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15 JUN 1979

MEMORANDUM FOR: Director, NFAC

SUBJECT : Cost Implications of Projected Soviet  
Strategic Attack Forces With or Without SALT

Last year you sent to Agency principals and cabinet officials copies of a memorandum on the cost implications of projected Soviet strategic attack forces with and without SALT. We have now updated our analysis using the Soviet force levels projected in NIE 11-3/8-78. Our findings are contained in the attached memorandum. In view of the coming summit, we recommend that you similarly disseminate this year's update of Soviet spending for strategic attack forces. An additional information copy for the DCI is also attached.



R. M. HUFFSTUTLER  
Director  
Strategic Research

Attachments:  
As stated

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13 June 1979

MEMORANDUM

Cost Implications of Projected Soviet Strategic Attack Forces

Summary

1. Analysis of alternative Soviet strategic forces projected in NIE 11-3/8-78 indicates that Soviet intercontinental attack forces under SALT II would be substantially less costly than the no-SALT forces. There would be only a marginal impact on the level of total defense spending, however, and even if all the potential resource savings from SALT II were transferred to civilian investment, the effect on the economy as a whole would be negligible. These conclusions are similar to those reached last year in an analysis of the force projections made for NIE 11-3/8-77.\*

Trends in Soviet Spending for Strategic Forces

2. Since 1960 estimated Soviet investment and operating expenditures (in constant 1970 rubles) for intercontinental and peripheral attack forces has followed a cyclical pattern (see figure 1). The peaks in the cycle reflect primarily the introduction of succeeding generations of intercontinental attack systems: the SS-9, SS-11, and SS-13 ICBMs and the Y-class SSBN in the mid- to late-1960s; the SS-17, SS-18, and SS-19 ICBMs and the D-class SSBN in the mid-1970s; and follow-on systems, now in development, in the early 1980s. Principal among these are the follow-on systems to the SS-17, 18, and 19, the replacement for the SS-11, and the Typhoon SSBN--the most costly of the projected systems.

\*See memorandum, "USSR: Economic Implications of a SALT TWO Agreement", 18 November 1977.

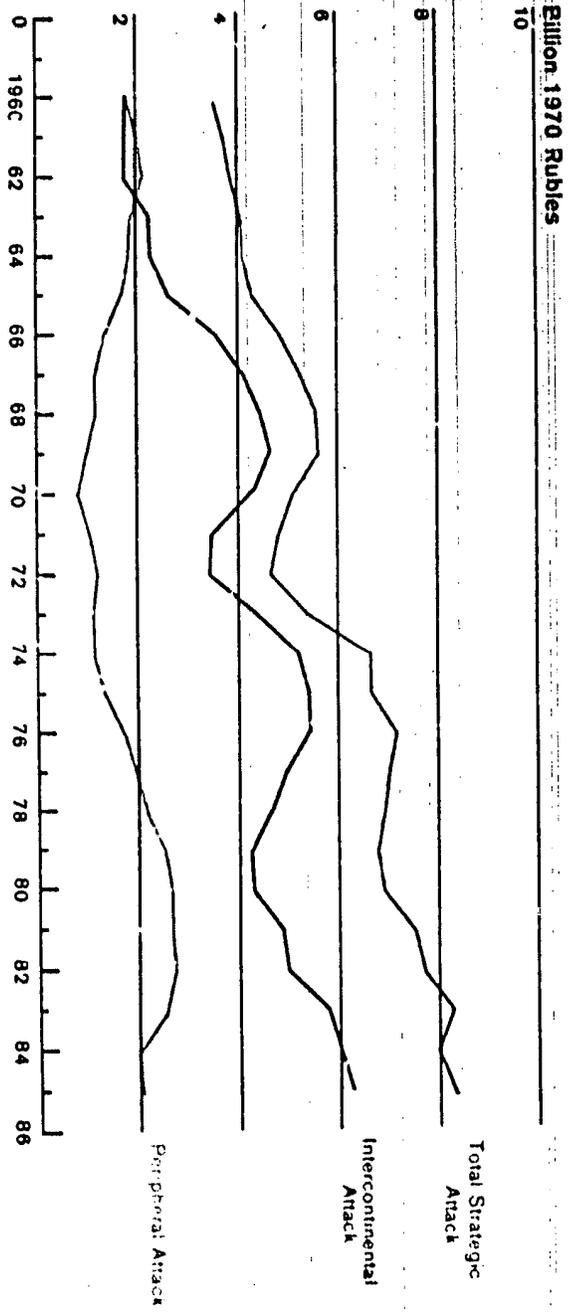
*This memorandum was prepared by the Office of Strategic Research and coordinated within the CIA. Comments and queries are welcome and may be directed to*

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**Figure 1: Estimated Soviet Investment and Operating Expenditures for Strategic Attack Forces, 1960-85**



Based on estimates in constant 1970 rubles.  
Projection for 1970-85 assumes that a SALT II agreement enters into force in 1979.

