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**Preparing the Soviet
Five-Year Defense Plan:
Process, Participants,
and Milestones**

A Research Paper

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Preparing the Soviet Five-Year Defense Plan: Process, Participants, and Milestones

A Research Paper

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SOI 88-10075A
October 1988

**Preparing the Soviet
Five-Year Defense Plan:
Process, Participants,
and Milestones**

Summary

*Information available
as of 19 October 1988
was used in this report*

By June 1989, at the very latest, Soviet leaders should make some fairly firm decisions on the defense activities they plan to carry out during 1991-95, the period of the 13th Five-Year Defense Plan (FYDP). Like its predecessors, the 13th FYDP will comprise a series of documents that outline the military's requirements for manpower, weapons and equipment, and other resources; estimate their cost, in rubles, by major resource category and by branch of service; and lay out specific goals to be achieved by each of the services individually and of the armed forces in general. It probably will also include a statement of the defense-related tasks by civilian agencies in areas such as civil defense and the stockpiling of resources for mobilization. In addition to its obvious importance for defense, the FYDP has a major impact on economic planning. Because of the priority that the Soviets accord to defense and because defense's claims on resources are so large, preparation of the 13th Five-Year Plan (1991-95) for the Soviet economy cannot proceed until a draft of the FYDP has been approved by the political leadership.

The key decisions on the FYDP will most likely be made by the Defense Council, a group of top-level leaders, mostly Politburo members, with responsibility for national security matters. The political leadership makes its decisions in response to military threat assessments and budget requests prepared by the General Staff and on the basis of estimates of resource availability and requirements prepared by the State Planning Committee (Gosplan). Once the leadership has made its decisions, the General Staff translates them into specific plans for manning, equipping, and operating the armed forces, while Gosplan and other economic agencies draw up plans for producing and delivering what the armed forces need.

As the end of 1988 approaches, the FYDP planning process is still apparently on track. Although the initiation of Gorbachev's economic reform program presumably has had some impact on the defense sector, planning for the FYDP probably has escaped the worst of the disruptions and uncertainties affecting the civilian sector because, even under the reform regime, defense planning remains centralized. At this stage in the planning cycle, the General Staff probably has already presented the political leadership with its assessment of the threat and its estimate of the forces required to counter it. Using the information provided by Gosplan, the leadership may already have responded with initial guidelines on resources available to defense. If the leadership has not yet issued these

guidelines, it should do so within the next several months because a draft FYDP must almost certainly be prepared and approved in time for Moscow to meet the decreed June 1989 deadline for establishing specific target indicators for the economy during the 13th Five-Year Plan period.

If the leadership is undecided on questions of national security policy or uncertain about how to achieve its goals, both civil and military, the imperatives of planning—the simple need to meet key deadlines—could play an important role in forcing decisions. Such a situation may be especially likely at present, when Moscow has proclaimed a “new” military doctrine—reasonable sufficiency—but seems divided, uncertain, or both, as to what this doctrine implies for the training, organization, manning, and equipping of Soviet military forces and the allocations of resources to defense.

Given such a state of affairs, Gorbachev could use the approach of key FYDP deadlines to pressure undecided colleagues and to require the military to speed up the preparation of specific plans for implementing the new doctrine. On the other hand, faced with looming decision points in the FYDP planning process and lacking a clear sense of what the new military doctrine should mean in practice, Gorbachev might agree to a fairly traditional draft FYDP that falls short of satisfying his desire to reduce the defense burden. Agreeing to such a draft would allow the preparation of the 13th Five-Year Plan to proceed, but would not represent an irreversible decision. The later the revisions to the draft FYDP, however, the more difficult they will be to assimilate into the 13th Five-Year Plan for the Soviet economy, and, even if they reduce allocations to defense, the less they will help Gorbachev’s civilian investment and consumer goods programs.

Gorbachev, therefore, has strong incentives to shape the draft FYDP to his own liking as soon as possible. Specifically, by mid-1989 he will be at the end of the optimum period for translating his stated desire to reduce the USSR’s defense burden into a specific plan of action for 1991-95. We do not believe that the need to meet key planning deadlines would, by itself, make the Soviets more accommodating in arms control negotiations or any other forum. In our view, however, the approach of important planning milestones limits the Soviets’ opportunities for probing or feeling out a new US administration on arms control and related issues, and increases their interest in reducing the uncertainties vis-a-vis US policies that would affect their defense planning.

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Scope Note

This paper focuses on the process by which the Soviets will draft the next Five-Year Defense Plan (FYDP). It identifies the major institutions involved in the process, outlines the key milestones of the planning cycle, assesses the implications of Gorbachev's reforms for defense planning, and examines the impact the planning process itself may have on policy formulation. The paper only indirectly addresses the issue of the next plan's possible content, a topic to be covered in subsequent DI assessments

This paper builds on previously reported information on defense-economic planning in the USSR, as well as on the Soviet military forecasting and weapons acquisition processes.

DI Research Paper SW 88-10002X January 1988,
USSR: Forecasting and Planning Weapons Acquisition.

Preparing the Soviet Five-Year Defense Plan: Process, Participants, and Milestones

A little over two years from now the Soviet leadership is scheduled to formally adopt the 13th Five-Year Plan—its detailed blueprint for economic activity during 1991-95. A critical stage in the process of preparing this blueprint is agreement on the five-year plan's defense component: the 13th Five-Year Plan for the Development of the Armed Forces—the Five-Year Defense Plan (FYDP). Because defense's claim on Soviet resources is so large, preparation of the five-year plan cannot proceed until a draft FYDP has been approved by the political leadership. Timely preparation of the FYDP, therefore, is important for the economy as well as for defense, and, as a result, the desire to minimize delays in the FYDP process can itself exert substantial influence on Soviet decision-making on defense. It is this that makes an understanding of the Soviet FYDP process important for the United States.

