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IC 77-2104
17 January 1977

25X1A MEMORANDUM FOR: [REDACTED]
National Intelligence Officer for
Economics

25X1A FROM : [REDACTED]
Director of Performance Evaluation
and Improvement, ICS

SUBJECT : Research Institute for the USSR

1. The problem is urgent; something must be done. But it is, like ecology, complex, with many interlocking aspects. These must be thought about and understood, even though we may only attack one or two of them at a time. Consider:

a. The financial base of the established Russian research establishments is much reduced; efforts to improve it look pathetic.

b. Employment prospects for recently graduated specialists are very slim. For now they are unhappy; for the future, of course, they will have to go elsewhere and the investment in their training will be lost.

c. New young people will not come into the field.

d. For a host of reasons, relations between academe and government in this field are not what they should be.

e. Soviet area studies have probably suffered, perhaps less than other fields -- but enough, from recent fads in the social and political sciences that, in my view, are elegant ways of missing the point.

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f. Having been buried too long in management BS, I am not too sure of my impression, but I do have the impression that the monographic literature we used to get from academic sources, describing this or that aspect of Soviet aciton and "line," has been drying up.

g. In government, a once fairly rich base of Russian area expertise is being reduced by attrition and scattered by erosive career incentives (you have to be a generalist or a manager to get ahead).

h. Judgments on fundamental but elusive Soviet matters (e.g., objectives, perceptions, intent) are increasingly being made by less expert or savy people, assigned to but not well grounded in Soviet matters.

i. In CIA (one hesitates to mention DIA), the number of senior and influential specialists who actually work the material -- especially the open literature -- is dwindling dangerously. Those at the point in the estimative process, GS-14 to GS-18, spend most of their time managing hierarchies or interagency rodeos. Of the two dozen or so "estimates officers" who are responsible for the contents of NIE 11-4 or the front of NIE 11-3/8, I will bet no more than one or two has read articles in Kommunist or sat down to peruse our rich collection of Military Thought (Confidential) in the last year. In this sense, the "B" Team attack on ignoring the "soft" evidence is valid.

j.

But our archival systems for sustaining even the most trivial kinds of content analysis and related exploitation are virtually non-existent.

in a recent critique of the Soviet estimates, observes that there is not a single quotation from a Soviet authority or source in all the verbiage about Soviet objectives and perceptions. I would like to argue that we generalize on the basis of a thorough command of all the sources; but I know better.

k. The Treml-Levine agenda notes pressing needs for research on the Soviet economy. Valid, but too narrow. The same exists in party life, society and culture, foreign affairs and doctrine.

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General Keegan is right! The US government possesses or could organize access to four voluminous "data bases" from which we could construct a much improved picture, both comprehensive and in fine detail, of the USSR in the mid-1970s. They are:

- Overhead photo files
- SIGINT files ranging from high to low sensitivity
- Open literature
- Third wave emigration

It would take a kind of Manhattan Project, not necessarily super-centralized, to exploit this properly. It is labor intensive. That is more or less what we did in the late 1940s.

m. It is a moral and political shame that third wave emigrants to the US are not mobilized for this kind of work part time as they transition into other kinds of professions.

2. The idea of an institute in the Washington area may be a good one. It could become just another drag on a depressed market. But it could begin to make a difference in our larger problem if:

a. It was not independent of but lashed up with the established research centers, a kind of Washington base for all.

b. It received substantial and steady funding directly from Congress (rather like the Board of Public Broadcasting that runs Radio Free Europe and Radio Liberty); but could also accept general grants and research contracts from the Executive.

c. It was organized, not just to generate scholarly research, but also to make a dent in our more basic data and archival problems.

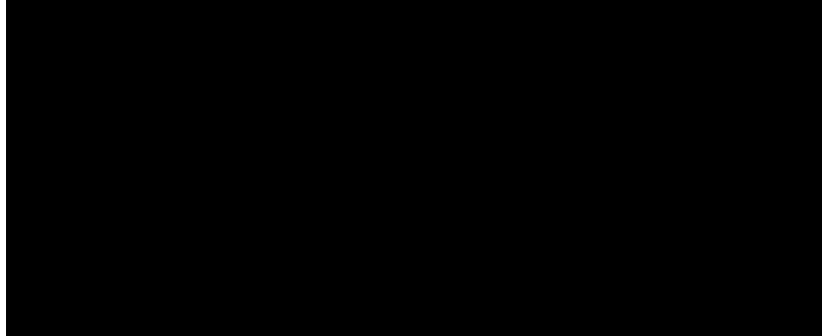
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3. In the meantime, we must pull up our socks in the CIA and the Community or I fear we shall not be able to stand the heat of coming years on things like Soviet objectives, of which the "B" Team flap has been but a mild foretaste.

