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USSR Review



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May 1987

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Moscow's Afghan policy this year has featured both apparent attempts to find a political compromise and an intensification of coercive measures against Pakistan. These different, but not ultimately contradictory, directions in which Soviet policy is now moving suggest that Moscow is impatient with the status quo in Afghanistan and anxious to end its military involvement. The Soviets have not, however, been able to figure out how to accomplish this on politically acceptable terms; that is, a withdrawal that leaves behind a Communist-dominated government.	
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Moscow Turns Its Attention to Latin America [Redacted]

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Moscow has capitalized on the emergence of democratic governments in Latin America by increasing high-level exchanges and aggressively courting public opinion. General Secretary Gorbachev's proposed tour through Latin America—probably in late 1987 or early 1988—will be the most dramatic example of Moscow's increased attention to the area. While the immediate results of the visit may be mixed, the Soviets appear to believe that their new approach will earn near-term political payoffs and also further their long-term goals in the region. [Redacted]

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Soviet officials, hoping to increase their influence in the Persian Gulf and undermine Saudi Arabia's pro-Western orientation, are optimistic about reviving long dormant Soviet-Saudi diplomatic relations. The Saudis, however—angered by the continuing Soviet occupation of Afghanistan and critical of other Soviet internal and foreign policies—have remained cautious. They have been willing to deal with Moscow on limited matters of mutual interest, but mostly through intermediaries or direct ambassadorial-level contacts in third countries. [Redacted]

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The Academy of Sciences in Gorbachev's Modernization Campaign [Redacted]

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General Secretary Gorbachev is looking to the Soviet Academy of Sciences to help modernize the nation's industrial base and meet the technological challenge of the West. Serious internal problems and its inherently limited role in technology development and diffusion, however, impair the Academy's ability to meet party expectations. Implementation of measures to revitalize the Academy and strengthen its ties to industry faces formidable obstacles, and most accomplishments the Academy may make will not be felt in the economy until well into the 1990s. [Redacted]

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Soviet lack of equipment, technical skills, and experience appropriate for deep drilling for sour gas is setting back by years the program for production of gas, condensate, sulfur, and carbon dioxide from the Astrakhan' gasfield. [redacted]

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**Soviet Afghan Policy
Since January 1987** [redacted]

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Since the beginning of the year, Moscow's Afghan policy seems to be moving in two, but not ultimately inconsistent, directions. The Soviets' efforts to find a compromise that might enable them to withdraw their troops while leaving behind a Communist-dominated regime have been coupled with an apparent intensification of coercive measures against Pakistan. [redacted]

- At Geneva in March, the Soviets had the Afghans offer an 18-month timetable for Soviet troop withdrawal—down from three years at last summer's Geneva session. The Soviet Ambassador in Brussels suggested to a European Community representative in April that Moscow is now considering a further reduction to 11 months.

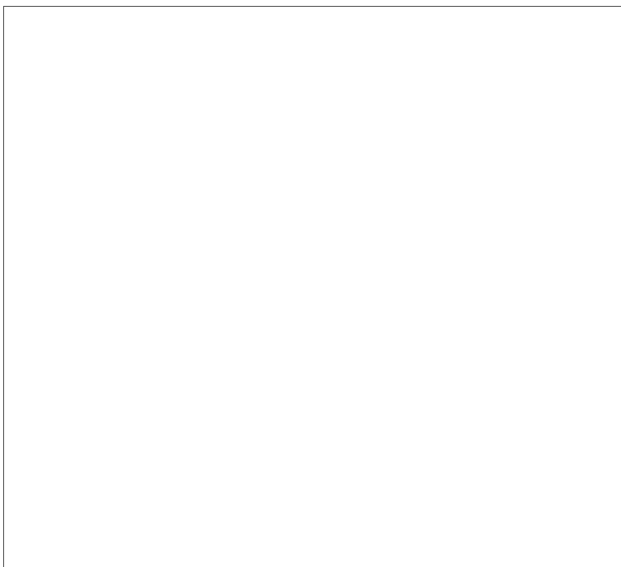
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In Search of a Compromise?

Soviet officials have continued to state privately that Moscow wants to bring Soviet troops home from Afghanistan because of various international and domestic costs and that, to achieve this, Moscow is prepared to be flexible:

- The Soviets, [redacted] have been in touch with former Afghan King Zahir Shah about participating in and possibly heading an interim government that would oversee Soviet withdrawal and the formation of a permanent government. (The King is not known to have agreed to such a plan.)

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- Although the Soviets have told the United States and Pakistan that they will not take Afghan party loyalists with them when they leave and that the party will have to be at the center of a new government, a UN official told Zahir Shah that Moscow has decided to take several hundred regime members back to the Soviet Union. [redacted]

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Coercion Instead of Compromise?

With the failure of the regime's cease-fire and national reconciliation initiatives, the Soviets and the insurgents are squaring off against one another this spring as they have in earlier years. Because of Soviet hints that military pressure might be intensified if the initiatives fail, one hypothesis has been that Soviet operations this year might be particularly intense. So far, however, there has been no observable buildup of troops, equipment, or supplies to suggest Moscow is planning an extraordinary offensive. As is usual in the spring, Soviet and Afghan forces have conducted a number of medium-size operations, most of them directed at insurgent arms caches and supply lines. The Soviets are continuing to improve their military infrastructure and show no sign of removing combat or support units. [redacted]

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The Soviets have taken several actions this year that seem to bear out the views expressed in such statements:

- Moscow had Kabul announce a six-month cease-fire beginning 15 January and, in a reversal of previous policy, "national reconciliation" proposals that could lead to a coalition government with resistance participation. The Soviets took this step despite the risk that these initiatives would undermine the morale and unity of the Afghan Communist Party.

There is some evidence that the Afghan Government—presumably at Soviet direction—is trying to move more forces to the Pakistani border to stop the flow of insurgent supplies. So far these measures have had no military effect. However, manpower shortages continue to plague the regime, and the US Embassy in Kabul reports intense public opposition to renewed government conscription efforts—which were supposedly halted as part of national reconciliation—and opposition within the regime to attempts to move State Security (KHAD) and militia troops from Kabul to the frontier. [redacted]

Direct Pressure on Pakistan. The most visible shift in policy has been a decision to step up air attacks against insurgents and refugees across the border in Pakistan, resulting in greatly increased Pakistani casualties. While most earlier border violations occurred in support of ground operations near the border, these new attacks—probably by Afghan planes, but presumably under Soviet direction—were not associated with such operations:

- On 26 and 27 February, on the eve of the resumption of the Geneva proximity talks, air attacks on Afghan refugee camps killed over 100 and injured over 300 [redacted]
- Further air attacks occurred over the next several weeks, with the most damaging at Teri Mangal on 23 March when some 120 were killed.
- Afghan aircraft recently dropped leaflets along the border warning of further attacks unless the refugee camps were moved out of the area.
- In mid-March, the Soviet Ambassador in Islamabad told Western diplomats that recent cross-border attacks were conducted in “hot pursuit” of insurgents, and hinted that Stinger training sites might be attacked as well, according to US diplomatic reporting. [redacted]

Pakistan has reacted by increasing air patrols near the border and may be adhering less closely to restrictive rules of engagement for intercepting intruding aircraft:

- On 31 March Pakistani F-16s shot down an Afghan AN-26 military transport, which crashed in Afghan territory.

- On 16 April an F-16 downed an Afghan SU-22 fighter-bomber, which also crashed just across the border in Afghanistan. [redacted]

At the same time, incidents of sabotage and subversion inside Pakistan have increased in boldness and frequency:

- On 19 February a bomb blast near a school in Peshawar led to widespread demonstrations against Afghan refugees. Coupled with other sabotage incidents in the area, it appears to have resulted in a permanent deterioration of relations between Afghan refugees and local Pakistanis, according to American Consulate reporting. In March, however, the number of incidents in the Peshawar area declined.
- On 9 April a car bombing in Rawalpindi killed 16 people and wounded some 40 others. It was the first major act of sabotage attributed by Pakistan to Afghan agents outside the frontier area. [redacted] the Pakistani Interior Ministry is pessimistic about its ability to prevent future bombings and concerned that support for the war among the Pakistani population is eroding. [redacted]

Publicity for Mujahedin Raids on Soviet Territory. The recent Soviet publicizing of insurgent raids into Soviet Central Asia may also point toward a Soviet decision to intensify coercive tactics. A low level of insurgent activity into the Tajik SSR has been reported by Western media [redacted] for several years, but until April Moscow media had not reported any incidents. Then an insurgent rocket attack across the river in early March was reported on 2 April, and on 18 April TASS stated that two border guards had been killed in another attack into Tajikistan. [redacted]

We believe that the decision to focus public attention on these raids was made for political purposes. The publicity serves the purpose of justifying the Soviet military presence in Afghanistan as necessary for a forward defense of the USSR’s frontier against alleged hostile intentions by the United States, which

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Soviet media repeatedly accuse of arming the mujahedin. It might also have been intended to offset criticisms of the USSR for the bombings in Pakistan.

The publicity also played to Soviet concerns about nationalism and Islamic fundamentalism in the Muslim republics of Central Asia. Last November, in a speech in Tashkent, Gorbachev called for a "merciless struggle" against covert religious believers in the party. Following the speech, several Uzbek party members were purged for being practicing Muslims. Party secretary Yakovlev's speech to the Tajik party organization in April reflects concern about the stimulus of fundamentalist Islam on local anti-Russian nationalism.

Equivocal Actions

Many other Soviet moves this year are compatible either with efforts to end Soviet military involvement by probing for a political compromise or with efforts to force the other side to accept a settlement on Moscow's terms. Among these are continuing attempts to strengthen the regime:

- The Soviets have continued to implement slow improvements in the Afghan military. Over the last several months they have provided the Afghans with more advanced artillery and infantry fighting vehicles. There has been no significant improvement in Afghan army performance, however. Rumors that the Soviets might withdraw and intense infighting between Parcham and Khalq factions have further lowered military morale.
- With the growth of factionalism since the national reconciliation initiatives, Moscow has probably forced Najib, a Parchami, to make concessions to the Pushtun-dominated Khalqis. This pressure has led to speculation that the Soviets are considering turning to the Khalqis in the interest of effectiveness, regardless of what the regime might lose in ethnic "representativeness."
- Moscow has intensified its effort to enhance the international legitimacy of the regime, achieving diplomatic recognition by Zimbabwe and Cyprus and pressing the resumption of air links between

Kabul and Kuwait. It also secured a visit by the Afghan Foreign Minister to India in February, which the Indian Foreign Minister reciprocated in May.

