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170887	CABLE	STATE 269372 <b>R 4/8/2013 CREST NLR-748-23-7-2-3</b>	3	9/23/1982	B1
170883	CABLE	COPY OF DOC #170882 (231415Z SEP 82). WITH NOTE ADDED <b>R 4/8/2013 CREST NLR-748-23-7-3-2</b>	1	9/23/1982	B1
170884	REPORT	SIGNIFICANT EVENT REPORT (INCL. ATTACHED MAP)	2	9/23/1982	B1
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170875	MEMO	P. DOBRIANSKY TO W. CLARK RE WALL STREET JOURNAL ARTICLE <b>R 4/8/2013 CREST NLR-748-23-7-6-8</b>	1	9/27/1982	B1
170876	MEMO	R. PIPES TO W. CLARK RE TALKING POINTS FOR MEETING WITH AMB. HARTMAN <b>R 4/8/2013 CREST NLR-748-23-7-7-8</b>	1	9/28/1982	B1
170877	MEMO	PIPES TO CLARK RE AMB. HARTMAN'S REQUEST (W/NOTATIONS)	1	9/20/1982	B1
170878	MEMO	ORIGINAL OF DOC #170877 (PIPES TO CLARK RE AMB. HARTMAN'S REQUEST, W/NOTATIONS)	1	9/20/1982	B1
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Central  
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170873

# The Soviet Gas Pipeline in Perspective

Special National Intelligence Estimate

MORI 1283119

DECLASSIFIED IN PART

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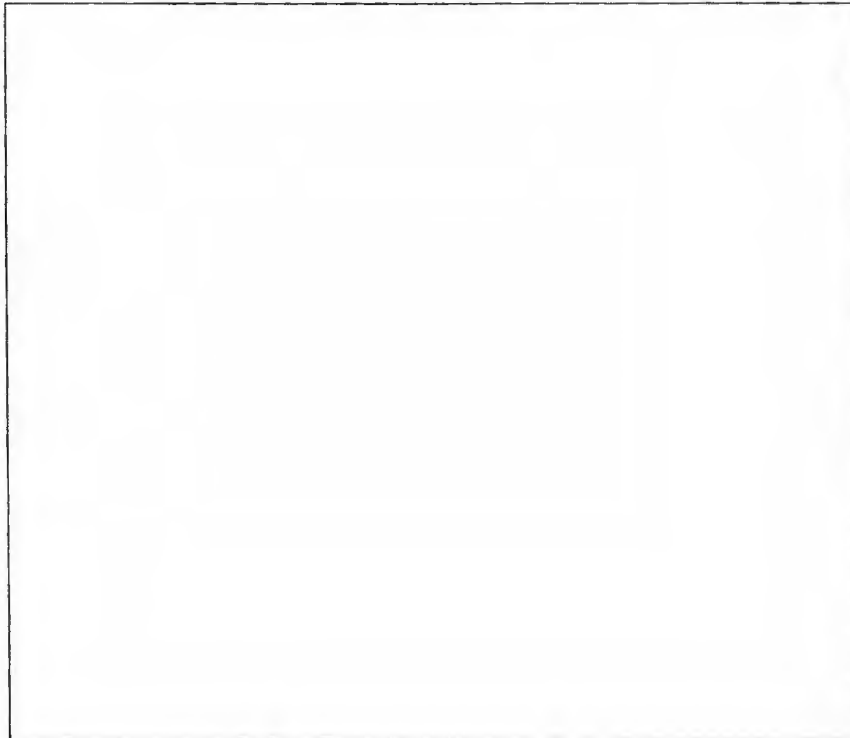
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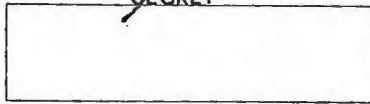
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THE SOVIET GAS PIPELINE  
IN PERSPECTIVE

Information available as of 16 September 1982 was  
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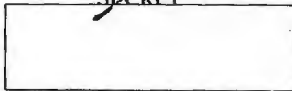
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### SCOPE NOTE

This Special National Intelligence Estimate reviews the degree to which Western trade, technology, and energy relationships have assisted—and can in the future assist—the USSR to increase its military strength and impose unwanted burdens on the Western nations. The Estimate also assesses the potential impact on the USSR of the following courses of action:

- A strengthening of COCOM to assure that militarily sensitive technology is withheld from the Soviets.
- Avoidance of gas imports by the Europeans beyond the imports already agreed to as part of the Soviet export pipeline project.
- An embargo on some energy equipment and technology.
- An end to subsidized credits.

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## KEY JUDGMENTS

1. The USSR has used imports from the West to enhance its military capabilities:

- By obtaining goods and technology, legally and illegally, that contribute directly to the production and technical sophistication of weapon systems.
- By expanding the base of industries of particular importance to military production.
- And, more generally, by easing economic problems, thereby reducing the burden of defense.

2. The rapid increase in Soviet imports from the West in the 1970s was made possible by large windfall gains in export earnings due to the surge in oil prices and the willingness of Western countries to provide large credits, most of which were government guaranteed. The USSR is encountering growing economic difficulties, which will make it more difficult for Moscow to increase its imports from the West in the future. The outlook for most Soviet exports, including oil, is not favorable, and Western banks are unwilling to extend new long-term credits without government guarantees.

3. Only the increase in gas exports through the Siberia-to-Western Europe pipeline will prevent a marked decline in Soviet hard currency imports in the 1980s. The USSR almost certainly will be able to meet scheduled deliveries of gas through the pipeline without diverting Soviet equipment from domestic uses. Enough equipment has already been delivered, or soon will be, to enable the USSR to meet likely West European demand for gas until the late 1980s. By then, Moscow will probably be able to produce enough modern turbines and compressors to bring the line to full capacity, or will have found new sources of equipment for any it may have lost as a result of US actions. Meeting gas delivery commitments and becoming self-sufficient in turbines and compressors will impose costs on the Soviets in inefficiencies and shifts in resources and effort.

4. While gas exports are the most promising future source of hard currency, oil exports still account for some 50 percent of Soviet export earnings, and it is important for Moscow to minimize their future

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decline. The USSR depends on the West for specialized oil exploration, drilling, pumping, and processing equipment. As its deposits of high-quality, accessible oil are depleted, the Soviets are turning to more remote oil and gas fields and more costly exploitation techniques. But they lag badly behind the West in the necessary technology. Without any access to Western equipment, the adverse impact on Soviet oil production could be as high as 10 percent of output by 1990.

5. Moscow's best hope of improving its strained hard currency position in the longer run is to secure the cooperation of Western Europe in building large new pipelines for the delivery of additional natural gas in the late 1980s or in the 1990s. With enormous gas reserves and a powerful incentive to earn more hard currency, Moscow is prepared to sell as much gas as the West Europeans will accept. There is potential uncovered gas demand in Western Europe to fill not only the Siberia-to-Western Europe pipeline now being built, but also a second and third strand during the 1990s. Development of these large gas projects currently requires Western pipe, equipment, and credit and markets as part of a package deal, although Soviet need for these Western products will diminish as Moscow develops its domestic gas equipment industry. Alternative sources of gas exist, notably in the Norwegian sector of the North Sea and in North Africa, although they are in general relatively costly and some are considered insecure.

6. It will be difficult to enlist Allied cooperation in restricting trade with the USSR. Beyond economic incentives, there are political considerations that fuel the West Europeans' reluctance to accept restrictions on trade and credits to the USSR. These include:

- Their desire to restore the detente climate in Europe and to avoid exacerbating East-West strains.
- Their desire to maintain access to Eastern Europe.
- Their belief that economic and other ties with the USSR will influence Soviet behavior.

These political considerations, combined with the economic incentive, continue to limit West European cooperation with the United States in restricting East-West trade.

7. The crux of the problem lies in developing with the West European countries a common understanding of the strategic implications of East-West trade. Such an understanding has been notably absent, but the chances of achieving it may be better now that the West Europeans are becoming more aware of the issues and the depth of US

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concern. Allied leaders have asserted that they will not conduct economic warfare against the Soviet Union. But adequate analysis and discussion can lead to a common conclusion:

- That deficiencies in security policies among the Western Allies have resulted in Soviet acquisition of militarily important technology, financial subsidies, and, potentially, an important role in Western Europe's energy supply.
- That taking steps to withhold these benefits is merely prudent security policy which Allies owe to each other, and can be seen as self-protection rather than economic warfare.

8. Accordingly, Western countries might be willing to cooperate in:

- Developing and implementing broader and tighter COCOM restrictions.
- Agreeing to stricter limits on the terms and volume of government-supported credits.
- Developing other energy sources as an alternative to additional Soviet pipelines.

9. Making Western military-related technology, subsidized credit, and locked-in gas markets available helps the Soviet military buildup. Western governments would then be under increased pressure to raise defense costs, a move that requires heavy taxes, sometimes leads to deficit spending, and contributes to inflation and high interest rates. The United States is now committing some 6 percent of its economic effort and the European Allies some 4 percent of theirs to defend against a Soviet military threat that consumes 14 percent or more of their GNP. At the same time Western leaders are asking their citizens to carry a heavy defense burden they are pursuing policies that help the Soviets maintain a threat that adds to this burden.

10. This Estimate includes analysis of the potential impact of Western actions, including actions by Western Europe and Japan, on Soviet economic and military programs:

- The reduced availability of hard currency and energy would make more difficult the decisions Moscow must make among key priorities in the 1980s—sustaining growth in military programs, feeding the population, modernizing the civilian economy, supporting its East European clients, and expanding (or maintaining) its overseas involvements.

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- While the cumulative impact of Western actions would clearly increase pressures on Soviet decisionmakers, we cannot judge how they would choose to spread such losses throughout the economy.
- Because economic growth will be slow through the 1980s, annual additions to national output will be too small to simultaneously meet the incremental demands that planners are placing on the domestic economy. Even now, stagnation in the production of key industrial materials is retarding growth in machinery output—the source of military hardware, investment goods, and consumer durables.
- Shortfalls in Soviet hard currency earnings due to Western actions probably would force further cuts in imports of machinery and equipment. Moscow fears that reductions in food imports would cause popular unrest and wants to avoid the bottlenecks that would be caused by cutting imports of industrial materials, such as steel.
- In the longer term, cuts in machinery imports would retard progress in modernizing a number of industrial sectors—steel, machine building, oil refining, robotics, microelectronics, transportation, and construction equipment—at a time when Moscow is counting on a strategy of limited investment growth and relying instead on productivity growth.
- Placing controls on energy-related equipment and technology would aggravate civilian industrial bottlenecks and, therefore, might cause civilian encroachment on defense production, such as a reallocation of some military-oriented metallurgical and machine-building facilities to produce the embargoed oil and gas equipment.
- The combination of enhanced COCOM controls and foreign exchange shortfalls would raise the cost of Soviet military modernization while at the same time weakening the industrial base for military production.

11. The relative impact of Western economic measures on the USSR can be estimated only as general orders of magnitude, as follows:

- Eschewing future gas projects—up to \$10 billion a year in the 1990s.
- Denying all oil equipment and technology—about \$10 billion a year for several years but then declining.

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— Eliminating interest subsidies—less than \$500 million a year.

In the long run, tighter COCOM restrictions on militarily sensitive technology (including technology and equipment that indirectly contributes to significant improvements in weapon systems) would perhaps be the most valuable action for the West. Such action would retard major improvements in Soviet weaponry, which the West would be forced to counter. While the dollar value of such action is difficult to estimate, the savings in terms of Western spending for defense annually would probably come to billions of dollars.

12. Moscow has the means to react to Western pressure by giving defense needs an even greater priority than at present and by pursuing a more truculent foreign policy. The Soviets meet their fundamental military requirements from their own large industrial base. Military programs, moreover, have great momentum and political support; they would not easily be scaled back, although the rate of modernization could be slowed. Even so, Moscow could not escape the reality that its basic choices between military and economic programs would become more difficult, at a time when a change in leadership might also make those choices less predictable.

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## DISCUSSION

I. THE SOVIET ECONOMY:  
THE TIME OF TROUBLES

1. The USSR is encountering increasingly severe and fundamental economic difficulties. Its rate of economic growth has slowed to less than 2 percent and the chances of any substantial improvement are slim. The causes of this slowdown are basically homegrown. Some of these—a drastic reduction in the growth of population of working age and the increasing difficulty of extracting and transporting energy and other resources—were inevitable. Other causes of the slowdown, however, appear to have their roots in the Soviet bureaucratic, command-type system, which seems to encounter great difficulty in coping with the increasingly sophisticated problems of a modern economy, and in the negative reaction of Soviet workers to what they consider a weakening of their standard of living and inadequate rewards for hard work and initiative within the system.

2. Although major systemic reforms could improve Soviet economic performance, at least in the long term, none are in the offing because Soviet leaders and party functionaries are unwilling to take any chances with an erosion of their political power and bureaucratic control. Events in Poland have reinforced this fear. Reform attempts have basically taken the form of bureaucratic reorganizations that put new clothes on old problems. Any substantial political change after Brezhnev is more likely to be in the direction of tightening controls and labor discipline than toward liberalization.

3. The slowdown in Soviet economic growth has been characterized by a dramatic decline in the productivity of investment and a much slower growth of labor productivity. Moreover, with some important sectors and industries, notably steel and grain, actually experiencing an absolute decline in output, major shortages have developed. Given an unwillingness to undertake major economic reforms, the Soviet leadership has used imports from the West to ease its problems and will continue to do so.

## II. THE ROLE OF EAST-WEST TRADE

## A. East-West Economic Interaction

4. Throughout its history the USSR has exploited economic interaction with the West both legally and illegally to expand its economic base, raise the technological level of its industry, relieve industrial bottlenecks, increase domestic food supplies, improve its military capability, and lessen the burden of defense. This exploitation reached its zenith in the 1970s as Soviet postwar productivity gains slowed and Moscow increasingly turned to the West for equipment and technology to spur its industry, and for grain to offset shortfalls in its inefficient farm sector. For its part, the West encouraged expansion of East-West trade by loosening export controls and expanding the availability of credit, often at subsidized interest rates. Moreover, the Soviets supplemented legal trade acquisitions of Western goods with a well-organized and centrally directed clandestine acquisitions program. The Soviet intelligence services and their East European surrogates played a major role in acquiring US and other Western military technology, embargoed equipment, and manufacturing technology for Soviet military and defense industrial needs.<sup>1</sup>

## B. Profile of Soviet Trade

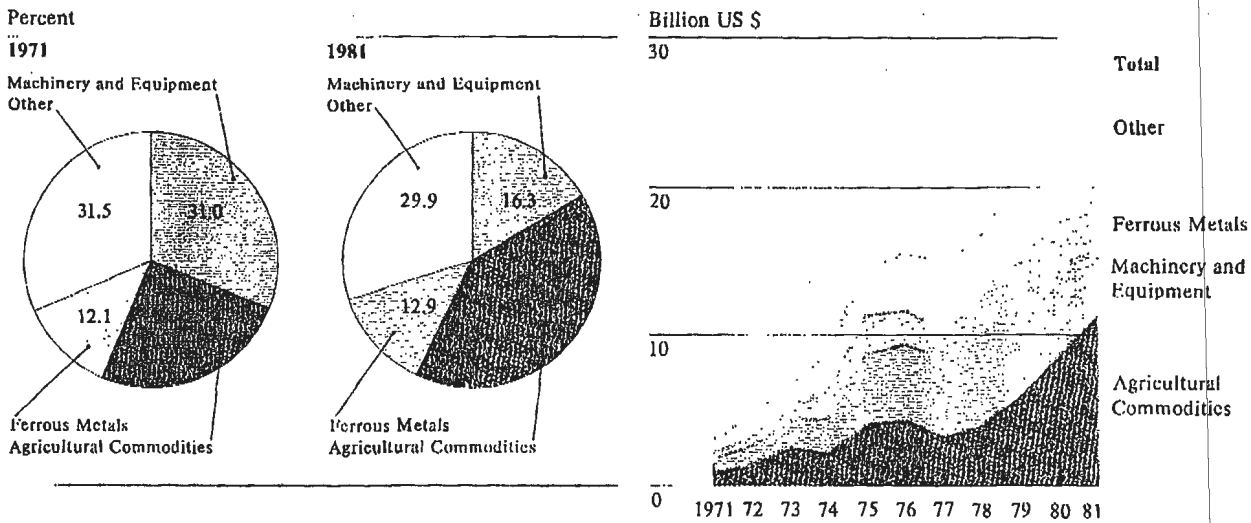
5. During the 1970s the value of Soviet hard currency imports from the West increased more than ninefold in current prices (see figure 1) and more than tripled in constant prices. Although still small in relation to gross national product (less than 4 to 5 percent of GNP), Soviet hard currency imports—especially machinery, ferrous metals, and foodstuffs—have played a critical role in many high-priority industrial, agricultural, and military programs, including those for raising energy production and meat

<sup>1</sup> For a description of this activity and its contribution to Soviet acquisition of Western technology, see NI IIM 82-10006, *The Technology Acquisition Efforts of the Soviet Intelligence Services*, June 1982 [redacted]

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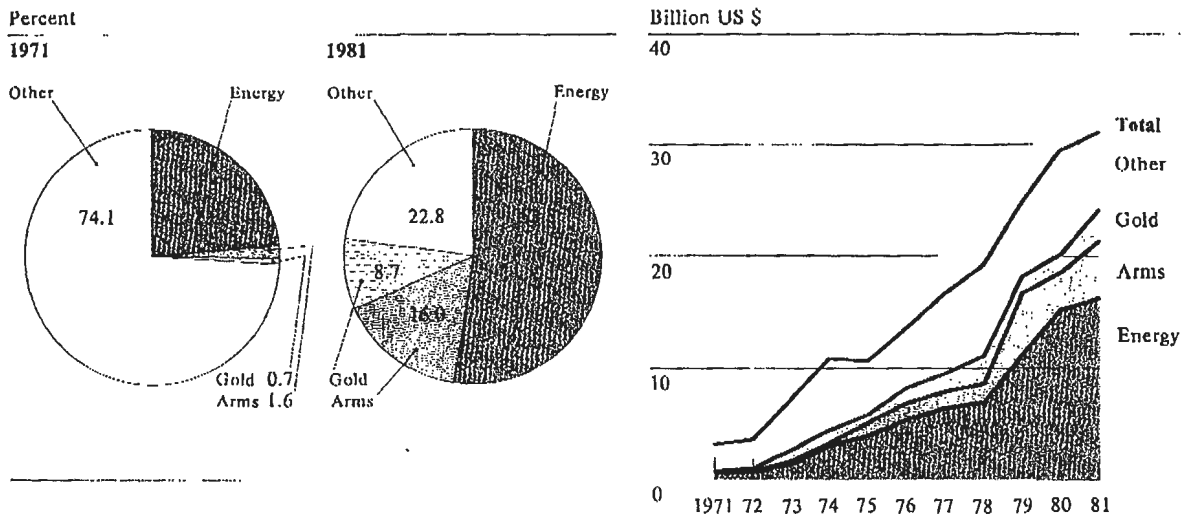
**Figure 1**  
**USSR: Hard Currency Imports, by Type**



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**Figure 2**  
**USSR: Hard Currency Earnings, by Source**



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consumption and improving missile performance. Moscow's ability to sustain growing imports of Western capital goods and foodstuffs was boosted sharply by the runup in prices for oil and gold—two key sources of foreign exchange (see figure 2)—and a burgeoning market in the Third World for Soviet arms, the USSR's highest quality manufactured goods. Spurred by overtures from Western businessmen hoping to sell equipment and technology from underutilized capital goods industries, Moscow successfully negotiated a series of buyback deals with the West, involving purchases of Western plant and equipment financed at favorable rates and long-term maturities. As payment for the equipment, Moscow was to sell raw materials and semimanufactures at prices that generally reflected rising rates of inflation.

### C. Soviet Gains From Trade

6. Imports from the West have contributed in a number of important ways to Soviet economic capabilities:<sup>2</sup>

- In the 1970s, imported chemical equipment, accounting for about one-third of all Western machinery purchased by the Soviets, was largely responsible for doubling the output of ammonia, nitrogen fertilizer, and plastics and for tripling synthetic fiber production.
- The Soviets could never have accomplished their ambitious 15-year program of modernization and expansion in the motor vehicle industry without Western help. The Fiat-equipped VAZ plant, for example, produced one-half of all Soviet passenger cars when it came fully on stream in 1975; and the Kama River truck plant, which is based almost exclusively on Western equipment and technology, now supplies nearly 50 percent of Soviet output of heavy trucks.
- Grain imports have averaged about 25 million tons per year since 1975. Without Western grain, Soviet meat consumption would have increased less in the early 1970s, and

<sup>2</sup> For a more extensive survey of these gains, see CIA Intelligence Assessment SOV 82-10012, *Soviet Economic Dependence on the West* (Appendix), January 1982 [redacted]

the fall in per capita consumption of meat in the late 1970s would have been far worse.

- Large computer systems and minicomputers of Western origin have been imported in large numbers—1,300 systems since 1972—because they (a) have capabilities that the Soviets cannot match, (b) use complex software that the Soviets have not developed, and (c) often are backed up by expert training and support that the Soviets cannot duplicate.
- Because of Soviet deficiencies in drill bits, pumps, and pipeline equipment, the USSR bought about \$5 billion worth of oil and gas equipment alone in the 1970s, but these purchases have now largely ceased. Submersible pumps purchased from the United States, for example, may have added as much as 2 million barrels a day of capacity to Soviet oil production in recent years. Similarly, the Soviet offshore exploration effort would not be nearly as far along as it is without access to Western equipment and know-how. Meanwhile, West Germany and Japan have provided most of the large-diameter pipe needed for gas pipeline construction.

### D. Consequences for Soviet Military Power

#### 7. *Direct Benefits to Military Weapon Systems.*

Acquisition of goods and technology from the West, either by legal or illegal means, enhances Soviet military programs in two principal ways: by making available specific technologies that permit improvements in weapon and military support systems and the efficiency of military and civilian production technology and by providing economic gains from trade that relieve bottlenecks and improve the efficiency of the economy and thereby reduce the burden of defense. Soviet military power is based fundamentally on the large size and diversity of the Soviet economy and the breadth of the Soviet technical and scientific base, on Soviet success in acquiring sophisticated technology in the West, and on the longstanding preferred status of the military sector.

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8. It has only been through an extraordinary allocation of resources to defense that the Soviets have attained their present military power. Soviet weapons are designed to minimize the requirements for technologies in which the USSR is deficient, but the Soviets have turned to legal and illegal acquisitions of Western technologies to make up for domestic shortcomings.

9. The Soviet armed forces are being modernized in nearly every category of weapon system. Soviet military hardware, which was at one time distinguished for its rugged simplicity, has been qualitatively improved until it is in some instances the technological equal of—if not superior to—military hardware produced in the West. Without Western technology, modernization and qualitative improvement of Soviet military equipment would have proceeded at a slower pace.

10. Through the acquisitions of Western technology and hardware, the Soviets have been able to satisfy certain R&D and production objectives:

- The reduction of engineering risk by following or copying proven Western designs.
- The reduction of R&D time by several years through the use of Western designs and technology and equipment.
- The incorporation of countermeasures early in the Soviet weapon development process.

In addition, the Soviets have been able to upgrade critical industrial sectors such as computers, microelectronics, and metallurgy, as well as to modernize Warsaw Pact industrial manufacturing capabilities. This has also helped to limit the rise in military production costs.

11. The Soviets commonly acquire even directly military-related hardware under COCOM license, ostensibly for commercial purposes. For example, advanced acoustic signal analyzers, legally purchased from Denmark in the middle 1970s, if used on the Soviets' own submarines, could significantly upgrade their tactical passive sonar capability to detect and classify Western submarines. In addition, two huge floating drydocks purchased from the West for civilian

use have been diverted to strategic and tactical naval shipbuilding and repair.