FYDP Scope and Format

The FYDP is the most important of the three types of plans—annual, five-year, and long-range—that the Soviets use for defense and for the economy. Annual plans, used to implement the FYDP in stages, make midcourse adjustments to the FYDP. Long-range (10-to-20-year) plans, designed to impart a strategic direction to the planning process, reportedly do not carry the authority of either annual or five-year plans.

we believe the Soviet FYDP probably comprises the following set of planning documents:

- A statement of overall FYDP goals and policy guidelines for each of the armed services, listing program and mission goals for the plan period.
- A detailed set of plans for the individual services, listing scheduled organizational changes, personnel levels, weapons and equipment to be procured, and cost estimates for these activities.

- A compilation of total funds available to the Ministry of Defense (MOD) over the five-year period; their breakdown by procurement, construction, operations and maintenance; and at least some portion of research and development;⁴ as well as their distribution among the branches of the Soviet armed forces.

- A list of major defense-related tasks in support of national wartime preparedness, such as the stockpiling of resources and equipment, specifying which tasks are to be implemented by the MOD and which are to be implemented by other governmental ministries.

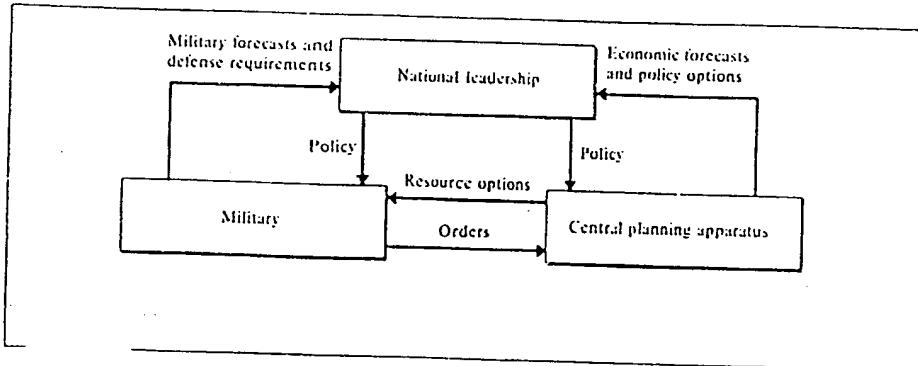
In addition, the FYDP apparently is accompanied by a number of attendant, specialized plans, including a mobilization plan, a civil defense plan, an armed forces training plan, and a logistics and supply plan.

Key Actors in the FYDP Planning Process

In broad terms, three groups interact to produce the FYDP: the *political leadership* formulates policy guidelines on resource allocation based on military requirements, competing civil priorities such as consumer welfare, and forecasts of economic capacity; the *military* first determines defense requirements and subsequently drafts the FYDP within the guidelines provided by the political leadership; and *Gosplan* (the USSR State Planning Committee) provides input to decisionmaking within the two groups, and subsequently translates FYDP goals into material planning targets (see figure 1)

⁴The available evidence suggests that expenditures for most, and perhaps all, research, development, testing and evaluation activities that are related to defense but performed and financed by ministries other than the MOD would not be included in the FYDP.

Figure 1
Preparation of the Soviet Five-Year Defense Plan



The Politburo and the Defense Council

In addition to policy guidance on doctrine and other matters that influence defense planning, leadership oversight of the FYDP process amounts to the formulation of policy guidelines on resource allocation to defense and the subsequent review, revision, and approval of draft plans. Both functions are technically the prerogative of the Politburo, although

its role in plan review and approval generally amounts to the pro forma acceptance of recommendations by the Defense Council. Available evidence suggests that it is the Defense Council that substantively reviews, revises, and ultimately approves defense plans—a conclusion supported by non-Soviet Warsaw Pact practice, where an analogous body reportedly performs the same roles. Even so, the distinction drawn between the Politburo and the Defense Council would be blurred, as the most important Soviet leaders are members of both bodies (see inset)

Whether the plan is issued by the Politburo, the Defense Council, or some combination of the two, we believe that Soviet leaders specify how many rubles will be allotted to the military, both in annual increments and for the plan period. Indeed,

that such budgetary data would be the focal point for defense-economic policy deliberation, and that Soviet leaders may consider their options on defense spending in terms of its percentage of national income.

the leadership issues ancillary guidelines in terms of material, production, and program assignments—for example, allocations of physical resources, industrial plant capacity, or specific programs. As long as ruble prices for defense goods and services offer flawed information on their value in alternative uses, Soviet leaders almost certainly cannot set resource policy merely on the basis of establishing the amount of rubles to be devoted to defense.

Because each FYDP inherits carryover programs from its predecessor, guidelines are also shaped by continuing programs and current defense spending levels. As a result, leaders probably also articulate policy guidelines in terms of growth in spending over previous plan periods. The Soviets refer to this calculus as "planning

Defense Council Membership:

The Soviets have never published an official list of the membership of the Defense Council. Besides the General Secretary, the available evidence suggests that the Defense Minister, Foreign Minister, Chief of the General Staff, KGB Chairman, Council of Ministers' Chairman, Supreme Soviet Chairman, and unofficial "second secretary" would also be members. Others playing a major role in FYDP decision-making, though not definitely on the Defense Council, would include the Military Industrial Council Chairman, Gosplan's Chairman, and the Central Committee Secretary for Defense Industries. How the wholesale political shakeup instituted by Gorbachev in October 1988 will affect Defense Council membership is unclear, although, presumably, former Supreme Soviet Chairman Gromyko will lose his seat. Former KGB Chief Chebrikov and unofficial "Second Secretary" Ligachev—who now is in charge of agriculture—may also be dropped. Whether Kryuchkov, the new head of the KGB, and Yakovlev, Party Secretary and Chairman of the International Commission, are automatically on the Defense Council by virtue of their new positions or must be elected is unclear; both will probably eventually be added.

from the achieved level"—in other words, planning at the margin. This tendency is reinforced by the manner in which many proposed programs are approved on an individual basis, and,

are only later aggregated in a draft plan.