These moves are consistent with preparations by the Soviets to take a harder military and diplomatic line on Afghanistan, but could also be intended to put the regime in as strong a position as possible for negotiations on a coalition.

The Soviets' and Afghans' refusal to set a definite date for the resumption of the Geneva negotiations until Pakistan has made a "reciprocal" response to their 18-month timetable proposal is similarly ambiguous. Moscow could be preparing its justification—the alleged intransigence of the other side—for abandoning the path of "reasonableness." However, it could also intend to explore through other channels, including direct contacts with Pakistan, the issue of a new Afghan government, which the Soviets have said will have to be agreed upon before withdrawal can be finally negotiated.

Recent Soviet commentary is also equivocal. It can be read as an effort to justify to international audiences an intensified war effort and pressure against Pakistan:

- The Soviet media have claimed that all elements in Pakistan want a settlement but that the United States is prolonging the conflict to "bleed" the Soviets. Soviet commentary has specifically charged that the United States instigated resistance attacks on Soviet territory and Pakistani and Iranian efforts to block the return of refugees persuaded by Kabul's latest reconciliation proposals.
- The Soviets have also claimed that the national reconciliation program has been favorably received by the Afghans, with many insurgents going over to Kabul's side or laying down their arms and many refugees returning home. With so many "true patriots" now allegedly in the regime fold, Moscow may hope that the war will produce only a reduced international outcry and be more enthusiastically supported at home.

It is possible, however, that Moscow intends this commentary primarily to persuade Islamabad to cut a deal, both by encouraging those elements in Pakistan that favor making concessions to end the country's refugee problem and by reducing international support for a "fanatical" or "US-directed" resistance.

[redacted]

The commentary is also clearly addressed to the domestic audience in the USSR. Domestic media have continued to stress the necessity of Soviet involvement while they have become increasingly frank about the hardships of the war. Such realism about the conflict may reflect the leadership's attempt to deal with an increasingly polarized public opinion. A poll taken in 1986 among 1,700 Soviets traveling abroad found that one-third supported the war, one-third opposed it, and one-third were indifferent. The survey showed that opposition had grown among party members and most of the non-Russian minorities.

[redacted]

[redacted] antiwar sentiments have been expressed in such forums as public lectures and letters to the editor. [redacted]

Nonetheless, even though a significant number of Soviets—including segments of the elite that Gorbachev is depending on to implement his agenda of reform—now oppose the war, there is little evidence to suggest that the domestic cost of the war will—by itself—force the Gorbachev regime to reconsider its commitment to the Najib regime. It may, however, have a catalytic effect in changing the nature of the policy debate, forcing a more open discussion of possible political solutions. [redacted]

In this context, Moscow's coverage of the war serves the purpose of steeling the Soviet public for a long, difficult struggle of attrition from which there is no easy way out. We believe this is its prime motive. But it also serves to prepare the ground for a political settlement—if such is to be had—that does not include the surrender of the insurgents. [redacted]

Outlook

Moscow probably does not have a clear picture of how it ought to proceed or where the situation may be forcing it to go. The Gorbachev leadership almost certainly would like to be rid of the war, but it has not

been able to find a way to end it on politically acceptable terms. Therefore, it is still casting around for new ideas—with an air of growing impatience. This intensified search for a solution necessarily forces the Kremlin to act in ways that on the surface appear incompatible, while waiting to see what might work out best—or what turns up. The divergence between signs of compromise and greater coercion could also reflect disagreement within the Soviet leadership. [redacted]

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The two main new thrusts of Soviet policy since the beginning of 1987 have been an apparent willingness to share an undefined amount of power with insurgent leaders in a government of national reconciliation and the use of greater force against Pakistan. Though neither has brought a political breakthrough, both have served to intensify political maneuvering and exacerbate differences within and between the major actors—not always to Moscow's advantage. Neither tactic has been abandoned, and pressure on Pakistan might be just beginning to build up, with more terrorism incidents in the Punjab supplementing sporadic aerial bombings along the North-West Frontier border. [redacted]

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On the ground, we foresee a continuation of policies initiated over the last two years. The Soviets will try to improve the Afghan army and turn over to it more of the ground combat, while emphasizing Soviet aerial and artillery firepower support. As in 1985 and 1986, emphasis will be put on interdicting insurgent supplies entering Afghanistan by the use of special purpose forces (*spetsnaz*) and other combat elements. [redacted]

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While pursuing these efforts, the Soviets are unlikely to push the idea of compromise so far as to withdraw while—as we judge to be true for the foreseeable future—the Kabul regime remains unable to fend for itself. As long as a politically acceptable compromise remains an unattainable goal, Soviet forces seem certain to remain in Afghanistan. Despite the discomfort and burden of the war there, the Soviet leadership is not so pressed yet that it must accept defeat. Nor, in our view, is Gorbachev compelled to run the major political risks attendant on labeling defeat "victory" and handing Afghanistan over to American-backed guerrillas. [redacted]

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Moscow Turns Its Attention to Latin America [redacted]

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Under General Secretary Gorbachev, Soviet diplomacy has been increasingly visible throughout the Third World. Senior Soviet Foreign Ministry officials have visited their areas of responsibility and hosted their regional counterparts in Moscow more frequently. Within the last year, Deputy Foreign Minister Rogachev has made repeated trips through the Far East, Deputy Foreign Minister Adamishin has made the rounds in Africa, and First Deputy Minister Petrovskiy and Deputy Minister Vorontsov have toured the Middle East. [redacted] the Soviet Ministry of Foreign Affairs (MFA) was reorganized last spring on Gorbachev's order to stimulate such activism. [redacted]

probably respond strongly to any perceived encroachments by the USSR. The majority of Latin American governments, in turn, were standoffish about contact with Moscow—providing few opportunities for the Soviets to expand their influence in the region. [redacted]

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Thus, from the 1960s until the beginning of this decade, Moscow gave only sporadic attention to Latin America. The Kremlin concentrated on diplomatic and commercial dealings—including some military hardware sales—and only selectively supported Communist and leftist opposition groups. During the 1970s, for instance, Moscow provided concessionary terms to the leftist military government of Peru for the purchase of Soviet tanks, airplanes, and other military items, but it declined to build on this base by providing much economic assistance. Moscow also failed to provide economic aid to the troubled regime of Salvador Allende in Chile. At the same time, because of Cuba's internal economic problems and highly publicized failures such as Che Guevara's attempt to bring revolution to Bolivia, the Soviets actively discouraged Castro's efforts to export revolution to the Latin American mainland. [redacted]

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[redacted] At one point last summer, MFA spokesman Gennadiy Gerasimov proudly unveiled a map in Moscow, complete with varicolored little flags, that pinpointed the farflung travels of Foreign Ministry staffers. [redacted]

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Latin America can boast of many such flags. Within the last year, Moscow has appeared as diplomatically active in this region as in the Middle East—an area that clearly overshadows it in strategic importance. [redacted] under Gorbachev a new policy is emerging in the Foreign Ministry that places greater emphasis on political ties to Latin American countries. The General Secretary's proposed visit to the region—in late 1987 or early 1988—confirms this trend. [redacted]

Only in the early 1980s did Moscow achieve a limited expansion of influence through increased trade arrangements. In Brazil and Uruguay, Moscow bought raw materials such as coffee and wool; and when the United States refused to sell wheat to the Soviet Union, Argentina became an alternative supplier. Official Soviet trade statistics indicate that Latin American earnings from trade with Moscow reached a high of approximately \$4.2 billion around 1981. [redacted]

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It Wasn't Always This Way

In January MFA Latin America expert Ivan Laptev told British counterparts that past Soviet experience in the region had been "more negative than positive." The overriding consideration in keeping the Soviet profile low was Moscow's perception that the United States had special prerogatives in the area and would

Overall state-to-state access remained limited, however, until the mid-1980s, when Argentina and Brazil shed their military leadership and became civilian-ruled democracies. At the same time, the pressure of

mounting international debts stimulated Latin American interest in further expanding trade—and it was hoped, profit—with the USSR. [redacted]

term. Profitability in the Soviet–Latin American economic relationship, for example, is some years off. [redacted]

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Moscow found additional encouragement in the Sandinista victory in Nicaragua in 1979, which caused it to rethink the efficacy of leftist revolution in Latin America and to identify targets of opportunity elsewhere in the hemisphere. Since then, the Soviets have selectively expanded their limited assistance to opposition leftists to include paramilitary training, increased funding, and massive propaganda support. For example, while Moscow's assistance to El Salvador and Guatemala has declined since 1981-82, its support to the Communist Party of Chile has grown slowly but steadily, indicating Moscow judges violent revolution is a viable opportunity there. Finally, the survival of the Sandinista regime—despite US hostility—had, by the mid-1980s, given Moscow a growing sense that it could expand its influence in Latin America through overt trade and diplomacy and selective covert subversion without serious risk. [redacted]

Political Payoffs. For now, Gorbachev apparently contemplates significant political payoffs—both regional and international—from expanding contact with Latin America. He is seeking to:

- Increase anti-Americanism and neutralize US political clout in the area.
- Reinforce the legitimacy of the USSR as an actor in Western Hemispheric affairs—thus further assaulting the Monroe Doctrine and gaining greater political access within Latin America.
- Help consolidate the Sandinista regime by playing on regional concerns about US military support for the Nicaraguan insurgents and portraying Moscow as supportive of regional peace initiatives.
- Enlist regional support for Soviet positions on arms control issues such as SDI and project this support into international forums such as the UN or the Nonaligned Movement (NAM). [redacted]

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Under Gorbachev: What's New?

