



**National  
Foreign  
Assessment  
Center**

~~Secret~~

*Return to RA*

# **Non-Soviet Warsaw Pact Defense Spending: Trends and Prospects**

**An Intelligence Assessment**

~~Secret~~

SR 80-10088  
July 1980

Copy 231



**National  
Foreign  
Assessment  
Center**

**Secret**

# **Non-Soviet Warsaw Pact Defense Spending: Trends and Prospects**

25X1

**An Intelligence Assessment**

*Information available as of 30 May 1980 has been used  
in the preparation of this report.*

This paper was prepared by [redacted]  
Military-Economic Analysis Center, Office of  
Strategic Research (OSR), and was coordinated  
with the Offices of Economic Research and Political  
Analysis and the National Intelligence Officers for  
USSR-Eastern Europe and General Purpose Forces.  
Questions and comments may be addressed to the  
Chief, Military-Economic Analysis Center, OSR,  
[redacted]

25X1

25X1

**Secret**  
*SR 80-10088  
July 1980*

**Non-Soviet Warsaw Pact  
Defense Spending:  
Trends and Prospects**

25X1

**Key Judgments**

From 1970 through 1979, the announced defense budgets of the non-Soviet Warsaw Pact (NSWP) countries increased. The average annual rates of growth in current prices were about 7 percent in East Germany and Poland, 6 percent in Romania, 5 percent in Hungary, and 4 percent in Czechoslovakia. (Bulgaria has not reported its defense expenditures since 1970.) These rates reflect inflation as well as real growth, but only in Hungary and Poland—the most inflation-prone NSWP countries in the 1970s—is the growth of the defense budgets likely to have been appreciably lower in constant price terms than in current prices. In these two countries, the real growth in spending may have averaged as little as 2 or 3 percent a year from 1970 through 1979.

The growth in the NSWP defense budgets allowed some expansion of the armed forces and the replacement of obsolescent weapons and equipment with more modern systems. The pace and scope of military modernization varied from country to country. East Germany's armed forces probably experienced the most improvement during the 1970-79 period.

The Soviet Union has been pressing the NSWP countries to accelerate the growth of their defense spending and to modernize their forces more rapidly in the coming five-year period (1981-85). East Germany has given some indication that it may comply. But because of economic problems, most NSWP countries probably will not fully satisfy the Soviet demands. Romania has publicly rejected the Soviet call for more defense spending. Poland, Hungary, and Czechoslovakia will have difficulty even matching the past decade's average growth in spending for the armed forces.

Soviet pressure and NSWP attempts to remedy current force deficiencies probably will lead to real growth in the defense budgets of all the NSWP countries. Overall, however, the average real growth in NSWP spending for the armed forces through 1985 is unlikely to exceed that achieved in the 1970s, and the pace of military modernization is likely to fall short of Soviet goals.

25X1

Secret

## Contents

	<i>Page</i>
Key Judgments	iii
Introduction	1
The Announced Defense Budgets	1
Defense Spending in the Northern Tier	3
Czechoslovakia	4
East Germany	4
Poland	5
Defense Spending in the Southern Tier	5
Bulgaria	5
Hungary	5
Romania	5
Factors Affecting Future Defense Spending	6
Deficiencies of the NSWP Armed Forces	6
Soviet Pressure To Increase the Growth of Defense Spending	6
Economic Problems	6
Prospects for Future NSWP Defense Spending	7

## Figure

1.	Indexes of Growth in Announced Defense Expenditures of Hungary and East Germany	3
----	---	---

## Tables

1.	Announced Defense Expenditures in the NSWP Countries	2
2.	Estimated Military Personnel Costs as Shares of Announced Defense Expenditures in the NSWP Countries	2
3.	Announced Defense Expenditures as Shares of GNP in the NSWP Countries	4
4.	Estimated Average Annual Rates of Inflation in NSWP Countries	4

