pursuit of this aim, together with effective restrictions on public dissent, has given unity and cohesiveness to both domestic and foreign policy.

This focus on the maintenance of party control, however, also has introduced some rigidity and inefficiency that have been harmful to the pursuit of national goals. This has been especially evident in the economy. Party leaders, despite their interest in improving the efficiency and technological base of the economy, have been reluctant to back fully the kind of decentralization and economic incentives that would contribute to this end, mainly for fear that this would dilute their power. They have also been unwilling to codify their powers and responsibilities within the political system and develop an institutionalized process for replacing the top leader. As a result, political succession creates potentially disruptive personal and policy conflict. The lack of any mechanism to ensure rejuvenation of the administrative elite--has reduced the flow of fresh ideas and lessened the regime's ability to respond effectively to new challenges.

Foreign Policy

Instruments of Policy

To judge from the USSR's sustained heavy investment in military forces and weapons research and development, the Soviet leaders believe that military power is the principal basis of their influence and status in international relations. In strategic nuclear forces, the Soviets probably now credit themselves with aggregate nuclear capabilities at least equal to those of the United States and in some respects, such as the ability to threaten land-based missile silos, with superiority. The Soviets have also significantly improved theater nuclear and conventional forces, thus reinforcing Moscow's regional superiority vis-a-vis China and Western Europe.

In the Third World, arms sales, military training, and advisors also are effective instruments of Soviet policy. While such aid does not necessarily translate directly into political leverage, it usually is the keystone of Soviet relations with less developed countries and with revolutionary and insurgent groups. Despite Soviet interest in garnering hard currency from arms sales, Moscow has been willing, where it perceives political advantage, to make major concessions, such as extended repayment periods and payment in soft currency. This, combined with their apparent responsiveness, allows the Soviets to depict their actions as manifestations of solidarity with the Third World.

Another trend in Soviet Third World involvement is the continuing use of proxies and other intermediaries, together with covert Soviet involvement in supporting insurgent groups and in aiding the military ventures of client or dependent regimes. For the Soviets, the proxy relationship--one that has proven most successful in Angola and Ethiopia--minimizes the level of direct Soviet involvement while achieving Soviet aims and projecting the image of "socialist solidarity" with the recipient regimes.

Foreign debt obligations and hard currency shortages, however, affect the overall level of Moscow's commitment to client regimes. The hard currency crunch has made the Soviets reluctant to provide other clients with economic aid as extensive as that provided to Cuba or Vietnam. The net result is that Moscow is more dependent on military aid as an entree of influence in the Third World.

In recent years the Soviets also have strengthened their traditional diplomatic activities, supplementing them with increased usage of a broad range of pseudo-official and covert activities that the Soviets themselves refer to as "active measures." The increased use of such measures is in part a reflection of the importance Moscow attributes to the "ideological struggle," which is waged not only through propaganda, but also with psychological warfare and subversion.

The Soviet Union and International Communism

The international Communist movement is no longer the unambigious asset to the USSR that it once was. Threats to Soviet leadership and control of both ruling and non-ruling parties are growing. The turmoil in Poland and problems in Romania underscore the limited effectiveness of Moscow's costly policy of buying stability and loyalty in Eastern Europe through economic subsidies.

The objective possibilities for continuing to pursue this policy, moreover, are fading quickly due to Soviet economic problems and Western resistance to deeper economic involvement in Eastern Europe. In the coming decade slow economic growth in Eastern Europe will threaten regime stability in bloc countries. The downfall of a corrupt and incompetent party leadership in Poland, precipitated by the protests of a popular workers' movement, and the use of the military to fill the gap, also raise disquieting questions about the legitimacy and effectiveness of Communist party rule throughout the bloc.

Despite these problems, Moscow's options are limited. An economic bailout would be too costly. Economic reform and greater Western involvement would diminish central control and could stimulate pressures for political reform. A resort to greater repression, on the other hand, would further complicate Moscow's relations in the West and the Third World.

Beyond Eastern Europe, the most serious challenge to Soviet control and orthodoxy in the world Communist movement comes from Eurocommunism. The West European parties are trying to balance their ties to the Soviet Communist Party with their own national and political interests. They resist Soviet efforts to subordinate national parties to Soviet control. Criticism of Soviet policies has now become common and probably will increase if the Soviets increase repression at home and political and military expansion abroad.

The return of the Chinese Communist Party to active involvement in the international movement and its opposition to Soviet hegemony also are potentially severe challenges facing the Soviet leadership. The Chinese are in the process of forming a tacit alliance with several of the leading West European parties. The Chinese, in addition, have indicated their intention to compete with the Soviets for influence with "progressive forces" in the Third World, including such pro-Soviet radical regimes as Ethiopia, Angola, and Mozambique.

The Economic Burdens of Empire

The Soviets almost certainly believe that their economic support of other Communist countries and clients brings substantial strategic and political benefits, but rising costs and economic stringencies are prompting a tougher aid posture. Assistance to East European and Third World clients rose dramatically from $1.7 billion in 1971 to $23 billion in 1980--some 1.5 percent of GNP. Moscow is prepared to shoulder a large aid burden for its Communist clients; their economies are generally in trouble, and their stability is important to Soviet foreign policy objectives. The Soviet leadership is attempting to slow the rise in aid costs, however, by cutting subsidized oil deliveries to some East European allies, refusing increased deliveries of fuel to Vietnam and demanding that allies end their trade deficits with the USSR.

Moscow's tight-fisted aid policy toward non-Communist LDCs will almost certainly continue as well. Moscow's present hard currency problems will make it even more reluctant to extend substantial hard currency aid to such countries as Nicaragua, despite repeated requests for it. Several radical clients, such as Ethiopia and South Yemen, are increasingly unhappy with their inability to augment Soviet military support with extensive economic cooperation.

Opportunities and Challenges

The Soviets are faced with both opportunities and challenges abroad. Their international strengths derive for the most part from their huge military investments; their vulnerabilities stem principally from changes in the international environment that could threaten past gains.

The Soviet Union's growing military power has strengthened its ability to pursue political goals in Western Europe. By threatening additional nuclear deployments if NATO's INF decision is implemented, the Soviets are in effect attempting to force the West Europeans to accept de facto Soviet military superiority on the continent.

The Soviets also believe Washington's ability to raise the economic and military costs of the East-West competition is subject to competing U.S. economic priorities and to reluctance on the part of U.S. allies to follow our lead. The Soviets think that conflict between Western Europe and the United States over arms control and East-West economic relations presents opportunities to provoke divisions within the alliance. In particular, the failure thus far of U.S. efforts to dissuade its West European allies from participation in the Yamal gas pipeline project has probably encouraged the Soviets in their assumption that differences in the Western alliance can be exploited to Soviet advantage. Moscow also remains hopeful that NATO's fragile consensus in favor of new intermediate-range missile deployments can be broken, perhaps leading to a serious rupture in the alliance.

In the Far East, Moscow's military buildup opposite China remains not only a lever on the PRC but a potential bargaining chip should Beijing become more serious in its desire to ameliorate Sino-Soviet tensions. Opportunities in the Far East are also afforded by the frictions in U.S.-Chinese relations and potential divergences between the United States and Japan stemming from trade problems, disagreements over economic sanctions against the USSR, and Japanese reluctance to accelerate defense spending.

Moscow believes that its military investment also has improved somewhat its capabilities for projection of its military power into more distant regions. Although the Soviets recognize the limitations of that capability against a major military power, they hope that their increased capacity will deter U.S. military action against Soviet proxies or clients and assure the favorable resolution of regional conflicts. Moscow's increased involvement in the Third World also reflects a belief that the United States has been constrained from direct military intervention there by the trauma of Vietnam and the difficulty of reaching a domestic political consensus on foreign policy in general. Indeed, political and economic instability throughout the Third World, together with the radicalization of postcolonial elites, have been viewed by the Soviets as major U.S. and Western vulnerabilities and, conversely, relatively low-risk opportunities for the Soviet Union to insinuate itself through offers of military and technical aid.

