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Major NATO Allies: Perspectives on the Soviet Union

National Intelligence Estimate

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**MAJOR NATO ALLIES:
PERSPECTIVES ON THE
SOVIET UNION**

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THE NATIONAL FOREIGN INTELLIGENCE BOARD CONCURS, EXCEPT AS NOTED IN THE TEXT.

The following intelligence organizations participated in the preparation of the Estimate:

The Central Intelligence Agency, the Defense Intelligence Agency, the National Security Agency, and the intelligence organizations of the Departments of State, Commerce, Energy, and the Treasury.

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SCOPE NOTE

Despite their shared commitment to Alliance solidarity in countering the expansion of Soviet military power as demonstrated by the Alliance's initial success in deploying INF, the governments of Margaret Thatcher, Francois Mitterrand, Helmut Kohl, Bettino Craxi, and Brian Mulroney operate within sets of constraints that are conditioned by their countries' history, sense of national purpose and identity, security needs, and domestic political and economic needs. These fundamentally differing outlooks shape the way these Allied leaders deal with the Soviet Union and affect their positions and priorities on a host of East-West issues that have significant implications for US policymakers. This National Intelligence Estimate examines these underlying political and economic attitudes toward the USSR and assesses the degree to which Allied positions are susceptible to change in response to US policies and tactics.

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KEY JUDGMENTS

We expect both the number and intensity of disputes between the United States and its major NATO Allies—France, West Germany, Great Britain, Italy, and Canada—over East-West matters to rise or at best to remain the same over the next three to five years. This judgment rests on our view that the disagreements between the United States and its Allies over East-West issues result both from differences in perceptions of the USSR and in policy priorities. The issues likely to be the focus of contention include:

- The implications of the Strategic Defense Initiative (SDI) for East-West relations and for NATO's defense policy—particularly for the continued coupling of US and European security—and for the future credibility of British and French nuclear forces.
- The terms and extent of Allied participation in SDI research and the degree to which US technologies are shared.
- The enforcement and extension of controls that prevent the transfer of sensitive technologies to the East.
- The pace of NATO's efforts to improve its conventional defenses.
- The future course of the arms control process, particularly its implications for the completion of INF deployments.
- The possible expansion of East-West trade.
- The potential use of economic sanctions to induce changes in Soviet behavior.

The United States and its major NATO Allies continue to share a common commitment to countering the expansion of Soviet military power and indeed have taken steps to strengthen their defenses, foremost among these INF deployments. The root causes of disagreements between them, however, are unlikely to disappear because the United States and its Allies approach policies toward the USSR from different security and economic perspectives:

- Security Perceptions:
 - The West European Allies believe that their proximity to the Soviet Union gives them a greater stake than the United States in avoiding yet another, even more devastating, war on European soil.

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- The Allies also believe that the disparity of power between themselves and the United States causes them to have little leverage over US policies towards the USSR, even though their vital interests are at stake.
 - Finally, the Allies are more prone than the United States to see Soviet actions as the outcome of Moscow's insecurities than as the result of an aggressive, ideological drive to expand. Coupled with their concerns about the buildup of Soviet forces, the effectiveness of Western deterrence, and the unappealing prospect of expending enough resources to redress the military imbalance in Europe, this perspective leads them to emphasize the importance of arms control as a way of avoiding conflict.
- Economic Perspectives:
- Promoting detente with Moscow, stabilizing relations with Eastern Europe, and aiding their own economies remain the overriding justifications for continuing East-West trade.
 - Some Allied leaders, especially in France and Canada, hope that increased exports to the East Bloc will help stimulate their own economies, thereby providing capital to help narrow the technology gap between themselves and the United States and Japan.
 - In addition, most Allied countries now have domestic constituencies with financial interests in continuing, even expanding, economic ties with Moscow. At the moment, trade with the Soviet Union and Eastern Europe constitutes a small and declining percentage of overall Allied trade, but it is significant for certain industries and firms. The East Bloc markets also serve as convenient outlets for the surplus production of declining Allied steel and heavy manufacturing industries that cannot compete elsewhere and are suffering from high levels of unemployment.

These differences could become more significant during the next several years because we believe that the Soviets recognize and will be better able to exploit them. The succession of Mikhail Gorbachev to the leadership of the Soviet Union portends a period of more dynamic Soviet foreign policy. Moscow will undoubtedly use Gorbachev's considerable diplomatic and public relations skills to further its goals among NATO members in the coming years.

Beneath all of these differences are deeply held political and security attitudes that shape each countries' approach to relations with

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the USSR. Changes at this level occur only slowly and are bounded by the constraints of each country's history, sense of national purpose and identity, security needs, and domestic political situation. Within those limits, however, we note several encouraging signs that may improve the prospects for accommodating US-Allied differences over approaches to East-West issues:

- The greatest change has occurred in France, where strategic nuclear parity between the superpowers, the vulnerability of the French nuclear deterrent, and concern about a possible West German slide toward neutrality have combined to weaken traditional Gaullist emphasis on French "equidistance" vis-a-vis the superpowers. President Mitterrand's desire for closer cooperation with NATO (short of full military integration), his commitment to modernizing French nuclear forces, and his deep suspicion regarding Soviet intentions in Europe and in many Third World countries are widely shared within center-right and socialist circles. Moreover, these shifts in French security policies toward greater cooperation with the Alliance, although they have not altered deeply held French desires for national independence and international stature, are likely to outlast Mitterrand's tenure in office.
- In Italy, Prime Minister Bettino Craxi has combined strong support of NATO with a generally tough line on East-West issues and a firm stance on defense matters. He is particularly concerned about Italy's vulnerability to threats from the Mediterranean—primarily the increased Soviet regional naval strength and the instability and unpredictability of certain regimes, most notably that of Libya's Qadhafi. Craxi's belief that Italian support for US policy initiatives will best ensure Italy's defense and preserve its place among the major European powers is completely supported by his Republican Defense Minister Spadolini but may not be as dominant in a succeeding coalition. Italy's heightened sense of vulnerability to Soviet threats from the south, however, is unlikely to disappear.
- Since coming to office in September 1984, Canadian Prime Minister Brian Mulroney has restored to Canada's foreign policy the primacy of good relations with Washington and the NATO Alliance. He is prepared modestly to strengthen Canada's contribution to Western defense. Mulroney's ability to change Canadian policies further or to deliver Ottawa's support of US initiatives in the future may be constrained, however, by the Canadian economic conditions and the public's desire—mir-

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rored in the country's administrative bureaucracy—for policies that appear independent from Washington and demonstrate Canada's commitment to peace and disarmament. Although Mulroney's views are not shared completely even within his own party and may not represent a permanent change in Canadian foreign policy, his government is expected to last at least until the next national elections, which must be scheduled no later than the end of 1988.

- The current Governments of Great Britain and West Germany have strengthened their countries' support of NATO. Under the leadership of Margaret Thatcher, Britain

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, despite pressing economic problems, remains committed to modernizing its nuclear deterrent over the next several years. West German Chancellor Helmut Kohl

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believes that Allied confidence in German reliability strengthens his hand in dealing with the Soviets. However, both London and Bonn are also tempted to serve as intermediaries between Moscow and Washington to demonstrate publicly some progress in ameliorating East-West tensions and to undercut support for their opposition parties.

- Finally, the widespread West European recognition of their technological lag behind the United States could provide Washington opportunities to strengthen transatlantic economic links, especially if SDI becomes a shared Allied initiative.

At the same time, a number of developments are possible during the next three to five years—and beyond—that would make prospects for accommodating US-Allied differences on East-West matters substantially worse:

- The coming to power of either the British Labor Party or the West German Social Democratic Party would be among the most negative European developments for Allied cohesion vis-a-vis the USSR and would be especially damaging for Alliance security policies.
- The British Labor Party is profoundly antinuclear—from its leadership through its rank and file. Although moderates might have a stronger voice in a Labor government than they do while the party is in opposition—especially if it were forced to rely on Social Democratic or Liberal support—we do not believe that party leader Kinnock would alter his support for complete nuclear disarmament. The next elections need

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not be held before 1988, but, at the moment, Labor leads in public opinion polls and has at least a fair chance of achieving power in this decade.