Secret

SECRET

**Non-Soviet Warsaw Pact  
Defense Spending:  
Trends and Prospects** [redacted]

25X1

**Introduction**

In the late 1960s the non-Soviet Warsaw Pact (NSWP) armed forces were given larger, more active roles in Soviet plans for war in Europe. In place of the Warsaw Pact attack scenario allowing for prior reinforcement from the western Soviet Union, an unreinforced attack was postulated. This shift entailed much greater reliance on the NSWP armed forces, and the importance of expanding and modernizing those forces increased. This paper examines one measure of the expansion and modernization of the NSWP forces in the past decade: spending for the armed forces. It reviews the trends in announced NSWP defense budgets during the 1970s, relates these to the development of the NSWP forces, and discusses the prospects for future defense spending in the light of the economic problems of the NSWP countries. [redacted]

[redacted]

[redacted] There are also uncertainties about the coverage of the NSWP-announced defense budgets and the real growth that they reflect which argue for caution in interpreting them. But the NSWP-announced defense budgets apparently include most military activities and thus are useful general indicators of the allocation of resources to defense. Also, some sense of the inflation reflected in their growth can be gained from data on price changes in the civilian economies. Consequently, the NSWP-announced defense budgets are also useful for assessing general trends in real defense expenditures. [redacted]

**The Announced Defense Budgets**

Like the Soviet Union, the NSWP countries reveal very little about their defense expenditures. Czechoslovakia, East Germany, Hungary, and Romania limit their disclosures of defense spending to single-line [redacted]

[redacted]

entries in their annual state budgets. Poland's annual budget law includes two defense spending entries—one under "current outlays" and another under "investment." (Defense "investment," as reported by Poland, consists of housing and amenities for armed forces personnel rather than weapons purchases and weapons-related construction.) Bulgaria has not published a defense budget since 1970. [redacted]

25X1

The announced NSWP defense budgets (table 1), however, are much more useful and informative than their Soviet counterpart. Unlike announced Soviet spending for defense, which grossly understates total expenditures for the armed forces, the announced NSWP defense budgets appear large enough to cover the costs of manning and operating the national military establishments, procuring weapons and equipment, and constructing military facilities. This can be seen when estimates of NSWP military personnel costs (pay, allowances, and subsistence of uniformed personnel) are expressed as shares of the announced defense expenditures (table 2). In every instance the shares are small enough to leave substantial room for other operating outlays and for defense procurement and construction. [redacted]

25X1

25X1

25X1

25X1

Unlike announced Soviet defense spending, which declined during the Soviet military buildup of the 1970s, the announced NSWP defense budgets grew during this period. Allowing for the complicating factor of inflation, the differences in growth over time and from country to country reflect the differences observed in the expansion and modernization of the armed forces. In Hungary, for example, the movement of the announced defense budget reflected the military cutbacks known to have occurred in the early 1970s and the stepped-up weapons purchases and increased level of defense activities observed later in the decade. Similarly, in East Germany the growth of the announced defense budget reflected the continuous and substantial modernization experienced by the armed forces in the 1970s (figure 1). [redacted]

25X1

25X1

25X1

Secret

ILLEGIB

Table 1

National currency, current prices

## Announced Defense Expenditures in the NSWP Countries

	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	Average Annual Growth Rate 1970-79 (Percent)
Bulgaria (billion leva)	.3	NA	NA	NA	NA	NA	NA	NA	NA	NA	—
Percent change from previous year	—	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Czechoslovakia (billion crowns) <sup>1</sup>	14.9	15.9	16.8	17.7	18.1	19.7	20.4	20.1	20.8	21.6	—
Percent change from previous year	—	6.7	5.7	5.4	2.3	8.8	3.6	-1.5	3.5	3.8	4.3
East Germany (billion marks) <sup>1</sup>	6.7	7.2	7.6	8.3	8.9	9.6	10.2	11.0	11.6	12.1	—
Percent change from previous year	—	7.5	5.6	9.2	7.2	7.9	6.3	7.8	5.5	4.3	6.8
Hungary (billion forints)	9.8	9.9	9.4	9.5	10.6	11.8	11.7	12.6	14.4	14.9	—
Percent change from previous year	—	1.0	-5.1	1.1	11.6	11.3	-0.8	7.7	14.3	3.5	5.0
Poland (billion zlotys)	35.7	37.7	39.5	41.1	45.2	49.9	52.9	57.3	62.2	65.3	—
Percent change from previous year	—	5.6	4.8	4.1	10.0	10.4	6.0	8.3	8.6	5.0	7.0
Romania (billion lei)	7.1	7.4	7.7	7.8	8.7	9.7	10.5	11.3	12.0	12.0	—
Percent change from previous year	—	4.2	4.1	1.3	11.5	11.5	8.2	7.6	6.2	0	6.1

NA—Not available.