An overriding issue is the extent to which Moscow's international posture will be affected by a growing preoccupation with the country's great, and growing, domestic problems. Economic problems, the loss

of ideological commitment, a growing malaise in society and the succession problem should impinge more on the consciousness of the leaders in the Kremlin in the coming decade than they did in the past. It is possible that a new leadership might wish to turn its attention to sorting out its own internal political squabbles as it has in previous successions and try to avoid foreign policy actions that they perceive as risky and deliberately provocative. They may, in fact, propose initiatives designed to give them a respite to deal with internal problems. They also may try to reduce external economic commitments in order to devote more resources to domestic economic problems. This would be especially likely if there is growing domestic unrest, in the form of strikes and demonstrations, over declining economic conditions. At this juncture all of these domestic problems seem manageable, but neither we nor the Soviets can be confident about what the future may bring.

The deteriorating U.S.-Soviet relationship is a major source of concern, potentially eroding Soviet military and foreign policy gains of the past decade. Planned U.S. strategic and theater nuclear programs also are seen by the Soviets as an attempt to negate the USSR's strategic advantages and to create a credible "first strike" capability.

In the Far East, the Soviets view China's improved relations with both the United States and Japan as a serious security problem, raising the possibility that the USSR might be opposed by all three countries in a conflict in the Far East. More immediately, the USSR suspects that this trilateral rapproachment portends active U.S. and Japanese aid in the modernization of Chinese armed forces. Moscow's territorial disputes with both China and Japan, moreover, are major obstacles to any dramatic improvement in its relations with either country.

In the Third World, the Soviets recognize that even where they have substantial political and military investments their continued influence is not guaranteed. The defeat of Soviet clients in Lebanon and Soviet inability to intervene effectively was the most recent demonstration. Similarly, the Soviets see current U.S. efforts to broker a more comprehensive peace settlement in the Middle East and to achieve a settlement in Namibia as potentially leading to a further erosion of Soviet influence in the Third World.

PROSPECTS FOR CHANGE

Soviet economic and social problems will provide the strongest impetus for systemic or policy change over the next 10 years. Unless major changes are forthcoming, economic growth rates will remain at historically low levels, popular dissatisfaction with a perceived decline in the quality of life will grow, and resource allocation

decisions will become more difficult for the leadership. The gravity of these problems for the Soviet system, however, remains difficult to measure, and there are important uncertainties in our judgments about the possibility that they could cause major system or policy changes.

The Soviet leadership obviously has a more sanguine view of its problems than we do. While their rhetoric reflects evident concern, there is no sense of mortal danger to the Soviet state. The gloomier projections of foreign observers, on the other hand, reflect a perception that Soviet problems are intractable and less optimism that the added manpower and energy resources the Soviets are counting on in the 1990s will reverse adverse economic trends.

Even with a more negative assessment of Soviet economic and social difficulties, however, we believe that the strengths of the system--its control mechanisms, its economic power, the patriotism and passivity of its populace--will allow Soviet leaders to manage whatever internal pressures for systemic change (i.e., changes in basic philosophy or the nature of Communist party rule) are likely to develop over the next decade. The regime while facing important long-term vulnerabilities, does not, in our judgment, appear to be in imminent danger. Preserving this stability, however, may ultimately require the regime to devote more attention and resources to its economic problems and to maintaining an acceptable standard of living rather than to foreign adventures or to continuing an expanding rate of military growth.

While this assessment leads us to believe that the prospect for major systemic change in the next years is relatively low, the likelihood of policy shifts is much higher. The immediate post-Brezhnev leadership will almost certainly make a more vigorous effort in the next 3-5 years to reverse the economic slowdown, and in the process alter sectoral and regional resource allocations, administrative structures, prices and incentives, and even tighten administrative controls. Toward the end of the decade and with the emergence of a new generation of leaders, more far-reaching solutions to this fundamental problem could emerge, involving perhaps much greater use of market forces, cuts in the growth rate for military spending or more repression. At the same time, any group of leaders almost certainly will continue to rely on military power as a key instrument of foreign policy and will seek to maintain its competitive strength vis-a-vis the United States. They are likely to count on Third World developments to provide new political and diplomatic opportunities as well.

Changes in the Political System

Despite internal weaknesses, the institutions of political control remain strong and firmly entrenched in the USSR. Popular

discontent--although threatening to economic goals--does not as yet challenge the party's authority. Revolutionary collapse or major alterations in the system are highly unlikely in the next three to five years.

In the longer run, institutional rivalries will persist, and may increase as economic growth declines, but the party apparatus will probably remain the dominant political institution for at least the next decade. Although the party's potential competitors--the military, the KGB, and the government bureaucracy--have political clout that can be especially important during periods of intra-party strife, none of them is will equipped to supplant the party and none seems inclined to try in the near term.

A military coup?

There is at most an outside chance of a military takeover within the next 10 years. Although the military has the organizational skills and certainly the muscle to take charge, its has been indoctrinated from the regime's beginnings to stand aside from higher politics and historically has rarely been a major political actor. Moreover, its interests have been well served by the current party leadership. It has, for example, been given a large role in defining the security threat and in determining the programs required to deal with it--its two main political interests. The party, in addition, has developed a wide array of checks and controls to forestall a military coup. The military probably would attempt to assume power only in the event of a significant "liberalization" of the political system that was viewed as undermining social discipline and threatening the military's priority claim to resources or under conditions of political and economic chaos similar to that in the Polish crisis.

Return to One-Man Rule

Within the framework of the existing system of party rule, however, a variety of changes are possible. During the next decade, for example, a leader who exercised power far in excess of that wielded by Brezhnev or Khrushchev could emerge. Such a development (perhaps a 20 percent possibility) could result from frustration with the lack of clear national direction, a perception that more discipline is needed in the party and society, and a confluence of serious domestic and international problems. Although no leader who succeeds Brezhnev will initially have such authority, the time required for his consolidation of power could be far shortened by a shared sense of urgent national tasks. The emergence of such a leader, less constricted by the need for consensus, would make major policy shifts and changes much more likely. Domestic policies probably would take an authoritarian turn, but external policies could range from highly aggressive to pragmatic.

"Liberalization" of the System

Another possibility would be some liberalizing reform that would allow for much greater personal freedom and decentralization of political and economic authority. This seems a less likely prospect (perhaps a 10 percent possibility over the next decade), considering the absence of effective popular pressure for such change, the strength of the regime's control mechanisms, and the apparent lack of significant sentiment in that direction within the Soviet establishment. Given the nature of the great power rivalry, however, a "liberal" Soviet regime would not necessarily be more accommodating to U.S. interests. Indeed, such a regime might be more effective at overcoming some of the Soviet Union's systemic and policy weaknesses, making it an even more formidable adversary.

Changes in Policies through the Mid-1980s

More likely than systemic change are changes in specific policies, some probably following shortly on Brezhnev's departure. Although our knowledge of Soviet internal debate is limited, there have been discernible differences among Politburo members on several key issues. Conflict over these and other issues, heightened by political jockeying and the complexity of the country's problems, could lead to major policy shifts in the next three to five years.

Economic Policy

The most immediate changes are likely in economic policy, where the current investment strategy has provided considerable debate. Differences in priorities already have emerged between the pronouncements of one group (represented by Kirilenko, Shcherbitskiy, and others) that has advocated the priority development of heavy industry, and another (represented mainly by Chernenko) that has emphasized the need to increase the availability of consumer goods. Whatever the outcome of this debate, a major reallocation of resources almost certainly will be undertaken in the immediate post-Brezhnev era, with agriculture--in the absence of its principal parton--becoming a likely target for cuts. Other sectors also will be affected by the political fortunes of their sponsors, however, making the eventual economic beneficiaries laregly uncertain.

Military Spending

Concern about the domestic economy also could eventually impel one or another leader to propose in the mid-1980s some reduction in the rate of growth of military spending, if not an absolute cut as Khrushchev did in the mid-1950s. A number of additional factors, however, make even symbolic reductions in the growth of the defense budget unlikely in the near term, including

-- the poor state of U.S.-Soviet relations;
-- the political commitment of most Soviet leaders to a strong defense;
-- the challenge of planned U.S. defense programs; and
-- the momentum of weapon development and production programs that are underway.