Although the Latin Americans are now more receptive to Soviet overtures than in the past, we believe that the push for increased ties still originates with Moscow. Soviet MFA Latin American expert Laptev claimed last January that Latin America's wealth, dynamism, and increasing independence from the United States called for a new Soviet effort to heighten Moscow's profile in the region. [redacted]

The Soviets will probably have some success with these objectives. Although Latin American leaders to a large extent seek to avoid involvement in East-West tensions and are careful in discussing issues such as Central America that would pose a direct risk to their relations with Washington, Moscow realizes that they also have internal political agendas and must work with nationalistic and leftist elements in their own electorates. The fear that the United States might take military action against the Sandinistas, for example, is widely held in Latin America; several states, such as Peru, Uruguay, and Argentina, have been vocal in denouncing aspects of US policy toward Nicaragua. Although these views are hardly identical to Moscow's, the Soviets have become skillful at creating the appearance that some Latin American nations are aligned with Moscow. [redacted]

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The Soviets' primary objectives in Latin America have not altered discernibly since Gorbachev came to power in March 1985. Moscow remains committed to Cuba, to the survival of the Sandinista revolution, to the overthrow of President Pinochet in Chile, and to the expansion of profitable trade relations. [redacted]

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Under Gorbachev, the Kremlin has significantly increased its efforts to strengthen official state-to-state ties, especially with the region's most important economic and political powers. Moscow also is attempting to sponsor the expansion or renewal of relations with states such as Guatemala, where ties were broken in the 1950s. Yet, the Soviets are aware that some of these goals are not realizable in the short

Economic Benefits. Although Moscow is more interested in immediate political gain in its competition with the United States, it hopes that its initiatives will also foster long-term trade expansion. The Latin Americans, however, will probably continue to find

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standard Soviet trade terms—countertrade or barter and insistence on greater bilateral balance—unattractive and the Soviet trade bureaucracy unresponsive. For example, although the Soviets signed a long-term grain agreement with Argentina in January 1986, they angered Buenos Aires by waiting until early this year to begin fulfilling their commitments. In February Deputy Foreign Minister Komplektov disappointed Uruguay by refusing to increase Soviet purchases of its goods. [redacted]

Moscow also continues to offer to sell military hardware for both economic benefits and the increased access that such deals would create. The Soviets have reportedly made several offers to supply combat aircraft to the Argentines at relatively low cost. They have invited Argentine officers to Peru to test Soviet equipment, and in late 1986 they hosted a group of students and staff from Argentina's Higher Military Air College in the USSR. Early this year Moscow offered to provide the Uruguayan Air Force with an aerial demonstration for its Air Force Day ceremonies in March, but Montevideo declined the offer. We believe that most Latin American countries are leery of military hardware deals with the Soviet Union. Moscow, however, will probably continue its efforts to entice them by initially offering items such as helicopters or transport aircraft for civil and commercial use by regional airlines. [redacted]

Support for Revolution. Moscow selectively supports revolutionary movements in Latin America and may believe that this goal too will ultimately be well served by increased state-to-state ties in the region. For the time being, it has apparently given priority to the survival of the Sandinista regime over the aspirations of other revolutionary groups in Central America: Soviet economic aid to Nicaragua reached an all-time high of \$325 million in 1986, while assistance to other Central American revolutionaries has declined. [redacted]

[redacted]

In South America, the Kremlin has thrown its weight behind the overthrow of Chile's President Pinochet, by violence if necessary. Moscow may believe that regional dislike of Pinochet is so great that there will be few repercussions from its active support of leftist revolution in Chile. Although the Soviets appear to be letting Havana take the lead in arming and training Chilean revolutionaries, they have openly backed the Chilean Communist Party's violent tactics since 1980 and provide it with substantial annual funding, as well as ideological advice. [redacted]

[redacted]

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Public Diplomacy: A New Veneer?

In its efforts to increase contacts with Latin America, Moscow has sponsored an unprecedented series of bilateral meetings with regional leaders:

- Argentine President Alfonsin visited Moscow in late 1986 and Presidents Sanguinetti of Uruguay and de la Madrid of Mexico are on the schedule this year.
- In the last year and a half, the Foreign Ministers of Mexico, Uruguay, Brazil, and Argentina have visited the USSR.
- Soviet Deputy Foreign Minister Komplektov has made two swings through the region, visiting Peru, Venezuela, and Cuba last summer and returning in February 1987 to visit Brazil, Uruguay, and Mexico.
- Foreign Minister Shevardnadze visited Mexico last October [redacted]

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Soviet delegations to Latin America have increased markedly in number and prestige compared with 10 years ago. Until 1984 the highest ranking Soviet

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visitors were the Secretary General of the MFA, who visited Peru, Columbia, Argentina, Brazil, and Panama in the course of several trips, and the Minister of Culture, who visited Mexico in 1982. Mexican President Lopez-Portillo visited Moscow in 1978, but his visit came at Mexican initiative and was neither preceded nor followed by any other significant visits. Between 1976 and 1983 the average number of economic or political exchanges per year between Moscow and the Latin American countries (excluding Cuba and Nicaragua) was 13. From 1984 through 1986, this average jumped to 26 per year. By 1986 Argentina, Brazil, Peru, and Mexico were the most frequent participants in exchanges with the USSR.

[redacted]

Along with the expansion of its diplomatic initiatives in Latin America, Moscow is stepping up efforts to foster a positive image of the USSR. Soviet personnel posted to the region are more visible, actively courting public opinion and attention.

[redacted]

Within the last year Novosti has expanded its offices in Brazil and Mexico. The US Embassy in Caracas reported that the Soviet Ambassador there has used full-page advertisements to get his message across and,

[redacted]

Argentine press officials believe that the Soviet Embassy there is sponsoring a media campaign to produce a positive assessment of Soviet domestic and foreign policies. In Mexico, Argentina, Uruguay, and Venezuela, Soviet diplomats have begun to hold press conferences on a regular basis. As a prelude to a Gorbachev visit, Moscow has been sponsoring working tours of the USSR for selected journalists from Latin America.

[redacted]

The Gorbachev Visit

A Gorbachev visit to the area—where the General Secretary would trade the prestige of his presence for possible concessions from the Latins—would enhance these new initiatives dramatically. If Moscow can get

the itinerary that it desires—including a fall summit with President Reagan—Gorbachev would proceed from the United States to Mexico and then swing through Brazil, Argentina, Uruguay, and probably Peru. The General Secretary's plane almost certainly would make a refueling stop in Cuba, where we would expect him to have talks with Fidel Castro. Moscow, however, could use the technical excuse to play down the significance of his stay in Havana. Unless Gorbachev feels pushed to make a dramatic gesture of support for Nicaragua, we do not believe that he will stop there;

[redacted]

Not everything is going Moscow's way, however, and some states—notably Argentina and Brazil—have important agendas of their own during the latter months of 1987. Some states are reluctant to schedule Gorbachev's trip during Moscow's preferred time frame, and the trip could easily be delayed until 1988. If scheduling problems continue, there is an outside chance that Gorbachev may contemplate two trips: one this fall to the United States and Mexico and another, perhaps in early 1988, through South America.

Outlook

The Gorbachev visit probably will take place, but the results will be mixed. In some—perhaps most—stops, Gorbachev is likely to come away with only cultural or scientific agreements, increased embassy slots, or low-volume economic deals. Because of internal pressure from varied interest groups and concern for Washington's reaction, we expect the Latin American governments will be cautious in discussing issues such as Central America. The final communiqués may only treat areas of generalized political agreement—such as consensus on the need for regional solutions to problems in Central America or on the disarmament initiatives of the Delhi Six or the South Atlantic Zone of Peace. Moscow has long believed, however, that small advances such as these lay the groundwork for greater influence in the future.

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Gorbachev might make a dramatic sign of support for the Sandinistas and stop in Nicaragua, although such a decision would probably be carefully weighed because of the potential for opposition from the United States and other regional actors. We believe he would consider this option if the United States were to rebuff Soviet overtures for a summit or if he were displeased with the progress of US-Soviet relations. He might attempt to portray such a visit as part of Moscow's support for regional peace initiatives such as Contadora, especially if the recent momentum stimulated by developments such as Costa Rica's peace proposal moves the negotiations toward an agreement. Moscow would probably calculate, however, that such a visit would increase US Congressional support for the Nicaraguan insurgents, as occurred when Daniel Ortega made his ill-timed visit to Moscow in the spring of 1985. [redacted]

In the near term, Moscow will undoubtedly use whatever influence it can muster to encourage Latin American opposition to US policies and to erode US political influence in the region. In particular, by portraying themselves as supporting a regional solution to the problems in Central America, the Soviets

may be increasingly effective in manipulating local opposition to US intervention in Nicaragua, possibly limiting US policy options there and institutionalizing Soviet influence on the American mainland. [redacted]

The reintegration of Cuba into the diplomatic mainstream of hemispheric affairs will probably also accelerate under Moscow's expanding umbrella of contacts. Havana has begun a series of moves that parallel Moscow's efforts to reduce US political clout in the area, such as President Castro's attempts to rally regional solidarity on the issue of Latin American debt. Moreover, there are indications that Castro—like Gorbachev—is planning travel to the new democracies, especially Brazil and Argentina. [redacted]

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**Moscow's Relationship
With Riyadh: Progress
at a Snail's Pace**

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The visit of Saudi Petroleum Minister Hisham Nazir to Moscow in January, like previous visits by Saudi officials in 1982 and 1985, raised questions about whether it portended significant improvement in ties between the two countries. Although Moscow gave the visit much attention and Soviet officials expressed optimism about its impact on Soviet-Saudi relations, the Saudis played down its significance for bilateral relations. This is typical of the differing approaches of the two countries.

Since the late 1970s, Moscow has been attempting to reestablish ties to Saudi Arabia after withdrawing its ambassador nearly 50 years ago. Following the 1973 OPEC oil embargo and the rise in oil prices, Moscow viewed Riyadh as rich and powerful enough to be one of the top players in the Middle East. Later, as oil prices fell and OPEC grew weaker, the Soviets reportedly began to view Saudi power as leveling off and possibly waning.

Nevertheless, Moscow remains keen to reestablish ties:

- The Soviets see Saudi Arabia as a key US ally that often supports US policies hostile to their interests, such as aid to the Afghan resistance. A Soviet mission in Riyadh would provide opportunities to influence Riyadh toward a less pro-US orientation.
- As a major oil producer that relies on oil exports for much of its hard currency earnings, Moscow would like better access to information concerning OPEC intentions and factors that influence the world market price of oil.
- Because of Saudi Arabia's influential role in the Middle East and in the Islamic world more generally, the Soviets view closer relations with the Saudis as a key to further improvement in ties to other Gulf states and as a way to enhance their prestige in the region and internationally.

Moscow's courtship of the Saudis has taken many forms. The Soviets have emphasized issues of common concern, pursued ambassadorial-level contacts in third countries, urged third parties to facilitate better ties, and used occasional visits by Saudi officials to Moscow to press their case.