Thus, by the time the first FYDP reaches the Defense Council for initial review, portions of it will already have been "preapproved."

General Staff

The General Staff of the Armed Forces initiates the FYDP process by preparing a threat assessment for the leadership, as well as a generalized set of requirements for meeting projected military needs. On the basis of resource guidelines subsequently issued by the leadership, the General Staff then drafts the FYDP—thereby determining how the defense allocations approved by the leadership will be allocated among the military services. As part of this process, the General

Staff coordinates the plans of the individual services and resolves disputes arising from competing claims on defense resources. Finally, the General Staff apparently presents—and defends—draft FYDPs before the Defense Council

Gosplan

Gosplan identifies the set of civilian-military trade-offs for the leadership by assessing national economic capacity and the implications of alternative defense spending levels for growth, consumption, and investment. In addition, Gosplan assesses for military planners the range of production activities possible within resource constraints. Another of Gosplan's main tasks in the FYDP process is to translate defense plan goals into production orders and delivery schedules, which it then integrates into the national five-year plan.

Other institutional participants in the FYDP process include the Defense Industry Department of the CPSU Central Committee, the individual armed services and MOD directorates, the Military-Industrial Commission (YPK), the State Committee on Science and Technology, the Ministry of Finance, and the nine defense industrial ministries. A more detailed discussion of these participants and their respective roles appears in the appendix

Chronology of FYDP Planning Milestones

The FYDP planning cycle spans approximately five years, and preparations for the next begin shortly after the formal ratification of the current five-year plan. Because of the defense sector's priority status, its claims on resources traditionally have been established before all others. As a result, the initiation of defense planning has generally predated that of its civilian counterpart by some two years. A chronological schema of the most important planning milestones is shown in the foldout at the end of this paper

Many of the significant milestones do not come until fairly late in the planning cycle—generally not before the end of the third year, about the time when the

General Staff will begin to draft the FYDP in response to the guidelines handed down by the leadership. The pace quickens in the last two years, during which the leadership reviews, revises, and ultimately approves the plan, and central planners begin to integrate its elements into the national five-year plan.

First Two Years (1986-87)

The FYDP planning process begins informally with the preparation of capability assessments and threat estimates for the General Staff by the individual armed services and MOD directorates.

These assessments draw on the input of planning and forecasting staffs, research institutes, and design bureaus of the services, the VPK, the defense industrial ministries, and in some cases the Academy of Sciences. We believe that the General Staff's Main Intelligence Directorate (GRU) provides much of the data used for these purposes. Unclassified military writings indicate that these assessments are primarily of a technical nature and increasingly feature the application of operations research and systems analysis. Drawing on these assessments, the General Staff prepares comparative military analyses and threat assessments of foreign forces, which are probably of broader scope—that is, at the theater and strategic levels.

The threat estimative process is politicized and that assessments can be used by service chiefs to provide substantive justification for particular programs.

Although initial military planning and forecasting lie almost exclusively in the MOD's domain, Gosplan also plays a significant role during the first two years of the cycle in preparing for the political leadership forecasts of national economic capacity and growth under various planning scenarios. These forecasts "bound" the leadership's policy options for defense spending. Gosplan also identifies for MOD planners the resource implications associated with military forecasts.

Informal channels between Gosplan, the MOD, and the leadership play an important role in this process.

Third and Fourth Years (1988-89)

The most important planning activity appears to fall in the third and fourth years of the cycle, although we have little detailed evidence on this stage of the FYDP process.

The General Staff presents the leadership with its threat assessments and proposals for Soviet military responses about the beginning of the third year.

We believe that the General Staff submits its initial requests for ruble outlays, quantities of arms and equipment, and possibly even levels of industrial "production capacity."

The Staff's requests are influenced by economic considerations and policy signals from the leadership on forthcoming spending guidelines. If planning for the 13th FYDP has proceeded on schedule, the Soviet military should have already submitted its initial estimates and requirements to the leadership.

After reviewing these assessments and initial requests, the leadership determines initial guidelines on defense resources for the plan period—the first key milestone in the FYDP planning process.

This decision point has traditionally fallen in the middle of the third year of the cycle (mid-1988). In the Soviet case, however, we believe this decision could come as late as the beginning of the fourth year. This judgment is based on the fact that, according to a new planning calendar adopted by the Soviets in 1987, the basic guidelines detailing annual targets for 1991-95 are not scheduled to be issued until June 1989. Given this new schedule, even if the leadership waited until the beginning of 1989 to issue resource guidelines for defense, the General Staff would have several months to draw up a defense plan for inclusion into the basic guidelines.

After the leadership determines how much will be spent on defense and transmits initial guidelines on defense resources to the General Staff, the Staff then drafts its own operational guidelines for determining more specific requirements, including mission goals,

General Staff Guidelines on Drafting the FYDP

manpower needs, and spending limits. These become the basis for developing more detailed plans and are accompanied by a statement of policy goals (termed Main Directions) for the overall FYDP and for the individual services, according to unclassified Soviet military writings.

