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FOREIGN INTELLIGENCE INFORMATION REPORT

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REPORT CLASS

COUNTRY: USSR

DATE DISTR. 29 SEPTEMBER 1984

SUBJ: 1. Good Performance of Soyuzzoloto During the 1970's
2. Origin and Development of Artels in the Soviet Gold Mining Industry

DOI: 1940-1955 and 1974-1981

REF:

SOURCE:

SUMMARY: During the 1970's, the All-Union Industrial Association for Gold Mining (Soyuzzoloto) almost always filled its plan, which in 1978 called for production of 308 metric tons of gold at .999 percent purity. In 1981, the plan increased to 318 mt. The artel system played a major role in the successes of the Soviet gold mining industry during the 1970's, producing 35

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percent of the country's gold in 1978. The first artel in the industry was founded in 1951 or 1952 in the Chelbanya Gold Field near Susuman. It consisted of only six people. Still earlier, the mines of the 1940's were worked almost exclusively by prisoners. The largest construction project in the Magadan area during the early 1940's was a 600 kilometer road to supply gold fields and prison camps. About 400,000 prisoners worked on the road. U.S. envoy Sumner Wells visited a gold mine on it in 1944 during an evaluation of Soviet capacity to repay Lend-Lease equipment.

TEXT: 1. From 1974-1979, the All-Union Industrial Association for Gold (Soyuzzoloto), which was subordinate to the Ministry of Non-Ferrous Metallurgy (Mintsvetmet), was headquartered on Prospekt Kalinina in Moscow. In 1979, the Chief of Soyuzzoloto was Petr Trofimovich ((Zhmurko)) and total employees of Soyuzzoloto at its headquarters location numbered approximately 150. Within Mintsvetmet, Soyuzzoloto had the status of a main administration (glavk).

2. Mintsvetmet established five-year and annual All-Union plans for gold mining, and Soyuzzoloto was responsible for meeting them. In 1978, the annual All-Union plan called for the mining of 308 metric tons (mt) of gold at .999 percent purity. In that year, as in almost all others during the 1970's, Soyuzzoloto fulfilled its plan. [REDACTED] Comment: Source could not recall a year in which Soyuzzoloto failed to fulfill its plan, but he was not sufficiently certain to assert that at no time during the 1970's did it fall short.) According to a person who continued to be employed in Soyuzzoloto through 1981, the plan for 1981 was 318 mt. [REDACTED] Comment: The increase in plan from 1978 was probably realistic because Soyuzzoloto had a good record of meeting its plans. In addition, for subsequent years, additional increases should be possible because of the new find on Novaya Zemlya, which employees of Soyuzzoloto said is extremely rich. Moreover, Mintsvetmet was allowing the Artel System to expand at the expense of the state-operated mines of the State Mining System, and the former was historically much more efficient than the latter.)

3. Throughout the period 1974-1979, the Artel System (Staratel'skaya Sistema Dobychi) grew steadily at the expense of the State Mining System (Gosudarstvennaya Sistema Dobychi). The State System typically worked a gold field which was divided into at least three sections (uchastki) with 600 employees each. Of the employees, approximately 100 were administrators or support personnel and 500 were miners; depending upon seniority and bonuses,

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the latter earned between 200 and 300 new rubles per month. Unlike the 1940's and 1950's, almost all of these employees were free laborers (vol'no-nayemyye rabochiye) rather than prisoners. On average during the 1970's, one gram of gold cost from 16 to 18 rubles to produce under the State Mining System. The typical artel, on the other hand, had about 500 workers, of whom only 10 were administrators. It bought and maintained its own equipment, unlike the field of the State Mining System, and the artels as a whole were noted for the speed with which they repaired their equipment and for its generally good condition. In 1978, artels were selling gold to Soyuzzoloto for only five to six rubles per gram and were paying their workers an average of more than 1000 rubles per month. The total share of gold produced by artels reached 35 percent in 1978 (up from zero in 1953), and senior officials of Soyuzzoloto expected that the artel share would reach 50 percent by 1984.

4. Despite their glaringly superior productivity, artels were opposed by some officials of Mintsvetmet and Soyuzzoloto on the grounds that they were a capitalist system of production. [REDACTED] Comment: This was obviously true.) Another source of constant irritation was that the most proficient workers of the State Mining System quit, whenever they could, to switch to artels in order to quadruple or quintuple their wages. Within Mintsvetmet, the [REDACTED] official whose support of artels turned out to be crucial to their growth during the 1970's was Vladimir Ivanovich ((Lezhkov)), who acted as Premier Aleksey N. Kosygin's referent for gold mining.

