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DEPARTMENT OF STATE

Washington, D.C. 20520

G/PM - Mr. Shaw

SMT

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MEMORANDUM

December 12, 1968

TO: G - Mr. Bohlen
THRU: G/PM - Mr. Farley
FROM: G/PM - John P. Shaw

*very interesting
cross.*

12/12/68

SUBJECT: CIA Analysis of Soviet Motives in Seeking Strategic Missile Talks

I thoroughly commend for your reading the attached CIA analysis of Soviet motives in seeking the opening of strategic missile talks at an early date. In particular, I endorse the argument--which I have advanced on a number of previous occasions--that the consensus within the Soviet Government in favor of holding talks could well fall apart if the talks are not held soon, and that this possibility partly explains the eagerness of apparently committed Soviet leaders such as Kosygin. The recent evidence compiled by CIA reinforces my earlier conviction on this point. The CIA memorandum also contains a cogent analysis of the economic pressures which increase Soviet interest in the negotiations.

DEF

Attachment:

CIA Intelligence Memorandum SR IM 68-28

STATE DEPARTMENT SYSTEMATIC REVIEW
 Retain class'n Change/classify to
 Declassify with concurrence of CIA
EO 12958, 25X
FPC/HDR by ms Date: 2/27/96

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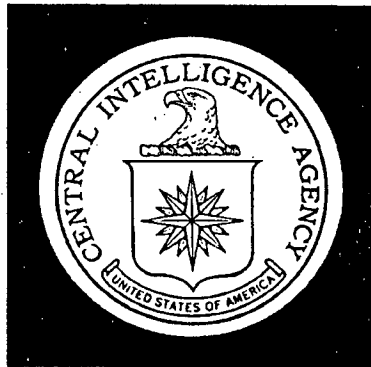
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DIRECTORATE OF
INTELLIGENCE

Intelligence Memorandum

DEF 12

*Soviet Initiatives on Arms Talks
Since the Czechoslovak Crisis*

~~Secret~~

Copy No. 302

SR IM 68-28
December 1968

CENTRAL INTELLIGENCE AGENCY
Directorate of Intelligence
5 December 1968

(21)
INTELLIGENCE MEMORANDUM

Soviet Initiatives on Arms Talks Since
the Czechoslovak Crisis

Summary

In his meeting with former Secretary of Defense McNamara on 11 November, Premier Kosygin emphasized his wish to avert another round of escalation in the strategic arms race. This was one of a number of official and unofficial Soviet attempts since the intervention in Czechoslovakia to assure the US that the position of the Soviet government on arms talks has not changed. Each of these attempts has stressed the Soviet wish to begin talks at the earliest possible date.

The Soviets appear to have several reasons for favoring an early start on the talks. One of them probably is their estimate of the strategic relationship with the US--what it is now and what, in the absence of an agreement, it is likely to be. Without an agreement, the Soviets will be faced with the prospect of another round of rapid increases in arms spending just to keep up with the US. Their alternative would be to lose some of the gains in the strategic relationship recently achieved at great cost.

The Soviets, moreover, may doubt that they would be able to match the timing of US technological developments in a new cycle of strategic arms increases. Some leaders may believe that the longer negotiations

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are delayed the more difficult it will be for the Soviet Union to affect the US deployment of new systems at the levels called for in current US planning.

The economic arguments for avoiding a new round in the strategic arms race probably have particular appeal to a Soviet leader who understands the economic realities of the situation as well as Kosygin. It is unlikely that the Soviets would be able to cut other elements of defense spending sufficiently to finance large new strategic programs. Substantial investment in military research and development probably is considered mandatory, and the Czech crisis, the Arab-Israeli war, and Sino-Soviet border tensions have created pressure to beef up Soviet conventional forces.

If the Soviets set out to offset fully the impact of new US programs without making compensating cuts elsewhere, annual military spending could rise 25 percent or more by the mid-1970's. This would force a cutback in the rate of growth of consumer programs and could seriously impede long-term economic growth as well.