12. Legal purchases of Western machinery, equipment, and manufacturing technologies have found a wide range of applications in Soviet weapons production. (See inset below.)

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#### Soviet Military Uses of Legal Imports

- US-origin gear-cutting machines were used to produce military trucks, wheeled armored vehicles, and components for missile transporters.
  - Western gear-cutting machines were used in the development of the latest Soviet military heavy-lift helicopter, the MI-26.
  - High-technology automatic lathes, milling machines, and other machine tools from Sweden and West Germany and two large rolling mills, one Japanese and one West German, are probably used in the construction of titanium hulls for the A-class nuclear attack submarine, the world's fastest and deepest diving submarine.
  - US-origin grinding machines were used in manufacturing small, high-precision bearings suitable for ballistic missile guidance operation.
  - An electron beam drilling device of West German origin was used to improve the quality of Soviet turbine blades.
  - Austrian-origin hot and cold rotary forges (some 26 in all) were used to produce artillery tubes and small-arms barrels.
  - US blind riveting and French aerospace welding technology equipment was used to produce advanced Soviet interceptor aircraft.
  - Western tungsten arc welders were used to fabricate armor plate for Soviet tanks.
  - US technology acquired for the Cheboksary tractor plant was used to make a new 12-cylinder tank engine.
- 

13. The Soviets have historically relied on clandestine acquisitions of foreign technology to provide some of the most critical inputs needed in the development of their weapon systems. (See inset on next page.) Although they pay high premiums for illegal imports, the total value is small relative to total hard currency imports of \$30 billion.

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**Soviet Military Uses of Illegal Imports**

- Information on the US Redeye shoulder-fired surface-to-air missile facilitated the development of the Soviet SA-7. During the prototype construction of the SA-7, bearings acquired from Japan were used pending the subsequent development of indigenous bearings of suitable quality.
- In the mid-1960s the Soviets copied the Texas Instruments 7400 series monolithic integrated circuit (IC) to produce the series 155 (Logika 2) IC. This IC was then used to develop the ES-1030 computer, whose design and architecture were copied from the IBM-360/40. The ES-1030 has been used in a number of military applications.
- Materials acquired on the US TACAN navigation system were adapted for use in the MIC-25 Foxbat navigation system.
- Data acquired on the US C-5 transport have apparently been used in the development of the new AN-400 heavy transport under development at the Antonov Design Bureau in Kiev.

14. *Other Benefits to Military Programs.* Western technology and equipment also enable the Soviets to improve industries that indirectly support weapon developments. Even though the defense industrial ministries perform the bulk of weapons development and production, they rely on the nondefense industries to supply specific products such as missile-handling equipment, and to supply most of the basic tools of weapons development and production—machine tools, sensors, and computer software. Because most defense industries also produce for the civilian economy, imports of Western machinery for the civilian sector also help to prevent greater encroachment of civilian requirements on defense production facilities.

15. Traditionally the Soviets have lagged behind the West in their ability to produce modern electronic devices—more so perhaps than in any other area of military technology. In particular, they have not been able to produce the highly sophisticated precision equipment they have needed in volume, and their R&D methods are too ponderous and react too slowly to stay current in a technology that moves with expressway speed.

16. As a result, the Soviets undertook a major effort in the early 1970s to obtain Western equipment for the manufacture of integrated circuits. They have now

acquired several hundred million dollars' worth of machinery that, if combined, would enable them to equip 16 to 20 medium-size production lines capable of producing advanced devices, including large-scale integrated circuitry with sufficient capacity to meet all current Soviet military requirements. This production base is known to be used to support development of military equipment such as strategic missiles, anti-ballistic missile systems, sensors and weapons for anti-submarine warfare, and computers for military applications. It is also a key technological capability for continued advances in Soviet military electronics.

17. Western manufacturing technologies have helped the USSR produce materials with critical military applications, especially in metallurgy. A US firm built a turnkey plant to produce rock-drill bits that included extensive tungsten-based powder metallurgy technology. The US equipment and expertise provided have enhanced the Soviets' ability to make the tungsten powders needed to produce new and more lethal tungsten-alloy penetrators for their kinetic-energy, antitank projectiles. Sweden, Japan, and West Germany also have sold the Soviets powder metallurgy pressing technology similar to that used by Western manufacturers to make tungsten-alloy penetrators. The French firm Creusot-Loire is helping to build a massive steel plant in Novolipetsk, which will produce about 7 million tons of specialty steel when operating at full capacity in 1986. Much of the plant's output will be electroslag and vacuum-arc remelt steels of the kind used in submarine hulls, artillery tubes, and tank armor.

**E. The Hard Currency Squeeze**

18. At a time when Soviet economic difficulties are growing, the USSR's hard currency earnings are declining. In the past few years, Moscow has used its hard currency earnings primarily to buy the goods necessary to cover major domestic shortages. As a result of four bad grain crops in succession, food imports have risen to about \$12 billion, or about 40 percent of total hard currency imports, reflecting the high priority the Soviet Government gives to at least maintaining supplies of major foods in the consumer market. There has also been a large expansion of steel imports, especially large-diameter pipe and special steels, because the Soviet steel industry lacks the

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diversity to support all the major Soviet economic and military programs. These priority needs for hard currency imports have squeezed Soviet imports of Western machinery and equipment, which have fallen by about 40 percent in constant prices since 1977, with most of the decline having occurred in the past two years.

19. During the past 18 months or so, the USSR has experienced a severe foreign exchange squeeze as a result of a soft oil market, low prices for other Soviet export commodities, and unexpected expenditures on imported grain and on aid to Poland. Although the cyclical causes of this deterioration are only temporary, the longer term outlook for a rise in Soviet hard currency earnings in the 1980s is poor. Unlike the 1970s, when enormous oil price increases financed the bulk of the threefold increase in the volume of Soviet hard currency imports, the outlook for oil prices for at least several years in the 1980s is for a decline in real terms, if not in nominal terms. At the same time, the volume of Soviet oil exports is likely to be squeezed by at least slow growth in domestic consumption coupled with stagnant or declining production. Market conditions for most other Soviet exports do not look very promising either. In contrast to the 1970s, therefore, likely market conditions in the 1980s point to a decline in the purchasing power of Soviet hard currency exports. (See inset below.)

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#### Prospects for Major Hard Currency Exports

- The increase in gas exports now in train will essentially constitute an offset to the likely decline in oil exports.
  - The dramatic decline of oil revenues of Middle East producers such as Libya makes it unlikely that some major Soviet arms clients will be able to continue paying in hard currency.
  - Exports of timber and wood products are squeezed between rising domestic consumption and the rising costs of exploiting timber in increasingly remote areas.
  - Exports of minerals (platinum-group metals, nickel, copper, aluminum, chromite, manganese, diamonds, lead, and zinc) present a mixed picture—some trending up, others down.
  - Exports of Soviet manufacturers are not finding ready acceptance in Western markets, and Moscow has not made the large investment required in quality control and marketing to make rapid progress.
- 

20. *Role of Western Credit.* Western credits to the USSR, often government guaranteed, have been an important factor in the rise in Soviet imports. Since the USSR began large purchases of Western technology in the early 1970s, Moscow has used official and officially backed credits to finance one-third of its imports of plant, equipment, and large-diameter pipe from the West. Annual Soviet drawings on government-backed credits jumped from an average of \$475 million in 1971-73 to nearly \$2 billion by 1975, but have held at \$2.5 billion per year since 1978. The volume of new commitments fell from a peak of nearly \$4 billion in 1975 to less than \$2 billion by 1980, reflecting falling Soviet orders for Western machinery and equipment.

21. The combination of rising debt service payments and level drawings has steadily reduced the net resource inflow to the USSR on official credits from a maximum of \$1.2 billion in 1976; by 1980-81 there was a small net outflow from the USSR as debt service exceeded drawings.

22. Subsidized interest rates and lengthy maturities on most government-backed credits have helped Moscow conserve some scarce hard currency. Interest rate subsidies on new official loans reached a record level in 1981—on the order of \$300-400 million—as commercial rates in most Western countries averaged 5 percentage points more than those charged on official loans. Last October's increase in the OECD interest rate guidelines and a possible reclassification of the USSR into the "rich country" category will reduce the subsidy, but only slowly.

23. In 1977-80, contracts for sales of large-diameter pipe and chemical plants were the primary beneficiaries of government-backed financing (see table 1). Pipe contracts backed by official financing totaled at least \$2.5 billion, and approximately \$300-500 million in contracts for other energy-related equipment also received official guarantees or credits. Officially guaranteed credits covered \$3 billion in contracts for complete plants; two-thirds of these commitments were for chemical plants, with the remainder going mostly for steel mills (\$170 million), aluminum plants (\$150 million), and factories for machinery and consumer goods (\$690 million together). OECD data report some \$3 billion in official credit commitments for machine tools and other plant and equipment in 1977-80. Small amounts of credits have financed

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Table 1

**Official Credit Commitments to the USSR in 1977-80, by Industrial Sector<sup>a</sup>**  
(million US dollars)

	Total	Canada	West Germany	France	Italy <sup>b</sup>	United Kingdom	Japan <sup>c</sup>
Total	8,992	208	2,673	2,683	775	728	1,450
Complete plants	2,993		718	1,184		423	300
Steel	168		44	124			
Chemical	1,900		432	790		368	300
Hydro and thermal power	44		37	7			
Wood, pulp, and paper	33						
Aluminum, copper, and zinc	162			162			
Other	686		205	101		60	
Machinery and equipment	3,077	200	741	981	775	305	
Ships	32						
Telecommunications	87			87			
Road vehicles	2	2					
Oil and gas equipment	305	6		299			
Pipe	2,496		1,214	132			1,150

<sup>a</sup> Value of contracts supported by official credits with an original maturity of more than five years.

<sup>b</sup> Presumably includes credits for pipe exports.

<sup>c</sup> OECD reports for all countries except Japan. Data for Japan are based on announcements of credits backing specific contracts.

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orders for telecommunications equipment, ships, and earthmoving vehicles.

24. France and Italy probably provide more than half of the interest rate subsidies. In 1981, as a result of these subsidies, the Soviets saved an estimated \$150 million in interest payments to France and \$110 million in interest payments to Italy—or some 15 to 20 percent of the value of the machinery exports of these countries to the USSR. If all official debt had been contracted at commercial rates, the Soviets would have had to pay \$35 million more to the United Kingdom and perhaps \$20 million more to Japan. Any West German subsidy was undoubtedly quite small because only 1 to 3 percent of exports to the USSR have been financed through West Germany's AKA rediscount facility. When the Soviets demand interest rates below market levels on Hermes-guaranteed credits, the German exporter usually covers the financing cost by charging higher prices. There is, however, an implicit subsidy involved in providing government guarantees for private credits—namely, the interest premium the private lenders would require if there were no guarantee.

25. More recently, however, Moscow has had to recognize that it cannot count on a large increase in

Western credits to expand its hard currency imports. Although the Soviet hard currency position is still relatively strong (the debt service ratio is only about 17 percent), the prospective stagnation in export volume means that any attempt to achieve a substantial increase in imports would quickly push up hard currency debt to an unacceptable level. Indeed, a large inflow of Western capital would be required just to maintain the current volume of imports, and this would result in a doubling of debt by 1985 and a quadrupling by 1990. The debt service ratio would approach 30 percent by 1985—a level high enough to cause concern in financial circles—and reach dangerous proportions (45 percent) by 1990.

26. *Implications of Hard Currency Squeeze.* Even a moderate fall in hard currency imports could greatly complicate Soviet economic problems and make allocation decisions more painful. Large agricultural imports are essential to the growth of meat consumption even in normal crop years. Expansion of gas consumption and exports requires massive purchases of Western large-diameter pipe. Large imports of metals and chemicals are an integral part of Soviet economic plans. Orders of Western machinery and equipment have already been sharply curtailed; fur-

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ther cuts would certainly impinge on priority programs in steel, transportation, agriculture, and heavy machine building.

### III. OIL AND GAS: FUTURE KEY TO IMPORTS

27. If Moscow is to avoid a severe squeeze on its hard currency import capacity, with painful repercussions in the economy, it must find new ways of increasing its exports to the West. This means developing new capacity as well as finding new markets. By far the most promising potential for export expansion is in the massive resources of West Siberian natural gas. Proved reserves of Siberian gas are ample to cover any likely increase in total energy consumption in the USSR during the 1980s and 1990s as well as a large expansion in gas exports to the West. Although transport costs are high, production costs of Soviet gas are low, and the USSR is willing to accept a low rate of return on natural gas investment, making it likely that Soviet gas can continue to be offered to Western Europe at prices lower than those of most alternative sources. Moreover, while gas exports are the only promising future source of hard currency, oil exports still account for some 50 percent of Soviet export earnings, and it is important for Moscow to minimize their future decline. An important factor affecting future oil production and exports will be the degree of access to Western oil equipment and technology.

28. The dispute over the pipeline has occupied much of the policy discussion of East-West interaction within the Western Alliance, partly because it involves both political and strategic considerations—US “political” export controls affect the pipeline, which the United States also opposes for “strategic” reasons. Some perspective on Soviet energy developments, problems, and prospects is necessary for an understanding of the potential impact of Western actions.

#### A. The Soviet Energy Problem

29. Moscow is encountering rapidly rising costs in the production and distribution of oil and coal:

- The USSR is running a race between declining oil production in its older fields and increasing development of new ones. Requirements for drilling and fluid lift are rising rapidly, and the Soviets are moving to develop offshore

deposits and introduce more sophisticated recovery techniques to prevent a decline in oil output.

- The coal industry is suffering from mine depletion, increasing mine depths, reduced seam thickness, and declining heat value per unit of raw coal produced. Although the USSR possesses enormous coal reserves in Siberia, the Soviets are ill prepared to exploit them—a result of neglecting the coal industry since the late 1960s, when Soviet policy put increasing emphasis on development of oil. Thus, development of coal deposits east of the Urals is now constrained by lack of progress on coal enrichment technology, unresolved technical problems relating to transmission of electricity produced at mine-mouth power stations, and lack of sufficiently developed transportation capacity in the east.
- By 1990, gas will be the largest single source of Soviet energy, with production at roughly 700 billion cubic meters—the equivalent of 11.6 million barrels a day (b/d) of oil. Reaching this level, however, will be a costly undertaking because it will require large amounts of Western pipe and equipment. The Soviets are building an unprecedented six major 56-inch (1,420-millimeter) trunklines from Siberia—each one a larger undertaking than the Alaskan oil pipeline—even though labor and equipment are already stretched thin. The massive outlays for pipeline construction, and provision of needed infrastructure—such as roads, all-weather ports, and electric power facilities—will strain Soviet investment resources.

30. In contrast to the West, the Soviet record on energy consumption has been abysmal. Soviet energy consumption has continued to grow more rapidly than gross national product (see figure 3). If the relationship between energy consumption and GNP in the USSR had followed the trend in the “Big Seven” since 1973, the USSR’s annual consumption of energy would be roughly 5 million b/d oil equivalent lower than it was in 1980.

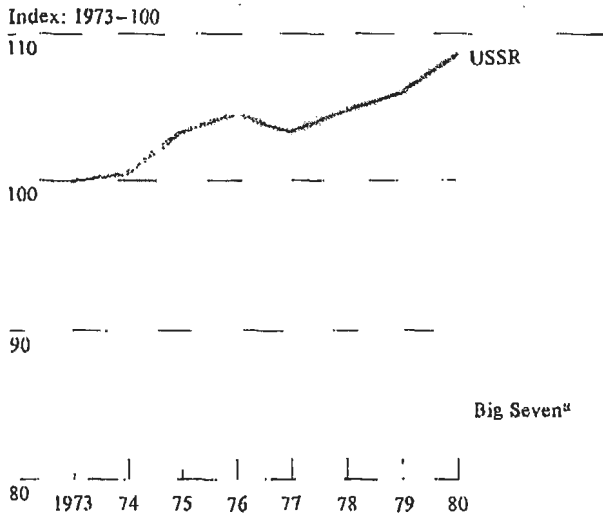
31. A major reason why conservation gains are difficult in the USSR is that most of them require

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**Figure 3**  
**USSR and Big Seven: Energy/GNP Ratios**



\* The "Big Seven" include the United States, Canada, West Germany, France, Italy, the United Kingdom, and Japan.

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massive investments to modernize and renovate industrial and power-generating facilities—a program that will itself consume significant quantities of fuel. Soviet transportation is already reasonably energy efficient and does not have the potential for large savings such as those achieved relatively rapidly in many Western countries. Residential and commercial energy use is comparatively small. The largest energy savings, there-

fore, must come in the industrial sector. Producing and introducing energy-efficient equipment, however, will require most of the decade.

32. The pattern of energy production and use is shown in table 2. About one-fourth of Soviet oil production is exported, of which about 900,000 b/d is sold to the West for hard currency. Gas exports are also becoming substantial.

**B. Importance of the Export Pipeline**

33. The Soviet Union has been delivering gas to Western Europe since the early 1970s. Between 1968 and 1975 Moscow concluded eight "gas for pipe" agreements with Austria, France, Italy, and West Germany. Under these agreements, the USSR purchased with long-term government-backed credits about 9 million tons of large-diameter pipe and other gas-related equipment. To repay the loans, the USSR agreed to long-term gas delivery contracts, some of which extend to the year 2000.

34. In 1979, Moscow began negotiating with the West Europeans for construction of an export gas pipeline with a planned gross capacity of 35 billion cubic meters annually (580,000 b/d oil equivalent). Although two pipelines were originally discussed, present contracts call for only one strand. Even so, this Siberia-to-Western Europe natural gas pipeline is the largest East-West trade project to date (see thumbnail description in figure 4). The pipeline could deliver nearly 30 billion cubic meters to West Germany, France, Italy, Austria, and other countries. Gas pur-

**Table 2**

**USSR: Estimated Energy Balance, 1981**  
(million b/d oil equivalent)

	Production	Apparent Consumption	Net Exports		
			Total	For Hard Currency	Other
Total	28.3	23.8	4.5	1.5	3.0
Oil <sup>a</sup>	12.2	9.0	3.2	0.9	2.3
Natural gas	7.7	6.7	1.0	0.5	0.5
Coal	6.6	6.4	0.2	0.1	0.1
Other <sup>b</sup>	1.8	1.7	0.1	NECL	0.1

<sup>a</sup> Including gas condensate.

<sup>b</sup> Including production of hydro and nuclear electricity, peat, oil shale, fuelwood, and electricity exports.

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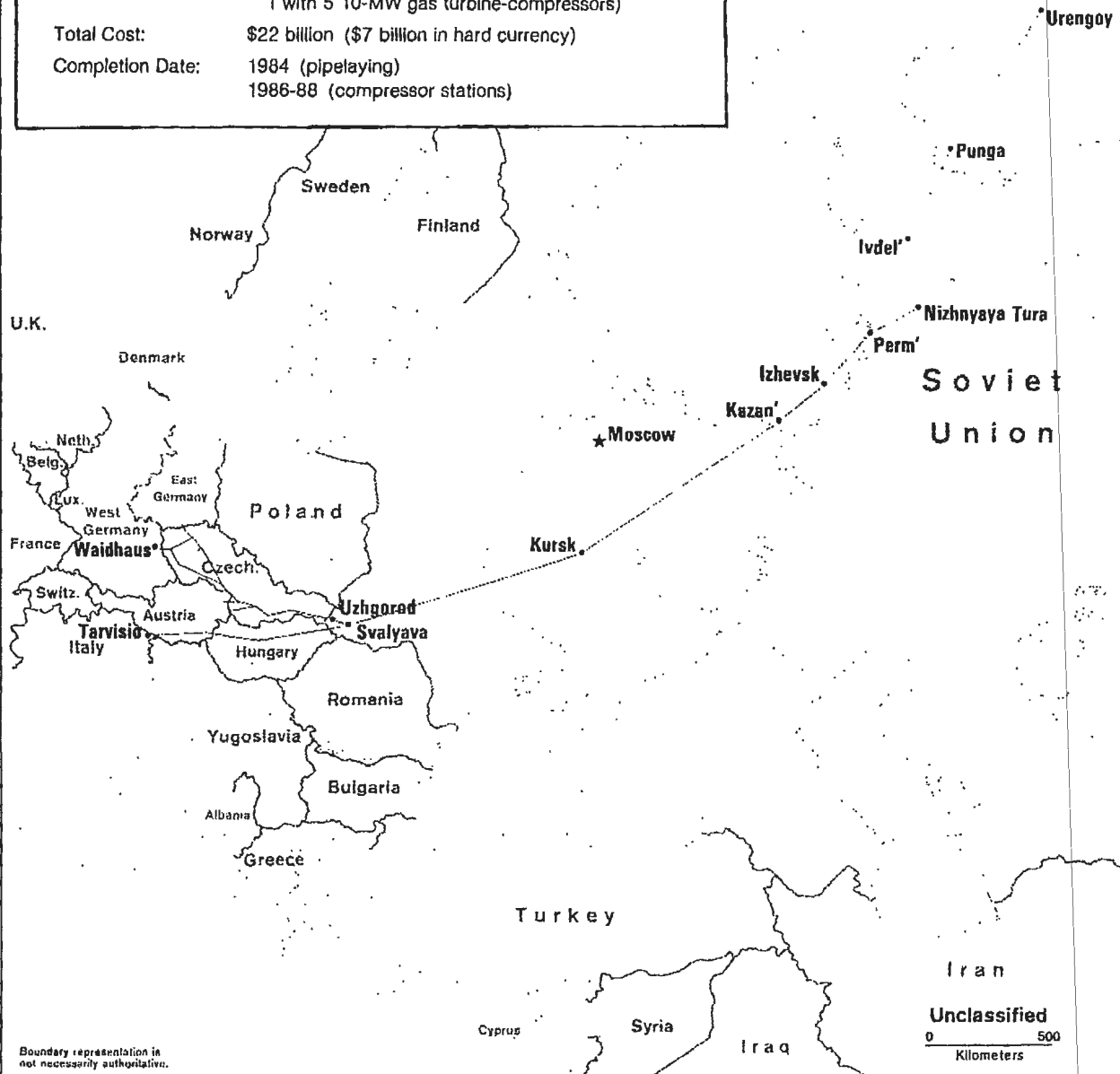
### Siberia-to-Western Europe Natural Gas Pipeline\*

Figure 4

\*Including provisional routes of transit lines through Czechoslovakia and Hungary to West Germany, Austria, and Italy.

#### The Pipeline at a Glance

- Length: 4,650 kilometers (Urengoy-Uzhgorod)
- Capacity: 35 billion m<sup>3</sup> per year (gross); 29 billion m<sup>3</sup> per year (net)
- Pipe: 2.6 million tons, 1,420-mm (56-inch) diameter
- Operating Pressure: 75 atmospheres
- Compressor Stations: 41 (40 with 3 25-MW gas turbine-compressors each; 1 with 5 10-MW gas turbine-compressors)
- Total Cost: \$22 billion (\$7 billion in hard currency)
- Completion Date: 1984 (pipelaying)  
1986-88 (compressor stations)



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Table 3

**Projected Soviet Gas Deliveries to Western Europe<sup>a</sup>**  
(billion cubic meters)

	1980	1984	1985	1987	1988
<b>Austria:</b>	2.4	3.0	3.5	4.0	4.0
Existing contracts	2.4	2.5	2.5	2.5	2.5
New contracts	—	0.5	1.0	1.5	1.5
<b>France:</b>	5.2	4.0	4.0	9.0	12.0
Existing contracts	5.2	4.0	4.0	4.0	4.0
New contracts	—	—	—	5.0	8.0
<b>Italy:<sup>b</sup></b>	7.0	7.0	7.0	12.0	15.0
Existing contracts	7.0	7.0	7.0	7.0	7.0
New contracts	—	—	—	5.0	8.0
<b>West Germany:<sup>c</sup></b>	10.9	15.0	18.0	22.5	22.5
Existing contracts	10.9	12.0	12.0	12.0	12.0
New contracts	—	3.0	6.0	10.5	10.5
<b>Switzerland:</b>	—	—	—	—	0.1
Existing contracts	—	—	—	—	—
New contracts	—	—	—	—	0.1
<b>Total:</b>	25.5	29.0	32.5	47.5	53.6
Existing contracts	25.5	25.5	25.5	25.5	25.5
New contracts	—	3.5	7.0	22.0	28.1

<sup>a</sup> Excluding Finland; amounts of annual offtake under the new contracts are subject to reduction by up to 20 percent under scheduled semiannual negotiations with the Soviets.