- The West German Social Democratic Party has adopted policies that would substitute arms control for military strength as the foundation of Western security. To become a viable contender in national elections (which need not be held before 1987), the SPD Chancellor candidate would probably have to moderate his attitudes, but he would face continuing difficulties uniting the party behind this new stance. We believe it highly unlikely, however, that the SPD could reenter government except in coalition with the Christian Democrats or Free Democrats. Should the SPD return to office, therefore, changes in West German policies would probably not as far reaching as the SPD currently proposes.
- Another development that would adversely affect the prospects for Allied accommodation on East-West matters would be a breakdown in the arms control talks in Geneva due to perceived US inflexibility. In the absence of a comprehensive arms control pact with deep cuts in both ICBMs and INF, continuing the formal process of negotiations, even if just for the sake of negotiating, will be preferable to Allied governments than no talks at all.
- In the economic field, the most divisive issue is the safeguarding of sensitive technologies. Although our major NATO Allies support the concept of COCOM controls, they believe that only items of demonstrated strategic importance should be barred from export to the East. Where the stakes are seen as primarily economic and the security risks are less distinct, they will strenuously oppose any US effort to develop a comprehensive Western approach—especially in areas in which they hope to improve their ability to compete with the United States and Japan.
- Finally, if the Allies were to develop a perception that the United States is not responding to their needs in other areas—in dealing with trade issues, for example—settling differences on East-West matters would become more difficult.

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DISCUSSION

FORCES SHAPING ALLIED PERSPECTIVES ON THE SOVIET UNION

Transatlantic Differences

1. Although they share a common commitment to countering the expansion of Soviet military power, the United States and its major NATO Allies—France, West Germany, the United Kingdom, Italy, and Canada—have often differed significantly on East-West issues. Many of these disagreements stem from fundamental differences in perspective that are unlikely to disappear:

- The West European Allies believe that their proximity to the Soviet Union gives them a greater stake than the United States in avoiding yet another, even more devastating, war on European soil. From their own perspective, therefore, West Europeans believe they place more emphasis than does Washington on deterrence over war fighting and on arms control over military force improvements.
- The disparity of power between the Allies and the United States is another source of transatlantic friction. Despite the potentially catastrophic consequences of armed conflict, the Allies have little leverage over the relationship between Washington and Moscow. In addition, they frequently believe their views are not understood or given adequate weight in Washington and that US policies are sometimes inconsistent. The Allies expect to wield less influence in Moscow, so their frustration is often less than in their dealings with Washington. Nonetheless, they believe that maintaining frequent contacts with the Soviets gives them some ability to affect Soviet policies.
- Unlike the United States', West European interests are predominantly regional in scope. This tends to make the benefits of detente—increased trade and human contact with Eastern Europe—weigh more heavily, while it limits Allied concerns about Soviet actions elsewhere in the world. In any event, because Allied military power is primarily confined to Europe, the range of possi-

ble West European responses to Soviet activities outside of Europe is largely narrowed to nonmilitary measures.

2. Nonetheless, most West European governments and publics regard the Soviet Union as the primary threat to global stability. The buildup of Soviet military forces over the past 15 years, particularly the growing deployment of intermediate-range SS-20s, has caused particular concern about Soviet intentions in Europe. However, more West Europeans than Americans see Soviet actions as the outcome of Moscow's insecurities rather than as the result of an aggressive, ideological drive to expand. These Europeans regard the USSR as an empire in deep trouble, beset by a historical paranoia about foreign invasions, saddled with a poorly managed economy drained by excessive military spending, and faced with potentially explosive discontent among its subject nationalities and in its East European allies.

3. Although most West Europeans agree that the Soviet Union faces serious political and economic difficulties, individual leaders are not united about what those internal Soviet weaknesses imply for their own security policies or for that of NATO as a whole:

- One group—which includes West Germany's Helmut Kohl, France's Francois Mitterrand, Italy's Bettino Craxi, and Britain's Geoffrey Howe—is wary of Soviet intentions, whether Moscow's military force buildup is sparked by internal weaknesses or by ideology. They believe that Soviet actions can only be countered by a solid Western alliance, rooted in military strength. At the same time, this group stresses the importance of arms control to reassure the Soviets of peaceful Western intentions and, along with trade and other inducements, to give the Soviets a larger stake in European stability.
- A second group—which still includes Italy's Giovanni Spadolini and, to some extent, Canada's Brian Mulroney and Britain's Margaret Thatcher (although her advisers are urging her to shift to the first camp)—views the Soviet Union as primarily an expansionist ideological power willing

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to use military force if necessary to improve its position in the world. Like the first group, this group recognizes internal Soviet weaknesses but sees them as additional motivation for an aggressive Soviet foreign policy. Arms control is seen by this group as a useful method of managing superpower tensions, but it places little faith in the ability of trade and other exchanges to encourage better Soviet behavior.

- A third school of thought—perhaps best personified by Britain's Neil Kinnock or West Germany's Oscar LaFontaine—believes that the West must reassure Moscow of NATO's defensive purposes by substituting arms control and nuclear disarmament in place of the Alliance's traditional emphasis on military strength as the foundation of Western security. They believe that this change, together with broadened trade and other East-West exchanges, will reduce Soviet insecurities and dissipate any aggressive intentions Moscow might harbor toward Western Europe. In effect, most members of this group, and Kinnock in particular, reject their countries' participation in nuclear deterrence.

Underlying Political and Security Attitudes

4. Beneath these broad perspectives on the Soviet Union that cut across Allied boundaries are attitudes that are to some degree unique in the case of each ally: France's policies are strongly influenced by its long-standing quest for national independence and international status; West Germany's by its need for protection from Soviet aggression even while it seeks closer relations with East Germany; Britain's by its anti-Soviet attitudes, although it is tempted to mediate between Moscow and Washington; Italy's by a determination to preserve its place among the major European powers; and Canada's by a desire to avoid the appearance of blindly following the United States.

France: Striving for Independence and Status

5. A desire to demonstrate France's independence, both within the Alliance and in a global context, and to enhance its international status has marked French security policy since at least the early 1960s. The cornerstone of that policy—which has always identified the Soviet Union as France's greatest military threat—has been the maintenance of a nuclear deterrent capability exclusively under French control. The rationale for the development of the *force de frappe*—even while France retained an ambiguous status in the

North Atlantic Treaty Organization (NATO)—was rooted in de Gaulle's skepticism that the United States would risk its heartland in defense of Western Europe. The French believed that their nuclear forces, targeted against Soviet cities, were a viable deterrent to Soviet aggression because they could inflict damage on the USSR disproportionate to any benefit that Moscow could receive by attacking France. At the same time, in order to demonstrate its commitment to remaining outside the control of either superpower, Paris pursued a broader relationship with Moscow in trade, scientific, and cultural exchanges.

6. The environment in which French security policy operates, however, has shifted significantly from that which existed at the time of de Gaulle:

- US nuclear superiority in strategic systems has declined to the present state of superpower parity wherein the Soviets seek to continue shifting the military component of the correlation of forces in their favor.
- The credibility of the French nuclear deterrent has slipped, in the words of one French theoretician, to "the limit of believability."
- The number and accuracy of the Soviet SS-20s installed in Europe have rendered French land-based missiles and bombers increasingly vulnerable to quick elimination in any Soviet first strike.
- The nuclear-armed submarine fleet also has become increasingly vulnerable to Soviet detection and attack.
- Equally disturbing to the French is their perception of a West Germany plagued by a pacifist movement that sees closer ties with the East as a means of overcoming the division of Germany. The French believe that Germany could only be reunified if it were neutral or dominated by the Soviet Union. They further believe that, if this were to happen, the West German political and military buffer would disappear, and France's frontline defenses would rest on the Franco-German border.
- These French security concerns have been confirmed in recent years by those Soviet actions—including the continuing buildup of Soviet military forces, the invasion of Afghanistan, and Moscow's role in suppressing the Solidarity trade union movement in Poland—that have precipitated more widespread worries about Soviet aggressive intentions in Europe.

