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# WITHDRAWAL SHEET

## Ronald Reagan Library

**Collection Name** MATLOCK, JACK: FILES

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JET 5/6/2005

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**FOIA**

F06-114/7

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YARHI-MILO

2506

ID	Doc Type	Document Description	No of Pages	Doc Date	Restrictions
9667	CABLE	131503Z JUL 82 <b>R 7/7/2008 NLRRF06-114/7</b> DOCUMENT PENDING REVIEW IN ACCORDANCE WITH E.O. 13233	3	7/13/1982	B1
9668	MEMO	HUGH MONTGOMERY/ROBERT BLACKWILL RE SOVIET VULNERABILITY TO ECONOMIC SANCTIONS ACCORDING TO THE CENSUS BUREAU <b>R 7/7/2008 NLRRF06-114/7</b>	1	7/14/1982	B1
9659	PAPER	CENSUS STUDY RE USSR TRADE <b>R 10/23/2018 M2018/1</b>	1	7/14/1982	B1
9669	PAPER	USSR: ECONOMY SPITTERS ALONG <b>R 7/7/2008 NLRRF06-114/7</b>	1	8/16/1982	B1
9660	COVER SHEET	ROGER ROBINSON RE AGRICULTURAL EXPORTS <b>PAR 5/7/2013 F2006-114/7</b>	1	10/29/1982	B3
9661	MEMO	TO ROGER ROBINSON RE EUROPEAN COMMUNITY AGRICULTURAL EXPORTS TO USSR <b>PAR 5/7/2013 F2006-114/7</b>	1	10/29/1982	B3
9662	PAPER	EUROPEAN COMMUNITY: AGRICULTURAL EXPORTS TO THE USSR <b>PAR 5/7/2013 F2006-114/7</b>	5	10/29/1982	B1 B3

Freedom of Information Act - [5 U.S.C. 552(b)]

- B-1 National security classified information [(b)(1) of the FOIA]
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ID	Doc Type	Document Description	No of Pages	Doc Date	Restrictions
9663	MEMO	PIPES TO CLARK RE EUROPEAN INVOLVEMENT IN BUILDING IN SOVIET UNION THE WORLD'S LARGEST SULFUR PLANT <b>PAR 5/7/2013 F2006-114/7</b>	1	11/18/1982	B1 B3
9671	CABLE	161836Z NOV 82	1	11/16/1982	B1
9672	CABLE	071648Z JAN 83	1	1/7/1983	B1
9673	CABLE	171221Z JAN 83	4	1/17/1983	B1
9664	PAPER	USSR: ECONOMIC PERFORMANCE MIXED IN 1982 <b>R 10/23/2018 M2018/1</b>	1	2/2/1983	B1
9665	CABLE	032225Z FEB 83 <b>PAR 3/16/2011 F2006-114/7</b>	1	2/3/1983	B2 B3
9666	PAPER	ANDROPOV ON ECONOMICS AND IDEOLOGY <b>R 10/23/2018 M2018/1</b>	1	2/24/1983	B1
9670	CABLE	231830Z FEB 83 <b>R 7/7/2008 NLRRF06-114/7</b>	3	2/23/1983	B1

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EXDIS

STATE FOR JAMES BUCKLEY, PASS TO NSC FOR WILLIAM CLARK,  
COMMERCE FOR OLMER, DEFENSE FOR FRED IKLE  
E. O. 12065: GDS 7/12/88 (GALBRAITH, EVAN G. ) OR-M  
TAGS: PGOV, ETRG, FR  
SUBJ: THE STRATEGIC JUSTIFICATION FOR PIPELINE SANCTIONS  
REF: PARIS 23676

DECLASSIFIED  
NLRR F06-114/7 <sup>d9667</sup>  
BY Cd NARA DATE 7/7/08

1. (S - ENTIRE TEXT)

2. IT WOULD APPEAR FROM CONVERSATIONS I HAVE HAD IN FRANCE THAT THE STRATEGIC IMPACT OF OUR PIPELINE SANCTIONS IS NOT WIDELY UNDERSTOOD. I SET FORTH MY ANALYSIS OF OUR STRATEGY, INVITING COMMENT.

