

22578
~~SECRET~~

CIA HISTORICAL REVIEW PROGRAM
RELEASE AS SANITIZED
1999

10 April 1978

MEMORANDUM FOR:

Assistant NIO for Special
Studies

SUBJECT

: Soviet Policies on Restraint
of Arms Sales to the Third
World

Attached is an updated version of the background paper on Soviet-LDC arms sales policies which we prepared originally for the Secretary of State in December 1977 for his talks with the Russians. If I can be of further assistance please feel free to call on me.

Office of Economic Research

Attachment
as stated

ER M 78-10232

33
SECRET CC ER

~~SECRET~~

Soviet-LDC Arms Transfer Policies

The Program

We are not aware of formal overall Soviet restrictions on arms sales to the Third World. Indeed, Moscow has been extremely receptive to Third World requests for military aid and has used arms as its most direct and fastest means of asserting a presence in the LDCs. With military supplies, Moscow has fueled LDC ambitions for power, while entangling them in a web of Soviet accommodation that often deepened and prolonged their dependence on the USSR. In the guise of supporting LDC national aspirations, the USSR has seized opportunities to fill the vacuum left by the withdrawal of colonial powers. It has capitalized on regional and local conflicts by infusing military personnel and advanced weaponry into states ripe for conflict. The Russians exploited Arab-Israeli tensions, Yemen's conflict with the United Kingdom over Aden, Afghanistan's border dispute with Pakistan, the Indian-Pakistani crisis, and Indonesia's territorial conflict with the Netherlands and Malaysia, and more recently, nationalist movements in Angola.

In the 23 years since Moscow's first consignment of military goods to Egypt in 1955 (through Czechoslovakia), the USSR has responded to aid opportunities in target areas throughout the world, with \$26 billion of military pledges to 49 countries. (Graphic 1) It has trained about 42,000 LDC personnel in military skills and has sent as many as 17,000 Soviet technical personnel to LDCs as military advisors in a single year. Last year about 10,000

ER M 78-10232

~~SECRET~~

Soviet military technicians were in Third World countries and 2,000 LDC personnel were still in training in the USSR. Aircraft and ground armaments have accounted for the largest share of equipment provided. The bulk of Moscow's military aid has gone to a narrow band of nations extending from the Mediterranean to China's southwestern borders. Four of Moscow's presently preferred clients in this area -- Iraq, Syria, India, and Libya -- have accounted for about 50 percent of the total.

The Soviet offensive has scored significant successes over the years in a number of Middle Eastern countries, and recently in Ethiopia and Angola; it has suffered setbacks in Indonesia, Egypt, and Somalia. LDCs were lured by (a) offers of modern equipment not usually available from other suppliers, (b) prices which were generally cheaper, often with discounts, (c) long term credits at low rates of interest, and (d) payment in local currency rather than hard currency. More recently Moscow has expanded its program into a multi-billion dollar annual sales effort which has carried with it a windfall of cash payments, now totalling over a billion dollars a year. Moscow has shown no sign of reducing the scale or breadth of its program; in fact the program is expanding rapidly.

Our estimates of Communist arms sales to LDCs include military hardware (aircraft, ships, tanks, and missiles) which has accounted for about 80 percent of the total since 1955; the remaining 20 percent is made up of major support equipment such as radar and smaller types of equipment, ammunition, spare parts, and quartermaster goods. Estimates do not include the technical

~~SECRET~~

services, training, or military construction for which we have only fragmentary information. Estimates currently being prepared suggest that the inclusion of these items would add no more than ten percent a year to our figures.

Soviet sales and deliveries cited in this paper are derived from [] - the [] prices we estimate the USSR charges LDCs. These values are appropriate for comparing Soviet military sales to LDCs from year to year, for looking at arms exports as a percent of total Soviet exports, for computing LDC and Soviet balance of payments, and for computing LDC debt servicing. However, Soviet sales values derived from trade prices are not a good measure of Soviet military sales for comparison with US sales because Soviet trade prices bear no relationship to US prices for similar equipment. Soviet sales prices are influenced greatly by political motivation and are not closely related to actual costs of production. For purposes of comparison with US arms exports to LDCs, we have calculated the cost of purchasing the Soviet equipment in the United States at about one-third higher than in the USSR.

Sales in 1977

Sales to clients and massive support to Ethiopia pushed Soviet arms sales in 1977 to \$4 billion, a near record; deliveries soared to \$3.3 billion. (Tables 1,2) Only in 1974, when Moscow was restocking Middle East inventories, were orders higher. Five Soviet clients -- Algeria, Ethiopia, India, Libya, and Syria -- accounted for almost 90 percent of sales in 1977, a large share of which was paid in hard currency or oil. (Graphic 2) In a

major breakthrough, the USSR sold [] to Kuwait, ending the Western arms supply monopoly in conservative Gulf States.

