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# Intelligence Memorandum

*The Price of Strength: Broader Soviet Force  
Goals Driving Up Defense Spending*

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*J. Edgar Hoover*

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CENTRAL INTELLIGENCE AGENCY  
Directorate of Intelligence  
28 February 1968

INTELLIGENCE MEMORANDUM

The Price of Strength: Broader Soviet Force  
Goals Driving Up Defense Spending

Summary

The USSR appears to be moving toward the creation of a higher level of resource commitments in every major component of its armed forces. The dominant view among the current Soviet leaders is that the USSR should have a broader spectrum of military capabilities than are now at hand and that the resources must be made available to achieve them.

In 1968, for the third year in a row, the rise in Soviet outlays for national security programs will probably equal or exceed the rate of growth in the economy. Increases in 1966 and 1967 had already swelled defense spending by an amount greater than the increases for the entire eight years 1958 through 1965.

The pace and number of concurrent programs have altered the expenditure trends of past years. From the end of the Korean War until 1965, the costs of acquiring new strategic capabilities were moderated by economies in the ground forces and by alternating the emphasis on new strategic systems to avoid expenditure peaks in several major programs at the same time. By 1966, time had run out on the Soviets in their efforts to hold defense costs down by these means. (See Figure 1, next page.)

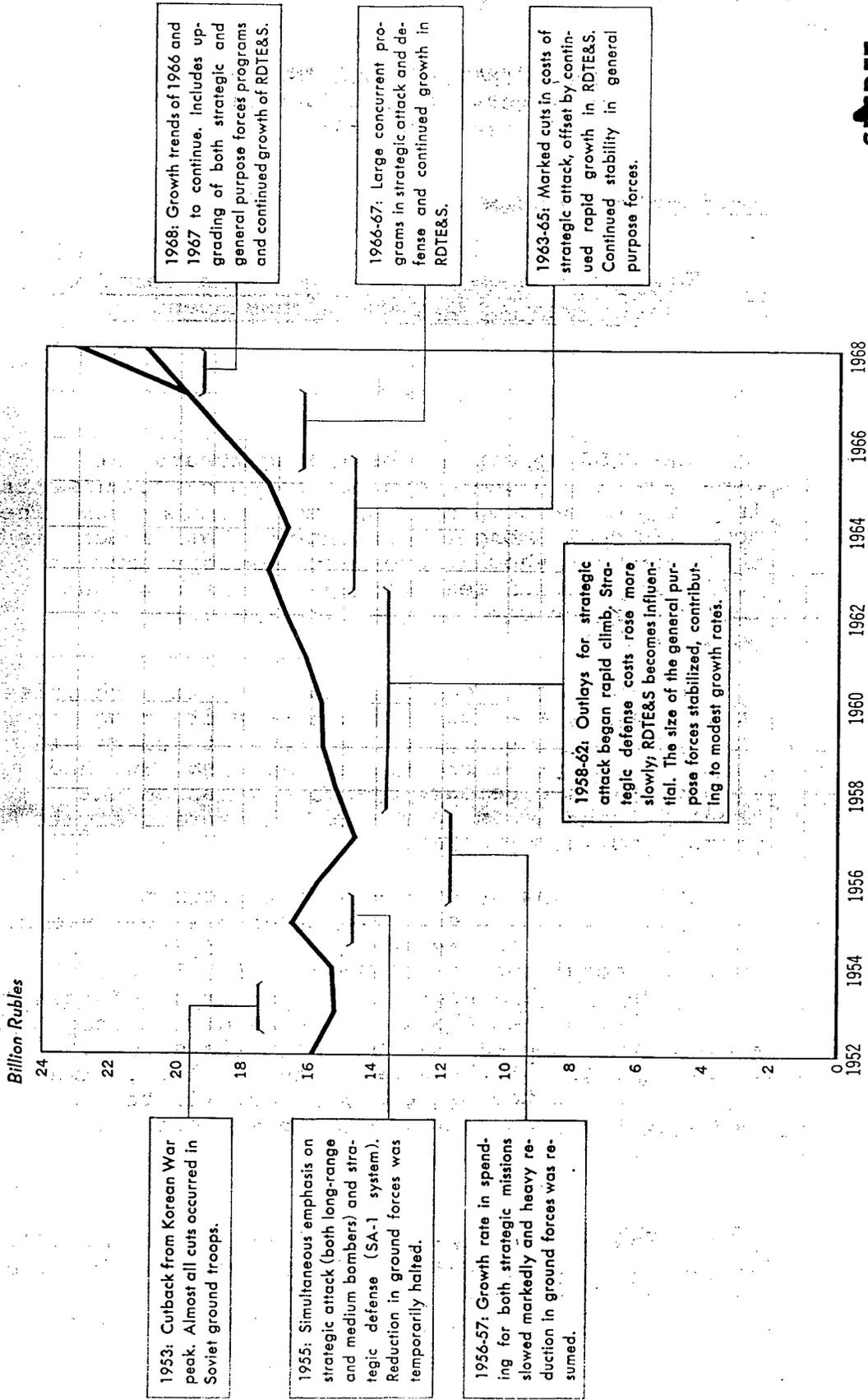
Note: This memorandum was produced solely by CIA. It was prepared by the Office of Strategic Research and coordinated with the Offices of Current Intelligence, Economic Research, and National Estimates.

