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Memorandum to
Holders of
NIE 11-4-65
NIE 11-5-65
5 August 1965

CIA HISTORICAL REVIEW PROGRAM
RELEASE IN FULL

MEMORANDUM

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To Holders of

NATIONAL INTELLIGENCE ESTIMATE

NUMBER 11-4-65

NUMBER 11-5-65

Main Trends in Soviet Military Policy

Soviet Economic Problems and Prospects

Submitted by the
DIRECTOR OF CENTRAL INTELLIGENCE

Concurred in by the
UNITED STATES INTELLIGENCE BOARD

As indicated overleaf
5 AUGUST 1965

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The following intelligence organizations participated in the preparation of this estimate:

The Central Intelligence Agency and the intelligence organizations of the Departments of State, Defense, and NSA.

Concurring:

Director of Intelligence and Research, Department of State
Director, Defense Intelligence Agency
Director of the National Security Agency

Abstaining:

The Atomic Energy Commission Representative to the USIB and the Assistant to the Director, Federal Bureau of Investigation, the subject being outside of their jurisdiction.

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MEMORANDUM TO HOLDERS OF
NIE 11-4-65: MAIN TRENDS IN SO-
VIET MILITARY POLICY
NIE 11-5-65: SOVIET ECONOMIC
PROBLEMS AND PROSPECTS

THE PROBLEM

To estimate trends in the level and allocation of Soviet defense expenditures over the past several years.

NOTE

NIE 11-4-65, "Main Trends in Soviet Military Policy" (14 April 1965, SECRET), estimates the main trends in Soviet military thinking policy, and programs. This Memorandum supplements the examination of economic factors in paragraphs 16 and 17 of that estimate. It supersedes the estimates in paragraph 23 of NIE 11-5-65, "Soviet Economic Problems and Prospects" (22 January 1965, SECRET). It does not supersede the judgments made in both NIE 11-4-65 and NIE 11-5-65 concerning the effects of defense programs on general economic trends; we believe that these judgments remain essentially valid.

Soviet military forces costed in this estimate represent single value selections from within the ranges appearing in current NIEs and other USIB issuances. For the period since 1955, a systematic review was made to restate the historical pattern of Soviet defense programs as seen from the vantage point of 1965.

Only limited data on Soviet military expenditures are directly available from intelligence. The single figure given for defense in the annual Soviet published budget is not all-inclusive, nor does it indicate

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the composition of defense expenditures. Moreover, to a significant degree, our estimates of the costs of Soviet weapon systems are synthesized by analogy to the costs of US equipment, which involves conceptual and practical difficulties. These problems, together with uncertainties in our estimates of the size and composition of Soviet forces, of necessity contribute to the range of uncertainty involved in the resultant figures both as to total expenditures and allocation by mission.

DISCUSSION

1. Our analysis indicates that annual Soviet defense expenditures have remained at about 17 billion rubles during the 1962-1964 period.¹ Historically, however, these expenditures have shown considerable change over the past decade, declining in 1956 and 1957 and then rising from about 14½ billion rubles in 1958 to about 17 billion in 1962. The impact of these programs on the machinery and equipment sector of the economy has been particularly great; expenditures on military machinery during 1959-1964 rose faster than total defense expenditures.

2. The main impetus for the growth in total military expenditures during the 1958-1962 period was provided by the continuing buildup in forces for strategic attack and defense and by extensive research and development and space programs. These increases were partially offset by a continuing decrease in expenditures for general purpose forces. In 1963 and 1964, expenditures for strategic defense forces and, more especially, those for research and development continued to increase. Expenditures for strategic attack forces decreased somewhat, reflecting the completion of the MR/IRBM deployment programs and the pause between the end of the deployment program for second-generation ICBMs and the beginning of the new single-silo ICBM program. Meanwhile, expenditures for general purpose forces remained fairly constant.

3. We estimate that in 1964 the Soviets allocated about 35 percent of their defense expenditures to general purpose forces,² about 15 percent to strategic attack forces, and about 15 percent to strategic defense forces. Space programs and military research and development absorbed more than 20 percent.³ The remainder was used for general command and support functions.⁴

4. The differences between these and previous estimates of Soviet defense costs result primarily from significant changes in our estimates of the size and nature of some Soviet force strengths and military programs (especially

¹Our estimates of Soviet defense expenditures include costs of nuclear weapons, space, and military R and D, much of which is covered in Soviet budget accounts other than "defense." US and Soviet expenditures cannot be adjusted for precise comparability, but the 1964 level of the dollar valuation of Soviet defense expenditures is believed to be approximately 80 percent of US expenditures.

²Including estimated expenditures for ground forces, tactical and naval aviation, military air transport, and naval forces (except ballistic-missile submarines, which are included in Strategic Attack).

³Including estimated R and D expenditures for military equipment, nuclear energy, and all space programs. Our estimate of R and D expenditures is derived from analysis of published Soviet financial data and does not represent detailed calculations of R and D activities.

⁴Including estimated expenditures for reserve forces, paramilitary training, and militarized security forces in addition to command and support for the active military establishment.

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with respect to manpower and missile systems), and in estimates of expenditures for research and development and for land armaments.⁵ They also result from changes in costing methods and from refinements in analysis. Our calculations are subject to varying degrees of uncertainty, but we believe them adequate to support the general judgments presented above concerning trends in Soviet defense expenditures.⁶

⁵In consonance with our judgment expressed in NIE 11-14-64 that the evidence is not adequate for an estimate of land armaments production within useful ranges of confidence the production figures used for computing expenditures for such production were developed from assumed requirements in order to permit inclusion of expenditures for land armaments in the gross total.

⁶The Director of Intelligence and Research, Department of State, and the Assistant Chief of Staff, Intelligence, USAF note that the present single-value estimates of Soviet defense expenditures are at considerable variance with a number of previous estimates. They consider that the uncertainties are too great to support a judgment as to the general trend of Soviet defense expenditures, particularly for recent years.

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