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7. These changes in the strategic environment have dramatically altered France's tendency to stand relatively alone—to the point where President Francois Mitterrand, appearing before the West German Bundestag in 1983, urged European solidarity with the Americans in the deployment of intermediate-range nuclear forces (INF). Moreover, Mitterrand's policy of closer cooperation with NATO, his commitment to modernizing French nuclear forces, and his deep suspicion regarding Soviet intentions are now widely shared within both center-right and socialist circles. The Socialists realize that any perceived weakness on national defense would be a significant political windfall for the opposition in the 1986 legislative elections. Mitterrand's harder line toward the Soviets is further supported by much of the French intelligentsia, who have become thoroughly disillusioned by Moscow's failure, among other things, to live up to the human rights provisions of the Helsinki accords. Furthermore, the French Communist Party (PCF) has suffered serious electoral setbacks in part because of its close identification with Soviet foreign policies. Nonetheless, for reasons both of domestic and international politics, Paris is determined to maintain its independent channels of communication with Moscow.

West Germany: Balancing Protection and Reconciliation

8. West German postwar foreign policy has combined two objectives that are fully compatible only in a period of US-Soviet detente. First, the Federal Republic has sought protection from Soviet aggression and stability through a close alliance with the West. Second, it has sought reconciliation—and pledged eventual reunification—with East Germany. The first objective clearly dominated Bonn's policies during the time of Konrad Adenauer. Subsequent governments, and especially the SPD-led government of Willy Brandt, began more actively to pursue *Ostpolitik*. A majority of West Germans support the goal of reconciliation with East Berlin and believe that progress toward that end requires Bonn to maintain amicable relations with Moscow.

9. In keeping with the Christian Democratic tradition, West German Chancellor Helmut Kohl regards the Soviet Union as the principal threat to West German security interests. He has firmly supported West Germany's participation in NATO.

He believes that the

Alliance's confidence in German reliability and predictability strengthens his ability to deal effectively with Moscow. In thinly veiled allusions to the opposition Social Democratic Party (SPD), Kohl denies that his government "wanders between East and West," and he rejects the vague SPD notion of a "security partnership" with the USSR.

10. Nonetheless, the Kohl government has felt compelled to demonstrate that it, too, can maintain a dialogue with the Soviets. In line with this objective, the government stresses its commitment to detente, its desire for an arms control agreement that would reduce or eliminate INF deployments, and its determination to maintain the continuity of the Schmidt government's *Ostpolitik*.

11. These objectives have led a number of West German politicians to play an intermediary role between East and West, primarily on arms control and security issues. The Kohl government generally has defended Alliance positions while encouraging Soviet flexibility. The West Germans—including the Social Democratic opposition leaders—also use their contacts to probe for signs of change in the Soviet positions.

12. Another of Bonn's objectives in its bilateral meetings with Moscow—and a deeply emotional issue in West Germany—is to increase the number of ethnic Germans permitted to emigrate from East to West. The Soviet refusal to permit a higher rate of emigration worsens the Soviet image in West Germany and—given the political influence of emigre groups—often hampers the conservatives' ability to deal with the Soviets.

13. The Kohl government's foreign policies have also been affected by the attractiveness to a segment of German voters of the positions taken by the opposition Social Democratic Party (SPD) and, to a lesser extent, by the Green Party. Both have adopted policies that promise security through arms control and disarmament rather than military strength. Although denying that their positions would render West Germany neutral on East-West matters, these opposition parties clearly favor greater accommodation of Soviet interests in Europe to facilitate closer relations with East Germany.

Although these particular SPD policies are still viewed with apprehension by most Germans, they nevertheless respond to an

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increasing national assertiveness in German political thinking. The SPD's security policies hold special appeal among that generation of West Germans now in their late twenties and thirties and, therefore, complicate Kohl's ability to pursue his foreign policy objectives.

Great Britain: Anti-Soviet But Tempted To Mediate Between the Superpowers

14. London's traditional attitude toward the USSR is marked by confidence in its ability to understand both the Russian past and the exigencies of present Soviet policies. It is an attitude rooted in a long historical memory and, indeed, the British often point to elements of continuity between Czarist and Soviet geopolitical imperatives. Unlike other major NATO Allies, London has had few outstanding bilateral issues to settle with Moscow. Levels of trade are comparatively low, and, except for official diplomatic exchanges, the British have relatively little contact with the Soviet Union. This distance, the British believe, gives them an objectivity and impartiality when assessing the Soviet Union. Furthermore, because of the special relationship Britain has with the United States, London sees itself in an ideal position to interpret the Kremlin's positions and pronouncements to Washington. Despite fervent denials, British Prime Ministers of both major parties are probably tempted to explain the Americans to Moscow as well.

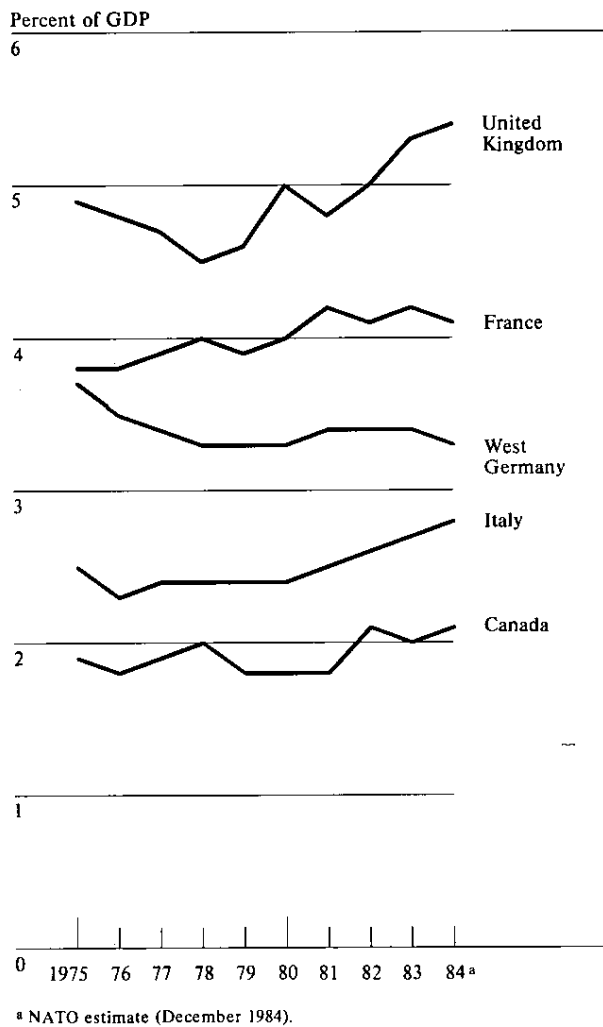
15. This professed pragmatism toward Moscow has not obscured London's view of the political and military threat posed by the Soviet Union. A stalwart supporter of the North Atlantic Alliance, Britain has maintained a relatively high level of defense expenditures (see figure 2) and has developed and deployed its own independent nuclear deterrent.

16. Margaret Thatcher appears to follow squarely in this British tradition, although the almost visceral hostility towards Communism that found expression in her first term continues to help shape her outlook:

— Under her leadership, Britain has firmly supported the deployment of INF to counter the growing number of Soviet SS-20s, encouraged the development of a small out-of-area capability in part to counter Soviet moves, and committed itself—in spite of pressing economic problems—to continue the modernization of its nuclear deterrent over the next several years

— Since 1983, however, the Thatcher government has stepped up bilateral contacts with the Soviet Union and Eastern Europe. Thatcher is con-

Figure 2
Allied Defense Expenditures, 1975-84



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vinced that her anti-Communist credentials give her credibility in Washington as a tough bargainer. She may also see a particular role for herself because of her personal acquaintance with Mikhail Gorbachev before his accession to power.

17. In pursuing these contacts, Thatcher has been prodded increasingly by Foreign Secretary Howe and Foreign Office professionals anxious to counter charges that her policies are too close to Washington's and motivated purely by ideology. She has already used SDI—particularly in working out the four points at Camp David—to play a mediating role in the international arena. Another inducement toward such

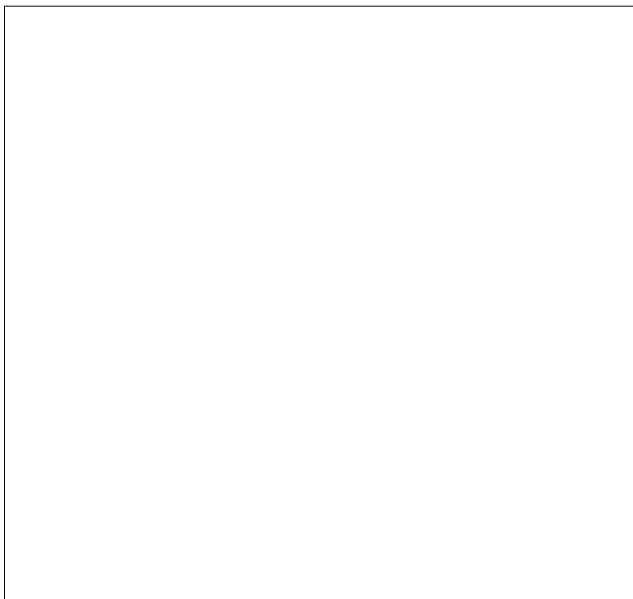
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efforts is her desire to preserve support for Britain's defense budget, especially the Trident nuclear modernization program. In addition, Thatcher is determined to undercut support for the Labor Party—which polls show slightly ahead of both the Conservative and Social Democratic-Liberal Alliance—and Labor's pledge of unilateral disarmament, which has shattered the nuclear consensus in Britain.