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Figure 1

# USSR: ESTIMATED DEFENSE AND SPACE EXPENDITURE TRENDS AND UNDERLYING CAUSES, 1952-68



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Initially, the upturn in defense spending was related to improvements in the Soviet deterrent. More recently, Soviet leaders appear to have concluded that forces optimized for deterrence may not be the most effective instruments of foreign policy under present conditions and to be reconsidering the role and structure of the theater forces.

Present programs will influence future as well as current spending levels. New weapons systems are now in research and development that will provide added strategic options for the 1970's. Deployment programs now under way in the strategic and theater forces will establish new force levels and higher operating and maintenance requirements for the future. Forces along the China border are being strengthened, and Soviet commitments to supply arms abroad have gone up. In combination, these developments are driving Soviet defense spending toward higher levels.

Qualitative changes in the US forces during the next few years will--in the absence of arms limiting agreements--continue to put pressure on the USSR to undertake costly improvements that will tend to keep military investment at a high level.

The need for additional defense measures seems to be generally accepted by the current leadership. The consensus is shakier, however, on the subordinate issue of which alternative national objectives to slight to pay for the rising defense costs. By favoring defense and the consumer at the expense of investment, the Soviets are risking another slowdown in economic growth. Some Soviet leaders recognize this. As higher military costs are translated into curtailments and postponements in other favored programs, they will continue to supply fuel to Kremlin controversy.

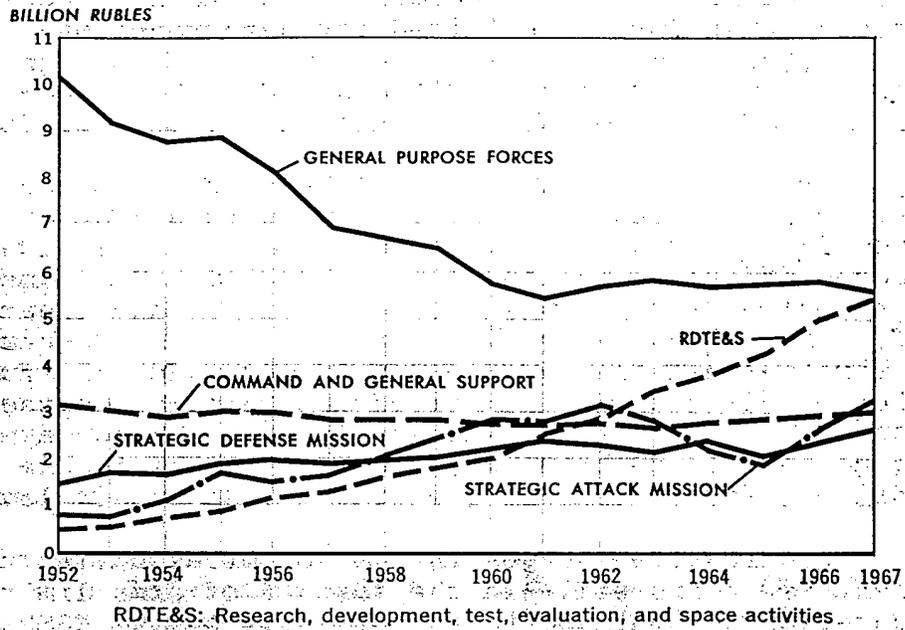
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Figure 2

