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24 June 1983

NOTE TO: Director of Central Intelligence
Deputy Director of Central Intelligence

FROM: Deputy Director for Intelligence

SUBJECT: Soviet Procurement/Ruble Costing Paper [redacted]

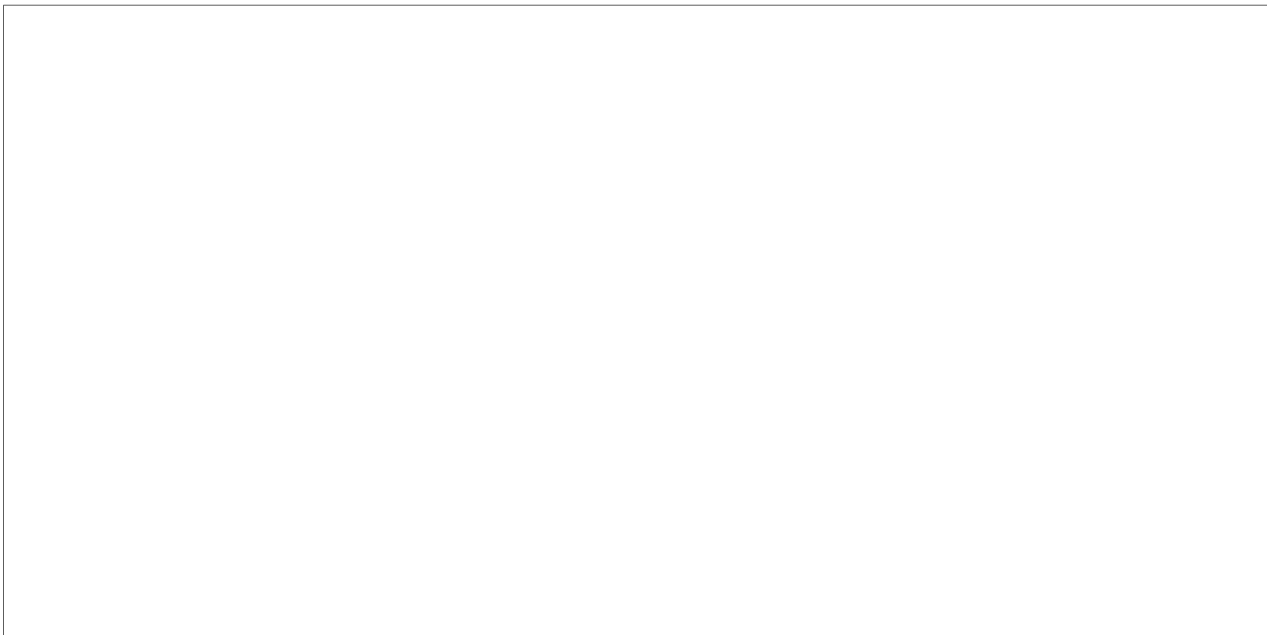
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Bill -

1. This immense stack of paper brings to you for weekend reading SOVA's draft ruble costing and procurement paper. It is a very important paper and one that merits some time on your and John's part. [redacted]

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2. Finally, I have attached the key judgments of several recent papers that we recently have published or that I have approved for publication on the Soviet economy. [redacted] Together they represent a massive research investment by CIA and the overall body of their conclusions has great importance for this country for at least the remainder of this decade. They provide a good deal of the supporting detail that stands behind the assessments of economic problems confronting the Soviet Union and that we believe affect military procurement. Several of the papers also document the difficulties the Soviets are having in the mass production of more technologically sophisticated military equipment and how this has slowed their production rate. This is a lot of reading but I think you will find it interesting and, as I said, it is important. [redacted]

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3. I have had SOVA hold this paper for several months awaiting the outcome of the Selin Panel report and SOVA's work with DIA. The results of these two efforts have allowed them to make a number of improvements to the draft. At this point, after you have satisfied yourself, I would like to publish as soon as we can. Both we and DIA think the two agencies' papers should be published separately. DIA's methodology is discussed in the SOVA paper [redacted] I would make that discussion more explicit and reference DIA's paper. [redacted]

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4. As you know this is the paper over which I have had the greatest doubts for the last two years. Nonetheless, between the conclusions of the Selin Panel and my own reading of the paper, I find it to be a highly professional effort -- and, I might add, a persuasive one to me. I also am swayed in its direction substantively (1) by the massive work SOVA has done in other areas of the economy with conclusions that are consistent with and support what this paper says, and (2) by the endorsements of SOVA's work on the Soviet economy generally and their work on defense costing specifically by the Selin Panel and apparently by the Commerce/PFIAB Panel (the two most far-reaching, comprehensive external evaluations of our analysis in many years). [redacted]

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[redacted]

Robert M. Gates

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[redacted]

(By the way, in terms of the underlying premise that procurement has declined, did you see the Post story on Jim Williams' secret testimony that was released Wednesday? The article is on the next page.)

DDI/RMGates/de/[redacted] 24Jun83

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