Italy: Keeping a Seat at the Table

18. As the fourth-ranking power among Western Europe's Big Four, Italy has sought to justify and retain its place among the major powers of Europe. The country's participation in NATO and membership in the European Community quickly became the twin pillars of those policies, providing for Italy's defense against the Soviet Union with minimal expense (see figure 2) and ensuring West European aid in developing and expanding the Italian economy. Through the mid-1970s, these two organizations were widely accepted within Italy, although the degree of enthusiasm for each varied among political factions. In general, Italy's attention was not focused on the threat from Moscow, and foreign and defense policies took a back seat to domestic economic concerns.

19. Beginning in the mid-1970s, however, a number of factors combined to undermine Italian confidence in their two-pronged approach to international affairs:

- On the security side, doubts about the reliability of the United States gradually increased after the United States withdrew from Vietnam and the implications of Moscow's strategic nuclear gains began to be understood. In Italy, these doubts were reinforced by a growing sense of threat

from the Mediterranean—primarily the increased Soviet regional naval strength and the instability and unpredictability of certain regimes, most notably that of Colonel Qadhafi of Libya.

- On the economic side, the 1974 oil embargo jolted Italians even more than other Europeans into a sudden awareness of their economic vulnerabilities and added to their sense of insecurity. Worries about Italy's economic future increased just as the European Community, plagued by budgetary disputes and difficulties in assimilating new members, offered less and less promise as a means of promoting economic growth and development.

Concerns about the effectiveness of Italy's foreign policies—indeed, doubts about whether those policies were properly focused on Italy's evolving vital interests—came to a head in 1979 when Italy was not invited to the Guadeloupe Summit.¹ In the eyes of some Italian officials, the two-pillar approach, at least as implemented by successive Christian Democratic-led governments, was no longer fulfilling its fundamental objective: Italy could no longer claim a place among the major West European powers.

20. These concerns stimulated a thorough rethinking of Italian foreign policy, and changes in the foreign policy positions of the major political parties slowly followed. By 1983 a shift in the correlation of domestic political forces had also taken place, and now, for only the second time since the war, the governing coalition is not led by a Christian Democrat:

- Under the leadership of the profoundly anti-Communist Prime Minister Bettino Craxi, the Italian Socialists officially abandoned their half-hearted support for the North Atlantic Alliance in favor of a tougher line on East-West issues and a firmer stance on defense issues. Craxi has supported the deployment of INF and has further demonstrated his reliability as an ally by taking part in such out-of-area operations as the Red Sea minesweeping operations and the multinational peacekeeping force in Lebanon. Craxi's policies have the added advantage of sharply distinguishing the Socialist Party from the Italian Communist Party (PCI), a distinction Craxi hopes will cut into PCI support.
- Craxi's support of NATO is exceeded within the government only by that of his Defense Minister, Republican Giovanni Spadolini, who believes that Italian support of US policy initiatives will

¹ The first of the annual economic summits.

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secure respect for Italy within NATO and help ensure the US commitment to defend Italy from Mediterranean threats.

- A dissenting line from Craxi's policies is sometimes sounded by Italy's Foreign Minister, Giulio Andreotti, who is more representative of traditional Italian foreign policy. Although supportive of Italy's membership in NATO, Andreotti maintains an independent line from Craxi, calls for Rome to play a role as interlocutor between East and West, and places more emphasis on the importance of Italy's relations with Third World states.
- Finally, the PCI, potentially Italy's largest party, although not a member of Craxi's coalition, has also changed its attitude toward Moscow. After three decades of growing disillusionment with Soviet-style Communism, the PCI condemned the Soviet invasion of Afghanistan, and the late PCI Secretary General Enrico Berlinguer publicly accepted Italy's 1948 decision to join NATO. In addition, the PCI did not make INF a major issue during the recent electoral campaign. The PCI is unlikely to instigate a formal break with Moscow, however, and there are now some indications that it is gearing up to wage a campaign against SDI. Moreover, should any government need PCI support to remain in office, the Communists are likely to seek in return to scale down Rome's military contributions to NATO.

Canada: Searching for Its Own Identity

21. Ottawa's historical drive to distinguish its policies from those of Washington, even while maintaining good relations with the United States, was given a new twist during Pierre Trudeau's 16 years as leader of the Canadian Government. Under his leadership, Canada tended to approach the world from more of a multilateral and, occasionally, a north-south perspective, and he seemed to relish the discomfort this caused in the United States. Canada increased ties—especially trading ties—to the East Bloc and, aside from careful respect for COCOM regulations, showed little concern for US sensitivities in this area. At the same time, Trudeau tried to carve out for Canada a role as mediator between East and West, undertaking several major initiatives on behalf of peace and disarmament, especially during 1983-84 [redacted]. During this period, defense spending was accorded a low priority, reflecting Trudeau's personal antimilitary orientation and his emphasis on social spending in a period of economic difficulties. Military expendi-

tures, as a percentage of gross domestic product, lagged consistently below the level of the other major NATO Allies (see figure 2).

22. The election of Brian Mulroney's Progressive Conservative Party resulted in a shift in Canadian priorities away from Third World and nonaligned causes, back toward policies that assert the primacy of good relations with Washington and the NATO Alliance. Mulroney is ideologically inclined to see the world through an East-West prism and is prepared to strengthen Canada's contribution to Western defense, albeit at a gradual pace because of economic difficulties. Since taking office in September 1984, the Tories have begun to raise Canadian troop strength in Europe and agreed to help fund a modernized line of radars that are part of North America's defense against Soviet intercontinental bombers and cruise missiles.

23. The Progressive Conservative Party controls a commanding majority of seats (211 of 282) in the Canadian Parliament, and new elections need not be held until 1989. Nevertheless, Mulroney has yet to prove he can translate that majority into effective new policies, and his ability to place his own stamp on Canada's foreign policy is likely to be constrained by two major factors:

- First, the Canadian public strongly supports the notion that Canada ought to have an independent identity in international affairs. It expects Ottawa to take positions that are distinct from those of Washington and is unlikely to accept for long a foreign policy that appears merely to echo the United States. These feelings, and the underlying resentment of US economic dominance, are widely present [redacted]

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- Second, during the last elections, Mulroney and his Progressive Conservative Party co-opted the traditional Liberal themes of peace and disarmament and advocated a relaxation of US-Soviet tensions. Well aware of the depth of public concern on these issues, Mulroney moved quickly once elected to quash speculation that his would be a Cold War foreign policy. He has sought to demonstrate the nonpartisan continuity of Canadian policies on these issues by appointing Trudeau as his peace adviser, naming Socialist Stephen Lewis as Ambassador to the United Nations, and asking left-leaning Tory Douglas

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Roche to serve as a special disarmament ambassador. These actions may have temporarily diffused public pressures, but US testing of cruise missiles over Canadian territory and Canada's role in SDI research will remain controversial questions.

The Economic Dimensions of Allied Relations with Moscow

24. Promoting detente with Moscow, stabilizing relations with Eastern Europe, and aiding their own economies—the primary motives behind the expansion of Allied trade with the Soviet Union during the 1970s—remain the Allies' overriding justifications for continuing East-West trade. The network of trading ties that developed during that period has become well established and receives financial and diplomatic backing from Allied governments. Certain industries and corporations now have a financial interest in trade with the East, and many are willing to exert substantial political influence to ensure that their East Bloc markets are maintained. With unemployment still widespread in Western Europe and Canada, the markets of Eastern Europe and the Soviet Union also serve as a convenient outlet for the surplus production of those older industries where the high cost of labor and antiquated production facilities make competition in other markets difficult.