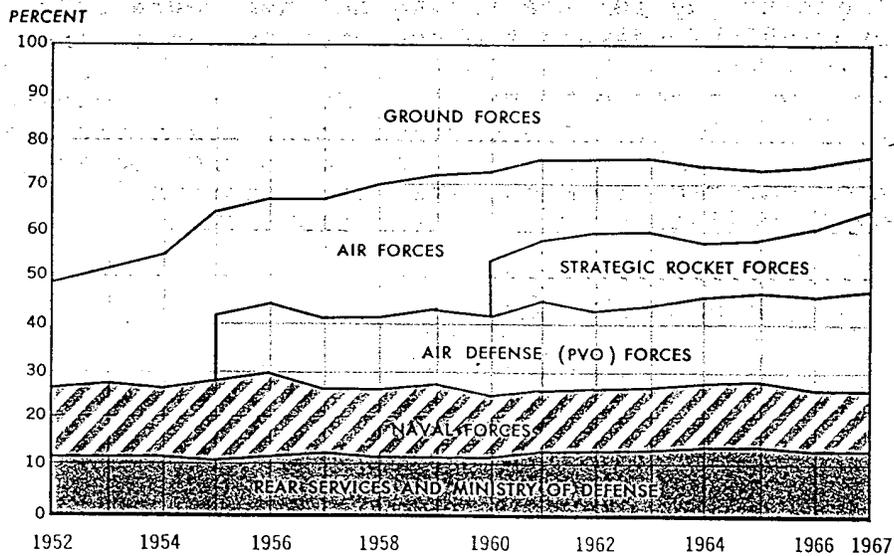
### USSR: MILITARY AND SPACE EXPENDITURES BY MAJOR MISSION, 1952-67



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Figure 3

### USSR: SHARE OF MILITARY EXPENDITURES BY MILITARY SERVICE, 1952-67



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### Fixed Commitments and Spending Levels

1. Each year, Soviet military budgets are formed in an environment in which many matters of central importance as well as the allocation of most expenditures have been determined by past decisions. Soviet forces in being require large and unavoidable expenditures. Weapons deployment programs under way and new weapons well along in their development cycle represent commitments that are not easy to alter during a single budget year.\* The balancing of military needs against established investment and consumption goals and the difficulty of transferring resources from one to another of these uses also limit decision makers in the short run.

2. Without a strongly innovative and resolute military policy--such as concurrent pursuit of several urgent objectives or agreement on arms control--the freedom of decision makers to significantly change the allocation of resources in the immediate year ahead is constrained.

3. Over the longer historical period, however, the size and cost of Soviet military forces have shifted significantly as fundamental changes have occurred in economic strength, military technology, and world affairs, and as alternative national policies and strategies have evolved and leadership has changed. (See Figure 2, opposite page.)

4. Some of these developments--for example, the curtailment of the Soviet ground forces in the 1950's--are gradual and take a number of years for their full budgetary effect to be felt. Others, such as the costs of the military and space R&D effort, have exhibited steady growth over the long term and may continue to do so.