<sup>b</sup> Italy has not yet signed the new purchase contract.

<sup>c</sup> Excluding potential deliveries of 0.8 billion cubic meters to West Berlin.

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chase agreements were signed in late 1981 for deliveries over a 25-year period with West German and French utilities and in June 1982 with Austria's Ferngas. Initial exports of 3-5 billion cubic meters per year (50,000 to 80,000 b/d oil equivalent) are to start in 1984, and full deliveries are scheduled to begin in 1987-88.

35. The USSR will be able to use a combination of the existing Soyuz export pipeline, domestic trunklines, and East European transit lines to begin initial gas deliveries on schedule. With the phasing-in of the new gas export pipeline, total Soviet gas deliveries to Western Europe—under older contracts as well as the new export pipeline contracts—could reach about 33 billion cubic meters per year (550,000 b/d oil equivalent) in 1985 and then in 1988 rise to as much as 54 billion cubic meters per year (nearly 900,000 b/d oil equivalent) (see table 3).<sup>3</sup> Annual gas deliveries to

<sup>3</sup> The information available on the deliveries under the new contracts is still extremely sketchy, so the timing depicted in table 3 should be considered a rough estimate of the delivery profile.

Eastern Europe would increase by several billion cubic meters if 10 percent of the projected Soviet exports are delivered to Czechoslovakia and Hungary as transit fees.

36. Besides the gas sales, the pipeline project involves:

- Soviet purchases of large-diameter pipe (about \$2 billion), mostly from West Germany and Japan.
- Soviet purchases of turbine compressors and related equipment (\$5 billion), from the major West European countries.
- Government-guaranteed credits (at least \$7 billion) repayable in eight to 11 years with a three-year grace period on repayment of principal, and interest rates averaging 7 to 8 percent, well below market.

37. The gas export pipeline project is one of six 56-inch gas pipelines that the Soviets hope to complete in the current Five-Year Plan (1981-85). Two of the five

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domestic lines have already been laid. In addition to the export pipeline, Moscow hopes to lay by 1985 three more lines from the Urengoy gasfield to the European USSR, each 3,000 to 4,000 kilometers long. The six new trunklines from West Siberia account for roughly half of the total of 48,000 kilometers of gas pipelines planned for construction in 1981-85.

38. If the Soviets believe they cannot count on Western imports of pipe and compressors, they will develop their own capability more rapidly. Certainly by the 1990s they would be able to produce enough 16- or 25-megawatt turbines to move gas through long-distance pipelines, such as the export line currently being built. The Soviets would prefer to continue to import some of this equipment from the West, however, because it can be paid for with gas exports and it maintains the commercial ties between Western Europe and the USSR.

39. Because of the weak export prospects outlined above, the pipeline is vital to Moscow's prospects for earning sufficient hard currency beyond the mid-1980s to avoid a major drop in its import capacity. Annual revenues from the pipeline deal alone should reach \$5½ billion (in 1981 dollars) in the early 1990s when all credits are repaid, and total gas earnings (including existing contracts) could be roughly \$10½ billion.

40. The USSR also calculates that the increased future dependence of the West Europeans on Soviet gas deliveries will make them more vulnerable to Soviet coercion and will become a permanent factor in their decisionmaking on East-West issues. The Soviets, moreover, have used the pipeline issue to create and exploit divisions between Western Europe and the United States. In the past, the Soviets have used West European interest in expanding East-West commerce to undercut US sanctions, and they believe successful pipeline deals will reduce European willingness to support future US economic actions against the USSR.

41. *Follow-On Gas Projects.* The factors that led the Soviets to conclude the recent Siberia-to-Western Europe gas deal—huge gas reserves and continued need for hard currency earnings—almost certainly will lead to a proposal for new export contracts that will require additional export pipelines. If a second strand of the new export pipeline were built, Soviet

revenues from gas sales would rise in the 1990s to more than \$15 billion per year (1981 prices). Soviet behavior in negotiating the first contracts suggests that additional gas supplies would be offered at a base price near the low end of the market. By accepting a relatively low price initially, the Soviets would be able to increase their market penetration and still secure hard currency earnings.

42. Indeed, potential demand in Western Europe could support purchases of at least an additional 60 billion cubic meters (about 1 million b/d oil equivalent) of Soviet gas by the year 2000—enough for two additional pipelines of the magnitude of the one now being built. This potential will be realized, of course, only if alternative new sources of gas for Western Europe are not developed.<sup>4</sup>

#### C. Alternative Energy Sources

43. The development of such alternative Western energy sources—particularly the large gas resources of the North Sea—will take too long to have much effect on the West European demand for Soviet gas in the 1980s but could determine whether Western Europe seeks additional Soviet gas in the 1990s. At best, an additional 9-15 billion cubic meters of new supplies could be delivered by 1990 through increased Dutch and Norwegian production; estimated Norwegian gas reserves are by themselves sufficient to permit a large expansion of production in the 1990s. Several African and Middle Eastern countries also have the potential to increase gas exports during the 1990s.

44. Continental gas import requirements are expected to increase by about 70-80 billion cubic meters in the 1990s as demand grows and domestic production declines. Under favorable circumstances, North Sea and Dutch gas could meet about 80 percent of these requirements, or about 60 billion cubic meters. North African gas could provide about 45-60 billion cubic meters. Supplies from the Middle East and North Africa would be substantially less secure from disruption than would gas from West European sources. Moreover, the likely investment costs of developing and transporting this gas would be extremely high. (See table 4.)

<sup>4</sup> See SNIE 3/11-82, *Western Alternatives to Soviet Natural Gas: Prospects and Implications*, 28 May 1982

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Table 4

## Proposed Non-Soviet Gas Projects for Western Europe

Proposed Projects	Start	Volume (billion cubic meters)	Production and Transport Cost <sup>a</sup>	Reliability	Considerations	Likelihood of Project Implementation
<b>Norway</b>						
Sleipner	1990-95	12-15	High	Secure	Preliminary negotiations for sale of gas now under way with both UK and continental buyers.	Probable
Troll	1994-95	35-40	High	Secure	Technical problems must be overcome to develop the field.	Probable
Tromsø	1995-99	5-10	High	Secure	Oslo would like to see development in northern region to balance regional development.	Probable
<b>Algeria</b>						
Italian pipeline expansion	1990	6	Low	Unreliable	Requires additional compressors.	Probable.
Italian pipeline II	1995	12-18	Low	Unreliable	Requires new series of trans-Mediterranean pipelines.	Some possibility
Segamo pipeline I	1990	4	Medium	Unreliable	Will soon be technically feasible to construct; initial volumes will be expanded if demand warrants.	Some possibility
Segamo pipeline II	1995	16	Medium	Unreliable		Some possibility
<b>Nigeria</b>						
Bonny LNG Trains 1-3	1990	7.5	Medium	Secure	Project was canceled in early 1982, but we believe Nigerian revenue needs will force a smaller project to go forward and be later expanded.	Probable
Trains 4-6	1995	7.5	Medium	Secure		Some possibility
Trans-Sahara pipeline	1990	250	Medium	Insecure	Nigerians dismiss this project because of potential transit and security problems.	Highly improbable
<b>Cameroon</b>						
Kribi LNG Trains 1-2	1990	75	Medium	Secure	French firms are actively involved in the project.	Probable
Train 3	1995	35	Medium	Secure	Only if additional reserves are discovered.	Some possibility

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Table 4 (Continued)

## Proposed Non-Soviet Gas Projects for Western Europe

Proposed Projects	Start	Volume (billion cubic meters)	Production and Transport Cost <sup>a</sup>	Reliability	Considerations	Likelihood of Project Implementation
<b>Libya</b>						
LNG	1990	3-7	Medium	Fairly reliable and secure	Will probably be built only as a replacement for Brega plant.	Some possibility
Italian pipeline	1995	14	Low-medium	Fairly reliable and secure	Only if offshore reserves (recently discovered by an Italian company) of 140 billion cubic meters or more are proved up and adjacent oilfields are developed beforehand.	Some possibility
<b>Egypt</b>						
LNG I	1990	3	Medium	Secure	Will require discovery of reserves.	Some possibility
LNG II	1995	6	Medium	Secure		Some possibility
<b>Ivory Coast</b>						
LNG	1995	7	Medium	Secure	Even if recent gas discoveries are proved up, the gas is likely to be used domestically.	Some possibility
<b>Qatar</b>						
Ras Laffan LNG I	1995	9	High	Secure	Temporarily shelved because of failure to find buyers.	Probable
West European pipeline	1990	17	High	Insecure	The regional political tensions, high transit fees, and large costs make this project difficult to implement.	Highly improbable
<b>Iran</b>						
IGAT-Turkey- LNG	1995	7	Medium-high	Politically in- secure and unreliable	Possible export to Western Europe.	Some possibility
IGAT-West Euro- pean pipeline	1995	17	Medium-high	Politically in- secure and unreliable	Italian and West German firms considering project.	Some possibility

<sup>a</sup> Takes account of field development, operating, and transport costs amortized at 15 percent. Excludes wellhead value of gas. Low cost is defined as costs under \$3 per billion BTUs delivered to Western Europe; medium cost, \$3 to \$5; high cost, above \$5.

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45. Multinational cooperation will be critical if sizable new volumes of North Sea gas are to be brought to the Continent by the early 1990s. Projects to boost North Sea gas exports will require enormous capital investments—\$15-20 billion may be needed to develop Norway's Troll gasfield alone—and will have to compete with other North Sea oil and gas projects for a share of the development funds to be spent during the next decade. Interest rate subsidies similar to those offered for the construction of the Soviet pipeline could substantially speed development of North Sea gas reserves; an interest rate subsidy of about 2 percentage points could cut 15 percent from total investment costs.

46. Cooperative agreements to transport gas to the marketplace will be equally important. A gas swap agreement, for example, would involve increased Norwegian gas deliveries to the United Kingdom in exchange for delivery of equal volumes of British gas to the European Continent. This could save \$1-2 billion in facilities investments and could shorten leadtimes by two to three years. Similarly, Dutch participation in a coordinated gas marketing strategy could vastly simplify Norway's efforts to increase future gas sales.

47. Although the commercial advantages of such arrangements are sizable, numerous political obstacles must still be overcome, including Norwegian reluctance to become overly dependent on hydrocarbon development. Other critical factors determining the timing and size of new North Sea projects include:

- *Tax policies.* The current UK tax regime is a serious deterrent to the development of small fields. Norway's petroleum taxes are also high, and development has been slowed further by short drilling seasons and generally cautious government policies.
- *Market prospects.* An unprecedented decline in West European gas consumption during the last two years has clouded the outlook for the future size of the European gas market. Present uncertainties could cause North Sea producers to hesitate before launching new projects, especially in view of the possibility of being undercut by cheaper Soviet gas.
- *Revenue needs of producing countries.* If the budget crisis in the Netherlands worsens,

pressures to increase gas sales will increase. Similarly, Norway may be inclined to speed gas development because of lowered expectations of future oil revenues.

#### D. Soviet Dependence on Western Oil Equipment

48. The USSR faces increasing dependence on the West in developing and processing its oil resources in the 1980s. The Soviets already have drilled most of the relatively shallow, easily located, accessible oil deposits. They specifically need Western seismic and well-logging technology to bolster their ability to explore for oil reserves in the 1980s (see annex). The Soviets plan to nearly double the amount of drilling for oil and gas in 1981-85 and to increase it further in the late 1980s, but their drilling productivity is poor by international standards. Thus, Western rigs, drill pipe, tool joints, drill bits, blowout preventers, and drilling-fluid technology could substantially aid Soviet drilling efforts.

49. The Soviet oil industry faces rising fluid-lift requirements in the 1980s, as the amount of water produced along with oil increases. According to Soviet plans, a large additional volume of fluid—well over 6 million barrels a day—must be lifted in 1985 simply to maintain production of oil at the 1980 level of 12 million b/d. To handle the high volume of fluid, the Soviets plan to double the number of wells producing oil with the help of submersible pumps and gas-lift equipment. Imported equipment could boost the productivity of this effort because the capacity and quality of Soviet-made submersible pumps and gas-lift equipment are low.

50. The Soviets' least explored prospective areas for new petroleum discoveries are offshore, and exploration and development of the continental shelf will contribute to their oil production in the 1990s. The USSR already has received substantial assistance from the West, and continued assistance could speed development in the Caspian Sea and Arctic areas.

51. The United States is the preferred supplier of most types of oil and gas equipment throughout the world because it is by far the largest producer, with the most experience, the best support network, and often the best technology. In some products—for example, large-capacity down-hole pumps—the United States has a world monopoly. The position of most

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US suppliers in the changing world market has been preserved by establishing overseas subsidiary firms and licensees during the past decade. These offshore operations deterred new competition from "wedging in" to overcrowded markets. Up to now, the learning curve for new competitors has been very steep and entrance has been too costly in a highly cyclical market. Booms in demand often trigger new investment in additional capacity, often only to be followed by a drying up of the market when production begins 18 to 24 months later. Risk is high for any newcomer because the period following the boom is marked by fierce price competition until the excess capacity is worked off. Nonetheless, in recent years the US share of the market decreased, even before the US embargo was imposed.

#### IV. OPPORTUNITIES FOR WESTERN GOVERNMENT POLICY

##### A. Possible Restrictions

52. Western governments, at considerable cost to themselves, could increase Soviet economic difficulties by:

- Restricting Soviet access to Western oil and gas equipment and technology.
- Eliminating subsidies, including government guarantees, on credits to the USSR.
- Using their influence to discourage Western firms from entering into large-scale energy projects with the USSR.
- Taking steps to shrink the potential Western energy market for Soviet gas by developing alternative energy sources.

53. The effectiveness of such steps depends on many factors, including the scope of the action, the degree of cooperation among the Western Allies, and the duration of the restriction. It is highly unlikely, for example, that US Allies will participate in an export embargo, except in response to specific political events, with the result that such an embargo is likely to be partial and/or short-lived. On the other hand, there may be a better chance of gaining Allied cooperation on credit policy and on development of alternative energy sources, especially if common ground can be found on a "strategic" policy concerning East-West economic relations.

54. The following sections consider the impact of possible Western measures on:

- The construction of the export pipeline and the planned Soviet gas deliveries to Western Europe.
- The development of Soviet oil production.
- The development of new gas export projects.

##### B. Impact on the Gas Export Pipeline <sup>5</sup>

55. We believe that the USSR will succeed in meeting its gas delivery commitments to Western Europe through the 1980s and will do so without significant diversion of domestic resources from other sectors. Deliveries could begin in late 1984, as scheduled, by using existing pipelines, which have excess capacity of at least 10 billion cubic meters annually.

56. The Soviets probably can begin deliveries through the new pipeline in 1985 or 1986. With the 22 turbines built with the GE-made rotors already shipped from Western Europe, or about to be shipped, and by operating compressor stations without standby units, Moscow could deliver through the new pipeline about 70 percent of the planned annual throughput of nearly 30 billion cubic meters. Turbines using an additional 40 rotors—the number Alstom-Atlantique contracted before the US embargo to build for the Soviet Union under GE license—could boost throughput to more than 90 percent of capacity. For reliability of pipeline operation and periodic maintenance, however, the Soviets might use some of the available turbines as standby units, thereby reducing throughput somewhat.

57. It is highly unlikely that full capacity will be needed until near the end of the decade, because West European gas demand is lagging substantially. Before the end of the 1980s the Soviets will be able to fully equip the pipeline using either imported or domestic equipment. By then they will probably be able to produce 25-megawatt turbines, in spite of a history of troubles. If necessary, the USSR could divert construction crews and compressor-station equipment from new domestic pipelines to the export pipeline or even

<sup>5</sup>For a detailed survey of the export pipeline's status, see CIA Intelligence Assessment SOV 82-10120/EUR 82-10078, *Outlook for the Siberia-to-Western Europe Natural Gas Pipeline*, August 1982

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Table 5

**Estimated Impact of Embargo by NATO Countries and  
Japan on Selected Oil Equipment**

	Impact of Current US Sanctions	Nature and Degree of Estimated Impact of Embargo Imposed by NATO Members and Japan
Exploration equipment	Minimal	Reduction in exploration success in existing producing areas as well as unexplored regions, with substantial impact in the 1990s. Short run: Minimal Long run: Substantial
Offshore drilling equipment	Moderate	Moderate delays in offshore drilling operations. Short run: Moderate Long run: Moderate
Drill bits, drill pipe, tool joints, other drilling equipment	Small	Small short-run impact on drilling program. Short run: Small Long run: Small
Fluid-lift equipment	Small	Potentially moderate in short run, depending on Soviet import efforts. Short run: Moderate Long run: Moderate
Equipment for producing and processing high-pressure, high-sulfur gas	Substantial	Critical for production of high-sulfur Central Asian gas and high-pressure gas in West Siberia and elsewhere. Short run: Substantial Long run: Moderate
Oil refinery secondary processing units	Small	Potentially substantial if Soviets proceed with plans to upgrade refineries, but they have concluded no recent agreements for this equipment.

dedicate a domestic pipeline for export use to ensure capacity adequate to meet contractual delivery obligations. This diversion would be costly, but it is highly unlikely to be required on a large scale. More likely, Moscow would be able to meet Western Europe's demand with little or no loss in domestic gas deliveries.

### C. Impact on Oil Development

58. The impact of export restrictions on oil development in the USSR would depend critically on the development of domestic oil equipment manufacturing capabilities. While some improvement is likely over the decade, we do not believe that it will come in time to offset the need for the kinds of Western equipment shown in table 5:

- Continued denial of US oil and gas equipment would retard Soviet oil production, particular-

ly in offshore drilling and in production of high-pressure, high-sulfur gas.

- Denial of all oil equipment by all NATO countries and Japan would have a substantially larger impact, which could reach as much as 1.0 million b/d by the end of the decade—almost 10 percent of total oil production.

### D. Impact on Future Gas Export Deals

59. The most damaging measures to the Soviets in the long run would be inflicted by Western agreements that restrict further agreements either to buy Soviet gas or to sell Moscow oil and gas equipment. Under such conditions the USSR would lose its main source of new hard currency earnings in the 1990s.

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**E. Impact on the Soviet Economy and Military Capability**

60. Shortfalls in Soviet oil and gas production would directly affect the USSR's ability to earn hard currency. To protect its hard currency earnings, Moscow would be tempted to further cut energy exports to Eastern Europe. And the importance to the Soviet economy of substantial hard currency imports is such that, in the event of a major production shortfall, allocations of oil and gas to domestic Soviet uses would be reduced.

61. *Consequences for the Economy.* Energy shortfalls would affect the Soviet economy and might lead to cuts in imports. The USSR would be reluctant to cut food imports because this would risk popular unrest and, in any event, would probably adversely affect incentives and productivity.

62. Further reductions in imports of machinery and equipment would hinder industrial modernization and productivity. Cuts in allocations of oil and gas, or of imported materials such as steel, would create production bottlenecks, cause some plant capacity to be unused, and disrupt supplies in many parts of the economy. The bottlenecks would diminish and perhaps eventually disappear as the Soviets took steps to conserve the scarce products, to substitute other products, and to adjust the pattern of demand.

63. Given all the uncertainties surrounding the scope and duration of Western measures, and the way the Soviets would cope with and adjust to these measures, quantitative measures of impact can at best be viewed as illustrative orders of magnitude.

64. The effect of Western measures on potential Soviet energy output (measured in dollars at world market prices) would approximate the following magnitudes (in billions of dollars per year):

	Short Run (2-3 Years)	Medium Run (4-10 Years)	Long Run (Over 10 years)
<i>Pipeline Sanctions</i>			
US alone	Small	0-small	0
<i>Oil Equipment</i>			
<i>Restriction</i>			
US alone	2-6	2-6	Small
All Allies	7	12	Declining
<i>No New Gas</i>			
<i>Projects</i> (beyond current pipeline)	0	0-5	5-10

65. In the hypothetical case of a full Western embargo on all oil and gas equipment, including large-diameter pipe, the cost to the Soviets would rise substantially—reaching roughly \$36 billion annually by 1990. This case illustrates the particular importance of Western linepipe to the Soviet gas program over the next several years; in the 1990s this dependence will decline as the Soviets master serial production of multiwall large-diameter pipe.

66. The impact of these shortfalls on Soviet GNP might be a multiple of the above losses, especially during the period when bottlenecks could not be avoided. The potential aggregate economic impact could be characterized as follows:

- Insignificant, in the case of US unilateral controls aimed only at the export pipeline.
- GNP by the end of the decade would be 2 to 3 percent less in the case of a sustained Allied embargo of oil equipment, but the impact would be much smaller in the more likely case that US Allies provide limited, if any, cooperation.
- In the hypothetical case that includes an embargo on pipe, the Soviets would incur a loss in GNP of 3 to 4 percent by 1990.
- After 1990 the effects of Western policies could be enhanced considerably if follow-on Soviet gas projects were squelched.

67. Soviet costs on the order of 3 percent of GNP by 1990 are significant. Such a loss of GNP would be equivalent to all the investments made in housing construction in 1980, or nearly 40 percent of all industrial investments in 1980, or more than 25 percent of military expenditures in 1980. These measures indicate only the order of magnitude of forgone Soviet GNP and do not equate to potential cuts in investment or defense spending. While the cumulative effect of such losses would clearly increase pressures on Soviet decisionmakers, we cannot judge how they would choose to spread such losses throughout the economy.

68. Additional Western actions such as restricting subsidized government-guaranteed credits could raise the cost to the Soviets of Western assistance by about \$400-500 million a year. Credit extensions themselves



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would probably fall sharply if government guarantees were withheld, as most bankers are reluctant to extend large long-term credits without government guarantees.

69. In the long run, tighter COCOM restrictions on militarily sensitive technology (including technology and equipment that indirectly contributes to significant improvements in weapon systems) would perhaps be the most valuable action for the West. Such action would retard major improvements in Soviet weaponry, which the West would be forced to counter. While the dollar value of such action is difficult to estimate, the savings in terms of Western spending for defense annually would probably come to billions of dollars.

70. *Consequences for Military Programs.* The reduced availability of hard currency and energy would also make more difficult the decisions Moscow must make among key priorities in the 1980s—sustaining growth in military programs, feeding the population, modernizing the civilian economy, supporting its East European clients, and expanding (or maintaining) its overseas involvements. Because economic growth will be slow through the 1980s, annual additions to national output will be too small to simultaneously meet the incremental demands that planners are placing on the domestic economy. Even now, stagnation in the production of key industrial materials is retarding growth in machinery output—the source of military hardware, investment goods, and consumer durables.

71. If growing resource stringencies and hard currency shortages prompt Soviet leaders to cut back on imports, it seems likely that, in true bureaucratic tradition, initial efforts would be implemented in a broad-brush fashion affecting a number of Soviet ministries across the board. The very top-priority programs no doubt would be spared, but many relatively high-priority ones, including some military programs, could be hurt at least indirectly.