In the succession environment, no new leader, unless he perceives an existing consensus, is likely to risk antagonizing the military establishment and conservative forces in the party by proposing cuts in the growth of defense spending. Indeed, the military could even come away from the coming power struggle with some increase in the rate of growth of defense spending for a few years.

Over time, as the post-Brezhnev leadership struggles with declining economic growth, there may be greater pressure to reduce the growth in military spending in order to free up the labor and capital resources urgently needed in key civilian sectors. In this connection, the cost-avoidance benefits of arms control agreements could assume greater importance. Even in the mid-1980s, however, absolute reductions in the defense effort seem unlikely, barring economic catastrophe. Moreover, Soviet military investment is now so large that even with reduced growth--or indeed with no growth at all--military capabilities would continue to increase well into the 1990s.

Economic Reforms

In addition to investment disputes, succession politics may bring forth new proposals to improve the economy's efficiency. Concern over declining growth apparently has led some leaders to reevaluate economic and administrative reforms they earlier found unacceptable. Since 1978 several Soviet leaders have publicly endorsed Hungary's "New Economic Mechanism"--a system based on centrally formulated plans and economic goals but using some market forces to guide the economy at the micro-level.

Although there is little prospect that the Soviet Union will adopt changes so sweeping, some administrative reforms may well be enacted. The multitude of functionally related and overlapping ministries might be placed under more centralized management. This could be accompained by some decentralization of operational authority--a move that already has been at least started in the agricultural sector. (It is in this area that the Hungarian model has been most closely studied and emulated.) Changes that are politically feasible, however, probably will not significantly improve the economic situation.

Foreign Policy

The existing consensus on foreign policy is stronger than that

on domestic issues, and major changes are less likely in that area in the next few years. Some issues, nonetheless, could become a bone of contention in the post-Brezhnev Politburo. Although these issues will be determined largely by the international situation at the time, a successor regime will have to deal with both the challenges and opportunities outlined above.

Rival claimants to leadership in the immediate post-Brezhnev era are likely to share a commitment to sustain the global dimensions of Soviet policy. This commitment could be reinforced by a possible tendency on the part of a younger generation of Soviet leaders to equate the growth of military power with the growth of global power and influence. Supporting such thinking, moreover, are factors that go beyond tangible or measurable indexes--ideological conviction, a sense of insecurity and of hostile encirclement, and a contrasting confidence and sense of achievement in the USSR's emergence as a global superpower.

Soviet leaders probably will wish to continue an arms control dialogue with the United States for at least the next few years, seeking new agreements that will slow U.S. weapons programs, thereby facilitating Soviet planning, reducing weapons costs, and lessening the possibility of technological surprise. Although the Politburo as a whole now seems to believe the prospects for improved Soviet-U.S. relations are dim, in the past some leaders (such as Andropov and Chernenko) have seemed more enthusiastic about pursuing this goal than others (such as Kirilenko). The price the Soviet leadership is willing to pay for an arms limitation agreement, therefore, may depend in part on the outcome of the succession.

A new Soviet leadership may, in addition, undertake new initiatives designed to alter the geopolitical environment. They may, for instance, attempt a breakthrough in relations toward Western Europe or China. Moscow's principal assets in these instances would be the ability to offer greater intercourse between East and West Germany and to offer China significant concessions on contentious military and border issues.

The Soviet Union's other future policy options will depend on events beyond its control. A collapse of the Saudi monarchy, for example, could usher in an anti-Western regime, presenting the Soviets with major new possibilities for expanding its influence in the area. Likewise, the outcome of the Iran-Iraq war might also create significant opportunities or dangers from Moscow's perspective that could lead to policy shifts.

Longer-Range Undertainties

For the next 3 to 5 years, the Soviet leadership will continue to be dominated by Brezhnev's current colleagues in the Politburo.

Present policy already reflects their influence, and they may be less willing than their younger colleagues waiting in the wings to push for major policy of systemic change.

Soviet policies will become less predictable in the late 1980s and early 1990s, however, as the gap between economic performance and leadership expectations widens, as the basis for optimism about future economic performance erodes, and as the generational change in the Soviet leadership takes hold. The policy preferences of this younger generation are largely unknown. Although they have discretionary authority in implementing the Politburo's domestic policies, these officials now hold positions--in the Central Committee apparatus, regional party organizations, and the government bureaucracy--that provide little involvement in foreign policy.

What little evidence we have of this younger group's views reveals no clearly dominant orientation and no apparent consensus regarding the direction of future policies. Their eventual domestic course will probably reflect elements of both orthodox and reformist views, perhaps undertaking some decentralization of economic management, while at the same time tightening labor discipline.

Their foreign policy course is even more difficult to predict. Conceivably, some members of this group might favor a more accommodating foreign policy stance in order to increase trade with the West and ease domestic economic problems. The same pressures, however, might lead others to urge the adoption of economic self-sufficiency (autarky) at home and a more adventurist policy abroad, increasing the risk of a U.S.-Soviet confrontation.

IMPLICATIONS FOR U.S. POLICY

Changes in the Soviet system or policies over the next decade, could affect Soviet behavior in areas that the United States considers important. The succession and difficult internal problems could lead a new leadership to be more circumspect in using Soviet power and resources abroad and even cause it eventually to restrain the rate of growth of its military machine. Limited accommodations in the areas of arms control or other bilateral issues may by possible, but a more encompassing accord on bilateral relations or geopolitical behavior is precluded by fundamentally divergent attitudes regarding desirable political or social change in the international order.

Although the Soviets will not wish a major confrontation with the United States, their belief that they now enjoy strategic equality and some advantages enhances the prospects for a more assertive foreign policy. Soviet leaders probably also can be expected to seize new opportunities offered by instability in the

Third World to enhance Soviet geopolitical influence and divert U.S. attention from areas of direct U.S.-Soviet interaction, even in situations where the USSR has little prospect of making significant gains for itself. If the Soviets are able to ameliorate some of their current internal and external weaknesses--for example, by stemming the decline of economic growth--this also would improve their ability to compete with the United States for global influence.

It is doubtful, however, that Soviet leaders perceive a "window of opportunity" stemming from an overweening of confidence in present Soviet nuclear forces relative to future prospects. From the perspective of the Soviet leadership, there will remain important deterrents to major military actions that directly threaten vital U.S. national interests. These include the dangers of a direct conflict with the United States that could escalate to global proportions, doubts about the reliability of some of their East European allies, and an awareness of the greater Western capacity to support an expanded defense effort. These concerns do not preclude action abroad, but they act as constraints on military actions in which the risk of a direct U.S.-Soviet confrontation is clear.

U.S. Influence on Soviet Behavior

The future of the Soviet political system and its basic values will be determined primarily by internal political forces that the United States has only marginal ability to influence. Although also limited, we have greater ability to affect Soviet behavior in the international arena.

Impact on the Political System

U.S. and Western influence over the ongoing Soviet political succession process is highly limited. Even if this were not the case, a contender whose stance appears more favorable to Western interests today may alter his position when he becomes party chief. In the initial stages of the Lenin succession, for example, Stalin appeared to be one of the more moderate Soviet leaders. During the Stalin succession, Khrushchev at first adopted a hardline internal position and later shifted to a more moderate course.

The West's ability to influence the nature and evolution of the Soviet system is almost certainly limited. The degree of vulnerability of the USSR is difficult to judge, for the Soviet system has never undergone the kind of passage it will be taking in the 1980s and the West has not in the post-war period made change in the Soviet Union an explicit objective of its dealings with the USSR, and taken steps to give practical meaning to that objective. Clearly, the Soviet system is extremely formidable in its ability to command control of its population, perhaps the most formidable in the modern

era. And it would be very difficult for the West to be confident that its actions, even if affecting change in the USSR, would affect change that was democratic or otherwise positive for the Soviet people and the USSR's dealings with the West. Indeed, in the short term, a Soviet regime that felt itself genuinely threatened would likely make life even tougher for the Soviet people and those within Soviet society who had the tenacity to suggest that a less repressive system was needed.