5. Still other programs, particularly those involving the procurement and deployment of new strategic weapons, are individually cyclical in nature. These have at times coincided in their effect and have caused marked inflection points

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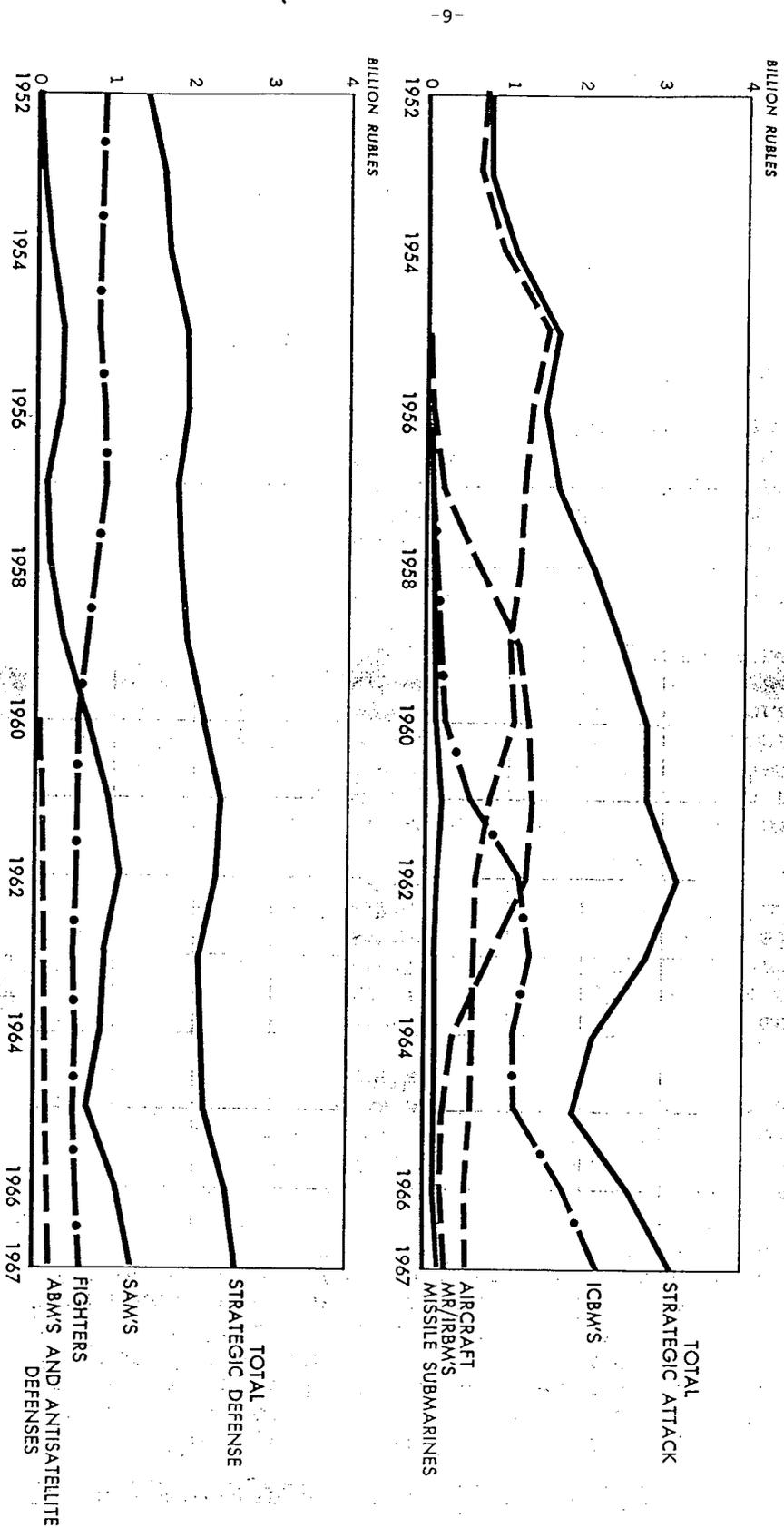
\* *Soviet force levels underlying the historical cost trends discussed in this paper are those reflected in agreed national intelligence.*

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### USSR: EXPENDITURES FOR STRATEGIC FORCES BY KEY ELEMENT, 1952-67

Figure 4



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in Soviet military spending. At other times they have tended to be offsetting and to contribute to greater stability in year-to-year trends.