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Common Ground

Moscow has tried to play up common positions on regional disputes with heavy emphasis on a mutual interest in supporting Iraq. In mid-1983 the Soviets began to lift Saudi crude oil as war relief aid for Iraq. The arrangement continued into 1986, but Moscow and Riyadh have not yet agreed on a contract to continue the program this year. Moscow apparently has pressed Riyadh unsuccessfully to service Soviet ships carrying military equipment for Iraq and to permit Soviet ships to unload equipment at Saudi ports for transport overland to Iraq.

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The Soviets also claim commonality of interest in supporting the Palestinian cause and calling for Israeli withdrawal from territories occupied in 1967. Both countries support the Arafat faction of the PLO, and Riyadh has been receptive to Moscow's call for an international conference on the Middle East and to Soviet participation in the peace process.

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Moscow also tries to claim affinity with the Saudis and the Islamic world in general by virtue of its large Muslim population. It has paid close attention to overcoming its image as an atheistic state by increasing official contacts with Muslim organizations and by attempting to present an image of religious freedom for Muslims at home and of friendship toward Muslim countries abroad. For example, it has pressed for ties to the Organization of the Islamic Conference (OIC) headquartered in Jeddah, Saudi Arabia, and succeeded after repeated invitations in arranging for a visit by OIC Secretary General Pirzada to Moscow in

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November 1986—the first such trip since the organization was founded in 1969. During the visit, Soviet Foreign Minister Shevardnadze pressed Pirzada to side with the USSR on East-West issues, tried to convince him of Soviet good intentions regarding Afghanistan, and attempted to solicit his help in promoting relations with the Saudis. The Soviets also pushed unsuccessfully for formal links to the OIC in the hope of obtaining an invitation to the Islamic summit in Kuwait in January 1987. [redacted]

Limited Contacts

Since the Soviets undertook to improve relations in the late 1970s, there have been few direct contacts between the two countries; high-level contacts have generally been limited to meetings between Soviet and Saudi ambassadors in third countries. In December 1982, the Soviets and Saudis agreed to use their respective ambassadors in London or Paris as points of contact on matters requiring consultations. In January 1987 the Soviet Ambassador to Kuwait publicly confirmed reports that Soviet and Saudi ambassadors had recently met in London and that the two countries also maintained contacts in other world capitals. [redacted]

The Soviets have also used third parties in their effort to improve contacts with the Saudis. Kuwait, until recently the only Gulf state having relations with Moscow, appears to play an important role in facilitating Soviet-Saudi communication. Kuwait's Moscow Embassy has assisted in arrangements for Saudi visitors in Moscow, and the Kuwaiti Ambassador arranges and attends Saudi meetings with Soviet officials, hosts receptions for the visitors, and provides official support and media coverage. Kuwait, [redacted]

[redacted] has served both as a meeting place and as a mediator and promoter of Soviet-Saudi contacts. [redacted]

[redacted]

The Soviets have also tried to identify possible avenues for gaining entry to the Saudi market for arms.

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Visits to Moscow

Only three Saudi officials have visited Moscow since World War II, and they did not travel in their official government capacity. The Soviets, however, gave the visits high-level attention, and each visit raised speculation overseas that the Soviet hosts might effectively use such contacts to improve bilateral relations. [redacted]

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In December 1982 Saudi Foreign Minister Prince Sa'ud al-Faysal visited Moscow and Beijing with a seven-member Arab League delegation as part of an effort to explain the Arab peace plan adopted at the Arab summit in Fez, Morocco, to UN Security Council members. After General Secretary Andropov met the delegation, Foreign Minister Gromyko met privately with Prince Sa'ud for discussions on Afghanistan and other issues. It was during this visit that the two sides agreed to use their ambassadors in London or Paris for future consultations. [redacted]

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In a public statement shortly after Sa'ud's visit, Crown Prince Abdallah, the King's half-brother, declared his support for balanced relations with both superpowers, arousing speculation that the Soviets had successfully pressed their case for improved ties. The Crown Prince, however, later told intimates that it would be inconsistent to welcome Soviet diplomats to Riyadh as long as the Soviets oppress Muslims in Afghanistan and South Yemen, according to US Embassy reporting. [redacted]

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A second visit took place in August 1985, when one of King Fahd's sons, Prince Faysal, headed an 18-member sports delegation to Moscow in his capacity as chairman of the Saudi youth organization. The Kuwaiti news agency reported that Faysal spent two hours in conversation with Deputy Foreign Minister Georgiy Kornienko and the head of the Foreign Ministry's Middle East Department, Vladimir Polyakov—a meeting arranged and attended by the Kuwaiti Ambassador in Moscow. The Prince announced that there would be further cooperation and commercial exchange between the two countries but stated that economic relations are separate from diplomatic ones. [redacted]

Following the visit, King Fahd's private secretary scotched rumors that Faysal engaged in policy discussions and indicated that the King was irritated that the Soviets had exploited the visit for political purposes, according to US Embassy reporting. Polyakov later reportedly described the visit to a foreign diplomat as solely a youth exchange and not a springboard for diplomatic relations. Denying that there was any comparison with US "Ping-Pong diplomacy" in China, Polyakov stated that the Soviets were ready to set up a diplomatic post in Riyadh whenever the Saudis agreed and that they would wait for the next Saudi move. [redacted]

Saudi Petroleum Minister Nazir visited Moscow in January 1987 as an OPEC representative seeking support from non-OPEC producers to stabilize the oil market. Riyadh emphasized the OPEC purpose and multilateral nature of the tour and noted that Nazir discussed the international oil market in his meeting with Foreign Minister Shevardnadze. Although in the past Moscow has avoided direct cooperation with OPEC, the Soviets used the visit to publicly support OPEC and Saudi initiatives by declaring their mutual interests as petroleum exporters in a stable oil market and by announcing that they would reduce oil exports by 7 percent in support of OPEC efforts. Before the visit was announced Moscow had unilaterally set an \$18-per-barrel price on Soviet oil exports—the price target pushed by the Saudis at OPEC meetings in 1986. [redacted]

Although Soviet media gave heavy attention to Nazir's visit and noted that "the positions of the two countries on the principal urgent problems are the same," private accounts of the meetings indicate that the Soviets did not make as much progress as they may have hoped. A Saudi Foreign Ministry official told a US Embassy officer in Riyadh that Nazir turned down a Soviet request to open a mission of Soviet Muslims in Mecca to support Soviet pilgrims on the annual pilgrimage known as the *Hajj* on the grounds that the Soviets do not send enough pilgrims to require a mission. (A counselor in the Saudi Foreign Ministry's Directorate General for Islamic Affairs stated in June 1986 that the Soviets fix the number of pilgrims at 15 to 18 annually.) The Saudis claim that Nazir's visit was exclusively on OPEC business and, as proof that it did not signify improved bilateral relations, point out that the week before the visit King Fahd refused visa requests for several Soviet academics to visit Saudi Arabia. The deputy director of the Soviet Foreign Ministry's Near East Department told a US Embassy officer after the visit that he saw little likelihood of establishing diplomatic relations in the near term. [redacted]

During the visit the Soviets made a special effort to convince the Saudis of their intention to withdraw from Afghanistan, demonstrating their sensitivity to the importance of this issue in Soviet-Saudi relations. Saudi Foreign Minister Sa'ud and King Fahd, however, have emphasized that Nazir was sent solely on OPEC business and was not empowered to discuss political matters. [redacted]

Assessing Soviet Efforts

From the Soviets' perspective, they have made moderate progress in their relationship with the Saudis since 1979. In spite of Saudi refusal to permit a Soviet presence in their country, Moscow has succeeded in establishing a limited dialogue with Riyadh in specific areas of mutual interest, using its embassies in third countries and infrequent Saudi visitors to Moscow as channels of communication. The Soviets, however, have been unable to convince the Saudis of the

advantages of reestablishing official relations. Indeed, the mutual willingness of the two sides to work through third parties and unofficial contacts may weaken the Soviet case for direct ties. []

It is difficult to determine how much progress the Soviets have made in efforts to revamp their image, to distance themselves from identification with radical or subversive groups, and to demonstrate friendliness toward Islamic and other religious groups. Certainly, Moscow has not yet overcome the unfavorable impact of its involvement in Afghanistan. On the other hand, it may continue to translate its support for Iraq into additional, although still limited, cooperation with the Saudis. []

Although the Soviets claim legitimate interests in the Gulf, they have not dispelled the impression that they have little to offer to countries in the region. Their recent promise to OPEC to cut Soviet oil exports to the West, if implemented, would have political importance as a sign of cooperation with OPEC, but the amount of oil involved is too small to have an economic impact on the oil market. Furthermore, there have been few opportunities for Moscow to promote economic and military cooperation with Riyadh. Soviet-Saudi trade is insignificant, and there are few areas for profitable expansion. Along with its aversion to a close relationship with Moscow, Riyadh's preference for high-technology Western military equipment has prevented the Soviets from exploiting Saudi security concerns, and Riyadh remains dependent on Western security assistance. []

In their attempt to present themselves as desirable diplomatic partners for the Saudis, the Soviets seem to come across too loudly and forcefully for Arab tastes. Their frequent public calls for closer relations appear as indiscreet pressure tactics, and their public statements concerning contacts with the Saudis and relations with other conservative Gulf states are often propagandistic, if not bombastic, in tone. Soviet claims of good relations with Kuwait and other Gulf states and references to their success in 1985 in establishing diplomatic relations with Oman and the United Arab Emirates have little effect on Saudi policy toward Moscow. Clearly, Moscow will have to offer more than rhetoric and proclaimed intentions to obtain an official presence in Riyadh. []

Outlook

Although there were hints in the late 1970s—in the wake of the Camp David accords—that Riyadh was considering reestablishing relations with Moscow, the chances for a dramatic breakthrough in the immediate future are small. Moscow remains an unpalatable diplomatic partner for a variety of reasons:

- The Saudis distrust Soviet intentions and believe the Soviets would use an expanded diplomatic presence in the area as a base for subversion against them and other Gulf states and as a means to increase their military presence in the region.
- They see the Soviet military presence in Ethiopia and South Yemen as a threat to their own security.
- Riyadh's ideological aversion to Communism remains strong, and it has expressed strong opposition to the Soviet policy of gaining footholds in Third World countries through military assistance programs.
- Saudi Arabia, as a leading Muslim nation, has still not accepted the Soviet occupation of Afghanistan and continues to insist that Moscow's presence there is an impediment to expanded ties.
- The Saudis are concerned over the lack of religious freedom in the USSR and what they see as Moscow's poor treatment of its large Muslim minority (estimated at over 45 million people or more than 15 percent of the total Soviet population).
- King Fahd appears unwilling to provoke conservative elements within Saudi Arabia by reestablishing ties to the USSR without having clear gains to show for it.
- The Saudis oppose recent Soviet moves to improve relations with Israel and have expressed concern that increased Jewish emigration from the Soviet Union will strengthen Israel.
- Riyadh is concerned that a rapprochement with Moscow would cause increased strains in US-Saudi relations. []

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The Saudis, nevertheless, appear less reluctant than in the past to explore expanded ties to the Soviets. They may hope that improved ties to and greater cooperation with Moscow on limited matters of Riyadh's choosing will promote good will and temper Soviet support for activities inimical to Saudi interests. Further improvement, however, is likely to be a slow and gradual process, with Riyadh moving at its own pace. Developments that might reduce the obstacles to improved relations and increase Saudi receptiveness to calls for normalization include progress on Soviet withdrawal from Afghanistan, greater religious freedom for Muslims in the USSR, moderation in Soviet policies and actions toward the Middle East, and a perception that the Soviets are gaining a position of greater influence there through improved relations with either Iran or Israel. [redacted]

Moscow probably will try to exploit Riyadh's desire to lessen its dependence on the United States, project a more nonaligned foreign policy, and make the United States more responsive to Saudi concerns. Although the Saudi security relationship with the United States remains strong, improved Saudi-Soviet ties would give Riyadh an alternative to the conspicuous US presence and limit radical Arab criticism of the Fahd regime for being too pro-Western. The Saudis are aware of

the US interest over recent—and highly visible—Soviet overtures toward them and probably believe these developments will make the United States more responsive to their concerns. [redacted]

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Even if relations were reestablished, however, the Saudis would remain cautious and fundamentally opposed to Soviet efforts to expand their influence on the Arabian Peninsula. The Soviet diplomatic presence in Riyadh would be small, economic ties and other contacts would probably remain limited, and the Saudis would be unlikely to turn to Moscow for major weapon systems even if the United States were unable to provide them. [redacted]

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**The Academy of Sciences
in Gorbachev's
Modernization Campaign**

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General Secretary Mikhail Gorbachev is calling on Soviet science to help modernize the nation's industrial base and meet the technological challenge of the West. Gorbachev has frequently declared that science is the key to sustained technical progress, and he is looking particularly to the Academy of Sciences—the USSR's preeminent authority in science—as the ultimate source of technological advance and to support his modernization campaign.

Science to the Rescue

In large part the Soviets are turning to the Academy to make up for serious science and technology (S&T) deficiencies in the branch ministries. On the one hand, the Academy is being called upon to do more basic research in support of fundamentally new technologies because the industrial ministries have failed to provide a hospitable environment for such research. On the other hand, the Academy is being asked to do more applied work, especially in new, interbranch technologies whose development has been resisted or retarded by the branch ministries. Confronted with a ministerial research and development (R&D) sector that is oriented toward propping up faltering, older smokestack industries rather than aiding the development of high-tech sectors, the leadership is looking to the Academy for assistance in pioneering newer, more innovative technologies critical for industrial modernization in both the defense and civil sectors.

Under Gorbachev the Soviet regime is coming almost full circle in its attitude toward the Academy of Sciences. Current efforts to significantly expand Academy involvement in applied R&D represent a reversal of the policy pursued by Khrushchev in the early 1960s that sought to restrict the Academy's role to basic research. At the same time, Gorbachev's call on the Academy to support his modernization program is strikingly similar to Stalin's drive to enlist the Academy in the industrialization campaign more than a half century ago. Both then and now, official concern about enhancing military power and the USSR's ability to compete with the West figures prominently among the considerations underlying modernization strategy.

The Academy Under Gorbachev

While this effort to reorient the Academy more toward practical applications and away from pure research began in the 1970s, Gorbachev has given it new impetus. On one level, this general thrust is more evident in recent changes in the Academy's structure and leadership:

- The creation of the Information Science, Computer Technology, and Automation Department in 1983—the first new department in the Academy since 1968—was part of a major effort by the political leadership to bring the Academy back into the computer technology field and to rebuild its lost capabilities. A key task of this department is to catch up with the West in a critical technology that is seen by Soviets to be impeding not only modernization of the economy but development of science as well. Academy Vice President Yevgeniy Velikhov, who heads this department, is Gorbachev's unofficial science adviser,

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- In March 1986 the Mechanics and Control Processes Department was reorganized and renamed the Machine Building Problems, Mechanics, and Control Processes Department. This department—since 1982 the Academy's largest and traditionally the one with the closest ties to the defense industry—is being called upon to provide support to the pivotal machine-building sector. Academy Vice President Konstantin Frolov is playing a key role here. Like Velikhov, Frolov is the academician secretary of this department and its driving force. He is also the director of the Blaganravov Machine Sciences Institute, whose interests have long focused on machinery, automated manufacturing technology, robotics, composite materials, and computer-assisted design and manufacturing systems.

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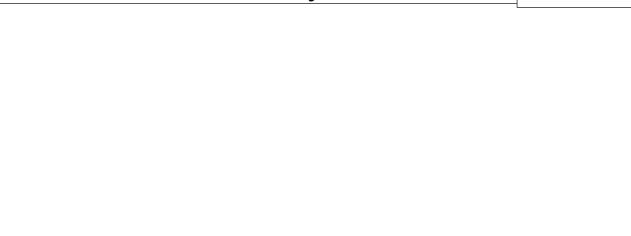
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- The Economics Department is also undergoing major changes. Abel Aganbegyan, a close adviser to Gorbachev, was recently installed as academician secretary and is moving vigorously to restructure the department and its work. A new Institute of Economics and Forecasting of S&T Progress has been created to assist the Academy in its long-term planning and technology assessment efforts. Several new institute directors—most of whom are in their forties or early fifties—have been appointed during the past year and compose the biggest injection of new blood into the management of economic sciences in many years. [redacted]

Most important, Guriy Marchuk, the chairman of the State Committee for Science and Technology, replaced the 83-year-old Anatoliy Aleksandrov in October as President of the Academy of Sciences. [redacted]

[redacted] Aleksandrov, who openly and strongly defended the priority of fundamental research, may have resisted Gorbachev's drive to build closer ties between the Academy and industry, a campaign led by Marchuk. [redacted]

Another major thrust of organizational efforts is to strengthen the Academy's traditionally weak technology base, both to enhance Academy capabilities to conduct applied R&D and to raise industry's interest and confidence in Academy research results. [redacted]



The leadership is also committing substantially increased resources to the Academy during the 1986-90 plan period. Capital investments aimed at strengthening the Academy's own experimental production base and instrument-making shop will grow by 150 percent, according to the Soviet press. The volume of Academy production of scientific instruments is slated to more than double by 1990, and to quadruple by 1995. To help accomplish this task, several design bureaus and plants with more than 200,000 square meters of floorspace will be added to the Academy during 1986-90. [redacted]

Links To the Economy

To break down the barriers separating the Academy from production, a number of organizational linkages are being established or strengthened:

- To enhance its ability to coordinate key directions of basic research outside the Academy, selected branch institutes are being made dually subordinate to both their parent ministry and the Academy. In 1981 the Academy's charter was amended to enable its departments to exercise tighter scientific supervision over such institutes. By early 1986, 29 branch institutes had been brought under the "scientific methods supervision" of the Academy. Vice President Frolov is actively promoting this form of Academy-industrial linkage in the machine-building area.
- Special laboratories are being set up at Academy institutes to focus on developing specific applications for industry. These so-called temporary S&T laboratories are created for a period not to exceed three years. Funded entirely by various ministries, the labs permit Academy scientific workers to use the equipment, instruments, and facilities of the contracting ministries, as well as to collaborate directly with industrial R&D and production personnel who, as one academician puts it, "know the problems and reality." Created in 1981 on an experimental basis at eight Academy institutes, there are now reportedly 40 such laboratories in operation within the Academy.
- Large S&T complexes are being established to speed development of critical industrial technologies and their introduction into the economy. These so-called interbranch complexes (MNTKs) include research, development, and manufacturing facilities from both the Academy of Sciences and industrial ministries, with nearly one-half led by Academy institutes. They focus on areas where breakthroughs would benefit the entire economy and report directly to the Council of Ministers. At the January plenum, Gorbachev emphasized that the party is pinning high hopes on the MNTKs to hasten S&T advance. [redacted]

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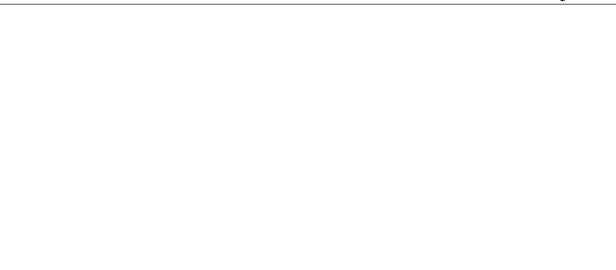
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The Soviets also are adopting measures aimed at creating a more favorable climate in the Academy for applied research and technology development. These measures involve greater rewards for innovation and sanctions to weed out unproductive research. However, a better incentives policy is the least developed part of Gorbachev's modernization program. While ongoing measures may lead to improved performance to some extent, they are also causing anxiety and confusion among Academy workers. [redacted]

The newly promoted leaders of the Academy—Marchuk, Frolov, and Mesyats—reflect the hard-driving and innovative management style called for by Gorbachev. All are energetic individuals with strong applied science backgrounds and avid supporters of accelerated modernization of science and industry.