72. Even in the longer term, cuts in machinery imports would retard progress in modernizing a number of industrial sectors—steel, machine building, oil refining, robotics, microelectronics, transportation, and construction equipment—at a time when Moscow is counting on a strategy of limited investment growth and relying instead on productivity growth.

73. Hard currency shortages by themselves probably would have little effect, however, on Soviet acquisition of Western technology and equipment which directly facilitate qualitative improvements in Soviet weapon systems. These inputs are so important to Moscow that the necessary hard currency will certainly be allocated to them, and the value required probably is at most a few hundred million dollars a year. Such military-related acquisitions, legal and illegal, can be prevented only through a broadening and tightening of COCOM controls.

74. Reduced Soviet petroleum and gas output would aggravate civilian industrial bottlenecks and, therefore, might cause civilian encroachment on defense production, such as a reallocation of some military-oriented metallurgical and machine-building facilities to produce the embargoed oil and gas equipment. Technical requirements, however, could force significant “upstream” changes in capital and operations. For example, major changes in capital equipment would probably be required before assets in the defense industries could contribute to the production of energy-related equipment such as drilling rigs, platforms, or pipe. High-temperature components made by the aircraft industry could more readily contribute to the production of compressor equipment for the gas pipeline projects. Increased production of turbines and transformers for electric power would also require shifts of skills and machinery to the civilian electrical equipment producers from the defense industries.

75. The materials used by defense plants could be redirected to alternative civilian production with greater ease. For example, powder metallurgy used in the production of munitions could be redirected to the production of drill bits for petroleum extraction. Increased availability of steel for drilling rigs and tubular goods could help the Soviets meet their oil drilling and gas output targets. In addition, special steels for the manufacture of turbine blades could increase the reliability of gas turbines used to power electric generators and pipeline compressors. Concrete, asphalt, and other construction materials would help to overcome the serious lack of infrastructure (all-weather roads, housing) in crucial areas of energy development such as West Siberia. Transfers of fuels, particularly petroleum products, from the military would also ease civilian production bottlenecks.

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76. While there is the possibility of resource transfers from defense facilities, the atmosphere of increased East-West tensions—which would be likely to prevail after imposition of an embargo—might prompt Soviet leaders to raise even more the priority of defense programs in the allocation of resources. Should a weakening of the industrial base force some cuts in military programs, this would not happen quickly, and the effects on overall Soviet military capabilities would be very gradual.

## V. WEST EUROPEAN PERSPECTIVES

### A. Attitudes Toward East-West Trade and Trade Sanctions

77. In general the West Europeans believe that increased trade with the East is a fruit of detente and that it contributes to improved relations. They argue that Soviet behavior will be more restrained if the USSR has a large stake in the international economic system. Many West Europeans would therefore reject economic sanctions, arguing that they also hurt the West and do not affect Soviet behavior in any event. The problem lies in developing with the West European countries—or at least the major ones—a common understanding of the strategic implications of East-West trade and agreement on what kind of Soviet behavior should trigger what kind of response.

78. Despite statements to the contrary, Allied governments want to prevent the pipeline issue from affecting major initiatives in NATO, such as INF deployment. If the controversy is prolonged, however, it is likely to adversely affect the political climate in which final deployment decisions will be made. Moreover, it could reinforce the self-image of the West Europeans as junior partners in a relationship with the United States in which they have an equal stake. The pipeline ban could be seen in Western Europe as another in a series of US moves that have eroded European confidence in US leadership and intensified anxiety about US-Soviet relations. Although START and the INF talks have reduced European concerns about the US willingness to resume a dialogue with Moscow, the pipeline decision will contribute to uncertainty about how the United States will manage the East-West relationship. It will also nurture suspicion about the seriousness with which Washington will pursue arms control negotiations.

79. As a result of the era of detente, some West European political leaders generally have acquired more complacent attitudes toward the USSR. Furthermore, in their view, the superannuated Soviet leadership already is undergoing an uncertain struggle for succession and faces economic burdens that it can manage only with considerable difficulty. These West European political leaders, therefore, believe that it would be in the interest of their countries to adopt a less confrontational approach to Moscow in the hope of precluding the emergence of more intransigent leadership following Brezhnev's departure.

80. West European perceptions of the Soviet threat depend heavily on Soviet actions close to home. A direct intervention by the USSR in Poland or elsewhere in Eastern Europe would greatly harden West European attitudes, at least for a time. By contrast, Soviet actions in Afghanistan, Africa, and Central America, while unwelcome to West Europeans, are perceived as less of a threat and would not have much effect on Allied willingness to support US initiatives outside the treaty area.

### B. The Pipeline Deal in West European Eyes

81. The West Europeans are convinced that the pipeline deal is a good one for them. In reaching this conclusion they are looking at the deal as a package, taking into account their projected energy needs and considering such aspects as the cost and reliability of Soviet gas, the cost of their export credit subsidies, and the export sales that are likely to result. They are convinced that they will need large additional gas supplies, especially in the 1990s. They have not focused extensively on what the additional gas revenue might do for Soviet military power, but they tend to argue that the Soviet military will get pretty much the resources it wants whether or not the pipeline is built. They are skeptical that it is in the West's interest to cause cutbacks in Moscow's consumer-oriented and civil investment expenditures, which they believe would suffer most if earnings from the pipeline were reduced or cut off.

82. The West Europeans' prime energy goal is to reduce their dependence on OPEC. While that dependence has fallen significantly since 1973 it is still high enough that a sustained OPEC embargo would

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have a devastating impact. In searching for OPEC substitutes, the West Europeans obviously would prefer to find Western energy sources because of their reliability. It is partly for this reason that they plan to substantially expand their use of coal and nuclear power. Nevertheless, gas—used mainly for home heating—will be the primary fuel displacing OPEC oil, and there have been no alternative gas sources that could match the Soviet offer. West European gas producers have been neither willing nor able to expand production sufficiently in the 1980s, and potential non-European sources—such as Algeria, Nigeria, Qatar, Indonesia, and Canada—appear too unreliable or too expensive or both.

83. The West Europeans further believe that the Soviet gas deal is relatively advantageous in terms of security, flexibility, and price. (See inset below.)

84. The total number of jobs in Western Europe directly dependent on pipeline contracts is only 20,000 to 30,000. Nevertheless, these job losses are important because they are concentrated in key depressed industries.

85. All in all, the United States would have had a far better chance of aborting the pipeline project if it had weighed in earlier and stressed the strategic implications of East-West trade. The time to act probably was before mid-1980—the period when the West Europeans were evaluating the project. By the time Washington raised strong objections, the West European governments had already committed themselves to the deal and contract negotiations were well under way. In addition, the US arguments initially focused on the question of energy dependence on the USSR—the very issue that the West Europeans said

#### Advantages of the Pipeline Deal: A West European View

- *Security.* The deal provides the West Europeans with a 25-year gas supply from a partner that they consider more reliable than OPEC. They think that Moscow will deliver the gas on schedule both to maintain its hard currency earnings and to preserve its reputation as a reliable trade partner. Furthermore, they maintain that they have carefully considered the consequences of a Soviet cutoff. At the projected peak delivery levels of the pipeline currently being built, Western Europe as a whole will get only about 3 percent of its total energy supplies from Soviet gas, while West Germany—the largest purchaser—will get about 30 percent of its gas and 5 to 6 percent of its total energy supplies from the USSR. Planned gas storage capacity in Western Europe will equal about three months of Soviet imports by 1990, and many industrial gas users will have the capability of switching to other fuels. As a result, the West Europeans believe that they could cope with even a sustained Soviet gas cutoff without facing a major economic disruption.
- *Flexibility.* The Soviets also agreed to significant flexibility in gas deliveries. West Germany on 1 October will have a one-time option to permanently reduce the base amount of gas in its contract (10.5 billion cubic meters per year) by up to 20 percent. More important, each purchasing country in each year of the contract will have the right to reduce deliveries during that year up to 20 percent below the base amount.
- *Price.* The West Europeans were pleased by the price formula even though they will be paying more than the current market price for most gas. The contract apparently stipulates a base price of \$4.65 per million BTUs, to be adjusted in proportion to future changes in oil prices, as well as a floor price of \$5.40. The West Europeans will pay whichever is higher: \$5.40 or the adjusted base price. The West Germans were particularly pleased that the adjustment formula is based 80 percent on the prices of heavy and light heating oil and only 20 percent on the price of crude. They believe that the prices of these products will rise less rapidly than crude prices in future years, because greater use of coal, gas, and nuclear power will hold down the demand for heating oil. Most current gas prices are below those in the Soviet contract but are rising rapidly: for example, West Germany in 1982 is paying an average of about \$4.00 per million BTUs for imported gas, up 30 percent from 1981. Even at the \$5.40 floor price, Soviet gas would be about 10 percent cheaper, on an energy-equivalent basis, than oil at \$34 per barrel. Given that the Soviet gas deliveries will not reach full volume before 1987, and will continue through 2009, during which time oil prices are likely to rise far above current levels— if only because of world inflation—the West Europeans are confident that the bulk of the Soviet gas will be purchased at the adjusted base price, which will always be well below the equivalent crude oil price.

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they had already studied carefully and resolved to their satisfaction.

### C. Possible Areas of Compromise

86. While reiterating their intention to honor commitments already made to the USSR, most of the major suppliers see the necessity to tone down public polemics over the pipeline issue, minimize the damage to transatlantic relations, and seek some accommodation with the US position. Underlying this need is the realization that European firms—without American licenses—would be far less competitive in the world energy market. The four West European countries involved (France, West Germany, Italy, and the United Kingdom) have thus far failed to develop a common strategy with respect to US sanctions. Allied acceptance of any US package designed to achieve consensus on joint sanctions would be contingent on two essential criteria: (1) that the burden be shared evenly among the Western countries and (2) that the sanctions not be applied retroactively. Possible areas of compromise might include:

— *The second strand of the pipeline.* A second Soviet pipeline is an obvious candidate to meet Western Europe's projected gas shortfall in the 1990s, although there are no negotiations in prospect at the moment. The West Europeans would be concerned about substantially increasing their dependence on Soviet gas. The gas needs could be satisfied by some combination of other measures: conservation, substitution of other fuels, or other sources of gas. Norway, for example, could expand gas production enough to meet a large part of incremental West European needs in the 1990s, if development efforts are begun in the next few years. Given these possibilities, the West Europeans might be willing to renounce the Soviet option.

— *Tighter credit restrictions.* As noted earlier there is considerable support—particularly from West Germany—for ending subsidized interest rates on Soviet credits. The West Europeans paid some lipservice to the idea at Versailles and might now be pressed to act. The French have been the strongest opponents of higher interest rates, fearing—probably with good reason—that they would lose some Soviet sales as a result. Although supporting it on interest rates, the West German position is by no means wholly consonant with that of the United States. On government export guarantees, for example, Bonn argues strongly against their abolition—and is adamant that it will do nothing on this issue at least until subsidized export credits are limited by other West Europeans.

— *Tighter COCOM restrictions.* There is already some support in Western Europe for tighter controls, and the United States can present a compelling case that technology transfers are contributing significantly to Soviet military improvements. Purely out of self-interest, the West Europeans should see that these Soviet gains detract from their security and/or compel them to increase defense expenditures.

87. More important than compromise on these specific points, however, is the need to reach agreement on a shared understanding of the long-run strategic implications of East-West trade. Such an understanding has been notably absent in the past, but the time may now be ripe to achieve it. Although the sanctions imbroglio has heightened the serious differences between Western Europe and the United States regarding the linkage of economic and political policies, it has raised the West European consciousness of the issues and the depth of US concerns.

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## ANNEX

## SOVIET DEPENDENCE ON US AND WESTERN OIL AND GAS EQUIPMENT

## Exploration Equipment

1. Having drilled most of their easily accessible deposits, the Soviets now need Western seismic and well-logging technology to accelerate discovery of additional oil reserves for the remainder of the century. Soviet exploration equipment, however, with its dated technology and limited data-processing capabilities is poorly suited to the exploration of complicated geologic areas such as the potential petroleum-bearing regions in East Siberia, as well as to finding oil and gas in smaller, subtle geologic formations in the West Siberian basin. Soviet equipment is also inadequate for efficient offshore exploration, drilling, and production, lacking particularly the sophisticated positioning, stabilizing, and seabed production capabilities of Western equipment.

2. Western geophysical equipment would help the Soviets explore deeper, hard-to-find subtle traps. Modern Western seismograph software and hardware—digital recorders, cable, geophones, computers, field processors—would enable them to increase their processing capability and better locate potential hydrocarbon traps. Western well-logging equipment for drilling-fluid analysis and final borehole evaluation would improve both drilling efficiency and oil discovery rates.

## Magnetometers and Gravity Meters

3. This equipment involves highly sophisticated sensing technology and data-processing capability. Remote areas, such as East Siberia, will be difficult to explore without this equipment. The USSR's technology in this area is perhaps 10 years behind that of the West. Skania of Sweden is the only known producer of this equipment outside the potential embargo group, and it is a small producer.

## Seismic Equipment

4. Improved seismic equipment is necessary if the Soviets are to find smaller and deeper oil and gas

deposits. The lack of this equipment will limit Soviet production five to seven years from now, as well as further in the future. If the Soviets try to develop their own seismic capability, the oil industry will need improved computer technology and additional R&D resources. Seismic equipment is available elsewhere, but the data-processing capability is closely held by Western firms.

## Well-Logging Equipment

5. Improved well-logging equipment could greatly aid the Soviets in identifying and assessing new oil and gas deposits. As is the case with seismic equipment, well-logging tools could be produced within one to two years in countries outside the Western embargo group, but the all-important software, which is more tightly controlled, would not be available.

## Drilling Equipment

6. Development of geologically complex and deep oil and gas reserves is consuming an increasing share of scarce resources throughout the USSR. In general, however, Soviet drilling equipment, characterized by poor metallurgy and manufacturing technology, is at a disadvantage relative to new Western equipment in working such deposits. Reservoirs of more than 3,000 meters are considered too deep for present Soviet turbodrills. A sustained embargo could substantially slow oil production in the early 1990s. Western blow-out preventers and remote hydraulic controls are indispensable for controlling high pressure, corrosive gas when exploring and exploiting deep reserves. Western drill pipe, collars, and tool joints would be lighter and stronger and provide improved efficiency in deep drilling operations. These items would effectively extend the depth capability of existing rigs by at least 25 to 33 percent. Improved Western tungsten-carbide insert bits with sealed journal bearings would provide the Soviets with state-of-the-art cutting and bearing technology. The latter features determine

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average bit life and the meters drilled per bit run. The longer the bit holds up, the fewer bits used per well. Changing the bit takes up to 66 percent of all deep drilling time. The Soviets change bits twice daily at 3,000-meter depths; US midcontinent drillers change bits about once a week.

#### Drill Pipe and Tool Joints

7. The Soviet Oil Ministry's plan for a 75-percent increase in drilling in 1981-85 will probably not be met, in part because of the insufficient quality and quantity of domestic drill pipe. The Soviets currently import substantial quantities of drill pipe. Countries outside NATO and Japan could fulfill only part of the need in the short run, but could expand production within one to two years. Increased Soviet production would require larger allocations of crude steel to the pipe mills. In such a situation the machine-building and metalworking sector would probably be the primary loser (it consumes some 40 percent of steel output).

#### Drill Bits

8. The Soviets badly need Western technical help in improving operations at a turnkey bit plant purchased from Dresser (US). If substantial improvements in the plant's operations are not forthcoming, imports of Western bits, which give 10 to 20 times longer bit life than normal Soviet bits, will have to be stepped up to meet drilling requirements.

#### Other Specialized Drilling Equipment

9. The United States produces a wide assortment of drilling tools that perform a variety of tasks such as retrieving broken drill pipe. Specialized tools contribute greatly to drilling efficiency when unexpected drilling problems arise. Greater use of such tools could lead to some increase in Soviet drilling efficiency. Much of this equipment requires special steel and precise machining and would be easier and probably less costly for the Soviets to import than to manufacture. Countries such as Austria and Finland could produce this equipment within one to two years, but it is questionable whether such firms would invest the effort based solely on the Soviet market.

#### Blowout Preventers (BOPs) and Controls

10. Most Soviet wells can be drilled using low-pressure Soviet or Romanian BOPs. The dangers inherent in drilling for high-pressure or high-sulfur gas, however, require the use of high-pressure BOPs with automatic controls. Although countries such as Sweden, Finland, or Mexico could produce this equipment in one to two years, an embargo would substantially hamper gas condensate development in West Siberia (high pressures) and Central Asia (high sulfur content) until then.

#### Production Equipment

11. The Soviets need production equipment for both old, developed fields and new undeveloped deep deposits. In both cases, the availability of the longer lived, more reliable Western items would be strongly to their advantage. Oil production is most affected by water encroachment at the Volga-Urals, Mangyshlak, and West Siberian fields. Large quantities of high-volume fluid-lift equipment is critical to maintaining oil output levels and improving oil recovery rates. New, undeveloped high-pressure, corrosive, and deep oil and gas deposits will require equipment made from special corrosion-resistant alloyed steel—wellheads, trees, casing, tubing valves, and the like. High subsurface pressures and temperatures cause many Soviet items to fail, and development of deep reserves at new fields—Tenghiz and Astrakhan—may be deferred or delayed if special Western equipment is not available.

#### Wellhead Assemblies, Downhole Completion Units, Casing, and Tubing

12. The situation with this type of equipment is almost identical to that with the blowout preventers. Soviet and East European equipment is adequate for most wells, but high-pressure gas production and high-sulfur gas production require speciality steels and different machining. Countries outside NATO and Japan could begin production of all of these items within one year. Soviet production of this equipment would require reallocation of scarce specialty steels.

#### Offshore/Arctic Equipment

13. A major effort to improve offshore oil and gas exploration and production capability has been

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launched by the USSR. The Soviets purchased three drillships, two semisubmersible drilling platforms, and a full complement of US technology and equipment during the 1976-80 plan period. Offshore activities have been concentrated in the Soviet Gas Ministry, which will manage both oil and gas exploration and production. Exploration for oil will be the focus of offshore activity inasmuch as onshore Arctic gas reserves are abundant. However, the most promising offshore areas could be more gas-prone—for example, the Caspian, Azov, Kara, Baltic, Barents, and Okhotsk Seas. The icy waters of the Kara and Barents Seas have the most potential, but they present the most serious technical problems for exploitation. Ice flows could prevent year-round operations in all but parts of the western Barents. Also, pipelines to shore would still have to traverse Arctic permafrost areas.

#### Offshore Positioning Equipment, Tensioners, Risers, and Motion-Compensating Systems

14. Although most offshore drilling equipment is currently produced in countries outside NATO and Japan, essential positioning equipment is not. The lack of such equipment would cause moderate delays in the Soviet offshore drilling program, especially Arctic exploration. A country such as Finland would probably require two or more years to develop this technology. The Soviets would require several years more.

#### Pipeline Construction

15. Current and future Soviet plans for new pipeline construction are strongly biased toward natural gas, whose production has, thus far, been heavily dependent on Western large-diameter linepipe, pipelayers, turbine-compressors, ball valves, and controls. Western pipe-coating and wrapping materials are also needed. Soviet linepipe is unsuited for high-pressure natural gas transmission service in the Arctic. Domestic turbine-compressors, pipelayers, and valves are generally too small, or too limited in capacity to do the job efficiently. The Soviets, however, are currently attempting to improve the quality and capacity of these items. Similar efforts to upgrade technology in the past proved unsuccessful, but the Soviets' political prestige is now on the line as far as the export pipeline is concerned. Some improvements can be expected, but the Soviets will still need all the help they can get in building major gas trunklines.

#### Large-Diameter Pipe and Valves

16. Depending on the amount of Western large-diameter linepipe already in Soviet inventories, an embargo on pipe and valves could severely impede Soviet progress toward the USSR's goal of completing six 56-inch gas pipelines in 1981-85. The completion of one or two pipelines by 1985 might be prevented, reducing potential gas deliveries in that year as much as 45 billion cubic meters. The Soviets are developing their own large-diameter pipe, a multilayered pipe manufactured in short sections. Use of this pipe would entail a massive increase in the amount of welding required for joining pipe. In any event, production of this pipe almost certainly will be insufficient to cope with ambitious Soviet pipeline construction plans through the mid-1980s. Steel requirements for Soviet self-sufficiency in large-diameter pipe would be enormous. Although other countries, such as Sweden, could produce the pipe and valves, the existing large pipe-mill capacity in West Germany, Japan, and Italy might deter potential suppliers from undertaking large investment to supply the Soviets, who openly are trying to develop their own production capability.

#### Pipelayers

17. The United States, Japan, and Italy are currently the only producers of pipelayers large enough to handle the large-diameter gas pipe. Soviet production of such pipelayers is just beginning, and their quality is uncertain. The lack of Western pipelayers would slow the Soviet effort, although the impact is difficult to measure. A major uncertainty is the degree to which the service life of equipment is reduced under Soviet operating and maintenance conditions.

#### Compressors and Turbines

18. Western compressors with 25-megawatt gas turbines—a size the Soviets cannot yet serially produce—have been ordered for the Siberia-to-Western Europe pipeline. If expanded US sanctions were followed by the NATO countries and Japan, the Soviets could lose some 20 billion cubic meters of gas annually for one to two years. The Soviets have two principal options in the face of a full NATO and Japanese embargo—using smaller turbines built in the USSR or in countries outside NATO and Japan and perfecting their own 25-megawatt turbines.

~~A-3  
SECRET~~

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### Gas-Processing Equipment

19. Imported gas-processing equipment is necessary for developing the high-sulfur gasfields of Central Asia and Astrakhan. High-quality steels—an area in which the Soviets are deficient—are the main prerequisite for this producing equipment. Firms in countries such as Sweden could enter the market within one to two years.

### Oil-Refining Equipment

20. The Soviets intend to expand their secondary refining capability substantially in the 1980s. Installation of additional secondary refining capacity will

make refinery operations more efficient, and allow the Soviets to refine crude oils with higher sulfur content. Plans to substitute gas for oil would involve displacing heavy fuel oil from present uses and would be hampered by a Soviet inability to further refine heavy fuel oil. The heavy fuel oil currently comprises a large share of refinery output, and we anticipate that the export market for this product will continue to be unattractive to the Soviets.

21. While the Soviets are installing secondary refining equipment, they would probably like to obtain more Western units but may be constrained by hard currency shortages.

~~A-4  
SECRET~~



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WHITE HOUSE SITUATION ROOM

170887

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IMMEDIATE  
DE RUEHC #9372 2662355  
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FM SECSTATE WASHDC

TO ALL DIPLOMATIC AND CONSULAR POSTS IMMEDIATE

~~CONFIDENTIAL~~ STATE 269372  
INFORM CONSULS: ALSO FOR PAOS  
E.O. 12356: DECL: 9/20/92  
;AGS: SHUM, PINS, UR  
SUBJECT: ISSUE OF FORCED LABOR AND THE SOVIET GAS PIPELINE

1. (B) SINCE MID-SUMMER, THE ISSUE OF FORCED LABOR, INCLUDING POLITICAL PRISONERS, ON THE USSR-EUROPE GAS PIPELINE AND OTHER MAJOR PROJECTS IN THE USSR HAS APPEARED IN WEST EUROPEAN AND OTHER MEDIA. MOST REPORTS HAVE EMANATED FROM THE FRANKFURT-BASED INTERNATIONAL ASSOCIATION FOR HUMAN RIGHTS. NONE OF THESE REPORTS HAVE BEEN CONFIRMED. FRENCH AND FRG GOVERNMENTS HAVE PUBLICLY STATED THAT THEIR EMBASSIES IN MOSCOW HAVE BEEN ASKED TO INVESTIGATE THESE ALLEGATIONS. THE U.S. EMBASSY HAS BEEN INSTRUCTED TO DO THE SAME. THE LIKELIHOOD OF OUR DISCOVERING DIRECT EVIDENCE OF THE USE OF FORCED LABOR ON PIPELINE CONSTRUCTION IS REMOTE, CONSIDERING RESTRICTIONS PLACED ON EMBASSY TRAVEL AND SOVIET DESIRE TO COUNTER THESE CHARGES, BUT IT IS IMPORTANT THAT THE INTERNATIONAL COMMUNITY ACTIVELY SEEK TO DISCOVER THE FACTS, AND THAT THE ISSUE REMAIN ALIVE.