3. THE BACKGROUND IS THAT THE SOVIET ECONOMY IS IN TROUBLE. APART FROM THE SYSTEM ITSELF THERE ARE SEVERAL PROBLEMS: THERE IS A SERIOUS SHORTAGE OF FOREIGN CURRENCY IN RELATION TO THEIR EXPANSIONARY FIVE YEAR PLANS. IN COMMERCIAL TERMS A RAPID EXPANSION WAS COMMITTED FOR BASED ON A CASH FLOW WHICH HAS NOT MATERIALIZED, I. E. LIKE BRANIFF AIRWAYS THEY EXTENDED THEMSELVES AT THE WRONG TIME. THE CASH FLOW IS DOWN BECAUSE OF THE DROP IN SPOT OIL PRICES, AS WELL AS PRICES OF DIAMONDS, GOLD AND OTHER RAW MATERIALS. POOR HARVESTS, POLAND, AND EASTERN EUROPEAN RESCHEDULING HAVE AGGRAVATED THE SITUATION. CONSEQUENTLY, THE CREDIT STANDING OF THE SOVIET UNION IS UNDER SEVERE SCRUTINY AND IT IS UNLIKELY THAT A BALANCE OF PAYMENTS LOAN BASED ON THE CREDIT OF THE SOVIET UNION COULD BE ARRANGED TODAY.

4. THE CURRENT SOVIET PLAN IS TO INCREASE THEIR GAS PRODUCTION BY ABOUT 50 PCT. ONLY ABOUT 15 PCT. OF THIS INCREASE WILL GO TO WESTERN EUROPE, WHILE 85 PCT. WILL BE USED TO ENERGIZE SOVIET INDUSTRY WITH GAS. THIS CHANGEOVER TO GAS WILL NOT ONLY COMPENSATE FOR FALLING OIL PRODUCTION AND ALLOW FOR OIL TO BE EXPORTED, IT WILL SET THE BASE FOR FURTHER INDUSTRIAL EXPANSION WHICH WOULD OTHERWISE NOT BE POSSIBLE. IN OTHER WORDS THE SOVIET EXPORTS OF GAS ARE GOING TO PAY FOR THE PIPELINE WHICH WILL TRANSFORM AND EXPAND THE SOVIET ENERGY BASE WHICH IN TURN SHOULD HAVE A PROFOUND BENEFICIAL EFFECT ON SOVIET INDUSTRIAL AND MILITARY CAPABILITY. I REALIZE I MAY BE OVERSTATING THE SIGNIFICANCE OF THE PIPELINE AND

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PAGE 02 OF 02 PARIS 3921

DTG: 131503Z JUL 82 PSN: 002257

THAT MANY OTHER FACTORS CAN DETERMINE THE ECONOMIC SUCCESS OR FAILURE OF THE SOVIET UNION, BUT THE DEVELOPMENT OF SOVIET NATURAL GAS IS WITHOUT DOUBT ONE OF THE MOST IMPORTANT EVENTS IN THE ECONOMIC HISTORY OF THE SOVIET UNION.

5. THE SOVIET SYSTEM IS STRAINED AND TO BUILD THIS PIPELINE THE SOVIETS MUST IMPORT MATERIALS SUCH AS LARGE PIPE AND LARGE COMPRESSORS. DENYING THEM PRODUCTS SUCH AS ROTORS WHICH COME FROM GE TECHNOLOGY REQUIRES THE SOVIETS TO DO SOMETHING ELSE LIKE REDESIGN, REDIRECT THEIR OWN CAPACITIES, PROCURE ELSEWHERE, ETC.; THIS MEANS DELAYS, AND WHEN THEIR CASH FLOW IS DOWN AND THEIR CREDIT STANDING IS FADING, DELAYS COULD MEAN SERIOUS PROBLEMS. THE PIPELINE COULD BE DELAYED BEYOND THE PERIOD NEEDED TO COMPENSATE FOR THE ROTORS. THE QUESTION I POSE IS WHY SHOULD THE UNITED STATES BAIL THE SOVIET UNION OUT OF ITS PROBLEMS BY ALLOWING IT THE USE OF OUR TECHNOLOGY?

6. THE CONTRACTED-FOR GAS EXPORTS TO EUROPE WILL PROBABLY BE MET EVEN THOUGH THE PIPELINE IS DELAYED BUT ONLY BY DRAWING GAS FROM SOME OTHER USE IN THE SYSTEM, ALL OF WHICH ADDS TO THE OVERALL STRAIN. NOR WILL THE CASH THAT COMES FROM THESE EXPORTS OF GAS SOLVE THEIR PROBLEMS BECAUSE MOST OF IT WILL BE DEVOTED FOR SEVERAL YEARS TO PAYING FOR THE NEW PIPELINE.