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### Expenditure Implications of Force Projections

3. Figure 2A shows spending for strategic attack forces in rubles in three five year plan periods--1971-75, 1976-80, and 1981-85. The two bars for 1981-85 are based on the Intelligence Community's best estimates of the number and characteristics of Soviet forces with and without SALT II. As the figure shows, investment and operating spending for strategic forces will increase in the 1981-85 period with or without a SALT II agreement. The increase anticipated under SALT II is a result of the sizable investment expenditures associated with the introduction of follow-on weapon systems, which outweigh the reduction in operating expenditures that will result from the dismantling of older weapons to meet the SALT II limits.

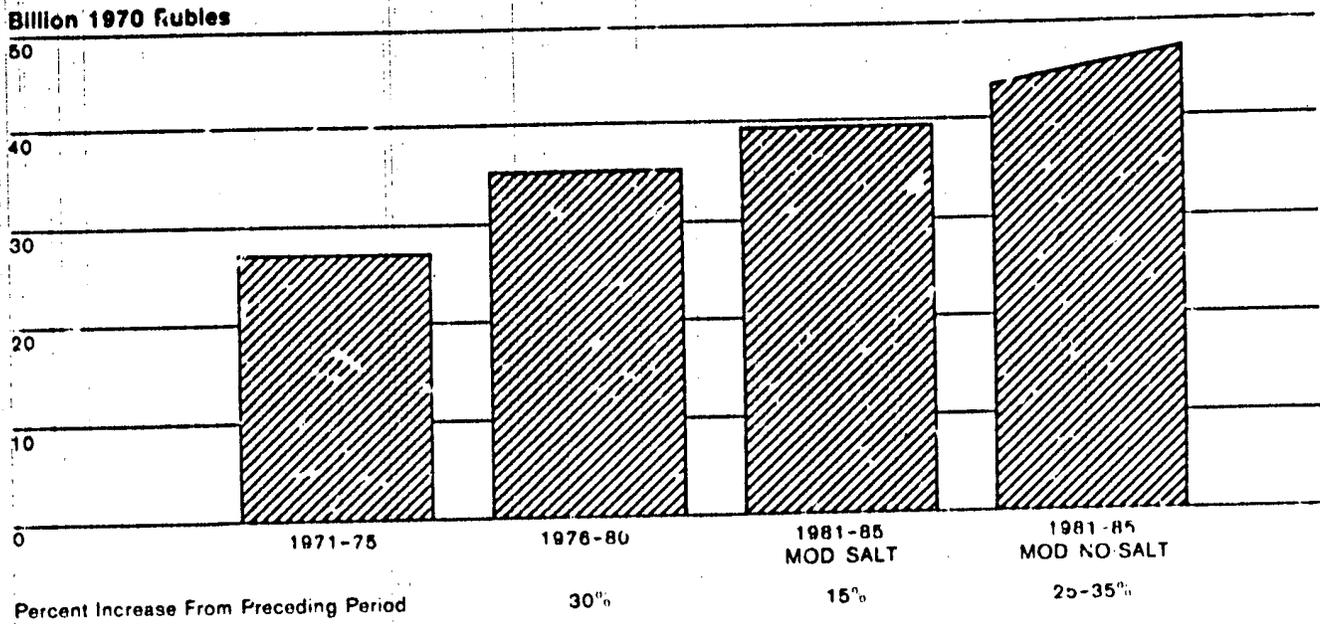
4. Under the SALT II projection, Soviet spending for strategic attack forces in 1981-85 would be almost 15 percent higher than in 1976-80. This projected increase, however, is only about half as large as the increase between the current and preceding plan periods. Projected investment and operating spending for strategic attack under the no-SALT forces is about 10 to 20 percent greater than under the SALT force, primarily because of the larger number of intercontinental delivery vehicles. Projected expenditures under SALT for intercontinental attack forces alone would be almost 20 percent higher in 1981-85 than in 1976-80, compared with an increase of about 15 percent between the current and preceding plan periods. The no-SALT intercontinental attack force would be about 10 to 25 percent more costly than the SALT force.

