

S E C R E T

Talking Points on Soviet Defense Spending
1980-1985

- I. Trend during 1965-1979 -- 4 to 5 percent annual growth.
- II. Factors Influencing Future Defense Spending
 - A. Forces for Change
 1. Poor economic outlook -- Demographic and energy problems compounding long standing inefficiency and lagging productivity. GNP growth probably will fall to less than 3 percent by mid-1980s.
 2. Impending political succession -- Different leaders attach different priorities to defense; thus at least some potential for change in succession period.
 - B. Forces Favoring Continuation of Long-Term Trend
 1. Soviet concern over Western military programs, NATO 3 percent goal and Chinese threat.
 2. Perceived Soviet requirements for future forces require costly high technology solutions; examples are defense against low-level bomber and cruise missile attack; MX threat to survivability and effectiveness of ICBMs; ASW; theater air and nuclear imbalance.
 3. Level of weapons testing activities currently is about the same as that maintained since mid-1960s. This will tend to increase spending because of cost escalation associated with new systems.
 4. Level of capital construction in Soviet defense industries is very high, suggesting increased defense production in 1980s.
- III. Outlook
 - A. Economic difficulties won't force Soviets to cut defense spending.
 - B. Programs in train strongly suggest continued growth at or near 4-5 percent through 1985 with or without SALT.
 - C. Soviets may seek through political means such as arms control negotiations to limit competition, with US in costly, high technology weapons.

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The Director of Central Intelligence
Washington, D.C. 20505

Resource Management Staff

RMS 79-0316
3 May 1979

MEMORANDUM FOR: Director of Central Intelligence

VIA: [Redacted]
Deputy to the DCI for Resource Management

FROM: [Redacted]
Director, Policy Guidance Office

SUBJECT: ¹⁷ May 1979 PRC Meeting/Review of DoD Draft
Consolidated Guidance, 12 April 1979

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1. This memorandum is for information only. No action is required.
2. There are no issues of concern with the OSD Draft Consolidated Guidance (DCG) to concern you as the DCI. The program guidance is compatible with the NFIP. There are several items of interest within the DCG:

a. "The NATO Long Term Defense Program as accepted by the Defense Ministry and Heads of Government is tantamount to mandatory guidance. Thus, US programs must conform to LTDP commitments except where specific US reservations have been expressed by the President or the Secretary of Defense." (IV.A.1., p.5.)

b. A new section has been added to the DCG (Chapter A.), Defense Policy Guidance. Its major sections are:

- 1) National Objectives and Policies
- 2) Defense Policy, Military Strategy and Planning Guidance
- 3) Requirements and Priorities

3. If time permits, it is recommended that you:
 - a. Read the Overview and Summary at the colored signal;
 - b. Scan Chapter A., Defense Policy Guidance.

4. There is no indication that the PRC meeting to review the DCG will deal with the issues of the DCG as such. The Secretary of Defense's primary concern is that the FYDP is going to be underfunded.

THIS DOCUMENT UNCLASSIFIED
WHEN SEPARATED FROM ATTACHMENT A

DERIVATIVE CL BY 701725

DECL REVW ON May 1985

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SUBJECT: 7 May 1979 PRC Meeting/Review of DoD Draft Consolidated Guidance, 12 April 1979

He has directed the development of a set of issue papers to address the following questions: *These are now attached*

- a. What can we buy within the present Consolidated Guidance?
- b. How well does what we buy meet the needs of national security?
- c. With added funding increments, what added forces can be bought and maintained?
- d. How do these additional increments add to security?

omitted following this memo. (Attach A)

These issue papers are to be cast in terms of the relative US/Soviet force balance in the following areas:

- o Strategic Forces
- o NATO
- o Persian Gulf
- o Korea

It is anticipated that a set of the issue papers will be available to you prior to the PRC meeting.

5. None of your equities are expected to be at issue in this meeting. The meeting provides you an opportunity to:

- a. Support the SecDef in your common concern about overly tight funding limits.
- b. Feel the wind from OMB and develop sensings concerning the manner in which you want to approach program review.

6. Attachment B is an index of background material available in the accompanying white notebook that may be useful to you in the event there is discussion of various threats.



Attachments:
A-Draft Consolidated Guide
B-Index of Background Mate

SUBJECT: 7 May 1979 PRC Meeting/Review of DoD Drat Consolidated
Guidance, 12 April 1979

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MEMORANDUM FOR:

DCI's book used at
PRC on DoD's Consolidated Guidance
14 May 1979

Background for use at
4 June 1979
NSC Meeting

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PRC on DOD Consolidated
Guidance

14 May 1979

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