7. I DO NOT LOOK UPON THIS ISSUE AS ONE OF EUROPEAN DEPENDENCY (UNLESS THERE IS A THIRD SOVIET TRANCHE TO EUROPE, I. E., A SECOND PIPELINE). NOR IS THE DOLLARS 8 TO 10 BILLION NEW CASH GENERATED BY GAS SALES TO EUROPE THE RANKING PRIORITY OF CONCERN, BAD AS IT IS, BECAUSE THAT CASH WILL BE USED FOR

SEVERAL YEARS TO PAY FOR THE IMPORTED MATERIALS. THE IMPORTANT POINT IS THE SOVIETS ARE IN ECONOMIC TROUBLE BECAUSE OF THEIR OWN DOING AND THEIR OWN SYSTEM AND THE UNITED STATES IS PERFECTLY JUSTIFIED IN NOT CHOOSING TO HELP THEM MAKE THE QUANTUM LEAP FORWARD THAT WILL COME FROM THEIR EXPANDED USE OF GAS. OUR POLICY NEED NOT BE CHARACTERIZED AS ECONOMIC WARFARE; IT IS SIMPLY A DECISION NOT TO BAIL THEM OUT  
BT

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EXDIS  
STATE FOR JAMES BUCKLEY, PASS TO NSC FOR WILLIAM CLARK,  
COMMERCE FOR OLMER, DEFENSE FOR FRED IKLE  
OF THEIR TROUBLE OR SUPPORT THEIR EXPANSION, TAKEN  
AT A TIME WHEN THEIR AGGRESSIVENESS AROUND THE WORLD  
CONTINUES.

8. I THINK IT IMPORTANT EUROPEANS UNDERSTAND  
WHAT WE HOPE TO GAIN BY AN ECONOMICALLY WEAKENED  
SOVIET UNION. IN MY OPINION THEIR ABILITY TO  
SUPPORT EXTERNAL SUBVERSION AND AGGRESSION, I. . E. G. ,  
CUBA, ETHIOPIA, YEMEN, VIETNAM, EL SALVADOR,  
NICARAGUA, AFGHANISTAN COULD BE SEVERELY LIMITED.  
SECOND, THE SOVIETS MIGHT BE FORCED BY INTROSPECTION  
AND COMPARISON TO MODIFY THE NATURE OF THEIR  
ECONOMIC SYSTEM.  
GALBRAITH  
BT

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DEPARTMENT OF STATE  
INFORMATION MEMORANDUM

S/S

~~CONFIDENTIAL~~

36605  
James Norton  
out to State  
McNamee  
Census Bureau  
Sweet & Curry

July 14, 1982

TO: The Acting Secretary  
FROM: INR - Hugh Montgomery  
EUR - Robert D. Blackwill, Acting  
SUBJECT: Soviet Vulnerability to Economic Sanctions According to the Census Bureau

The Census Bureau's press release (July 12) citing the results of a study (which concludes that Soviet imports in 1980, if expressed in domestic prices, would be equal to 20 percent of Soviet national income) exaggerates the USSR's vulnerability to trade sanctions.

\* \* \*

The figures used in the study must be placed in perspective.

- First, Soviet national income (Marxist concept) was about 75 percent of Soviet GNP (Western concept) in 1980. Thus, total Soviet imports would be equivalent to 15 percent of Soviet GNP in 1980, according to the methodology used in the study. In comparison, imports accounted for about 10 percent of US GNP in 1980.
- Second, more than 53 percent of Soviet imports in 1980 were from other communist countries. Another 15 percent were from countries that are not likely to go along with trade sanctions against the USSR: 6.7 percent from the four European neutrals (Austria, Finland, Sweden, and Switzerland); 4.4 percent from seven less developed countries (Afghanistan, Ethiopia, Iran, Iraq, India, Libya, and Syria) that are closely aligned with or sympathetic towards the USSR; and 3.6 percent from three LDCs (Argentina, Brazil, and Thailand) that took advantage of the partial US grain embargo to promote their own agricultural exports. Another 3.5 percent of Soviet imports came from more than thirty-five LDCs.
- This leaves only about 29 percent of Soviet imports in 1980, the equivalent of roughly 4 percent of Soviet GNP, that originated in eighteen "non-neutral Developed

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NLRR Feb-11/4/7 #9468  
BY CU NARADATE 7/7/08

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-2-

Western nations" (including the United States). Recent efforts have demonstrated the difficulty--if not impossibility--of arriving at a unified trade policy toward the USSR even within this latter group.

