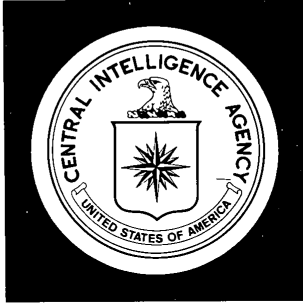


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The President's Daily Brief

January 11, 1977

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FOR THE PRESIDENT ONLY

January 11, 1977

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At Annex we present the conclusions and major points of the unclassified annual review of the CIA's estimate of the relative dollar costs of US and Soviet military activities.

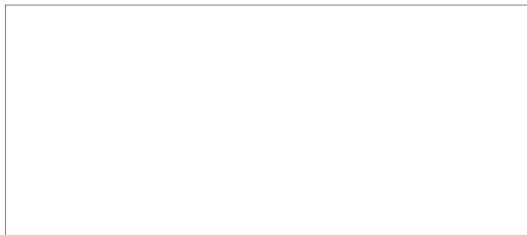
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ARAB STATES: *The foreign ministers of Egypt, Syria Jordan, and five Arab oil states ended their discussions in Riyadh yesterday on further financial assistance for the "confrontation states."*

Prime Minister Mudar Badran of Jordan, who acted as chairman of the meeting, said recommendations will be referred to the heads of state for consideration and the foreign ministers will meet in Cairo on Saturday to implement the decisions. Jordan, Syria, and Egypt are arguing that a resolution on aid passed at the Arab summit in Rabat in 1974 required not just a single payment by the oil states, but an annual contribution until the conflict with Israel is resolved.

Egypt is not enthusiastic about formalizing a multilateral subsidy arrangement. For years, President Sadat has tried to tie Saudi Arabia, the key donor state, to a long-term financial commitment that would be bilateral and private. Saudi leaders are anxious to forge a united Arab front in preparation for renewed peace negotiations, however, and might accept an extended unilateral commitment.

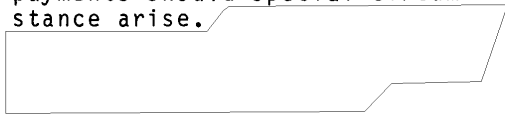
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Partly in deference to Sadat's views, the Saudis apparently intend to make clear that any new policy will not preclude ad hoc payments should special circumstance arise.

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SOUTH KOREA:

[Redacted]

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CHILE: *The government is beginning to obtain military assistance that was denied it for several years because of its poor record in respecting human rights.*

The new weapons will help Chile to narrow the gap between its capabilities and those of its more powerful neighbor, Peru. President Pinochet has been reviewing requests [redacted] for urgent action to upgrade Chile's forces and accelerate arms purchases to counter the perceived threat from Peru. He is inclined, however, to maintain the present course, at least until economic conditions permit more resources to be diverted to major military purchases.

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NOTES

The Syrian chief of staff has confirmed to the US ambassador in Damascus that the Soviets have been asked not to use the Syrian port of Tartus.

Although Syria's move may have been prompted by the severe congestion at the port--where merchant vessels are now waiting up to three months for a berth--it may also be a political signal to Moscow. The congestion problem has arisen several times in recent years, without resulting in such a move; moreover, the Soviets moor at a naval base at Tartus and not at the port's commercial section.

Although no concrete steps have been taken, the Soviets may already be preparing to pull out of Tartus. A Soviet ship similar to one used to aid in the Soviets' withdrawal from Alexandria, Egypt last April passed through the Turkish Straits yesterday and may be en route to Tartus. At present, six Soviet ships are at Tartus.

* * *

Polish officials are expressing apprehension over Western media coverage of Polish economic difficulties.

A senior member of the party's central committee secretariat took this line throughout his conversation with a US embassy representative on Friday. This official could be reflecting irritation over broadcasts by Radio Free Europe. An article last week in the Polish armed forces newspaper accused the US of attempting to reinvigorate RFE's propaganda capabilities in the post-Helsinki era, and a Polish Foreign Ministry official has stated bluntly that Poland regards RFE broadcasting as a violation of the Helsinki Final Act.

