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# USSR Monthly Review



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**February 1984**



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February 1984*

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# USSR Monthly Review

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**February 1984**

The *USSR Monthly Review* is published by the Office of Soviet Analysis. Comments and queries regarding the articles are welcome. They may be directed to the authors, whose names are listed in the table of contents.

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[Redacted]

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**The Role of Trade in Soviet Growth Strategy**

[Redacted]

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Although the Soviet economy is largely self-sufficient, imports are important to Moscow's plans for improving per capita consumption, boosting productivity, and removing industrial bottlenecks. While Moscow seems to be intent on shifting its trade even more toward its East European allies, imports from these countries are, in most cases, poor substitutes for those from the West.

[Redacted]

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[Redacted]

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**Soviet Economic Planning for the 1990s**

[Redacted]

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Moscow has begun to sketch out economic plans for the 1990s and beyond. So far, programs have been announced for consumer goods and services, energy, and transportation. Analysis of the few fragments of the long-term programs released suggests that the new strategies are ambitious and probably will be overhauled more than once.

[Redacted]

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[Redacted]

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**Other Topics**

**Soviet and East European Contributions to Warsaw Pact Airpower**

[Redacted]

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Recent analysis of trends in the strength and composition of Warsaw Pact air forces opposite NATO indicates that the number of East European combat aircraft has remained nearly constant since 1960 while the Soviet contribution to Pact aircraft totals has increased. The East Europeans have modernized more slowly than the Soviets and only recently have begun to balance their heavy emphasis on air defense with a substantial ground attack capability.

[Redacted]

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**Soviet Analysis of the Falklands Naval Campaign**

[Redacted]

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A number of Soviet naval officers writing about the Falklands conflict in the open press apparently are urging acceptance of large, US-type aircraft carriers in their service. The series of articles also uses the conflict to underscore the threat from antiship cruise missiles and the need for improved air defenses.

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Soviet military commissariats oversee the training, mobilization, and transportation of civil defense medical services and play a key role in balancing military and civil defense requirements for medical resources. [Redacted]

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[Redacted]

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The Andropov leadership stressed the need to improve protection of the environment, but the overriding priority that plant managers accord to production and sales goals makes implementation of antipollution measures difficult. [Redacted]

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[Redacted]

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The Soviets continue to reduce the number of economic statistics released to the public. The latest volume of their annual statistical handbook is the smallest in 25 years. The disappearance of useful data from this and other publications has made the analysis of Soviet economic activity more difficult. [Redacted]

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[Redacted]

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## Soviet Economic Strategy

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### **Perspective: Andropov's Economic Legacy**

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Andropov's economic policies represented basic continuity with the Brezhnev era; perceptible differences were largely in style rather than substance. Economic performance improved somewhat in 1983 over the previous two years, a result of fortuitous events as well as Andropov initiatives. However, Andropov laid only a very tentative groundwork for future changes in economic policy, testimony to the innate conservatism of the leadership and to the economic and political obstacles that block any shift in course. As a result, General Secretary Chernenko inherits the same set of economic problems that plagued his predecessor

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Andropov came to power with a confident can-do attitude that seemed to belie his self-effacing denial of "ready solutions" to the economy's major problems. He launched a tough discipline campaign as a necessary "first step" to raising economic growth. He fired some ministry-level officials, an apparent warning to the stodgy governmental bureaucracy that had remained virtually intact throughout the Brezhnev years. He named several technocrats to key positions, indicating a choice of competence over convention, and supported the formation of two new organizations—one in the party and one in the government—to study new methods of organization and management. Although goals of the 1983 Plan showed no departures from Brezhnev's basic economic strategy, this could be excused by the short interval between the succession and the time when the economy had to receive its marching orders for the next year.

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His accomplishments appear modest, however. His discipline campaign was soon toned down and transformed into a more subtle emphasis on personal responsibility. It apparently did succeed in achieving improved efforts from both management and labor, but its long-run effects are uncertain. The governmental and party ranks have experienced some personnel renewal, but whether the new men are more innovative than their predecessors remains to be seen. Moreover, the head of the ministerial

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bureaucracy is still Nikolay Tikhonov—an old crony of Brezhnev—who seems hardly the candidate to sanction, much less inspire, a fresh approach to economic problems. In the pivotal area of correcting systemic weaknesses, there is little evidence that Andropov's early call to explore the experience of other socialist countries bore much fruit. The five-ministry experiment announced last July and introduced the first of this year was hailed as a significant tilt toward enterprise independence. Upon closer examination, it is much more modest; it picks up many of the initiatives that were a part of the mid-1979 reforms but never implemented and continues a longstanding tradition of tinkering with enterprise success indicators, leaving central planning responsibilities almost untouched.

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Last year Soviet GNP growth accelerated moderately, and Andropov could take some of the credit for this improvement (see "Economic Performance in 1983"). His emphasis on discipline and order, in addition to management changes in critical sectors such as transportation, apparently paid off in the better use of industrial capacity, improved coordination in planning material supplies, and eased bottlenecks. Other key factors were not of his making. Improved weather helped both industry and agriculture, and investment growth substantially exceeded plans as it had done in the previous two years. The reasons for the latter are not fully understood, but such an increase has been in direct violation of the spirit and letter of the 11th Five-Year Plan (1981-85), which decreed historically low rates of investment growth to be compensated for by rising capital productivity.

The economic plan for 1984 was the first drafted entirely under Andropov's tutelage and, as such, afforded him the opportunity to place his unique stamp on future Soviet economic policy. He did not. In the domestic policy area, his strategy for production and resource allocation in 1984 hews close to the pattern of growth achieved in 1983 (see "Economic Plan for 1984"). Production targets are ambitious, and nearly equal growth is planned for GNP, consumption, and investment. In foreign economic policy, the objective stated in the 1981-85 Plan continues to be followed—increased trade with Communist countries at the expense of trade with the West (see "The Role of Trade in Soviet Growth Strategy").

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Pursuing such a course has meant that the Soviet leadership continues to avoid a direct confrontation with the hard economic issues of the 1980s:

- *Slow Growth.* By maintaining the fiction that GNP growth can be sustained by unrealistically high productivity gains, Moscow implies that adequate growth is ensured for the major end users—consumption, investment, and defense.
- *Capital Productivity.* An investment policy of modernization through renovation is at variance with the failure to grant necessary resources to the machine-building sector or to provide adequate incentives for the introduction of new technologies.

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- *Labor Productivity.* Calls for greater efficiency from the Soviet worker are not supported by the introduction of strong, well-defined programs that dangle the carrot or wield the stick.
- *Bottleneck Sectors.* Plans for grand programs to deal with priority areas such as energy, transportation, and consumer goods contain solutions that are neither bold nor new. Moreover, they are built on the present ministerial system—a natural obstacle to the successful implementation of programs that cut across sectoral lines (see “Soviet Economic Planning for the 1990s”).
- *Economic Reform.* Admission that the present system of planning, organization, and incentives is inadequate for spurring intensive growth is followed by changes that continue to be incremental and experimental.
- *Defense Burden.* Despite a slowdown in the growth of resources devoted to the military effort since the mid-1970s, the burden of defense is still high—13 to 14 percent of GNP. The evidence suggests that this burden will remain high throughout the 1980s. [redacted]

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The reasons for this conservatism probably lie in the leadership’s perception that the costs of pursuing a more dynamic economic policy outweigh the benefits. Economically, they see few clear-cut, risk-free, or costless solutions. Politically, they know that adopting a different set of economic priorities threatens to upset the always fragile balance between competing groups and institutions. Moreover, this demands greater movement in major personnel appointments than has occurred to date. An economic policy shift would have been difficult enough at the outset of the Andropov regime when it was busy consolidating power, but it became even more so as Andropov’s health began to deteriorate. [redacted]

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Andropov, then, as Brezhnev before him, leaves a legacy of stunted potential for the Soviet economy. Chernenko faces a norm of slow growth and low efficiency for the rest of this decade if present policies are maintained. His maiden speech as General Secretary stressed continuity with Andropov’s policies. His past record suggests that he may take a more proconsumer stance and eventually deemphasize the discipline theme. Even if he decides that he wants to do things differently, the impact will not be immediate. Politically, it will take some time to consolidate power, and, economically, relatively long leadtimes are needed for major shifts in resource allocation to be felt. [redacted]

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[redacted]

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## Economic Performance in 1983

Soviet economic growth accelerated slightly in 1983, as it had in 1982. The preliminary nature of the available data precludes a precise calculation of GNP for 1983. We estimate, however, that the increase in GNP last year was in the 3- to 3½-percent range, compared with 2.6 percent in 1982 and 2.1 percent in 1981.

Agriculture recorded another large gain in output, but substantial increases also occurred in industry, construction, and rail transport (table 1). Better weather contributed to the economy's improved performance; however, the discipline campaign, managerial changes, and substantial additions of new plant and equipment also played a role.

Soviet consumers benefited from the economy's faster growth last year, with per capita consumption rising roughly 1½ percent following a small decline in 1982. Growth in capital investment also increased. As in 1981 and 1982, capital outlays grew more rapidly than consumption and GNP as a whole, indicating continued high priority for expansion of productive capacity.

### Industry

Industrial production increased by 3½ to 4 percent, a substantial improvement over the 2½-percent rise the previous year. Output of almost all industrial commodities was up. For instance, production of over 90 percent of the nonfood industrial items for which the Soviet Central Statistical Administration gives figures was greater in 1983 than in 1982. In 1982 output of only about two-thirds of these products increased and then generally by smaller amounts than in 1983.

Sharp increases were registered in the chemical, food, machine-building, and ferrous metallurgy sectors. In the case of steel, there was a particularly sizable improvement over 1982. Production of both crude and finished steel increased 4 percent, reversing the fall in output that took place the previous year.

**Table 1**  
**USSR: Growth of Gross National Product by Sector of Origin, Selected Periods**

*Average annual percent change*

	1976-80	1981	1982	1983
<b>Gross national product<sup>a</sup></b>	<b>2.6</b>	<b>2.1</b>	<b>2.6</b>	<b>3 to 3½</b>
Agriculture <sup>b</sup>	1.2	0.4	6.1	5.4
Nonagricultural sectors	3.0	2.5	1.9	3.0
Industry	3.2	2.4	2.3	3½ to 4 <sup>c</sup>
Construction	1.9	2.1	0.8	3.5
Transportation	3.5	3.8	0.9	2.7
Communications	5.8	5.0	3.2	3.2
Trade	2.9	2.4	0.7	2.2
Services	2.8	2.5	2.2	2.2
Other	2.6	2.1	2.6	3 to 3½

<sup>a</sup> CIA estimates valued at factor cost.

<sup>b</sup> Excludes intra-agricultural use of farm products but does not make an adjustment for purchases by agriculture from other sectors. Value added in agriculture grew at an average annual rate of 0.5 percent in 1976-80, -0.4 percent in 1981, 7.1 percent in 1982, and 4.6 percent in 1983.

<sup>c</sup> Because of conflicting evidence concerning the output of several major sectors of industry in 1983, our preliminary estimate is expressed as a range.

Performance in the critical energy sector was mixed. Total combined output of major fuels—oil, gas, and coal—increased less than 2½ percent, compared with the 3-percent rate of growth attained in 1982. After three decades of growth, oil production is leveling off. It grew by only slightly more than half of 1 percent and averaged 12.3 million barrels per day in 1983. While gas output grew rapidly—by about 7 percent—raw coal output fell to 716 million tons, 7 million tons below plan (table 2).

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**Table 2** Percent  
**USSR: Average Annual Growth in Industrial Production <sup>a</sup>**

	1976-80	1981	1982	1983
<b>Industrial production</b>	<b>3.2</b>	<b>2.4</b>	<b>2.3</b>	<b>3½ to 4</b>
<b>Industrial materials</b>	<b>2.3</b>	<b>1.9</b>	<b>1.5</b>	<b>3.0-3.5</b>
Ferrous metals	0.9	-0.2	0.4	4.0
Rolled steel	0.8	-0.1	-0.9	4.0
Steel pipe	2.6	0.5	-0.4	4.0
Primary energy <sup>b c</sup>	4.0	2.4	2.6	NA
Coal <sup>c</sup>	0.4	-1.7	2.0	-0.3
Oil <sup>c</sup>	4.2	0.9	0.6	0.6
Natural gas <sup>c</sup>	8.5	6.9	7.6	7.1
Electric power	4.5	2.5	3.1	3.7
Chemicals	3.6	4.0	1.8	5.0-6.8
Wood, pulp, and paper	-0.6	1.8	0.4	3.3
Construction materials	1.1	1.3	0	3.0
<b>Machinery</b>	<b>5.0</b>	<b>3.2</b>	<b>3.8</b>	<b>3.7-4.2</b>
<b>Consumer nondurables</b>	<b>1.9</b>	<b>2.0</b>	<b>1.3</b>	<b>3.3</b>
Food	1.4	2.0	2.8	4.3-5.1
Soft goods	2.7	1.9	-0.5	0.8-1.1

<sup>a</sup> CIA estimates except as noted.

<sup>b</sup> Includes oil, natural gas, coal, hydro and nuclear electricity, peat, oil shale, fuelwood, and other renewable energy sources.

<sup>c</sup> Calculated from official Soviet data.

### Agriculture

After four consecutive poor or mediocre harvests, domestic farm output rose by about 5½ percent last year.<sup>1</sup> Major factors underlying this surge were a larger grain harvest and sizable gains in the livestock sector. [ ]

Of the crops reported on, sugar beet and potato outputs were up markedly; cotton and vegetable crops, however, were down from 1982 levels. [ ]

A particularly good performance was turned in by the livestock sector. Meat output reached a record 16 million tons, up 4 percent from 1982. Milk output

<sup>1</sup> Our calculations of growth in farm output are subject to considerable uncertainty, largely because the Soviets have not published grain crop figures since 1980. [ ]

**Table 3** Million metric tons  
(except where noted)  
**USSR: Production of Selected Farm Products**

	1980	1981	1982	1983
<b>Crops</b>				
Grain	189	158	180	210
Cotton	10.0	9.6	9.3	9.2
Sugar beets	81	61	72	82
Sunflower seed	4.6	4.7	5.3	5.1 <sup>a</sup>
Potatoes	67	72	78	83
Vegetables	27.5	27	30	29
<b>Livestock products</b>				
Meat	15.1	15.2	15.4	16.0
Milk	91	89	91	96½
Eggs (billion units)	68	71	72.5	74½
<b>Livestock herds <sup>b</sup></b> (Index: 1970 = 100)	<b>121.5</b>	<b>122.2</b>	<b>124.3</b>	<b>126.7</b>

<sup>a</sup> USDA estimate.