As CIA noted in its critique of the press release, much of the estimated rise in the share of imports in Soviet national income--from 9 percent in 1970 to 20 percent in 1980--resulted from a faster rate of inflation in Soviet foreign trade than in Soviet domestic production. (Soviet domestic prices were not adjusted for inflation). CIA concluded that if 1970 prices were used for the entire period, imports probably would not have accounted for more than 12 percent of Soviet national income in 1980 (or 9 percent of Soviet GNP).

Accordingly, imports from the eighteen non-neutrals in 1980 would have been the equivalent of only 2.6 percent of Soviet GNP. This does not make a convincing case for Soviet vulnerability to economic sanctions, even if all eighteen countries were to cooperate in trade sanctions.

From what we have seen of the Census study, we agree with CIA that on balance it makes a significant contribution to research on Soviet foreign trade pricing. But it is worth noting that the authors themselves caution that any comprehensive analysis of the role of foreign trade in the Soviet economy is beyond the scope of their study, and that any attempt to assess the real importance of foreign trade "is probably impossible or at least very difficult because of the absence of the necessary data."

Drafted by: INR/EC/CER:JTDanylyk:bjm  
x29128 7/14/82

Clearance: INR/EC - Emil P. Ericksen  
EUR/SOV - Thomas W. Simons

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NLRR M2018 #9659  
BY AW NARA DATE 10/23/18



BUREAU OF INTELLIGENCE AND RESEARCH - ANALYSIS - AUGUST 16, 1982

1. USSR: ECONOMY SPUTTERS ALONG

Soviet industry turned in another disappointing performance during the first half of the year with output growing by 2.7 percent, little more than half the planned annual rate. The likelihood of a fourth consecutive harvest failure points to more problems ahead, particularly for Soviet consumers. But Moscow also improved its hard currency position during the first quarter and maintained access to needed credits despite heightened East-West tensions.

\* \* \*

Industrial output accelerated during the second quarter to help close the gap between planned and actual performance. Continued improvement is possible during the remainder of the year. It will not be enough, however, to overcome the USSR's serious systemic problems or the chronic difficulties in key industries (e.g., coal and metallurgy), whose shortcomings have a ripple effect throughout the economy. Nonetheless, the Soviet economy should register real growth this year.

The USSR continues to have difficulty with its energy sector. Oil production has leveled off at roughly 12 million barrels per day since September 1980. Coal output has picked up marginally this year but is unlikely to emerge from the doldrums of the past three years. Natural gas continues to account for nearly all the USSR's incremental energy output.

CIA currently projects this year's Soviet grain harvest at 165 million metric tons (mmt), some 70 mmt below plan. Moscow is expected to import some 45 mmt in the marketing year ending June 1983, matching last year's record grain imports. This will not be enough to prevent distress slaughtering, with ominous implications for Brezhnev's food program. The supply situation, particularly for meat and dairy products remains poor, and spontaneous demonstrations are reported to have occurred in a number of cities protesting food shortages.

On the positive side, Soviet hard-currency exports jumped 50 percent in value during the first quarter while imports fell somewhat. The resulting \$1.3 billion trade deficit was only one-third the size of the deficit incurred during the first quarter of 1981. Meanwhile, Moscow's net debt to Western banks, as reported by the Bank for International Settlements, rose only \$0.5 billion during the first quarter compared with end of year 1981. (This contrasts with a \$3.6-billion increase a year earlier.)

Because of continuing soft prices for oil and gold, the Soviets are increasingly dependent on short-term credits to finance grain imports. They already have obtained \$100 million of the \$500 million currently being sought from US banks to finance purchases from the US and have an offer for another \$20 million at attractive rates. Most notable among other offers are the \$1-billion package with government guarantees from Canada and a \$150 million commercial credit from the Australians.

NLRR folo-114/7 #9669  
BY CW NARA DATE 7/7/88

AM-SOVIETS 10-23

## SOVIETS SUFFER 9-MONTH SLUMP IN ECONOMY

BY MATHIS CHAZANOV

MOSCOW (UPI) -- OFFICIAL FIGURES RELEASED SATURDAY IN THE OFFICIAL NEWSPAPER PRAVDA CONFIRMED SOVIETS HAVE SUFFERED A 9-MONTH SLUMP IN THE GROWTH OF THEIR ECONOMY.

WESTERN ANALYSTS SAID THE PRAVDA REPORT WAS IN LINE WITH FIGURES THE SOVIETS PUBLISHED EARLIER THIS YEAR, WITH INDUSTRIAL PRODUCTION GROWING ONLY 2.7 PERCENT COMPARED WITH 3.4 PERCENT LAST YEAR. THE PLAN TARGET FOR 1982 WAS 4 PERCENT.