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THE DIRECTOR OF CENTRAL INTELLIGENCE

WASHINGTON, D. C. 20505

National Intelligence Officers

NIO #070-77

January 12, 1977

MEMORANDUM TO: List
FROM : NIO/E
SUBJECT : Proposal for New Research Center on USSR

1. The attached proposal is the result of much thought and deliberation on (1) the perilous state of academic research on the USSR (principally the economy), (2) the poor linkage that now exists between academic and governmental research in this area, and (3) ways of remedying the situation. The proposal describes the problem and offers a solution in the form of a concept and an institutional innovation that I believe deserves our most careful consideration.

2. By way of background, you should be aware that this proposal is in some measure in competition with, and in some measure complementary to, a parallel proposal that has grown out of a Harvard Russian Research Center effort (funded by Bob Ellsworth, when he was still Deputy Secretary of Defense). The Harvard proposal aims more at the subsidization of the established institutes than it does at the revitalization of the kind of organized research that would be responsive to US Government needs. Its chances of attracting sustained support, therefore, seem to me to be slim.

3. Because of the long-term significance of this initiative, I am trying to assist the Treml-Levine-Earle group in their efforts to develop support for their proposal within the Executive Branch (State and Defense) as well as among key legislators and congressional staffs. We are having an in-house meeting at State/INR (January 17) to discuss the proposal. The Georgetown Center (Dave Abshire) is planning an all-day Congressional seminar and dinner (in March) around a discussion of this issue. The proposal, thus, is getting a responsible hearing.

CIA's support will, of course, be crucial. I would, therefore, much appreciate having your initial reactions (by phone or briefly in writing) in anticipation of a more thoroughgoing discussion we should have later in the month to develop some consensus on what CIA's proper role should be substantively, organizationally, and financially.



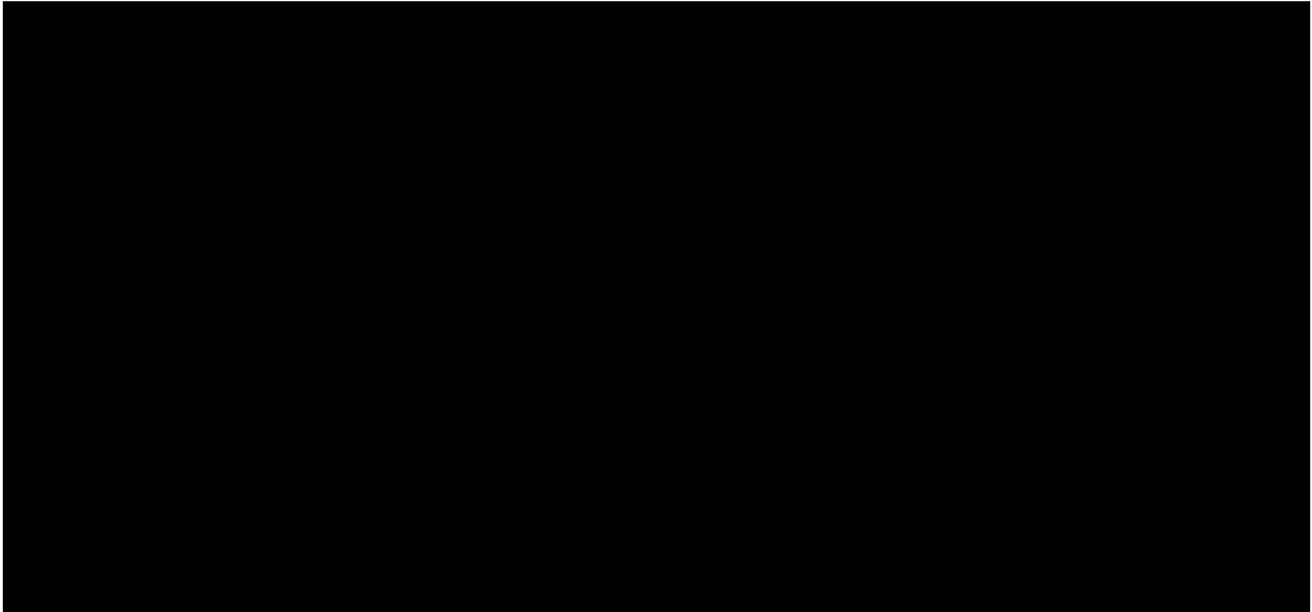
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National Intelligence Officer
for Economics