<sup>1</sup> These expenditures include spending for internal security forces. In the state budgets for 1977-79, East Germany also reported its defense expenditures net of spending for internal security forces:

	1977	1978	1979
Billion marks	7.9	8.3	8.7
Percent change from previous year	—	5.1	4.8

25X1

Table 2

Percent

## Estimated Military Personnel Costs as Shares of Announced Defense Expenditures in NSWP Countries

	1970	1971	1972	1973	1974	1975	1976	1977	Annual Average
Czechoslovakia <sup>1</sup>	19	19	19	19	20	18	17	18	18
East Germany <sup>1</sup>	13	12	11	11	11	11	11	10 <sup>2</sup>	11
Hungary	22	22	24	25	23	21	22	22	23
Poland	13	15	16	17	17	18	22	22	17
Romania	27	23	24	24	24	23	24	23	24

<sup>1</sup> Announced defense expenditures include expenditures for internal security forces.

<sup>2</sup> For 1977 East Germany also reported its defense expenditures net of spending for internal security forces; estimated military personnel costs account for 14 percent of these announced defense expenditures.

The estimates of NSWP military personnel costs include pay, allowances, and subsistence of regular armed forces, militarized border guards, and militarized security troops. Estimates for 1978 and 1979 are not yet available. These estimates are from Alton, Lazarcik, Czirak, and Bass, *Estimates of Military Expenditures in Eastern Europe* (Washington, D.C.: U.S. Arms Control and Disarmament Agency, 1973)—revised and updated through 1977.

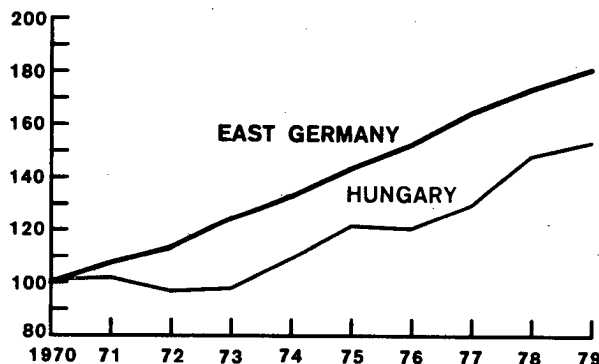
Secret

2

25X1

**Indexes of Growth in Announced  
Defense Expenditures of Hungary  
and East Germany**

(Calculated from data in current prices; 1970=100)



[Redacted]

The announced defense budgets of the NSWP countries probably do not include all defense-related outlays. [Redacted]

[Redacted] In Czechoslovakia, East Germany, Poland, and Romania, military RDT&E probably is large enough to make this a significant omission. In addition, expenditures for NSWP civil defense activities might be charged to the civilian agencies responsible for their execution rather than to the national ministries of defense. Also, all the NSWP armed forces provide services to the civilian economy. Payment received for such services might constitute an extrabudgetary source of funds for the armed forces. [Redacted]

Care must be taken in comparing the announced NSWP defense budgets and analyzing their growth. There are known differences in their coverage,<sup>2</sup> and they reflect inflation that varies from year to year and country to country. Yet, the announced defense budgets can convey an informative picture of the overall growth in the activities of the NSWP armed

<sup>2</sup> In Czechoslovakia's budget, for example, and in the pre-1977 budgets of East Germany the defense entry also includes expenditures for internal security forces. But there are no indications that the costs of internal security forces are included in the announced defense budgets of Hungary, Poland, and Romania. [Redacted]

forces and the share of economic output which these activities consume. Their value is increased when they are viewed in the light of known changes in the NSWP armed forces and other economic and financial statistics. [Redacted]

**Defense Spending in the Northern Tier**

Czechoslovakia, East Germany, and Poland are the most important NSWP countries in terms of the missions assigned to them in the event of a war with NATO. They also have better equipped and more capable armed forces than the other countries and are the top three NSWP countries with respect to the shares of gross national product accounted for by announced defense expenditures (table 3). There are, however, significant differences among the armed forces of these three countries. In the 1970s the growth of their announced defense budgets differed as well.