<sup>b</sup> End-of-year livestock numbers weighted by respective 1970 average realized prices.

grew by 6 percent to an alltime high of more than 96 million tons, reflecting the mild 1982-83 winter and unusually good forage crops in 1982 and 1983. At the same time, livestock herds also rose to new highs, reflecting both the better harvest in 1983 and the leadership's strong emphasis on the building of herds.

The availability of quality foods in the USSR increased last year as a result of the improved agricultural performance, although not enough to relax the informal rationing system for selected food items. Surveys of private farm markets and state retail stores as well as other reports showed increased supplies of most foodstuffs. However, private farm market prices rose slightly, indicating that the availability of foods was not sufficient to completely offset the additional demand generated by income growth.<sup>2</sup> [ ]

<sup>2</sup> Prices in collective farm markets in the USSR are allowed to fluctuate in accordance with supply and demand. [ ]

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**Table 4** Percent  
**Average Annual Growth of Metric**  
**Ton-Kilometer Freight Turnover <sup>a</sup>**

	1981	1982	1983
<b>Total</b>	<b>4</b>	<b>1</b>	<b>5</b>
Railroads	2	-1	4
Rivers	4	3	4
Highways	7	2	-0.4
Oil pipeline	4	3	4
Gas pipeline	14	13	12

<sup>a</sup> Based on official Soviet data.

[Redacted]

**Transportation**

The transportation picture was also rosier in 1983. Total freight turnover increased about 5 percent with all modes of transport showing marked improvement. Most significant was the turnaround in the performance of the railroads, the backbone of the transport system. Rail freight turnover climbed to 3.6 trillion ton-kilometers, an increase of 4 percent over 1982—it had fallen over 1 percent in 1982. [Redacted]

**Foreign Trade**

We estimate that the value of Soviet imports grew about 5 percent and the value of exports approximately 7 percent in 1983, with about three-fourths of the increase in both coming from increased trade with Communist countries. Moscow's hard currency balance-of-payments position is estimated to have remained at about the 1982 level. The Soviets boosted oil exports last year to counteract the fall in oil prices, increased arms deliveries to less developed countries, and restricted the growth of imports. Most of the rise in imports came from an estimated \$600 million jump in oil imports (for reexport) from Iraq, Libya, Saudi Arabia, and Syria—largely in repayment for deliveries of arms. Soviet imports of Western machinery and equipment also may have increased. The value of agricultural imports fell, on the other hand, reflecting a better performance in the domestic farm sector. Imports of pipe—which increased substantially in 1982, largely because of the needs of the gas pipeline

**Table 5** Billion US \$  
**USSR: Estimated Hard Currency Debt**

	1980	1981	1982	1983 <sup>a</sup>
Gross debt	17,865	20,850	20,100	20,400
Commercial debt	10,015	13,000	11,500	11,000
Government and government-backed debt	7,850	7,850	8,600	9,400
Assets in Western banks	8,565	8,425	10,000	10,500
Net debt	9,300	12,425	10,100	9,900

<sup>a</sup> Preliminary.

[Redacted]

construction program—and of nontubular steel may have stabilized. Soviet net hard currency debt apparently remained at about \$10 billion (table 5). [Redacted]

**Reasons for the Better Performance**

The somewhat improved economic performance owes much to last year's return to normal weather, which helped boost farm production. In addition, a relatively benign winter and spring with warmer-than-normal temperatures and below-normal snowfalls benefited nonagricultural sectors. The more favorable conditions bolstered industrial production by permitting some rebuilding of stocks of fuels and other inputs less in demand when the weather is mild. The weather also helped to ease transportation snarls, which, in turn, relieved industrial bottlenecks. [Redacted]

Another factor that contributed to improved performance was the substantial addition to new productive capacity in the last two years. Commissionings <sup>3</sup> of new plant and equipment increased by a hefty 5 percent in both 1982 and 1983, up sharply from the rate at which capacity had been increasing since the late 1970s. [Redacted]

<sup>3</sup> The term *commissionings* denotes the total value of new productive capacity brought on line in a given year. [Redacted]

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Policy and personnel changes introduced by the new regime also played a part in the upturn in growth. Andropov's discipline campaign appears to have compelled greater effort from both labor and management. Management changes may have been a particularly significant factor in the turnaround in rail transportation, a sector which seems to have suffered from especially lax leadership during the Brezhnev era. The new Minister of the Railways, Nikolay Konarev, not only tightened discipline but also instituted several new programs—such as enlisting industrial enterprises and other shippers in the repair of damaged freight cars—that apparently paid some dividends. [redacted]

The Soviet data yielded no direct information on allocation of resources to the third major end-use component of GNP—defense. The official defense budget for 1983 did not increase over the previous year, but this figure is of little significance; it is far lower than actual defense expenditures and incompatible with known Soviet force levels and military programs. [redacted]

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[redacted]

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**Resource Allocation**

Capital investment rose by about 4 percent last year, thereby absorbing a larger share of GNP, as it had in the first two years of the 11th Five-Year Plan (1981-85). For 1981-83 as a whole, average annual growth in investment was almost 4 percent, compared with about 2.7 percent for GNP. The 11th Five-Year Plan called for slower growth in investment than in overall economic growth. The rationale was that lagging investment growth would be offset by rising capital productivity based on more efficient use of capital and speedier technological progress. The consistently faster increase in investment than in GNP suggests (1) that this strategy was abandoned or ignored, and the premise on which it was based rejected from the outset, and/or (2) that planners have been unable to control investment from the center—particularly new construction activity, which has been increasing faster than planned. [redacted]

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Although consumption continued to increase at a slower rate than GNP, the consumer fared better in 1983 than in 1982, with per capita consumption rising roughly 1½ percent. Serious imbalances in consumer markets continued in 1983, however, reflecting the mismatch between output mix and consumer demand. In addition, mostly because of previous price increases, inventories of some nonfood goods rose, causing Moscow to reduce prices on selected consumer items three times last year. [redacted]

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**Economic Plan for 1984**

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The economic goals announced at the Supreme Soviet meeting in December imply an intent to continue in 1984 the more rapid rate of economic growth achieved in 1983. Sustaining growth at last year's pace will prove difficult, since fulfillment of the 1984 goals depends heavily on substantial increases in productivity. It could be accomplished, however, particularly if the weather (which took a turn for the better in 1983) continues to improve and if a continuation of the discipline campaign exacts increasingly greater effort from Soviet workers.

These special factors, however, cannot be counted on to give the economy a lift steadily and indefinitely. Fluctuations in the weather are inevitable, and gains from heightened discipline must eventually level off. Meanwhile, the problems that have constrained growth since the mid-1970s—for example, a tightening labor supply and increasing costs of exploiting natural resources—have not abated. Thus, the outlook is still for a trend rate of GNP growth in the balance of the 1980s of about 2 percent a year.

The 1984 Plan is conservative. It points to no significant changes in resource allocation policy and contains no new initiatives for altering the way the Soviet economy is run. It is unlikely to be significantly affected by Andropov's death. With 1984 already well under way, Chernenko is not in a position to introduce major changes this year. Furthermore, he has not indicated any disposition to do so. He has stressed continuity in economic policy, endorsing the discipline campaign and the other, more modest initiatives introduced by Andropov.

**1984 Targets**

Soviet plans imply a GNP growth rate in 1984 of 3 to 3½ percent. Planned growth in industrial production is 3.8 percent—in the upper half of the range for actual growth of roughly 3½ to 4 percent in 1983. Of those sectors for which goals have been published, the key machine-building sector is scheduled for the most rapid growth—5.8 percent.

**Table 1** *Percent*  
**USSR: Average Annual Growth in GNP**

1981	1982	1983	1984 Plan	1981-85 Plan
2.1	2.6	3 to 3½	3 to 3½	4.0

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In the energy sector the targeted rates of growth for oil and natural gas are 1.3 percent and 8 percent, respectively. Both goals are probably overly ambitious—oil output grew only about one-half of 1 percent in 1983. Indeed, production from the key Tyumen' region failed for the first time last year to reach planned output. Annual increases in natural gas production of about 7 percent have been more typical in recent years. The 723-million-ton goal for coal production is the same as the 1983 target. Coal production declined from 718 million tons in 1982 to 716 million tons last year.

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Agricultural output is to rise by roughly 5 percent, following the 5.4-percent gain calculated for 1983. Good snow cover and plenty of soil moisture so far this year bode well for both the winter grain crop and spring planting. The mild winter weather experienced so far this season also holds out the prospect of an even better performance by the livestock sector in 1984. But favorable weather conditions must continue if agricultural output this year is to exceed the 1983 level.

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The plan calls for growth in rail freight turnover to slip to 1.8 percent from 4 percent in 1983. This projected decline, despite plans to maintain the 1983 GNP growth rate, probably reflects Soviet intentions to markedly improve efficiency of the railroads by

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reducing the amount of "irrational" hauls through new incentives, decentralizing management, and stepping up the pace of modernization. In addition, it could indicate continuing efforts to raise the share of freight carried by other modes of transport. [redacted]

**Prescriptions for Meeting Goals**

As to how the 1984 Plan is to be fulfilled, the December speeches by the party leadership and the plan goals themselves listed general requirements—higher productivity, more conservation of resources, "a decisive turn" toward scientific and technological progress—but offered little on how these requirements are to be met. Nor did Chernenko's speech to the Central Committee on 13 February give any guidance on how this was to be done. [redacted]

The earlier speech delivered on behalf of Andropov at the December Central Committee meeting repeated previous appeals for stricter worker and management discipline and increased efficiency in use of labor, plant and equipment, and raw materials. It called for growth in labor productivity to exceed by a percentage point the targets laid down in the plan itself (3.4 percent for labor productivity in industry, 3.3 percent in construction, and 8½ percent in socialist agriculture—far above what the Soviets have actually achieved in recent years). Andropov's speech likewise urged an additional cut in production costs of half a percentage point beyond the cost reduction targets in the plan. The purpose in tacking on these additional requirements is perhaps to dramatize the urgent need for greater efficiency. [redacted]

Demands for higher labor productivity are rising as the labor supply squeeze intensifies. Total civilian employment increased by 0.6 percent in 1983 (0.5 percent in industry) compared with an average annual rate of growth of 1.2 percent during 1976-80 and of 1 percent during 1981-82. The plan indicates even slower growth—about 0.4 percent—in 1984. [redacted]

The plan also lays down tougher conservation goals for energy, metals, and raw materials. Like most such targets, they are not likely to be reached; enterprise managers still must concern themselves foremost with meeting output targets. [redacted]

Andropov's December report urged more rapid "scientific and technological" advances. If the new regime maintains the same policies, a more serious effort may be made to increase the payoff from research work and to spur the introduction of new technology into the economy. A number of machine-building industries were criticized, in particular, for failing to produce more technologically advanced equipment. Greater innovation and the more rapid introduction of new technology into industry are necessary if the Soviets are to achieve higher rates of economic growth over the long run. But nothing in Andropov's remarks suggested an intent to make significant changes in the Soviet planning and incentive system, which discourages innovation and retards technological progress. [redacted]

**Little Change in Policy Implied**

In his short tenure, Andropov repeatedly and candidly acknowledged that the USSR was plagued by serious economic problems. Despite his demands for bold action to deal with them, he basically continued Brezhnev's policies, although Andropov's mark is evident in selected areas—the discipline campaign, for instance. In 1984, even under Andropov's successor, continuity will apparently remain the hallmark of the USSR's economic program. For the most part, the 1984 Plan merely reemphasizes programs and initiatives inherited from the Brezhnev regime. [redacted]

**Resource Allocation.** The 1984 Plan calls for a 3.9-percent increase in fixed capital investment. However, since investment growth has run well ahead of plan each year since the 11th Five-Year Plan began, the actual increase in investment in 1984 may well be greater. The 1984 Plan also does not indicate major changes in the allocation of investment resources among the major claimants. Finance Minister Garbuzov indicated that capital investment will go "in the first place" for projects in energy and the agro-industrial complex, metallurgy, machine building, chemicals, transport, and consumer goods. With the exception of consumer goods and chemicals, these sectors are the same ones singled out for priority attention in the 1981-85 Plan.<sup>1</sup> Investment in energy

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is to grow by 11 percent this year. This is in line with the five-year increase of 50 percent originally targeted for energy in the 11th Five-Year Plan. [ ]

Several of the planned goals imply a 4-percent increase in consumption for 1984, compared with a rise of about 2 percent in 1983. Fulfillment of the consumption plans will be dependent in part on availability of foodstuffs and, therefore, on agricultural performance. The planned acceleration in growth of consumption is to be accompanied as usual by a continuing decrease in wage growth to help contain a buildup of unspent purchasing power should targets for consumer goods and services not be met. The regime is also continuing its efforts to better match supply and consumer demand by improving the assortment and quality of both food and nonfood consumer goods. [ ]

No targets for military spending are given except the meaningless defense budget, which is essentially the same as the ones published for the last three years. The only reference to defense in the Andropov speech presented to the party plenum last December stated that "everything necessary has been done to maintain the country's defense capacity at a proper level." [ ]

*Agricultural Policy.* Soviet agricultural policy does not appear to have changed. No new plans for crop production were promulgated, and support for the Food Program apparently will be continued. The agro-industrial complex is to receive a huge share of total investment—about one-third—with large increases going to support activities such as rural transportation, storage facilities, and production of agricultural machinery and fertilizer. [ ]

*Foreign Trade Policy.* The foreign trade plan suggests that Moscow is still bent on increasing trade with its Warsaw Pact partners and other Communist countries at the expense of trade with the West. In his annual report to the Supreme Soviet, Gosplan Chairman Baybakov said that trade with "socialist countries" would increase 10 percent and would reach 61 percent of total Soviet trade turnover. It amounted to 54 percent in 1980. He implied that trade with capitalist countries would drop about 10 percent. [ ]

**Table 2** Percent  
**USSR: Average Annual Growth**  
**in Foreign Trade <sup>a</sup>**

	1981	1982	1983 <sup>b</sup>	1984 Plan <sup>c</sup>	1981-85 Plan
<b>Total trade</b>	<b>4.2</b>	<b>8.2</b>	<b>5</b>	<b>1</b>	<b>4.0</b>
With Communist countries	2.3	5.3	5	10	5.6
With non-Communist countries	7.8	10.8	4	-10	2.3

<sup>a</sup> Calculated from Soviet data expressed in constant prices.