Attachment:
Proposal

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List:



4 January 1977

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A DRAFT PROPOSAL FOR THE CREATION OF AN
INSTITUTE FOR THE STUDY OF THE SOVIET UNION

Vladimir G. Treml, Duke University

Herbert S. Levine, University of Pennsylvania
and Stanford Research Institute

M. Mark Earle, Jr., Stanford Research Institute,
Strategic Studies Center

I. Purpose of Proposal

In order to reenergize the field of research on the USSR and to facilitate interaction among the public and private organizations involved in such research, and to provide a facility which would be equipped to handle large, long-term, fundamental research projects, we propose the creation of an Institute for the Study of the Soviet Union.

II. Nature of the Problem

It is paradoxical that, during the last decade, while the need for understanding the Soviet economy and society has increased, our national resources devoted to this work have decreased. We stand, in fact, in jeopardy of losing a substantial part of our research capability in Soviet studies if this trend is not reversed. This alarming situation is a consequence of many factors, but basically it is a result of reduced funding by the government, private foundations, and the universities.

Decreased support for Soviet studies has stemmed from the shift, since the mid-1960s, of the interests of government and private foundations away from international studies and toward the study of domestic problems. As a result of this shift, financial support from these sources for training and research in the Soviet area has fallen dramatically,

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and the situation is being compounded by the severe financial difficulties which continue to plague American universities. Universities have been forced to reduce support for graduate studies and faculty research, and to reduce (often to zero) the number of tenured appointments they are able to make. The field of Soviet studies has been particularly hard hit; the number and scope of activity of academic Soviet study centers have sharply diminished. Moreover, the interaction between reduced support for graduate studies and the serious erosion of tenured appointments in Soviet areas has further contributed to the drop in the number of graduate students pursuing Soviet studies, leading to the intensification of a generation gap problem. That is, there will be an insufficient number of new Soviet specialists in about a decade to replace the current generation of specialists. The problem of job opportunities for Soviet specialists is particularly acute. The self-correcting market mechanism does not operate within government and it is the public need for this research that is so important, for research is a public good. Thus conscious governmental action is required.

At the same time that the resources devoted to Soviet studies have decreased, the need for greater understanding and thorough analysis of the Soviet economy and society has increased. As the level and the nature of U.S. relations with the Soviet Union have changed, as they have become in a sense more symmetric, they have become more complex. Concurrently, the dangers of military confrontation have become more ominous with the Soviet attainment of parity in some areas, and a threat of superiority in others. Thus, while today U.S. policymakers are still crucially concerned with the technical assessment of Soviet military capabilities, they are also concerned with the growing Soviet involvement in the world economy and international order, with Soviet technology policy and technology imports, Soviet energy resources, and fluctuations in Soviet agriculture--all important issues in the long-run competition between the two systems.

Not only have U.S.-Soviet relations become more complex, but as the Soviet system has developed it has itself become more complex. Many Western analysts perceive shifts in the basic nature of competing economic priorities among consumption, investment, and defense. For example, it is clear that in terms of the political concerns of Soviet leaders, the interests of Soviet consumers are of increasing importance today. But it is now also clear, that as military technology has become more advanced and more sophisticated, the costs of Soviet military production, relative to those of civilian production, have increased, adding to the share of defense in Soviet national product. In a number of complex ways, consumption, investment, and defense are both competing and complementary end-uses. Thus, economic, social, and political considerations play an intricate, interrelated role in the formation of Soviet domestic and foreign policies--by necessity a foremost concern for U.S. national security and foreign policy planning.

Aside from the interplay of competing claimants on the resources of the Soviet Union, a traditional focus of research in the Soviet field, new problems, dynamic and potentially destabilizing, are being identified which may have significant impact on Soviet developments in the near- and mid-term. Among these are the growing phenomenon of the "second" economy which provides alternative channels for economic activity to those strictly administered by the central authorities, and secondly, a gradually emerging pattern of regional and ethnic independence. Areas such as these would require significant research inputs of effort, talent, and resources.

Parallel with the need for better insights are the new opportunities for effective research. Information on the USSR has been growing rapidly through increased travel (providing, in some cases, access to unpublished or limited distribution data), scholarly exchanges, joint (or "parallel") research, the availability of knowledgeable emigrés, and significant increase in the supply of published data, including economic statistics. The

quality of these data, however, is uncertain; much interpretive and analytical work is required before these statistics can be used effectively.