#### Trends in Military Resources

6. From the end of the Korean War until 1965 the long-term trend in total expenditures for defense has been one of only moderate growth. In fact, the percentage of the gross national product allocated to defense actually declined. This trend coincided with Khrushchev's program to change the Soviet military establishment from a primarily conventional force to one which more fully encompassed the new military technology of missiles and nuclear weapons.

7. The ability of the USSR to accomplish this while holding growth in total defense spending to quite modest rates is largely a result of moving from a high of about 6 million men under arms in 1952 to a steady level of about 3 million from 1961 to 1965. From 1957--the year of minimum defense outlays in this period--through 1965, defense and space expenditures grew at an average rate of about 2 percent a year while the economy grew at about 5 percent a year.

8. From the viewpoint of the political leaders during the 1950's, the acquisition of better ground force weapons permitted enough gains in mechanization and improved firepower to allow net economies in the ground forces through troop reductions. The effect of the large increases in resources required for the strategic missions was thereby dampened, first by the reductions and after 1960 by stability in ground forces costs. As a result the ground force share of total Soviet military outlays dropped greatly. (See Figure 3 on page four.)

9. The relatively small number of attractive strategic weapons options open to the USSR at any one time also created the tendency for new weapons systems to be phased in successive waves, thereby minimizing the coincidence in expenditure peaks for investment in major deployment programs. (See Figure 4, opposite page.) In the strategic attack mission, for example, there were three clear waves of deployment. The first included the large strategic bomber programs during 1953-57. This was followed by the concentrated effort on medium- and

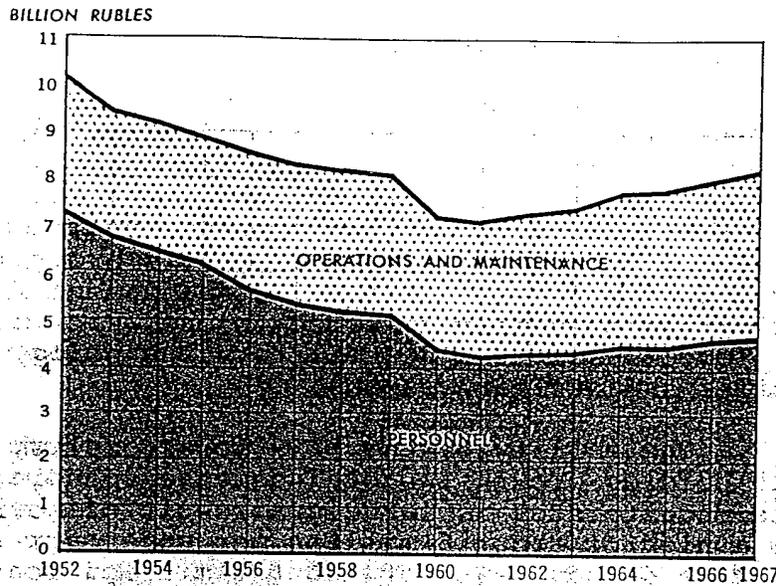
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Figure 5