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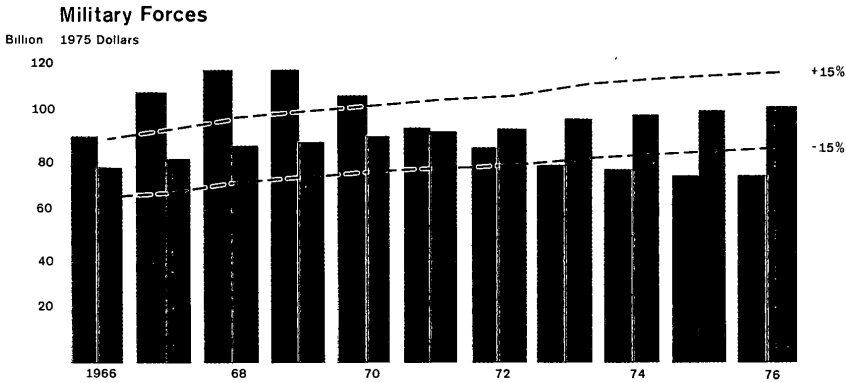
Polish officials have recently been insisting that they hope to work with the Carter administration to continue the progress achieved over the past few years, and are concerned that Polish dissident activity as played up in the Western press will pose difficulties.

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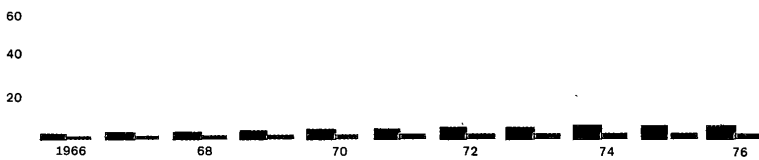
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Total US and Soviet Defense Activities, 1966-1976

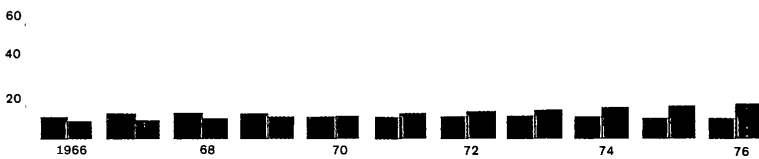
A Comparison of US Outlays and Estimated Dollar Costs of the Soviet Activities if Duplicated in the US



Pensions



Research, Development, Testing and Evaluation (RDT&E)



Cumulative 1966-76

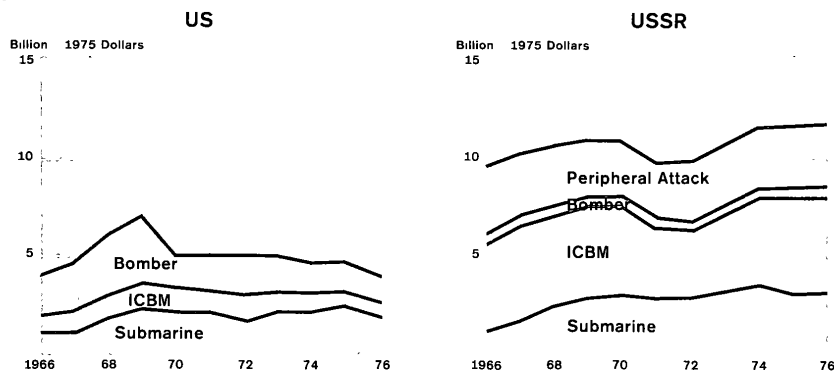


The dollar cost estimates reflect the cost of producing and manning in the US a military force of the same inventory of weapons and size as that of the Soviets, and operating that force as the Soviets do. The costs for Soviet investment and operating are best estimates, with possible error margins of 15 percent displayed. The estimated costs of Soviet RDT&E are derived in the aggregate, using a less certain methodology, and should be viewed only as rough measures. For this reason, they have been excluded from the totals and are shown separately. Military pensions, which reflect payments for past rather than present defense activities, have also been excluded from the totals and are shown separately. The US defense costs are in terms of outlays based primarily on Department of Defense Total Obligational Authority (TOA) in *The Five-Year Defense Program*, October 1976. The US data are for fiscal years, and the estimated dollar costs of Soviet programs are for calendar years.