[Redacted]

In current price terms Poland's announced defense expenditures grew at an average rate of about 7 percent a year from 1970 through 1979. East Germany's defense budget grew at a slightly slower rate, just under 7 percent growth a year. Czechoslovakia's defense budget grew at an average annual rate of about 4 percent. [Redacted]

When inflation is taken into account, however, the ranking of the three countries with respect to the growth of their defense budgets probably differs from the ranking in current price terms. There are no generally accepted measures of price change in the defense sectors of the NSWP economies. Consequently, it is difficult to determine how much of the growth in the announced defense budgets resulted from real changes and how much resulted from inflation. Western estimates of inflation in the NSWP civilian economies (table 4) may provide some guide to the impact of price changes on NSWP defense spending. But tight government control over the wages of military conscripts is likely to have limited the effect of inflation on defense spending. Also, the purchase of military equipment from the Soviet Union on the basis of multiyear agreements probably resulted in stable prices for a substantial portion of defense procurement. For these reasons, the inflation reflected in the growth of the NSWP defense budgets probably is less than that estimated for the civilian economies. [Redacted]

25X1

25X1

25X1

25X1

25X1

25X1

25X1

25X1

Secret

Table 3

Percent

**Announced Defense Expenditures  
As Shares of GNP in the NSWP Countries<sup>1</sup>**

	1970	1974	1978	Annual Average 1970-1978
Bulgaria	2.4	NA	NA	NA
Czechoslovakia	3.5 <sup>2</sup>	3.3 <sup>2</sup>	3.3 <sup>2</sup>	3.4 <sup>2</sup>
East Germany	4.6 <sup>2</sup>	5.0 <sup>2</sup>	5.4 <sup>2</sup>	5.0 <sup>2</sup>
			3.9 <sup>3</sup>	
Hungary	2.8	2.2	2.2	2.9
Poland	3.7	2.7	2.4	2.8
Romania	2.4	2.1	2.4	2.2

<sup>1</sup> Calculated from data in national currencies and current prices.

<sup>2</sup> Includes expenditures for internal security forces.

<sup>3</sup> Excludes expenditures for internal security forces (information available only since 1977).

NA—Not available.

In East Germany and Czechoslovakia, where the inflation experienced in the civilian economies was slight, the real average annual growth in the announced defense budgets probably was close to the reported growth in current prices (7 percent and 4 percent). In Poland, however, where inflation was a more serious problem in the 1970s, the real growth in the defense budget probably was appreciably less than the growth in current price terms. The estimates in table 4 probably overstate the average annual rate of inflation in Polish defense costs by 2 to 3 percentage points. Still, in constant price terms the growth of Poland's defense budget may have averaged as little as 2 or 3 percent a year.

**Czechoslovakia.** In Czechoslovakia the announced defense budget grew at an average of almost 6 percent a year from 1970 through 1975, but the growth rate was only about 2 percent a year from 1975 through 1979. The more rapid growth of the early years reflected the move to reverse the decline in the number of armed forces personnel in the late 1960s as well as the faster pace of military modernization. After 1975 modernization of the Czechoslovak forces slowed, and from 1976 through 1978 the absolute level of announced defense spending was almost constant.

Table 4

Percent

**Estimated Average Annual Rates  
of Inflation in NSWP Countries**

	Consumer Prices (1970-78)	Machinery and Metalworking
Czechoslovakia	2	2 (1970-77)
East Germany	1	3 (1970-75)
Hungary	4	5 (1970-76)
Poland	7	7 (1970-76)

Sources: Alton, Bass, Lazarcik, Staller, and Znayenko, *Working Papers of the Research Project on National Income in East Central Europe* (New York: L. W. Financial Research, Inc., September 1978 and September 1979).