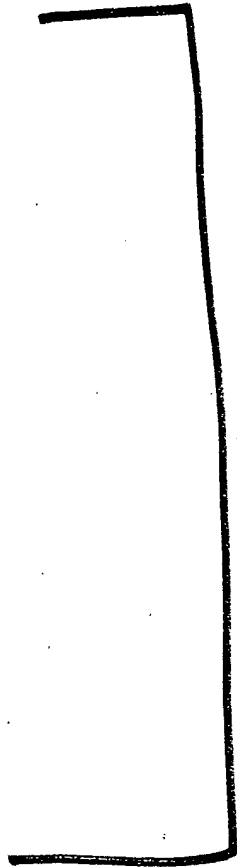
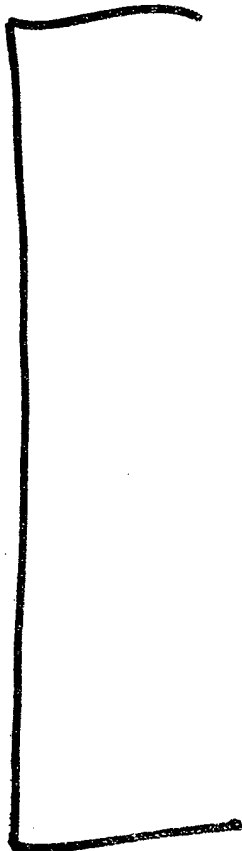
As before, Soviet support to major Middle East clients was largely motivated by political considerations, although important commercial dividends sweetened many of the deals. We know of few concessions given these states either in pricing arrangements or repayment terms. []

If commercial considerations weighed heavily in Soviet aid programs in the Middle East, political considerations dominated the decisions in other areas. Ethiopia was the prime example. While Moscow used military aid to establish a presence in Peru and Tanzania, military hardware and personnel support to insurgent movements in southern Africa reinforced the Soviet position in that area. A [] commitment to Ethiopia moved Addis Ababa into the big league as the third largest Soviet armed recipient in 1977 []

~~SECRET~~

In South Asia, India continued its long dependence on the Soviet Union with [REDACTED] its largest military supply accord with the USSR. India's total military purchases from the Soviets now stand at \$3 billion.

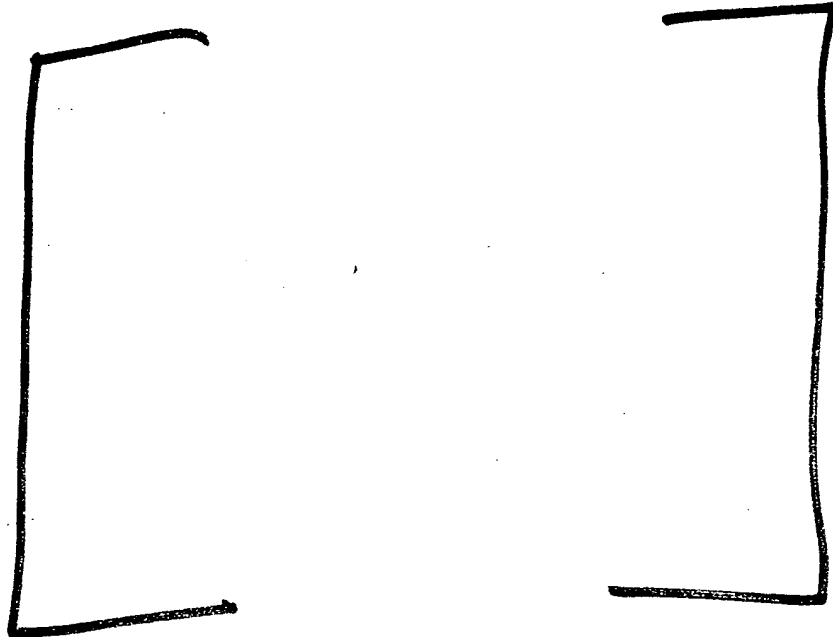
About 70 percent of the unprecedented \$3.3 billion of Soviet military equipment delivered to LDCs in 1977 went to India, Iraq, Libya, Peru, and Syria. (Table 3) Shipments to these countries ranged between [REDACTED] for Syria to [REDACTED] for Iraq. They were followed by Ethiopia's [REDACTED] of receipts and Algeria's [REDACTED]. First time Soviet-LDC equipment deliveries included: (Table 4)



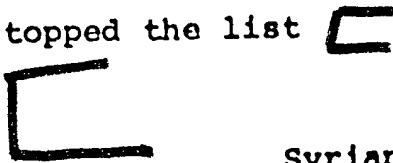
~~SECRET~~

Initiatives in 1978

The momentum of the past several years did not carry through into first quarter 1978 Soviet arms sales. (Table 5) Although negotiations with several large traditional clients were underway, actual agreements are known to have been signed with only a few African governments:



Virtually all major Soviet arms clients received military hardware deliveries in the first quarter. (Table 6) Ethiopia topped the list



Syrian and Iraqi acquisitions highlight Soviet arms supplies to the Middle East. Both countries received



Restraints on Sales to LDCs

Despite the Soviets' apparent eagerness to expand sales in general, there have been certain implicit restraints on the extent and character of the Soviet sales effort in the Third World.