III. Components of a National Research Program on the Soviet Union

What is necessary is the development of a national research program on the Soviet Union that would reflect the interface among those concerned with the study of Soviet behavior, those concerned with commercial and cultural interaction with the Soviet Union, and those concerned with the formulation and execution of U.S. Government policy toward the Soviet Union. The development of such a program should begin with the identification of the components of a broad research effort that would monitor the full spectrum of Soviet affairs. A partial list of components might include:

- The Soviet economy--behavior and performance
- Soviet political-economic decisionmaking and institutions
- The role of the military in the Soviet system
- Soviet political-economic relations with other countries
- Demographic and nationalities questions
- The individual and social life in the Soviet Union

Among the concerns facing U.S. policymakers today, there is particular emphasis on the interrelationships between economic and military factors. Therefore, it would be appropriate to begin building a national research program with those issues, with research activities expanded systematically to cover all facets of Soviet affairs. The following paragraphs suggest some of the studies that would comprise the initial effort.

First, however, it should be noted that in the past, most research on the Soviet economy was conducted within narrow fields of investigation, without coordination of effort or results. Our perception of the functioning of the Soviet economy has been based on disaggregated sectoral or regional evidence and pieced together block by block. Most critical, then, in expanding our understanding of the Soviet economy and its interaction with the military sector is research on the nature of the "total" system employing an integrated, interdisciplinary, and comprehensive approach focusing on interdependencies and structural characteristics.

Research Program

Specific research efforts that would contribute to the improvement of the research base needed for short-, mid-, and long-term policy analyses include:

1. A core of interrelated quantitative studies
 - Detailed, comprehensive analysis of Soviet national income accounts (to create, on a larger scale, a series of annual analyses similar to the CIA work on the 1970 Soviet accounts)
 - Construction and analysis of national, republican, and interregional input-output tables for the USSR (as is being pursued on a modest scale at Duke and the Department of Commerce's FDAD)
 - Development of macroeconomic models of the Soviet Union with links to national and regional input-output tables (one such model, "SOVMOD III," is under development at the University of Pennsylvania under the auspices of Stanford Research Institute and the Wharton Econometric Forecasting Associates)
 - Quantitative work on Soviet demographic trends, with particular emphasis on labor resources and regional and ethnic characteristics (as is currently being pursued at FDAD)
 - Quantitative research on the Soviet fiscal and monetary systems which would feed into the areas of investigation outlined above.

2. An in-depth analysis of the current and historical multi-faceted role of the military in Soviet society-- particular attention to be given to:
 - The perception and measurement of economic trade-offs in the determination of the share of defense in the national economy by Soviet leaders
 - The nature of the interrelatedness of the civilian and military sectors
 - The nature of the interrelatedness of resources committed to domestic political control and those committed to the military
 - The nature of political stresses in the society caused by nationality problems and their implications for military manpower.
3. Multidisciplinary work on the operation, role, and magnitude of the USSR's "second economy," i.e., various semilegal private and "grey and black market" activities which are not recorded in Soviet statistics but provide additional income to the population and divert an appreciable share of national resources.
4. A thorough analysis of Soviet prices and price system with the ultimate aim of recomputing Soviet national income and expenditure flows in some "rational" or equilibrium prices. The analysis should focus on
 - Ruble/dollar ratios
 - Pricing in civilian and military industries
 - Domestic pricing of exports and imports, and
 - Regional price and wage differentials.
5. An analysis of the changing role foreign trade plays in the development of the Soviet economy and of Soviet perceptions of structural problems in the global economy.
6. In pursuing these lines of investigation to build a research base for the analysis of policy issues in the Soviet area, the knowledge and expertise of recent Soviet emigrés should be utilized. Some hold the view that Soviet emigrés working in collaboration with American specialists could provide valuable insights for the interpretation and extension of data under a number of the topics outlined above and for understanding of hidden phenomena such as the operations of the "second economy" and the like; others are less optimistic. Almost

all agree that their potential role in and contributions to a national program need to be seriously assessed.

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selected group of emigrés might be commissioned to undertake a detailed review, area by area, of the Western literature on the Soviet system or of Soviet literature on the West.

IV. An Institute for the Study of the Soviet Union

The organization of the national research program described above could be done in many ways, for instance, via: professional associations (ACLS-SSRC, AAASS R&D Committee), an inter-university research council, the Russian centers at individual universities, the non-university research institutes (SRI, Rand, etc.), a government-managed and staffed organization, or a newly created, Institute for the Study of the Soviet Union. We favor the last of these. Some of the considerations in reaching this conclusion are outlined below:

Why an Institute?