<sup>b</sup> Estimated.

<sup>c</sup> Soviet statements are unclear as to whether plan figures are stated in constant or nominal terms.

This is an even more ambitious goal for reducing trade with the West than the one last year. Aside from the desire to reduce the reliance of CEMA countries on the West, an important factor in Moscow's policy is a longstanding desire to limit its borrowing from the West. The regime also may be anticipating some decline in its hard currency earnings this year (perhaps because it expects reduced earnings from recent, exceptionally high levels of oil and arms exports). [ ]

#### *Economic Reform*

The 1984 Plan and the accompanying comments by Soviet leaders—including those by Chernenko since he became General Secretary—indicate that the leadership does not intend to introduce new initiatives in 1984 beyond the modest innovations already instituted or announced before December. The Andropov speech to the Central Committee, for example, called for continuation of the drive to expand the use of small labor brigades in industry, construction, and agriculture. In addition, it strongly endorsed the "industrial experiment"—announced in mid-1983 and given mounting publicity since then—that gives increased autonomy to enterprises in five industrial ministries. The experiment began 1 January 1984. In

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early February, on the eve of Andropov's death, a similar experiment giving greater operational independence to personal services establishments in a few areas of the RSFSR was announced. Both the brigade system and the main elements of the two experiments in the industrial and services sectors are essentially continuations of programs and experiments introduced under Brezhnev. [redacted]

Andropov undoubtedly faced both economic and political obstacles—such as a conservative ideology and an entrenched bureaucracy—in his efforts to introduce change. In addition, however, other factors may have played a role in the Andropov leadership's reluctance to introduce a more dynamic economic program:

- The somewhat improved performance of the economy in 1983 may have increased Moscow's confidence that actions already taken had been sufficient to ensure more rapid growth in the years ahead.
- Andropov may have been mustering his resources for the 1986-90 planning period.
- It is also possible that Andropov was forced to slow the pace at which he was proceeding in exchange for gaining the appointment of "his team" to key party and government posts.
- Failing health also may have prevented Andropov from pushing for a more dynamic program. [redacted]

For the moment, the watchword under the Chernenko leadership is "continuity." It is difficult to know what approach to the economy the new General Secretary might take in the longer run, particularly since his past statements do not suggest a clearly defined or comprehensive economic philosophy or strategy. He has been aligned with those urging more attention to consumer welfare and corresponding increases in the availability of consumer goods. He thus might opt, in the 12th Five-Year Plan, for some redirection of investment toward the consumer goods and services sectors. He has also advocated regional administration of specific economic programs, such as the Food Program. He apparently prefers regional to ministerial organization. In 1982 he attacked the autonomy of the ministries, which he said "eats away like rust at the economic mechanism." However, there is nothing in his background or past pronouncements to indicate an inclination toward bold systemic change that would significantly reduce centralized planning or management. [redacted]

**Outlook**

Although fulfillment of the 1984 Plan depends on rises in labor productivity that are out of line with the increases the Soviets have achieved in recent years, Moscow could sustain last year's GNP growth in 1984. Better weather, stimulation of still greater worker effort by the discipline campaign, opportunities for greater efficiency that can be capitalized on without systemic change (as in transport), and continued sizable additions to the capital stock could all combine to maintain, or conceivably elevate, growth in 1984. [redacted]

In the long run, however, these special factors—that either move erratically (such as the weather) or will lose force eventually—are likely to bow before the deeper problems that have constrained growth since the late 1970s. Some of these problems are intensifying. The increment to the working-age population has fallen to its lowest level in two decades. The cost of extracting, processing, and shipping energy and raw materials continues to rise, while the quality of some materials continues to deteriorate. Transportation remains a problem—particularly the railroads, which continue to operate under strain despite the improved performance in 1983. In agriculture, chronic difficulties such as organizational problems, weak incentives, insufficient skills, and inadequate infrastructure will continue. These problems are likely to keep the trend rate of growth for GNP to about 2 percent a year for the rest of the decade. Only if fixed capital investment were to continue to increase at the 4-percent rate reached in 1983 would the trend rate be raised to a perceptible degree. To raise it substantially would require a much more rapid increase in investment. [redacted]

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### The Role of Trade in Soviet Growth Strategy

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Foreign trade has become an important, albeit not critical, element in Moscow's economic strategy. Growth in the volume of trade has outstripped growth in real GNP since 1970. While Moscow has traditionally favored trade with its East European allies, it has had to acquire advanced technology and agricultural products from the West. A reluctance to depend too heavily on its Western trading partners may be prompting Moscow to reorient trade even more toward the East.<sup>1</sup> Because imports from the East are generally not good substitutes for those from the West, however, Soviet gains from any substantial shift in trade between the two regions will be difficult to accomplish.

#### *Trends in Soviet Trade: East Versus West*

Although the Soviet economy is largely self-sufficient (purchases from abroad account for only about 10 percent of GNP), imports are important to Moscow's plans for improving consumption, boosting productivity, and removing industrial bottlenecks. The role of imports in the economy has steadily increased since 1970. The average annual growth of Soviet import volume during 1971-83 was 8 percent—roughly twice the growth rate of domestic economic activity.

Most of the import growth occurred in the first half of the 1970s as a sharp boost in purchases of Western machinery and equipment pushed total real imports from the West up by about 16 percent a year. This, together with an 8-percent average annual growth in imports from Communist countries, resulted in a 10-percent annual growth in total imports. Concerned over the rapid increase of its hard currency debt in the mid-1970s, Moscow sharply curbed the growth of imports from non-Communist countries. Since 1975 real imports from both Communist and non-Communist countries have grown at about the same rate, roughly 6 percent a year, but only because of the extraordinarily large imports of Western grain and other agricultural commodities necessitated by disappointing farm output after 1978.

<sup>1</sup> In this article, the terms *East* and *West* refer respectively to the USSR's Communist and non-Communist trading partners.

#### *Eastern Europe as a Source*

Soviet imports from the East and the West are largely complementary in that the USSR imports from the West mainly those goods not available in sufficient quantities or quality (if at all) from the East. For political and strategic as well as economic reasons, Moscow also has been willing to import from Eastern Europe commodities not readily salable in the West.

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About 70 percent of the USSR's machinery and equipment imports come from its Communist allies—mostly the East European countries. These imports represent more than 40 percent of all Soviet purchases from the Communist countries (see the chart). While this equipment is outdated and often not of quality comparable to that available in the West, in many instances it is equal to or better than Soviet-produced equipment. The trade partly reflects ongoing efforts by the USSR to plan for and to integrate East European components into output of the Soviet machine-building industry—inputs that range from basic machine tools, to component parts, to semimanufactures.

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The USSR also looks to the Communist countries for manufactured consumer goods to supplement its own production. More than half of Soviet imports of such goods—primarily clothing and furniture—currently are purchased in Eastern Europe, and 15 percent are from other Communist countries. Consumer goods produced in Eastern Europe generally are of better quality than those produced in the Soviet Union. The concentration on purchasing manufactured consumer goods from Eastern Europe may reflect a historical Soviet reluctance to spend hard currency on consumer goods imports. In those instances where the USSR has gone to the West for such purchases, orders have been placed largely with soft currency trading partners like India rather than hard currency trading partners.

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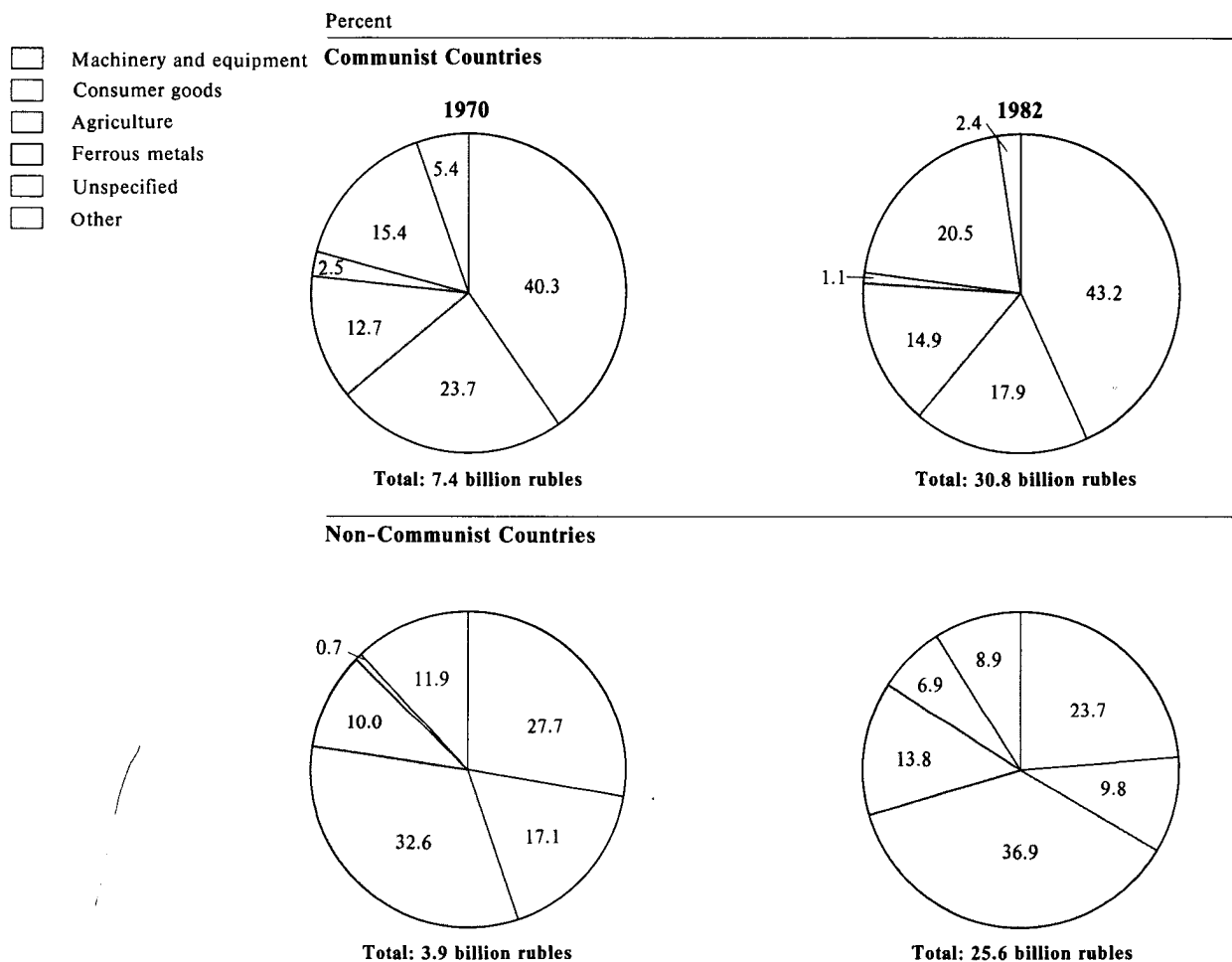
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**Soviet Imports by Commodity<sup>a</sup>**



<sup>a</sup> Calculated from data in current rubles.