An agreement with the US on strategic arms control could make it possible for Moscow to feel that it could maintain its present strategic position without going beyond current levels of military spending. The Soviets could then continue recently expanded consumer programs and free some of the gains in future production for the badly needed modernization of the economy. At the same time, more resources could be made available for the conventional forces, a vigorous research and development program could be continued, and existing strategic weapons systems could be improved within the provisions of an arms limitation agreement.

* There are, however, some signs that the consensus within the leadership that led to the decision to agree to US proposals for arms talks was not a particularly strong one. If so, Kosygin may have an additional reason to wish to get the talks under way as soon as possible. He may believe that if there is no progress on this subject in the near future, other factors at home and abroad may intervene and prevent negotiations.

The Soviet Initiatives

1. In a number of recent private contacts with US officials and private citizens with official contacts, spokesmen for the USSR have emphasized that the Czechoslovak crisis should not obscure the desirability of discussing strategic arms limitation or unduly delay the initiation of the talks. Publicly, the Soviets have stated in the UN their willingness to begin talks at once.

2. The recent Soviet initiatives might be interpreted as reflecting no more than a general desire to normalize relations with the US in the wake of the invasion of Czechoslovakia. The frequency--there have been about half a dozen contacts since September --and general tone of urgency, however, suggest that there may be more specific reasons.

The Shaky Consensus

3. It was not easy for Moscow to clear away its doubts about achieving security objectives through diplomatic means, and it apparently continues to have trouble in resolving all the diverse issues which underlie its position on arms limitation discussions. The consensus that culminated in Gromyko's June announcement of Soviet willingness to talk probably was shaky at best and recent events, notably the Czech crisis, may have subjected it to additional strains.

4. Externally, most signs point to continuity of the official position expressed in the early summer. These signs are coming primarily from officials and organs responsible to the government apparatus--principally from the foreign ministry and from Kosygin himself. Other signs from internal Soviet political and military forums suggest some continuing opposition to the idea of arms talks or to the scope of the talks as they were defined earlier this year. Lingering misgivings almost certainly remain in the minds of some Soviet political leaders and interest groups--especially the military-industrial complex and the ideological apparatus--about the desirability of achieving a strategic arms agreement with the US.

5. Since Foreign Minister Gromyko's announcement in June of the Soviet agreement to discuss strategic arms limitations, the Soviet military press has frequently handled references to arms talks differently than the government and party press. The most recent example was Red Star's deletion of Gromyko's 3 October remarks in the UN on strategic arms limitations. Such editorial selectivity demonstrates the military's lack of enthusiasm for the talks, but may also reflect an attempt on the part of some in the military establishment to reopen the issue for reconsideration in Moscow's highest policy-making councils, now that the Czechoslovak crisis has held up the talks.

6. The treatment given in the Soviet press to Politburo member Mazurov's 6 November anniversary speech may also indicate that the talks--or some aspect of the scope of the negotiations--remain a sensitive issue. The party, government, and military press all deleted a statement in the broadcast version of Mazurov's speech which expressed readiness "to negotiate with the United States on the whole complex of these questions."

7. The offer to "negotiate" the basic issues was diluted by Soviet UN representative Roshchin on 28 November when he reaffirmed Soviet readiness to "start a serious exchange of opinions on this question." This weaker formulation was reported in Pravda on 29 November. Mazurov's speech had already represented a step backward in that it merely referred to "the strategic means of delivering nuclear weapons" and omitted the phrase "both offensive and defensive, including antimissile systems" found in Gromyko's statements in June and October.

8. Although Soviet UN representative Malik repeated the more inclusive Gromyko formulation in his UN address on 13 November, the Moscow press failed to report the fact. The Kremlin's public posture on the scope of the talks, insofar as the domestic audience is concerned, has therefore shifted back to that which prevailed before the USSR had indicated its readiness to discuss the subject of strategic arms limitation.