At this point the General Staff initiates the formal drafting of the FYDP. According to Soviet military historical writings, the Strategic Planning Directorate—a component of the General Staff's Main Operations Directorate—issues the guidelines for the prospective plan, establishes the planning calendar, and orders the planning staffs of the services and MOD directorates to project their activities for the plan

period. Each service complies by drafting proposed material and personnel requirements, as well as ruble estimates (*smety*) for these activities, which must be approved by the General Staff. The services take at least three months to prepare formal proposals and program justifications, which require another two months for General Staff approval.

Individual General Staff and MOD directorates are responsible for substantive coordination and approval of the various components of the defense plan. For example, the Operational Readiness Directorate, also within the Main Operations Directorate, reviews and approves the services' training plans; the 10th Main

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Directorate for Military Assistance reviews foreign military assistance plans; and the Main Organization-Mobilization Directorate approves manpower requirements, according to unclassified historical Soviet writings. Budget *smety* and procurement requirements are coordinated with the civilian ministries and defense industries by the MOD Central Finance and Main Armaments directorates. Until plans are approved by the appropriate directorate, no action can be taken to integrate them into the FYDP.

Approved plans are then forwarded to the General Staff's Material Planning Directorate, which drafts the FYDP under the guidance of the Strategic Planning Directorate, according to unclassified, historical Soviet writings. Here accountants, economists, and engineers compile the requirements of the various services to generate resource estimates, coordinate priorities, and determine resource availability and production and transportation capability. These are drafted in coordination with Gosplan's Defense Department, a component within Gosplan devoted to defense planning.

With the Gosplan's Defense Department, the VPK, and the MOD Central Finance Directorate, the General Staff arrives at projected resource requirements for procurement and operations over the plan period.

At this stage the General Staff submits a first FYDP draft for leadership review—the next major milestone of the planning process. The available evidence suggests that the General Staff usually submits an initial plan draft in the first half of the fourth year. This decision point appears to remain unchanged under a revised national planning calendar, which dictates that Gosplan must draft detailed annual target indicators for the five-year plan 18 months before the plan goes into force. Given that such drafting would require some prior decisions on defense, review and initial approval of the FYDP draft by the leadership would presumably come sometime before June 1989, if planning proceeds on schedule.

Substantive planning begins once the leadership approves the FYDP draft. Gosplan's Defense Department translates plan goals into production targets and delivery schedules, and transmits orders to individual

ministries and industries.

Gosplan coordinates planning with the General Staff's Material Planning Directorate and the Central Committee (CC) Defense Industry Department, which approve any necessary revisions to the plan. Gosplan subsequently integrates final targets into its own planning calculus for the five-year plan. By decree, January 1990 is the deadline for Gosplan to elaborate defense "state orders" (*goszakazy*) for the 13th FYDP.

Fifth Year (1990)

Soviet planning literature indicates that the substantive aspects of defense planning should be completed by the middle of the fifth year of the planning cycle. According to this literature, defense-generated state orders will by this time be passed down to individual ministries and enterprises. Meanwhile, at the policy level, the leadership would be making adjustments to the plan over this period.

By decree, a final draft of the 13th Five-Year Plan, including its FYDP subset, should be ready no later than July 1990. The MOD and the Defense Council review the five-year plan before it is approved by the Politburo. The plan goes into effect at the beginning of the calendar year, although in the past its formal legal ratification by the Supreme Soviet has not occurred for as long as six months thereafter.

Likely Impact of Economic Reforms on FYDP Planning

Because adherence to the schedule is important to the success of the FYDP and the five-year plan for the economy as a whole, Soviet leaders have strong incentives to minimize delays and disruptions—from data collection and processing problems, their own indecision and policy shifts, or any other source. During the current FYDP planning period, their ability to hold to the timetable has most likely been complicated by the changes and uncertainties associated with Gorbachev's program of economic reform.

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Soviet Economic Reforms

Reform	Major Purpose	Full Implementation
Self-financing	Enterprises will bear full economic responsibility for the results of the activity. Investment will be financed less through budget allocations and more through bank credits.	Whole economy by end of 1989.
Wages	Entire wage and salary structure in the production sector will be overhauled to tie monetary rewards more closely to performance. Salary increases, however, will depend on enterprises' ability to finance them.	All industrial sectors by end of 1990.
Planning	Enterprises will produce a portion of their output in compliance with mandatory state orders and will be given greater latitude in determining the remainder. The role of Gosplan and other state planning organizations would be curtailed sharply.	By 1991, state orders reduced to 30-40 percent of total output.
Supply (wholesale trade)	Only "scarce" producer goods will continue to be rationed by the state. Other supplies will be distributed through a wholesale trade system that will allow free purchase and sales under direct contracts between providers and users.	Sixty percent of sales through state supply networks by 1991.
Banking	Decentralizes bank decisionmaking somewhat and elevates the role of economic criteria in extending credit.	No date given.
Wholesale prices	Will be revised to better reflect resource scarcity and customer demands.	Partial implementation in selected sectors by 1991.
Retail prices	Will be made more flexible and responsive to supply and demand, probably resulting in higher prices for foods, rent, and consumer services.	Whole economy by 1991.
Foreign trade	Allows selected enterprises to engage directly in foreign trade and to keep a portion of foreign currency earned.	No date given.
Quality control	Establishes independent quality control inspectors in civilian enterprises.	No further expansion announced.
Organizational changes	Seeks to streamline and rationalize economic bureaucracy.	By end of 1988.

