

**EXECUTIVE SECRETARIAT
 ROUTING SLIP**

TO:

		ACTION	INFO	DATE	INITIAL
1	DCI		X		
2	DDCI		X		
3	EXDIR				
4	<u>D/ICS</u>		X		
5	DDI		X		
6	DDA				
7	DDO				
8	DDS&T				
9	Chm/NIC		X		
10	GC				
11	IG				
12	Compt				
13	D/OCA	X			
14	D/PAO				
15	D/PERS				
16	D/Ex Staff				
17	D/OGI		X		
18	NIO/ECON		X		
19	D/SOVA		X		
20	D/OEA		X		
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SUSPENSE		_____ Date _____			

Remarks D/OCA to respond.

HS
 Executive Secretary
 4 Feb 88

Date

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ACTIVES

CMTE 20-5R
Congress of the United States

JOINT ECONOMIC COMMITTEE
(CREATED PURSUANT TO SEC. 5(a) OF PUBLIC LAW 304, 79TH CONGRESS)

Washington, DC 20510

February 2, 1988

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The Honorable William H. Webster
Director of Central Intelligence
Central Intelligence Agency
Washington, D.C. 20505

Dear Judge Webster:

This letter is to invite you to testify in the Joint Economic Committee annual hearings on the Soviet and Chinese economies. The hearing on the Soviet Union will be held on Thursday, March 24, 1988, at 10:00 a.m. The hearing on China will be held on Thursday, April 21, 1988, at 10:00 a.m. The hearings on both days will be held before the Subcommittee on National Security Economics and will be in closed executive session.

You may know that I have been conducting annual hearings on this subject with spokespersons from the Central Intelligence Agency and the Defense Intelligence Agency since 1974 in a series entitled "Allocation of Resources in the Soviet Union and China." In 1986 and 1987, the CIA and DIA presented their assessments of the Soviet Union as a joint report on the same day. This is a useful framework in which to receive official intelligence estimates and I would like to use that approach again. I would like the CIA to present a separate report on China.

Our respective staffs have had preliminary discussions about the topics to be covered. There has been excellent cooperation on all sides, for which I am very grateful.

It may be helpful to you for me to indicate some of the areas of interest to the Subcommittee. I would like a review of Soviet economic performance in 1987 together with an overall assessment of Gorbachev's initiatives to restructure the Soviet economy. My understanding is that economic performance was poor last year in most sectors, with the possible exceptions of agriculture and energy. What effects will poor performance, especially in industry, have on the targets in the current Five-Year Plan? Is there any evidence that Gorbachev is retreating or modifying his plans to restructure the economy? What is the current assessment of the modernization program?



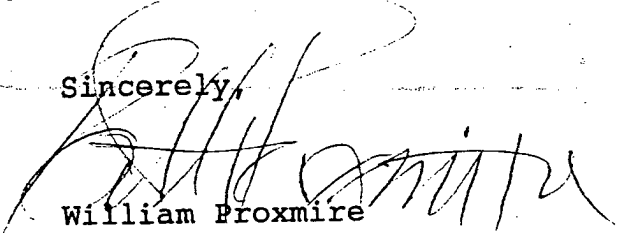
Hon. William H. Webster
February 2, 1988
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I would like a full discussion of Soviet defense spending and related issues. Is it possible to assess Gorbachev's defense policies and the changes he has introduced? Please provide a breakdown, on an unclassified basis, of Soviet defense allocations along functional lines, including strategic offense, strategic defense, conventional forces, naval forces, and tactical air forces, so that we can understand the recent trends. Is there evidence of any significant reductions or increases in spending or deployments in any of these areas or in any regions of the world? Is there any evidence of a shift in priorities as between defense and civilian allocations?

I am also interested in trade issues. Please discuss recent developments in the Soviet trade sector and relations with the United States, Western Europe, and other regions of the world, including China. Does Gorbachev perceive the United States as imposing a "technological blockade" on the Soviet Union, and if so how much importance does he place on "breaking" the blockade? To what extent has the USSR been able to obtain Western technology controlled by the United States from other sources? Does the lack of access to Western technology constitute a substantial constraint on Soviet economic development and growth? Is it likely that the recent US-USSR summit and other developments will lead to greater Soviet access to Western technology? What significance do you place on the Soviet efforts to enter into joint ventures? Are the Soviets likely to pursue efforts to join international institutions, such as GATT and IMF, and what is the significance of their initiatives in this direction.

I am deeply appreciative of the efforts that go into these preparations, and I look forward to another productive exchange.

Sincerely,



William Proxmire
Chairman
Subcommittee on National
Security Economics

WP:rkt