9. Evidence of high-level byplay at a time when the official government policy is to push the talks suggests that the decision taken in Moscow six months ago to explore the US position is by no means a firm one. If so, it would explain in part the sense of urgency that Kosygin and other Soviet officials have been communicating to their US audiences. Kosygin may believe that if there is no progress on this subject soon, other factors at home and abroad may intervene and prevent negotiations.

10. However fragile the consensus may be, there appear to be good reasons, both military and economic, for diverse elements of the Soviet leadership to see potential advantages in an arms limitation agreement at this juncture.

The US-Soviet Strategic Balance

11. The prospect of a decline in the Soviet strategic position relative to the US probably was a major consideration in Moscow's decision to enter into the talks.

12. As a result of concerted efforts since 1965, the relative strategic position of the USSR has improved significantly and Soviet leaders are probably confident that they now possess a secure deterrent. Programmed improvements to US strategic forces, however, threaten to increase the relative US advantage once again, a prospect which Soviet leaders probably find difficult to accept. Those favoring arms talks may consider that they have come close to strategic equality with the US and that now is the most propitious time to explore the possibility of negotiating a halt or a pause in the competition for strategic arms.

13. Should arms limitation talks fail, decisions on new programs must be made soon. Soviet leaders are aware that the US is actively developing new strategic weapons systems at a time when the major Soviet strategic deployment programs are nearing completion. The new US systems--the Minuteman III ICBM, the Poseidon SLBM, and the Sentinel ABM--are programmed for deployment over the next few years. If they wish to offset the impact of these programs,

the Soviets probably would conclude that they must deploy costly new strategic systems such as MIRV's and mobile ICBM's and undertake a large ABM program.

14. The Soviets may doubt their ability to match the US over the whole range of technological development for advanced systems--MIRV, ABM, etc.--if they do choose to compete. They might also believe that continued delays in initiating the negotiations--while US weapons testing is continuing--could impair their ability to negotiate effectively on future levels of deployment of advanced systems.

Arms and the Economy

15. Economic considerations undoubtedly provided another of the major incentives that led the USSR to agree in June to discuss strategic arms limitation with the US, and also probably lie behind its current interest in initiating the talks in the near future. It seems clear that major decisions on basic economic policy must be made soon and translated into specific plans for directing the course of the economy through the mid-1970's.

Resource Allocation Issues

16. For the past several years, the Soviets have been following a policy of expanding strategic military programs and increasing investment in the consumer sector of the economy while allowing the rate of growth of investment in heavy industry to decline.

17. Following three years of relative stability in defense spending in 1963-65, military outlays began to rise sharply. Total expenditures for military and space programs increased at an average annual rate of 7 percent during 1966 and 1967. More important from the standpoint of resource allocations, most of this increase reflected growth in advanced weapons and space programs which absorb the highest quality manpower and machinery. As a result, military hardware purchases and spending for military R&D and space grew an average of 10 percent per year.

18. At the same time, investment in the consumer sector of the economy has also accelerated markedly.

Since 1964, total consumer-oriented investment--including agriculture--has grown at an average rate of more than 9 percent, more than double the rate of the previous five years.

19. The expansion of consumer and strategic programs have come at the expense of investment in the heavy industry sector--i.e. at some cost to future economic growth. The average annual growth of investment in heavy industry fell to about 5 percent in the 1965-67 period, even below the low rates experienced in the early 1960's.

20. Preliminary information on the performance of the Soviet economy in 1968 suggests that the effects of this policy are beginning to show up in a decline in the rate of growth of heavy industry output. If this decline is a direct result of the slighting of investment rather than a short-term phenomenon, then the pressure on industrial growth rates could become more acute during the next year or two as the full effects of the recent investment policy take hold. In either case, the current performance would give the Soviet economic planners reason for concern.