~~SECRET~~

(1) Most important are political considerations which are applied on a case by case basis and override all other considerations. They were responsible for the recent play off between Ethiopia and Somalia, the cut-off in arms to Egypt, and Soviet support to the Angolan insurgency. The character of the decision making process itself reveals the extent to which political factors influence sales.

All agreements with new clients and major changes in the kind or amount of military supplies for established LDC clients require approval at the highest levels of the Bureaucracy. The Politburo signs off even on routine supplementary contracts, and the political price, if any, is set at this level. These decisions usually are based on recommendations of the Central Committee Staff, the Ministry of Defense, and the military-industrial planning organs. The military section of the State Committee on

~~SECRET~~

Foreign Economic Relations (GKES) is the implementing body for military supply decisions.

- (2) Security/technological considerations may, in some cases, act as a restraining influence on the kind of Soviet equipment supplied. Moscow holds back advanced hardware that might be susceptible to compromise by Western intelligence. For example, no IRBMs, ICBMs or SLBMs have been exported to LDCs. Nor has Moscow ever supplied nuclear weapons.

-
- (3) Priority for Soviet defense requirements and those of its East European allies may in some cases limit Moscow's ability or willingness to sell certain items of equipment. Even though the Russians sometimes draw from their own stockpiles to satisfy LDC demands, where Soviet production schedules lag their own needs, LDC deliveries are sometimes delayed. On the other hand, Moscow also has supplied modern weapons to its customers while they are still being introduced into their own forces. In

the 1967 and 1973 Arab-Israeli wars the USSR had problems in meeting client demands and had to draw on Soviet inventories to expedite the flow of arms. In general, the USSR can respond rapidly to LDC demands for mass produced items, such as tanks, but is less able to do so for some types of advanced aircraft and naval vessels.

- (4) In some cases the lack of LDC absorptive capacity has inhibited Soviet sales, though to a lesser degree than for Western sales. Moscow has shown some reluctance to provide equipment to clients that have not been able to integrate military hardware effectively into their inventories.

~~SECRET~~

Production for Export

The USSR does not produce a special line of military equipment for export, although certain plants may concentrate on arms for export. In some cases, export versions of Soviet equipment are manufactured which do not include all the packages provided on weapons for Soviet use. For example, aircraft may not be equipped with advanced avionics or bomb-delivery packages.

Equipment for export normally comes off the same production line as for Soviet and Warsaw Pact forces. In the case of the MIG-21, however, (and possibly others) Moscow has continued to produce equipment for export after it has discontinued stocking the equipment in its own inventories. Also some weapons systems retired from Soviet inventories (such as the T-54 tanks) are reconditioned for export. Nonetheless, more than 95 percent of Soviet equipment exported to the Third World in 1975 is still in Soviet forces inventories and more than one-half probably is still in current production.

Moscow usually requires arms clients to present their requirements for equipment and spares a year in advance so that they can be incorporated into Soviet production schedules. Some of these orders will be met from large Soviet stocks. Where the orders impinge on already taut production schedules, the Russians would probably have to draw out delivery schedules, possibly by an additional 12-18 months.

~~SECRET~~

Readiness to Export Advanced Hardware

Over the years the Soviets have demonstrated a willingness to provide sophisticated hardware on very attractive terms to LDCs. The USSR was the first to introduce jet fighters (1956), supersonic jet fighters (1959), surface-to-air missiles (1961), guided missile patrol boats (1970), and surface-to-surface missiles (1973) into Third World arms inventories. (See Table)

In 1970 the USSR began to export a new generation of weapons to the Third World, with Middle Eastern countries the first to receive the advanced equipment. Included in these exports were surface-to-air missile systems, self-propelled radar-controlled anti-aircraft guns, jet fighters and bombers, medium tanks, armored fighting vehicles, and surface-to-surface missile systems. Most of this equipment had first entered production in the USSR in the 1960s, some had not yet been provided Warsaw Pact countries, and others -- such as MIG-23 jet fighters and SU-17/20 fighter bombers -- were still being introduced into Soviet force inventories.

In general, however, the onset of exports to LDCs is conditioned largely by the timing of introduction of successor systems into the Soviet armed forces. A major exception was the mass-produced, multi-model MIG-21 for which exports began long before successor system production was started. In the past 15 years, Soviet tanks and medium bomber aircraft have been exported to the Third World about three years after successor system production was started. Recent model interceptor and ground attack aircraft were withheld from export for considerably longer periods, presumably because of high performance and cost, as well as limited output of these

aircraft. In general the Soviets have withheld medium bombers, tactical surface-to-surface missiles, and tanks from export to the Third World for considerably longer periods than interceptor and ground attack aircraft and anti-aircraft equipment.