[Redacted]

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A substantial share—about 40 percent—of the USSR's meat imports comes from Eastern Europe. While meat imports from the West stagnated in 1982, those from the Communist countries, especially Hungary, continued to grow. Well over half of Moscow's imports of fruits and vegetables also come from Eastern Europe. [Redacted]

***Reliance on the West***

While continuing to rely on Eastern Europe for much of its machinery and equipment needs, the USSR began in the early 1970s to look to the West for imports of capital and technology to spur productivity and to break production bottlenecks. For example, imports of Western equipment and technology have

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been critical to Soviet efforts to expand the chemical and automotive industries even though these imports often were difficult for the USSR to assimilate. [redacted]

Moscow also has come to rely on Western suppliers for a wide variety of specialty imports such as high-strength steels and chemical products (notably phosphate materials, plastics, pesticides, and manmade fibers). These are commodities that the Communist countries either do not produce at all or do not produce in the quantity needed by the USSR. [redacted]

Imports of grain and other agricultural commodities have long been the largest component of the USSR's Western trade. Four consecutive poor harvests beginning in 1979 pushed agricultural imports to record levels. Because of the limited ability of the Communist countries to expand grain production, Moscow had to rely almost entirely on Western countries to fill the gap between domestic output and demand. [redacted]

**Looking Ahead**

The USSR faces a dilemma if it tries to boost imports substantially in the coming years. With regard to its Western trade, the USSR is not expected, at least in the near future, to benefit from another round of sharp price increases for major export earners like oil and gold that helped pay for most of the import bill in the 1970s. (Export price increases accounted for most of the nearly fivefold increase in the value of Soviet exports that occurred during 1971-80.) The Soviets probably would also calculate that any effort to boost hard currency earnings through an export drive would be a limited success. Weak energy demand in Western Europe suggests a Soviet push there could falter fairly quickly, and demand for the USSR's nonenergy products is uncertain.<sup>2</sup> Moscow also would be loath to greatly increase its hard currency borrowing in order to sustain high import growth as it did in the first part of the 1970s. [redacted]

**The Short-Run Outlook**

The USSR is continuing its attempts to limit imports from the West while increasing pressure on Eastern Europe to provide more. This effort stems from [redacted]

[redacted]

Moscow's longstanding conservative approach to borrowing and an apparent reluctance to rely too much on Western suppliers. The deficits Eastern Europe has accumulated in its trade with the USSR over the past several years represent a prior Soviet claim on the region's output. A sharp decline in Soviet price subsidies to its allies has put even more pressure on Eastern Europe to come up with larger amounts of goods for the Soviet Union. Finally, not only is the USSR trying to get more and better goods from its allies, it is also curtailing its own exports to them of oil and other raw materials. [redacted]

The current five-year plan (1981-85) emphasizes Moscow's desire to limit its trade with the West and to increase its ties with its Communist trading partners. The plan originally envisaged an annual average rate of growth in overall volume of trade of 4 percent; trade with Communist countries was to grow at an annual rate of nearly 6 percent, implying a growth rate of only 2 percent per year for trade with non-Communist countries. [redacted]

The plan for 1984 targets a rise in trade with Communist states of 10 percent and implies a decline of roughly 10 percent in trade with non-Communist countries. This prospective drop in trade with the West in 1984 reflects in part Moscow's concern over having substantially exceeded planned hard currency outlays for imports from the West during 1981-83. The volume of trade with non-Communist countries rose 7 percent a year—far ahead of the 2-percent rate planned for 1981-85—during these three years. The sharp runup in imports of Western farm products had a particularly large effect on the growth of this trade. Had agricultural imports not surged in 1981, real imports would probably have declined in that year. Although the Soviets may be able to hold the growth of this trade in 1984 considerably below the annual 7-percent rate of 1981-83, they are unlikely to realize a substantial drop in their trade with non-Communist countries. [redacted]

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**1986 and Beyond**

Over the longer run the Soviets also are limited in how much they can curb imports from the West without sacrificing the health of the domestic economy. Moscow will need to: (1) maintain access to sufficient—in some years perhaps very large—quantities of grain and other farm products from the West to maintain consumption of quality foods at least near current levels, (2) purchase the necessary industrial materials—notably specialty steels—to operate productive plant at planned levels, and (3) import advanced machinery and technology to help meet energy and other priority investment needs. Barring poor harvests, the USSR should be able to hold agricultural imports below the record levels of the recent past. If so, it may even be able to make moderate increases in nonagricultural imports without running its import bill up sharply. In addition, in some areas—such as specialty steels and large-diameter pipe—the Soviets may soon be able to rely to a greater extent on their own production.<sup>3</sup> [redacted]

Moscow, meanwhile, will probably continue its efforts to get more from its allies. Although East European countries' ability and interest in redirecting output to the Soviet market is constrained by their own limited resources and economic difficulties, Moscow seems determined to pressure its allies for more and better quality goods. This will include a push on Eastern Europe to contribute more to the Soviet machine-building and defense industries. [redacted]

Eventually, Moscow hopes that broader and tighter integration within CEMA will provide substitutes for a larger share of trade with the West than it has in the past. While the Soviet rhetoric is not new—the USSR has long advocated joint production and specialization within CEMA—Moscow seems to be pressing its East European allies more than ever to make firm commitments on this issue. This Soviet push is perhaps reflected in the recent report that the East Europeans have agreed to provide manpower, equipment, and possibly hard currency toward construction of an iron-ore combine in the Ukraine. The project is the first major CEMA joint investment to be negotiated since the late 1970s. Balanced against the desire for greater

cooperation are strong national interests on the part of both the East Europeans and the Soviets that have hindered progress toward a fuller integration in the past [redacted]

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The limited prospects for turning trade toward Eastern Europe and the growing constraints the Soviet economy is likely to face in the coming years give Moscow strong reasons to keep its options open with respect to its future trade with the West. While Soviet leaders are sure to continue to view any relationship with the West with a cautious eye, they also know that circumstances could force them to turn again to the West, as they did recently with agricultural trade. They also know that continued access to advanced Western technology can provide relief to a troubled economy. The future course of relationships between the USSR and its Western trading partners will depend on a number of factors—chief among them the political climate, Soviet export potential, Moscow's willingness to increase Soviet debt to the West and, in turn, Western willingness to lend to the USSR. [redacted]

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**Soviet Economic Planning  
for the 1990s** [redacted]

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With the 12th Five-Year Plan (1986-90) still on the drawing boards, Moscow has begun to sketch out economic plans for the 1990s and beyond. In addition to the Food Program, adopted in 1982, the Soviets last year announced that long-term plans for consumer goods and services, energy, and transportation were in the works. These three sectors, together with the food-producing sectors, currently account for roughly 48 percent of GNP and about 60 percent of investment. [redacted]

So far only fragments of the new programs have been released. The success of these programs will depend on (1) future decisions concerning expansion of the resource base, (2) allocational decisions, taking into account the competing demands from other claimants, and (3) the resolution of chronic problems within each of the three sectors. However, even the fragments suggest that the plans are ambitious and probably will be overhauled more than once. [redacted]

**Consumer Goods and Services**

The leadership faces the challenge of improving worker performance at a time when gains in Soviet living standards have slowed. Chronic shortages of sought-after goods and services, as well as the poor quality and mix of products, have contributed to lackluster performance by workers. [redacted]

As a supplement to the Food Program, the recently announced program for nonfood consumer goods and services rounds out the plan for increasing the quality and availability of consumer goods and services. The Politburo last September approved the inclusion of the program in the 1986-90 Plan. The Soviet media reported in November that a Politburo commission had been established to oversee the program for the "12th Five-Year Plan and the longer term." The program, according to Moscow Radio, is aimed at boosting the output and quality of:

- Nonfood consumer goods.
- Personal transportation services.
- Everyday services (including laundry, dry cleaning, personal care, and rental services, as well as automobile, housing, and other repair services).

- Housing construction.
- Recreational services.

No further details have been released. According to the December plenum speech delivered on behalf of Andropov, the Politburo is still drawing up the program. [redacted]

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In working out the details, Soviet planners must address two key issues:

- How to influence consumer-goods producers to raise product quality and to provide a mix of products more compatible with consumer demand.
- How to ensure the availability of resources to meet production goals for consumer goods and services. [redacted]

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Administrative measures taken so far hold little promise for a sustained boost in the production of consumer goods and services. For example, in an effort to encourage heavy industry to produce more consumer goods, enterprises are being tasked with producing a specified amount of consumer goods per ruble of the wage fund. This new success indicator is unlikely to help much, however, since it does not relieve enterprises of the obligation to meet their primary output targets. Moreover, it does nothing to improve quality and encourage a product mix more in line with consumer demand. On the services side, the leadership in early February adopted a decision to institute an "experiment" designed to boost the quality and volume of consumer services and ensure the timely completion of orders. The experiment, however, is focused on a very small sample of provinces and does not provide for an acceleration in allocation of resources. Unless greatly expanded in scope, it holds little promise for making substantial improvements in consumer services for the foreseeable future. [redacted]

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Officially, the Soviets have not raised the resource priority of nonfood consumer goods and services, but [redacted] they may increase investment in light industry during

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the 12th Five-Year Plan. Increases for food processing are already included under the Food Program. Deputy Minister of Foreign Trade V. N. Sushkov said last April that investment in the light and food-processing industries will increase at the expense of heavy industry such as chemicals and that the investment changes would be reflected in "the five-year plan," probably a reference to the 12th. Soviet Premier Tikhonov, during a meeting with West European officials last year, stressed that Moscow wants to improve the quality of consumer goods by modernizing old plant and equipment and building anew—perhaps with Western equipment. Although he expressed hope that the Soviets would soon contract with Western firms to build model plants in the USSR, no details were given. [redacted]

**Energy**

The impetus for a longer term energy development scheme has been building for several years as growth in energy production has slowed, become technically more demanding and costly, and has required longer project leadtimes. The annual growth of oil production has slowed to an average of less than 1 percent in the past three years. Coal production has stagnated since 1978. Gas production increased at a rapid average annual rate of 7 percent in 1981-83 and has accounted for about two-thirds of the total increment to total energy production since 1978. Although nuclear power production has increased fairly rapidly, it is dwarfed by the fossil fuels in the Soviet energy supply. [redacted]

A 20-year energy program, in gestation since at least the mid-1970s, calls for more emphasis on coal and nuclear power production. At the same time, oil and gas industries—particularly in West Siberia—are to continue as important sources of energy growth and exports despite some shift of emphasis from current production to exploration. The energy program endorses the sizable expansion of surface coal mines east of the Urals, primarily Ekibastuz and Kansk-Achinsk, and of the mine-mouth power plants which would transmit electricity along ultra-high-voltage lines to the Urals and the central industrial region. In the sphere of nuclear energy, the program calls for accelerated development of nuclear power generation. [redacted]

The long-range program also sets goals for energy consumption. The key consumption targets are based on (1) a vigorous program to convert boilers from oil to gas and (2) a renewed drive for energy savings, perhaps backed up by a new monetary incentives program. [redacted]

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Foreign trade also has an important role in the 20-year energy program. [redacted]

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[redacted] the plan calls for oil and natural gas to remain key export commodities. Imports of Western technology and equipment will apparently still be needed for specialized operations in the exploration, recovery, and refining of oil and natural gas, as well as for speeding up surface coal mining, constructing coal slurry pipelines, and developing synfuels from coal [redacted]

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The underlying goals of the energy program are ambitious and will be difficult to achieve. Moscow has a poor track record in meeting energy conservation goals and accurately predicting leadtimes, investment requirements, and technical effort for large energy projects. Although the energy program does not spell out requirements for resources, we believe that, in view of the likely requirements, energy's share of investment must increase. Moscow's plans to intensify its effort in oil and gas exploration and expand coal and nuclear power development will add to the current investment burden—much of which is being used to prop up oil production. [redacted]

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**Transportation**

Even less is known about the transportation program than about the consumer goods and energy programs. V. E. Biryukov, deputy chairman of Gosplan for transportation, announced its existence during a Znaniye Society lecture in October. His only elaboration was that the program recommended a new centralized organ be formed to oversee all transport ministries. This was also the recommendation from a meeting of transport experts in January 1983. So far, however, no additional resource commitments have been linked to the program, and we have no indication that the Politburo has adopted or even considered it. [redacted]

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Even though little has been said directly about the transport program, its origins extend back at least to Brezhnev's 1979 plenum speech. Since that time Moscow has voiced the need to:

- Expand the use of water transport.
- Upgrade automation and control of freight shipments within and among carriers.
- Increase the capacity of the rail network through use of higher capacity freight cars and more powerful locomotives.
- Increase the efficiency of highway transport by emphasizing common carriers dispatched centrally rather than truck fleets operated by enterprises. [redacted]

The creation of an overall coordinating body called for in the long-term transportation program may reflect Moscow's intention finally to improve the integration of rail, highway, and water transport. If the trends in rail freight persist away from raw materials toward semifinished or finished goods—greater integration, particularly of rail and highway services, is essential. [redacted]

However important, this administrative change will not solve the ongoing problem of inadequate resource allocation to transportation. The performance of the Soviet transport system has deteriorated markedly since the mid-1970s. The root cause lies in past investment priorities that shorted the transport sector and focused available transport capital on large specialty projects such as the Baikal-Amur Mainline (BAM) and oil and gas pipelines. The rail system, which carries the majority of bulk freight, is operating at alarmingly high densities, and major bottlenecks have developed along the main lines. [redacted]

Transportation planners may be counting on the completion of the BAM and perhaps the current gas-pipeline construction program to free up resources for new transportation projects. The wisdom of this strategy is questionable. For example, there is considerable debate among Soviet planners and economists about the future disposition of the manpower, machinery, and materials currently devoted to the BAM. [redacted]

**Resource Implications**

Even though the long-term programs—as stated—do not spell out requirements for resources, Moscow cannot ensure their success without pledging additional resources to back them up. However, it is difficult to see how Moscow would balance simultaneous increases in resource commitments to these sectors with the likely competing demands of other claimants, such as those supporting other heavy industry and the Food Program. For example, even increased investment allocated for energy development will not yield a return if other sectors that contribute to or depend on the energy supply are shorted. [redacted]

It is likely—at this stage—that Moscow has not even attempted to balance these resource equations. The programs probably reflect ambitious “wish lists” in the Kremlin rather than firm agendas. As such, the strategies and timetables for the programs probably will be subjects of continual revision. [redacted]

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# Other Topics

## Soviet and East European Contributions to Warsaw Pact Airpower

Recent analysis of trends in the strength and composition of Warsaw Pact air forces opposite NATO indicates that the number of East European combat aircraft has remained nearly constant since 1960 while the Soviet contribution to Pact aircraft totals has increased. The East Europeans have modernized more slowly than the Soviets and only recently have begun to balance their heavy emphasis on air defense with a substantial ground attack capability.

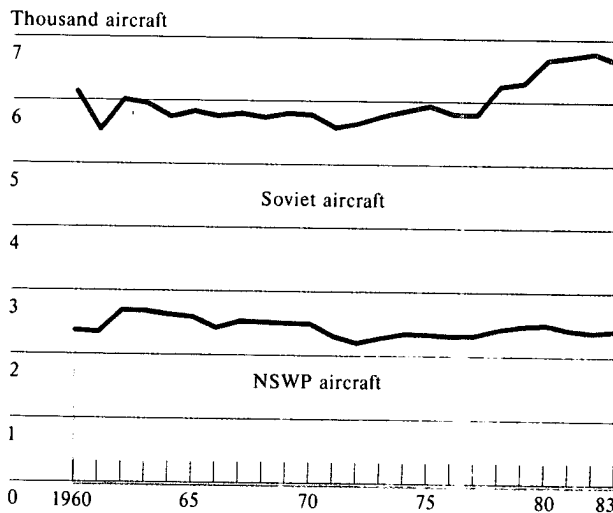
The non-Soviet Warsaw Pact (NSWP) air forces have a combined strength of about 2,400 active fixed-wing combat aircraft—about 35 percent of the 6,600 combat aircraft opposing NATO (see figure 1).<sup>1</sup> While the number of aircraft in the East European forces has remained virtually unchanged since 1960, the number in Soviet air force units opposite NATO has increased about 15 percent, from 3,600 to about 4,200. As a result, the share of NSWP countries in the total Warsaw Pact aircraft inventory has decreased from a high of about 43 percent in 1970 to its present level.