U.S. policies, however, may be able to exacerbate several continuing weaknesses in Soviet foreign and domestic policy. Foreign policy actions which the Soviets perceive as necessary to preserve existing equities--such as repressive measures in Eastern Europe--tend to isolate them in the world and complicate achievement of other goals. Moreover, the attraction some Western values hold for the Soviet people will cause the regime to expend considerable effort to protect them from foreign contagion and to prevent the development of a stronger dissident movement. The Soviet economy also will be hard pressed to keep pace with rising consumer expectations, probably resulting in more leadership attention to work stoppages, strikes, and other manifestations of social unrest.

Past U.S. efforts to use trade leverage to influence specific Soviet policies, however, have had only limited success. Moscow has circumvented most economic restrictions and refused to modify its policies substantially in return for increased trade.

Western goods and technology however are becoming more important to the USSR's strained economy; the volume of imports tripled in the 1970s and imports have been crucial to completion of several major production projects and to overcoming production shortfalls. But Moscow almost certainly will remain resistant to attempts at trade leverage. Unilateral U.S. trade restrictions could create short-run difficulties for the Soviets in some sectors--such as the oil and gas and chemical industries--but would probably not persuade Moscow to alter major domestic or foreign policies. Similarly, the Soviets also certainly would view renewed U.S. offers of increased trade for certain political concessions with considerable suspicion. Unified and sustained Western trade restrictions, particularly in such areas as energy equipment and agricultural products, however, could impose substantial costs on the Soviets. They probably would not change basic policies, particularly if international tensions were high, but would affect the Soviet calculation of costs and benefits in particular situations.

PART II. - Meeting the Soviet Challenge

The foregoing analysis indicates clearly that we face a sustained Soviet challenge which requires a firm and measured long-term Western effort. This will be forthcoming only if the United States exercises fully its capacity for leadership. The Reagan Administration policy toward the Soviet Union must therefore address the immediate requirement to contain and reverse Soviet expansion and the need to begin a longer-term process of promoting change within the USSR itself that will reduce the Soviet threat to our interests and those of our allies. Our policy towards the Soviet Union is not designed to preserve the status quo, but to bring about peaceful change in our direction.

In addition to these two tracks of our policy -- effective and sustained competition with the Soviet Union and promotion of internal change -- there is an important third track. We need to engage the Soviet Union in a dialogue and negotiations to convey our concerns clearly and also to attempt to reach agreements based on strict reciprocity and mutual interest.

We need to create and sustain negative and positive incentives powerful enough to influence Soviet behavior. Moscow must know that behavior unacceptable to us will incur costs that would outweigh any gains. At the same time, we must make clear to the Soviets that real restraint in their behavior would pave the way for a stable and constructive East-West relationship that would have important benefits for the Soviet Union.

This approach to U.S.-Soviet relations could involve important opportunities and benefits for the United States. It assigns appropriate priority to the task of meeting the Soviet military threat with a credible deterrent and Soviet aggression in third areas with appropriate countermeasures. By identifying the promotion of evolutionary change within the Soviet Union itself as an objective of U.S. policy, this approach enables the United States to take the long-term strategic offensive. It therefore contrasts with the essentially reactive and defensive strategy of containment, which concedes the initiative to the Soviet Union and its allies and surrogates. While entertaining no illusions that this kind of change can be affected easily or quickly, this strategic approach does hold out the possibility of an ultimate reduction of the Soviet threat to U.S. interests and the level of U.S. resources that must be devoted to countering that threat.

The strategic approach outlined above also has potential risks and costs which we must minimize if the strategy is to succeed:

1. Some opponents of an offensive American strategy believe that such an effort would involve the abandonment or downgrading of

U.S.-Soviet negotiating efforts, especially in the arms control area. We must be particularly conscious of Congressional and Allied concerns on this score. We can, to some extent, address and minimize those concerns by emphasizing that our approach is gradual and peaceful and that our ultimate objective is not confrontation, but a stable and constructive basis for East-West relations. At the same time, we must recognize that our policy will not gain universal acceptance in the West, and that energetic American leadership to implement it will at times be divisive domestically and within the Alliance.

2. There is also the danger that our policy might provoke a more militant Soviet response designed to utilize the USSR's current military advantage to maximum effect before our efforts to redress the military balance and exploit Soviet internal vulnerabilities have time to succeed. While recognizing that this is not a negligible risk, we nevertheless believe that the combination of our increased vigilance, our military buildup, and our diplomatic offensive in areas such as the Middle East will limit Soviet options, particularly at a time of leadership succession.

3. As noted above, our knowledge of the structure and dynamics of the Soviet regime is at best imperfect, and we cannot be certain what kinds of U.S. policies would be effective in promoting evolutionary change within the Soviet system. Indeed, U.S. policies which forced the USSR to undertake economic reform or otherwise modify internal practices mandated by communist ideology might actually enable the Soviet Union to compete more effectively with the West. Nevertheless, we believe that, with appropriate recognition of the necessity for flexibility and a pragmatic approach, an effective strategy for promoting evolutionary change within the Soviet Union is possible.

Shaping the Soviet Environment: Arenas of Engagement

Implementation of our strategy must focus on shaping the environment in which Soviet decisions are made both in the wide variety of functional and geopolitical arenas in which our interests are engaged and in the U.S.-Soviet bilateral relationship.

(A) Functional

(1) The Military Balance

Foremost in shaping the military environment Moscow faces is the US-Soviet military balance. The U.S. must modernize its military forces so that several goals are achieved:

--Soviet leaders must perceive that the U.S. is determined never to accept a second-place or deteriorating strategic posture. We must act to minimize doubts about the military capabilities of U.S.

strategic nuclear deterrent forces, and about the U.S. will to use them if necessary;

--Soviet calculations of possible nuclear war outcomes, under any contingency, must always result in outcomes so unfavorable to the USSR that there would be no incentive for the Soviet leaders to initiate a nuclear attack;

--Leaders and the publics in all states must be able to observe that this indicator of U.S. strength remains equal to or greater than that of the USSR. They will then understand that U.S. capacity for pursuing the broader US-Soviet competition shall not be encumbered by direct Soviet coercion of the U.S.;

--The future of U.S. military strength must also appear to friend and foe as strong: technological advances must be exploited, research and development vigorously pursued, and sensible follow-on programs undertaken so that the viability of U.S. deterrent policy is not placed in question.

--We must tighten our controls over transfer of military related/dual use technology, products, services and know-how in order to protect the lead-time on which the qualitative advantage of our military strength depends.

In Europe, the Soviet leadership must be faced with a reinvigorated NATO focused on three primary tasks: strengthening of conventional forces, modernization of intermediate-range nuclear forces, and improved mobility and sustainability for U.S. units assigned rapid deployment and other reinforcing missions to the NATO area and Southwest Asia. Worldwide, U.S. general-purpose forces must be ready to move quickly from peacetime to wartime roles, and must be flexible enough to affect Soviet calculations in a wide range of contingencies.

The US-Soviet military balance is also a critical determinant shaping Third World perceptions of the relative positions and influence of the two major powers. Moscow must know with certainty that, in addition to the obvious priority of North American defense, other areas of vital interest to the U.S. will be defended against Soviet attacks or threats. But it must know also that areas less critical to U.S. interests cannot be attacked or threatened without risk of serious U.S. military countermeasures.

(2) Economic Policy

U.S. policy on economic relations with the USSR must serve our strategic and foreign policy goals as well as our economic interests. Economic policy should therefore be seen in the context of our larger, long-term effort to encourage evolutionary change in the

Soviet Union and to moderate Soviet external policies. Economic measures alone cannot realize these goals, but economic diplomacy can be a critical component in a larger strategy to meet the Soviet military, political and economic challenge to the US and our Allies. To be effective, such an economic policy must be sustainable over the long-term; hence, we must be realistic about what we can or cannot achieve and specific in our aims.