Outlook for the Academy

We expect that the Academy will undergo significant changes in structure, management, and makeup over the next few years. President Marchuk has already laid out the broad outlines of a bold program for "restructuring" the Academy's work, and Gorbachev has publicly pledged to support him in this effort. Marchuk has charged that conservatism has so penetrated this 250-year-old institution that "now we are becoming slaves of the structures and traditions that have built up over the decades." [redacted]

Such a revitalization is essential if the Academy is to meet the party's high expectations and act as the spark plug in Gorbachev's modernization program. To effectively accomplish its tasks, the Academy must be substantially renewed, "fired up," and transformed from a geriatric society dominated by science of the past into an energetic and innovative force oriented to 21st-century S&T. [redacted]

Renovation of this unique Soviet institution, however, will be most difficult and protracted. The Academy elects its own members by secret vote, and there are no viable mechanisms for easily purging or rapidly renewing the Academy. In addition, Soviet science is heavily dominated by personality. While the regime may be anxious to curb the power of aging scientists and conservative research directors, the role of powerful scientific leaders has been an important one in S&T advancement. Restricting the power and position of individual scientists could well impede the initiative and creativity that Gorbachev is calling for. [redacted]

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The Academy is likely to get a new or amended charter this year that will facilitate the changes the regime would like to introduce. In general, a restructuring would probably focus on:

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- *Rejuvenation.* Currently with one-third of its members (full and corresponding) over 75 years old and less than 5 percent under 50, this task has become urgent. Any changes in membership policy and procedure will require amendments to the Academy's statutes. Specific measures that have recently been proposed to deal with the issue include the following:

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- Creating an additional membership slot automatically when an Academy member reaches age 75.
- Imposing a 65-year age limit on the election of new members, allowing a fixed number of members to be younger than 65.
- Restoring the 55-year age limit for election of corresponding members to the Academy that was removed from the statutes in the 1960s.

At its March 1987 general meeting, the Academy introduced mandatory retirement at age 65 for all scientific leadership positions. Academicians and corresponding members will resign their leadership positions between the ages of 65 and 70.

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- *Decentralization and "democratization."* Marchuk will probably continue to press for a decentralization of power within the Academy, with a devolution of decisionmaking from the presidium to the Academy's substantive and regional departments. The

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departments will evidently have more say in defining work and controlling resources, cadres, and international scientific contacts. A new post of "deputy academician secretary for organizational work" is being created in each department to direct the staff. We are also likely to see an extension of Gorbachev's *glasnost* campaign to the Academy, with greater emphasis on criticism and rank-and-file participation in Academy affairs. "Democratization" measures will also aim at improving creativity and innovation within institutes as well as overall morale among Academy workers.

- **Industrialization of the Academy.** We expect to see more applied scientists and engineers elected to the Academy, particularly in targeted areas of S&T where the Academy's capabilities have been more limited but also where it is assuming an increasingly pivotal role in speeding S&T advance. We expect the next elections of the Academy to reflect this changing composition and the commitment of the political and Academy leadership to the modernization program.

Any attempts at radical and rapid change will encounter formidable resistance and institutional inertia, and the regime will probably move cautiously to avoid alienating the very institution on which it is pinning such high hopes. More broadly, the Academy will face the difficult task of finding the right balance between its various responsibilities and roles, trying to meet the party's demands for more applied research and support for the modernization program while preserving its traditional and still primary mission of serving as the nation's foremost performer of fundamental research.

Prospects for Science and Technology

The deepening involvement of the Academy in Gorbachev's drive for industrial modernization should lead to a modernization of Soviet science. Indeed, many Academy scientists are likely to use and manipulate the campaign to benefit science as much as possible, while paying lipservice to contributing to industrial modernization goals. They regard the buildup and modernization of their own technology base to be as important as the rejuvenation of industry's technology base, if not more so.

The Academy's S&T capabilities will grow to the extent that it is able to expand its own experimental and instrumentation base. The absence or inadequacy of an experimental design and pilot production base has been one of the greatest weaknesses of Soviet science in general and of the Academy in particular. Improvement in this area will enable the Academy not only to develop new technology for industry but also to advance the cause of Soviet science, including basic science.

Outlook for the Economy

Success in applying and disseminating S&T advances of the Academy will depend upon policy decisions and reforms in the industrial R&D and production sectors, and to date such measures have not produced any significant change. It is not sufficient that Gorbachev turn science to production. He must also turn production to science and make industry more receptive to technological advance. For Gorbachev's modernization drive to succeed, he will have to take additional and bolder steps to create effective structures and incentives in the production sector to permit both the technology push and demand pull for new technology to work effectively. Moreover, the new technologies the Academy is spearheading are generally inter-branch in nature, and the obstacles to their diffusion into the economy are the most formidable. Progress here is likely to be particularly slow, and the rapid pace of Western advance means that the Soviets will need to exert tremendous effort just to keep from falling further behind.

On balance, we believe that the Academy's contribution to modernization of the economy will be relatively modest and, given the long leadtimes required for technological development and delivery, will not be felt until well into the 1990s. The Academy can hasten scientific development and assist industry in finding applications for new materials and processes, but it cannot dictate the implementation of S&T results. Nonetheless, to the extent the Academy can revitalize itself, strengthen its ties to industry, and advance S&T priorities critical for sustained industrial modernization, Academy accomplishments will have a positive impact on Soviet economic development in the next century.

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Implications for Defense

We believe that the defense sector is especially well positioned to capitalize on Academy advances. Since many of the USSR's targeted technologies are essential for the next generation of weapon systems, the defense sector will be keenly interested in following Academy developments. The military already has effective mechanisms in place to influence Academy research and implement results, and these mechanisms will continue to dominate if Gorbachev fails to build an effective management structure to push technology in the civilian ministries.

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The pace of progress in Gorbachev's modernization program and future military competition with the West will probably shape the course of Academy S&T development. Competition for Academy resources could grow as a result of either a more threatening international environment and a high-tech SDI-oriented arms race or because the civilian modernization program falls short of expectations, generating increased pressure for more resources or bolder steps in the civil arena. The Academy in particular is likely to be squeezed from both the military and civilian sides in advancing the new S&T areas underpinning Gorbachev's program.

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Delays in Developing the Astrakhan' Gasfield [redacted]

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Commercial gas production from the Astrakhan' field started at the beginning of 1987, but the drilling and completion of wells are years behind schedule. The drilling delays are scotching Moscow's plans to offset declines in production from the Orenburg and North Caucasus fields with a rapid buildup of new gas supplies from fields in the Pre-Caspian Depression. The potential for additional problems surfaced in March, when the Soviets had to shut down the gas-processing plant temporarily because of a toxic-gas leak. By mid-April only 21 wells had been completed, and four of those were leaking poisonous gas. [redacted]

Though exploitation of the Pre-Caspian petroleum resources calls for highly specialized technical skills and experience, as well as equipment appropriate for deep drilling for sour gas, the Soviets persist in relying heavily on domestic drilling equipment and technical skills. Nonetheless, they have been forced to import from the West casing, tubing, blowout preventers, wellhead equipment, and gas-processing plants embodying special steels and superior technology. But the assimilation problem persists: even when they obtain quality hardware from the West, the Soviets do the construction and assembly work and operate the equipment themselves, and the results generally do not measure up to Western standards. [redacted]

Background

Gas from the new fields is sour gas containing up to 48 percent noncombustibles—in particular, very high fractions of hydrogen sulfide (H₂S) and carbon dioxide (CO₂) that must be removed in costly processing facilities. The byproducts are valuable, however, and the Soviets plan to use the extracted sulfur in fertilizer manufacture and the CO₂ in enhanced oil recovery. In addition, substantial recovery of condensate (natural gas liquids) is anticipated. The technical problems associated with development at Astrakhan' are far greater than those encountered in the northern Tyumen' fields. Astrakhan' gas contains up to one-quarter H₂S and a somewhat smaller fraction of CO₂. The presence of these contaminants greatly complicates both drilling and gas processing (see inset). [redacted]

Rigorous Technical Requirements

Astrakhan' geology is complex, and operating conditions are extremely severe—reservoir pressures about 10,000 pounds per square inch (psi), wellhead pressures about 2,400 psi, reservoir temperatures 110° C (230° F), and corrosive admixtures of up to 24 percent H₂S and 14 to 24 percent CO₂. Drilling into highly pressured reservoirs in the presence of toxic gases without proper drilling fluids, monitoring instruments, and reliable blowout preventers is obviously something to be avoided. The failure of any link in the chain of equipment and technology can cause grave difficulties—if not disaster—and delay a major program. Nevertheless, with appropriate technology and due caution in operations, the risks are manageable. [redacted]

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We have clear evidence that the Soviets experienced at least one major blowout at Astrakhan' in mid-1984. A likely cause was the collapse of casing (imported from Japan) due to very high well pressures and temperatures and to prolonged exposure of the steel to the corrosive effects of H₂S and CO₂. [redacted]

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Plan and Performance at Astrakhan'

Phase I of the Astrakhan' development program, which began about 1981, called for the completion of 56 gas wells by 1985; it also specified the construction of a gas plant to process annually 3 billion cubic meters (m³) of gas, recovering 3 million tons of byproduct sulfur and 2 million tons of condensate. By mid-April 1985, [redacted] no gas wells had been completed, and by mid-December 1986 only 12 had been finished. Some four months later, [redacted] the total number of wells completed had increased to 20. To

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some extent, the shortfall from the number of completions programed must be ascribed to unrealistic planning: considering that only 14 exploration wells averaging 4,200 meters in depth were completed during 1976-82, planners should have allocated considerably more time for the 56 production wells scheduled in Phase I. [redacted]

Despite the substantial lag in drilling activity and well completions in Phase I at Astrakhan', work has begun on the Phase II gas-processing plant. [redacted]

Causes of Delay

A strong case can be made that inadequacies in Soviet technology and equipment used in deep drilling for sour gas have been the primary cause of slow development at Astrakhan'. The completion—in five years of development drilling—of less than 40 percent of the production wells planned for Phase I clearly indicates serious shortcomings:

- The most obvious technical problem is the poor penetration rates achieved with the turbodrill below 2,000-meter depths.
- Some of the difficulties may result from the Soviet practice of ordering equipment in large batches. When obtaining equipment for use under reservoir conditions similar to those at Astrakhan', US operators order equipment, casing, tubing, and wellhead equipment with custom specifications to ensure reliable performance under the geologic conditions at individual well sites. Because subsurface conditions may vary markedly from well to well, the use of equipment purchased by blanket orders for development of a field can result in inefficiency or even serious danger at individual wells and, in the end, may be uneconomical.