The modernization process, while unevenly paced over the 1970s, resulted in the acquisition of a broad variety of equipment for the armed forces. For the ground forces the equipment upgrading included the replacement of T-34 tanks with T-55s, the acquisition of BMP infantry combat vehicles, 122-mm self-propelled howitzers, new antitank guided missile launchers, multiple rocket launchers, and SA-4 and SA-6 surface-to-air missiles. The key features of Air Force modernization were the acquisition of late-model Fishbeds for both counterair and ground attack regiments and, after January 1978, the acquisition of Flogger Bs.

**East Germany.** The growth of East Germany's defense budget was accompanied by both expansion and modernization of the armed forces. Expansion was most evident in the ground forces, where divisional artillery holdings were increased, organic artillery was added to motorized rifle regiments, and more tanks and fire-support weapons were deployed. Equipment upgrading occurred throughout the East German armed forces. In the ground forces its effects were far-reaching. The BTR-60PB and BTR-50PK armored personnel carriers and the BMP infantry combat vehicle became the standard troop carriers, replacing

25X1

25X1

25X1

25X1

25X1

Secret



Secret

ILLEGIB

vehicles of older vintage. New air defense systems were deployed, and 122-mm and 152-mm self-propelled howitzers entered the inventory. By the end of the decade the T-72 tank was being introduced, although only in small numbers. The air forces also benefited from the modernization effort. Newer model Fishbeds were deployed, and one interceptor squadron was reequipped with the MIG-23 Flogger B. The capabilities of the naval forces for coastal patrol and minesweeping were improved through the replacement of obsolescent ships with more modern units. [REDACTED]

**Poland.** In Poland the real growth in defense spending, while probably more modest than in East Germany, allowed for some notable expansion and modernization of the Polish armed forces. In the ground forces, troop air defense was substantially improved with the acquisition of self-propelled antiaircraft artillery and increasing numbers of modern Soviet SAMs. More T-55 tanks were added to the inventory, replacing T-54s and T-34s. A few T-72s were also acquired for familiarization and cadre training. In the air forces the counterair regiments were reequipped with newer Soviet interceptors and one ground attack regiment acquired Fitter Cs. The Polish Navy remained the largest and best equipped naval force in Eastern Europe but changed very little in the 1970s. [REDACTED]

#### Defense Spending in the Southern Tier

Because of Bulgaria's total secrecy on defense spending since 1970, there are less data on defense spending for the southern tier NSWP countries than for those of the northern tier. The data that are available suggest that Hungary and Romania, and in 1970 Bulgaria, allocated smaller shares of their economic resources to defense than did Czechoslovakia, East Germany, and Poland. [REDACTED]

The differences in the growth of the defense budgets in the northern and southern tier countries are less clear. Hungary's announced defense budget grew at an average of about 5 percent a year from 1970 through 1979, and Romania's grew at an annual average rate of about 6 percent. But both average growth rates reflect inflation as well as real growth, and the inflation involved is difficult to quantify. Western estimates indicate that Hungary experienced average annual inflation rates of 4 percent in consumer prices and

5 percent in machinery prices in the 1970s (table 4). For the same reasons noted in our discussion of the northern tier countries, these estimates probably overstate the impact of inflation on Hungary's defense spending. Still, Hungary was one of the most inflation-prone NSWP countries in the 1970s. In Hungary, as in Poland, growth in the announced defense budget may have averaged only about 2 percent a year when corrected for inflation. Price increases in the civilian sector were less frequent in Romania than in Hungary, and inflation almost certainly had less impact on defense spending. But there are no good estimates of price change in Romania in the 1970s. [REDACTED] 25X1

**Bulgaria.** Were Bulgarian defense spending figures available, they probably would show only modest growth. In the 1970s the Bulgarian ground forces acquired new APCs and artillery, but not in great numbers, and equipment substitutions generally proceeded at a moderate pace. In the Navy the introduction of a small number of newer units into the inventory resulted in a slight expansion of the force. In the air and air defense forces there was some modernization, but the exchange of obsolescent equipment for more modern systems was slow. [REDACTED] 25X1