Within this overall framework, our economic objectives should be to:

-- Above all, ensure that East-West economic relations do not facilitate the Soviet military build-up. This requires that we prevent the transfer of critical technology and equipment which would make a significant contribution directly or indirectly to Soviet military power.

-- Seek to restrict Soviet military and foreign policy options through appropriate long-term measures of economic diplomacy.

-- Seek to minimize the potential for Soviet exercise of reverse leverage on western countries based on trade, energy supply, and financial relationships.

-- Avoid subsidizing the Soviet economy or unduly easing the burden of Soviet resource allocation decisions, so as not to dilute pressures for structural change in the Soviet system.

-- Permit mutually beneficial trade with the USSR in non-strategic areas, such as grains.

A strategy of sustained, disciplined economic diplomacy must flow from these objectives. While uncertainties remain about the exact effects on Soviet policy of the economic constraints analyzed in Section One, it is clear that the Soviets, faced with grim economic prospects in the 1980s, look to inputs of Western equipment, technology, and products to ease the increasingly difficult choices they face between military spending on the one hand and consumption and investment on the other. Diminished Soviet prospects for growth in hard currency exports make the availability of western credit important to maintain current import levels. As Section One points out, unilateral US trade restrictions could create short-run difficulties for the Soviets in some sectors but would probably not persuade Moscow to alter major domestic or foreign policies. Unified and sustained western trade restrictions on credits, militarily critical technology, and other selected controls on exports or imports, however, could impose substantial costs on the Soviets by forcing them to face hard choices over the next decade, increase their

preoccupation with domestic problems, and thereby decrease their expansionist tendencies. The possibility of foreign policy sanctions on some or all non-strategic items remains for extreme situations where, on a unified basis, the west can affect Soviet calculations of costs and benefits for particular decisions.

The U.S. can and should seek to restrict Soviet military and foreign policy options through economic policies. Because US-Soviet trade is only a fraction of total western trade with the USSR, we need the support of our European Allies and other key trading partners. Indeed, the USSR's best hope of improving its strained hard currency position in the longer run is to secure the cooperation of Western Europe in building new large pipelines for the delivery of additional natural gas in the late 1980s and 1990s. At the same time, our policies should be based on our special responsibilities within the Alliance and not on the lowest common denominator.

We must therefore, exercise strong leadership with our Allies and others to develop a common understanding of the strategic implications of East-West trade. Under present circumstances, this does not encompass economic warfare against the USSR. We pay a heavy cost in terms of alliance cohesion when our policies are perceived as including economic warfare measures. West European reluctance to accept restrictions on trade and credits to the USSR to the extent we believe are strategically and economically justified stems from economic as well as political considerations. Although trade with the Soviet Union and its CEMA partners is not of critical importance to any Western country, it is more significant economically to our West European Allies than to the U.S., especially in some sub-sectors (e.g., steel pipe). They are reluctant to restrict export credits that might enhance their ability to export to the East. They oppose stopping construction of the Yamal pipeline, in part, because it will enhance Soviet hard currency earnings and hence Soviet ability to purchase more goods from them. They perceive not only such short-term economic self interests but also a contribution to long-term improvement in East-West political relations resulting from increased trade with the Soviets.

Our task is to shift their emphasis to a more realistic appreciation of strategic realities in order to forge a common approach to East-West economic relations. At the same time we must take into account the interests of specific U.S. constituencies, e.g., grain, to avoid constant policy oscillations because of domestic pressures. We must be prepared for the Europeans to raise the issue of U.S. agricultural exports and we must argue it. We must also recognize that the Allies have groups whose interests cannot be ignored, analagous to U.S. grain farmers.

While there is general agreement with the Allies on the need for control of military-related equipment and technology exports to the

Soviets, there is no consensus on which of three basic approaches to the management of East-West economic relations we should take.

-- The detente policy of the 1970s, postulated that growth in East-West trade would, over the long term, induce more responsible Soviet behavior. A condition of this policy was that Soviet failure to respond as expected could lead to the withdrawal of benefits. However, the resultant Soviet appetite for western equipment, technology and credits has been turned to western political and strategic advantage in only limited ways. Producer pressures and concern about the ripple effects of a financial squeeze prevented the West from using trade as political leverage except for relatively modest measures. Moreover, the detente policy did not avoid Soviet misbehavior in Poland and Afghanistan.

-- A second approach starts from the premise that a sustained strategy of economic diplomacy employing long-term selective controls can limit Soviet options over the short term and move toward long term structural change. This approach does not, however, embody full scale trade war. It recognizes that trade is beneficial to both sides but must be conducted in a larger strategic context. It must also be managed so as to minimize Soviet reverse leverage, and ensure that the West is the net economic beneficiary.

Such an approach, although it cannot significantly reduce Soviet freedom of action in the short term, could affect the Soviet calculation of costs and benefits of fundamental policy approaches over time. Implementing such a policy will pose major problems, as it will require extensive consultations with the Allies on the relative priority of objectives toward the USSR and on clarifying our common assumptions and approaches. The more emphasis the U.S. places publicly on internal change in the USSR and on linkage to Soviet external behavior, the harder it will be to obtain allied consent. Nevertheless, this approach offers the best chance for achieving a common understanding with the Allies on the strategic implications of East-West trade and on a set of basic ground rules and mechanisms to safeguard western interests and take long-term advantage of Soviet economic vulnerabilities.

-- The third approach, characterized as "economic warfare," is not formally advocated by any U.S. Government agency even though some Europeans allege this is the basic goal of our sanctions policy. Economic warfare would be a virtually total denial of Western trade and finance with the USSR to force fundamental changes in the USSR by accelerating a collapse of the Soviet economy. Economic warfare most closely would resemble the measures taken by the UK against Argentina during the Falklands war and is a measure usually con-

ceived of as one step short of full-scale war. Economic warfare is unreasonable and unacceptable to the Allies and unnecessary to further US objectives.

For now, US policy should be the second approach of long-term selective controls including either the present set of sanctions on Poland or similar alternatives. If any alternative package is agreed to, it must be at least as painful to the Soviet Union and must be broadly supported by Europe and Japan.

The specific Polish sanctions should be lifted if the NATO January 11 conditions for improvement in Poland are satisfied. However, our longer-term objective of limiting Soviet options and encouraging systemic change in the USSR must be pursued even if the situation in Poland should improve. We will need to engage the Allies in extended discussions and negotiations to achieve a common understanding of the strategic implications of East-West trade. To succeed, our objectives must be precise, realistic and sustainable, and we must assure our Allies that we are seeking a balance of benefits and sacrifices. We have already made progress in reaching agreement on some basic considerations of East-West economic policy: that it does not make sense to provide the USSR with technology it can use to enhance its military potential; that it makes no sense to subsidize the Soviet economy, and that we must not contribute to Soviet strategic advantage.

These basic understandings create the framework in which we can begin to study specific issues in the appropriate fora to set the stage for agreement on a common approach. The program which would flow from this common approach should aim at elements, within the Western purview of influence, currently assisting the Soviet military buildup. These include principally Western military-related technology, European markets for Soviet gas and Western subsidized credit. The following specific measures would make more difficult the decisions the USSR must make among key priorities in the 1980's:

-- Enhanced controls through COCOM on the flow of critical and certain non-critical military items used in the Soviet military and critical technology and equipment used in Soviet defense priority industries. In the long run, tighter COCOM restrictions on militarily sensitive technology would perhaps be the most valuable action for the West.

-- Developing alternative energy proposals so that the Europeans eschew future gas projects with the USSR. This could cause the USSR to lose up to an estimated ten billion dollars a year in hard currency earnings in the 1990s.

-- Restriction of the export of oil and gas technology on any future contracts with the USSR. Here the Europeans may be unwilling to agree with us, and they have powerful vested interests. However, they might be brought to accept a limited and reversible export embargo linked to NATO's three conditions for Poland. The USSR depends on the West for specialized oil exploration, drilling, pumping and processing equipment. Denying all Western oil equipment and technology would cost the USSR an estimated ten billion dollars annually for several years, but a decreasing amount thereafter.