First, the research tasks listed above are complementary and interrelated. They require teams of researchers, a solid technical base (library, computer facilities, translation services, etc.), and must be maintained on a continuous basis. Universities are reluctant and ill-equipped to undertake such projects. An Institute would provide a framework within which teams of researchers and individual scholars could be effectively utilized.

Second, the government intelligence community is under considerable handicaps in carrying out such projects. Researchers, because of their status cannot easily enter into contracts with Soviet specialists or travel to the USSR to work in Soviet libraries and research centers. Also, the output of such research cannot always be made available to specialists outside the government and therefore, justifiably or not, such research efforts are viewed with some suspicion by outsiders, and collaboration with academic specialists and even specialists from other agencies is inhibited. Furthermore, most of the research required is clearly of a "fundamental" or basic type and would make very little use of classified sources.

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Third, a major deficiency in the current research on the USSR is the lack of integration of research programs within the academic community, and the lack of effective communication between the academic and government communities. An Institute would provide a channel for both of these kinds of communication.

Fourth, the national program must be built with full recognition of the comparative advantages of the various elements which would participate-- the individual scholars, university research centers, non-university research institutes, and professional associations. We believe the establishment of a new Institute would ensure the appropriate further development of all the organizational entities involved in Soviet research. In particular, it could contribute to the strengthening of the major university research centers through its function of raising and distributing government research funds.

We believe, therefore, that the most effective way of organizing a national research program is to establish a major federally supported Institute for the Study of the Soviet Union.

Objectives

The key objectives of such an Institute are envisaged as follows:

- To reenergize the field of research on the USSR by creating a highly visible and intellectually respectable national research organization.
- To create a facility which would be equipped to handle large and long-term fundamental research projects which cannot be undertaken at individual universities.
- To provide for and to facilitate interaction between U.S. Government policymakers and analysts on the one hand, and the academic and nonprofit research community on the other.

- To provide for and to facilitate interaction among U.S. Government agencies regarding their research concerns on the Soviet Union, both those that would be undertaken via the Institute and those that would be funded separately by the various agencies.

Organization

To achieve these broadly outlined goals the proposed Institute:

- Should be independent of existing Federal departments and located in Washington, D.C. The Institute should be funded on a continuous basis with an annually approved budget. It should not depend on periodically negotiated contracts. This could be done most easily through a joint allocation from several executive branch departments and agencies. Or alternatively it could be created through legislative action with a direct appropriation from Congress. Its overall performance should be reviewed every five years.
- Should be administered by an appointed executive director with all research and policy matters controlled by a council consisting of three groups: the executive staff of the Institute, academic scholars and the representatives of the government users of the research output of the Institute.
- Should be flexible enough in terms of its staffing and the table of organization to accommodate different modes of research. The permanent professional staff of the Institute would preferably be on civil service status. The Institute should be able to accept visiting specialists from other government departments, universities, or private research institutes. Special research teams consisting of permanent Institute employees and visitors would be created from time to time to work on specific problems such as, for example, "the second economy". These teams would be reorganized after the completion of the project. Emphasis should also be placed on the conduct of projects on a cooperative basis with one or several universities or private research institutes.
- Should encompass the most important social sciences such as economics, political science, law, and sociology. However, both to expedite the creation of the Institute and to respond to the most immediate needs of the U.S. Government and the academic profession, the Institute should begin with economics; the other disciplines to be added later.

- Should conduct research that is primarily of a fundamental or basic nature. Therefore, the research program would be predominantly of an unclassified nature. Furthermore, the Institute itself should be an open facility, i.e., no classified research should be conducted on the premises. The classified research in the Institute program would be conducted at classified facilities outside the Institute.
- Should be enabled to award grants to universities, private research institutes, individual scholars, and graduate students for work related to the Institute's program.
- Should be in a position to publish its research results freely and actively, without being subject to government review.
- Should have adequate research facilities such as a library, computer center with individual terminals, a pool of translators, and other supporting staff.

While it is premature to fix the eventual size of such an Institute and the staff requirements we envisage its beginning stage at approximately ten man-years, in addition to existing research entities that may be placed under its umbrella.

* * *

This memorandum is not yet a formal proposal but a draft representing the views and thoughts of the authors, developed to start a discussion. It is being circulated to our concerned colleagues in government and academia as we continue to explore the issues relating to the reenergizing of research on the Soviet Union in the U.S.