As outlined in the decrees and "Basic Provisions for Fundamentally Reorganizing Economic Management" adopted at the June 1987 Central Committee Plenum, Gorbachev's reform program calls for a three-year transition to a "New Economic Mechanism" that is to be in place by the start of the 13th FYP (see table). Its centerpiece is a major reform of the planning system, which is intended to greatly curtail Gosplan's role in national planning and economic management. Beginning with the 13th FYP, Gosplan will no longer formulate annual plans but will concentrate on five-year and long-range planning. Gosplan will continue to formulate annual state orders for defense and other priority activity, but after 1991 the number of state orders is to be scaled back. A major reduction in Gosplan's staff will accompany these changes.

The elements of the reform program that are already under way have produced substantial disruptions in the civilian sector. For example, individual ministries and enterprises, now responsible for formulating their own plans, are experiencing difficulties in locating customers and suppliers, among other uncertainties associated with the move to self-financing. Additional disruptions stem from the fact that key wage, wholesale trade, and price reforms—essential to better decisionmaking at the national and enterprise levels—will not be completed until 1991.

Given the wide scope and large scale of the reforms and the impossibility of isolating the defense and civilian sectors from each other, FYDP planning can

hardly be unaffected by the transition to the new economic mechanism. Indeed, it is clear from the Soviet press that, to some degree at least, the various reforms are being extended to the defense industry and that defense producers and planners anticipate a disruptive impact from them. Nonetheless, FYDP planning probably will escape the worst of the disruptions and uncertainties affecting the civilian sector because even under the reform regime defense planning will remain centralized. In contrast to the supposedly nonbinding "control figures" that will guide civilian planners, the fulfillment of military orders will continue as before, on a command basis, under the new rubric of state orders. Gosplan will continue to oversee and direct the activities of defense enterprises, dictating supply orders and delivery schedules.

In addition, traditional defense planning procedures that have historically protected the military's interests probably will continue to provide FYDP planning with some protection from reform-related disruptions. For example:

- Sequential planning, in which the military stakes initial claims on resources, permits the MOD to submit its requirements early in the national planning process before many disruptions occur. With military requirements covered by state orders, this advantage will be preserved.
- MOD officials represent the military's interests at Gosplan and other planning bodies. Defense-industrial managers are also heavily represented in Gosplan's leadership. Such old-boy networks and personal ties may prove especially important during a period in which institutional relationships are in flux.
- The secrecy traditionally accorded defense planning has protected military programs from the scrutiny of civilian planners. Pressure for more civilian control is clearly mounting, but lingering compartmentation of military data should help shield defense programs from outside challenge—at least compared with the review given to civilian programs.

For these reasons and because implementation of the reforms is still in an early stage, as of late 1988 the FYDP planning process is probably still on track. Indeed, according to a 22 September Soviet press report, the Politburo met to consider the draft of the 15-year economic prospectus prepared by Gosplan—a document that, by decree, does not have to be officially approved until January 1989.

Possible Impact of the Planning Process on Defense Policy

By this point in the process the General Staff has almost certainly presented the political leadership with its threat assessment and its estimate of the resources required to respond to this threat. The leadership may already have responded to the General Staff with initial guidelines on the resources that it will be able and willing to allocate to defense. If the leadership has not already issued these guidelines, it must do so soon. A draft FYDP almost certainly must be prepared and approved before June 1989, Gosplan's decreed deadline for establishing specific target indicators for the 13th Five-Year Plan.

If, at the current point in the planning process, the leadership is still undecided on questions of national security policy or uncertain about how to achieve its goals, the imperative of planning—the simple need to meet key deadlines for resource allocation—can play an important role in shaping leadership decisions on the larger issues. Such a situation may be especially likely at present, when the leadership has proclaimed an allegedly new military doctrine, "reasonable sufficiency," but seems divided, uncertain—or both—as to what this doctrine implies for the training, organization, manning, and equipping of Soviet military forces and the allocation of resources to defense (see inset).

Given such a state of affairs, Gorbachev could use the approach of the FYDP deadlines to pressure undecided colleagues to make up their minds and to require the military to speed up the preparation of specific plans to implement the new doctrine. Recent moves to

Reasonable Sufficiency

In seeking to balance the needs of the civilian and military sectors of the economy, Gorbachev has claimed that the Soviet Union will not deploy military forces beyond what is required for a "reasonable, sufficient defense." The Warsaw Pact Consultative Committee endorsed this concept in the declaration on military doctrine issued in May 1987.

*The Soviets, however, have not provided a detailed explanation of how they define reasonable sufficiency, and its implications for Soviet force posture are probably still under discussion. Senior party secretary Aleksandr Yakovlev, writing in *Kommunist* in May 1987, called on social scientists to work with military specialists to give substance to the concept.*

Soviet commentators have clearly differed among themselves as to the meaning of sufficiency. Most civilian and even some military specialists have argued that the USSR need not, and should not, match every weapon program undertaken by a potential adversary, emphasizing the detrimental effect of the arms race on the economy. A few have even advocated unilateral force reductions. Other commentators, many of them military officers, have interpreted "defense sufficiency" in more traditional terms, contending that reductions should be mutual and that an

increase in Western military power must be offset by a proportional increase in Soviet military capability.