### Force Modernization

The NSWP air forces have lagged the Soviet Air Forces in deploying newer, more capable aircraft (see figures 2 and 3). Extensive deployment of newer aircraft in the NSWP air forces has generally followed modernization of the Soviet forces opposite

<sup>1</sup> This total for fixed-wing combat aircraft opposite NATO includes all Soviet frontal aviation units in Eastern Europe and in the Leningrad, Baltic, Belorussian, Carpathian, Odessa, and Transcaucasus Military Districts; the Soviet strategic air armies headquartered at Legnica, Vinnitsa, and Smolensk; and the national forces of Bulgaria, Czechoslovakia, East Germany, Hungary, Poland, and Romania.

**Figure 1**  
**Fixed-Wing Combat Aircraft Opposite NATO, 1960-83**

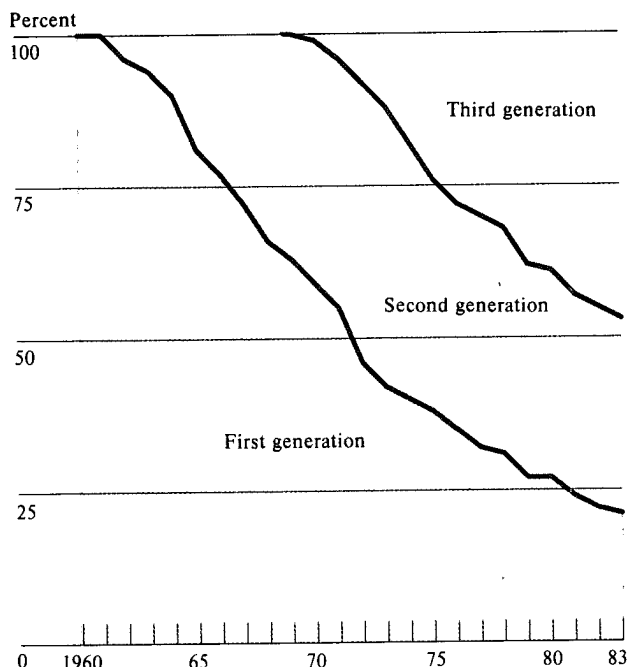


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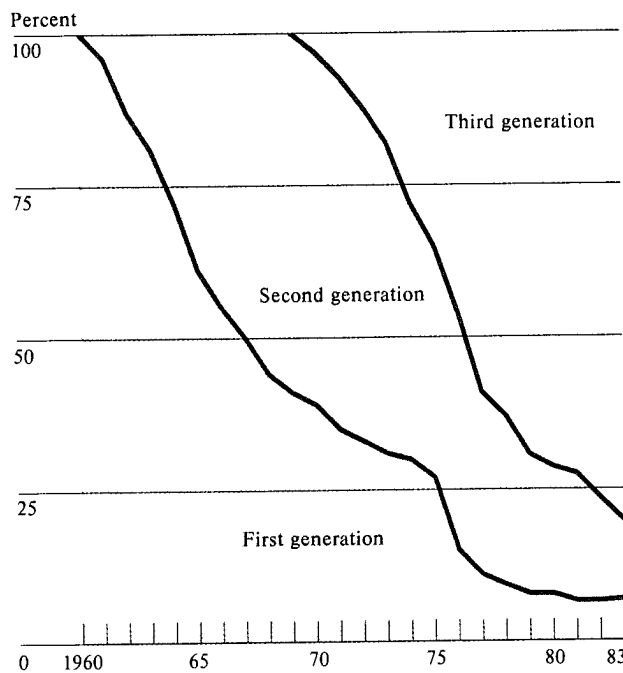
NATO by an average of about five years, although token numbers of new aircraft have often appeared in East European units simultaneously with their deployment in the Soviet Air Forces.

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**Figure 2  
Modernization of Non-Soviet Warsaw  
Pact Aircraft, 1960-83**



**Figure 3  
Modernization of Soviet Aircraft  
Opposite NATO, 1960-83**



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As a consequence of this lag, the East European air forces currently include smaller components of later generation aircraft than do comparable Soviet units.<sup>2</sup> As of mid-1983, less than 50 percent of aircraft in the NSWP forces were relatively modern third-generation models, almost 30 percent were second generation, and more than 20 percent were of the pre-1960 first generation. By comparison, 80 percent of Soviet aircraft opposite NATO were third generation and about 15 percent were second generation. Only a handful of first-generation aircraft are in active service in Soviet combat units.

A closer examination of the East European and Soviet inventories reveals a greater disparity in aircraft capability than this generational comparison indicates. Whereas a high percentage of the third-generation aircraft in the Soviet forces are MIG-23 Floggers, a large proportion of NSWP third-generation aircraft are updated variants of older aircraft such as the MIG-21 Fishbed. Several newer Soviet third-generation aircraft—the SU-24 Fencer, for example—probably never will appear in the NSWP forces unless Pact planners decide to establish a much greater NSWP offensive capability.

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<sup>2</sup> We classify aircraft by generations according to their initial operating capability (IOC) date. First-generation aircraft, introduced prior to 1960, include the Badger, Beagle, Fagot, Flashlight, and Fresco. Second-generation aircraft, with an IOC date of 1960 to 1970, include the Brewer, Fishbed C-H, and Fitter A. Third-generation aircraft, introduced after 1970, include the Backfire, Blinder, Fencer, Fishbed J-N, Fitter C-K, Flogger B-H, and Frogfoot.

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The lag in modernizing non-Soviet air forces reflects the USSR's priorities for updating its own forces before exporting large numbers of new aircraft to its Pact allies, as well as the reluctance of the East Europeans to increase spending on new weapons, in spite of strong Soviet pressure. The net result is that the contribution of the NSWP air forces to overall Pact air capability is substantially less than their 35-percent share of the Pact aircraft inventory would indicate.

**Mission Contrasts**

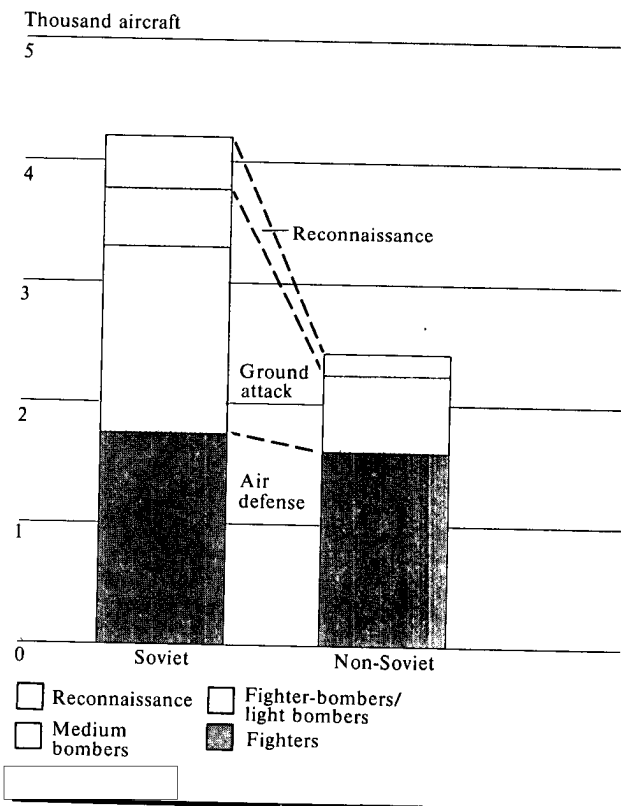
The traditional role of the NSWP air forces has been air defense. In 1983 about 1,600 aircraft were air defense fighters. Although this represents a decline of about 200 since 1970, fighters still constitute nearly two-thirds of the total NSWP fixed-wing combat force. By contrast, only 40 percent of the Soviet aircraft opposite NATO in 1983 were fighters (see figure 4).

While NSWP fighter strength has decreased, the number of aircraft with a ground attack role has grown. In 1983 about 640 aircraft were in NSWP ground attack units, an increase of 180, or 40 percent, over the number 10 years earlier. Nearly half of this increase resulted from the establishment of a ground attack force in Romania, which now has 80 aircraft—about 25 percent of its air force—assigned this role.

The growth in the NSWP ground attack forces paralleled a similar trend in the Soviet forces opposite NATO. Since 1970 the number of aircraft in Soviet fighter-bomber units has increased nearly 25 percent, to more than 2,000, while the number of aircraft assigned to defensive units has grown little. These increases in ground attack aircraft reflect Soviet General Staff stress on the need to achieve air supremacy by attacks on airfields. East European air forces were first included in Pact plans for such operations in the mid-1970s.

Despite the increased emphasis on ground attack, approximately 60 percent of the NSWP ground attack forces still consist of first-generation aircraft. Although the addition of 100 Flogger H fighter-bombers into East German, Czechoslovak, and Bulgarian units since 1975 has increased the ground

**Figure 4  
Mission Emphasis of Soviet and  
Non-Soviet Warsaw Pact Air Forces, 1983**



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attack capabilities of those national forces, it falls short of a substantial upgrading of NSWP forces.

Tactical reconnaissance aircraft in the NSWP forces number about 180, or less than 10 percent of the total force. The 430 Soviet reconnaissance aircraft opposite NATO represent a somewhat larger percentage of the total Soviet force, but include aircraft having long-range theater reconnaissance roles.

**Implications**

The large disparity between the Soviet and NSWP contributions to Warsaw Pact airpower provides the Soviets with a compelling argument to encourage

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greater East European expenditures for Warsaw Pact defense. The East Europeans probably will continue to resist such pressures, however, and we expect their air forces to remain at about their current numerical strength through the end of this decade. Much of any additional expenditure for new aircraft is likely to be allocated for fighter-bombers. We do not expect, however, that expenditures will be sufficient to upgrade significantly the NSWP air forces.

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**Soviet Analysis of the Falklands Naval Campaign** [redacted]

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Several Soviet naval officers have used the Falklands conflict to emphasize the necessity of controlling the air in modern naval combat. The officers have focused on carrier-based air support as the centerpiece of warfare on the open ocean and have also detailed the threat to surface ships from antiship cruise missiles. Writing in the Soviet Navy's professional journal *Morskoy Sbornik* and other open-source publications, they buttress arguments that have appeared over the years in support of large carriers for the USSR. Furthermore, the articles suggest that these officers believe there are aspects of naval warfare—such as air defense and electronic warfare—that deserve particular attention in the Soviet Navy [redacted]

The articles are notable for several reasons other than their analysis of the conflict. The authors stress the same themes and, in some cases, use almost the same words when discussing the role of the British aircraft carriers. In addition, their interpretations of the war's events are remarkably similar. These similarities and the lack of dissenting views in the press suggest strong support for their analysis among the naval leadership. The dearth of anti-Western propaganda and adherence to key tenets of Navy Commander in Chief Gorshkov's writings indicate the articles are serious efforts to shape the thinking of naval officers and government officials about prominent issues in the Navy. We do not know how widely the issues have been debated within the Soviet military leadership, particularly the General Staff. That several of the articles appeared in publications other than *Morskoy Sbornik* suggests, however, that an effort was made to reach a diverse audience outside the Navy. [redacted]

None of the authors refer to the Soviet Navy or make specific recommendations based on an analysis of the Falklands naval campaign. However, writers on naval matters frequently cite Western naval developments to indirectly advocate a particular course of action when discussing policy issues in the open press, and Admiral Gorshkov has endorsed the study of Western naval experiences for application to the Soviet model. [redacted]

**Advocacy for Aircraft Carriers**

The Soviets have debated the place of aircraft carriers in their Navy since the mid-1930s. On at least three occasions, plans were made to acquire carriers, but none came to fruition until construction of the first Kiev-class carrier, which carries helicopters and vertical takeoff and landing (VTOL) aircraft, began in 1970. Since that time, there have been signs of continuing debate over the wisdom of building large carriers capable of supporting conventional takeoff and landing (CTOL) aircraft. The strong support given carriers in the present articles by such prominent officers as Admiral Kapitanets, commander of the Baltic Fleet, and Rear Admiral Uskov, one of the *Morskoy Sbornik* editors, suggests the debate has closed and efforts are now being directed at developing a unity of views within the Navy. The articles appeared as we began to see evidence that the Soviets are building what we believe is their first US-type CTOL carrier [redacted]

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The important role played by the British carriers is couched in terms of two key elements of Soviet naval doctrine—the necessity of deploying a balanced force and assuring the combat stability of naval forces. Both Admiral Kapitanets and Admiral Uskov, writing in *Morskoy Sbornik*, are specific in declaring that the makeup of the British force was balanced and, more important from our standpoint, that “the aircraft carrier force served as the main combat might and on the whole gave the formation combat stability.” [redacted]

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Furthermore, Uskov and Kapitanets note that “under modern conditions no ship formation (including an amphibious assault formation) is capable of effectively carrying out assigned missions without a reliable air cover” provided by “multimission air-capable combatants with multipurpose aircraft and helicopters.”