2. (C) GIVEN THE TRADITIONAL SOVIET USE OF FORCED LABOR ON MAJOR PROJECTS IN REMOTE AREAS REQUIRING CONSIDERABLE MANUAL INPUT, IT IS POSSIBLE THAT PRISON LABOR IS BEING USED, OR

MESSAGE (CONTINUED):

THAT IT WAS USED IN THE PRELIMINARY STAGES. WE DO NOT KNOW WHETHER POLITICAL PRISONERS WERE USED. WHILE THIS ISSUE IS OF EQUAL CONCERN TO EUROPLANS AND AMERICANS, WE SHOULD AVOID GIVING IT A "MADE IN USA LABEL." U.S. OFFICIALS SHOULD ATTEMPT TO DEVELOP IT CAREFULLY, FOCUSING APPROPRIATE ATTENTION NOT ONLY ON THE QUESTION OF FORCED LABOR ON THE PIPELINE PROJECT, BUT ALSO ON THE BROADER HUMAN RIGHTS ISSUE REPRESENTED BY THE APPROXIMATELY FOUR MILLION SOVIET PRISONERS UNDERGOING SOME FORM OF INVOLUNTARY LABOR.

3. (C) PARA 5 CONTAINS EXCERPTS FROM DOCUMENTATION RELEASED IN MID-AUGUST BY THE INTERNATIONAL ASSOCIATION FOR HUMAN RIGHTS. WHILE IT IS IMPRACTICABLE TO VERIFY THE DETAILED ASSERTIONS, SOME OF WHICH APPEAR TO BE EXAGGERATED, WE BELIEVE THAT THEY ARE WORTHY OF ATTENTION.

4. (C) ACTION REQUESTED.

ALL POSTS IN WESTERN EUROPE AND OTHER POSTS WHERE, IN YOUR JUDGMENT, YOU ARE LIKELY TO RECEIVE A FAIR HEARING, SHOULD EXPRESS IN APPROPRIATE CONVERSATIONS WITH HOST GOVERNMENT, PRIVATE SECTOR OR ORGANIZATIONS, INCLUDING UNIONS, AND MEDIA: A. OUR CONCERN OVER THIS HUMAN RIGHTS ISSUE; B. OUR BELIEF THAT THE INTERNATIONAL COMMUNITY HAS A RESPONSIBILITY TO INVESTIGATE THESE CHARGES. YOU MAY MAKE AVAILABLE TO THEM TESTIMONY IN PARA 5 BELOW, POINTING OUT ITS ORIGIN, AND EXPRESS OUR WILLINGNESS TO PROVIDE ANY FURTHER INFORMATION WE ARE ABLE TO UNCOVER ON THIS ISSUE. YOU SHOULD INDICATE THAT WE WOULD WELCOME ADDITIONAL INFORMATION THEY MAY HAVE.

5. (U) "SELECTED TESTIMONY FROM THE SOVIET UNION" WRITTEN ACCOUNT BY MRS. A;P. FROM MOSCOW, JULY 1982

MY UNCLE IS AN OFFICER IN THE SOVIET ARMY AND SERVES IN THE NORTH IN THE HANTY-MANSSIYSKIY AUTONOMOUS REGION.

AT THE END OF LAST YEAR, MY UNCLE ARRIVED UNEXPECTEDLY IN MOSCOW SAYING THAT HE HAD BEEN DISMISSED FROM THE ARMY FOR HEALTH REASONS. IN THE COURSE OF OUR CONVERSATIONS I LEARNED THE FOLLOWING:

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MESSAGE (CONTINUED):

IT WAS TRUE THAT MY UNCLE HAD PARTICIPATED AS A CONSTRUCTION ENGINEER IN VARIOUS PROJECTS FROM THE NEW PORT ON THE YAMAL PENINSULA TO PERM IN THE URALS. THE OFFICERS AND SOLDIERS HAD BEEN TOLD QUITE OPENLY THAT THE CONSTRUCTION OF THE GAS PIPELINE FROM SIBERIA TO WESTERN EUROPE WOULD GREATLY CONTRIBUTE TO STRENGTHENING THE DEFENSE OF THE NORTHERN U.S.S.R. FOR ONE THING, IT INCREASES THE INFUX OF WORKERS TO THE NORTH AND SECONDLY, THE GAS PIPELINE WILL FACILITATE THE SUPPLY OF FUEL TO THE VARIOUS MILITARY INSTALLATIONS IN THE NORTH. IN THIS AREA WE NEED NOT BUILD ANYTHING OURSELVES ANYMORE -- ALL

PREPARATORY WORK IS COMPLETED BY PRISONERS, AND ONLY AFTER THAT, VOLUNTEER LABOR BRIGADES ARRIVE ON THE SCENE.

TELEPHONE REPORT BY MR. P.S. FROM MOSCOW, JULY 1982

"I WAS FIRED FROM THE MOSCOW MINING INSTITUTE BECAUSE I HAD CRITICIZED THE REGIME, AND NOW NO ONE IN TOWN WILL HIRE ME.

THE KGB TOLD ME: 'YOU CAN VOLUNTEER NOW TO WORK ON THE GAS PIPELINE, BEFORE WE SEND YOU THERE BY FORCE. AT THIS POINT, YOU STILL HAVE THE CHANCE TO WORK THERE AS A VOLUNTEER.'

SO I WENT TO TYUMEN, WHERE I WAS ORDERED BY CONSTRUCTION HEADQUARTERS TO REPORT TO THE URENGOY DISTRIBUTING STATION AS AN ELECTRICIAN. I WORKED IN URENGOY, A DIRTY SMALL TOWN OF HASTILY PUT UP PRIMITIVE SHACKS, FOR A YEAR, SHARING WITH THREE OTHER WORKERS A SMALL ROOM IN A DORMITORY.

ON THE VERY FIRST DAY I WAS TOLD THAT THERE WERE ALSO PRISONERS WORKING AT THIS SITE, AND THAT I WAS NOT TO SPEAK WITH THEM OR TELL ANYONE ABOUT THEM IF I DID NOT WANT TO BE LOCKED UP WITH THEM.

FOR ELEVEN MONTHS I WAS ABLE TO OBSERVE HOW BADLY AND UNFAIRLY THE PRISONERS AND DEPORTEES WERE BEING TREATED.

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THEY WERE SUPERVISED BY THE VOLUNTEERS WHO, OF COURSE, ONLY DID THE EASIER JOBS. THE DANGEROUS JOBS WERE DONE ONLY BY PRISONERS; SOMETIMES THEY WERE PROMISED THAT THEY WOULD BE RELEASED EARLY.

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MESSAGE (CONTINUED):

DURING THE ELEVEN MONTHS, I WITNESSED NUMEROUS FATAL ACCIDENTS CAUSED BY EXPLODING GAS AND GAS POISONING. DURING THE SUMMER, CONCRETE WAS DELIVERED BY OPEN TRUCKS; EN ROUTE IT HAD HARDENED TO THE POINT WHERE THE PRISONERS HAD TO HACK IT OUT BIT BY BIT SO THAT THEIR HANDS STARTED BLEEDING.

THE HEAVY EQUIPMENT ARRIVING FROM ABROAD ALSO HAD TO BE UNLOADED AND TRANSPORTED MANUALLY BY THE PRISONERS. AGAIN AND AGAIN, THERE WERE ACCIDENTS DURING THE TEST RUNS; BECAUSE OF MISTAKES IN THE OPERATION OF THE EQUIPMENT, IT KEPT BREAKING DOWN AND THE PRISONERS HAD TO MOVE THE HEAVY PIPES AGAIN AND AGAIN, WITHOUT PROPER MECHANICAL AIDS; OFTEN THE ROPES, WHICH WERE NOT STRONG ENOUGH, WOULD BREAK, CAUSING MORE LIVES TO BE LOST. I TRIED SEVERAL TIMES TO LODGE A COMPLAINT ABOUT THIS WITH THE TRADE

UNIONS, BUT I WAS TOLD: "YOU DON'T HAVE TO FEEL SORRY FOR THESE PEOPLE, THEY SHOULD HAVE BEEN KILLED LONG AGO. THEY SHOULD BE GLAD TO BE GIVEN THE OPPORTUNITY TO REFORM."

THE PRISON CAMP WAS NOT LOCATED IN URENGOY BUT TWO KILOMETERS AWAY, IN THE TAIGA, SO THAT THE PEOPLE IN THE CITY HAD NO IDEA THAT IT WAS THERE. BUT I HAD OCCASION TO TALK TO THE SOLDIERS ASSIGNED TO THE CAMP, AND THEY NOT ONLY TOLD ME OF THE HIGH MORTALITY RATE AMONG THE PRISONERS, BUT ALSO OF THE FREQUENT SUICIDES COMMITTED BY DESPAIRING YOUNG SOLDIERS WHO COULDN'T TAKE ALL THAT MISERY ANYMORE AND KILLED THEMSELVES WITH THEIR OWN WEAPONS IN THEIR WATCH TOWERS.

THE SADDEST SIGHT WERE THE MANY FEMALE PRISONERS WHO HAD TO DO THE SAME WORK AS THE MEN AT THE CONSTRUCTION SITES. COMPLETELY FILTHY OR SOAKING WET THEY RETURNED TO THEIR HUTS IN THE EVENING; THEY WEREN'T ABLE TO CHANGE OR WASH THEIR CLOTHES.

DURING THE WINTER, THE MVD GUARDS WOULD BE STANDING AROUND A FIRE IN HEAVY SHEEPSKIN COATS, WARMING THEIR HANDS, WHILE IN THE PRISONERS HAD TO WORK IN THE COLD, DRESSED IN THIN WORK PANTS AND SHORT COATS WITH HARDLY ANY LINING."

TELEPHONE REPORT BY MR. I.P. FROM TYUMEN, JUNE 1982

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MESSAGE (CONTINUED):

ON JUNE 15, 1982, MR. I.P. TELEPHONED AN ACQUAINTANCE IN THE WEST WITH THE FOLLOWING REPORT:

"WHILE I WAS STILL AT THE CAMP, I HEARD OF THE POSSIBILITY OF WORK ON THE CONSTRUCTION OF THE GAS PIPELINE FOR EUROPE.

BECAUSE OF THE DIFFICULT LIVING AND WORKING CONDITIONS IN THE CAMPS, MANY PRISONERS ARE WILLING TO EXCHANGE LIFE IN A CAMP FOR THE LIFE OF FORCED LABORERS, WHO WORK UNDER MINIMUM SECURITY CONDITIONS.

THUS I VOLUNTEERED AND, ALONG WITH APPROXIMATELY 50

MINIMUM-SECURITY PRISONERS FROM VARIOUS CAMPS, WAS TAKEN TO THE FACILITY FOR PRISONERS IN TRANSIT IN TYUMEN, WHERE WE REMAINED FOR TEN DAYS, UNTIL THE MILITIA AND THE MVD HAD DECIDED WHERE TO PUT US. WITH SEVERAL OTHERS I WAS ASSIGNED TO "SPECIAL WORKFORCE NO. 7" IN KIRPICHNY, A SMALL PLACE NEAR TYUMEN, WHERE I REPORTED TO THE COMMANDANT FOR MINIMUM-SECURITY PRISONERS AND DEPORTEES.

ALONG WITH FOUR OTHERS, I WAS HOUSED IN AN EMPTY FREIGHT CAR WHICH HAD BARELY ENOUGH ROOM FOR FOUR COTS. WE HAD

ELECTRICITY, BUT NO WATER. OTHERS LIVED IN HUTS WHICH DATED BACK TO THE CAMPS BUILT UNDER STALIN, OR IN HASTILY ERECTED DORMITORIES, TWO-STORY BUILDINGS WITHOUT ANY AMENITIES.

THESE SETTLEMENTS RARELY HAVE A NAME; IN MOST CASES THEY ARE REGISTERED UNDER "SPECIAL WORKFORCE NO..." ALONG WITH THE DESIGNATION OF THE CAMP ADMINISTRATION FOR THE REGION IN QUESTION.

ARRIVING MINIMUM-SECURITY PRISONERS MUST IMMEDIATELY BEGIN WORK ON THE TASKS ASSIGNED TO THEM BY THE COMMANDANT.

IN ADDITION TO THE MINIMUM-SECURITY PRISONERS, THE WORKFORCE INCLUDES DEPORTEES AND PEOPLE SENTENCED FOR "PARASITISM"; IN KIRPICHNY, THEIR NUMBERS TOTALED APPROXIMATELY 6,000.

FOR THE MOST PART, THE WORK INVOLVED PREPARATION OF GLASS WOOL, WRAPPING OF PIPES, EXCAVATION, MOUNTING OF INSTRU-

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MESSAGE (CONTINUED):

MENTS AND PIPE SUPPORTS, LAYING OF ELECTRIC AND TELEPHONE CABLES, AND VARIOUS CHORES IN THE PETROCHEMICAL FIELD.

SOME CONSTRUCTION AREAS, WHERE THE WORK INVOLVED PERMA-FROST, REMOVAL OF GROUND WATER AND BLASTING OF ROCKS ARE SURROUNDED BY WOODEN FENCES AND BARBED WIRE AND GUARDED BY ARMED SOLDIERS AND GUARD-DOGS. THIS IS WHERE THE PRISONERS FROM CAMP NO. 34/2 ARE TAKEN BY CLOSED CARS EACH DAY. THEY KEEP MOVING FROM ONE SITE TO THE NEXT ALONG THE ROUTE WHERE THE GAS PIPELINE IS TO BE LAID.

THE FOOD IS POOR, THERE IS NO MEDICAL CARE WHATSOEVER, THE HUTS AND FREIGHT CARS ARE COLD, DRUNKENNESS IS COMMON AMONG THE WORKERS. IT ALSO HAPPENS THAT MINIMUM-SECURITY PRISONERS ARE SENTENCED AGAIN, SENT BACK TO THE PRISON CAMPS, AND HAVE TO WORK BEHIND BARBED-WIRE FROM THEN ON.

AT THE PRESENT TIME, THE TYUMENLAG COMPLEX CONSISTS OF FOURTEEN CAMPS, LOCATED IN NIZHNAYA TAVDA, USSETSK, YALUTOVROVSK, ZAVODOUKOVSK IMPIM, MALITSA, TOBOLSK (2) AND TYUMEN (2).

THE HARDEST JOBS SUCH AS EXCAVATION OF TRENCHES, LAYING OF RAILROAD TRACKS, MIXING OF CONCRETE, AND CONSTRUCTION OF RAILINGS FOR SCAFFOLDING ARE DONE NOT ONLY BY MEN, BUT ALSO BY DEPORTED WOMEN AND MINORS FROM REFORMATORIES.

AT THE PRESENT TIME, MORE THAN 100,000 FORCED LABORERS ARE ASSIGNED TO THE CONSTRUCTION OF THE GAS PIPELINE FOR

EUROPE IN VARIOUS CAPACITIES. THEIR WORK INCLUDES MANUFACTURE OF WORK CLOTHES--THIS IS ONE BY FEMALE PRISONERS OR INMATES OF PSYCHIATRIC HOSPITALS. NEVERTHELESS, THERE IS A SHORTAGE OF WORK CLOTHES; FOR INSTANCE, PROTECTIVE GLOVES ARE ISSUED ONLY EVERY SIX MONTHS. THE

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WORKERS WRAP RAGS AROUND THEIR HAND, BUT INJURIES AND ECZEMA ARE A FREQUENT OCCURRENCE AMONG THE WORKERS HANDLING BARBED WIRE, CONCRETE, GLASS WOOL, OR ASBESTOS. ACCIDENTS ARE THE ORDER OF THE DAY, BUT WHEN PEOPLE CALL THE EMERGENCY STATION THE MEDICS WANT TO KNOW FIRST WHETHER THE INJURED PERSON IS A VOLUNTEER OR A ZEK (THAT IS WHAT THEY CALL THE CAMP POPULATION, I.E., MINIMUM-SECURITY PRISONERS AND DEPORTEES). IF THE INJURED PERSON IS A ZEK, THE MEDICS USUALLY TAKE THEIR TIME ARRIVING."

MESSAGE (CONTINUED):

C POSTS SHOULD ALSO DRAW UPON, AND MAKE AVAILABLE TO APPROPRIATE HOST GOVERNMENTS, DEPARTMENT'S STATEMENT OF 9/22/82 ON FORGED LABOR ISSUE. TEXT FOLLOWS:

7. U PRESS STATEMENT

FORCED LABOR IN USSR

U, WE HAVE RECEIVED A GROWING NUMBER OF REPORTS THAT THE USSR HAS USED A LARGE NUMBER OF PRISONERS -- INCLUDING THOUSANDS OF POLITICAL PRISONERS -- TO WORK ON MASSIVE LABOR PROJECTS. ACCORDING TO AT LEAST ONE SUCH REPORT, FOR EXAMPLE, AT LEAST 100,000 SUCH FORCED LABORERS ARE BEING USED ON THE HEAVY INFRASTRUCTURE WORK OF CLEARING SWAMPS, CUTTING TIMBER AND BUILDING ACCESS ROADS FOR THE YAMAL GAS PIPELINE. THESE FORCED LABORERS REPORTEDLY INCLUDE RELIGIOUS DISSIDENTS AND OTHER PRISONERS OF CONSCIENCE

U THESE REPORTS HAVE COME FROM A WIDE VARIETY OF INDIVIDUALS AND ORGANIZATIONS, IN EUROPE, ASIA AND THE US. THE SOURCES INCLUDE HUMAN RIGHTS ORGANIZATIONS; LABOR ORGANIZATIONS; LABORERS WHO HAVE MANAGED TO EMIGRATE FROM THE SOVIET UNION AFTER WORKING UNDER THESE CONDITIONS; AND LETTERS REACHING ASIA AND THE WEST FROM THE USSR.

U, WE ARE NOT CLAIMING TO HAVE EVIDENCE RESEMBLING A "SMOKING GUN." GIVEN THE CLOSED NATURE OF SOVIET SOCIETY AND THE OFFICIAL CONTROL OF THE SOVIET MEDIA, MOREOVER, THERE MAY NEVER BE A "SMOKING GUN." BUT THE INFORMATION BEING RELEASED BY THIS WIDE RANGE OF KNOWLEDGEABLE INDIVIDUALS AND ORGANIZATIONS SPANNING THREE CONTINENTS, SOME WITH FIRST HAND EXPERIENCE OF THESE LABOR CONDITIONS, GOES INTO CONSIDERABLE DETAIL AND DESERVES SERIOUS EXAMINATION.

U, RELIABLE ESTIMATES PLACE THE TOTAL NUMBER OF FORCED LABORERS IN THE SOVIET UNION TODAY AT APPROXIMATELY FOUR MILLION. FURTHER, IT IS WELL ESTABLISHED THAT THE SOVIET UNION HAS A HISTORY OF USING FORCED LABOR ON A MASS SCALE -- INCLUDING POLITICAL PRISONERS -- ON MAJOR PROJECTS, PARTICULARLY IN SIBERIA -- WHERE THE OFFICIAL PRESS HAS ACKNOWLEDGED THAT IT IS DIFFICULT TO PERSUADE SOVIET

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MESSAGE (CONTINUED):

WORKERS TO GO THERE VOLUNTARILY. TO CITE ONLY TWO

EXAMPLES, SOME 250,000 FORCED LABORERS ARE BELIEVED TO HAVE PERISHED DURING THE 1930'S WHILE WORKING ON THE CONSTRUCTION OF THE BIELOMORSK CANAL. AND IN THE 1970'S THOUSANDS OF FORCED LABORERS WERE REPORTED TO BE BUILDING THE BAIKAL-AMUR RAILWAY EXTENSION IN SOUTHEASTERN SIBERIA.

U, AS REGARDS FOREIGN LABORERS, THE OFFICIAL SOVIET MEDIA ITSELF HAS ADMITTED THAT SEVERAL THOUSAND VIETNAMESE

AND OTHER SOUTHEAST ASIAN LABORERS HAVE BEEN IMPORTED INTO THE USSR AND HAS INTIMATED THAT MANY THOUSANDS MORE ARE LIKELY TO BE IMPORTED IN THE NEAR FUTURE. INFORMATION ON THE NATURE OF THIS PROGRAM IS FRAGMENTARY. WE DO NOT KNOW WHETHER OR NOT THE VIETNAMESE LABORERS ARE WORKING ON THE SIBERIAN PIPELINE. BUT WE ARE VERY CONCERNED ABOUT INDICATIONS THAT VIETNAMESE MAY BE COERCED INTO WORKING IN THE USSR AND EASTERN EUROPE AND THAT A PORTION OF THE SALARY PAID TO THEM MIGHT BE DEDUCTED TO OFFSET VIETNAM'S DEBTS TO THE HOST COUNTRY. IN ADDITION, WE HAVE RECEIVED REPORTS THAT THE SOVIET AUTHORITIES ARE PLACING LIMITATIONS ON THE ABILITY OF THESE WORKERS TO COMMUNICATE WITH THEIR FAMILIES AND FRIENDS OUTSIDE THE USSR. WE BELIEVE IT IS IMPORTANT THAT INTERNATIONAL ATTENTION BE GIVEN TO THIS SITUATION, GIVEN THE OBVIOUS POSSIBILITY OF EXPLOITATION OF THESE WORKERS.

U, THE SOVIET GOVERNMENT COULD CONTRIBUTE TO ESTABLISHING THE TRUTH ABOUT THESE VERY SERIOUS CHARGES BY PERMITTING AN OBJECTIVE EXAMINATION OF LABOR CONDITIONS ON ITS VARIOUS SIBERIAN PROJECTS AND THE CONDITIONS IN WHICH SOVIET POLITICAL PRISONERS LIVE AND WORK. WE WOULD WELCOME SUCH AN INDEPENDENT INTERNATIONAL INVESTIGATION, BUT THE PROSPECTS FOR OBTAINING THIS ARE PROBABLY NOT BRIGHT. FOR EXAMPLE, CHARGES OF USE OF FORCED LABOR HAVE BEEN MADE IN THE PAST AGAINST THE USSR IN THE INTERNATIONAL LABOR ORGANIZATION ILO. HOWEVER, THE SOVIET AUTHORITIES HAVE CONSISTENTLY REFUSED TO ALLOW AN ILO MISSION TO VISIT THE USSR TO INVESTIGATE THESE CHARGES.

U, BECAUSE OF THE SERIOUSNESS OF THESE CHARGES, AND THE MASSIVE HUMAN RIGHTS VIOLATIONS WHICH THEY IMPLY, WE BELIEVE THE INTERNATIONAL COMMUNITY HAS A RESPONSIBILITY TO INVESTIGATE THEM. THE USG, FOR ITS PART, IS THOROUGHLY

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MESSAGE (CONTINUED):

EXAMINING THE INFORMATION BEING BROUGHT TO BEAR ON THIS ISSUE, AND WE UNDERSTAND THAT SEVERAL OTHER GOVERNMENTS HAVE INDICATED SIMILAR INTENTIONS. AS OUR EXAMINATION PROCEEDS, WE WILL -- WHEREVER POSSIBLE -- MAKE OUR FINDINGS AVAILABLE TO THE PUBLIC. WE HOPE THAT OTHER GOVERNMENTS AND PRIVATE ORGANIZATIONS WILL DO THE SAME. SHU TZ

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THE WHITE HOUSE  
WASHINGTON

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Sep 24, 1600

Admiral,

FYI The attached message from  
USS Yarnell on the torpedo firing  
incident was just received from  
RADM Kurth.