5. The very first artel in the Soviet gold mining industry was created in 1951 or 1952 at the Chelbanya Gold Field (Priisk), located approximately 12 kilometers (km) to the west of Susuman in Siberia. While a totally new organizational form, this artel did have an antecedent at Chelbanya itself: free labor (vol'no-nayemyye rabochiye) as opposed to prisoner labor. During the period 1950-1953, the Chelbanya Gold Field was subdivided into four geographical sections: Section 1 (l-yy), Section 2, Section 3 and the Zhelaniye Section, which was named after a stream which flowed through it. At each of the first three sections, Chelbanya employed approximately 2000 prisoners, while at the Zhelaniye Section, it employed only about 1000 free workers; despite the disparity, the output of Zhelaniye was approximately the same as the output at each of the first three sections because the free labor force was much more efficient. The free workers of the Zhelaniye sector were former prisoners who had completed their prison sentences, but were still subject to internal exile for several years. Six of these workers were [REDACTED]

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organized as an artel on the following three basic conditions: they would pay their own salaries; they would buy and maintain their own equipment; and they would sell gold to the state at a price of one-third that of the rest of the Chelbanya Gold Field.

6. By way of comparison, gold mined by the prisoners in Sections 1, 2 and 3 of Chelbanya from 1950-1953 cost about eight old rubles per gram to produce, and gold produced by the free workers of the Zhelaniye Section cost about six old rubles per gram. The prisoners were unpaid, while the free workers of the Zhelaniye Section earned between 1000 and 2000 old rubles per month. All mining was from shallow drafts, none of which was deeper than 50 meters (m). Mining operations occurred only during the four summer months; it was too cold during the remainder of the year. The purity was .820 to .880, and costs were calculated per gram at that purity. However, Chelbanya's annual plan, which was three and one-half mt of gold during the years 1950-1953, was stated in gold of a purity of .999. Chelbanya's production was picked up twice each week and trucked, under guard, to Magadan. From there, it was flown to a refinery in Novosibirsk. Officials of the Chelbanya field could not tell how much .999 purity gold they had mined each week until the Novosibirsk refinery notified them.

7. Another Siberian field, the Perspektivnyy Gold Field, mined about two and one-half mt of gold per year during the period 1953-1955. Located about five km south of Susuman, it employed about 1500 prisoners and 1500 free workers. It mined by surface drag lines and washed its ore with high pressure hoses.

8. During the late 1930's and early 1940's, supply of the very large number of gold fields in the Magadan area was greatly hampered by the poor road network. Accordingly, the single largest construction project in the area from 1940-1947 was a 600 km road linking Susuman and Khandyga. The project was handled by a Ministry of Internal Affairs (MVD) administration called UDORLAG (Upravleniye Dorogami Lageryey, i.e., Administration of Roads for Camps). UDORLAG's headquarters was located at Adigkhalakh, which was located about halfway between Susuman and the village of Myakit on the road. All labor used on the project consisted of prisoners; about 400,000 prisoners from 60 camps worked on the road. As the project developed, a prison camp was built about every 10 km along the road, and its prisoners were responsible for construction along the five km on each side of their camp.

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9. Actual supply of the camps and the gold mines during the 1940's in the Magadan area was handled by an MVD administration called KOLYMSNAB (Kolyma Snabzheniye, i.e., Kolyma Supply). The goods which KOLYMSNAB procured were transported for it to the various mines and camps by another MVD administration called TRANSLAG (Transport Lageryey, i.e., Transport for Camps). The headquarters of TRANSLAG was in the village of Myakit between Susuman and Khandyga.

10. In 1944, the U.S. envoy Sumner ((Wells)) visited TRANSLAG's headquarters in Myakit on an inspection of the gold fields with the aim of ascertaining whether gold production would be sufficient to repay U.S. Lend-Lease. His visit was coordinated by Colonel (FNU) ((Markov)), Chief of Translag. Markov ordered very extensive preparations in advance of Wells' visit. All prison camps within sight of the roads on which Wells would travel were dismantled, including all fences and guard facilities. On the actual day Wells arrived, all prisoners were marched deep into the taiga, out of sight. Because Wells was to visit the Komsomol'sk Gold Field, the director of that field was ordered to allow several days' worth of panned gold to accumulate in his screens, and he was to inform Wells that the total amount visible in the screens had been produced on the day of the visit. Also on that day, all prisoner workers at the field were dressed in civilian clothes. Most important to Markov, all evidence that the prisoner-miners were receiving U.S. rations was obliterated, because the rations were supposed to be destined only for military units. In fact, during much of 1944 the gold miner-prisoners were being fed Lipton tea, white bread from U.S. flour and U.S. canned meat and vegetables. *(Comment: This attests to the extreme importance which Soviet authorities placed on gold mining.)* Wells expressed satisfaction with his visit to Colonel Markov. Shortly after Wells left, Markov was promoted to the position of Secretary of the Oblast' Party Committee in Chukhotsk.

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