Licensing and Co-Production Agreements with LDCs

Moscow has extensive agreements for licensed military production in East European countries, including Yugoslavia, but has signed such agreements only with one LDC -- India. It has not concluded any agreements with LDCs for co-producing military equipment or sharing the development of production technology with them. The licensing agreements signed with India do not provide for full manufacture of the equipment in India. Certain components are supplied by the USSR. The agreements provide: (a) initially, for assembly operation, (b) later, for the manufacture of some components in India; and (c) finally, for assembly of components produced domestically with parts imported from the USSR.

~~SECRET~~

Policy Toward Third Party Arms Transfers

Like the United States, LDC transfers of Soviet arms to third parties require Moscow's approval. Transfer restrictions generally are incorporated into the terms of the arms agreements. []

[]

We also have evidence that Moscow vetoes arms sales by its licensed manufacturers of arms (Eastern Europe and India) to clients it is boycotting. []

[]

~~SECRET~~

USSR: Military Agreements with LDCs, 1977

<u>Total</u>	<u>3,988</u>
<u>Africa</u>	<u>2,140</u>
<u>North Africa</u>	<u>1,300</u>
Algeria	[]
Libya	[]
<u>Sub-Saharan Africa</u>	<u>840</u>
Angola	[]
Benin	
Congo	
Equatorial Guinea	
Ethiopia	
Guinea	
Madagascar	
Mali	
Mozambique	
Nigeria	
Tanzania	
Zambia	
<u>Latin America</u>	<u>110</u>
Colombia	[]
Peru	[]
<u>Middle East</u>	<u>1,109</u>
Iraq	[]
Kuwait	
Syria	
<u>South Asia</u>	<u>629</u>
Bangladesh	[]
India	
Pakistan	

~~SECRET~~
~~SECRET~~

Table 2
USSR: Military Deliveries to LDCs, 1977

Total	<u>3,264</u>
<u>Africa</u>	<u>1,345</u>
<u>North Africa</u>	<u>754</u>
Algeria	
Libya	
Morocco	
<u>Sub-Saharan Africa</u>	<u>591</u>
Angola	
Benin	
Burundi	
Cape Verde	
Chad	
Congo	
Ethiopia	
Guinea	
Guinea Bissau	
Madagascar	
Mali	
Mozambique	
Nigeria	
Somalia	
Sudan	
Tanzania	
Uganda	
Zambia	
<u>Latin America</u>	<u>383</u>
Colombia	
Peru	
<u>Middle East</u>	<u>1,066</u>
Egypt	
Iran	
Iraq	
Kuwait	
North Yemen	
South Yemen	
Syria	
<u>South Asia</u>	<u>470</u>
Afghanistan	
Bangladesh	
India	

~~SECRET~~

Major Soviet Military Equipment
Delivered to L.V.'s, by Recipient
1977

Land Parant Alghanistan Algeria Angola Bangladesh Benin Burundi Chad Congo Ethiopia Guinea India Iran Iraq Libya

Medium tanks
Light tanks
Personnel carriers
Artillery pieces
Self-propelled assault
guns

Naval ships
Submarines
Submarine chasers and
escort vessels
Motor torpedo and
missile boats
Other, including
auxiliary vessels
and landing craft

Aircraft
Bombers
Jet fighters and jet
trainers
Other

Guidance missile systems
Air-to-air
Surface-to-air
Surface-to-surface

Including recoilless rifles, rocket launchers, and mortars of more than 100 mm.
Although equipment has been delivered, the number of units is not available.

