

ASSOCIATED PRESS
8 JANUARY 1983

CIA SEES NO ECONOMIC COLLAPSE IN SOVIET UNION
By BARTON REPPERT
WASHINGTON

The Central Intelligence Agency does not consider an economic collapse of the Soviet Union "even a remote possibility," a senior CIA official says in declassified testimony released Saturday.

The judgment by Henry Rowen, chairman of the spy agency's National Intelligence Council, was less harsh than those about the Soviet economy by President Reagan and other administration officials, but Rowen also defended the administration view that the Soviet economy is "deteriorating."

He said in testimony Dec. 1 before a subcommittee of Congress' Joint Economic Committee that Soviet economic growth has "slowed markedly" in recent years, forcing harder choices by the Kremlin leadership on how to allocate money for military and civilian uses.

He still concluded, however, that signs of Soviet economic weakness do not mean the country's economy is losing its "dynamism."

In releasing a declassified version of Rowen's testimony, Sen. William Proxmire, D-Wis., vice chairman of the subcommittee on international trade, finance and security economics, stressed aspects of the CIA assessment pointing to basic strengths of the Soviet economy.

"One of the worst things we can do is to underestimate the economic strength of our principal adversary," Proxmire said. He contended that "the Soviet Union is perhaps the most self-reliant industrialized nation."

Release of Rowen's testimony came two weeks after the Joint Economic Committee issued a massive CIA study analyzing growth and development of the Soviet economy over the past three decades.

The study found that overall Soviet economic output grew roughly four-fold from 1950 to 1980, at an average rate of 4.7 percent a year, although the economy has been in "a strong growth slide" since the late 1960s.

Rep. Henry S. Reuss, D-Wis., who is retiring as chairman of the Joint Economic Committee, said the CIA study "helps put into perspective for Americans the fact that the U.S.S.R., far from being on the verge of collapse, has experienced major growth."

Proxmire's and Reuss' comments appeared to be aimed at countering arguments by hard-line Reagan administration officials that the Soviet Union is in dire economic trouble and thus should be vulnerable to Western economic sanctions.

Reagan himself said last May that "the Soviet empire is faltering because it is rigid - centralized control has destroyed incentives for innovation, efficiency and individual achievement."

He also stressed "the decay of the Soviet experiment" and the "deep economic difficulty" of the U.S.S.R. in an address two months later before the British Parliament.

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In his remarks, Proxmire noted that "the Soviet Union has been weakened by such harmful developments as the inefficient performance of the farm sector and the heavy burden of defense."

At the same time, he said, "it is the world's second largest economy in terms of GNP (Gross National Product), has a large and well-trained labor force, is highly industrialized, and possesses enormous reserves of natural resources, including oil and gas and the relatively scarce minerals and precious metals."

Rowen, in his testimony, defended Western characterizations of Soviet economic performance as "poor" or "deteriorating" at a time when Soviet GNP is continuing to rise.

"Given past rates of economic growth, the gap between Soviet performance and plans and expectations, and the marked departure from standards of economic efficiency, the record compiled by the Soviet economy in recent years has indeed been poor," the CIA official said.

But he added: "Results that are unsatisfactory when measured by this yardstick, however, do not mean that the Soviet economy is losing its viability as well as its dynamism."

"In fact, we do not consider an economic 'collapse' - a sudden and sustained decline in GNP - even a remote possibility," Rowen told the panel.

He said CIA analysts "expect annual growth to average 1 to 2 percent for the foreseeable future. Per capita consumption could level off or even fall slightly."

The 1 to 2 percent figure contrasts with annual growth rates of Soviet GNP averaging about 6 percent during the 1950s, 5 percent during the 1960s and 4 percent between 1970 and 1978.

Rowen testified that the Soviet Union is "highly self-sufficient" because of its abundant natural resources.

"Imports, particularly from the West, can play an important role in relieving critical shortages, spurring technological progress and generally improving Soviet economic performance," the CIA official said.

He added, However, "The ability of the Soviet economy to remain viable in the absence of imports is much greater than that of most, possibly all, other industrialized economies. Consequently, the susceptibility of the Soviet Union to economic leverage tends to be limited."