*Wud* *M* Jim

*Judge* —

*It seems clear from  
this report that the  
torpedo was from a  
Soviet exercise. Jol*

170883

WPC HAS SEEN

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NAVAL MESSAGE

NAVY DEPARTMENT  
PENTAGON TELECOMMUNICATIONS CENTER

NAVAL MESSAGE

OTTCZFDY RUFRRSGG9993 2661415  
IMMEDIATE  
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KRIVAK 754. IN EITHER CASE, TORPEDO WAS INITIALLY HEADING MORE PARALLEL TO FORMATION AND MORE IN DIRECTION OF SVERDLOV. IT THEN MADE A RADICAL COURSE CHANGE TO PORT OF MORE THAN NINETY DEGREES AND HEADED TOWARD ORIG. THE PATH OF THE TORPEDO CLEARED ASTERN OF SVERDLOV BY APPROX 1000 YARDS. ORIG DOES NOT ESTIMATE TORPEDO WAS INTENTIONALLY FIRED IN ORIG'S DIRECTION. ONLY SIGNAL HOISTED WAS INTERNATIONAL CODE OF SIGNALS QUOTE CODE NOVEMBER ECHO TWO UNQUOTE HOISTED BY SVERDLOV AND ANSWERED AS UNDERSTOOD BY ORIG.  
C. UPON COMPLETION OF MANEUVERS, ORIG COMPLETED INTELL/PHOTO COLLECTION AND DEPARTED AREA ENROUTE PORT VISIT.  
D. NC2 TRACE AND PHOTOS AVAILABLE FOR SUBMISSION.  
E. APPROPRIATE INTELL REPORTS BEING COORDINATED BY CTG 100.1 (EMBARKEED ORIG). CTG 100.1 CONCURS WITH THIS REPORT.  
UNODIR LAST REPORT THIS INCIDENT.  
DECL 23 SEP 88  
BT

FM USS HARRY E YARNELL

TO CINCUSNAVEUR LONDON UK

INFO CNO WASHINGTON DC  
COMNAVSURFLANT NORFOLK VA  
COMCRUDESGRU EIGHT  
ZEN/CTG ONE ZERO ZERO PT ONE  
CINCLANTFLT NORFOLK VA  
COMSECONDFLT  
COMCRUDESGRU EIGHT DET ONE  
TG ONE ZERO ZERO PT ONE

BT

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OPREP-3 NAVY BLUE/N52688/001

1. (C) INCIDENT. TORPEDO FIRING BY SOVIET KRIVAK (FFG 754) OR SOVIET SUBMARINE IN VICINITY USS HARRY E YARNELL.
2. (C) CDR'S ESTIMATE. WHILE CONDUCTING ROUTINE SURVEILLANCE OPERATION OF OPPORTUNITY (WITH ONE INTELLIGENCE OFFICER, SSES DET EMBARKEED), ORIG TRANSITED AREA WHICH WAS SUBSEQUENTLY IDENTIFIED BY SVERDLOV CRUISER (CG 154) AS AN AREA CONTAINING EXERCISE SUBMARINE. SOVIET SAG WAS APPARENTLY CONDUCTING ASW EXERCISE. ORIG SUBSEQUENTLY HAD TO MANUEVER TO AVOID RUNNING TORPEDO.
3. (U) NONE
4. (C) DETAILS
  - A. (C) 231009Z SEP 82
  - B. (C) 55-39N2/019-17E8
  - C. (C) NARRATIVE. WHILE CONDUCTING TRANSIT OF EASTERN BALTIC ICW BALTOPS 82 ENROUTE PORT VISIT HELSINKI, ORIG ENCOUNTED SOVIET SAG CONSISTING OF THREE KRIVAK FRIGATES (FFG 724/740/754) AND SVERDLOV CRUISER (CG 154). ORIG CONDUCTED ROUTINE INTELLIGENCE/PHOTO COLLECTION ON CONTACTS OF OPPORTUNITY. WHILE APPROACHING SVERDLOV PORT BEAM FROM ASTERN, ORIG NOTED SEVERAL SUCCESSIVE SEA-SURFACE FLARES FROM UNKNOWN SOURCE. AS FLARES CAME CLOSER, IDENTIFIED SOURCE AS A RUNNING TORPEDO (MARKED WITH INTERNATIONAL ORANGE NOSE). TORPEDO WAS BROACHING SURFACE ERRATICALLY AND HEADING TOWARDS ORIG. ORIG OBSERVED TORPEDO AND TORPEDO WAKE FOR SEVERAL SECONDS AND DETERMINED THAT TORPEDO WAS INDEED ON A COLLISION COURSE. ORIG TURNED AWAY WITH FULL RUDDER AND ENGINES AHEAD FLANK WHEN TORPEDO APPROX ONE THOUSAND YARDS AWAY AND MAKING APPROX FORTY KNOTS. TORPEDO ENDED ITS RUN DEEP ON ORIG PORT QUARTER AT CPA OF APPROX FIVE TO SEVEN HUNDRED YARDS.
5. (U) NO LOSS, DAMAGE OR INJURY.
6. (C) A. AT TIME OF INITIAL TORPEDO DETECTION, ALL SOVIET SURFACE UNITS WERE ON COURSE 160 SPEED 15. ORIG COURSE WAS 130, IN PROCESS OF TAKING STATION ON PORT QUARTER OF SVERDLOV. ORIG WAS APPROX 800 YARDS ON PORT QUARTER OF SVERDLOV. KRIVAK (FFG 754) WAS BEARING 275T AT 5000 YARDS. ESTIMATED POSITION OF WHISKEY CLASS SS WAS BEARING 260T AT 6200 YARDS (OR JUST BEYOND KRIVAK FROM ORIG POSITION). DATUM BASED ON ACTIVE SONAR CONTACT HELD BY ORIG AT 1005Z.  
B. ESTIMATE THAT ORIG INTERCEPTED SAG AS THEY WERE CONDUCTING ASW EXERCISE. EITHER THE KRIVAK (FFG 754) LAUNCHED TORPEDO AT SUBMARINE OR SUBMARINE LAUNCHED TORPEDO AT SVERDLOV OR



Port

*Handwritten signatures and initials:*  
Auberstein  
Zimmwalt  
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Warrner  
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S U S P E C T E D DUPLICATE MESSAGE/ZFD

CNO WASH DC  
COG MCC(1)  
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NLRRCrest NR-748-23-7-72  
BY CN NARA DATE 4/10/13

MCN=82266/15010 TOR=82266/1605Z TAD=82266/1606Z CDSN=MAP163

# WITHDRAWAL SHEET

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<i>ID</i>	<i>Document Type</i> <i>Document Description</i>	<i>No of</i> <i>pages</i>	<i>Doc Date</i>	<i>Restric-</i> <i>tions</i>
170884	REPORT  SIGNIFICANT EVENT REPORT (INCL. ATTACHED MAP)	2	9/23/1982	B1

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Freedom of Information Act - [5 U.S.C. 552(b)]

- B-1 National security classified information [(b)(1) of the FOIA]
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186246	FORM REQUEST/RECEIPT FOR TRANSMISSION	1	9/23/1982	B1

**Freedom of Information Act - [5 U.S.C. 552(b)]**

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<i>ID</i>	<i>Document Type</i> <i>Document Description</i>	<i>No of</i> <i>pages</i>	<i>Doc Date</i>	<i>Restric-</i> <i>tions</i>
170885	NOTE  RE SIGNIFICANT EVENT REPORT (DOC #170884)	1	9/24/1982	B1

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Freedom of Information Act - [5 U.S.C. 552(b)]

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170874	CABLE 240407Z SEP 82	1	9/24/1982	B1

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**Freedom of Information Act - [5 U.S.C. 552(b)]**

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NAVAL MESSAGE

NAVY DEPARTMENT  
PENTAGON TELECOMMUNICATIONS CENTER

NAVAL MESSAGE

OTTZFDY RUFRRSGG9993 2661415  
IMMEDIATE  
O 231415Z SEP 82

FM USS HARRY E YARNELL

TO CINCUSNAVEUR LONDON UK

INFO CNO WASHINGTON DC  
COMNAVFLANT NORFOLK VA  
COMCRUDESGRU EIGHT  
ZEN/CTG ONE ZERO ZERO PT ONE

CINCLANTFLT NORFOLK VA  
COMSECONDFLT  
COMCRUDESGRU EIGHT DET ONE  
TG ONE ZERO ZERO PT ONE

BT

CONFIDENTIAL

OPREP - 3 NAVY BLUE/NS2688/001

1. (C) INCIDENT. TORPEDO FIRING BY SOVIET KRIVAK (FFG 754) OR SOVIET SUBMARINE IN VICINITY USS HARRY E YARNELL.
2. (C) CDR'S ESTIMATE. WHILE CONDUCTING ROUTINE SURVEILLANCE OPERATION OF OPPORTUNITY (WITH ONE INTELLIGENCE OFFICER, SSES DET EMBARKED), ORIG TRANSITED AREA WHICH WAS SUBSEQUENTLY IDENTIFIED BY SVERDLOV CRUISER (CG 154) AS AN AREA CONTAINING EXERCISE SUBMARINE. SOVIET SAG WAS APPARENTLY CONDUCTING ASW EXERCISE. ORIG SUBSEQUENTLY HAD TO MANUEVER TO AVOID RUNNING TORPEDO.
3. (U) NONE
4. (C) DETAILS
  - A. (C) 231009Z SEP 82
  - B. (C) 55-39N2/019-17E8
  - C. (C) NARRATIVE. WHILE CONDUCTING TRANSIT OF EASTERN BALTIC ICW BALTOPS 82 ENROUTE PORT VISIT HELSINKI, ORIG ENCOUNTERED SOVIET SAG CONSISTING OF THREE KRIVAK FRIGATES (FFG 724/740/754) AND SVERDLOV CRUISER (CG 154). ORIG CONDUCTED ROUTINE INTELLIGENCE/PHOTO COLLECTION ON CONTACTS OF OPPORTUNITY. WHILE APPROACHING SVERDLOV PORT BEAM FROM ASTERN, ORIG NOTED SEVERAL SUCCESSIVE SEA-SURFACE FLARES FROM UNKNOWN SOURCE. AS FLARES CAME CLOSER, IDENTIFIED SOURCE AS A RUNNING TORPEDO (MARKED WITH INTERNATIONAL ORANGE NOSE). TORPEDO WAS BROACHING SURFACE ERRATICALLY AND HEADING TOWARDS ORIG. ORIG OBSERVED TORPEDO AND TORPEDO WAKE FOR SEVERAL SECONDS AND DETERMINED THAT TORPEDO WAS INDEED ON A COLLISION COURSE. ORIG TURNED AWAY WITH FULL RUDDER AND ENGINES AHEAD FLANK WHEN TORPEDO APPROX ONE THOUSAND YARDS AWAY AND MAKING APPROX FORTY KNOTS. TORPEDO ENDED ITS RUN DEEP ON ORIG PORT QUARTER AT CPA OF APPROX FIVE TO SEVEN HUNDRED YARDS.
5. (U) NO LOSS, DAMAGE OR INJURY.
6. (C) A. AT TIME OF INITIAL TORPEDO DETECTION, ALL SOVIET SURFACE UNITS WERE ON COURSE 180 SPEED 15. ORIG COURSE WAS 130, IN PROCESS OF TAKING STATION ON PORT QUARTER OF SVERDLOV. ORIG WAS APPROX 800 YARDS ON PORT QUARTER OF SVERDLOV. KRIVAK (FFG 754) WAS BEARING 275T AT 5000 YARDS. ESTIMATED POSITION OF WHISKEY CLASS SS WAS BEARING 260T AT 6200 YARDS (OR JUST BEYOND KRIVAK FROM ORIG POSITION). DATUM BASED ON ACTIVE SONAR CONTACT HELD BY ORIG AT 1005Z.  
B. ESTIMATE THAT ORIG INTERCEPTED SAG AS THEY WERE CONDUCTING ASW EXERCISE. EITHER THE KRIVAK (FFG 754) LAUNCHED TORPEDO AT SUBMARINE OR SUBMARINE LAUNCHED TORPEDO AT SVERDLOV OR



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KRIVAK 754. IN EITHER CASE, TORPEDO WAS INITIALLY HEADING MORE PARALLEL TO FORMATION AND MORE IN DIRECTION OF SVERDLOV. IT THEN MADE A RADICAL COURSE CHANGE TO PORT OF MORE THAN NINETY DEGREES AND HEADED TOWARD ORIG. THE PATH OF THE TORPEDO CLEARED ASTERN OF SVERDLOV BY APPROX 1000 YARDS. ORIG DOES NOT ESTIMATE TORPEDO WAS INTENTIONALLY FIRED IN ORIG'S DIRECTION. ONLY SIGNAL HOISTED WAS INTERNATIONAL CODE OF SIGNALS QUOTE CODE NOVEMBER ECHO TWO UNQUOTE HOISTED BY SVERDLOV AND ANSWERED AS UNDERSTOOD BY ORIG.  
C. UPON COMPLETION OF MANEUVERS, ORIG COMPLETED INTELL/PHOTO COLLECTION AND DEPARTED AREA ENROUTE PORT VISIT.  
D. NC2 TRACE AND PHOTOS AVAILABLE FOR SUBMISSION.  
E. APPROPRIATE INTELL REPORTS BEING COORDINATED BY CTG 100.1 (EMBARKED ORIG). CTG 100.1 CONCURS WITH THIS REPORT.

UNODIR LAST REPORT THIS INCIDENT.  
DECL 23 SEP 88  
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S U S P E C T E D DUPLICATE MESSAGE/ZFD

CNO WASH DC  
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NLRP Crest NR-748-23-7-3-2  
BY CN DATE 4/8/13

MCN=82266/15010 TOR=82266/1605Z TAD=82266/1606Z CDSN=MAP163

National Security Council  
The White House

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Package # 6656

	SEQUENCE TO	HAS SEEN	ACTION
John Poindexter	<u>1</u>	<u>[Signature]</u>	
Bud McFarlane	<u>2</u>	<u>m</u>	
Jacque Hill	<u>3</u>	<u>[Signature]</u>	
Judge Clark	<u>4</u>	<u>[Signature]</u>	<u>I</u>
John Poindexter			
Staff Secretary			
Sit Room	<u>5</u>		<u>A-7</u>

I-Information A-Action R-Retain D-Dispatch N-No further Action

DISTRIBUTION

cc: VP Meese Baker Deaver Other \_\_\_\_\_

COMMENTS

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Baker & Deaver

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MEMORANDUM

NATIONAL SECURITY COUNCIL

September 27, 1982

~~CONFIDENTIAL~~

~~INFORMATION~~

MEMORANDUM FOR WILLIAM P. CLARK

FROM: PAULA DOBRIANSKY PD

SUBJECT: Wall Street Journal Article on Soviet Leadership Succession

170875

Attached for your information is an insightful Wall Street Journal article (Tab I) on the Soviet leadership succession. The author, David Satter, asserts that Brezhnev's power base is waning and cites as evidence Brezhnev's inability to either promote or protect his loyalists. Specifically, the article maintains that with the death of Suslov, Brezhnev's influence has been seriously diminished. It also mentions that in January 1982, Boris Buryatia, the reported lover of Galina Churbanov -- Mr. Brezhnev's daughter -- was arrested and in July, Sergei Medunov, the First Party Secretary of the Krasnodar oblast and a close personal friend of Brezhnev's, was removed from his post. Both Buryatia and Medunov have a reputation for corruption and also, have been perceived as "symbols of the value of Mr. Brezhnev's protection." That is, until Suslov's death they were thought to be invulnerable because of Mr. Brezhnev's support.

I find Satter's analysis quite convincing -- especially, the implications he draws for the Soviet leadership succession. He maintains that the decline of Brezhnev's power base seriously attenuates Chernenko's leadership prospects and enhances Andropov's standing. Specifically, despite his nominal relinquishment of KGB chairmanship, Andropov continues to exercise close control of the security apparatus, as manifested by Vitaliy Fedorchuk's (a close crony of Andropov) appointment as Chairman of the KGB. Hence, Satter aptly points out, it is likely that "an anti-corruption campaign" would be exploited by Andropov as a means of demoting and eventually defeating potential political opponents. Ergo, a replay of the Khrushchev-Malenkov struggle is likely whereby Andropov would strive to portray Chernenko and other Brezhnevites as corrupt domestically and "too soft" internationally. If Andropov succeeds in this endeavor with the backing of the security forces and the military, it can be anticipated that whatever his personal predilections, he would have to pursue hardline domestic and foreign policies, at least until he sufficiently builds up his own influence.

Attachment:

Tab I Article from the Wall Street Journal, September 15

cc: Bailey, Blair, Boverie, Myer, Pipes, Sims

~~CONFIDENTIAL~~

Declassify on: OADR

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NLRR 748-23-7-6-9

BY CDD NARA DATE 12/1/15

## Soviet Leader Unable To Protect Loyalists

By DAVID SATTRE

Special to THE WALL STREET JOURNAL

Although Soviet leader Leonid Brezhnev remains formally in control, there are increasing signs that his hold on power is weakening as a subterranean struggle intensifies to determine which member of the ruling Politburo will eventually take his place.

President Brezhnev, who will be 76 years old in December, held talks with leaders of three Eastern European countries while vacationing in the Crimea last month and there isn't any hint in the official press that he isn't fully in command and carrying out his normal responsibilities.

In the Soviet system, however, the most important indicator of political strength isn't necessarily a leader's formal responsibilities but rather his ability to promote loyalists to high Communist Party positions and to protect those already in place.

In this respect, Mr. Brezhnev has suffered a series of defeats since the death in

January of Soviet ideologist Mikhail Suslov, a party veteran who, for many years, was regarded as his most important source of political support. The latest apparent setback for Mr. Brezhnev came with the removal from his post of Sergei Medunov, the party leader in the Krasnodar area, the richest agricultural region in the Soviet Union. Although little known in the West, Mr. Medunov, a close personal friend of Mr. Brezhnev, was one of the Soviet Union's most powerful provincial officials. He also had a reputation for being one of the most corrupt.

By all indications, the death of Mr. Suslov upset the political equilibrium that had existed for years in the Soviet Politburo and a new balance hasn't been reestablished.

### Chernenko Brezhnev's Choice

Mr. Brezhnev's own choice to succeed him as leader is evidently Konstantin Chernenko, his administrative aide and close colleague for more than 30 years. But Mr. Brezhnev no longer seems to have the ability to determine promotions to the highest party posts.

After Mr. Suslov's death in January, party officials were instructed to direct ideological questions, which previously would have been decided by Mr. Suslov, to Mr. Chernenko, and it was assumed that Mr. Chernenko would take over Mr. Suslov's role after the Central Committee meeting in May.



The May meeting ended, however, with Yuri Andropov, the former head of the KGB security police, being moved up to the Secretariat, the party's principal administrative organ, where he was given the responsibility for ideology that had been expected to go to Mr. Chernenko.

In addition, Mr. Andropov appears to have won a victory in the choice of Vitaly Fedorchuk to succeed him as head of the KGB. Mr. Fedorchuk, an obscure Ukrainian career officer, was promoted over the head of Georgy Tsinev, the first deputy chairman of the KGB and a supporter of Mr. Brezhnev.

It is generally believed that, in light of Mr. Andropov's elevation, the struggle to be Mr. Brezhnev's successor has narrowed to a contest between Mr. Chernenko and Mr. Andropov, with Mr. Chernenko, who hasn't any independent power base such as the army or the KGB, counting heavily on Mr. Brezhnev's support.

### More Evidence

If so, the removal of Mr. Medunov can only be a victory for Mr. Andropov because it is the latest piece of evidence suggesting that Mr. Brezhnev can't any longer protect those who have relied on him in the past.

The removal of Mr. Medunov appears to be consistent with a pattern established with the arrest in January of Boris Buryatia, the reputed lover of Galina Churbanov, Mr. Brezhnev's daughter. Like Mr. Medunov, Mr. Buryatia had a reputation for corruption. And like Mr. Medunov, he had been thought, until the death of Mr. Suslov, to be invulnerable because of Mr. Brezhnev's support.

Mr. Medunov and Mr. Buryatia, a reputed black-market operator, were conspicuous in their behavior. Mr. Buryatia, who has been implicated in a diamond theft, often wore diamonds. Their behavior made them symbols of the value of Mr. Brezhnev's protection; it stood to reason that if there was any weakening in Mr. Brezhnev's authority, they would be among the first to be affected.

There was an attempt to arrest Mr. Buryatia after diamonds taken in the Dec. 27 burglary of the Home of Irina Burghimova, a Soviet lion tamer, were found in his possession. The arrest, however, was blocked by Mr. Suslov who, although an ascetic himself, always acted to protect the reputation of the party elite.

The KGB reportedly objected strongly to the ban on the arrest of Mr. Buryatia. Mr. Suslov died a short time later and Mr. Buryatia was arrested by the KGB on Jan. 29, the day of Mr. Suslov's funeral.

### The Medunov Case

A similar pattern of longstanding protection coming to an unexpected end, in the wake of the death of Mr. Suslov, is reflected in the case of Mr. Medunov.

The Krasnodar region, where Mr. Medunov had been the absolute boss since 1973, includes the Black Sea resort city of Sochi, where millions of Soviet citizens take their vacations. It had become a place where bribery was virtually institutionalized, with officials taking large payments in cash to allocate hotel rooms or apartments, to provide jobs or to arrange promotions.

December 1978, Pravda, the Communist Party newspaper, in an article about the Krasnodar region, said that it had received many letters, which complained of official wrongdoing, from residents of the area.

At least some of the complaints to Pravda were written by a group of Soviet war veterans in Sochi who were gathering information about official corruption. But no action was taken against Medunov and, according to Soviet sources, Sergei Afanasyev, the editor of Pravda, almost lost his job for raising in print the issue of corruption in the Krasnodar region.

The veterans who made the complaints faced various forms of retribution. Some lost their jobs. Others were placed in psychiatric hospitals or imprisoned.

### The Mayor Sentenced

In November 1980, Mr. Medunov's direct subordinate, Vyacheslav Voronkin, the mayor of Sochi, was sentenced to 13 years in prison for massive corruption and bribery. Mr. Medunov remained untouched.

The situation finally changed this year, in announcing the removal of Mr. Medunov on July 24, Pravda said that he was being released from his post "in connection with his transfer to other work," making it clear that he had been removed and not promoted.

The ability to promote and protect loyalists is critical to building a power base in the bureaucratized Soviet system, and the removal of Mr. Medunov, like the arrest in January of Mr. Buryatia, suggests that with Mr. Suslov gone, the Brezhnev power base has weakened at least to the extent that Mr. Brezhnev can't any longer offer unconditional protection to those with whom he has personal ties.

This doesn't mean that Mr. Brezhnev's position as leader is threatened. But if Mr. Andropov, with the backing of the KGB and other security forces, is able to assert his authority against that of Mr. Brezhnev regarding specific cases of corruption, he can undermine the self-confidence and sense of security of the Brezhnev loyalists as a whole.

This can only lessen the chances that Mr. Chernenko will succeed Mr. Brezhnev as leader because the Brezhnev loyalists are his only base of support.