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Kapitanets adds that "there is a continuing increase in the role of aircraft in combat actions at sea" and "without winning and holding air supremacy on an operational and tactical scale it is impossible to count on success of an action or an operation as a whole." The Baltic Fleet commander leaves no doubt that carriers are what he has in mind by stating that combat in the "zone of oceans and seas" requires a different approach than combat in enclosed sea theaters and coastal seas, where small combatants armed with missiles and guns are more appropriate. [redacted]

The authors specify the roles they envision for carrier-based aviation. Admiral Uskov holds that "carrier aircraft should be prepared not only to carry out air defense missions for surface ships but also to operate against ground targets." Others suggest an antiship role by criticizing the Argentines for not using their carriers to launch strikes against the British naval force. The commentators agree that to accomplish these missions, as well as provide for the carrier's defense, carrier aircraft should also be responsible for long-range reconnaissance and early warning. Both the Argentines and British are criticized for deficiencies in these areas. [redacted]

The Soviet naval officers believe that British air support would have been much improved if early warning and interceptor aircraft could have been accommodated on the Hermes and Invincible. Lacking these aircraft, the British were unable to prevent the high losses they suffered. This criticism is noteworthy because the British carriers are similar to the Kiev-class in that neither can launch the type of aircraft the Soviet writers feel are necessary to help counter the high-speed, low-flying threats so prevalent in modern naval combat. [redacted]

The substance and tone of these articles indicate strong support for large carriers capable of operating a variety of aircraft, including those requiring catapult-assisted takeoffs. If, as we believe, the Soviets have begun a new class of aircraft carriers, it probably will be similar to US carriers, although with some differences reflecting Soviet design practices. If the debate over the suitability of CTOL carriers were continuing, the commentaries would probably have focused on Western analysis of the conflict, which emphasized the vulnerability of aircraft carriers in

today's threat environment. We believe, however, that the criticism of the British carriers in the articles is an effort to point out how a good performance could have been improved using larger, more capable carriers. [redacted]

#### *Bolstering Fleet Air Defenses*

The Soviets thoroughly scrutinized British air defense efforts, giving them mixed grades. After the Argentine Navy withdrew to coastal waters, the major threat to British naval forces was from Argentine aircraft attacking with bombs and cruise missiles. While the Soviet writers do not ignore the effectiveness of Argentine bombing, they appear determined to sensitize their audience to the seriousness of the cruise missile threat. Admiral Uskov declares that the conflict confirmed the high effectiveness of cruise missiles in destroying surface ships. The other writers follow up on this theme by describing in detail Argentine cruise missile attacks but concentrate on British defenses, including electronic countermeasures. They go on to prescribe a variety of means for overcoming British deficiencies. [redacted]

In their opinion, the British could have significantly reduced their losses if they had been able to deploy long-range early warning aircraft and high-performance interceptors on their carriers. Without these and adequate numbers of Harrier vertical/short takeoff and landing (V/STOL) aircraft, British surface combatants had to rely primarily on their own defenses to counter Argentine air attacks. Destroyers were used as radar pickets to warn of attacks, but, without effective air cover, they were vulnerable and two were sunk. Picket ships arrayed in echelon did provide notice of attacks but with little warning time since Argentine pilots came in at very low levels. [redacted]

Under these conditions, electronic countermeasures became the backbone of shipboard air defenses, according to the Soviet commentators. Admiral Kapitanets opines that "electronic warfare acted not so much as a form of support as a form of combat actions directly interconnected with air defense." In addition, Captain 1st Rank Rodionov, in the January

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1983 *Morskoy Sbornik*, and other commentators analyze how the British were generally successful using both passive and active measures against Argentine aircraft. Rodionov concludes, however, that without early warning by reconnaissance aircraft "only completely automated antiaircraft missile and gunnery complexes with a high density of fire can solve the problem of destroying antiship missiles." [redacted]

These deficiencies in ground-based air support currently leave Soviet surface combatants vulnerable to Western carrier-based airstrikes.<sup>2</sup> Their ship-based air defenses would probably be ineffective in the face of even limited US naval airstrikes. Even with anticipated improvements in their capabilities, we do not believe that total reliance on shipboard defenses will prove adequate through the 1980s. [redacted]

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The articles appear to lay down a framework for organizing naval air defenses that includes carrier-based aircraft. Early warning aircraft well out from the main force would signal the appearance of a threat and possibly direct the response of interceptor aircraft from a carrier. Inside this initial line of defense, surface ships would respond with longer range surface-to-air missiles (SAMs) and electronic countermeasures. Attacking forces passing through this second echelon of defense would then be faced with concentrated fire from short-range SAMs, additional electronic countermeasures, and antiaircraft guns. [redacted]

The British ability to project power effectively at such a great distance clearly impressed the Soviet writers and probably demonstrated to them the importance of carrier-based air support for intervention operations. The problems of providing air defense for Soviet naval forces operating close to home without carrier-based aircraft would be magnified in operations distant from the USSR against even limited opposition. There is no guarantee, for example, that Soviet aircraft and their supporting forces could gain access to airfields within range of landing operations. [redacted]

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This outline suggests a significant improvement in the Soviet concept of layered defenses—the addition of large carriers for fleet air defense. We believe that using large, catapult-equipped carriers is the only way the Soviets could deploy the types of aircraft they touted in the articles for an effective air defense of their naval forces in wartime. The Soviets have long-range, land-based AWACS aircraft to provide early warning for the approaches to the USSR. Some of these may be tasked during wartime to work with the Navy, but because there are so few of them it is unlikely any would operate continuously with naval surface forces at sea. Bear D reconnaissance aircraft also could provide some early warning capability against hostile aircraft and cruise missiles, but their primary task would be supporting strikes against Western naval forces. [redacted]

[redacted] Soviet interest in developing a capability to support ground operations with carrier-based aircraft. We believe, however, that the Forger is only marginally acceptable in this role and that the Soviets see a need for a more capable attack aircraft. [redacted]

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**Other Topics of Interest**

The articles discussed other elements of the British naval operations, and the Soviets appear to have begun exploring whether they can adopt some of these measures in their own Navy:

- *Conducting amphibious landings at night* was one of the key factors in the success of the landings at San Carlos, according to Admirals Kapitanets and Uskov. [redacted]

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Some elements of the Soviet Air Forces will support naval operations. Their bombers will participate with naval aircraft in strikes against Western surface combatants, particularly aircraft carriers. Ground-based interceptors could provide air defense for naval units operating in coastal areas, but do not have the range to cover areas where the most critical surface operations would occur [redacted]

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- *Using airborne assault forces in an amphibious landing.* The speed with which troops can be put ashore by helicopters is stressed in several of the articles. The Soviets may have recently added an airborne-trained battalion to each of the three naval infantry brigades.
- *Modifying merchant ships to carry aircraft.* The authors point out how the British were able to quickly adapt merchant ships to transport additional Harriers and helicopters. The Soviets have recently modified a roll-on/roll-off ship to accept VTOL aircraft and helicopters and may have begun training pilots to test this concept.

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In addition, one article deals exclusively with logistic support for the British operations, and others note that the British could not have succeeded in retaking the Falklands without a well-developed "mobile rear." Nevertheless, there are no indications that the Soviet Navy intends to place a higher priority on constructing fleet support ships. Merchant ships on contract to the Navy resupply combatants at sea with fuel but are not able to transfer stores such as ammunition. Furthermore, naval repair ships have not operated at sea away from protected anchorages under the conditions experienced by the British.

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### The Role of Military Commissariats in Mobilizing Soviet Medical Resources for Civil Defense [redacted]

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In the aftermath of an intercontinental nuclear exchange, the Soviet Union would rely heavily on its civil defense medical resources to aid in poststrike recovery. Although the armed forces clearly have priority in medical resource allocations, we believe that the Soviets have taken steps to provide for the training, mobilization, and transportation requirements of civil defense medical services through military commissariats. [redacted]

maintaining records on reservists, and issuing deferments. They also are responsible for registering national economic resources suitable for military needs, conducting partial or general mobilization, and allocating civilian transportation for military purposes during mobilization. [redacted]

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[redacted] in addition to the military activities noted above, military commissariats play a role in the civil defense training, classification, and assignment of medical personnel and in the allocation of civilian transportation for civil defense needs. In 1978 the civil defense staffs of the Baltic republics, for example, were placed under the control of military commissariats. If such subordinations of civil defense staffs to military commissariats are the norm, they may be intended to balance the mobilization requirements of the armed forces with those of civil defense and eliminate the dual assignment of medical resources that might occur with separate civil defense and commissariat staffs. [redacted]

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#### Background

One of the stated objectives of the Soviet civil defense program is to provide sufficient medical resources for the protection of the population and treatment of civilian casualties during wartime. Soviet unclassified writings describe civil defense measures designed to "eliminate the medical consequences" of nuclear, biological, or chemical weapons. These measures include:

- Mobilization of civil defense medical personnel and facilities for treating mass casualties.
- Special civil defense training for all medical personnel.
- Provision of emergency medical supplies and transportation.
- Organization of sanitation and epidemic control teams to prevent the onset of infectious diseases.
- Medical evacuation of casualties from urban areas to relocated hospitals. [redacted]

#### Training

Virtually all Soviet medical personnel receive extensive military and civil defense instruction while at medical training institutes through courses taught by resident military faculties that are supervised by military commissariats. A four-year combined military and civil defense training program at the State Medical Institute of Alma Ata is typical of this type of instruction. Civil defense training at the institute is mandatory for both males and females, and the courses include combined instruction in basic military subjects and civil defense topics. The civil defense topics include treatment of nuclear, biological, and chemical casualties and the use of protective clothing. In some cases traditional military instruction is emphasized for males, while instruction for females concentrates on civil defense. [redacted]

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Implementation of these measures would consume huge quantities of medical resources. A major problem the Soviets would face is the need to balance the manpower, training, and transportation requirements of the armed forces with those of civil defense. We believe that the Soviets see the military commissariats as the key to resolving this problem. [redacted]

Military commissariats are administrative organizations subordinate to the military district within which they are located. Their activities include supervising preinduction military training and indoctrination, issuing callups for military service and reserve training,

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Military faculties also give civil defense medical training at other specialized institutes. [redacted]

[redacted] The program had two semesters devoted to civil defense training and three semesters to medical training. Upon graduation, the commissariats assigned the students to the military reserves as nurses. A similar program also exists at the University of Uzhgorod. In addition, commissariats generally supervise first aid, civil defense, and premilitary training of Soviet youths in the Voluntary Society for the Cooperation of the Army, Air Force, and Navy (DOSAAF). [redacted]

Military commissariats, in conjunction with civil defense staffs, also provide for postgraduate civil defense training of medical personnel. We have evidence that some medical personnel are assigned to a resident physician course taught at the Balashikha civil defense school in Moscow Oblast. The course is taught twice a year and lasts about six weeks. [redacted]

[redacted] between 40 and 50 physicians graduate from the course each year, and these probably are assigned to military civil defense units after graduation. In some areas, commissariats recall medical personnel to active duty for two weeks every five years to receive civil defense training. The training is normally conducted at the commissariat headquarters by full-time personnel assigned to the commissariat's medical section. [redacted]

**Personnel Allocations**

Commissariats play a key role in balancing the medical personnel requirements of civil defense with those of the Soviet armed forces. Upon graduation medical personnel are either inducted into the armed forces or are issued a reserve military service booklet containing their military specialty code, reporting location in the event of mobilization, and other service-related information by the commissariats. Those medical personnel who are called to active military duty are given a similar military reserve booklet on leaving active duty. We are uncertain as to the length of time medical personnel remain on military reserve service rosters. Although the Soviet law on universal military service varies the reserve retirement age according to rank, sex, and length of service [redacted] military commissariats generally carry male medical reservists on military reserve rosters until age 55, at

which time they are assigned to civil defense reserves permanently. Female medical reservists are usually assigned to civil defense reserves at age 50. [redacted]

We are uncertain as to the number of medical personnel that would be allocated to the armed forces and civil defense after mobilization because of the similarity of their training. However, we believe that a share of the total would be available for civil defense after the needs of the armed forces are met. While the primary mission of medical personnel after mobilization is to support the armed forces, [redacted] some military medical reserve personnel may be assigned to civilian hospitals after mobilization. [redacted]

Soviet civil defense plans call for the relocation of urban hospitals to exurban areas. Many hospitals will provide cadres for first aid field detachments (OPM), each with approximately 150 personnel of which 25 are doctors. Large hospitals will provide sufficient cadres for two OPM, while the smaller hospitals and polyclinics will provide cadres for one. These cadres are to be augmented by personnel trained in first aid from civil defense formations at factories, schools, institutes, and similar enterprises. [redacted]

We estimate that the total number of medical personnel available to both the Soviet armed forces and civil defense in wartime would be roughly 4 million. At present there are approximately 1.1 million doctors in the Soviet Union (see table). Soviet medical personnel also include approximately 2.9 million *feld'shers* (physician's assistants), nurses, midwives, laboratory technicians, medical orderlies, and other assistants. We have no reliable figures on the breakdown of medical workers by category since 1975, when about 17 percent were *feld'shers*, 50 percent were nurses, and 33 percent were technicians, midwives, or other medical personnel. [redacted]

**Transportation**

Transportation assets to supplement the armed forces and for civil defense will be drawn from the civilian economy and allocated by military commissariats during mobilization. [redacted]

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**Soviet Physicians by Specialty**

Specialty	Number
<b>Total <sup>a</sup></b>	<b>1,063,000</b>
Internal medicine	237,000
Surgery	115,000
Obstetrics/gynecology	62,000
Pediatrics	120,000
Ophthalmology	21,000
Ear, nose, and throat	21,000
Neurology	26,000
Psychiatry	25,000
Tuberculosis	23,000
Dermatology/gyphilology	18,000
Radiology	36,000
Sports medicine	5,000
Epidemiology	61,000
Stomatology	92,000
Dentistry	48,000
General practitioners	153,000

<sup>a</sup> Includes approximately 100,000 military physicians.

[Redacted]

Moscow Main Administration of Motor Transport would transfer 30 percent of its heavy trucks, 30 percent of its lifting machinery, and 70 percent of its fuel-carrying vehicles to the military. Most of the remainder would be available for civil defense use. We believe that, once mobilization is accomplished, the military commissariats will make additional transportation assets available to assist in civilian medical evacuation and supply. Some transportation assets probably would be available to assist in medical evacuation of civilian casualties in the poststrike period. Military commissariats also maintain rosters of civilian ambulances for wartime mobilization.