25. Moreover, many Allied government, business, and labor leaders see the Soviet Union and Eastern Europe as potentially lucrative markets for the sophisticated equipment and advanced technology products—office equipment, some electronic consumer products, and specialized items such as those used in oil and gas extraction—that they plan to export in increasing volume. Allied leaders, especially in France and Canada, hope that increased exports to the East Bloc will reinvigorate their own economies and, in the process, provide capital for research and development in the high-technology fields of the next decade, and thereby help to narrow the technology gap between themselves and the United States and Japan.

West Germany: Moscow's Most Important Western Trading Partner

26. West Germany's trade with the USSR and Eastern Europe is the most extensive of any Western country, and Bonn sees such trade as essential in minimizing the chances for war in Central Europe and promoting intra-German reconciliation. No tariffs exist between East and West Germany, and West Ger-

man exports receive substantial subsidies in the form of interest-free credits extended to East Berlin. West Germany's trade with the Soviets (see figure 3), however, which totals nearly \$10 billion a year, is not subsidized. When the Soviets demand low-interest credits, West German exporters raise the selling prices of their products to offset the higher costs of domestic financing. The Soviets are well aware of the ruse but are apparently willing to pay a higher price for the quality of West German products.

27. West German exports to the USSR are concentrated in several key industries, and a cutoff or disruption of trade could significantly affect a few firms. The USSR has been an especially welcome buffer against hard times for West German steel firms. Total iron and steel production is well below capacity, and unemployment in the industry currently is running over 20 percent, more than double the national rate. Plant equipment, large-diameter pipe, and other steel products account for roughly two-thirds of sales to the Soviets. A large share of these exports to the USSR comes from the Ruhr area in North Rhine-Westphalia, a stronghold of the Social Democratic Party.

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28. Across the political spectrum, West Germans hope to expand trade with the USSR but have become concerned about the possible impact of Soviet counter-trade requirements on bilateral trade, especially in the important machine-tool sector. The Soviets reportedly now are insisting that contracts for machine tool sales to the Soviet Union include provisions for West German purchases of Soviet machine tools of at least 10 percent of the value of the contract. West German exporters are having difficulty marketing the Soviet machine tools they are being forced to accept in these arrangements, and these difficulties may slow further expansion of Soviet-West German trade.

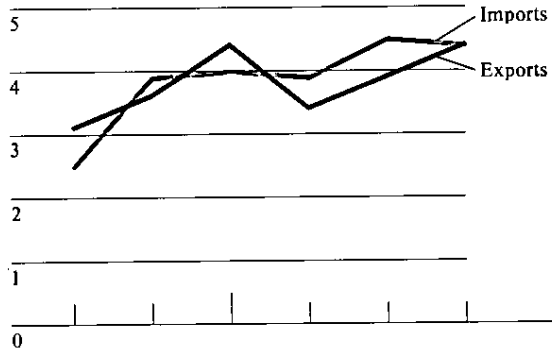
France: Still Willing To Pay a Price for Soviet Trade

29. Although trade with the Soviets accounts for less than 3 percent of overall French trade, it has run significantly in the red for the past six years; French exports to the USSR—iron and steel, machinery and transport equipment, chemicals, and agricultural products—have been insufficient to offset French imports of fuel from the Soviet Union. The French are seeking—with some success—to redress this trade imbalance by renegotiating their gas contract and by expanding the sale of French products to the USSR.

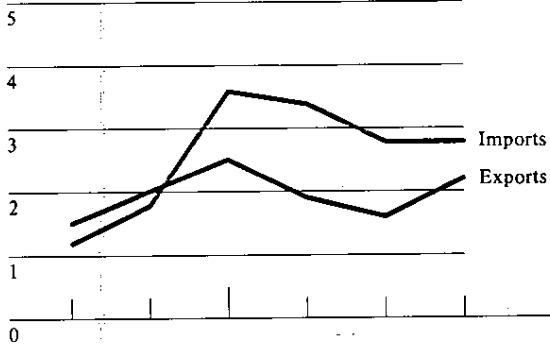
Figure 3
Allied Trade With the USSR, 1978-83

Billion US \$

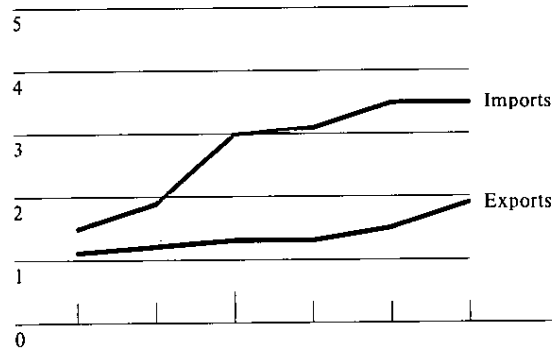
West Germany



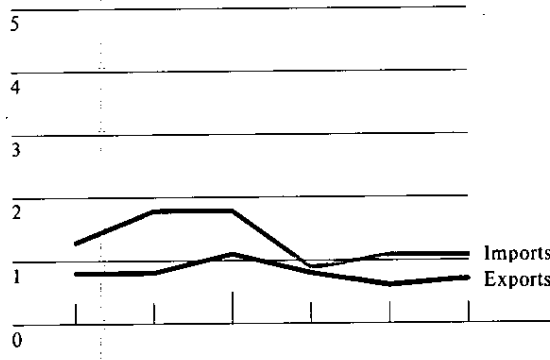
France



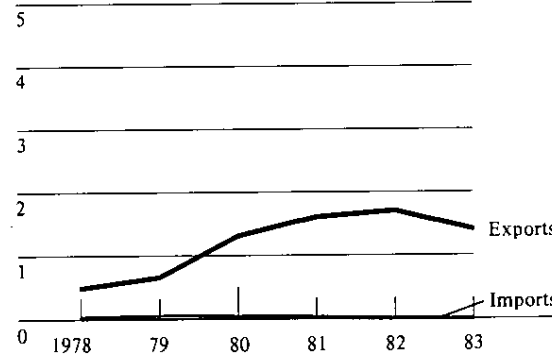
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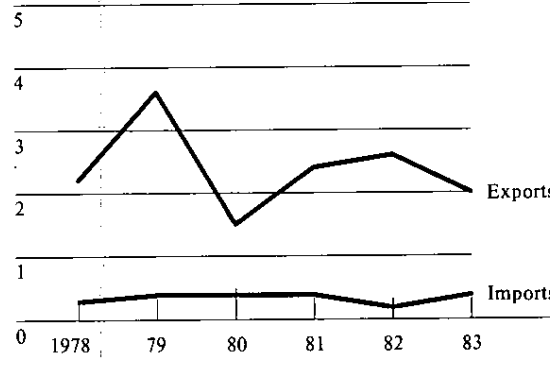
United Kingdom



Canada



United States



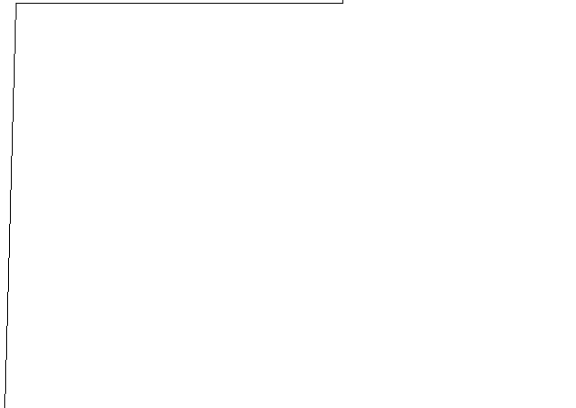
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30. In addition to its firm belief that trade gives the Soviets a stake in stability in Europe, Paris has two reasons for trying to expand trade with the Soviets:

- Soviet imports provide jobs in industries hard hit by the recent recession—especially in steel, chemicals, and automobiles.



- The Mitterrand government would like to use its access to East Bloc markets to improve its competitiveness in high-technology fields.



