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The Director of Central Intelligence

Washington, D.C. 20505



9 April 1984

National Intelligence Council

MEMORANDUM FOR: Director of Central Intelligence


FROM: Herbert E. Meyer  
Vice Chairman, National Intelligence Council

SUBJECT: Are the Soviets Shifting Resources from  
Military to Civilian Production?


1. In this draft paper, DIA analyst  makes extensive use of intelligence reporting to argue that since 1980 the Soviets have been shifting resources from the military to the civilian sector as part of a carefully planned, long-term program.  argument runs like this:

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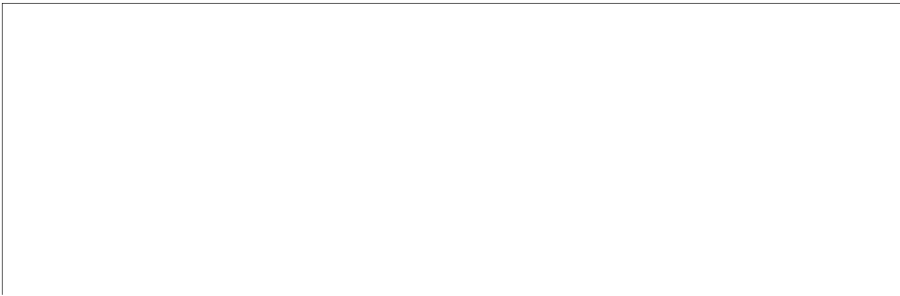
-- By late 1980 the Soviets had begun to appreciate the extent of their economic problem. Several successive poor harvests, combined with plummeting productivity, had worked to lower living standards and raise the level of civil unrest. 

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-- Precisely at this low point for Soviet agriculture and for that country's consumers, the U.S. embargoed trade following the Soviet invasion of Afghanistan. Subsequent to the convergence of these events the Politburo, concerned over its agricultural vulnerability and over enormous hard currency outflows for food, implemented an Agroindustrial Food Program designed to achieve agricultural self-sufficiency by 1990. The second U.S. trade embargo of December 1982 over the "Polish Crisis" served to reinforce the Food Program decision. 

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-- The Food Program, which depends heavily on a major retooling of agricultural and food processing machine-building facilities, is designed to draw support from industry's best sector, the military-industrial sector. Since late 1980, this sector, including its R&D facilities, has been repeatedly directed--in key speeches and other forums--to provide such support and also to do more for non-food consumer goods output. Intelligence has provided numerous instances 25X1




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showing that the military-industrial sector has responded to the directives and resolutions calling for support even at some cost in materials and investment funds. 


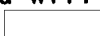
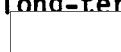
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-- Directly related to the Politburo's consumer oriented policies was the decision to accord high, perhaps highest, priority in railroad cars and service to the movement of agricultural commodities even at the direct expense of the industrial sector. The inability to insulate military suppliers and producers from the resultant bottlenecks was one consequence of this decision. However, continued implementation of the decision to give agricultural shippers rail priority in spite of civil and military industrial disruptions serves as one measure of the deep Politburo concern over the issue of living standards, unrest, labor productivity and political stability. 

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-- The full impact of these policies on actual levels of Soviet military production is yet to be determined. However, these developments have occurred during the period in which estimates of Soviet weapons procurement have shown little if any growth and at a time of uncertainty over future procurement levels. Thus, it is essential to look as closely as possible at the evidence indicating that economic policies surrounding domestic programs are responsible for these trends. Indeed, economic policy decisions may have more bearing on the military procurement and total military expenditure trends than the reasons considered to date; concurrent procurement cycles, technology delays and industrial bottlenecks. These factors may be only the symptoms of significant changes that are occurring in Soviet resource-allocation policies. 

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2. It is against this background  that we should view Brezhnev's October 1982 speech to the top 500 military commanders. In that speech, which proved to be Brezhnev's last and which was attended by all key Politburo members, Brezhnev acknowledged the tense world situation and the renewed U.S. emphasis on defense. He then stated that a country's policy "is only effective when it relies on the real economic and military strengths of a state." You will recall that Western analysts were quite baffled by this speech. If  is correct, its meaning and importance become clear: an important shift from military to civilian production was well under way, and the leadership was telling the generals that the policy was a long-term one to which they must accommodate themselves and their institutions. 


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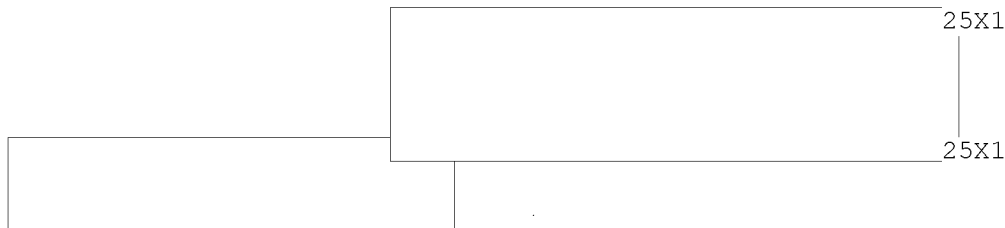
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3.  happened on to all this as a result of an earlier piece he wrote--and which DIA has not yet published either--that summarizes the extraordinary measures taken in Moscow to distribute imported grain. These measures included periodic, total shut-downs of the rail system to all

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industrial users--a tactic that crippled military as well as civilian production. (It is in this report that [redacted] the 600-kilometer back-up of rail cars on the Soviet side of the Iranian border.) [redacted]

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4. If [redacted] thesis is valid, the intelligence community has missed something of the utmost importance. Since [redacted] relies so extensively on intelligence reporting, analysts throughout the community should be charged with either explaining why they reject the [redacted] conclusions, or accepting these conclusions and dealing with their implications. [redacted]

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*Herbert E. Meyer*  
Herbert E. Meyer

Attachment:

Draft paper by [redacted] DIA

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