Mr. Andropov currently is regarded as the second most powerful man in the Soviet Union. And, backed by the security forces, he has every incentive to use charges of corruption as a means of eliminating potential political opponents. The fate of Mr. Medunov and Mr. Buryatia are the first indications that, if there is a confrontation, the Brezhnev loyalists may lack the means to withstand a determined assault.



NSC/S PROFILE

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ID 8206656

UNCLASSIFIED INFO  
OF CLASSIFIED ENCLOSURE(S)  
12/1/15 ODB

RECEIVED 28 SEP 82 19

TO CLARK

FROM DOBRIANSKY

DOCDATE 27 SEP 82

KEYWORDS: USSR

MEDIA

SUBJECT: WALL STREET JOURNAL ARTICLE ON SOVIET LEADERSHIP SUCCESSION

ACTION: FOR INFORMATION

DUE:

STATUS IX FILES

FOR ACTION

FOR CONCURRENCE

FOR INFO

CLARK

BAILEY

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COMMENTS

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ACTION OFFICER (S)	ASSIGNED	ACTION REQUIRED	DUE	COPIES TO
<i>Pres</i>	<i>SEP 30 1982</i>	<i>Clark noted</i>		
	<i>1P SEP 30 1982</i>	<i>for info via PDB</i>		
	<i>C 10/4</i>	<i>Noted by Pres</i>	<i>-</i>	<i>DO</i>

DISPATCH

W/ATTCH FILE

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## MEMORANDUM

## NATIONAL SECURITY COUNCIL

September 28, 1982

~~SECRET~~INFORMATION

MEMORANDUM FOR WILLIAM P. CLARK

FROM: RICHARD PIPES *HP*SUBJECT: Talking Points for Your Meeting with Ambassador  
Hartman  
(Thursday, September 30, 1982; 3:00 p.m.)

**DECLASSIFIED**  
 NLR 748-23-728  
 BY 08 12/1/0

NEES SVH JdM

Following are talking points for your meeting with U.S. Ambassador to Moscow Arthur Hartman:

1. The political atmosphere in Moscow: Is there any sense of unified direction? Is anyone obviously in charge? The mood of inhabitants: there are reports of widespread grumbling that Russia has no "leader" -- is this true?
2. Succession politics: recent reports indicate Chernenko is regaining influence. The role of the KGB in promoting its one-time boss, Andropov. The attitude of the military in this succession struggle.
3. Food situation, especially outside big cities: how bad is it? Availability (or, rather, non-availability) of meat?
4. Any signs of a thaw in relations with China?
5. Perceptions in Soviet government of Reagan Administration: do they perceive it as decisive? Does Moscow continue to believe there are two or three currents in the Administration, one of which wants accommodation?
6. View of Middle East crisis and Soviet role there.

~~SECRET~~

Declassify on: OADR

362

National Security Council  
The White House

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Package # 6434

SEP 29 P 3: 28

	SEQUENCE TO	HAS SEEN	ACTION
John Poindexter	<u>1</u>	<u>J</u>	
Bud McFarlane	<u>2</u>	<u>m</u>	
Jacque Hill	<u>3</u>	<u>J</u>	
Judge Clark	<u>4</u>		<u>I</u>
John Poindexter			
Staff Secretary			
Sit Room			

JH  
I-Information A-Action R-Retain D-Dispatch N-No further Action

DISTRIBUTION

cc: VP Meese Baker Deaver Other \_\_\_\_\_

COMMENTS

For Thursday 3:00p.m.  
meeting with Amb. Hartmann  
TO JH for mtg folder

# WITHDRAWAL SHEET

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170877	MEMO  PIPES TO CLARK RE AMB. HARTMAN'S REQUEST (W/NOTATIONS)	1	9/20/1982	B1

Freedom of Information Act - [5 U.S.C. 552(b)]

- B-1 National security classified information [(b)(1) of the FOIA]
- B-2 Release would disclose internal personnel rules and practices of an agency [(b)(2) of the FOIA]
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DEPARTMENT OF STATE

Washington, D.C. 20520

September 16, 1982

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6434  
61

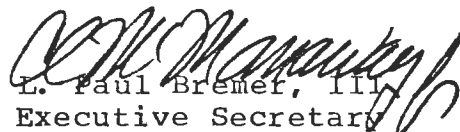
82 SEP 16 P10 49

MEMORANDUM FOR MR. WILLIAM P. CLARK  
THE WHITE HOUSE

WHITE HOUSE  
SITUATION ROOM

Subject: Appointment Request - Ambassador Hartman

Our Ambassador to the USSR, Arthur Hartman, will be in Washington from September 29-October 1 on consultations following Secretary Shultz's meeting with Soviet Foreign Minister Gromyko. While the Ambassador is back he would like to discuss recent developments in US-Soviet relations with you. We recommend that you agree to meet with him.

  
L. Paul Bremer, III  
Executive Secretary

347

National Security Council  
The White House

Package # 6434

02 SEP 20 P 3: 30

	SEQUENCE TO	HAS SEEN	ACTION
John Poindexter	<u>1</u>	<u>✓</u>	
Bud McFarlane	<u>2</u>	<u>M</u>	
Jacque Hill	<u>3</u>	<u>g</u>	
Judge Clark	<u>4</u>	<u>✓</u>	<u>A</u>
John Poindexter			
Staff Secretary			
Sit Room			

I-Information A-Action R-Retain D-Dispatch N-No further Action

DISTRIBUTION

cc: VP Meese Deaver Other \_\_\_\_\_

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Please provide  
talker for the  
Judge's mtg -

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170878	MEMO  ORIGINAL OF DOC #170877 (PIPES TO CLARK RE AMB. HARTMAN'S REQUEST, W/NOTATIONS)	1	9/20/1982	B1

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DEPARTMENT OF STATE

Washington, D.C. 20520

September 16, 1982

82 SEP 16 P10: 49

MEMORANDUM FOR MR. WILLIAM P. CLARK  
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L. Paul Bremer, III  
Executive Secretary

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NSC/S PROFILE

UNCLASSIFIED

ID 8206434

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RECEIVED 17 SEP 82 09

TO CLARK

FROM BREMER

DOCDATE 16 SEP 82

KEYWORDS: USSR

AC

HARTMAN, ARTHUR

SUBJECT: AMB HARTMAN REQUEST TO MEET W/ CLARK SEP 29 - OCT 1

ACTION: PREPARE MEMO FOR CLARK DUE: 20 SEP 82 STATUS S FILES

FOR ACTION

FOR CONCURRENCE

FOR INFO

PIPES

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<i>Clark</i>	<i>X 9/20</i>	<i>For Decision</i>	<i>9/22</i>	<i>—</i>
	<i>SEP 24 1982</i>	<i>Clark approved</i>		
<i>Piper</i>	<i>S SEP 24 1982</i>	<i>prepare talking points</i>		
<i>Clark</i>	<i>X 9/29</i>	<i>for information</i>	<i>—</i>	<i>—</i>
	<i>SEP 30 1982</i>	<i>Clark noted</i>		

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170880	PROFILE SHEET NSC/S	1	9/29/1983	B1

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OF 127/15 CDB

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TO CLARK

FROM DE GRAFFENREID

DOCDATE 28 SEP 83

67

KEYWORDS USSR

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INT

SUBJECT REPORT ON SOVIET ACTIVE MEASURES

NOTE!

ACTION FOR DECISION

FPD

DUE: 30 SEP 83 STATUS X FILES

FOR ACTION

FOR CONCURRENCE

FOR INFO

CLARK

COMMENTS

Print new profile &

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for decision via PDR

OCT 1 2 1983

Kenneth S

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National Security Council  
The White House

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	SEQUENCE TO	HAS SEEN	DISPOSITION
Executive Secretary	<u>1</u>	<u>IC</u>	
John Poindexter	<u>2</u>	<u>[Signature]</u>	
Bud McFarlane			
Jacque Hill	<u>3</u>		
Judge Clark	<u>4</u>	<u>V</u>	<u>A</u>
John Poindexter			
Executive Secretary			
NSC Secretariat			
Situation Room			

I-Information A-Action R-Retain D-Dispatch N-No further Action

DISTRIBUTION

cc: VP Meese Baker Deaver Other \_\_\_\_\_

COMMENTS

Should be seen by: \_\_\_\_\_  
(Date/Time)

PDB [Signature] - Wed

National Security Council  
The White House

69  
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System #  
Package# 6889

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83 OCT 12 11 P 8: 03

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Bud McFarlane	_____	_____	_____
Jacque Hill	_____	_____	_____
Judge Clark	_____	_____	_____
John Poindexter	1	J	
Executive Secretary	2	K	A
NSC Secretariat	3		Staff
Situation Room		Action de Goffeneed Curt Myer R Lehman SIMS	

I-Information    A-Action    R-Retain    D-Dispatch    N-Not further Action  
 cc: VP    Meese    Baker    Deaver    Other  
 DISTRIBUTION  
 Raymond Matlock

COMMENTS                      Action: Draft speech  
 Should be seen by: to Clark due 10/18  
 (Date/Time)

Bob,  
 See President's note. Judge would like to have a radio address prepared for Pres that talks about Soviet active measures in a general way.

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170879	MEMO  K. DEGRAFFENREID TO W. CLARK RE REPORT	1	9/28/1982	B1

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September 1983



United States Department of State  
Bureau of Public Affairs  
Washington, D.C.

*This report, based on unclassified sources, describes "active measures" that have come to light since publication of Special Report No. 101 in July 1982. The Soviet Union employs the term "active measures" (a direct translation from the Russian aktivnyye meropriyatiya) to cover a broad range of deceptive techniques—such as use of front groups, media manipulation, disinformation, forgeries, and agents of influence—to promote Soviet foreign policy goals and to undercut the position of Soviet opponents. The active measures discussed in this report are necessarily limited to those that have been publicly exposed.*

*These often clandestine efforts by the Soviets and their surrogates to influence political and public opinion in the non-communist world have grown in boldness and intensity, reflecting what appears to be increased use of active measures as a policy instrument by the Soviets and their allies. The principal target of Soviet active measures continues to be the NATO decision to deploy intermediate-range nuclear forces (INF) in Western Europe. Other active measures aimed against Europe involve the Polish Solidarity movement and the effort to discredit a possible Bulgarian connection in the attempt to assassinate Pope John Paul.*

*In Africa, active measures alleged U.S. interference in the internal affairs*

*of different countries and implied close military cooperation between the United States and South Africa. In Nigeria, Ambassador Pickering was accused of directing a political assassination plot. In Ghana, Ambassador Smith was charged with organizing a coup attempt. Disinformation efforts used forged documents as "evidence" of military links between Washington and Pretoria despite the U.S. embargo on military sales to South Africa.*

*In the Middle East, active measures have tried to suggest U.S. collusion with Israel in the invasion of Lebanon and American animosity toward Islamic groups. In South Asia, the most striking active measure was the forged Kirkpatrick speech with its claim that the United States was in favor of "balkanizing" India.*

*In Latin America, where Cuba functions as the main Soviet surrogate, front groups have been the primary active measures vehicle. The fronts have been busy trying to generate international support for the Sandinista regime in Nicaragua and the Farabundo Marti National Liberation Front (FMLN) in El Salvador and to increase opposition to U.S. policy toward Central America.*

*In East Asia, the Soviets used front groups and disinformation campaigns in an effort to deflect the damage to the Soviet image from the use by Moscow and its surrogates of chemical weapons in Afghanistan, Laos, and Kampuchea. In addition, revelations of former KGB Major Stanislav Levchenko spotlighted*

## HIGHLIGHTS OF MAJOR ACTIVE MEASURES

**July 1983.** Two fake U.S. Embassy Rome telegrams depict press coverage of the possible "Bulgarian connection" in the assassination attempt against the Pope as a U.S.-orchestrated campaign.

**June 1983.** The triennial gathering of the major Soviet front group, the World Peace Council, meets in Prague and makes opposition to INF deployment its main target.

**April 1983.** A forged U.S. Embassy Lagos document has Ambassador Thomas Pickering ordering the assassination of a principal Nigerian presidential candidate in "Operation Headache."

**April 1983.** The Swiss expel the correspondent of Novosti, the Soviet news agency, for "unacceptable interference in internal Swiss affairs," including funneling of funds and guidance to elements of the Swiss peace movement.

**March 1983.** Ghana, relying on a forged West German document, accuses the United States of plotting to overthrow the Rawlings government.

**February 1983.** A fake speech by UN Ambassador Jeane Kirkpatrick on U.S. policy toward the Third World surfaces in India and is reprinted in communist media in the Soviet Union, Nicaragua, and elsewhere.

*extensive Soviet active measures in Japan.*

*The First Directorate of the KGB has responsibility for developing and implementing active measures. The Interna-*

tional Department of the Central Committee of the Communist Party of the Soviet Union participates in active measures, especially when these involve front groups and foreign communist parties. The International Information Department also may assist. At times it is difficult to ascertain if a particular active measure is implemented by the Soviets or a surrogate intelligence service. However, the distinction is hardly significant given the close collaboration between the KGB and its sister services.

EUROPE

The Peace Movement

World Peace Assembly. Every 3 years, the World Peace Council (WPC), the major Soviet front organization, holds a world peace assembly. This year's meeting in Prague, June 21-26, faithfully echoed the Soviet line. The session focused on opposing NATO deployment of U.S. intermediate-range nuclear forces (INF) in Western Europe as its main goal. At the same time, the Czechoslovak hosts made certain there was no criticism of Soviet SS-20 missile deployment.

Earlier efforts by noncommunist peace groups to equate the SS-20s with the NATO missiles drew strong criticism from Yuriy Zhukov, chairman of the Soviet Peace Committee, alienating some West European peace groups from the WPC. The problem was further aggravated when a demonstration of some 300 young people in downtown Prague for "peace and freedom for all nations" was quickly suppressed by Czechoslovak police. Inside the conference hall, several representatives of the West German Greens Party walked out in protest over suppression of the demonstration and the refusal of the Czechoslovak hosts to permit them to meet with members of the Charter '77 dissident group.

Espionage and the Norwegian Peace Movement. On June 22, 1983, Assistant Soviet Military Attache Vladimir Zagrebnev was expelled from Norway. The Oslo press reported that, in addition to engaging in espionage activities, Zagrebnev had been trying to gain influence with the Norwegian peace movement.

Novosti Interferes With Internal Swiss Affairs. On April 29, 1983, the Swiss Government announced the expulsion of Alexei Dumov, the correspondent

of Novosti, the Soviet news agency, and the closing of the Novosti office in Bern for "serious interference in Swiss internal affairs." A few days later, Leonid Ovchinnikov, the KGB officer who was reportedly supervising Dumov's political and media influence operations, was also expelled. Ovchinnikov was serving ostensibly as a first secretary in the Soviet mission in Geneva. According to Swiss authorities, the Novosti correspondent's activities included:

- Involvement in the December 5, 1981 Bern peace demonstration;
- Involvement in the Swiss Appeal for Peace and Against Nuclear War;
- Close cooperation with an activist youth group that became engaged in paramilitary training and took part in a violent demonstration in Bern;
- Encouragement of Swiss citizens to refuse compulsory military service;
- Help to organize a demonstration in the Swiss parliament in 1982; and
- Circulation of reports that falsely implicated Swiss intelligence in the death of Leonid Pantchenko, a Soviet delegate to an international coffee conference in Geneva, who died of natural causes there in April 1980.

Dutch Report on Efforts To Influence the Peace Movement. On November 6 and 13, 1982, the Amsterdam daily, De Telegraaf, reported on analyses by Netherlands intelligence of

Soviet and East European efforts to influence the Dutch peace movement. In the November 6 article, De Telegraaf spoke of "clear proof of Soviet involvement" and of close cooperation between the Dutch Communist Party and the International Department of the Soviet Communist Party in the campaign against the NATO nuclear weapons. The November 13 article stated, "The Soviet authorities are still actively influencing the Netherlands debate on NATO nuclear weapons modernization."

De Telegraaf stated that a key individual in the Soviet effort was Anatoli Popov, who headed a Soviet delegation to Holland for talks on the peace movement in January 1982 and was an official of the International Department of the Soviet Communist Party. De Telegraaf noted that Popov had been expelled from Holland in 1961, when he fought with Dutch military police trying to protect a Soviet asylum seeker. At the time he was second secretary and press attache.

The Assassination Attempt Against Pope John Paul

In an apparent effort to discredit a possible Bulgarian connection in the papal assassination attempt, a Rome leftwing newsweekly, Pace e Guerra, published two fabricated U.S. Embassy telegrams in its July 21, 1983 edition.

Pace e Guerra, July 21, 1983

Abbiamo ricevuto per posta, accompagnata da un lettera, momento quasi, un telegramma dell'Ambasciata americana in Berna. Il telegramma era indirizzato al ministro degli Esteri e conteneva un messaggio di congratulazione per il successo del nostro paese nel disarmare il sistema di missili SS-20. Il telegramma era firmato dal ministro degli Esteri degli Stati Uniti, Alexander Haig, e conteneva un messaggio di congratulazione per il successo del nostro paese nel disarmare il sistema di missili SS-20.

INTERPELLANZA. Il ministro degli Esteri, a seguito di un'interpellanza del deputato socialista, ha risposto che il governo non ha alcuna informazione sulla presenza di agenti americani in Svizzera. Il ministro ha anche precisato che il governo non ha alcuna informazione sulla presenza di agenti americani in Svizzera.

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Ma quanti fatti strani intorno alla Bulgarian Connection.

Form A

Form B

IMMEDIATE

ACTION COPY

1. The following information was received from the Bulgarian Embassy in Bern on July 21, 1983. The information was received from the Bulgarian Embassy in Bern on July 21, 1983. The information was received from the Bulgarian Embassy in Bern on July 21, 1983.

2. The following information was received from the Bulgarian Embassy in Bern on July 21, 1983. The information was received from the Bulgarian Embassy in Bern on July 21, 1983. The information was received from the Bulgarian Embassy in Bern on July 21, 1983.

3. The following information was received from the Bulgarian Embassy in Bern on July 21, 1983. The information was received from the Bulgarian Embassy in Bern on July 21, 1983. The information was received from the Bulgarian Embassy in Bern on July 21, 1983.

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The first forgery, dated August 28, 1982, proposed a large-scale disinformation effort—in cooperation with Italian intelligence and friendly members of the Socialist Party—to implicate the Bulgarians and the Soviets in the papal assassination attempt. The second, dated December 6, 1982, judged the campaign a success. The bogus telegram claimed: "The European media have enthusiastically developed themes on the lines anticipated: that the gunman was directed by the Bulgarian secret police; that the Bulgarians are under the total control of the KGB; that the KGB was headed at the time by the present Soviet leader."

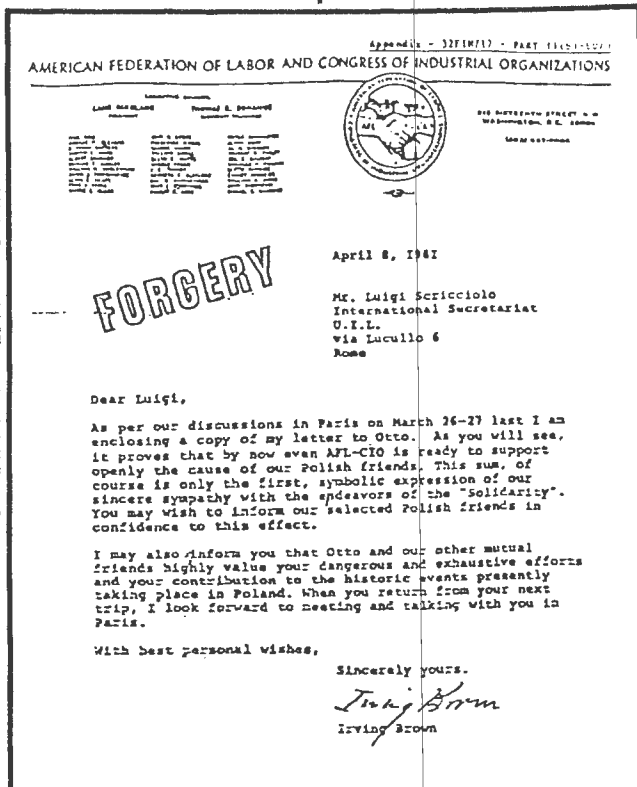
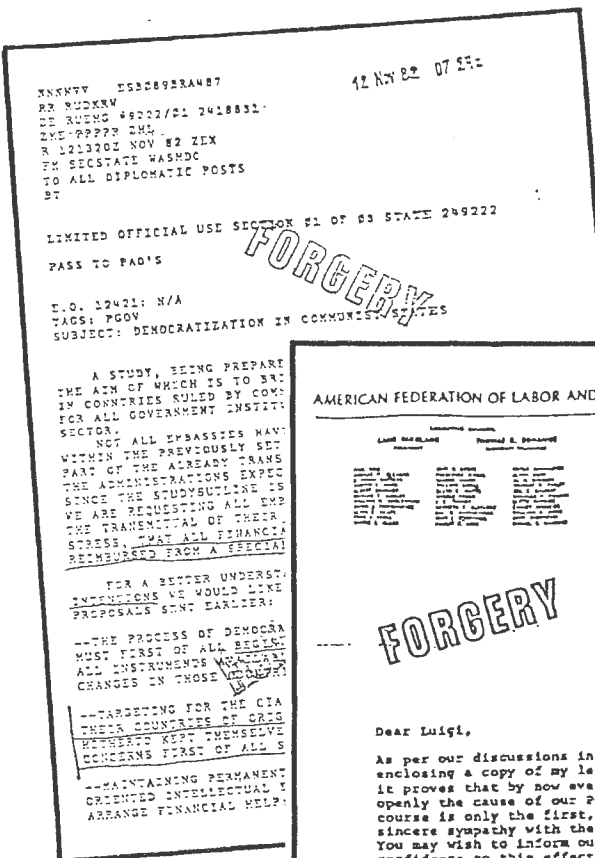
The newsweekly, which has close links with the Democratic Party of Proletarian Unity (PDUP), attributed the documents to reliable but anonymous sources. Its charges were echoed by two PDUP members of parliament, who had been elected on a joint list with the Italian Communist Party. The American Embassy promptly branded the cables as forgeries and pointed out serious errors in cable format. The fabrication apparently was designed to provide "credible evidence" for Soviet media allegations that the United States had orchestrated the arrest of the Bulgarian intelligence officer Antonov as part of an effort to blame the Soviets and Bulgarians for the papal assassination attempt.

**Events in Poland**

**Forged AFL-CIO Letter.** On March 31, 1983, a forged letter from AFL-CIO official Irving Brown to an Italian labor official, Luigi Scricciolo, surfaced in the provincial Sicilian weekly, *Sette Giorni*. A cousin of one of the Red Brigade kidnapers of General Dozier, Scricciolo was taken into custody during the Dozier investigation. He then admitted that he had been working as an agent for Bulgarian intelligence. The fake letter suggested that Scricciolo was a CIA agent funneling funds clandestinely from the AFL-CIO to the Polish trade union Solidarity. The forgery's purpose was presumably to undermine the credibility of Scricciolo's testimony about Bulgarian intelligence activities and to suggest secret links between Solidarity and the CIA.

**Fake National Security Council Memorandum.** The February 7, 1983 issue of *Tiempo*, a Madrid newsweekly, published extracts from a forged 1978 National Security Council memorandum on Poland from Zbigniew Brzezinski to President Carter. The memorandum identified Poland as "the weakest link in

**Forged Project Democracy Telegram (left) and AFL-CIO Letter (right)**



the chain of Soviet domination of Eastern Europe" and proposed a destabilization policy involving "politicians, diplomats, labor unions, the mass media and covert activity." The State Department denounced the document as a forgery. Dr. Brzezinski sent a personal letter denying the authenticity of the document to *Tiempo*, which published the letter in its May 16, 1983 edition. The presumed aim of the forgery was to suggest, in line with Soviet propaganda, that the United States was responsible for the troubles in Poland.