Great Britain: Keeping Up With Continental Competitors

31. Trade and financial ties play a relatively small role in overall Soviet-British relations. Indeed, as a percentage of total trade, Soviet-British exchanges rank well below those of any other major West European countries (see table 2). Nonetheless, London prefers not to be excluded from the market by its European competitors. Britain exports mostly chemicals and manufactured goods to the USSR. Imperial

Chemical Industries (ICI) negotiated a 10-year umbrella trading agreement with Moscow that calls for importing crude oil and naphtha in exchange for a variety of chemical products. Approximately one-fourth of ICI's British workers are involved in producing chemicals for export to the USSR. Other British firms remain interested in keeping up with their West German and French competitors in penetrating the potentially profitable Soviet market in oil and gas exploration and pipeline equipment.

32. London believes that these trading contacts maintain a minimal level of cooperation and help demonstrate that Britain is not inflexible on East-West matters. Despite the small trade deficit that the United Kingdom has run with the USSR (see figure 3), London has recently extended below-market credits to Moscow and hopes to further expand trade.

Italy: Reluctant To Continue Subsidizing Soviet Trade

33. The Italians have had extensive trading ties with Moscow since the early 1960s, when Rome began extending below-market credits to the Soviets. Because the Italians offered generous compensation for Soviet goods and accepted buy-back provisions in contracts, Italy's trade with the Eastern Bloc rose steadily through the mid-1970s, when over 6 percent of Italian trade was conducted with Council for Mutual Economic Assistance (CEMA) countries. As those countries gained access to higher technology goods in the United States, France, Japan, and West Germany, however, trade with the East slipped to less than 4 percent of Italy's total trade (see table 2). About half that amount was conducted with the Soviet Union. In addition, Italy now finds its constant trade deficit with Moscow increasingly burdensome, especially in light of mounting Italian budget deficits (see figure 3).

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Table 2
Trade With the Soviet Union

Percent of Total Trade

| | Imports | | Exports | | Trade Balance |
|----------------|---------|--------------------|---------|---------------------------|---------------------|
| | Percent | Products | Percent | Products | |
| West Germany | 3 | Fuels | 2 to 3 | Manufactured goods | Rough balance |
| Italy | 4 to 5 | Fuels | 2 to 3 | Manufactured goods | Significant deficit |
| France | 2 to 3 | Fuels | 2 to 3 | Manufactured goods; grain | Deficit |
| United Kingdom | 1 | Fuels | 0 to 1 | Manufactured goods | Small deficit |
| Canada | 0 | Manufactured goods | 2 to 3 | Grain | Large surplus |

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34. Strong trading ties exist between the Soviet Union and several Italian firms large enough to absorb the countertrade agreements that the Soviets require. Italy's largest private employer, Fiat, and a subsidiary of the state-owned energy corporation, ENI, were at the forefront of developing trade with the Soviets in the early 1960s. Montedison (troubled chemical firm) and Finsider (state-owned steel company) also have extensive ties, while those of Pirelli (tires) and Olivetti (office machines) are more modest. Fiat has ambitious plans to expand its export of automobiles to the Soviet Union, but the present Italian Government is markedly less enthusiastic about granting Moscow any more below-market credits.

35. The PCI no longer plays as prominent and overt a role in Italy's trade with the Soviet Union as it did in the 1950s and 1960s. During that period, Moscow gave preferential trade treatment to four PCI-owned trading firms, and the commissions from such trade went directly to fill the coffers of the PCI. Although such support probably continues, it is harder to document because it now must take an indirect route. In 1975 the PCI formally divested itself of the cooperatives to comply with a new law on political-party financing, and the cooperatives are now owned by an organization run by PCI members.

Canada: A Profitable Grain-Exporting Trade

36. Canada's trade with the USSR runs essentially one way—the Canadians export substantial quantities of grain to the Soviet Union. The Canadians have run a large trade surplus with the Soviets, especially since 1980 (see figure 3). The political clout of Canadian grain exporters is substantial, especially in western Canada, where support for Mulroney's Progressive Conservative Party is strongest. During the 1980 US grain embargo, Canadian farmers appealed to the country's historical aversion to sanctions of any sort, and successfully prevailed upon Ottawa to back out of the NATO-imposed trade sanctions.

37. Mulroney strongly backs efforts to expand Canada's foreign trade as a means of reducing the country's 11-percent unemployment rate and restructuring its aging industrial base. The Ottawa federal bureaucracy is expected to push the Soviet Union as an obvious market for products receiving special export emphasis—equipment for extracting and producing oil and gas in Arctic regions.

IMPLICATIONS FOR THE UNITED STATES

38. Strongly held Allied positions on a number of key East-West issues flow from the underlying inter-

ests discussed in the preceding section. To some extent, they are given factors, more-or-less impervious to US-induced modifications. At the same time, however, and to varying degrees in specific cases, Allied policies are susceptible to change, depending on US positions and tactics. They are also subject to modification as a result of inducements and pressures brought to bear on Allied governments by Moscow. The areas of possible change are discussed below.

Security Issues

Levels of Defense Spending

39. *Allied Perspectives.* All of the major Allied governments well understand the Soviet conventional military and nuclear threat to their territories. However, they do not believe that they need make nor indeed could sustain an increase in their defense spending large enough to alter significantly the imbalance of forces along Europe's Central Front. Moreover, although suspicions of Soviet intentions in Europe have grown in the last five years, neither Allied governments nor their publics believe that the Soviets intend taking military actions against Western Europe. As a consequence, popular support for increasing defense expenditures is not widespread, particularly when such increases can only come at the expense of domestic programs. These budget constraints and prospects for slow economic growth will largely prevent significant increases in defense expenditures in all five major NATO Allies.

40. *Susceptibility to Change.* At best, US pressure on Allied capitals to raise defense expenditures might keep that spending from declining in real terms in France, West Germany, and Britain. US encouragement would reinforce Italy's inclination to increase its forces committed to Mediterranean defense, but it is likely that these increases could only come about at the expense of other parts of Italy's defense budget. Pressure to increase Canada's defense spending would be more effective if it were perceived to come from the Alliance as a whole, instead of exclusively from the United States, and if it were cast in terms of defending Canadian, as well as West European, territory. (See table 2.) US leverage on this issue, however, would be undercut by any leveling or decline in US defense spending.

41. Only a major Soviet move outside its borders could galvanize West European publics into supporting increased defense spending. In the absence of such aggressive behavior, normal Soviet military developments and force improvements will have little effect on the level of defense spending in Allied countries.

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Moreover, if the Soviets offer attractive concessions in the arms talks in Geneva and otherwise make conciliatory overtures to Europe, public support for defense spending could fall off, and defense budgets could decline further.

Arms Control and the Strategic Defense Initiative

42. *Allied Perspectives.* The current governments of the major NATO Allies view the arms control process itself as an essential element in maintaining superpower stability and reducing tensions between Moscow and Washington. However, they are faced with opposition parties, especially in Great Britain and West Germany, that put great stock in arms control and nuclear disarmament for achieving security. In the absence of a comprehensive arms control pact with deep cuts in both ICBMs and INF, continuing the formal process of negotiations, if even just for the sake of negotiating, will be preferable to Allied governments than no talks at all. When that process breaks down—as when the Soviets walked out of the Geneva negotiations in December 1983—public fears about the risk of war rise, and pressures on Allied governments to play more active roles in mediating between the superpowers increase. But, as long as negotiations are under way, the major Allies will generally support US bargaining positions, even if they sometimes lobby privately for new or revised negotiating stances.

43. The Allied governments also hope for concrete results from the negotiations now under way in Geneva:

- In the near term, the highest West European priority is on the INF talks. A preferred European outcome would be an agreement that obviated the necessity of deploying the full number of Pershing IIs and cruise missiles envisaged in the 1979 NATO dual-track decision.
- Over the longer term, concern is focused on the SDI and negotiations on space-based weapons. The SDI has renewed fears about the potential decoupling of US and European security and, in allegedly spurring the Soviets to intensify their own ballistic missile defense efforts, appears to threaten the credibility of French and British nuclear deterrents just as Paris and London are struggling to maintain public support for the modernization of these systems. The Allies are further concerned that SDI could jeopardize the future of the arms control process itself. These Allied concerns about the implications of SDI are unlikely to be assuaged by their participation in

SDI research. Indeed, the extent of that participation, the degree to which US technologies are shared, the controls that are imposed to prevent the transfer of SDI technologies to the East, and the degree of compatibility or competition for resources between the SDI and EUREKA may themselves become the focus of US-Allied contention.²

44. *Susceptibility to Change.* The support of Allied governments for US positions in Geneva will almost certainly continue as long as the United States consults with them about major changes in its proposals, appears to take their views into account, and keeps them adequately informed during the negotiations. Popular support in Allied countries for the US positions in Geneva is more likely to be retained if the United States is perceived to offer serious proposals and appears receptive to Soviet initiatives.