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US and Soviet Forces for Strategic Offense, 1966-1976

A Comparison of US Outlays and Estimated Dollar Costs of the Soviet Activities if Duplicated in the US.



Note: The strategic offense mission is defined according to the US Defense Planning and Programming Categories of April 1976. Minor adjustments have been made to attain comparability with Soviet data. Costs for pensions, nuclear materials for warheads, and RDT&E are excluded.

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USSR

We present here the conclusions and major points of the unclassified annual review of the CIA's estimate of the relative dollar costs of US and Soviet military activities. The review, A Dollar Cost Comparison of Soviet and US Defense Activities 1966-1976, was disseminated yesterday to the Departments of Defense and State, the NSC Staff and ACDA. The following committees of Congress also received the review yesterday: House and Senate Armed Services, House and Senate Appropriations, House and Senate Foreign Relations, and the Senate Select Committee. A copy was also provided to Mr. Brzezinski.

Standard government distribution will take place this week, and the report also will be provided to the public through the document exchange system administered by the Library of Congress.

The military establishments of the USSR and the US are difficult to compare because they differ considerably in missions, structure, and characteristics. The common denominator used to measure the defense activities of the two countries in this study is dollar cost, that is, estimating what it would cost in dollars to reproduce Soviet military activities in the US.

This estimated dollar cost of Soviet activities is compared year by year with US outlays for similar programs, and provides a general appreciation of the overall magnitude of defense activities in the two countries. Dollar cost data also provide a means for aggregating dissimilar elements of each country's military programs into comparable categories, showing trends and relationships between the two defense establishments that are difficult to discern and measure in other ways.

Because of the problems of comparing such disparate activities, the uncertainties of the Soviet data, and the organization of the US data, the comparisons

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should not be considered precise measurements. Any conclusions drawn from this dollar cost analysis must be tempered by an appreciation of its limitations:

--It cannot be used alone to draw inferences about the relative military effectiveness or capabilities of US and Soviet forces.

--It does not measure actual Soviet defense expenditures or their burden on the Soviet economy.

The data are expressed in 1975 dollars. Constant dollar figures are used so that trends in the cost estimates reflect changes in the military activities rather than the effects of inflation.

Total Defense Costs

The estimated dollar costs of Soviet defense programs amounted to about \$120 billion for 1976, when measured in 1975 dollars. This is about one third higher than US outlays for similar defense activities. If pensions are excluded from both sides, the estimated dollar costs of Soviet activities in 1976 exceed those of the US by about 40 percent.

For the 1966 to 1976 period as a whole, the cumulative estimated dollar costs of Soviet defense activities and US defense outlays are about the same, but the trends of the two countries' defense activities are quite dissimilar. The dollar cost trend of Soviet defense activities shows continuous growth throughout the period, averaging about 3 percent a year. Growth is evident in nearly all the major elements of the Soviet defense establishment.

The trend of US defense outlays contrasts sharply. Despite increases in *current dollar terms*, US outlays in *constant dollars* show a continuous decline after 1968, and since 1972 they have been below the 1966 level. This decline reflects reductions in nearly every major component since the Vietnam buildup of the late 1960s.

As a result, the estimated dollar costs of Soviet defense activities exceed US defense outlays by a widening margin in every year after 1971.

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If all personnel costs are removed from both sides, US defense outlays exceed the estimated dollar costs of Soviet defense activities by about 10 percent over the 1966 to 1976 period as a whole, although by 1976 the Soviet level is about 30 percent greater than the US. Alternatively, if research, development, testing and evaluation (for which estimates are considerably less reliable than those for other activities) and pensions are subtracted from each side, the estimated Soviet figure in 1976 is about 35 percent higher than that of the US, and the cumulative totals are about the same.

