The Director of [...]tral Intelligence

Washington, D.C. 20505

25 March 1983

MEMORANDUM FOR: Secretary of State
Secretary of Defense
Secretary of the Treasury
Secretary of Commerce
Assistant to the President for National Security Affairs

I asked for the attached memorandum on how the decline in oil prices could create an opportunity for greater US leverage and influence around the world.

William J. Casey

Attachment:
"An Oil Price Drop and US Leverage"

AN OIL PRICE DROP AND US LEVERAGE

Overview

A sharp drop in oil prices would create an environment that, in general, would work to US favor. How this translates into specific lines of influence or leverage is difficult to measure. Many of these opportunities would arise because of the adverse impact of lower oil prices on the USSR.

- Soviet hard currency earnings would drop sharply—by as much as $7 billion with $20 oil—forcing Moscow to cut military and economic aid to client and would-be client states.

From a regional perspective, the primary opportunities created by lower oil prices are in sub-Saharan Africa.

- In West Africa, Moscow may be even less able to maintain its position in Guinea and would have trouble exploiting the situation in Ghana.
- In southern Africa, the Soviets would have to toughen terms on military assistance, and the Cubans cannot take up the slack.
  - Moscow is already doing this in Tanzania and Zambia. With Tanzania's economy in a tailspin, the United States may have an opportunity to sour the Tanzanians on the socialist model.
  - Angola would suffer a major loss in revenues from oil, which is already providing an opening for Western assistance.
  - There may be a similar opening in Mozambique.
- In the Horn, we see no prospect for oil-related changes affecting the status of Ethiopia or Somalia as long as the USSR continues to give some aid to the former.

In Latin America, we see only limited opportunities to enhance US influence.

- The United States is already helping finance the Mexican and Brazilian economies. We doubt that even another $5 billion would buy much more leverage than now exists.
- Venezuela may offer more opportunities because of its connections in Central America and the Caribbean. As Venezuelan funds dry up, the United States could use Caracas to funnel aid to El Salvador and others.
- In Suriname, the Cuban hold is far from firm. Castro reportedly does not want to commit much money because of his own economic problems and his concern that Bouterse's revolution may be reversed.

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7 MAR 1983

MEMORANDUM FOR: Director of Central Intelligence
Deputy Director of Central Intelligence

FROM : Robert M. Gates
Deputy Director for Intelligence

SUBJECT : Oil Price Declines and US Leverage

1. Action: None; for information only.

2. Background: The attached report was prepared in response to your question earlier this week on what an oil price decline might mean for US leverage/influence. As the paper indicates, it could open up a number of opportunities for us, especially because of the financial constraints an oil price decline will impose on the Soviet Union.

RG

Robert M. Gates

Attachment:
As Stated

How do you suggest we get this around — publish?

RG.

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