45. A public Soviet offer of what appeared to be significant concessions in the INF negotiations, in exchange for US abandoning of SDI, would probably find substantial popular support in the Allied countries. Such a proposal would probably rekindle support for domestic West European peace movements, which still could exert substantial pressure on Allied governments. The major Allied governments, however, would be unlikely to alter their support of the United States in response to such a Soviet proposal. Soviets attempts to tie progress in the arms control arena to expanded trade ties to Western Europe or to modifications of technical trade restrictions probably will not make much headway. Direct Soviet pressure on Allied governments is unlikely to succeed. Pressure exerted through large corporations and domestic groups with an interest in East-West trade might prove marginally more effective.

Economic Issues

Expansion of Trade With the Soviets

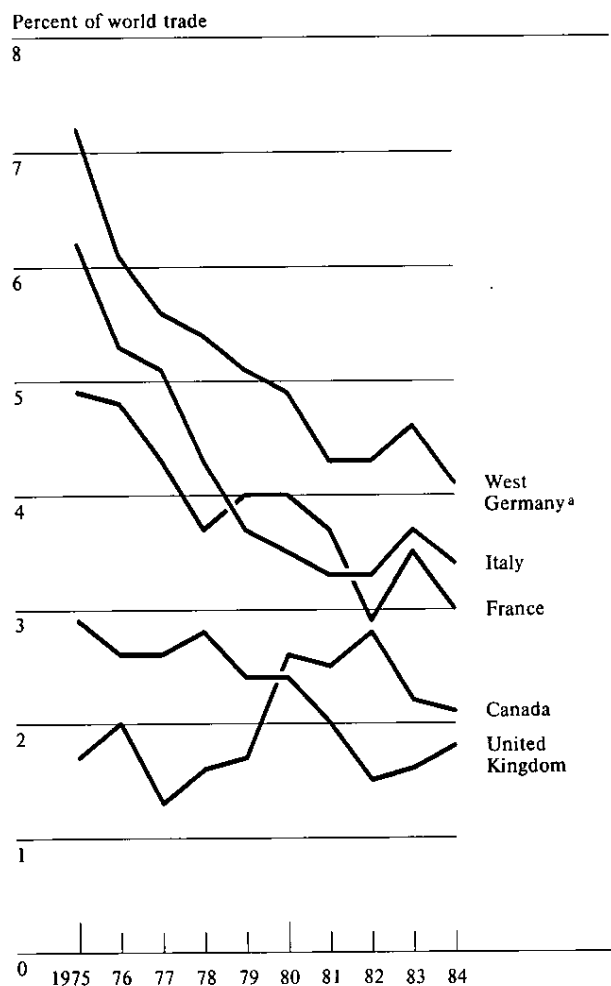
46. *Allied Perspectives.* Expanding trade with the Soviets is a stated goal of most of the major Allies, for both economic and foreign policy reasons. Bonn, Paris, and Ottawa would like to boost the level of East-West trade, which has been declining as a percentage of their total trade (see figure 4), and London is determined not to lose markets to its European competitors. Only Rome is reluctant to continue subsidizing trade with Moscow in light of its severe budget deficits.

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Figure 4
Allied Exports to the East Bloc, 1975-84



^a Does not include exports to East Germany, but the trend in those figures is roughly the same.

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47. *Susceptibility to Change.* Allied desires to expand trade with Moscow are unlikely to be curbed by US opposition—as the oil pipeline dispute so amply illustrated. The Soviets clearly intend to use the trade issue to divide the United States from its Allies, and Moscow has made the link between trade and Allied positions on SDI quite explicit. However, none of the Allies believes that trade with Moscow renders them vulnerable to Soviet threats to cut off trading ties. Allied governments do not believe that Moscow will do anything to implement its threats and so are largely ignoring them.

48. Western Europe's overall dependence on the Soviet Union for 10 percent of its oil and roughly 15 percent of its natural gas imports has already created a certain energy dependence on the USSR, although the Allies believe it is relatively insignificant during the present period of oversupply in world energy markets. There is a very real danger, however, that Western Europe will be forced to increase substantially its purchases of Soviet gas in the 1990s if decisions to augment North Sea production are not made in the next year or two. Should Western Europe begin to import more than 30 percent of its gas from the Soviet Union—as current projections show happening by the year 2000—then its vulnerability to Soviet economic pressure could increase significantly. For their part, Allied governments tend to discount the consequences of increased dependence. They argue that natural gas comprises only 15 percent of Western Europe's total energy consumption, that they can shift to alternate energies, and that it would be difficult for the Soviets to apply pressure to cut off supplies selectively. Furthermore, reducing supplies to Western Europe as a whole would cost Moscow substantial amounts of scarce hard currency. Indeed, the Allies maintain that the Soviet Union is more dependent on West European trade than the other way around. Twenty percent of Moscow's trade is conducted with Western Europe, and 65 percent of its hard currency comes from such exchanges.

Use of Economic Sanctions

49. *Allied Perspectives.* In general, the major NATO allies believe that economic sanctions are not an effective means of modifying Soviet behavior and unwisely raise the level of tension between Moscow and the West. The French are particularly sensitive to any perceived effort by the United States to develop a comprehensive Western strategy aimed at weakening the Soviet economy. Mitterrand's opposition to what he has called US efforts to engage in "economic warfare" against the Soviets has received broad domestic support, including from opposition leaders such as Jacques Chirac and Raymond Barre. West Germans, across the political spectrum, do not believe that sanctions work, fear they would damage prospects for closer relations with East Germany, and are concerned about the possible impact on employment—a concern magnified by West Germany's high unemployment rate. The Thatcher government has grave doubts about the effectiveness of sanctions in general and, in particular, that their use against Moscow would undermine its arguments against using sanctions to change the policies of the South African Government.

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50. *Susceptibility to Change.* In the absence of a major Soviet provocation, the Allies are unlikely to participate in major economic sanctions against the Soviet Union. In the event of outrageous Soviet behavior, the odds on Allied agreement to apply economic sanctions would improve for awhile, particularly if they were pressed to do so by Washington. France, West Germany, and Britain would probably comply reluctantly at first, while Italy and Canada would more readily agree. Although Rome does not believe that sanctions work particularly well, the Italians would probably join in applying them against Moscow primarily to impress upon Washington Italy's reliability as an Ally. The Mulroney government would support the use of economic sanctions against the USSR in the event of aggressive Soviet actions, but it would insist on multilateral coordination and compliance and would probably find pressure from its Allies (but not exclusively from the United States) useful in subordinating its domestic grain-exporting interests.

Safeguarding Sensitive Technologies

51. *Allied Perspectives.* Consistent with their desires to expand trading ties to the Soviet Union and find markets for their advanced technology products, the major Allies will probably resist efforts to expand the list of items (especially dual use) now under export controls.³ The French, Canadians, and West Germans are especially determined that new restrictions on their trade with Moscow not be introduced. Chancellor Kohl

[Redacted]

believes that COCOM should be interpreted in such a manner that only items of demonstrated strategic importance should be barred—a position enjoying broad support in West Germany.

52. However, Soviet efforts to acquire advanced technology have been increasingly bold in recent years, and there is a growing recognition in major Allied capitals of the security risks inherent in East-West trade. Paris and London have both expelled numerous Soviet citizens on grounds that they were engaged in industrial espionage. Overall, Allied governments—with the notable exception of Italy—have generally tightened up on enforcing existing controls.

53. *Susceptibility to Change.* If the United States could persuade its Allies that an authentic security risk exists if a particular item or class of items is exported to the Soviet Union, the Allies will probably support—

[Redacted]

or at least acquiesce in—efforts to tighten Western controls. Where the stakes are seen as primarily economic and security risks as less distinct, they will strenuously oppose any comprehensive approach by the West especially in areas—such as advanced technology—in which the West Europeans and Canadians hope to improve their ability to compete with the United States and Japan. Strong pressure on this matter from the United States might prove counterproductive, however, and would probably give wider currency, particularly in the Canadian bureaucracy, to a conviction that Washington is seeking to undermine its Allies' international competitiveness by attempting to force their policies more in line with its own. Nonetheless, most major Allies probably have concluded that amicable relations with the United States, as well as their own security interests, require the improvement of existing mechanisms for enforcing present COCOM restrictions.