-- Agreement to stricter limits on the terms and volume of Government supported credits. Eliminating interest subsidies could cost the Soviets some five hundred million dollars a year. European acceptance of credit restraints and the need to end credit subsidies may be a realistic goal over time and we may be able to construct a common regime.

-- Enhance the stature and scope of activities of the NATO Economic Committee and the OECD in East-West trade analysis and policy consideration.

Looking to the longer term, we can go either of two ways. If Soviet behavior should worsen i.e. an invasion of Poland, we would need to consider extreme measures such as a total trade boycott, including grain, in which allied cohesion would be essential. Should Soviet behavior improve, there is room at the margins to calibrate the program of sustained economic measures while still retaining its basics so as to force the Soviets to face up to the defects of their economic system.

(3) Political Action

The U.S. relationship with the Soviet Union must have an ideological thrust which clearly demonstrates the superiority of U.S. and Western values of individual dignity and freedom, a free press, free trade unions, free enterprise and political democracy over the repressive character of Soviet communism. We should state openly -- as the President did in the British Parliament -- our belief that people in communist countries have the right to democratic systems. We need to stress that, 65 years after the October Revolution, the Soviet regime continues to deny its people fundamental human rights and to pour enormous economic resources into the military sector at the cost of continuing to fall behind the U.S., the Western democracies and Japan in agricultural and industrial productivity and in the provisions of basic economic benefits.

We need to review and significantly strengthen our instruments of political action to encourage democratization. These should include:

-- The President's London initiative to support democratic forces: This initiative seeks concrete support for building democratic institutions such as a free press, labor unions, political parties, an independent judiciary, and churches. This will include training of journalists, support for regional institutes that promote democratic values, and support for organizations that promote democratic procedures and principles.

-- Focus on Soviet human rights violations: We should emphasize Soviet responsibility for human rights violations in Afghanistan and Poland. It should also be our objective to gather information on Soviet violations of the human rights of their own population and to maintain effective means for publicizing these violations. We should consider strengthening the reporting capability of the foreign (particularly U.S.) press corps in the USSR. We might, for example, consider providing Russian language training for U.S. journalists assigned to the USSR, thus easing their access to Soviet society. We should encourage private and official contact with non-official Soviet citizens, including dissidents.

-- U.S. policy should recognize the diversity of Soviet nationalities and, to the extent of our capabilities, promote the emergence of a more equitable relationship between the ruling Great Russian nation and non-Russian nationalities. This emphasis of our policy is reflected in formation of an inter-agency committee on our policy toward the nationality question in the USSR.

-- Broadcasting Policy: Additional resources should be devoted to RFE and RL; technical means to penetrate Eastern jamming should be developed on a priority basis. RFE/RL should be given access to USG information on events in the Soviet Union and Eastern Europe. We would have to be cautious in sourcing, but the requirement that news be in the public media before RFE/RL can quote it is an unnecessary handicap.

-- Other Measures: Political action is the least developed of our tools to influence Soviet policy. We have done and are doing much more in the defense and economic areas. But the potential impact of political measures is so substantial that much more thought needs to be given to how to develop them.

(B) Geopolitical

(1) The Industrial Democracies:

One of the central propositions of U.S. foreign policy throughout the post-war period has been and continues to be that an effective

response to the Soviet challenge requires close partnership among the industrial democracies. To meet successfully the challenges to our interests, the U.S. will require stronger and more effective collective defense arrangements. There will continue to be inevitable tensions between our determination to exercise leadership and our need for allied support in making our policy work. More effective procedures for consultation with our allies can contribute to the building of consensus and cushion the impact of intra-alliance disagreements. However, we must recognize that, on occasion, we may be forced to act to protect our vital interests without allied support and even in the face of allied opposition.

Our allies have been slow to support in concrete ways our overall approach to East-West relations. In part because of the intensive program of consultation we have undertaken, allied governments have expressed rhetorical support for our assessment of the Soviet military challenge, our rearmament program, and our negotiating positions in START and INF. Less progress has been made in obtaining allied action in the vital areas of upgrading conventional defense and in gaining Allied support for our military planning to protect vital Western interests in the developing world, particularly the Persian Gulf. With INF deployments scheduled to begin in 1983, West European governments will come under increasing domestic pressure to press us for progress in START and INF. If we cannot obtain an INF agreement with Moscow acceptable to us, we may need during 1983 to subordinate some other policy initiatives with our allies to the overriding objective of obtaining allied action to move forward on INF deployments. Improving conventional defense, however, should remain a high priority goal.

(2) The Third World

As in the 1970s, the Soviet challenge to U.S. interests in the Third World will continue. Thus, we must continue our efforts to rebuild the credibility of our commitment to resist Soviet encroachment on our interests and those of our allies and friends and to support effectively those Third World states that are willing to resist Soviet pressures. We must where possible erode the advances of Soviet influence in the developing world made during the 1970s.

Given the continued improvement of Moscow's force projection capabilities and the Soviet emphasis on arms aid to pro-Soviet Third World clients, any effective U.S. response must involve a military dimension. U.S. security assistance and foreign military sales play an important role in shaping the security environment around the periphery of the USSR and beyond Eurasia. But security assistance will not be enough unless we make clear to the Soviets and to our friends that the U.S. is prepared to use its own military forces where necessary to protect vital U.S. interests and support endangered friends and allies. Above all, we must be able to

demonstrate the capability and the will for timely action to bring U.S. resources to bear in response to fast-moving events in Third World trouble spots.

An effective U.S. policy in the Third World also depends critically upon diplomatic initiatives (e.g., the President's Mid-East proposal, the Caribbean Basin Initiative, and the Namibia/Angola initiative) to promote the resolution of regional crises vulnerable to Soviet exploitation. The U.S. should counter, and if possible weaken or displace, Soviet aid relationships, particularly those involving states that host a Soviet military presence or act as Soviet proxies. The U.S. must also develop an appropriate mixture of economic assistance programs and private sector initiatives to demonstrate the relevance of the free economies to the economic problems of the developing world, while exposing the bankruptcy of the Soviet economic and political model. In this connection, we must develop the means to extend U.S. support to individuals and movements in the developing world that share our commitment to political democracy and individual freedom. Long-term political cadre and organization building programs, long a strongly emphasized instrument of Soviet policy, must become a regular, and more developed, part of our policy.

Possibly the greatest obstacle we face in carrying out this approach in the developing world is the problem of obtaining adequate budgetary resources. As in the case of our rearmament program, pressures for budgetary restraint are certain to generate calls for reduction of the resources devoted to meeting the Soviet challenge in the developing world. These pressures must be resisted if we are to be able to meet our commitments and secure our vital interests.

(3) Weakening the Soviet Empire (Eastern Europe, Cuba, Third World Alliances)

As noted above, there are a number of important vulnerabilities and weaknesses within the Soviet empire which the U.S. should seek to exacerbate and exploit. This will involve differentiated policies that recognize the need for a different mix of tools for each problem. The prospects for change may be greater on the extremities of Soviet power (Soviet alliances in the developing world) than closer to the center of the Soviet empire (Eastern Europe) -- though the latter obviously offers potential as well. The central point is that we should not accept the notion that, once a communist or pro-Soviet regime has come to power in a state, this situation is irreversible. Indeed, we should seek whereever possible both to encourage such states to distance themselves from the Soviet Union in foreign policy and to move toward democratization domestically.

Eastern Europe: Although the crackdown in Poland cut short a process of peaceful change, the continuing instability in that country is certain to have far-reaching repercussions throughout Eastern Europe. In addition, the deteriorating economic position of East European countries and the possible long-term drying up of Western resources flowing to the region will force them to face some difficult choices: greater dependence on the Soviets and relative stagnation; or reforms to generate a renewal of Western resources.