[Redacted]

We estimate that the Soviet Union has approximately 681,000 buses; 86,000 were built in 1982 alone. Although a portion of these buses would be used to provide support to the military, we believe that a large

percentage would be available for civil defense. Modification kits for converting civilian buses into ambulances have been available since at least 1977, but we are uncertain as to the numbers and locations of these kits. The conversion process reportedly takes four to six hours and involves the addition of litters and medical equipment. Once converted, the buses can accommodate 10 to 20 stretchers. The converted medical buses and some support vehicles would be deployed to the exurban area to provide medical support.

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**Exercises**

Exercises have shed further light on the role of military commissariats in civil defense. [Redacted] personnel from military commissariats have supervised medical evacuation and training exercises in conjunction with civil defense staffs.

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[Redacted] The exercise included setting up a first aid field detachment for civilians and instruction in general civil defense medical topics. [Redacted] a civil defense medical exercise in Tokmak in the Kirghiz SSR that had about 1,000 participants and was supervised by the head of the local military commissariat.

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**Outlook**

It is clear from the evidence available that military commissariats play a significant role in balancing the medical resource requirements of civil defense and the armed forces. Although the Soviets still face major uncertainties in providing sufficient trained medical personnel and civilian transportation assets for both the armed forces and civil defense, subordination of the civil defense staffs to military commissariats has helped eliminate the dual assignment of medical resources in some areas. Further improvements in the system of allocating medical resources to civil defense will depend to a large degree on the extent of these resubordinations.

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## Environmental Protection Under Andropov

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Public statements by high-level Soviet officials expressing distress over pollution increased significantly during the Andropov reign. Indications of heightened concern included:

- Frank and forceful comments in Andropov's speech to the Central Committee in December, labeling environmental problems "acute" and assailing the inadequacy of previous efforts to deal with them.
- A Politburo order in January to the Council of Ministers to draft a comprehensive plan for improving the environmental protection system.
- Measures adopted in recent months to step up monitoring and enforcement of antipollution laws.
- A public Politburo reprimand of the heads of five major industrial ministries<sup>1</sup> in January for polluting.

The greater attention to safeguarding the environment was in line with Andropov's emphasis on candidly identifying the USSR's economic problems. It may also have reflected greater sophistication on the part of the Andropov regime, which evidently recognized more clearly than its predecessor the damage done to the economy by disregard for the environment. Andropov explicitly linked environmental protection with the drive to conserve resources, a vital element in his efforts to improve the economy. The shock effect of the spectacular Dnestr River disaster last September—when a dam at a fertilizer plant in Drogobych burst, spilling poisonous chemicals that killed more than 2,200 metric tons of fish and disrupted the supply of fresh water to the major cities of Odessa and Kishinev—may have further stiffened Andropov's resolve to undertake more vigorous environmental protection programs.

It remains to be seen, however, whether heightened attention will lead to significantly better results. Andropov's intention to increase investment in anti-pollution projects at a somewhat faster rate than in the past several years and faster than the rate planned

<sup>1</sup> Power and Electrification, Ferrous Metallurgy, Mineral Fertilizer Production, Chemical Industry, and Machine Building.

for total investment has been ratified as part of the 1984 budget. But the share of total investment is still small. He was evidently counting mainly on stricter and more efficient application of existing environmental protection laws. It is too early to tell whether Chernenko, a member of the old guard closely identified with the conservative policies of Brezhnev, will follow through on Andropov's get-tough approach. However, even if he does, any drive to impose greater antipollution discipline faces formidable obstacles as long as the economy's system of rewards and penalties continues to give overriding priority to fulfillment of short-term production and sales goals.

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### *Evidence of Disregard for the Environment*

The Soviet press provides abundant statistical and anecdotal evidence of the severity of the USSR's environmental problems. For example, according to illustrative newspaper and journal reports in the last two years:

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- Only one-third of the harmful emissions from plants under the Ministry of Ferrous Metallurgy are treated.
- Forty percent of the water discharged by enterprises in the following ministries is polluted: Timber, Pulp, Paper, and Wood Processing; Chemical and Petroleum Machinery; Power Machinery; Petroleum Industry; Meat and Dairy Industry; Heavy and Transport Machinery; Machine Tools and Tool Industry; and Mineral Fertilizer Production.
- Pollution in the city of Apatit on the Kola Peninsula was so severe last summer that "for two days the polar day turned into night; small ventilating windows in residential buildings couldn't be opened even a crack; people walking along the streets wrapped their faces in whatever they could, for what they breathed was not air, but stinging dust."

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**USSR: Investment Expenditures for  
Environmental Protection**

	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984
Expenditures (million rubles, 1973 prices)	1,143	1,528	2,084	1,887	1,783	1,833	1,879	1,900	1,845	1,854	1,900	2,000
Rate of growth (percent)	NA	33.7	36.4	-9.5	-5.5	2.8	2.5	1.1	-2.9	0.5	2.5	5.3
Share of total investment (percent)	1.2	1.5	1.8	1.6	1.5	1.4	1.4	1.4	1.3	1.3	1.3	1.3

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- Heavy industrial pollution is killing off thousands of acres of forest around the Soviet automaking city of Togliatti.
- Large areas of the Crimean seascape—well known as vacation spots—have been polluted by industrial wastes.
- Environmental problems in the Kuznetsk Basin are “causing increasing deaths and genetic defects among babies.”

Western observers also report cases where the Soviets have been heedless about preserving the environment. A visiting US oilman, after touring a showcase oilfield in the Caspian area, commented that it was “the dirtiest mess” he had ever seen and if it were in the United States it would be shut down by regulatory authorities. Pollution, probably emanating from the heavy industrial areas of the USSR, has, according to a recent US Office of Naval Research study, caused environmental damage in the Far North “on a scale that could never be imagined, even by the most pessimistic observer.” This contamination—called Arctic haze—“could cause excess heating of the atmosphere, acid rain, scattering and absorption of visible light, and cloud changes.”

**Lack of Concern: The Essence of the Problem**

The long history of serious and mounting environmental problems in the USSR is fundamentally a reflection of the low priority accorded to environmental protection. Although the share of total investment allocated to environmental protection projects rose sharply in 1973-75 from 1.2 to 1.8 percent, it has returned almost to the earlier level. For the last four years the share has been 1.3 percent, which is less than half of the share in the United States, where environmental investment is roughly 3 percent of total investment. Moreover, not all of the appropriated funds are spent. In the 10th Five-Year Plan, the Ministry of Power and Electrification spent only 83 percent of the funds it was allocated for air pollution control; the Ministry of Tractor and Agricultural Machine Building, 82 percent; Nonferrous Metallurgy, 76 percent; and the Coal Industry, only 48 percent. Similarly, ministries exhibiting high rates of water pollution spent less than their full allocation: Chemical and Petroleum Machinery, 86 percent; Machine Tool and Tool Industry, 77 percent; and Heavy and Power Machinery, 74 percent.

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A recent *Pravda* article observed: "Year after year the environmental projects are the ones where the least amount of work gets done. Such projects are usually avoided because they are unprofitable. They take a lot of work but do very little for the gross output figure." Even when pollution control facilities are built, they often do not serve their function. For example, pollution levels from the Semipalatinsk Cement Plant actually rose for three years after installation of abatement equipment because, in striving to maximize production increases, the plant ignored optimal operating procedures and produced a higher level of pollutants than the equipment could handle.

[redacted]

Furthermore, maintenance of pollution abatement equipment tends to be poor. A Soviet commentator recently complained that "Even when plants do have pollution control systems no one takes a real interest and they often break down." This is caused, in part, by a lack of trained specialists. At present about 40,000 specialists are trained a year, a number *Pravda* has labeled inadequate. To make matters worse, according to *Pravda*, "only a small percentage of graduates are assigned to jobs in the field."

A major reason for the high equipment breakdown rate and the low fund utilization rate is the Soviet system for formulating and implementing pollution control policies. There is no single independent organ to formulate policy, detect violations, and enforce environmental laws. The primary responsibility for protecting a resource is entrusted to the same ministry that exploits the resource. Since the number-one priority of the ministry is meeting annual production targets—a goal to which pollution control contributes nothing—this is like putting the fox in charge of the henhouse. Although the central government has formed commissions to study and monitor the environmental problem, they have limited enforcement powers and primarily serve in an advisory capacity. Government inspection teams had twice ordered the managers of the fertilizer plant on the Dnestr River to shore up the dam holding industrial wastes in the months before the dam broke. Similarly, repairs have been recommended for an industrial waste dam near the Crimean resort of Lake Saki, but as *Pravda*

recently reported, "The dam can be reinforced properly only by allocating more than 1.5 million rubles . . . and the Ministry of the Chemical Industry isn't about to come up with the money."

[redacted]

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In the past such defiance on the part of ministry and enterprise officials has generally gone unpunished, in large measure because of a lack of personnel and legal power in the enforcement bodies. For example, while water resources are technically protected by the Ministry of Land Reclamation and Water Resources, local inspectorates are understaffed, cannot impose a fine of more than 100 rubles, and have no authority to shut a plant down. *Pravda* recently stated that "As a rule people who are found responsible for environmental violations get off with slaps on the wrist every time."

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**Recent Measures**

There are indications that Andropov tried to support his tough antipollution rhetoric with concrete—but limited—measures. Investment in environmental protection facilities is scheduled to rise 5.3 percent in 1984—slightly faster than the projected 3.9-percent rise in total investment. The planned increase amounts to only 100 million rubles, however, and will bring antipollution investment (measured in constant 1973 rubles) to only 2 billion rubles, still slightly below the peak of 2.1 billion rubles reached in 1975.

[redacted]

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A few steps were taken with respect to monitoring and enforcement. In July 1983 the USSR Supreme Court instructed lower courts "to further improve their work in hearing cases involving violations of environmental protection laws." A special commission on Environmental Protection and Rational Utilization of Resources under the Presidium of the Council of Ministers—set up in 1981 but relatively inactive until recently—has instructed ministries to give attention to implementing pollution abatement programs and ordered executives of the USSR Capital Investments Bank and the USSR State Bank to prevent the

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startup of newly constructed enterprises with unfinished environmental protection facilities. The Politburo—in its January order to “raise the efficiency of the whole system of controlling and monitoring the state of the environment”—likewise stressed that ministries must take greater responsibility for environmental protection. [redacted]

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The key to the effectiveness of these measures—and others that may be taken in the future—is whether the judicial and extraministerial regulatory bodies will be given genuine power to compel compliance from ministries and their enterprises. While Chernenko may increase regulatory powers, it is doubtful that they will be allowed to impede the attainment of production goals. Thus, the improvement in environmental protection to be gained from these additional powers is likely to be limited. [redacted]

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## Reduced Publication of Soviet Statistics

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The Soviets continue to reduce the number of economic statistics released to the public. The latest volume of their annual statistical handbook *Narodnoye khozyaystvo SSSR v 1982 g. (Narkhoz)* is the smallest edition since 1966, containing 573 pages versus 1,008 pages in the 1967 volume (see table 1).<sup>1</sup> The disappearance of useful data from this and other publications has made the analysis of Soviet economic activity more difficult.

### The Record

The Soviets have always been stingy with certain kinds of economic data, although the aggregate volume was increased enormously in the late 1950s and early 1960s. Since 1967, however, Moscow has reduced the flow of economic data available to the West. This trend—which accelerated sharply in the mid-1970s with the onset of an abrupt economic slowdown—appears to reflect a decision to omit, reclassify, or conceal data that the leadership believes could violate national security or prove embarrassing in this era of economic problems.

The resulting erosion of useful published information has been particularly evident in—though not limited to—the *Narkhoz*. A tally of the number of tables in the annual statistical handbook reveals a decline of 8½ percent between 1967—the year of the thickest handbook—and 1975, and a further drop of 14 percent between 1975 and 1982. Of particular significance are the gaps in basic data on the fuels sector; for example, the regional production of oil, gas, and coal, and exploratory and developmental drilling activities (see table 2). Figures on grain production have been absent since 1981. There has been a sharp reduction in regional statistics, such as data on agriculture and investment by economic region and administrative region other than the federated republics, perhaps to mask uneven territorial development. Furthermore, much information essential to the analysis of Soviet economic prospects in the years ahead is no

<sup>1</sup> For 1966 the Soviets published only a condensed (351-page) version of the *Narkhoz* titled *Strana sovetov za 50 let*

**Table 1**

**USSR: Pages in Annual Statistical Handbook, *Narodnoye khozyaystvo SSSR***

1967	1975	1978	1979	1980	1981 <sup>a</sup>	1982
1,008	846	631	615	583	623	573

<sup>a</sup> The number of pages in the *Narkhoz* has been steadily declining since 1967 with the exception of the 1976 and 1981 editions. In those two years, special volumes were published in commemoration of the 60th anniversary of the revolution and the founding of the USSR, respectively.

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longer available, notably detailed books on the 1976-80 and 1981-85 Five-Year Plans similar to the one published on the 1971-75 Plan. No compendium of the 1979 census results similar to those published for the 1959 and 1970 censuses has yet appeared. Finally, reduced reporting of economic statistics has been accompanied by a reduction in information on how statistics are derived. Methodological notes previously included in annual editions of *Narkhoz* have been absent since 1978.<sup>2</sup>

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The continuing decline in the volume of useful statistics is evident in the latest *Narkhoz*, published in the fall of 1983, which contains data on economic performance through 1982. For example, it omits considerable previously published data on trucks—a durable

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<sup>2</sup> Although data and information excised from the *Narkhoz* generally are unavailable in complete form elsewhere, they are occasionally published in specialized reviews or in the republic annuals, suggesting that the Soviets are sometimes content to make it harder, rather than impossible, to find at least a portion of the missing material. Furthermore, although there is no indication that the Soviets will publish a compendium of 1979 census results in the near future, selected results have appeared in various publications such as the *Narkhoz* and *Vestnik Statistiki*, the monthly publication of the Central Statistical Administration.

