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DEPARTMENT OF STATE
BUREAU OF INTELLIGENCE AND RESEARCH

Research Memorandum
RSB-47, April 4, 1963

TO : The Secretary
THROUGH: S/S
FROM : INR - Thomas L. Hughes *Thomas L. Hughes*
SUBJECT: Signs of Kremlin Decision To Improve Its Strategic Posture

Recent indications of a shift of resource allocations in favor of the military appear to have been confirmed by actions taken at the special Party and Government meeting on March 13. This report analyzes the reasons for and significance of this shift.

ABSTRACT

Several recent developments support the thesis that the Kremlin has made a decision in favor of significantly greater outlays for strategic weapons: Khrushchev's election speech of February 27 emphasizing military demands on resources; his remarks to the British Ambassador on March 6 alluding to augmented strategic force; the March 13 organizational changes affecting defense production; and the promotion of the head of the Strategic Rocket Forces to Chief of the General Staff.

Moscow's decision could reflect its determination to achieve a strategic posture vis-à-vis the US which would give the Kremlin greater room for foreign-policy maneuvering.

Possible Types of Soviet Actions Postulated

Following the Cuban fiasco, the Soviet leaders undoubtedly undertook a further re-evaluation of their strategic posture. On the basis of available intelligence it seems clear that the Soviets will not accept an obviously inferior strategic posture. Three courses of action the Soviets might undertake to improve their position are:

- (1) attainment of a clear-cut strategic superiority;

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- (2) attainment of a rough parity in intercontinental weapons systems;
- (3) offsetting US numerical superiority by such means as development of very high-yield weapons, global missiles, anti-missile systems, and/or military space programs.

For the Soviets to decide on any of these alternatives involves the expenditure of a greater share of their GNP than heretofore. Our evidence suggests that a decision to this effect may have been reached in mid-February.

Timing of Decision

The apparent decision on resource allocation was probably made at a meeting of the Party Presidium in mid-February. The meeting would have occurred between February 13, when Pravda published the consumer-oriented thesis that "production should exceed demand," and February 27, when Khrushchev made it clear in his election speech that the civilian sector had to yield to the military. The presence in Moscow on February 16 of regional Party chiefs from the Ukraine and Uzbekistan who are Presidium members, plus the necessity of a meeting on the CPSU letter dated February 21 to the Chinese Communists, fixes the date more closely.

Resources Allocations and Strategic Posture

We believe that allocation decisions favoring the military have been made and that they involve significantly greater outlays than heretofore for strategic weapons systems. We cannot, however, say precisely what type and/or number of weapons are contemplated, nor can we delineate the lead time. The purpose of the allocation decisions is, however, clear: it is to create an image of enormous Soviet strategic power, an image which might well have more substance than it did in 1958-59, thereby providing the Kremlin with greater room for foreign-policy maneuvering.

The evidence that a decision of this significance has been taken is indirect and is not conclusive. While it is possible that the confluence of events is purely circumstantial, we feel it pertinent to note the likelihood that they indicate a major decision affecting politico-military

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strategy. The reasoning behind our assumption that the Soviets may have opted for at least "political parity" in strategic posture is set forth below.

Revision of Seven-Year Plan Indicated

The announcement at the special Party-Government meeting on March 13 that work on the economic plan for 1964-65 (as well as for the subsequent five-year period) is under way is unusual in both its timing -- as a rule, similar announcements are made later in the year -- and the fact that it involves a two-year rather than one-year period. This strongly suggests that some of the principal goals of the Seven-Year Plan (1959-65) are being revised in line with changes in resource allocation in favor of the military.

The announcement is reminiscent of statements appearing in the press in 1957 prior to the scrapping of the Sixth Five-Year Plan. The forum chosen to make the announcement -- a meeting of the full Presidium and Secretariat of the Party, the USSR Council of Ministers, the chairmen of the republic councils of ministers, republic Party chiefs, and representatives of central establishments -- is highly unusual; ordinarily a Central Committee plenum would pass on these measures. Since virtually all of the individuals present are members of the Central Committee and their numbers would comprise the majority of its membership, the meeting in effect appears to have been a rump Central Committee meeting, excluding only the oblast (provincial) Party secretaries as a group.

