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CIA finds Soviet moderating arms spending

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Washington (Reuter) — The CIA said yesterday the rate of increase in Soviet defense spending has slowed, apparently contradicting President Reagan's frequent warnings that Moscow was embarked on an unprecedented arms buildup.

In a new analysis of the Soviet economy, presented to the Congressional Joint Economic Committee September 20 and released yesterday by Senator William Proxmire (D, Wis.), the CIA cut its previous esti-

mate of Soviet defense growth by more than half.

Moscow continued to increase military outlays until 1976 by a strong 4 to 5 percent annually, according to the CIA testimony.

"Our new estimate, however, shows that like overall economic growth, the rise in the cost of defense since 1976 has been slower — about 2 percent a year," CIA analysts said.

The CIA found that a slowdown in producing military hardware, the

largest category of Soviet defense spending, accounted for most of the drop. It gave no explanation for the policy change.

The Central Intelligence Agency reported that its preliminary data for 1982 indicated the slowing trend was continuing but added that, despite lagging growth, Soviet defense activities exceeded those of the United States "by a large margin."

The Pentagon's Defense Intelligence Agency disputes the new CIA

figures, reporting that there has been no slowdown in total Soviet defense spending in the 1970s, according to published reports.

Mr. Proxmire said the CIA analysis had a profound significance that had not yet penetrated policy circles.

Noting that Soviet defense spending remained large and growing, he said, "Moscow has not been expanding its effort at the rapid rate that was once believed, a fact the Soviets

neglected to communicate and that the West failed to detect."

Mr. Reagan, in seeking congressional and public support for his \$1.8 trillion arms program over five years, often has invoked the threat of what he called the continuing massive Soviet military buildup.

The CIA analysis also covered the state of the Soviet economy which, it said, was not on the verge of collapse.

After two years of low growth in 1981 and 1982 the Soviet economy seemed poised for a rebound, the CIA said.

"Despite its problems, the U.S.S.R. is not on the verge of economic collapse. The Soviet economy is the second largest in the world with a large and literate population, a huge industrial plant and an enormous endowment of natural resources," it said.

The CIA predicted 1983 economic growth based on statistics from the first seven months at 3.5 to 4.0 percent of gross national product, compared with 2.0 percent in 1981 and 1982.

But growth then would slow to an annual rate of 2.0 percent, it added.

The CIA also revised Soviet oil prospects, saying they were not as bleak as it estimated in 1977, when some analysts forecast the Soviet Union would become a net importer of oil by 1985.

Although production was leveling off, the prospects now were considerably better than once thought, according to the CIA testimony.

Assessing new leader Yuri V. Andropov's performance in office, the CIA said basic Soviet policies had not altered since the death of Leonid Brezhnev.

"Continuity has been far more pronounced than change," the agency's analysts said.