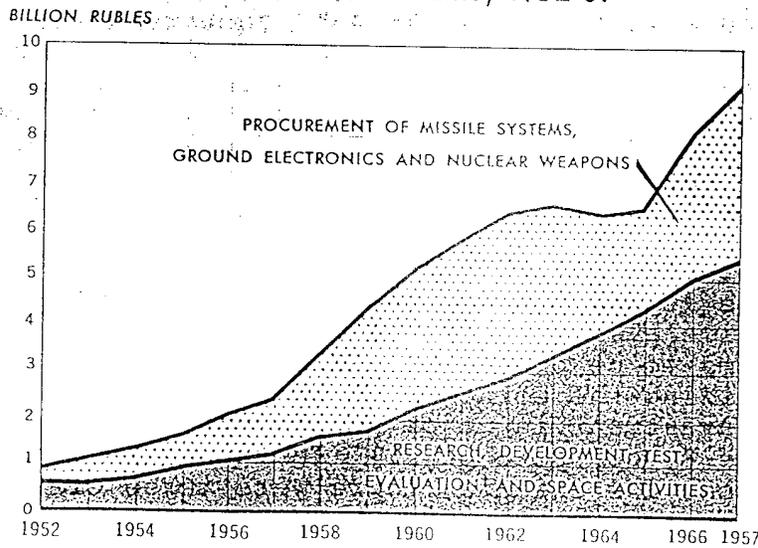
### USSR: OPERATING AND PERSONNEL COSTS OF MILITARY FORCES, 1952-67



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Figure 6

### USSR: RESEARCH AND DEVELOPMENT AND PROCUREMENT FOR ADVANCED WEAPONS AND SPACE SYSTEMS, 1952-67



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intermediate-range missiles during 1958-62, and a marked reduction in the construction of manned bombers. Finally, since 1962, deployment programs for intercontinental missiles have exercised the major influence on Soviet expenditures for strategic attack.

10. An exception to the compensating movements of expenditures for major programs occurred in 1955. In that year a large bomber deployment program coincided with continued heavy expenditures for air defense fighters and new surface-to-air missiles at the same time that economies at the expense of the ground forces were temporarily halted. Total military spending increased about a billion rubles--an approximate 7-percent rise.

11. The period 1956-57 was one of retrenchment in military spending. Cuts in outlays for ground forces were resumed, and no further growth occurred in the aggregate level of procurement and deployment of new strategic systems. The only major contributor to spending that was increasing strongly in this period was military and space research and development. Costs for R&D and space were still at a relatively low level in 1956-57, however, and consequently did not offset the economizing trends occurring elsewhere in defense spending.

12. A period of steady, although still modest, growth in total defense spending began in 1958 and continued until 1962. During this period investment in strategic attack systems climbed rapidly, and the growing weight of the burden of military and space research and development programs began to exercise a dominant influence. Relatively stable programs in strategic defense and further slight reductions in the costs for the general purpose forces, however, did much to moderate growth in total expenditures during this period.

13. The ability to offset increased costs of deploying new weapons by manpower reductions virtually ceased after 1961, and the tendency since then has been for costs of operating and maintaining the forces in being--with their new weapons systems--to become a steady contributor to increased military costs. Under present conditions the prospects that this trend will be reversed appear to be slight. (See Figure 5, opposite page.)

14. Khrushchev, who was committed to a long-term program of economic development, was inclined to bank on a policy of deterrence based on strategic offensive missiles. He was able to justify, from this viewpoint, a reduction in the flow of resources being spent on the general purpose forces, even while modernizing them, and this viewpoint did not require him to attempt to match the US buildup of strategic forces.

15. While this policy moderated overall growth in military expenditures, it produced misgivings among his strategists. These strategists became restive about the strategic imbalance, believed they did not have a credible capability to wage a nuclear war (and win), and foresaw that the next war might not start with a surprise nuclear attack.

16. Khrushchev's last years of influence beginning in 1963 ushered in a period of stability in defense outlays which carried over under his successors until 1965. For the first time in recent Soviet history, outlays for the strategic missions suffered significant reductions--amounting to about 20 percent over the three-year period.

17. Most of the reductions were possible largely because of a drop in the deployment of strategic missile systems after the MRBM and IRBM deployment was completed. The pace of deployment of surface-to-air missiles also slowed markedly in this period. The reduced spending for new strategic systems during 1963-65 was, however, offset by the increases in military and space research and development. Other major categories of spending showed little change.

#### Military Demands on Industry

18. Although military spending overall showed only modest growth under Khrushchev, a heavy drain was imposed on those resources urgently needed for economic growth.

19. Growth was particularly rapid in expenditures for advanced military hardware and for military and space R&D, which drained resources from

the industrial investment program and hampered Khrushchev's efforts to improve technology in civilian industry. (See Figure 6 on page eight.)

20. Specialized resource requirements centered upon precision machine building, electronics, high-purity metallurgy, and the related production and scientific personnel in those fields. In 1959, the boss of Soviet defense industries--Ustinov--had warned Soviet planners that the demands of military programs would be intense in these areas.

21. Subsequently, since available resources failed to meet all needs, expansion and modernization of the civilian industrial plant was hampered. This, in turn, intensified pressures to revamp the Soviet planning structure and the ways the economy was managed.