Soviet officials and civilian specialists have identified three current schools of thought regarding the practical implications of reasonable sufficiency. The first grouping is reportedly made up of predominantly civilian specialists, who are the idea's strongest proponents. A second, more conservative group is said to be the Soviet military itself, which reportedly is uneasy with the concept and which advocates minimal change in doctrine and force structure. A third, more moderate grouping, comprised of mostly military officers and possibly some civilian specialists, has reportedly adopted a pragmatic approach to the question of a new doctrine and its implementation. The views of General Staff Chief Sergei Akhromeyev have been ascribed to this last group, while those of Defense Minister Dmitriy Yazov to both the conservative and moderate schools

In July 1988 Akhromeyev stated that the Defense Council has spent two years working out a "defensive" military doctrine based on the sufficiency concept, with Gorbachev taking the lead in discussions and military officers playing a subordinate role.

increase civilian input into the defense policy making process should also increase his ability to put pressure on the military establishment. Think tanks, such as the USA and Canada Institute, the Institute of World Economic and International Relations, and the Space Research Institute, are reportedly playing a more prominent role in the formulation of national security policy, and Gorbachev could use the threat of their greater involvement to overcome military foot-dragging on the implementation of the new doctrine

Tracking the impact of reasonable sufficiency or other national security debates such as arms control initiatives on defense budget deliberations during the current planning cycle is, in any case, likely to be problematic. We probably would receive the most

*information if the military were pressured to reduce expenditures during the next FYDP through the cancellations of major programs—a possible, though by no means certain, requirement of reasonable sufficiency. Such action would undoubtedly spark complaints from the military, some of which—in this era of *glasnost*—would almost certainly surface in the press. The absence of a strong public outcry, however, need not indicate a lack of progress in giving substance to the new thinking. Rather, it could signal that Gorbachev and the military agreed on less radical ways of implementing the new doctrine, entailing, for example, slow growth in defense outlays and an emphasis on negotiated and mutual force reductions*

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Tapping the Defense Sector

Because of the defense sector's large claims on high-quality inputs, Gorbachev has turned to it for support for his modernization program, but apparently has done so without cutting back on defense programs. This sector already produces many investment goods—ranging from computers to tractors—for its own use and for shipment to civilian customers, as well as many consumer durables, such as radios, refrigerators, and TVs.

Until recently, leadership statements calling for greater defense industrial support to the civilian sector echoed similar calls in the early 1970s and 1980s. As before, the defense industries appeared to be resisting these appeals. Since the beginning of 1986, Soviet leaders have criticized the defense industries on at least 30 separate occasions for shortfalls in their obligations to the civilian sector.

Faced with this poor record, the leadership has taken several steps to ensure the defense sector's deeper involvement in the modernization program. First, it has stepped up its pressure on the sector. For example, the Central Committee in October 1987 increased dramatically the defense industries' equipment delivery quotas to the food-processing sector—by "fourfold to ninefold by 1995." Moreover, we believe the

Central Committee has tasked the Military-Industrial Commission (VPK) to submit a program outlining how the defense industrial ministries would meet their civilian production targets.

Second, the leadership has transferred responsibility for many civilian enterprises directly to the defense sector. Thus, the Soviet press announced in February 1988 that the Ministry of Machine Building for Light and Food Industry and Household Appliances would be dissolved. Subsequent press reports indicate that the defense industrial ministries would assume responsibility for some of its 260 enterprises.

Finally, Gorbachev has infused the civilian ministries with managerial talent from the defense sector. The new chairman of Gosplan, Yuriy Maslyukov, was formerly chairman of the VPK. The new chairman of Gosstab, Lev Voronin, was formerly head of the Ministry of Defense Industry. Ivan Silayev, the new chairman of the Bureau of Machine Building, and Boris Tolstykh, the chairman of the State Committee for Science and Technology, are also examples of new civilian managers recently moved from the defense sector.

On the other hand, faced with looming decision points in the planning process and lacking a plan for the implementation of the new military doctrine, Gorbachev could well decide to go forward with a fairly traditional draft FYDP that will do little to flesh out the concept of reasonable sufficiency. Agreeing to such a draft would allow preparation of the 13th Five-Year Plan to proceed, but would not represent an irreversible decision. Instead, Gorbachev might attempt to revise this draft downward in stages

[] draft FYDPs have, in fact, been revised late in the planning period and that even formally approved FYDPs have been revised in midcourse.

Moreover, paring back the resources earmarked for defense—for example, in support of increases in consumer welfare—would certainly be less disruptive than increasing defense allocations. Other actions could be taken subsequently to increase the defense sector's involvement in the production of producer and consumer goods (see inset), without formally revising drafts of the 13th Five-Year Plan to benefit these nondefense resource claimants. The move to a simplified planning cycle—that is, the decision to have Gosplan concentrate only on state orders—should also afford the leadership more time to deliberate over reallocation and give planners more time to implement their decisions:

~~Secret~~

Although delays are possible, the later the revisions to the draft FYDP, the more difficult they will be to assimilate into the 13th Five-Year Plan for the Soviet economy, and, by implication, the less they will help Gorbachev's civilian investment and consumer goods programs. Gorbachev's experience with the current five-year plan may have underscored the problems associated with last-minute revisions to draft plans.

The General Secretary has stated that, after succeeding Konstantin Chernenko in March 1985, he more than once rejected drafts of the 12th Five-Year Plan and insisted that they incorporate more of his own policy preferences for increased investment. The plan finally approved has not gone well, and this development has probably been partly due to the fact that Gorbachev's requirements appear to have been simply added to the draft plan rather than being integrated into it with appropriate adjustments to other programs. Although the nature of the revisions—increasing overall resource requirements—was primarily responsible for the problems experienced after the FYP was under way, the timing of the revisions almost certainly exacerbated their negative impact.

