

Joint Economic Committee

PRESS RELEASE

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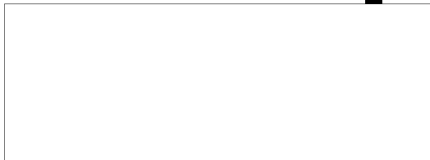
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PROXMIRE RELEASES CIA TESTIMONY

Washington, D.C. -- Senator William Proxmire

(D-Wis.) said on Tuesday that "according to a Central Intelligence Agency analysis, it is possible that the United States will be virtually eliminated as a source of grain imports to the Soviet Union, subsidies or no subsidies."

"It is my view," Proxmire said, "that the growing Soviet independence from U.S. grain partly demonstrates the fallacy of assuming that they are being pressured into an arms agreement by economic difficulties."

Proxmire made his remarks as he released previously classified testimony of the CIA.

Proxmire said from his Washington office:

"I asked the CIA to provide projections of future Soviet grain import requirements worldwide and from the United States. Here is what the CIA says:

Nonetheless, under most scenarios, Western grain will still be needed to achieve the ambitious 1990 meat production goals. The amount of required grain will, as always, depend in large measure on weather conditions:

--Our most likely scenario is for average weather -- conditions approximating those of 1980-1984 -- and continuation of the recent trend in fertilizer deliveries. Achieving 1990 meat production targets under these conditions would require some 40 million tons of grain imports -- equal to the average annual quantity imported during 1981-1984 -- even with increased quantities of feed per animal. A qualitative improvement in the composition of feed rations, however, could lower feed conversion ratios and reduce import demand to some 30-35 million tons.

"The CIA goes on to say that Moscow views the United States as a residual grain supplier, and that we will continue to be the supplier of last resort.

"Further, the CIA states that increased production by other countries suggests they could easily supply 20-25 million tons of grain annually, and larger quantities in good years.

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"Simple arithmetic shows the vanishing role of the United States as a grain exporter to the Soviet Union.

"If Soviet demand for grain drops to 30 million tons, and they can get 25 million tons from other countries, whether they will buy small amounts or anything from the United States becomes questionable.

"So far this year, the Soviets have purchased only about 6.5 million tons of grain from the United States, and the year is officially over at the end of September.

"A year ago, the Soviets imported about 20 million tons of U.S. grain.

"The CIA also concludes that very good weather and other favorable conditions in the Soviet Union could totally obviate the need for Western grain imports."

Other highlights of the CIA testimony:

- * In 1985, for the first time since 1971, the dollar cost of Soviet defense activities did not substantially exceed U.S. outlays.
- * Despite almost no growth in procurement since 1975, the Soviets produced significantly more weapons than the United States in almost every category. Part of the reason is that the United States emphasized purchasing fewer but more capable and costly weapons, and that we devote a greater share of procurement outlays to improving combat readiness and sustainability.
- * Although comprehensive U.S. estimates of how much it would cost the Soviets to build an SDI have not been developed, the addition of new programs in direct response to SDI would almost certainly conflict with planned military programs and with Gorbachev's industrial modernization program.
- * In 1985, Soviet military deliveries to foreign countries totaled almost \$9 billion, about 20 percent less than the value for 1984. The drop was caused mostly by financial constraints in the global arms market and the completion of military modernization programs among some of Moscow's clients.

Copies of the hearings, "Allocation of Resources in the Soviet Union and China," may be obtained from the Joint Economic Committee, Room G-01, Dirksen Senate Office Building, Washington, D.C. 20510, telephone: (202) 224-5321.

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