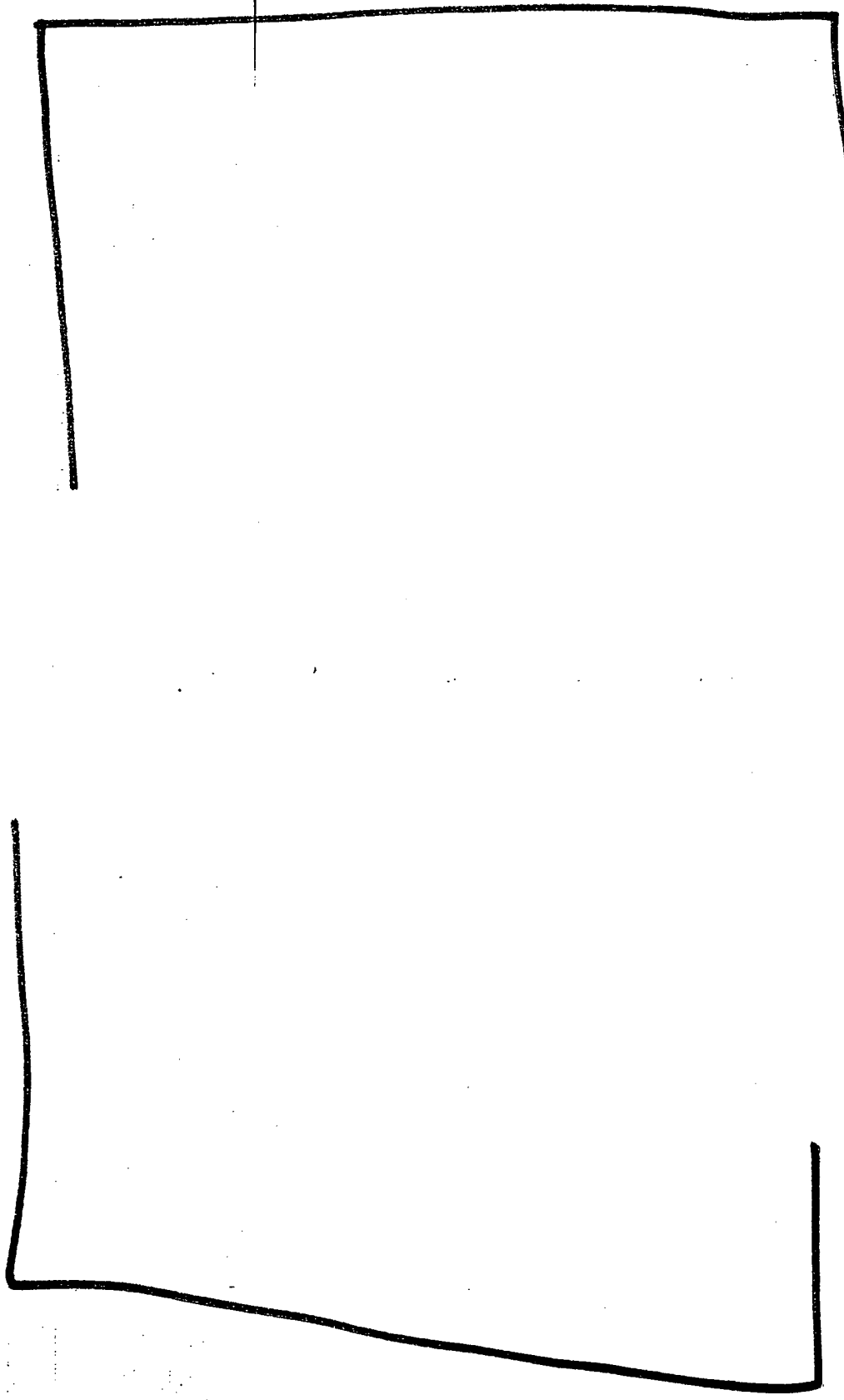
~~SECRET~~

ER M 78-10232
10 April 1978

7 7 7 7 7 7 7

Number of Units

Libya Algeria Mali Niger Nigeria North Yemen Peru Somalia South Yemen Syria Tanzania Zambia



16. A

~~SECRET~~

Table 4
First Soviet Hardware Exports to Less Developed Countries

<u>Equipment</u>	<u>Country</u>	<u>Date First Delivered</u>	<u>Remarks</u>
<u>New Exports In 1977-78</u>			
U-22 fighter/bombers		1977	
L-38 ASW aircraft		1977	
Ianuchka-class guided missile patrol boat		1977	
I-1974 122-mm self-propelled guns		1977	
MI-10 helicopters		1977	
MI-24 helicopters		1978	

~~SECRET~~

~~SECRET~~

Table 4

First Soviet Hardware Exports to Less Developed Countries
(Cont.)

<u>Equipment</u>	<u>Country</u>	<u>Date First Delivered</u>	<u>Remarks</u>
<u>Other First Exports of Selected Equipment</u>			
<u>Aircraft</u>			
<u>Fighters</u>			
MIG-15, 17	[7]	1955	..
MIG-19		1959	..
MIG-21		1963	..
MIG-23		1974	..
<u>Ground Attack</u>			
SU-7		1966	..
SU-17		1971	..
SU-20		1972	..
<u>Bombers</u>			
TU-16		1963	..
TU-22		1973	..
IL-28		1955	..

L J

~~SECRET~~

ER M 78-10232
10 April 1978

~~SECRET~~

First Soviet Hardware Exports to Less Developed Countries
(Cont.)