**Hungary.** Hungary's announced defense budget was roughly constant in the early 1970s. Little was done to replace the largely obsolescent equipment of the armed forces, and training activities actually decreased. But, as the decade progressed, the defense budget grew much more rapidly. At Soviet urging, the Hungarians moved to reduce some of the disparities between their own armed forces and those of Czechoslovakia, East Germany, and Poland. Hungarian participation in joint Warsaw Pact exercises increased, as did participation in field training with the Soviet Southern Group of Forces. Substantial upgrading of troop air defense occurred with the acquisition of Soviet-produced SAMs and self-propelled antiaircraft guns. [REDACTED] 25X1

**Romania.** The growth of Romania's defense budget reflected Bucharest's efforts to modernize a military force that was among the most poorly equipped in the Warsaw Pact at the outset of the 1970s. In keeping with Romania's attempt to steer an independent course within the Pact, special emphasis was placed on

Secret

ILLEGIB

domestic arms production. Domestically produced items deployed in the 1970s included the TAB-72—a copy of the Soviet BTR-60PB—other armored vehicles (including a modified T-55), small arms, ammunition, and bridging equipment. For other items, Romania relied on imports, chiefly from the Soviet Union. Among the Soviet-produced equipment procured in the 1970s were SA-6 SAMs, interceptor aircraft, and—at decade's end—a small number of T-72 tanks [redacted]

#### **Factors Affecting Future Defense Spending**

By the end of this year NSWP planners must complete their five-year plans for 1981-85, including plans for defense. Although the details of the overall economic plans will be publicized widely, no detail will be provided on the five-year plans for the armed forces. Because of this secrecy it is difficult to judge the prospects for defense spending in the 1981-85 period. Still, the factors most likely to influence the resource allocation decisions of NSWP planners are easily identified. Analysis of these factors and other evidence allows us to estimate how NSWP defense spending is likely to change in the coming five-year period (1981-85). [redacted]

**Deficiencies of the NSWP Armed Forces.** The current deficiencies of the NSWP armed forces are certainly a factor of which national defense planners are aware and which is likely to affect their formulation of goals for the coming five-year period. In the southern tier countries, these deficiencies are especially serious. Much of the equipment in military inventories is obsolete, and the armed forces lag far behind those of the other NSWP countries in the level and quality of their training. In the northern tier countries, the deficiencies of the armed forces are less striking, but in some instances still are serious. Poland's forces still must rely on a good deal of obsolescent equipment. The Czechoslovak and East German armed forces are better equipped, but they lack many of the newer systems in the Soviet inventory. [redacted]

**Soviet Pressure To Increase the Growth of Defense Spending.** Another and a more important factor that NSWP defense planners must take into account in formulating plans for 1981-85 is Soviet pressure to increase the growth of defense expenditures. Since at least the time of the meeting of the Warsaw Pact's

Political Consultative Committee in November 1978, the Soviets have reportedly been calling for more weapons spending by the NSWP states. Despite the growth in defense spending achieved by these countries in the 1970s, the Soviets are dissatisfied with the pace of military modernization and are pressing for an accelerated effort. As the dominant force in the Warsaw Pact, the Soviet Union will play an important role in shaping NSWP defense plans, but much will depend on how insistent the Soviets prove to be on the defense spending issue. [redacted]

25X1

25X1

**Economic Problems.** Current and prospective economic problems are also likely to influence the decisions of NSWP planners on the allocation of resources to defense. In the 1970s all the NSWP countries experienced an economic slowdown that worsened as the decade progressed. By 1979 the economic performance of the NSWP countries ranged from lackluster to dismal. The causes of the economic slowdown were many. Systemic inefficiencies played a major role in the slowdown. So too did rising prices for energy, raw materials, and imports of technology from the West. In several instances the economic situation was aggravated by mounting hard-currency balance-of-payments deficits and continuing poor performance by the agricultural sectors. [redacted]