21. The Soviet leaders now appear to be faced with this prospect: they must restore a higher rate of growth of investment in heavy industry in the near future or risk impairing future capacity for satisfying military as well as civilian objectives. The important question is which claimant is going to yield--the consumer or the military--and by how much and when? In the past the choice would have been easier to predict: the Soviet consumer has traditionally borne the brunt of any resource squeeze. Now, however, the political cost of cutting back consumer programs could be greater.

22. These issues are apparently very much on the mind of Premier Kosygin in particular. Kosygin emphasized his concern for the economic aspects of the arms race in a meeting with the president of the UK Board of Trade in June, and he was apparently eager to convey a similar message to former Defense Secretary McNamara and to Senators Gore and Pell in Moscow last month.

23. As leader of the government, Kosygin is responsible for the performance of the Soviet economy. His experience and the approach he appears to take on the issues of the day would probably predispose him, more than most Soviet military planners or Communist Party leaders, to weigh military programs against long-term economic growth prospects and to look to diplomatic means to avoid unnecessary sacrifice of future strength to present power.

The Outlook

24. Soviet leaders undoubtedly realize that an arms limitation agreement would not result in large immediate savings or relief from present military spending levels. They probably hope, however, that it would obviate the need for the large annual increments in outlays that a new round in the arms race would surely entail. If military expenditures could be stabilized at their current level, the entire annual growth in production would be available for other objectives. This relaxation of the military's claim on the growth in output would probably be enough to allow the Soviets to continue their increased consumer-oriented investment programs and at the same time maintain the minimum adequate investment in heavy industry.

25. The economic effects of an agreement cannot be calculated precisely under present uncertainties concerning future Soviet military programs, both with and without an agreement. A general appreciation of the magnitude of resources involved can be obtained, however, by comparing present levels of spending against what would be required if they seek to establish across-the-board equality with the US on a priority basis. Such an objective could easily raise (annual) Soviet defense spending by about 25 percent or 5 billion rubles by the mid-1970's.

26. Annual increases of about a billion rubles a year for 5 years would represent an annual growth in defense outlays comparable to that of 1966 and 1967. Such allocations would almost certainly force cutbacks in the rate of growth of consumer programs. Should the Soviets choose instead to continue to neglect the heavy industry sector over the next

several years, they would be doing so at the cost of seriously impairing capacity for satisfying the whole range of national objectives several years hence.

27. The resources represented by 5 billion rubles are large in relation to other Soviet economic activity. For example, 5 billion rubles compares with current investment programs as follows:

--It is nearly equal to current annual expenditures for construction of weapons systems sites plus purchases of all military weapons and equipment.

--It is about three times as much as 1967 fixed investment in the iron and steel industry.

--It is twice as much as 1967 investment in all consumer goods industries.

--It is about as much as recent annual expenditures for plant and equipment for the rapidly expanding chemical and machinery sectors combined.

--It equals about one-third of 1967 fixed investment in heavy industry.

28. The Soviets probably would not feel that they could cut other elements of defense spending sufficiently to finance the required new strategic programs. A continuation of their large military research and development program probably is considered mandatory to maintaining strategic strength, and recent events indicate that expenditures for general purpose forces are more likely to increase than decrease. The Czech crisis, the Arab-Israeli war, and Sino-Soviet border tensions have all created pressure for enhancing the Soviet conventional warfare capability.

29. Stabilization of defense expenditures at the current level--the highest in Soviet history--would imply a continued major commitment of economic resources to military programs. It probably would provide an adequate base for maintaining a large military research and development program, modernizing

the general purpose forces, and--within the provisions of an arms limitation agreement--improving strategic weapons systems.

30. The Soviets are now drafting the next five-year economic plan, which will cover the 1971-75 period. They probably hope to have a preliminary version completed in 1969 and a final version ready by mid-1970. It will be difficult for the Soviets to proceed very far in the planning process until they have established a fairly firm view of the nature of their future strategic weapons programs. The Soviets probably believe that it will take considerable time for the substance of a final agreement to emerge, and consequently they have a strong incentive to get the talks under way soon.