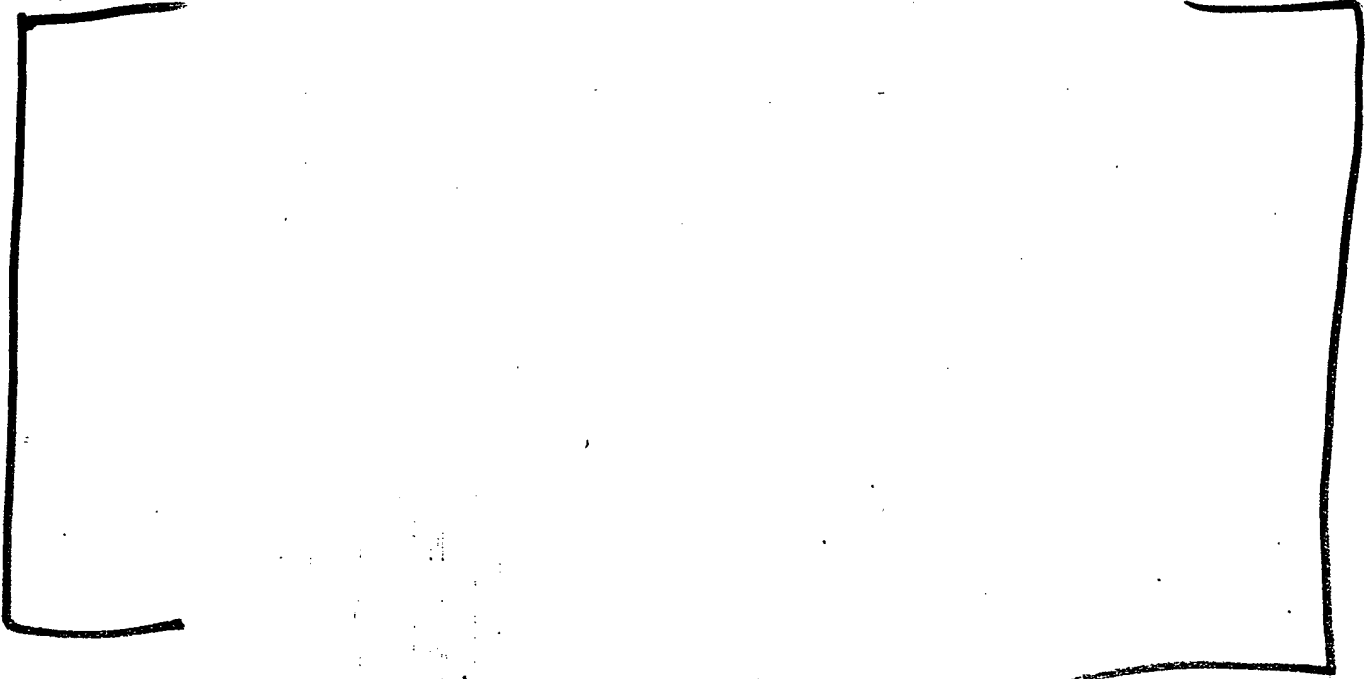
Equipment	Country	Date First Delivered	Remarks
<u>Missiles</u>			
Prog SSM	[]	1970	..
Scud SSM	[]	1973	..
SA-2 SAM	[]	1963	..
SA-3 SAM	[]	1970	..
SA-6 SAM	[]	1972	..
<u>Tank's</u>			
T-34 tank	[]	1955	Delivered to LDCs in all regions of the world.
T-54/55 tank	[]	1963	Delivered to LDCs in all regions of the world.
T-62 tank	[]	1972	Exported only to Middle East and ..
<u>Naval</u>			
OCA-IT-guided missile boat	[]	1974	..

~~SECRET~~

~~SECRET~~

Table 5
Soviet Military Agreements with LDCs, 1978 (1st qtr.)