### Total Defense Expenditures

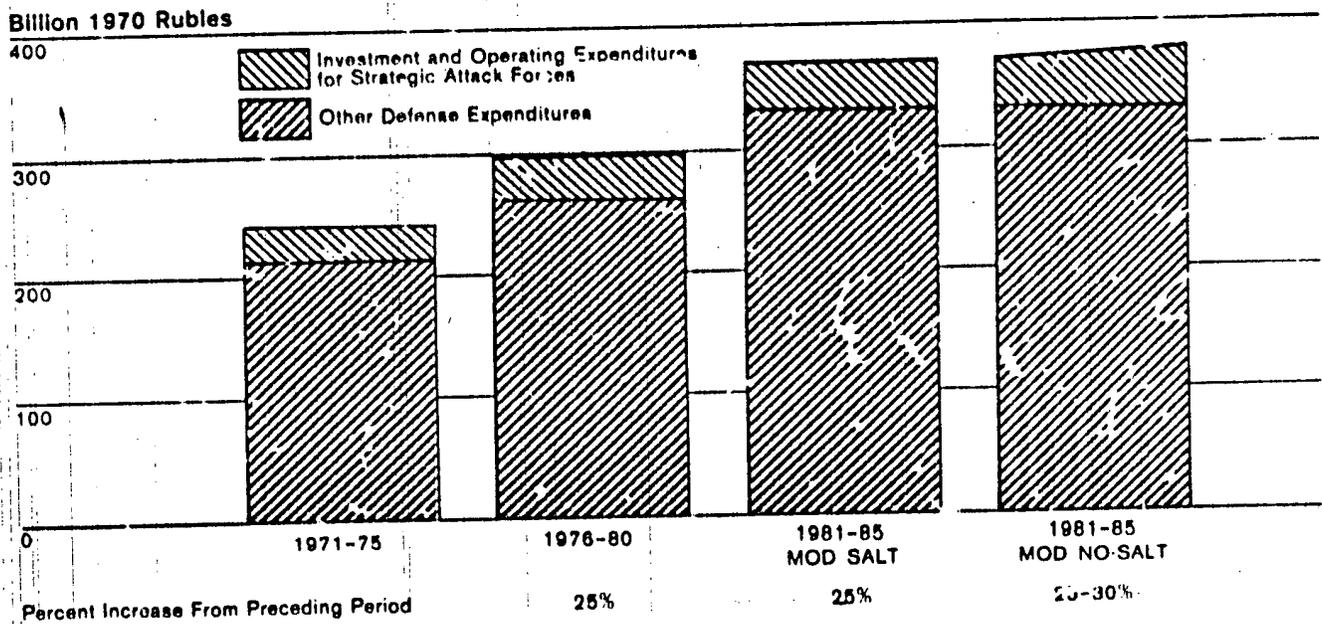
5. The expenditure implications of the projected forces are much less dramatic, however, when viewed in the context of total defense spending. Figure 2B shows our estimates of total Soviet defense expenditures for the three Five Year Plan periods. The difference in projected investment and operating expenditures for strategic attack with and without SALT II has little impact on the level and trend of total expenditures in the early 1980s. This is because these expenditures make up only about 10 to 15 percent of total spending, so that even sizable changes in strategic force spending do not have a major effect on the total.

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**Figure 2A: Estimated Soviet Investment and Operating Expenditures for Strategic Attack Forces by Five-Year Plan Period, 1971-85**



**Figure 2B: Estimated Soviet Defense Expenditures by Five-Year Plan Period, 1971-85**



Impact on the Economy

6. Soviet economic growth has been slowing, and energy and demographic problems are likely to lead to a further slowdown in the 1980s. This trend is confronting the Soviets with increasingly difficult policy choices. For at least 15 years, defense spending has consumed a relatively constant 11 to 12 percent of the Soviet gross national product (GNP). Both GNP and defense spending have been increasing at 4 to 5 percent per year. However, if defense spending continues to grow as past trends and present forecasts indicate--that is, at an annual rate of 4 to 5 percent compared with 3 percent or less for the economy as a whole--the defense share of GNP will increase as the economy slows. In 1985 it could be 1 to 1.5 percent higher.

7. The Soviet leaders are clearly concerned about their economic prospects, and they may envision some economic benefit from SALT--primarily by avoiding the additional costs associated with an unconstrained strategic environment. Our analysis suggests, however, that the potential direct resource savings from SALT would, in itself, have little impact on the economy. Assuming that all other elements of Soviet military expenditures remain unchanged, in 1985 the defense share of Soviet GNP under the moderate SALT force would be at best a few tenths of a percent lower than under the moderate no-SALT forces. Such a shift in the share of GNP going to defense would have a negligible impact on the overall growth of the Soviet economy. This is because the production resources that would be released are small in relation to Soviet investment requirements, are highly specialized, and are not easily transferred to civilian uses. In addition, Soviet strategic forces consume a small number of men--less than 3 percent of total military manpower--so that there would be only a small benefit to the civilian labor force.

8. While Soviet participation in SALT probably is motivated by a combination of economic, political, and strategic concerns, the economic payoff from SALT is unlikely to be a predominant consideration.