Gorbachev, therefore, has strong incentives to shape the draft FYDP to his own liking as soon as possible. Although not at a "now or never" point in the planning process, he is approaching the optimum period for translating his stated desire to reduce the USSR's defense burden into a specific plan of action for 1991-95. Specifically, after June 1989 any change to the draft FYDP will require a change to the draft of the 13th FYP as well. Changes that reduce the resources allocated to defense would continue to advance his goals for investment and consumption

even after that point, but such changes would also be increasingly difficult to assimilate and decreasingly beneficial. Because subsequent upward adjustments in allocations to defense would be especially disruptive to other resource claimants after the draft FYP has been approved, hasty reductions in the FYDP must also be avoided.

The timing of Soviet decisions regarding resource allocations to the defense sector has implications for the United States. If the Soviet leadership is to take effective action to reduce the burden of defense, it must act soon to ensure that such decisions are well integrated into the 1991-95 economic plan. We do not believe that the need to meet key planning deadlines would, by itself, make the Soviets more accommodating in arms control negotiations or any other forum. In our view, however, the approach of important planning milestones limits the Soviets' opportunities for probing or feeling out a new administration on arms control and other related issues, and increases their interest in reducing the uncertainties vis-a-vis US policies that would affect their defense planning.

Appendix

Institutional Actors in the FYDP Planning Process

A great many institutional actors from the military, the central planning apparatus, and the political leadership participate in the preparation of each FYDP. The major actors from these three groups follow

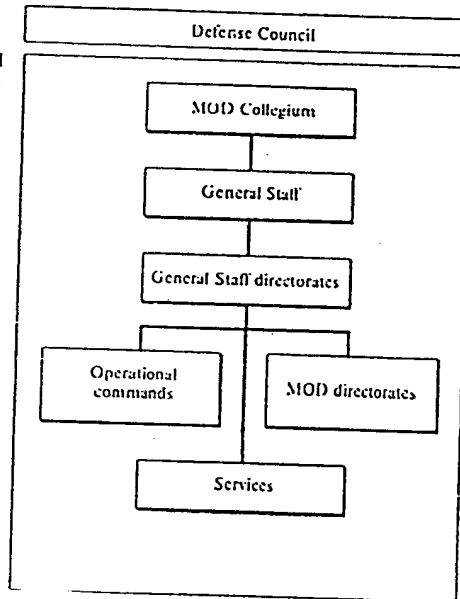
Military Planning Bodies (See figure 2.)

General Staff. The Soviet General Staff of the Armed Forces is the most important institutional actor in the formulation of all annual, five-year, and long-range defense plans. It generates guidelines for and oversees all aspects of the FYDP planning process, coordinates the plans of the individual services, resolves disputes arising from competing claims on defense resources, and prepares all plan drafts. [the General Staff presents (and defends) draft FYDPs before the Defense Council

General Staff Directorates. Within the General Staff, individual directorates hold particular responsibilities in FYDP planning. Unclassified Soviet military writings indicate that the two most important for the planning process are the Strategic Planning Directorate of the Main Operations Directorate, which oversees the formulation of program goals, and the Material Planning Directorate, a component of the Main Organization-Mobilization Directorate responsible for coordinating fiscal and material estimates to meet those goals. Other directorates oversee individual components of the defense plan

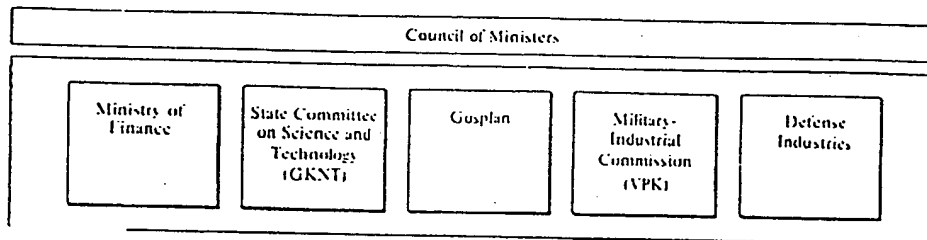
MOD Directorates. In addition to the General Staff directorates, ministry-level directorates also participate in the FYDP planning process. For example, the Main Directorate of Armaments—one of the most important MOD actors in the process—oversees and coordinates all planned weapons procurement, while the Main Directorate of Construction and Troop Billeting reviews and coordinates planned military construction. [unclassified Soviet military writings. Other directorates oversee planning activity in their respective areas. Estimated expenditures for all plans are coordinated with the Central Finance Directorate

Figure 2
Military Planning Bodies



Services. The individual armed services provide the General Staff with initial threat estimates and projected requirements for the plan period, according to unclassified Soviet military literature. Each planning staff is supported by a number of research institutes (NIIMOs) that [assist the staffs in preparing projected requirements for the services

Figure 3
State Planning Bodies



MOD Collegium. We have no firm evidence that the FYDP planning process formally includes a substantive review before the MOD Collegium, a body whose membership includes the Minister of Defense, the Chief of the General Staff, and the remaining First Deputy and Deputy Ministers, including the five service chiefs. Nonetheless, by virtue of its membership, we believe the Collegium has a role in the process. For example, the Collegium probably settles interservice disputes over resources and other problems not resolved at the General Staff level

State Planning Bodies (See figure 3.)

Gosplan. The USSR State Planning Committee (Gosplan) is the most important state planning actor in the FYDP process. In this regard, Gosplan's principal mission is to assess for national leaders the levels at which defense activities can be sustained. Despite the asymmetry of formal power, former Gosplan employees assert that influence flows "both ways" between Gosplan and the political leadership, indicating that the former performs a vital "gatekeeping" function in defining the opportunity set of trade-offs between the civilian and military sectors of the economy. Gosplan performs a similar function for the military in assessing for defense planners what types of military activities are possible within budget and resource constraints, a process that is often conducted through informal channels between Gosplan and the MOD. Finally, Gosplan's remaining important defense planning mission is to

translate plan goals into production orders and delivery schedules, which it then integrates into the national five-year plan. A physically and administratively separate component within Gosplan, known as the Defense Department (*Oborony Otdel*), is charged with this responsibility.