[redacted]

- Another Soviet weakness is in drilling-fluid technology. Western drilling operations, especially in areas known to have high-pressure or sour gas reservoirs, usually have gas- and mud-logging laboratories with specially trained personnel at the drilling site to monitor and analyze the drilling fluid returning to the surface. Increases in the gas content can indicate potential gas pockets, gas surges or "kicks," or—in the worst case—blowouts. Once the gas reservoir is penetrated, the flow of highly pressured gas is hard to control. The use of heavyweight drilling fluids and high-pressure blowout preventers is mandatory for shutting off the flow of oil and gas in emergencies. [redacted]

The technical requirements for construction and operation of sour gas-processing plants are equally rigorous. Pipe and valve connections leading from the wells to processing trains and storage facilities must form a hermetically sealed system. This requirement calls for precise alignment and assembly of components—skills in which Soviet construction and assembly workers are notoriously weak. Despite the critical need for accurate and reliable instrumentation and controls in processing sour gas, the Soviets decided this January to operate the first Astrakhan' gas plant before full instrumentation was installed, possibly because some instruments ordered from domestic manufacturers had not been delivered. [redacted]

The temporary shutdown of the Phase I gas-processing unit in March reportedly followed a toxic-gas leak at an underground storage facility holding unstable condensate and oil products removed from the raw gas. There was no emergency system in place to cope with unexpected gas leaks, and gas masks and detection devices were either unavailable or in a state of disrepair. As a result, four people were killed by the gas. The accident drew widespread attention, including a series of critical articles in the newspaper *Sotsialisticheskaya industriya* (Socialist Industry). Following a late March inspection of the facilities by

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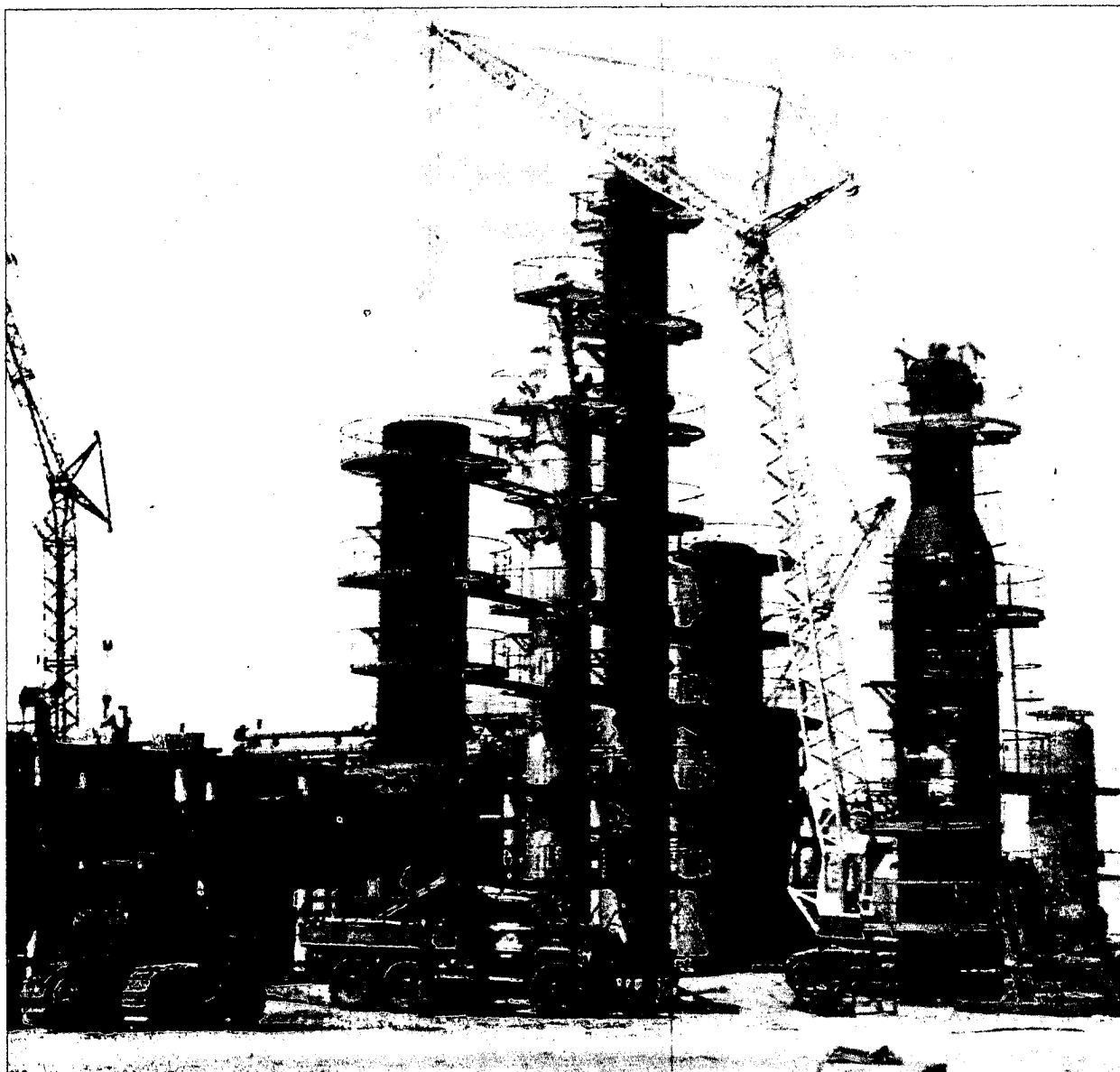
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Phase I gas-processing plant at Astrakhan' [redacted]

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high-level officials, operations at the gas-processing plant were suspended for preventive maintenance of equipment and supply lines and implementation of additional measures for personnel safety. [redacted]

Seeking Western Assistance

To carry out the planned development at Astrakhan', Moscow has concluded a series of equipment contracts with Western firms. In negotiating these contracts, the Soviets have sought advantages in both

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price and technology from the lively competition between Western firms (primarily French, West German, and Canadian). The contracting has at times proceeded in fits and starts, probably reflecting internal Soviet concerns rather than [redacted] because of a hard currency shortage:

- The Phase I gas plant contract (\$395 million) was awarded to the French engineering firm Technip in December 1982. Western credits were offered, but Moscow chose to pay cash. That decision may have been taken because of the USSR's favorable trade balance with France.
- A Phase I contract for field-development materials and equipment (\$200 million) was awarded to Mannesmann A. G. of West Germany in January 1983. West German and Canadian offers of concessionary financing for this part of the project were also rejected in favor of cash payment.
- In August 1983, Soviet foreign trade officials requested a delay in the signing of a contract for 180 well-completion kits for Astrakhan'. The problem was probably one of allocating import priorities under circumstances of bureaucratic indecision attendant on the rapid turnover in the Kremlin leadership. Soviet oil earnings in hard currency markets that year were at a record level.
- Once Gorbachev was in charge, new equipment orders were soon forthcoming. Technip was awarded a \$236 million contract in April 1985 for the Astrakhan' Phase II gas plant, with cash payment to be made in French francs.
- Protracted talks between the Soviets and the Canadian engineering firm Partec-Lavalin have resulted in a \$150 million contract for equipment to be used in Phase II field development, covering another 50 to 60 wells and related gathering systems and collection stations. Apparently the Soviets rejected offers for concessionary Canadian financing and chose once again to pay cash. [redacted]

Lessons Learned and Not Learned

The Soviets appear to believe that their field personnel will learn all of the techniques necessary for efficient deep drilling of highly pressured formations and for the quality construction and assembly work requisite to producing and processing sour gas. Western observers who have seen Soviet operations indicate, however, that the drilling crews still have much to learn. The Soviets are coming to recognize the necessity for tailoring equipment to individual well conditions in these circumstances. Their request for delay of at least two equipment orders during 1983-86 probably reflects in part a decision to revise specifications for some of the equipment that had been ordered. [redacted]

Yet, despite the needs highlighted by the lagging drilling and field development programs at Astrakhan', Moscow continues its preference for buying from non-US suppliers rather than US firms offering state-of-the-art equipment and technical support at competitive prices. It apparently believes that this policy will not only avoid dependence on the United States but also further Soviet political aims in the West. [redacted]

Shying away from US suppliers will be a continuing drag on development at Astrakhan'. While much US-developed petroleum technology and equipment is now available from a wide range of Western industrial nations (and, indeed, from some in the Third World), few of the non-US firms can offer the benefits of comprehensive hands-on technical experience of the type needed at Astrakhan'. For example, results of numerous Soviet talks with Austrian, Japanese, and French pipe-mill representatives suggest that none of the firms were adequately familiar with state-of-the-art sour-gas production technology. [redacted]

The accident that shut down the Astrakhan' gas-processing plant is symptomatic of the technological backwardness, careless work habits, and general laxity prevalent in Soviet civilian industry with respect to construction and assembly work and to the training and supervision of personnel. The shutdown itself and

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the corrective measures prescribed suggest that some improvement may be achieved. But—even after earlier experiences with sour-gas accidents—the Soviets still appear to be at a fairly low point on the learning curve.

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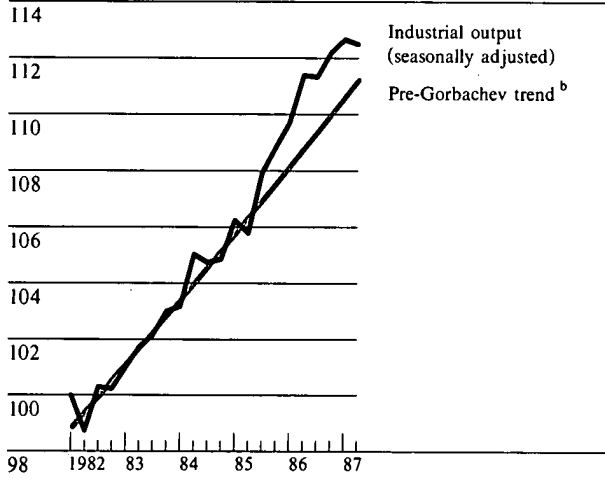
The Soviet press indicates that the third gas-processing unit at Astrakhan' is to be manufactured by domestic industry. In view of the extremely poor track record of Soviet civilian industry in supplying the oil and gas industries with the needed special steels and with equipment fabricated to high standards of precision and quality, we believe that this decision could set back completion and successful operation of Phase III of the Astrakhan' project by many years.