After Khrushchev

22. The heightened military priority under the present leaders reversed the decline of military expenditures expressed as a share of gross national product. Initially this trend resulted from efforts to improve the Soviet deterrent. More recently, Soviet concern has broadened to encompass the complex possibilities of the escalation of some local war that impinges on the interests of both major powers.

23. The Soviet leaders have apparently reappraised the strategic environment and US-Soviet relationships, concluding that further steps toward detente are not in immediate prospect and that an improved military posture is required during the present period of international crisis and tension.

24. They seem to feel that the United States has displayed an increasing willingness to undertake initiatives that the USSR must be prepared to counter, and that the USSR must have the wherewithal to support initiatives of its own. They believe that the Soviet Union must improve its military capabilities in ways that will reduce the freedom of action of the United States and give the USSR greater influence in the international arena.

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25. The present period of dynamic growth in military outlays began with the resumption in 1966 of major new deployment programs in both the strategic attack and strategic defense missions. Expenditures for ICBM's in 1967 were double the level of 1965 and expenditures for SAM and ABM programs rose by about 70 percent. In combination, total outlays for the strategic missions added more than 1.7 billion rubles to the defense budget during this period. Although the rate of growth of R&D and space costs slowed somewhat from the very high rates of earlier years, outlays still rose by nearly 30 percent during 1966-67, adding another billion rubles to the defense burden. In other major areas of defense spending the general pattern of stability persisted.

26. The continuation of efforts to achieve additional military capabilities was signaled with the announcement of a significant further increase in the overtly announced military budget for 1968, following the substantial expansion of outlays during 1966-67. This new drive toward greater military preparedness appears to be oriented toward requirements in both the strategic and theater forces. Although some requirements may not be permanent--such as moves to strengthen the forces near China, Soviet naval operations in the Mediterranean, and support to the Arabs--outlays for these purposes will probably continue at present levels in the next few years and could increase further. In other spending categories--primarily in new weapons deployment--it will take several years to complete the major investment in several programs now in their early stages. New operating and maintenance requirements for the longer term are also being created by these programs.

#### Now, and the Years Ahead

27. The Soviets plan and build their military forces with the recognition that nuclear war is possible, and they believe that an ability to wage such a war is a necessary condition for averting it. An elementary concern for the efficiency of the Soviet investment in military power has impelled the present leaders to a broader consideration of the total range of military needs and opportunities

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and to question whether forces optimized for deterrence are the most appropriate instruments of policy under these conditions.

28. The apparent consensus that exists on the need for additional military power may not extend to the subordinate issues of military force planning and the relative priorities of other national economic objectives. By favoring defense and the consumer and slighting investment the Soviets are running risks of another slowdown in economic growth. Some evidence of controversy over investment goals was seen in the Soviet press following the 1968 budget announcement. Although such articles have not been repeated in recent weeks, the issue probably remains alive and could be revived as an important element in Kremlin politics if the economy suffers setbacks that significantly affect major economic goals. Differing strategic and doctrinal viewpoints also continue to be evident in articles in the Soviet military press, revealing special interest pleas and unresolved decisions on particular military priorities.

29. In assessing their military needs for the future, the Soviet leaders will undoubtedly wish to continue strengthening the Soviet deterrent, not only for defensive reasons but to reinforce the image of the Soviet Union as a great power. Qualitative improvements currently planned for the US forces will not permit the USSR to stand still and at the same time maintain the degree of deterrence it now has. Soviet leaders are also coming to recognize that additional forms of power will be needed if their freedom of action in world affairs is to be extended and the freedom of action of the United States diminished.

30. The specific military programs and missions to be most affected by the increased spending announced for 1968 cannot yet be identified with the precision necessary for constructing high-confidence costing implications. But, judging by the lines of development reflected in recent R&D and deployment programs, in the trends in Soviet doctrinal writing, and in various military activities and policies being pursued in the Middle East and elsewhere, it is possible to identify certain programs and forces likely to receive substantial emphasis.