**Project Democracy**

In January 1983 a forged State Department telegram number 249222 dealing with the implementation of President Reagan's democracy initiative, circulated in Austria. The fabricated document referred to using the CIA "for training and sending to their countries of origin activist emigres who have hitherto kept themselves out of the limelight." The fake cable also called for efforts in allied countries to eliminate "communist parties and parties whose programs are alien to our ideals." Friendly governments were not to be informed of these measures "under any circumstances."

This active measure mirrored public Soviet criticism of the democracy initiative. The real State Department telegram number 249222 provided advice to the American Consulate General in Shanghai on a visa case.

Problems With NATO

NATO Violates Swedish Neutrality? On November 2, 1982, a Swedish communist paper, Proletarian, carried a distorted news report that a consignment of NATO armored personnel carriers (APCs) had transited Goteborg en route to Norway in violation of Swedish neutrality. A concerted effort followed to ensure that noncommunist media were aware of this story. Initially successful, this attempt resulted in other Swedish media repeating the alleged violation of Swedish neutrality as straight news, and, in turn, this was replayed by Soviet media.

The Swedish Foreign Ministry then issued a denial, clarifying that the shipment—in fact, of Norwegian, not NATO, APCs—was entirely consistent with Swedish neutrality. The apparent goal of this effort was to divert attention in Sweden from the controversy over the discovery of an unidentified submarine, presumed to be Soviet, in Swedish territorial waters at the time.

Mediterranean Air Safety. In July 1982, while the United States and Italy were engaged in talks regarding Mediterranean air safety, a fake U.S. military document surfaced in Rome. The memo stated that, contrary to what U.S. authorities were telling their Italian counterparts, NATO air activities posed a safety hazard. The U.S. Embassy in Rome immediately denounced the document as a fabrication, and a July 23, 1982 report by ANSA, the Italian news agency, labeled it a communist disinformation effort.

"It is clear that all these feverish attempts to overthrow the government are designed to prevent the truth about the connections between events since the 29th of October last year and certain elements connected with the S.I.B." — Captain Koyo Tsikata (rtd) —

People's Daily Graphic

"These malicious and baseless allegations have been made without regard to the observable facts and without reference to sources which might have been able to provide the TRUTH." — Mr Thomas Smith, U.S. Ambassador to Ghana. (Graphic, March 1, 1983)



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FRIDAY, APRIL 1, 1983. No. 10075. PRICE: C1.00

CIA ASSEMBLING MERCENARIES TO ATTACK GHANA

The Special Advisor to the American Central Intelligence Agency (CIA) has at the moment recruited hundreds of mercenaries in a neighboring country for an imminent attack on Ghana. He however reiterated what the Force Commander, Brigadier Arnold Quainoo, said recently that the Ghana Armed Forces were prepared to meet any aggressor. Captain Koyo Tsikata (rtd) also revealed at a press conference in Accra yesterday that the CIA and Israeli intelligence have also recruited and are paying their collaborators in Ghana on plans towards the overthrow of the PNDC Government. These criminal activities if carried out, the Captain said, will no doubt lead to the loss of lives of many innocent people including those of women and children. Captain Tsikata made these disclosures while reacting to a challenge posed by Justice Samuel Adu Crooke on allegations of CIA involvement in the Special Investigations Board.



... 1983 1 1 1983 1 1 1983 1 1

I wasn't a willing participant — Baba

Mr. Baba was on the boat... (transcription of the article)

WEST GERMAN TELLS ABOUT CIA

From the secret files of the West German Embassy... (transcription of the article)

Tsikata throws counter-challenge

... (transcription of the article)



... 1982 11 23 11 23 11 23 11 23

GERMAN VERSION

This is a reproduction of part of the West German language version... (transcription of the article)

Your Graphic

... (transcription of the article)



... 1982 11 23 11 23 11 23 11 23

AFRICA

Assassination Plot in Nigeria

On April 13, 1983, the two major opposition party newspapers in Ibadan, Nigeria, the Nigerian Tribune and the Daily Sketch, headlined charges that Ambassador Thomas Pickering had ordered the assassination of two prominent Unity Party of Nigeria figures, Chief Awolowo, the party's presidential candidate, and his colleague Chief Abiola. To substantiate these charges, the papers published a forged document purporting to be an internal U.S. Em-

bassy memorandum recommending the assassination. It stated: "Chief Abiola has outlived his usefulness to our service . . . his flirtation with the opposition led by Obafemi Awolowo exemplifies the need to go ahead with operations Heartburn and Headache to solve the problem of these two personalities. . . . The Department must be well briefed on these wet affairs. . . ." The memo envisaged establishing "a friendly military government" after purging the present "corrupt" regime.

The United States immediately denounced the document as a fake and the stories based on it as false. KGB authority was suggested by the use of the term "wet affairs"—a direct translation of the term in standard Soviet intelligence lexicon to refer to assassinations. Despite U.S. denials, the story gained some credence in Nigeria, and press wire services circulated it elsewhere in African countries. Soviet and Czech media quickly replayed the report. Rude

Pravo carried the deception further, incorrectly suggesting that the Nigerian Government had made the allegation when in fact the charges originated in the Nigerian Tribune and the Daily Sketch.

**Overthrow of the Ghanaian Government**

On March 31, 1983, Kojo Tsikata, Special Adviser to the Provisional National Defense Council, called a press conference to charge the U.S. Embassy in Accra with trying to overthrow the Rawlings government. As "proof," Tsikata produced a copy of an alleged West German Embassy report informing Bonn that Ambassador Thomas Smith was dissatisfied with his CIA staffers. The document has Smith saying that the staffers "will only prove themselves if they achieve basic changes in the country and succeed in overthrowing Rawlings." The next day, the People's Daily Graphic, a government-owned paper, reported the story as authentic and displayed a photocopy of the document.

The West German Government called the report a fabrication on April 2, and the U.S. Government issued a sharp protest to the Ghanaian Government. Although Ghana eventually accepted the fact that the report was a forgery, the incident had an immediate, damaging impact on U.S.-Ghanaian relations by creating the false impression that the United States was supporting Rawling's opponents.

**Relations Between the United States and South Africa**

**Northrop Sales Letter.** The November 17, 1982 *Jeune Afrique*, an influential French-language newsweekly published in Paris and widely read in Francophone Africa, reported that despite the U.S. embargo on arms sales to South Africa, Northrop Aviation was offering to sell South Africa its new Tigershark fighter. To "prove" the point, *Jeune Afrique* published a picture of a letter ostensibly sent by Northrop's vice president for marketing to the commander of the South African Air Force. When Northrop called the letter a fake, *Jeune Afrique* ran a new story on January 19, 1983, suggesting that the denial was untrue and the original letter was authentic.

In this case, the perpetrator of the active measure apparently obtained a copy of a genuine letter that Northrop had routinely sent to many countries,

but not to South Africa, and simply typed in the South African addressee. The purpose of this active measure was to suggest that the U.S. embargo on military sales to South Africa was a sham.

**Cruise Missiles in Africa.** A false report that the United States and Israel would be testing and later deploying Tomahawk cruise missiles in South Africa first appeared in Mozambique's *Noticias* on November 29, 1982. Since then East German, Bulgarian, and Soviet media have repeated the story. It has also been reported in the Ethiopian, Zambian, Seychelles, and Angolan press.

**Aviation Personnel International Letter.** *The Herald* of Zimbabwe of June 5, 1982 and several other African papers reported that U.S. helicopter pilots experienced in jungle warfare were working with South Africa. This was based on a fake letter to the South African Air Force from Aviation Personnel International of New Orleans, a company specializing in the placement of pilots. The company has provided an affidavit stating that it had no dealings with South Africa and assumes that the

author of the forgery obtained a company form letter and substituted its own text. The letter's terminology suggests that the author was a Soviet. It stated that the proposal had the approval of "competent bodies" of the U.S. Government. The term would not be used in this fashion in American bureaucratic jargon, but in Russian it is used to refer to official government or party organs.

**Letter to Ambassador Kirkpatrick.** The November 5, 1982 *New Statesman*, the prominent British newsweekly, printed as factual a fake letter to Ambassador Jeane Kirkpatrick from the newly arrived press counselor of the Embassy of South Africa in Washington, D.C. The letter conveyed his personal greetings and also those of the chief of South African intelligence. Although the press spokesman of the U.S. Mission to the United Nations immediately branded the letter as a fabrication, the *New Statesman* reiterated its belief in the document's authenticity in its December 3, 1982 edition. The active measure's purpose, like the one noted above, was to provide "evidence" of close U.S.-South African ties.

**New Statesman, December 3, 1982**

UNITED NATIONS

**Kirkpatrick's riposte**

On 5 November the NS carried a story about the relationship between the US Permanent Representative to the United Nations, Mrs Jeane Kirkpatrick, and the South African government. It was based in part on a letter allegedly sent to Mrs Kirkpatrick by a member of the South African Embassy in Washington. The letter is reproduced on this page (the reproduction of the letter with the original article was compressed for reasons of space).

We have also received the following letter from Mrs Kirkpatrick's spokesman at the UN:

United States Mission to the United Nations  
November 19, 1982

Dear Sir:  
In case any of your readers have not followed the matter in the press, I am responding here to Claudia Whigley's article entitled 'A Girl's Best Friend', published in the November 5, 1982 *New Statesman*.

For the record, I wish to state:

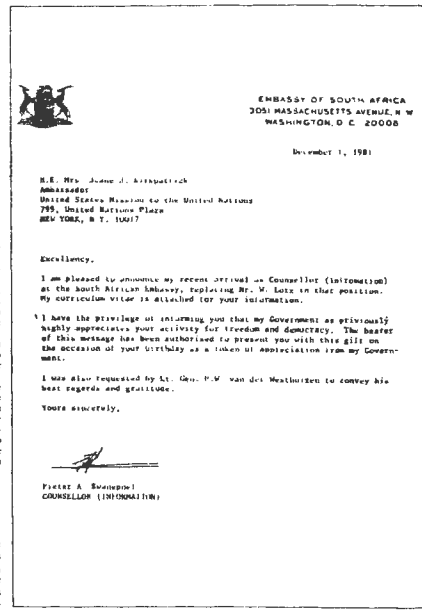
1. The United States Permanent Representative to the United Nations has never received any gift from the Government of South Africa or from any representative of that government.
  2. The letter purportedly sent to the United States Permanent Representative by a South African diplomat, and reproduced in your magazine, was never received by Ambassador Kirkpatrick. I am reliably informed, moreover, that no such letter was composed at the South African Embassy in Washington, as alleged in the article.
  3. The allegations and insinuations in the article, based largely on the fictitious letter, are so base credible that the letter itself.
- Your readers should know, then, that there was no gift and no letter, only what appears to be malicious fabrication. In addition, the article's title, presumably chosen by the editors of your journal, is clear in its innuendo and in its grossness calumny. Overall, in fact, the article is so outrageous that legal action against your magazine is being contemplated by the United States Permanent Representative to the United Nations.

Sincerely,  
Joel Blocker  
Counselor for Press and Public Affairs

The letter referred to by Mr Blocker came into the possession of the *New Statesman* from a source in the US State Department, which has previously proved reliable. If the letter is a forgery, therefore, it implies that a person or persons within the State Depart-

ment are concerned to damage Mrs Kirkpatrick's reputation. Other points in the story which have been presented are relevant. First, the letter-headed stationery on which the letter was typed is identical to that used by the South African Embassy in Washington. Second, the typeface used for the letter appears to be identical to the face of a typewriter used in the South African Embassy. Third, it has been suggested that two mis-spellings in the letter are not mistakes that would have been left in an official South African Embassy communication. But, if genuine, the circumstances in which such a letter would have been typed would have been clandestine. Fourth, at first Mr Swaneepoel claimed that a middle-ranking diplomat like himself would not have written such a letter to Ambassador Kirkpatrick and that in any case he would not have signed it with his initials. Mr Swaneepoel has subsequently admitted in an interview with a US newspaper that the sig-

nature on the letter is his normal one. The denial on Ambassador Kirkpatrick's behalf must be regarded in the light of earlier statements she has made about the secret communications that have passed between her and General van der Westhuizen. After her clandestine meeting with the General in March 1981, the US press was able to expose her spokesman's statements as misleading and false, and retractions were issued (see NS 3 April 1981). It is also relevant to note that Mr Swaneepoel joined the South African Ministry of Information in 1970. From 1973 to 1977 he was posted in Australia and between 1977 and 1979 he was Information Attaché in London. During that period, as the revelations of the "Muldergate" scandal have indicated, his Ministry, Minister, Connie Mulder, and Permanent Secretary, Ezechiel Rhoodie, were engaged in an extensive campaign of secret gifts, bribes and influence-buying on behalf of their government.



### American Blacks and Links to Africa

A forged Carter Administration document on Africa, which first appeared in 1980, suggested U.S. anxiety about the links between U.S. blacks and black Africans. It previously had surfaced a number of times, first in the United States in September 1980 when presidential press secretary Jody Powell denounced it as a forgery. Nonetheless, it reappeared in March 1983 in the *Nigeria Standard* and in April 1983 in the Upper Volta press.

### NEAR EAST AND SOUTH ASIA

#### U.S. Cooperation With Israel on Lebanon

**Communist Fronts.** Shortly after the Israeli invasion of Lebanon, Soviet front machinery launched a major campaign to link the United States with the Israeli action. In July 1982 the World Peace Council held a special meeting on Lebanon in Geneva. In August the Soviets called for the creation of an international commission to investigate alleged Israeli "crimes" in Lebanon. Committees of solidarity with the Palestinians appeared in a number of countries. The lead, however, was taken by local communists rather than Palestinian Arabs. Throughout the summer of 1982, there was a spate of demonstrations in Canada, Europe, and Latin America on the Lebanon issue. Once more the lead groups appeared to be communist fronts rather than genuine Arab organizations.

**Soviet Broadcasts.** Moscow's Arabic-language broadcasts on *Radio Peace and Progress* during the same period sought to exploit Arab sensitivities over Lebanon and the Palestinians. For example, a July 7, 1982 broadcast voiced a typical theme that the invasion had been planned long in advance by the United States and its "Zionist clique." A July 18 broadcast charged that the U.S. "military-industrial complex" was selling the "Zionist aggressors" the most modern "weapons of destruction" to perpetrate a "bloody massacre" in Lebanon.

**Downstream Operations Memorandum.** In the fall of 1982, "Downstream Operations," a forged U.S. Department of Defense document purporting to be a memo signed by National Security Council Middle East specialist Geoffrey Kemp, circulated in a number of Arab countries and within Arab communities in Europe. The document suggested that the United States had prior knowledge of, and had given prior approval to, the Israeli invasion of Lebanon.

#### Clandestine Radio Broadcasts on Iran

Since February 1983, the Soviet Union's clandestine *National Voice of Iran* (NVOI), broadcasting from Baku in the Caucasus region of the U.S.S.R., has grown increasingly critical of the Khomeini regime. NVOI has condemned Tehran's suppression of the communist Tudeh Party, urged the release of Tudeh leaders, and warned that "groundless charges of espionage" against them will damage Iranian-Soviet relations. At the same time, NVOI has continued to paint the United States as the "Great Satan" and to allege American machinations to subvert and overthrow the Khomeini government.

#### Inciting Trouble With Muslims

Although labeled a forgery in January 1979, a fabricated academic study by Richard Mitchell, a Middle East specialist, reappeared in Cairo in October 1982. This document, which outlines an alleged CIA plan to incite trouble within Islamic fundamentalist groups, was one of a rash of Soviet forgeries during the late 1970s to weaken U.S.-Egyptian relations. When the document reappeared, Shaykh Talmasani, a leading figure in the Muslim Brotherhood, pointed to the study as "evidence" that the United States was trying to foment differences among Islamic groups.

#### The Balkanization of India

On January 25, 26, and 28, 1983, the procommunist New Delhi daily newspaper, *Patriot*, published a bogus expose of U.S. policy toward the Third World by Ambassador Jeane Kirkpatrick. The February 6 issue of *Link*, a far-left Indian newsweekly, ran a similar story. Both reports preceded the meeting of nonaligned nations in New Delhi.

According to these stories, Ambassador Jeane Kirkpatrick had given the policy review to the American Conservative Political Action Conference in

Washington in February 1982. The articles included a fabricated telegram of the U.S. Information Agency purportedly transmitting the text of the speech to missions overseas. Although the speech covered the globe in a manner designed to annoy nonaligned nations, the point that attracted most attention in India was the allegation that the United States favored the "balkanization" of that country. The speech also included unflattering remarks about the government of Indira Gandhi.

The U.S. Embassy promptly stated that the articles were false. Although Ambassador Kirkpatrick had attended the conference, she made no speech. The influential newsweekly *India Today* and the *Free Press Journal* of Bombay described the episode as a Soviet disinformation effort. Nonetheless, communist members of the Indian Parliament denounced the United States, and the pro-Moscow Communist Party of India issued a call to resist U.S. "intervention." Soviet media continue to refer to the speech, and the Nicaraguan press also used it to criticize U.S. policy. In South Asia, some noncommunist papers, including Pakistan's conservative Urdu-language *Jang* and Nepal's semiofficial *Gorkha Patra*, carried the story as hard news.

### LATIN AMERICA

The main active measures vehicles have been front groups, with many working through regional affiliates, mostly headquartered in Havana or Mexico City. These include the World Peace Council, Christian Peace Conference, World Federation of Trade Unions, International Union of Students, and the International Organization of Journalists. Their activities are supplemented by a variety of single-issue organizations focused on Central America, such as national committees for solidarity with Nicaragua and with the Salvadoran FMLN.

#### U.S. Policy in Central America

- In April 1983, the World Peace Council and its Nicaraguan affiliate CONIPAZ sponsored the Continental Conference for Peace and Sovereignty in Central America to criticize U.S. policy. Predictably, the final resolution lambasted U.S. support for the "bloody" regime in El Salvador and denounced the U.S. stance toward Cuba and Grenada.

• On January 27, 1983, Nicaraguan media published as factual the fake Jeane Kirkpatrick speech on U.S. policy toward the Third World. Since it had just surfaced in Indian leftwing media, the prompt Nicaraguan rerun possibly was prearranged. Sections of the bogus speech highly critical of Mexican policy were highlighted in the Nicaraguan replay.

• In September 1982 a single-issue front group linked to the World Peace Council—the World Front of Committees of Solidarity for the People of El Salvador—gathered in Managua to castigate U.S. policy toward Central America.

**Bacteriological Warfare**

• The Castro regime has tried to explain the resurgence of dengue fever in Cuba by blaming the Pakistani malaria research center in Lahore, which the Soviets had charged with implementing a CIA-sponsored bacteriological warfare program. (See Special Report No. 101 for details.) According to Cuban media, the center was not only breeding malarial mosquitos for Afghanistan but also to carry dengue fever into Cuba. A former Cuban health official, Eduardo Gomez Cabale, who defected to the United States in 1982, has stated that the Cuban Government chose this explanation to divert attention from the likely carrier of dengue fever: Cuban troops returning from Angola.

• In March 1983, the Mexico City office of the Salvador Human Rights Commission, which has ties to the FMLN, accused the United States of furnishing the El Salvador military with chemical and biological weapons.

• In the summer of 1982, Moscow's *Radio Peace and Progress* made much of allegations by an American citizen, Scott Barnes, who falsely claimed he had been asked by U.S. Special Forces in March 1982 to assist in the use of chemical and biological weapons against the El Salvador rebels. Barnes, who has been an occasional mouthpiece for Soviet disinformation, also incorrectly asserted that he was a former Green Beret, FBI agent, and CIA officer.

**The Falklands Campaign**

**Reagan-Thatcher Tape.** In late May 1983, 2 weeks before the U.K. general elections, copies of a fabricated audiotape of an alleged telephone conversation between President Reagan and Prime Minister Thatcher during the Falklands campaign circulated in the Netherlands under an anonymous cover letter. On the tape, the President tries to restrain Mrs. Thatcher, who is bent on punishing Argentina, and to blame her for the loss of the *HMS Sheffield*. Technical analysis of the tape indicated that the voices were authentic. Comparison with President Reagan's public statements revealed that the President's remarks were excerpted from a November 22, 1982 speech that was broadcast to Europe. In a Dutch "transcript" circulated with the tape, phrases from the speech were re-arranged and taken out of context.

**Weinberger Press Statement.** In early summer 1982, a false May 5, 1982 Department of Defense press release No. 217-82 circulated in Latin America. Apparently it was intended for private distribution. In the bogus statement, Secretary Weinberger was outspokenly supportive of the British and highly critical of Argentina, whose attitude was described as "stubborn and selfish." The actual DOD release No. 217-82 dealt with contract awards.

**EAST ASIA**

**Yellow Rain**

In May 1983 the World Federation of Trade Unions, the main Soviet trade union front group, sponsored a major conference in Vietnam to oppose alleged U.S. use of chemical warfare. This activity seemed part of a broader Soviet effort to divert attention from its use of "yellow rain" in Afghanistan, Laos, and Kampuchea by claiming that the United States itself was engaged in chemical warfare.

**Levchenko's Revelations About the KGB in Japan**

In December 1982 the U.S. House of Representatives Select Committee on Intelligence released testimony given earlier in the year by former KGB Major Stanislav Levchenko, who defected to the United States in 1979. At the time, Levchenko was in charge of Soviet active measures in Japan.

The testimony made clear that the Soviets were making an extensive effort to influence Japanese political and public opinion through the full panoply of active measures techniques:

• Use of agents of influence, including senior journalists and politicians, to spread rumors and disinformation (i.e., alleged "serious" splits in the Chinese hierarchy over the border fighting with Vietnam, rumors of a secret nuclear deal between China and Italy, a false last political testament of the Chinese leader Zhou En-lai, and a concerted effort to label President Carter "neutron" Carter); and

• Use of agents of influence in Japan's internal politics. (Through such agents of influence, Levchenko asserted that the KGB played a major behind-the-scenes role in some Japanese opposition groups).

Soviet active measures goals, prepared annually by the KGB residency, according to Levchenko, mirrored Soviet policy toward Japan, and active measures were designed to support specific policy aims to:

- Improve Soviet-Japanese relations;
- Increase tensions between Japan and China;
- Increase tensions between Japan and the United States;
- Convince the Japanese that it was hopeless to work for the return of the northern territories.

Levchenko estimated the strength of the KGB residency in Tokyo at about 50 with 5 officers working full time on active measures. Levchenko, whose own cover was as a correspondent of the Soviet magazine *New Times*, said that journalist cover was highly regarded since it permitted wider access than diplomatic cover. According to Levchenko, 10 of the 12 *New Times* foreign correspondents were KGB officers, and a high percentage of overseas representatives of other Soviet media were also from the KGB. The former intelligence officer stated that the Soviets had about

200 Japanese agents, all of whom could be utilized for active measures if the KGB felt that this was desirable.

**CONCLUSION**

Assessing the impact of active measures is difficult, but they seem to have greater success in developing areas, such as Africa, than in other regions, for example Europe, where their record has been uneven. Yet as Under Secretary of State Lawrence Eagleburger wrote in the April 1983 *NATO Review*: "In both developed and developing countries, beyond the success, or lack of it, of particular operations, active measures have a corrosive effect on open political systems."

In dealing with active measures, Under Secretary Eagleburger recommended in the same article that "While recognizing that active measures are but one aspect of our complex relationship, common sense requires that we counter these intrusions not only through effective counterintelligence but by keeping our citizens as fully informed as possible of the deceptive practices to which they are exposed." ■

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