Military Investment

The trends in the cost of military investment--the procurement of weapons and equipment (exclusive of research, development, testing and evaluation costs) and the construction of facilities--follow closely those for total defense costs in both countries. The dollar costs of Soviet investment increase continuously over the period, driven primarily by advanced weapons programs, particularly new aircraft and succeeding generations of missile programs. US military investment grew rapidly during the Vietnam buildup and has declined steadily since 1968. Thus the dollar costs of Soviet investment exceed US outlays by increasing proportions after 1970, and in 1976 are about twice the US level.

Operating Costs

Operating costs, which include manpower costs, make up the largest share of the total defense figure for both countries. US outlays for operating exceed the dollar cost of Soviet operating activities until 1973. Since then the Soviet activity level has been higher in dollar cost terms. For 1976, the estimated dollar cost of Soviet operating activities, exclusive of pensions, is about 15 percent above US outlays.

Military Mission Comparison

Another way to compare costs of military activities is by the mission they are designed to support. The mission definitions in the report accord with the guidelines outlined in the Department of Defense's Defense Planning and Programming Categories.

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Strategic Forces. Strategic forces include all those forces assigned to intercontinental and peripheral attack, strategic defense, and strategic command, control, and warning. Over the 1966 to 1976 period, the level of Soviet activity for strategic forces measured in dollars has been two and one-half times greater than that of the US. Estimated dollar costs for Soviet strategic forces have greatly exceeded US outlays throughout the period, with the difference growing since 1969. In 1976, the Soviet level is over three and one-half times that of the US.

Within the strategic force mission, Soviet forces for intercontinental attack account for about 45 percent of the total for the 1966 to 1976 period. US outlays for intercontinental attack forces, while only half of the estimated dollar cost of the Soviet forces, account for about 70 percent of US strategic outlays for the period. Soviet peripheral forces, for which the US has no comparable force, account for about 15 percent of the total Soviet strategic mission.

Within the respective intercontinental attack forces, the differing emphasis on weapons is reflected in the costs. Over 60 percent of the estimated dollar costs of Soviet activities are for the ICBM force, compared to only about 20 percent for the US. On the other hand, outlays for the US bomber force comprise about 40 percent, compared to a Soviet share of 5 percent. While the Soviets exceed the US level of activities for ICBMs and submarines in every year of the period, the US outlay for bombers is higher every year.

General Purpose Forces. General purpose forces include all ground, tactical air, naval, and mobility (airlift and sealift) forces. Over the 1966 to 1976 period, US outlays for general purpose forces exceed estimated dollar costs of Soviet activities by about 10 percent. Since 1971, however, the Soviet level is larger than that of the US--one third greater in 1976.

Within both the US and Soviet general purpose forces, land forces take the largest share of the cost. Outlays for US land forces decrease after 1968, however, while the estimated dollar costs of Soviet

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activity increase steadily. In 1976, the Soviet level of activity for these forces, measured in dollar terms, is about 80 percent greater than that of the US.

The second largest share for both countries, in terms of dollar costs, is for the naval forces. The costs of these forces remain relatively constant for both countries over the period. In 1976, estimated dollar costs of Soviet activities are about 20 percent higher than US outlays.

The US outlays for tactical air forces (including naval attack carriers) are greater than the estimated dollar costs of comparable Soviet forces. Soviet activities are increasing, however, while US outlays have been decreasing since 1968. US outlays in 1976 are about 20 percent greater than dollar costs of the Soviet force.

Support Forces. The support forces include those falling within the categories outlined in the Defense Planning and Programming Categories as auxiliary forces, mission support forces, and central support forces. Included are military space programs, the US Coast Guard, Soviet border guards, civil defense, major headquarters, and all logistic support activity.

Over the 1966 to 1976 period, the US level of support activities exceeds that of the Soviets by about 25 percent when measured in dollar terms. For the US, support activities account for almost 50 percent of total defense outlays during the period, while for the Soviets the share is about 40 percent.

In absolute terms, the US level of activity for support has been declining since 1970, while the Soviet level has been rising throughout the 1966-1976 period. The Soviet level surpasses that of the US for the first time in 1974; in 1976 it is about 10 percent greater.

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