Million US \$



EF M 78-10272
10 April 1978

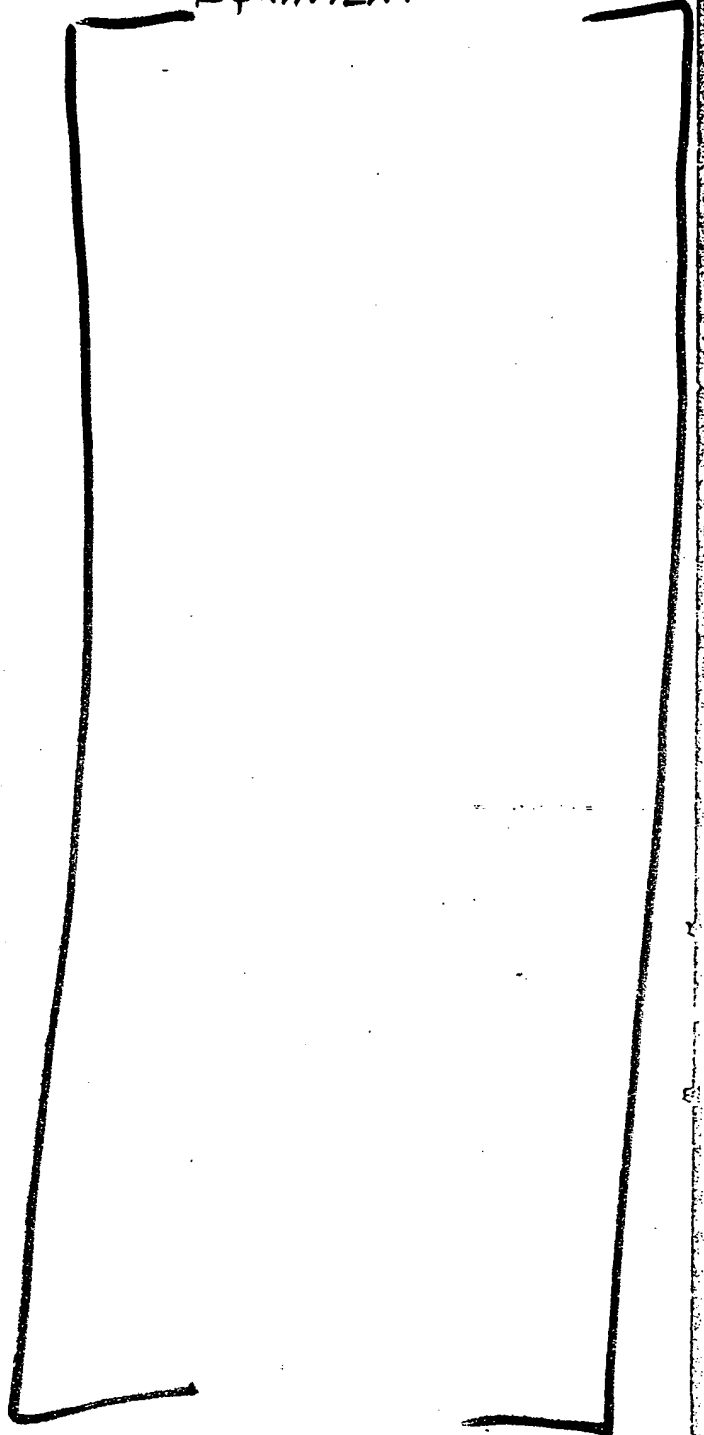
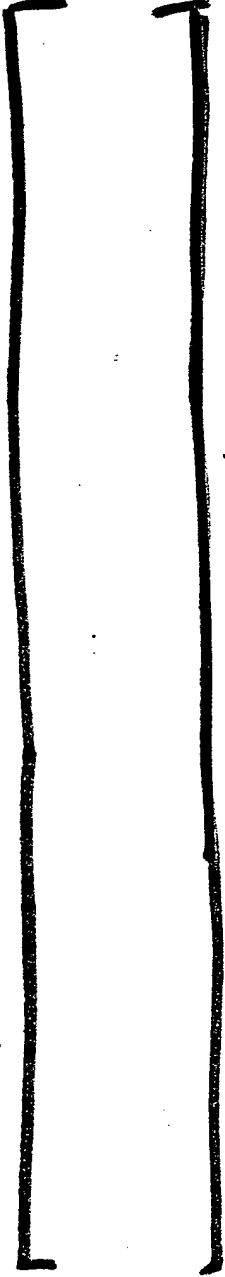
~~SECRET~~

Table 6

Soviet Military Deliveries to LDCs, 1978 (1st qtr.)