The primary U.S. objective in Eastern Europe is to loosen Moscow's hold on the region. We can advance this objective by carefully discriminating in favor of countries that show relative independence from the USSR in their foreign policy, or show a greater degree of internal liberalization. Western influence in the region is limited by Moscow's willingness to use force against developments which threaten what it perceives as its vital interests. The United States, however, can have an important impact on the region, provided it continues to differentiate in its policies toward the Soviet Union and the Warsaw Pact countries, and among the countries of Eastern Europe, so as to encourage diversity through political and economic policies tailored to individual countries. While the impact of differentiation in some cases may be marginal, it offers the best vehicle for achieving the primary U.S. goal of weakening overall Soviet control. This policy of differentiation in Eastern Europe is the subject of NSSD 5-82.

Afghanistan: A significant vulnerability in the Soviet empire is Afghanistan, where Moscow's imperial reach has bogged Soviet forces down in a stalemated struggle to suppress the Afghan resistance. A withdrawal of Soviet forces from Afghanistan followed by a real exercise of self-determination by the Afghan people would be perceived as a major foreign policy defeat for the Soviet Union and thus might well increase the likelihood that other Third World countries would resist Soviet pressures. Thus, our objective should be to keep maximum pressure on Moscow for withdrawal and to ensure that the Soviets' political and other costs remain high while the occupation continues.

Cuba: The challenge to U.S. interests represented by Moscow's alliance with Cuba requires an effective U.S. response. The Soviet-Cuban challenge has three critical dimensions (as well as numerous other problems):

-- Soviet deliveries of advanced weapons to Havana: The flow of advanced Soviet weapons to Cuba has accelerated so as to represent a growing threat to the security of other Latin American countries, U.S. sea lines of communication and, in the case of potentially nuclear-capable systems, the U.S. itself. We must be prepared to take strong countermeasures to offset the political/military impact of these deliveries.

-- Soviet-supported Cuban destabilizing activities in Central America: The U.S. response must involve bilateral economic and military assistance to friendly governments in the region, as well as multilateral initiatives to deal with the political, economic, and social sources of instability. We should retain the option of direct action against Cuba, while making clear our willingness seriously to address Cuba's concerns if Havana is willing to reduce its dependence on and cooperation with the Soviet Union. We should also take steps to prevent or neutralize the impact of transfers of advanced Soviet weapons to Nicaragua.

-- Soviet-Cuban interventionism in Southern Africa: We should counter and reduce Soviet and Cuban influence by strengthening our own relations with friendly African states, and by energetic leadership of the diplomatic effort to bring about a Cuban withdrawal from Angola in the context of a Namibia settlement and appropriate external guarantees of Angola's security.

Soviet Third World Alliances: Our policy should seek to weaken and, where possible, undermine the existing links between the Soviet Union and its Third World allies and clients. In implementing this policy, we will need to take into account the individual vulnerabilities of Soviet Third World allies and the unique circumstances which influence the degree of cohesion between them and the Soviet Union. In some cases, these ties are so strong as to make the Third World state a virtual proxy or surrogate of the Soviet Union. We should be prepared to work with our allies and Third World friends to neutralize the activities of these Soviet proxies. In other cases, ties between the Soviet Union and a Third World client may be tenuous or subject to strains which a nuanced U.S. policy can exploit to move the Third World state away from the Soviet orbit. Our policy should be flexible enough to take advantage of these opportunities.

Finally, we should seek where possible and prudent to encourage democratic movements and forces to bring about political change inside these countries.

(4) China

We view China as a friendly country with which we are not allied but with which we share many common interests. China continues to support our efforts to strengthen the world's defenses against Soviet expansionism, and its perception of the Soviets as the number one threat to world peace influences its policies in various areas. The PRC has supported the Khmer coalition effort and provided supplies and equipment to the resistance forces, mainly the Khmer Rouge, which is the most effective armed resistance to the Soviet-supported Vietnam occupation of Kampuchea. It ties down as many North Vietnamese (500,000) in northern Vietnam as it ties down Soviet troops along

the entire Soviet border and in Mongolia. It openly stresses the importance of improved Japanese defense efforts and close U.S.-Japan relations, works hard to reduce Soviet influence in North Korea and to restrain Kim Il-sung, and provides military and economic aid to Pakistan. And it also provides defense-related equipment to Egypt and some military assistance to Syria, the Yemens, and Somalia in an effort to reduce Soviet influence.

U.S.-China relations have cooled over the past year as we struggled with the issue of U.S. arms sales to Taiwan. As we now move forward to develop renewed dialogue, our aim should be, over time, to achieve enhanced strategic cooperation and policy coordination. In this regard, we will continue to pursue a policy of substantially liberalized technology transfer in keeping with the President's policy, which states that "Our strategic interests dictate the preservation of China as an effective counterweight to growing Soviet military power and the strengthening of strategic cooperation with China." We will also be willing to consider the sale of military equipment to China on a case-by-case basis within the carefully constructed parameters of the policy approved by the President in 1981.

We will be developing the relationship on its own merits as well. U.S.-China trade has expanded five fold since normalization in 1979. China is now our 14th largest trading partner and fourth largest market for agricultural products. Bilateral exchanges in the areas of culture, science, and technology have expanded rapidly. Each year, for example, approximately 9,000 Chinese study in the U.S. and some 100,000 Americans visit China.

(C) Bilateral Relationships

Despite the post-Afghanistan, post-Poland attenuation of US-Soviet bilateral ties, there remain sectors of the bilateral relationship that are important to Moscow and thus to any effort to induce moderation of Soviet conduct.

(1) Arms Control

Arms control negotiations and agreements, pursued soberly and without illusions, are an important part of our overall national security policy. We should be willing to enter into arms control negotiations and seek agreements when they serve our national security objectives. At the same time, we must recognize that arms control agreements are not an end in themselves but are, in combination with continued efforts by the U.S. and its Allies to maintain the military balance, an important means for enhancing national security and global stability. We must make clear to the allies as well as to the USSR that our ability to reach satisfactory results will inevitably be influenced by the international situation, the overall

state of US-Soviet relations and the difficulties in defining areas of mutual agrement with an adversary who often seeks unilateral gain. However, we should not assume that ongoing arms control negotiations will give us leverage sufficient to produce Soviet restraint on other international issues.

U.S. arms control proposals should be consistent with necessary force modernization plans and should seek to achieve balanced, significant, and verifiable reductions to equal levels of comparable armaments. The START and INF proposals we have tabled meet these criteria and would, if accepted by the Soviets, help ensure the survivability of our nuclear deterrent and the viability of NATO's conventional defenses and thus enhance the national security of the U.S. and its Allies and reduce the risk of war. While the commencement of these negotiations served to somewhat reduce public pressure on us and on Allied Governments for early arms control agreements with Moscow, in the absence of progress in START and INF we should expect that pressure to grow. This is particularly relevant in INF as we near deployment dates for Pershing II and GLCMs in Europe.

(2) Official Dialogue

We can expect the Soviets to continue to press us for a return to a US-Soviet agenda centered on arms control. We must continue to resist this tactic and insist that Moscow address the full range of our concerns about their international behavior if our relations are to improve. US-Soviet diplomatic contacts on regional issues can serve our interests if they are used to keep pressure on Moscow for responsible behavior and to drive home that we will act to ensure that the costs of irresponsibility are high. We can also use such contacts to make clear that the way to pragmatic solutions of regional problems is open if Moscow is willing seriously to address our concerns. At the same time, such contacts must be handled with care to avoid offering the Soviet Union a role in regional questions which it would not otherwise secure.

Foreign Minister Level Dialogue: A continuing dialogue with the Soviets at the level of Foreign Minister is essential, both to facilitate necessary diplomatic communication with the Soviet leadership and to maintain allied understanding and support for our approach to East-West relations. Secretary Haig met with Gromyko on three occasions between September 1981 and June 1982, and this pattern of frequent Ministerial-level contacts should be maintained in the future.