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USSR: Trends in Industrial Output

Index: 4th quarter 1981 = 100^a

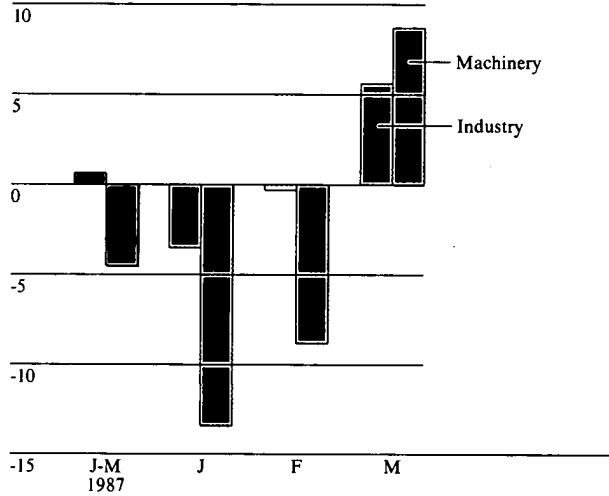


^a Calculated using value added in 1982 rubles.

^b Average annual growth from second quarter 1982 through first quarter 1985 (2.3%).

USSR: Growth in Industrial and Machinery Output

Percent



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Notes

Poor First-Quarter Economic Results

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Soviet economic growth fell off sharply in first quarter 1987 as a new quality control system, severe winter weather, and transport snarls disrupted production. Given the slow start, it is unlikely that the USSR will be able this year to maintain the improved pace of economic growth achieved in 1986.

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Despite a sharp rebound in March, industrial production is estimated to have been less than 1 percent higher than in the same period in 1986. Unprecedented swings in the level of civilian machinery production contributed to both the difficulties in the first two months and the improvement in March. For the quarter as a whole, estimated machinery output was down nearly 5 percent. On the brighter side, fuels and power production exceeded plan targets, with gas and electric power posting the largest gains.

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Performance in agriculture during the first quarter was mixed. The livestock sector did well—meat output, for instance, was up 8 percent. On the other hand, the Soviets were forced to resume buying foreign grain to replenish feed supplies drawn down because of the severe winter and delayed spring. Grain imports for the 1986/87 marketing year could reach 30 million tons.

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Major problems occurred in the transport sector. Severe winter cold and heavy snows followed by spring floods crippled the railroad network—the backbone of the transport system. Huge backlogs in the shipment of coal, timber, and metal ores created major headaches for industries using these inputs. the transport system almost collapsed in January. For the period as a whole, total freight shipments were below the level transported in the same period in 1986.

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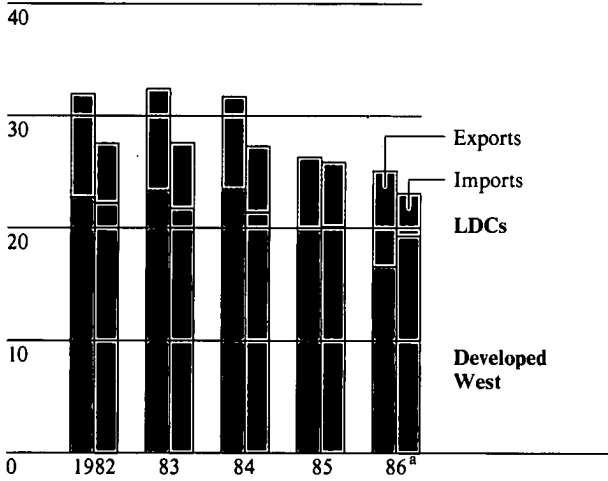
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An increase in the number of hours worked clearly accounted for much of the improvement in the performance in March. Scheduled work time was almost 5 percent higher this March than in March 1986. The impact of the new quality control regime (Gospriyemka) is less clear. According to the Soviet press, the rejection of products that did not meet quality standards accounted for much of the dropoff in machinery output in January and February. It is possible that the enterprises operating under Gospriyemka gradually learned to meet the new standards. Alternatively, quality standards may have eased, a development that would make the improved performance in March a false signal of progress for Gorbachev's modernization program.

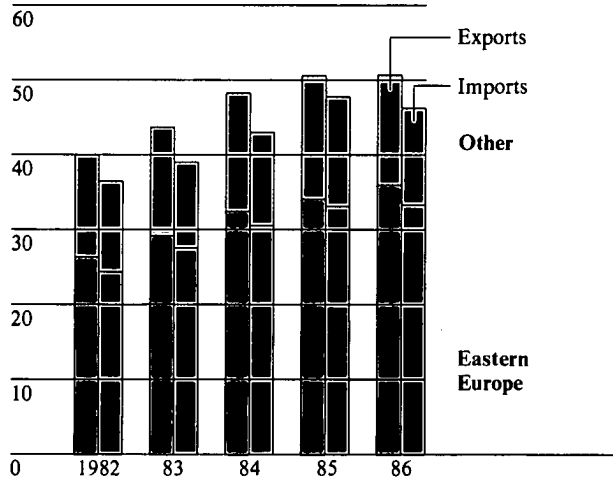
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Soviet Foreign Trade, 1982-86

Hard Currency Trade
Billion US \$



Clearing Account Trade
Billion rubles



^aPreliminary.

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Soviet Trade Surplus Up in 1986 []

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The USSR registered sharp increases in hard currency and clearing account trade surpluses last year by clamping down on imports from both socialist and nonsocialist countries and by increasing the value of arms exports to the Third World. []

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Total hard currency imports for the year dropped by 11 percent, largely because of reduced grain imports; Moscow maintained imports of capital goods by selling more gold and borrowing actively in Western financial markets. Most of an estimated 40-percent increase in the value of arms exports resulted from the depreciation of the dollar and increased deliveries to Iraq. The \$7 billion earnings from arms sales were largely on paper, however, because Moscow extended additional credits to the LDCs to finance the purchases and is unlikely to be repaid on schedule. []

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The Soviets' clearing account trade surplus increased by more than 50 percent, to 4.4 billion rubles, largely because of poor export performance by several East European countries. Deliveries from East Germany—the USSR's largest trade partner—dropped 6 percent, while those from Czechoslovakia and Hungary leveled off. The USSR increased exports to Eastern Europe by 6 percent. The slowdown in the growth of Eastern Europe's exports, which runs counter to Moscow's push for more balanced regional trade, may reflect a tougher Soviet attitude toward the quality of East European goods. [] the Soviets have increased quality control inspections of East European deliveries, particularly those from East Germany and Czechoslovakia, and will no longer accept goods that are not on a par with Western goods. Soviet exports to clearing account partners Yugoslavia, Finland, and India fell sharply, leading to a downturn in overall trade and a Soviet deficit of nearly 2 billion rubles with these countries as Moscow was unable to offset low prices for Soviet oil deliveries. []

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Ligachev's Number-Two Standing Begins To Slip []

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Yegor Ligachev's standing as number two in Gorbachev's Secretariat appears to be in doubt. In 1985 and 1986, he was the top overseer of personnel matters and ideology and was active in dealing with economic reform issues as well. Now, however, other leaders have moved into Ligachev's zone of authority. Lev Zaykov, the only other full Politburo member on the Secretariat, appears to have moved into the forefront of party personnel matters, and Aleksandr Yakovlev, a member of the Secretariat recently promoted to candidate Politburo member, has begun to expand his role as overseer of propaganda. A Soviet historian who seems

to have inside information asserted to Western media in February that Ligachev has in fact lost the ideology portfolio and has been assigned to oversee the Soviet agro-industrial program. Indeed, Ligachev's article in the March issue of *Kommunist* dealt exclusively with agricultural reform issues. He continues to speak on ideological and foreign policy themes, however, and still acts as the regime's top troubleshooter in economic areas other than agriculture. [redacted]

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The change in Ligachev's fortunes appears to be linked to the January plenum on cadre policy. A knowledgeable European Communist told US officials in Moscow that Ligachev initially drafted Gorbachev's report, that Gorbachev rejected it and had Yakovlev and others revise it, and that Gorbachev postponed the plenum three times while he pressed for a more radical agenda. That agenda included proposals for a fundamental policy shift toward "democratization" of the party cadre selection process and "pressure from below" on local party leaders. [redacted]

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On balance, [redacted] Gorbachev has embarked on a reform in the party that Ligachev is not suited to carry out. Now a new kind of battle may have begun, aimed against the prevailing "administrative-command" psychology among chiefs of oblast party committees (obkoms)—which is just the kind of tough party style that Ligachev apparently values. The new policy tends to make the positions of all obkom chiefs less secure—undermining even those whom Ligachev helped put into place. [redacted]

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Even in the area where he was most active on Gorbachev's behalf—unleashing Soviet writers and other intellectuals to attack the conservative resistance to Gorbachev's programs—Ligachev now seems to fear that he has started something that threatens to get out of hand. One well-connected Soviet told US officials that during the plenum Ligachev privately criticized the excesses that had begun to appear under the rubric of *glasnost*. He made a speech to cultural figures in Saratov in early March warning against the tendency of liberal intellectuals to discard too much of what he views as solid patriotic literary achievements of the past, and several conservative officials of the RSFSR Writers' Union have approvingly quoted him on this score. [redacted]

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UK Wins Soviet Chemical Contracts

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Prime Minister Thatcher's trip to the USSR has paid off for British firms in the signing of several contracts for chemical projects. The largest contract, valued at \$147 million, calls for the construction of a polypropylene plant, based on US technology, with a capacity of 100,000 tons per year. The plant, to be located at Budennovsk, is the remnant of a previous, more ambitious Soviet plan to create a vast petrochemical complex valued at about \$1 billion. No details are available on the financing of the plant, but product buy back may play a role.

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Another British firm signed a contract for \$31 million to revamp and expand an acrylic fibers plant at Saratov. The project, scheduled for startup in early 1988, calls for the installation of a 7,000-ton-per-year line, which will bring capacity to 37,000 tons annually. The British firm will supply technology and equipment and supervise construction and startup. Another contract worth \$17 million provides for the supply of high-speed machinery to texturize yarns for hosiery and tights at the nylon fiber plant in Klin, and a \$33 million deal provides for the supply of cloth-cutting machinery to the USSR. Both fiber contracts will be financed under buyers' credit backed by the Export Credits Guarantee Department.

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Thatcher and General Secretary Gorbachev agreed to increase UK-USSR trade substantially by 1990. Opportunities for doing business with the USSR seem to be opening up under Gorbachev, and British businessmen see the Soviet economy as a major business opportunity. They claim that the Soviet approach to trade and investment is more practical than at any time in their experience. The British, however, will face stiff competition for future contracts from West German and Japanese firms.

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