Recipient

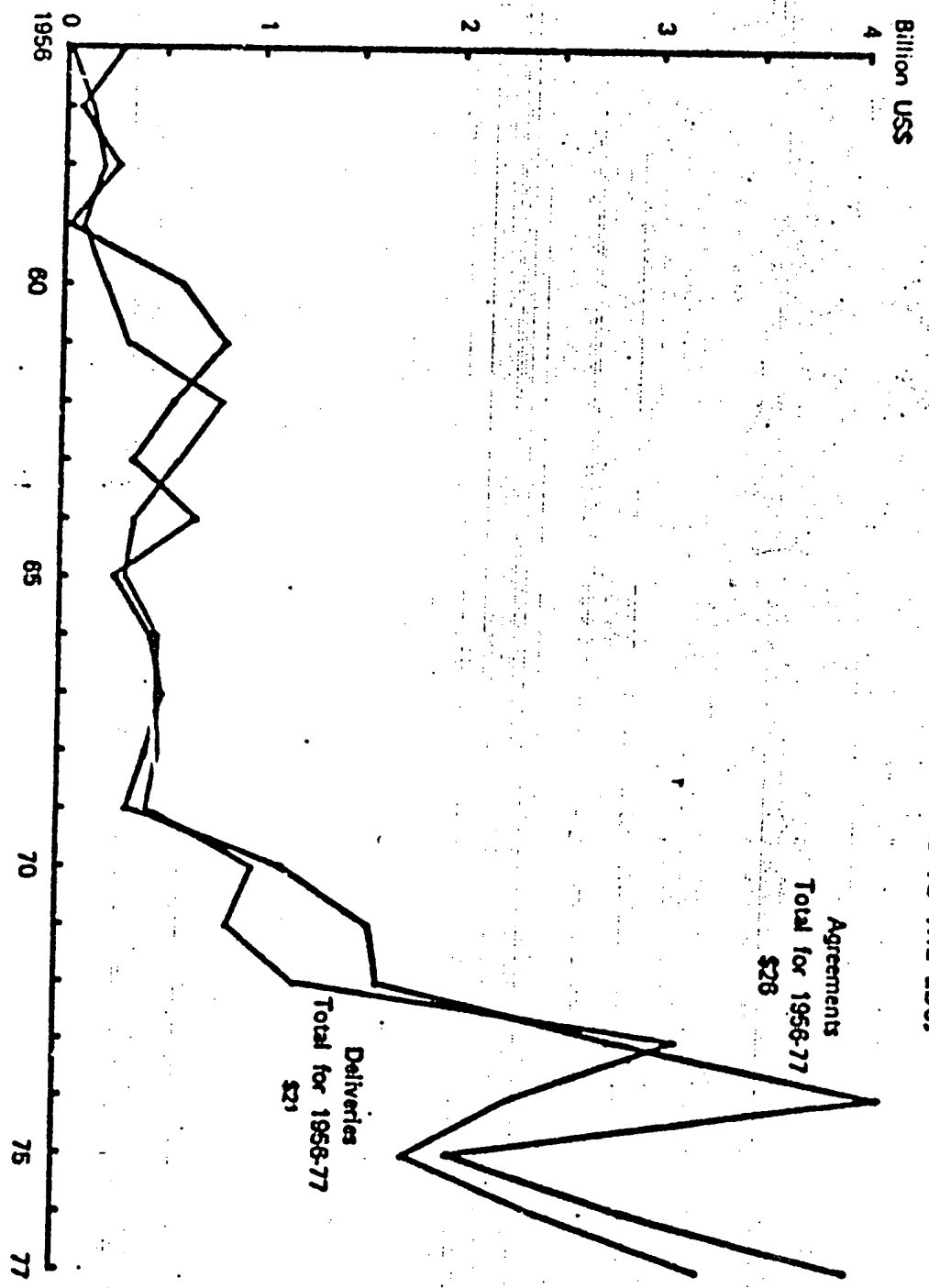
EQUIPMENT



YAR

ER M 78-10237

Graphic 1
USSR MILITARY AGREEMENTS AND DELIVERIES TO THE LDCs



~~SECRET~~

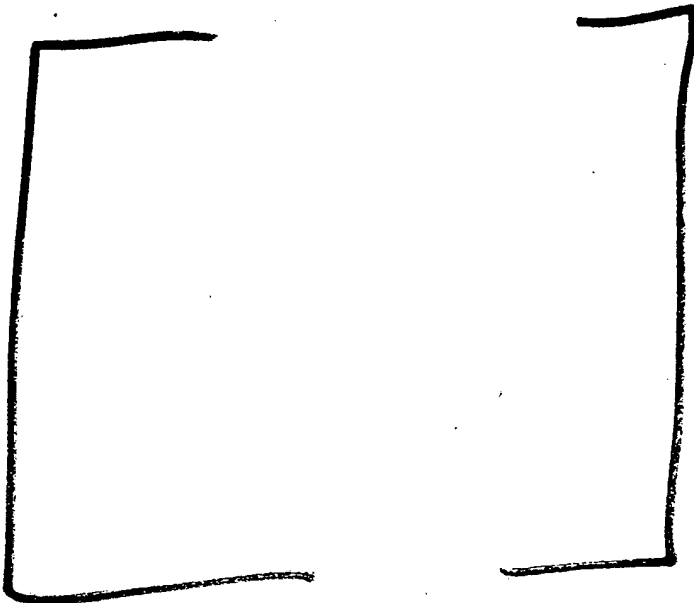
ER M 78-10232
10 APRIL 1978

~~SECRET~~

Graphic 2

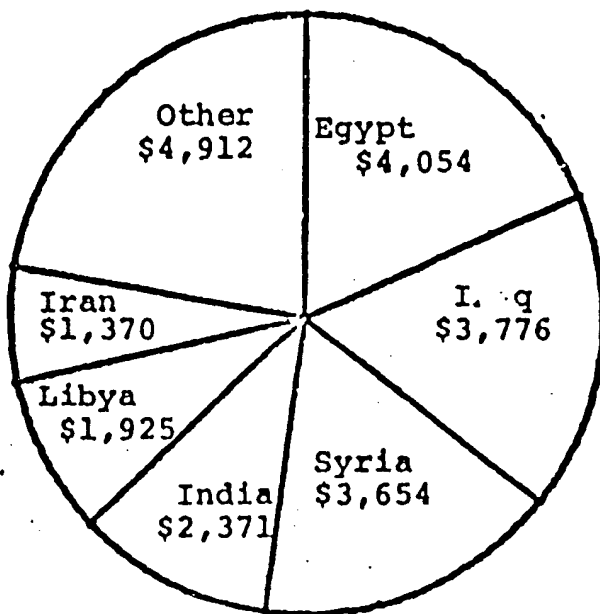
Soviet Military Agreements with
Less Developed Countries
(Million US \$)

1977



Five clients
accounted for
almost 90 percent
of agreements
concluded in 1977.

1955-76



EK M 78-10232
10 April 1978

~~SECRET~~