25X1

25X1

The East European economies are likely to experience further slowdowns in the early 1980s, and NSWP living standards will stagnate or decline. Only in Hungary does the government appear determined to press forward with economic reform, but even there reform alone will not solve the economy's problems. Throughout Eastern Europe resource constraints will worsen and prices of critical materials will increase. The growth of the working age population will decline in Czechoslovakia, East Germany, and Poland in 1981-85, and there will be absolute decreases in Bulgaria and Hungary. [redacted]

25X1

25X1

These gloomy economic prospects give NSWP planners added incentive to restrain the growth of defense expenditures. In the 1970s the announced defense budgets accounted for between 2 and 5 percent of GNP in the NSWP countries. But in the 1980s slower economic growth is likely in these countries. If the

Secret

ILLEGIB

25X1

defense budgets were to continue to grow at the pace maintained from 1970 to 1979, they probably would account for increasing shares of economic output in most NSWP countries during 1981-85. Even then, their share of overall economic output would be small in comparison with the 12-14 percent of GNP now allocated to defense by the Soviet Union. But their claim on the increment in output would be substantial and would impinge upon other pressing claims on NSWP economic growth. An acceleration in the growth of the defense budgets would have even more negative consequences. [redacted]

**Prospects for Future NSWP Defense Spending**

In making their resource allocation decisions for the coming five-year plan, NSWP leaders must weigh the requirements for development of their armed forces and Soviet pressure to increase weapons spending against the needs of the civilian economy. The quality and quantity of evidence regarding the weight assigned to these competing factors varies from country to country. Romania's President Ceausescu has publicly rejected Soviet calls for more defense spending and has not retreated from this position despite public Soviet criticism. His public statements are a good indication of Romania's likely behavior in the coming five-year period. [redacted] Poland and Hungary are also opposed to increasing the growth of their defense spending because of their economic difficulties. [redacted]

Czechoslovakia is also reported to be opposed to increasing the growth of its defense spending. [redacted]

[redacted] The leadership has publicly resisted Soviet demands (for example, more Czechoslovak production of nuclear power equipment for CEMA) that would burden the economy. Also, since 1975, as the economy has slowed, the average annual growth in Czechoslovakia's defense budget has been the lowest in the NSWP. The slowing of the defense budget's growth may signal Czechoslovakia's defense spending behavior in the future. [redacted]

[redacted]

East Germany apparently allocates more of its GNP to the armed forces than any other NSWP country, and its armed forces are probably the best equipped in Eastern Europe. Thus, it has the most reason to complain of the burden of defense and the least need to increase defense expenditures. But East German Party Chief Honecker and Defense Minister Hoffmann have publicly stated that NATO's decision to deploy new medium-range missiles requires their country to increase its defense capability. This suggests some East German willingness to comply with Soviet wishes. [redacted]

Bulgaria's pressing priorities in agriculture and energy and its apparent determination to continue its policy of rapid industrialization militate against accelerated growth in defense spending. But because of Bulgaria's complete secrecy about defense spending, it is difficult to determine past expenditures, much less future spending. [redacted]

In summary, the evidence suggests that during the early 1980s the NSWP countries are unlikely to fully satisfy Soviet demands for accelerated growth in defense spending and more rapid military modernization. Romania has publicly resisted Soviet pressure to increase its defense spending and shows no sign of abandoning its resistance. Hungary and Poland are unlikely to do more than maintain the past decade's average rate of growth in their defense budgets. Czechoslovakia's defense budget also is unlikely to grow more rapidly than in the 1970s. Only East Germany has indicated that it may comply with Soviet wishes on the defense spending issue. [redacted]

Soviet pressure and NSWP attempts to remedy current force deficiencies probably will lead to real growth in the defense budgets of all the NSWP countries. Overall, however, the average real growth in NSWP spending for the armed forces through 1985 is unlikely to exceed that achieved in the 1970s, and the pace of military modernization is likely to fall short of Soviet goals. [redacted]

**Page Denied**

Next 9 Page(s) In Document Denied

25X1

25X1

25X1

25X1