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**Table 2**  
**USSR: Selected Types of Economic Data**  
**Not Published Since 1976<sup>a</sup>**

Economic aggregates	National income: breakdown by use, 1981-85 Plan details (since 1980) Soviet and US national income in dollars (since 1978)
Industry	Oil and gas: production by republic Electric power: regional production within RSFSR Tractors: production by type Finished rolled steel: regional production Coal: production by major basin and type, labor force and labor productivity, commissionings of new capacity Selected steel products (since 1979) Trucks: procurement for agriculture, commissionings of new capacity (since 1982)
Agriculture	Production: indicators by economic region, including grain yields and livestock and their productivity (since 1977) Non-Black Soil Zone: basic indicators (since 1977) Wheat, rye, and rice: procurement by republic (since 1977) Grain production (since 1981)
Foreign trade	Coal and coke imports and exports: value and volume Crude oil, petroleum products, and synthetic liquid fuel: volume of exports and a breakout of trade by country Natural gas: volume of imports and exports Grain: volume of imports and exports Selected chemical exports: quantities, rubber and rubber asbestos goods, all trade Pig iron, ferro-alloys, rolled ferrous metals, highly processed rolled steel, and pipe: volume of trade Nonferrous metals: all export data Metal-cutting machine tools, presses, and forge and press equipment: all value data
Labor	Employees by branch of industry: average annual number
Population	Infant mortality rate Life expectancy (since 1980)

<sup>a</sup> Except where noted.

[Redacted]

common to both civilian and military sectors—including statistics on production, sales to agriculture, and production capacity.<sup>3</sup> [Redacted]

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The disappearance of useful statistics extends to foreign trade data. Moscow traditionally has not published data on its external financial position—gold reserves and sales, for example—but prior to 1976 it released fairly complete information on commodity trade. The Soviet foreign trade handbook *Vneshnyaya torgovlya SSSR* for 1976, however, contained major statistical lacunas which have widened in subsequent issues. The biggest gaps are in commodity data on the most sensitive industrial sectors—fuels, metals, and chemicals. For example, the trade handbook published in 1978 eliminated country-by-country figures on the quantity of Soviet oil and gas exports, preserving only data on their value. The same edition cut out a substantial amount of other significant data on Soviet trade with individual countries. The share of trade (in terms of value) not identified by product type has also increased. For example, the proportion of items not broken down in the structure of Soviet exports by product rose from 15.6 percent in 1975 to 18.8 percent in 1981. [Redacted]

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The Soviets have not responded to formal requests for more economic data. Moscow's refusal to do so is clearly inconsistent with commitments made at the Helsinki, Belgrade, and Madrid Conferences on European Security and Cooperation. In fact, the Madrid accord states that the signatory countries agree to "ensure the regular publication and dissemination as rapidly as possible of economic and commercial information . . . to intensify their efforts to improve the comparability, comprehensiveness and clarity of their economic and commercial statistics . . . by striving to

<sup>3</sup> Although deletions have been the rule in recent years, new and useful information appears from time to time in annual editions of the *Narkhoz*. For example, the most recent edition gives information on territorial production complexes (TPKs) including growth of industrial production in TPKs and the share of TPK industrial production in total production. According to a Soviet source, such data have been collected since 1978 but have not been published until now. [Redacted]

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have their economic and trade statistics no less comprehensive than those previously published by the State concerned." The Soviets apparently feel that they have little to lose by withholding such data. The requisite statistics reportedly are available internally on a need-to-know basis to planning and management officials and their staffs. [redacted]

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***Impact on Analysis***

Deletions of data from the economic handbook have made the process of measuring Soviet economic activity in the aggregate more difficult. For example, there has been a sharp rise in the proportion of line items that must be estimated in our index of Soviet industrial production. Furthermore, information from other sources used in these estimates also has become more fragmentary. [redacted]

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Omissions of trade information complicate Western assessments of Soviet foreign trade activities and trade policy. The foreign trade handbook is the primary Soviet source for trade data. Although statistics from Soviet trade partners can help to fill in gaps, differences in reporting procedures and timing preclude a close correlation with Soviet data. Moreover, little timely information is available on Soviet trade with the developing countries, an area of increasing importance. [redacted]

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Foreign trade data are also used in analyzing domestic economic activity. Lack of data on the volume of exports and imports inhibits analysis of Soviet domestic consumption of key commodities such as oil, steel, and chemicals. [redacted]

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# Briefs

**Soviet Naval Response to INF Deployments**

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The US

Embassy in Moscow reports that, during informal French-Soviet consultations on disarmament in late January, General Lebedev said that Soviet submarines had moved closer to US shores as a response to INF deployments in Western Europe. Lebedev is a General Staff officer and a former adviser to the Soviet INF delegation.

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[Redacted]

This does not increase the number of missiles the USSR has targeted against the United States. Nonetheless, it does help fulfill Moscow's threat to place the United States in an "analogous position" by increasing the number of weapons available to attack with a shorter flight time and, therefore, less warning.

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**Further Deterioration in Soviet-Iranian Relations**

Tehran's recently concluded trials of Communist (Tudeh) party members produced intensified Soviet media criticism of reactionary elements in the Iranian leadership as well as Tehran's aid to Afghan insurgents and its continuation of the Iran-Iraq war. TASS in mid-January condemned the Speaker of the Iranian Parliament for his disparaging remarks about the USSR's role in Afghanistan and criticized Iran for aiding Afghan insurgents. The commentary warned such "insults" could damage relations, particularly commercial contacts. In late December, a *Pravda* article claimed ongoing trials of Tudeh members on charges of spying for the USSR were an effort to fan anti-Soviet hysteria. It suggested Iranian leaders would bear the responsibility for the consequences if the trials continued. Tehran radio also reported in mid-January that the Speaker of the Iranian Parliament turned aside a formal proposal from the Supreme Soviet for cooperative efforts to halt the arms race. He criticized Moscow's delivery of missiles to Iraq and their use against Iranian cities.

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Nevertheless, Moscow continues to avoid steps that could provoke a complete break or encourage Iran to reduce its hostility toward the United States. Thus, Moscow has largely avoided direct and public condemnations of Iran's recent decision to imprison most and execute some of the Tudeh members tried in December and January.

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**Results of US-Soviet  
Grain Meetings** 

A Soviet official's remarks at the semiannual grain consultations with the United States in London last month suggest that the USSR may keep its purchases of US grain close to the minimum of 8-9 million tons required under the current agreement. Deputy Minister of Foreign Trade Gordeyev, in responding to an offer of up to 22 million tons of grain this year, said that the recent US actions against Soviet exports of nickel, ferrosilicon, and vodka to the United States have to be considered when deciding on where to purchase additional grain. He also indicated that the USSR's large trade deficit with the United States would be an important factor in such decisions.

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Moscow may be using this opportunity to make it look as though the USSR is responding to the US restrictions on Soviet nickel, ferrosilicon, and vodka sales. The Soviets have agreements with other countries this year to purchase a total of about 12 million tons of grain, however, and they probably do not need extra grain from the United States. The relaxed atmosphere of the talks indicates that Moscow wants to maintain a constructive dialogue with the United States on grain trade, and the possibility of some purchases above the minimum was not ruled out.

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**More Soviet Media  
Coverage of  
Afghanistan** 

Since mid-December a series of articles in the Soviet press have portrayed conditions in Afghanistan as difficult but improving. An authoritative editorial in *Pravda* on 2 January called the United States the principal obstacle to a political settlement and reiterated major elements of the USSR's position on the outlook for Afghanistan. Recent articles also have attacked China, Pakistan, the United Kingdom, West Germany, Saudi Arabia, Egypt, and Iran for allegedly aiding the resistance. Two articles in *Red Star* have described in detail the heroism of Soviet personnel in defending against two separate insurgent attacks on a convoy and an airfield. They revealed in passing that the USSR has suffered seven more casualties

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The increased coverage is an annual event designed in part to counter the increased attention the Western press pays to Afghanistan on the anniversary of the invasion. In addition, Soviet journalists periodically claim that they are under pressure from the public, particularly families of men serving in Afghanistan, to provide more information about the conditions faced by Soviet troops. A recent Soviet radiobroadcast acknowledged receiving "many" letters asking why Soviet soldiers are still in Afghanistan. The articles in *Red Star* illustrate the gradual expansion since 1981 of the practice of acknowledging intermittently the involvement of Soviet troops in the fighting. These articles also suggest the leadership is under pressure from elements of the military establishment to give more coverage to the valor of Soviet soldiers. The revelation of seven additional casualties raises Moscow's public tally of its losses in Afghanistan to 19—seven killed and 12 wounded. Current US estimates put Soviet casualties at about 17,000.

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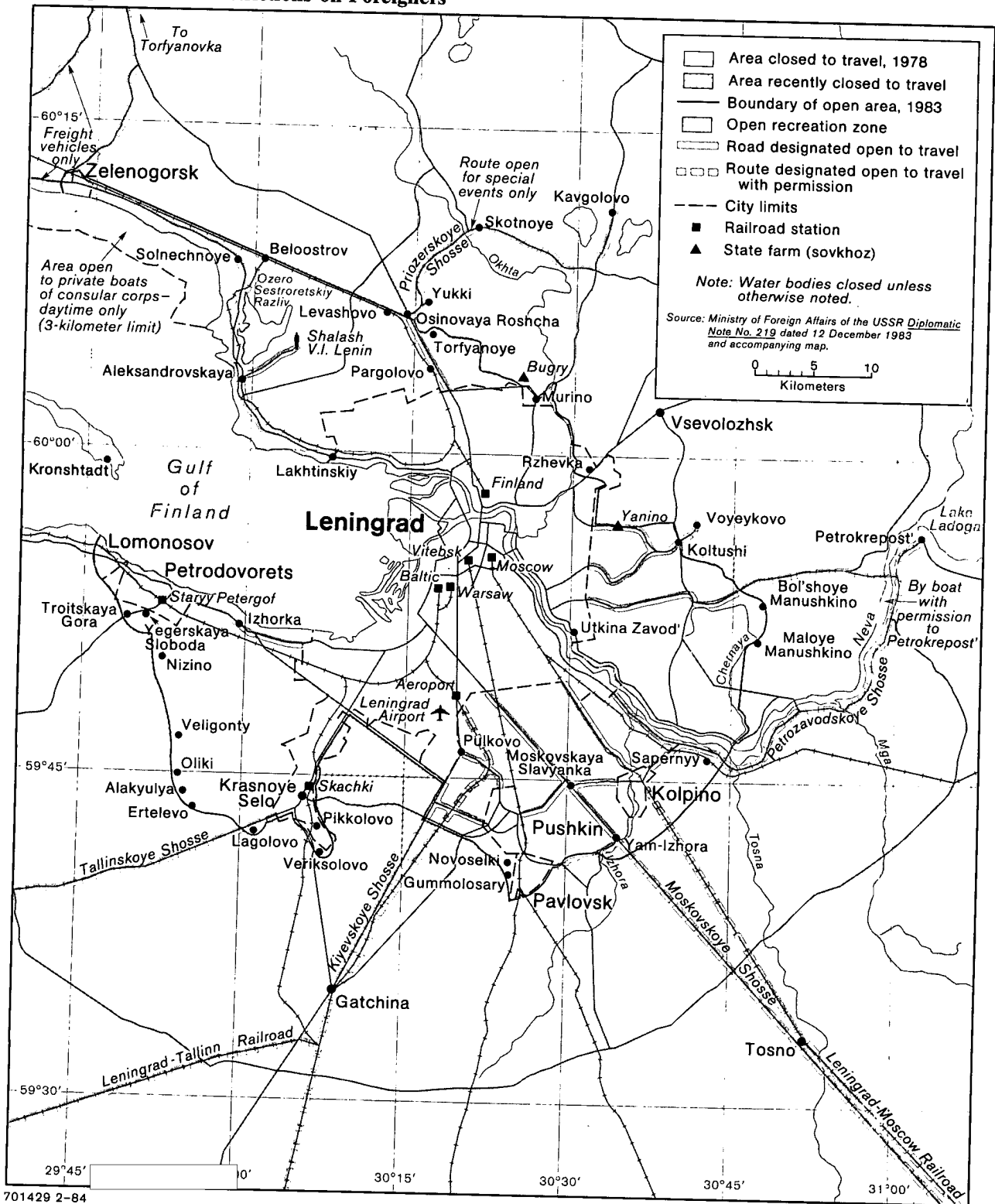
**New Travel Restrictions  
in Leningrad** 

In December 1983 the Soviets issued two documents and an accompanying map redefining the area in and around Leningrad open to travel by foreigners and revising travel procedures for diplomats within the city. The new guidance supersedes that provided in a 1973 Diplomatic Note detailing citywide travel

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### Leningrad: Travel Restrictions on Foreigners



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procedures and a 1978 Note covering countrywide travel restrictions, in which the outer boundary of the city's "open area" was generalized. This is the first time, however, that a large-scale schematic map depicting restrictions within the metropolitan area has been issued. [redacted]

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Although the new directives designate as open some areas that were previously thought to be closed, additional restrictions delineated in them have resulted in a net loss of 171 square kilometers—or about 10 percent—of the 1,780 square kilometers in the Leningrad area designated as officially open as of 1978. Nearly three-fourths of the newly restricted area is on the southern edge of the city, between Pushkin and Krasnoye Selo. This area, which encompasses several military installations, has essentially been closed to US attaches for years. [redacted]

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**Soviets Threaten To Limit Palladium Exports to the United States** [redacted]

[redacted] supplies of palladium to the United States would be significantly reduced in 1984. Palladium is an important strategic metal with applications in the electronics, chemical, automotive, and petroleum industries. The USSR produces roughly 70 percent of the world's output, and last year it directly supplied more than 30 percent of US imports. About 90 percent of US consumption comes from external suppliers. [redacted]

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The USSR probably is threatening to reduce palladium exports to raise the metal's market price, which has nearly tripled since the Soviets threatened similar reductions in late 1982. These threats were never carried out. As part of its strategy to raise earnings, the USSR has already shifted away from long-term supply contracts to monthly contracts. [redacted]

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A high-level Soviet official recently hinted at a connection between palladium sales and the state of East-West relations. He noted that the sales restriction has been targeted generally against Western customers. His remarks follow statements by other Soviet officials that the USSR is prepared to adopt a more obstructionist approach in commercial relations with the United States [redacted]

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