VPK. The principal mission of the Military-Industrial Commission (VPK) in the FYDP formulative process is to reconcile military research, development, and procurement with national industrial capacity to fulfill this mission.

the VPK assesses the technological feasibility of new programs for the FYDP, coordinates collection requirements for foreign technology, monitors program development and production activity, enforces schedules, and intervenes to overcome bottlenecks in supplies of materials to defense components after the FYDP is approved

GKNT. Unclassified Soviet writings suggest that the State Committee for Science and Technology (GKNT) provides important input into the R&D section of the FYDP and, indeed, we believe that the GKNT finances much of the military's R&D effort. In addition, the GKNT assists both the MOD and the VPK in formulating plans for the development and

procurement of technologically advanced programs at the research institute level, often in conjunction with the Applied Problems section of the USSR Academy of Sciences

Other Institutions. The Ministry of Finance reviews MOD budget estimates to ensure their consistency with state financial procedures and incorporates FYDP estimates into the USSR state budget, according to unclassified Soviet planning literature. The R&D organizations and design bureaus of the nine defense industrial ministries are also noteworthy for the initial inputs they provide to the individual services in drafting their requirements. Formally, the Council of Ministers oversees the entire state planning apparatus and issues legal approval of major programs, although [] minimize its role in this process.

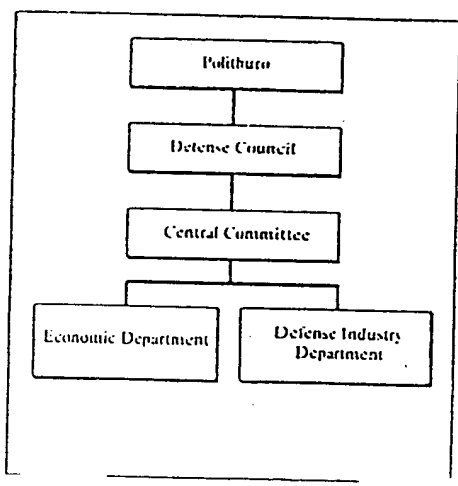
Party/Leadership Oversight Bodies (See figure 4.)

Defense Council. Technically an organ of the Soviet Government rather than of the CPSU, the Defense Council appears to be the leadership body that approves the FYDP []

[] Available evidence suggests that the Defense Council is the forum at which politico-military and defense-economic decisionmaking systems intersect—and hence that it is the critical node at which civil-military trade-offs are resolved and policy set on defense resources. We believe that the FYDP is reviewed here by an inner core of party, military, and government leaders holding coincident membership on the Politburo, the Central Committee (CC) Secretariat, the Council of Ministers, and/or other senior leadership bodies. Available evidence also indicates that the Council is the senior decisionmaking body for other issues directly or indirectly influencing FYDP content (such as doctrine and arms control), a circumstance that further suggests its preeminent role in the FYDP process

Politburo. As the executive CPSU body for policy, the Politburo formally holds ultimate authority for all FYDP decisionmaking, although we cannot determine the extent to which the Politburo oversees this process. Unclassified Soviet writings indicate that the FYDP requires the Politburo's approval; in practice, however, this may only amount to a pro forma acceptance of a Defense Council recommendation.

Figure 4
Party/Leadership Oversight Bodies



Open sources also suggest that it is the Politburo that determines policy on resource allocation to defense; even were this not the case, a consensus of the full Politburo would probably be required to significantly deflect defense spending from established levels [] the Politburo reviews and approves the development and procurement of most major weapons systems on a pro forma basis, although [] in some instances the Politburo could itself generate requirements for specific programs.

CPSU Central Committee. Insofar as the FYDP planning process is concerned, the CC apparatus is essentially a policy-implementation body with a limited decisionmaking role in R&D and procurement. [] the CC as a "battleground of political infighting between different constituencies." Responsibility for overseeing the planning

process lies primarily with the CC Defense Industry Department, which is empowered to resolve disputes between the military and the civilian planners once the latter begin to integrate the FYDP into the five-year plan. In addition, the CC Economic Department probably is involved in defense-economic policy making, although we have little direct evidence of its role in the FYDP planning process. The CC forms an ad hoc working group for the drafting of each overall FYP, although we cannot determine its role vis-a-vis defense planning.

We anticipate that the roles of several institutional participants in the FYDP planning process will increase as a result of Gorbachev's reform program. Open Soviet sources indicate that the role of the State Committee for Science and Technology will be expanded in defense R&D planning, partially as a result

of the newly formed "intersectoral science and technology complexes" it will oversee. The State Committee on Prices (*Goskomsizem*) could also emerge as an important, if indirect, actor insofar as it is tasked to restructure "centrally fixed" prices for defense goods. By decree, the State Committee for Material and Technical Supply (*Gosstab*) is to take over from Gosplan the task of compiling material balances and distribution plans for 1,500 "key products," that, if these include defense orders, would suggest an expanded function for it as well. Finally, we expect that the role of the Military-Industrial Commission will increase proportionately with the level of disruption that occurs in the Soviet economy, inasmuch as it will be tasked to deal with these problems, particularly as they may occur in R&D and procurement programs.

Milestones of the FYDP Planning Cycle