Khrushchev's Election Speech

In his speech to his "local constituency" on February 27, Khrushchev laid considerable emphasis on military demands, stating that "life dictates the necessity of spending enormous sums on maintaining our military might on a proper level." Given the implied escalation of military demands on resources, he admitted that "naturally this diminishes, and cannot but diminish, the opportunity for the people to gain direct benefits."

Khrushchev-Trevelyan Talk

In his conversation with British Ambassador Trevelyan on March 6, as relayed by our Embassy in Moscow, Khrushchev asserted that the USSR is committed to an augmented strategic force -- regardless of the cost -- and downgraded the importance of conventional arms. His remarks, while obviously intended for the ears of Washington, are in accord with the import of his election speech the preceding week and with the organizational and personnel changes announced the following week.

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Personnel and Organizational Changes

In addition to announcing that work is under way on economic plans, the Central Committee session revealed the appointments of long-time defense production specialists D.F. Ustinov as a First Deputy Chairman of the USSR Council of Ministers and head of the new Supreme Economic Council, and former chief of the State Committee on Defense Technology L. V. Smirnov as a Deputy Chairman of the Council of Ministers. In addition, the organizational changes following the session reveal that the agencies concerned with military production have been accorded an independent status under the Supreme Economic Council, while those concerned with civilian production are subordinated to intermediary authorities.

In the highly bureaucratized Soviet Union, policy changes are usually reflected promptly in organizational and personnel changes. The actions of the March 13 session, clearly favoring the military sector, probably represent the execution of such a decision.

Promotion of Marshal Biryuzov

The replacement, probably around mid-March, of ground-oriented Marshal Zakharov as Chief of the General Staff of the Soviet Armed Forces by head of the Strategic Rocket Forces Marshal Biryuzov also suggests additional emphasis is being placed on modern weapons systems. Biryuzov's promotion in the military hierarchy may parallel that in the economic field of defense production specialist D.F. Ustinov.

Unresolved Questions

We do not know which of the alternatives postulated and described above will be followed or whether some other course designed to improve the Soviet strategic posture has been adopted. Nor can we now judge the extent of the shift in resource allocations to defense. (Indications of the extent of the shift may be forthcoming when the Soviets publish the 1964 budget and plan later this year.) It does appear, however, that some military requests for additional funds may have been turned down.

In his conversation with Ambassador Trevelyan, Khrushchev stated flatly that the Soviets were not going to increase their ground forces. In his election speech description of the difficulties involved in balancing the "needs of the economy and the requirements of defense," Khrushchev concluded with the remark that neither one nor the other should be "overemphasized." His two references to a "one-day war" in this context imply that the traditionally ground-oriented officer corps may have had

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to yield on the question of maintaining a large standing army, much as the civilian sector had to, in order to satisfy the ever-increasing costs of the modern weapons systems. Modern-weapons advocate Biryuzov's replacement of Zakharov as Soviet Chief of Staff also supports this interpretation.

Other Possible Interpretations

Some observers have speculated that the confluence of events described above represents only another attempt by the Soviets to overcome basic problems of resource scarcity by administrative manipulation and conclude that no sharp increase of military expenditures is in the offing. Some also explain the personnel and organizational changes since November 1962 as an effort to get the most out of the ruble in the economy at large. All, however, are in agreement that the foregoing could signify a major decision on resource allocation in favor of the military.

We agree that the Soviet economy is taut and that the personnel and organizational changes are designed to get the most out of the ruble. We feel that one import of the changes could be to delay as long as possible through greater efficiency the impact of increased costs on the Soviet consumer. If the Soviets have decided to develop newer weapons systems, rather than to enlarge systems in being, the initial costs need not be conspicuously large. We do not see any indication of a "war economy" in the process of development, although we do not rule it out as a possibility. What we do see is the probable beginning of a serious attempt by the Soviets to gain at least "political parity" in strategic posture.

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