54. Italy remains the exception, even though additional US pressure on Rome would probably persuade the Italians to agree to expanding COCOM controls. Lax Italian enforcement of existing controls is far more serious. The Italians are unwilling to deal with what they view as minor infractions against the system.

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Other Issues

Soviet Activities in the Third World

55. *Allied Perspectives.* Although the NATO Allies see indigenous and regional problems as the primary causes of instability in Third World, all of them are aware that Moscow actively attempts to take advantage of many of these circumstances. In general, however, the Allies do not believe that the Soviets are particularly successful in these attempts—nor will become so in the future—because Moscow cannot offer the kind of development assistance needed by these countries over the long term. Most Allied governments believe that Soviet gains in the Third World can be halted and even reversed by subtle diplomacy, economic support, and occasional military assistance to certain regimes. In most cases, however, the Allies do not believe that their vital interests are significantly

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threatened. Nicaragua is a case in point. Most Europeans originally refused to believe that the Sandinistas were intent in forming a Marxist-Leninist state closely tied to the Soviet Union. Although they now have second thoughts on this score, they remain reluctant to see the potential geostrategic significance of the implantation of a pro-Moscow regime in Central America.

56. In keeping with France's traditional involvement in Africa, Mitterrand has taken a more active interest in this problem than have other Allied leaders, and he is convinced that France can provide an alternative to US or Soviet influence in the Third World. He is especially concerned about the potential for Soviet, Cuban, and Libyan meddling in those areas of Africa adjacent to the established French preserve of francophone states, and he has tried to improve ties to regimes in Angola, Benin, Congo, Seychelles, and Mozambique, where the French believe there are opportunities to counter and reduce Soviet influence.

57. *Susceptibility to Change.* If basic Allied perspectives on Soviet activities in the Third World are to change at all, this is more likely to be in response to conditions in specific countries rather than as a result of US entreaties. The erosion of Allied support for the Sandinista regime in Nicaragua over this past year has been largely due to growing disillusionment with Managua's domestic policies. Bilateral Allied aid to Nicaragua has dropped, although some of it has been diverted to the European Community's multilateral assistance program to the Central American Common Market, which includes Nicaragua.

Relations With Eastern Europe

58. *Allied Perspectives.* All of the major NATO Allies believe in clearly differentiating their policies toward Eastern Europe from those toward the Soviet Union. Not to do so, in the view of most West Europeans and Canadians, would be tantamount to treating the oppressed like the oppressor. But, in contrast to the United States, they are loathe to differentiate among East European countries and believe that the West should cooperate with all willing East European governments, even those that are domestically repressive and show no foreign policy independence. Allied governments, therefore, grant preferential trade status to East European countries pretty much across the board and offer them credits and other financial guarantees on favorable terms. The Allies regard ties to Eastern Europe as inherently stabilizing and believe they foster improved political and economic conditions in the East. Most West

Europeans believe they have a responsibility to encourage gradual change in Eastern Europe only to the extent that the region's essential stability is not disrupted.

59. West Germany's special relationship with East Germany affects Bonn's view of events elsewhere in Eastern Europe. The Bonn government, supported by a large segment of the West German public, generally believes the West should show support, moderation, and understanding toward Poland because it regards events there as a possible precursor to a similar crisis in the German Democratic Republic. The opposition Social Democrats' desire for closer relations with East Germany conditions many of its responses to Soviet activities elsewhere. Italy has a close relationship with Yugoslavia, which has grown out of historical Adriatic trading ties, and Rome has more extensive connections to Albania than has any other Western country. Among Italian and French Socialists, there is a special sympathy for—and many close personal ties to—reformers in Czechoslovakia, Hungary, and Poland.

60. *Susceptibility to Change.* US actions are unlikely to affect a major change in the Allies' approach to relations with Eastern Europe. Aggressive Soviet moves in the area would heighten West European fears of a military confrontation with the USSR and would probably reinforce desires to stabilize the region by deemphasizing Western efforts to improve conditions in Eastern Europe.

Human Rights in the USSR

61. *Allied Perspectives.* Concern about human rights in the Soviet Union characterizes the policies of all major NATO Allies, and all believe that quiet diplomatic efforts are the most effective way of dealing with specific cases. All the Allies, and especially the French, regularly plead the cases of confined dissidents and others wishing to emigrate from the Soviet Union.

62. *Susceptibility to Change.* The Allies have been consistent on human rights issues. It was primarily due to their efforts that the West was able to get Soviet agreement to the Human Rights Provisions ("Basket 3") of the Final Act of the Conference on Security and Cooperation in Europe (CSCE). They would oppose an abandonment of the issue by Washington, but they would also consider a more open advocacy of human rights in the Soviet Union counterproductive. Opposition parties in West Germany, Britain, and Canada occasionally prod their governments to focus somewhat greater public attention on these issues, but they usually advocate pursuing these matters in a multilateral forum, such as the CSCE.

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63. From the US perspective, the danger in the human rights area is that the Allies tend to believe that the only way to help people in the East is to maintain reasonably good relations with the East European governments. They use human rights as a rationale for improving relations with and opposing sanctions against those governments in all but the most egregious cases of misbehavior. West Germany is particularly vulnerable on this score.

Additional Factors Affecting Prospects for Accommodating US-Allied Differences on East-West Issues

64. Several other factors will affect the course of US-Allied relations on East-West matters:

- First, the coming to power of either the British Labor Party or the West German Social Democratic Party would be among the most negative European developments for Allied cohesion vis-a-vis the USSR and would affect all aspects of US-Allied relations. It would especially be damaging for Alliance security policies.
- The British Labor Party is profoundly antinuclear—from its leadership through its rank and file. Although moderates might have a stronger voice in a Labor government than they do while the party is in opposition—especially if it were forced to rely on Social Democratic or Liberal support—we do not believe that party leader Kinnock would alter his support for complete nuclear disarmament. The next elections need not be held before 1988, but, at the moment, Labor leads in public opinion polls and has at least a fair chance of achieving power in this decade.
- The West German Social Democratic Party has adopted policies that would substitute arms control for military strength as the foundation of Western security. To become a viable contender in a national election, the SPD Chancellor candidate would probably have to moderate his attitudes, but would face continuing difficulties uniting the party behind this new stance. We believe it unlikely that the SPD could reenter government except in coalition with the Christian Democrats or Free Democrats. Should the SPD return to office, therefore, changes in West German policies would

[redacted] probably not as far reaching as the SPD currently proposes.

- Second, in the person of Mikhail Gorbachev, the Soviet Union now has a leader with considerable diplomatic and public relations skills. His trip to London in December 1984 is an illustration of his effectiveness as an expositor of Soviet positions. Should Gorbachev augment his personal attributes with an impression of greater Soviet responsiveness to West European concerns—for instance, in INF—then it will indeed become more difficult for the United States to maintain Allied attention on the global, long-range nature of the Soviet challenge and prevent their being swayed by the prospect of short-term, regional accommodations. A litmus test of Gorbachev's ability to innovate may be his professed willingness to establish political ties between CEMA and the EC. The West Europeans currently suspect—probably rightly—that this proposal is only a repetition of the old Soviet ploy of trying to constrain the actions of individual East European countries by making CEMA the control point for their ties to the EC. But, if Gorbachev's offer proves to be more than that, then the West Europeans are likely to develop EC-CEMA ties and thereby complicate West European-US relations.
- Third, the major NATO Allies now recognize that the gap in technology between themselves and the United States and Japan is growing. The extent to which they seek to narrow the gap by cooperating more closely with the United States, choose to cooperate with each other and compete with the United States, or even look to trade with the USSR to help their economies will have a major impact on US-Allied relations on such issues as SDI and other military technology sharing.
- Fourth, the prospects for accommodating US-Allied differences over East-West issues will also be affected by the degree to which the major NATO Allies believe the United States is responding to their needs in other areas. Amicable management of such contentious economic problems as, for instance, how best to promote economic growth and deal with various trade issues will greatly improve NATO's ability to accommodate its different approaches to relations with the Soviet Union.

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