

International Economic Policy Program

MILITARY SPENDING IN EASTERN EUROPE

Although the Soviet Union is principally responsible for the threat to NATO's security, its East European allies also contribute significantly. Those allies field the majority of Warsaw Pact soldiers present on their soil, and their air forces and air defenses are closely integrated with Soviet operations.

How much do the non-Soviet Warsaw Pact nations spend on their military forces? What influences those expenditures? What trends are likely to prevail in the near future? These questions are of obvious interest to NATO policymakers and military planners. To answer them, NDRI estimated the military expenditures of four Warsaw Pact nations for 1960 to 1984 and tested several hypotheses concerning the determinants of the magnitude and growth of those expenditures. The four nations—the German Democratic Republic (GDR), Poland, Czechoslovakia, and Hungary—would be the most important non-Soviet military contributors to a Warsaw Pact invasion of NATO.

HOW MUCH IS SPENT?

The East European countries report total military expenditures with little breakdown. In the four nations examined, **reported military spending runs about 3 to 7 percent of available economic resources, i.e., utilized national income** (see Fig. 1). This is roughly equivalent to the analogous percentages for NATO's European members.

How reliable are these reported figures? Western scholars concur that the published Soviet data for aggregate military spending exclude most military expenditures. Some emigre scholars have argued that the same holds for data reported by the East European governments. These charges are not well substantiated, and other means of verification do not appear to support them. For example, the budgets reported by all four nations covered in the NDRI study have increased steadily over the past two decades, which is suggestive of attempts to report inclusive figures. The military budget of the Soviet Union, on the other hand, has stayed much the same.

NDRI attempted to verify the totals by estimating the components of military spending. Component estimates were made through data on military personnel and per capita expenditures, input-output tables for the national economy, trade data and machinery production (to obtain arms production), and analogies with Western spending. The totals of the estimated components were less than 10 percent over the military spending totals reported by the Czech, Hungarian, and Polish governments. (Too few data were available for an independent estimate of East German expenditures.) These were upper-bound estimates, so **it is unlikely that large expenditures are excluded from the reported budgets**. However, because our estimates were inferred from limited

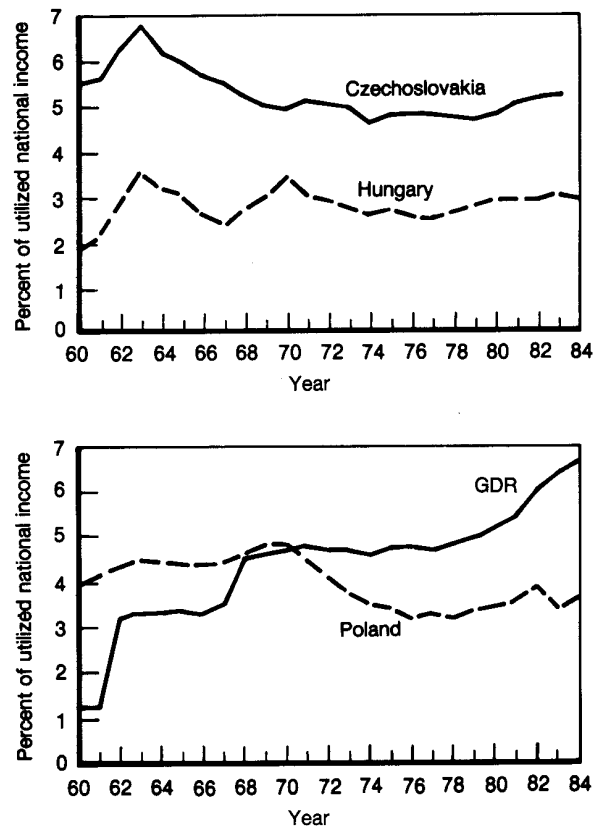


Fig. 1—East European military spending runs 3 to 7 percent of available resources

data, our results are subject to considerable uncertainty and should be regarded as tentative.

WHAT INFLUENCES SPENDING?

A statistical model was constructed to determine what factors were significantly correlated with reported military spending over the 25-year period covered by the budget estimates. Our analysis indicates that **the primary determinant of military spending by the Eastern European countries is utilized national income.** However, while military spending has tended to increase with available resources, it has generally not increased as fast as resources have (except in the GDR). Thus, the fraction of national income devoted to military expenditures has fallen with increasing income.

Other possible influences are Soviet pressure, the state of relations with the West, and domestic unrest. To test for the first of those, we analyzed expenditures during the years following the 1978 Warsaw Pact resolution to increase military spending in response to a similar resolution by NATO. It appears that the GDR did increase military spending (relative to national income);

Czechoslovakia, Hungary, and Poland did not. Better relations between East and West in the 1970s did not seem to have any effect on military spending in Eastern Europe, and neither did episodes of domestic unrest in Czechoslovakia and Poland.

WHAT ARE THE PROSPECTS?

Because East European military spending appears to be so closely tied to available economic resources, **the prospects for large surges in military spending in the next few years are low.** Utilized national income is not likely to increase rapidly over the next few years in Czechoslovakia, Hungary, or Poland, although in Poland the political strength of the military might lead to some acceleration in spending.

The GDR's economic situation may permit continued rapid increases in military spending, but the political incentives for further increases seem weak, and money is needed for a backlog of investment projects in the civilian economy. A moderation of the rate of increase in the GDR's military spending would thus not be surprising.

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