Summitry: We can expect that the question of a possible US-Soviet summit will continue to be raised by the Soviets, our allies, and important segments of domestic opinion. Every American President since Franklin Roosevelt has met with his Soviet counterpart. In some cases, U.S. Presidents have attended summits for the purpose

of establishing personal contact with their counterparts (e.g., Kennedy in Vienna) or in the vague expectation that an improvement in US-Soviet relations would flow from the summit. In other cases, allied pressures for East-West dialogue at the Head of State level have played a major role in the Presidential decision to meet at the summit (e.g., Eisenhower at Geneva and Paris).

The approach to summitry which prevailed throughout the 1970s held that American Presidents should not meet with their Soviet counterparts until there were concrete US-Soviet agreements ready to serve as the centerpeice of the summit. However, these summits did not always produce durable improvements in US-Soviet relations, and sometimes complicated management of US-Soviet relations by generating expectations that could not be realized.

In any summit between President Reagan and his Soviet counterpart we would want to ensure that concrete, positive results were achievable. At the same time, the experience of the 1970s demonstrates that the signature of pre-negotiated agreements may not necessarily be the most effective substantive focus of a summit from the perspective of U.S. interests. It might also be valuable for a summit to reflect both the current strains in the U.S.-Soviet relationship and our desire to see those strains reduced if the Soviet Union is prepared to demonstrate restraint. Thus, we should retain the option of a sober and serious summit that would not necessarily involve signature of major new U.S.-Soviet agreements. We should also be sensitive to the possibility that a summit might play a critical role in shoring up Allied support for our East-West strategy. We would therefore need to ensure that any summit were timed to achieve the maximum possible positive impact in terms of U.S. interests.

U.S.-Soviet Cooperative Exchanges: The role of U.S.-Soviet cultural, educational, scientific and other cooperative exchanges should be seen in light of our intention to maintain a strong ideological component in our relations with Moscow. We should not further dismantle the framework of exchanges; indeed we should expand those exchanges which have the potential for advancing our objective of promoting evolutionary change within the Soviet system.

III. Priorities in the U.S. Approach: Maximizing our Restraining Leverage over Soviet Behavior

The interrelated tasks of containing and reversing Soviet expansion and promoting evolutionary change within the Soviet Union itself cannot be accomplished quickly. Our success in managing US-Soviet relations during the next five to ten years may well determine whether we are able to attain our long-term objectives. Despite the long-term vulnerabilities of the Soviet system, we can expect that Soviet military power will continue to grow throughout the 1980s. Moreover, the Soviet Union will have every incentive to prevent us from reversing

the trends of the last decade which have seen an unprecedented growth of Soviet military power relative to that of the U.S. Thus, the coming 5-10 years will be a period of considerable uncertainty in which the Soviets will test our resolve by continuing the kind of aggressive international behavior which this Administration finds unacceptable.

These uncertainties, moreover, will be exacerbated by the fact that the Soviet Union will be engaged in the unpredictable process of political succession to Brezhnev. As noted above, we cannot predict with confidence what policies Brezhnev's successors will adopt. Consequently, we should not seek to adjust our policies to the Soviet internal conflict, but rather try to create incentives (positive and negative) for any new leadership to adopt policies less detrimental to U.S. interests. Our posture should be one of a willingness to deal, on the basis of the policy approach we have taken since the beginning of the Administration, with whichever leadership group emerges. We would underscore that we remain ready for improved US-Soviet relations if the Soviet Union makes significant changes in policies of concern to us; the burden for any further deterioration in relations must fall squarely on Moscow.

Throughout the coming decade, our rearmament program will be subject to the uncertainties of the budget process and the U.S. domestic debate on national security. In addition, our reassertion of leadership with our allies, while necessary for the long-term revitalization of our alliances, is certain to create periodic intra-alliance disputes that may provide the Soviets with opportunities for wedge driving. Our effort to reconstruct the credibility of U.S. commitments in the Third World will also depend upon our ability to sustain over time commitments of resources, despite budgetary stringencies. As noted above, these constraints on our capacity to shape the Soviet international environment will be accompanied by real limits on our capacity to use the US-Soviet bilateral relationship as leverage to restrain Soviet behavior.

The existing and projected gap between our finite resources and the level of capabilities needed to implement our strategy for U.S.-Soviet relations makes it essential that we: 1) establish firm priorities for the use of limited U.S. resources where they will have the greatest restraining impact on the Soviet Union; and 2) mobilize the resources of our European and Asian allies and our Third World friends who are willing to join with us in containing the expansion of Soviet power.

(1) U.S. Priorities

Underlying the full range of U.S. and Western policies must be a strong military, capable of acting across the entire spectrum of potential conflicts and guided by a well conceived political and

military strategy. The heart of U.S. military strategy is to deter attack by the USSR and its allies against the U.S., our allies, or other important countries, and to defeat such an attack should deterrence fail. Achieving this strategic aim largely rests, as in the past, on a strong U.S. capability for unilateral military action. Strategic nuclear forces remain a crucial element of that capability, but the importance of other forces -- nuclear and conventional -- has risen in the current era of strategic nuclear parity.

Although unilateral U.S. efforts must lead the way in rebuilding Western military strength to counter the Soviet threat, the protection of Western interests will require increased U.S. cooperation with allied and other states and greater utilization of their resources. U.S. military strategy must be better integrated with national strategies of allies and friends, and U.S. defense programs must consider allied arrangements in the planning stage.

U.S. military strategy for successfully contending with peacetime, crisis, and wartime contingencies involving the USSR on a global basis is detailed in NSSD 32. This military strategy must be combined with a political strategy focused on the following objectives:

-- Creating a long-term Western consensus for dealing with the Soviet Union. This will require that the U.S. exercise strong leadership in developing policies to deal with the multifaceted Soviet threat to Western interests. It will also require that the U.S. take allied concerns into account. In this connection, and in addition to pushing the allies to spend more on defense, we must make a serious effort to negotiate arms control agreements consistent with our military strategy, our force modernization plans, and our overall approach to arms control. We must also develop, together with our allies, a unified Western approach to East-West economic relations consistent with the U.S. policy outlined in this study.

-- Building and sustaining a major ideological/political offensive which, together with other efforts, will be designed to bring about evolutionary change inside the Soviet Union itself. This must be a long-term program, given the nature of the Soviet system.

-- Effective opposition to Moscow's efforts to consolidate its position in Afghanistan. This will require that we continue efforts to promote Soviet withdrawal in the context of a negotiated settlement of the conflict. At the same time, we should keep pressure on Moscow for withdrawal and ensure that Soviet costs on the ground remain high.

-- Maintenance of international pressure on Moscow to permit a relaxation of the current repression in Poland and a longer

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term increase in diversity and independence throughout Eastern Europe. This will require that we continue to impose costs on the Soviet Union for its behavior in Poland. It will also require that we maintain a U.S. policy of differentiation among East European countries.

-- Maintenance of our strategic relationship with China, thus minimizing opportunities for a Sino-Soviet rapprochement.

-- Neutralization and reduction of the threat to U.S. national security interests posed by the Soviet-Cuban relationship. This will require that we use a variety of instruments, including diplomatic efforts such as the Contact Group Namibia/Angola initiative. U.S. security and economic assistance in Latin America will also be essential. However, we must retain the option of direct use of U.S. military forces to protect vital U.S. security interests against threats which may arise from the Soviet-Cuban connection.

IV. Articulating Our Approach: Sustaining Public and Congressional Support

The policy outlined above is a strategy for the long haul. We should have no illusions that it will yield a rapid breakthrough in our relations with the Soviet Union. In the absence of dramatic near-term victories in our effort to moderate Soviet behavior, pressure is likely to mount for change in our policy. We can expect appeals from important segments of domestic opinion for a more "normal" US-Soviet relationship. This is inevitable given the historic American intolerance of ambiguity and complexity in foreign affairs.

We must therefore demonstrate that the American people will support the policy we have outlined. This will require that we avoid generating unrealizable expectations for near-term progress in US-Soviet relations. At the same time, we must demonstrate credibly that our policy is not a blueprint for an open-ended, sterile confrontation with Moscow, but a serious search for a stable and constructive long-term basis for US-Soviet relations.