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Prospects for Strategic Programs

31. There is evidence that the SS-9 and SS-11 ICBM deployment programs are continuing and that new starts of SS-11 silos may be extended into 1968. Construction of operational sites for a new ICBM--possibly a solid-propellant--may also have begun. New Polaris-type submarines will be appearing in some numbers in the coming years, and a system that could lead to the deployment of a fractional orbit bombardment weapon has been tested successfully. Air defense capabilities will almost certainly continue to be expanded. There is no indication of a readiness to agree to a freeze on ABM deployment, and without such agreement the USSR is almost sure to continue large research and development efforts, either to improve the Moscow system or to develop a completely new system, even while it is completing the deployment at Moscow.

32. Together, these activities will contribute to rising costs for strategic missions in the next few years as well as to the general trend of increasing costs for operating and maintaining the strategic forces over a longer time period. In combination, Soviet costs for equipping and operating strategic attack and strategic defense forces are expected to average about six billion rubles per year (about \$12 billion in US terms) over the next five years compared with five billion rubles (\$10 billion) average for the period 1963-67.

33. Even if the numerical levels of new strategic weapons systems do not continue to expand as rapidly as they have in the past two years, qualitative improvements in US strategic forces will press the Soviet leaders to make similar improvements, which will maintain relatively high investment levels. At the same time, the operating and maintenance costs for the systems now being deployed will have reached higher levels and will also tend to keep total military spending from dropping.

Prospects for General Purpose Forces

34. The USSR is also expanding the role of its general purpose forces in ways which are becoming clearer but which as yet cannot be defined

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precisely for costing purposes. No longer tied to the single contingency of general nuclear war, the Soviet leadership is trying to give the general purpose forces the capability to respond over a broad spectrum of possibilities in the furtherance of Soviet foreign policy.

35. The army, navy, and air force elements in the general purpose mission are large but are not yet well structured for a future role in non-nuclear conflicts. Molded in the late 1950's and early 1960's as an adjunct to the missile forces in a nuclear war, the general purpose forces were not given equal consideration in budget deliberations. As a result they now represent a compromise between what the military wanted and what the government granted.

36. Since 1960, the general purpose forces and the command and general support establishment have been supported by relatively stable expenditures of about 9 billion rubles (about \$19 billion) a year. With these resources, increasing numbers of modern weapons such as tactical missiles, supersonic fighters, and submarines were procured and deployed. Yet the means of sustaining these forces in extended operations and of rapidly moving men and equipment in meaningful numbers beyond Soviet borders were denied.

37. To permit an expanded role for the general purpose forces, major changes in the structure, equipment levels and service support are needed, and are probably receiving attention. Tactical aviation will soon receive equipment better suited to its mission. The naval forces are deficient in fleet air defense, open-ocean antisubmarine warfare, and amphibious operations; programs are under way to overcome these weaknesses. Additional air logistics support will probably be provided to improve mobility of forces and supplies.

38. Pressures to upgrade the general purpose forces have been held in check up to now in deference to the requirements of the strategic forces and other national goals. These restraints now appear to be loosening, and pent-up demands of long standing are finding support. Information is still scarce on the probable numerical levels of deployment of new equipment and systems and

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on their impact on investment, operating, and personnel costs of the general purpose forces. The requirements for resources will, however, extend to many program elements and could generate cost increases of a billion rubles or more a year, or the equivalent of some \$2 billion to \$3 billion in US terms.

39. The full extent of the increase will depend not only on the levels of capability sought but on the ways the forces are actually operated in the years ahead. The costs could be sizable if the USSR continues to expand its influence and presence in the Mediterranean and Middle East, to increase its forces in the Far East and along the China border, and to broaden its proxy support to North Vietnam and other Communist-sponsored military and guerrilla movements.

#### Prospects for R&D and Space

40. Soviet military research and development programs and the space effort also augur a continuation of the long-term upward spending trend during the next few years. Over the longer term there is some prospect that the level of effort on R&D and space may stabilize, but given the importance of science in Marxist thought and the continued competition in space and in military technology, it is highly unlikely that costs in this field will be reduced significantly.

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