ANOTHER KEY FACTOR, PRODUCTIVITY OF LABOR, WAS ALSO BELOW EXPECTATIONS, GROWING AT 2 PERCENT.

WESTERN EXPERTS SAY PRODUCTIVITY OF LABOR -- WHICH MEASURES HOW EFFECTIVELY THE AVERAGE WORKER IS DOING HIS JOB -- WILL HAVE TO INCREASE IF SOVIET INDUSTRY IS TO COPE WITH A DECLINE IN GROWTH OF THE RUSSIAN-SPEAKING POPULATION.

THERE WERE BRIGHT SPOTS IN THE 9-MONTH REPORT ISSUED BY THE CENTRAL STATISTICAL BOARD OF THE U.S.S.R., ESPECIALLY THE ENERGY SECTOR.

OUTPUT OF NATURAL GAS TOTALLED 386 BILLION CUBIC METERS, 108 PERCENT OF WHAT IT WAS AT THE SAME POINT LAST YEAR.

ELECTRICITY WAS 997 BILLION KILOWATT-HOURS, 103 PERCENT OF THE 1981 FIGURE, AND COAL WAS 539 MILLION TONS, 102 PERCENT OVER THE PREVIOUS MARK.

OIL HELD STEADY AT 456 MILLION TONS, OR NINE MILLION BARRELS A DAY, JUST TWO-TENTHS OF A PERCENTAGE POINT OVER 1981.

BUT OTHER IMPORTANT SECTORS OF THE ECONOMY WERE DOWN, INCLUDING THE TROUBLED TRANSPORTATION SECTOR, WHERE OUTPUT OF RAILROAD FREIGHT CARS WAS 97 PERCENT OF WHAT IT WAS IN SEPTEMBER 1981.

PRODUCTION OF MINERAL FERTILIZER WAS 103 PERCENT OF THE PREVIOUS FIGURE AND CHEMICAL HERBICIDES ALSO REGISTERED AN INCREASE OF FIVE PERCENTAGE POINTS, REFLECTING THE HIGH PRIORITY OF THE AGRICULTURAL SECTOR AFTER FOUR BAD GRAIN HARVESTS IN A ROW.

DESPITE THE INCREASE, MINERAL FERTILIZER PRODUCTION DID NOT MEET ITS PLANNED TARGETS.

A STATEMENT BY THE COUNCIL OF MINISTERS A WEEK AGO CALLED FOR STRICT CONSERVATION OF ENERGY RESOURCES DESPITE THE INCREASES IN GAS, COAL AND ELECTRICITY PRODUCTION.

IT SAID THE RAILROAD INDUSTRY WAS NOT FULFILLING ITS OBLIGATIONS FOR FREIGHT HAULING.

ANALYSTS SAID THIS INDICATED THAT THE SOVIET UNION, THE WORLD'S LARGEST PETROLEUM PRODUCER, WAS CONCERNED ABOUT LEVELLING-OFF OF PRODUCTION AS SUPPLIES BECAME HARDER TO FIND AND EXPLOIT.

THE MINISTERS SAID "EXISTING INADEQUACIES IN LEADERSHIP" AND "WEAKENED CONTROLS" WERE RESPONSIBLE FOR SHORTFALLS IN VARIOUS



~~CONFIDENTIAL~~

Central Intelligence Agency



Washington, D.C. 20505

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NLRR F06-114/7 #9661

BY KAL NARA DATE 5/7/13

29 October 1982

MEMORANDUM FOR: Mr. Roger Robinson  
Staff Member  
National Security Council

FOIA(b)(3)

FROM :

[Redacted]

SUBJECT : European Community Agricultural Exports  
to the USSR

1. In response to your request of 27 October, I am forwarding the attached paper, European Community: Agricultural Exports to the USSR. In addition to explaining recent export trends and the Community's export subsidy system, the paper includes tables showing EC and US agricultural exports to the Soviet Union for the period 1971-1981. As you suspected, the EC sold more agricultural goods to the Soviet Union than did the United States in both 1980 and 1981.

2. If you have any further questions on this subject, please call me [Redacted]

[Redacted]

Attachment:  
As Stated

Memorandum is CONFIDENTIAL  
when separated from attachment

EUR M 82-10118

[Redacted]

[Redacted]

~~CONFIDENTIAL~~

[Redacted]

~~CONFIDENTIAL~~ [redacted]

Central Intelligence Agency



Washington, D.C. 20505

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NLRR E06-114/7#9662

BY KML NARA DATE 5/7/13

DIRECTORATE OF INTELLIGENCE

29 October 1982

European Community: Agricultural Exports to the USSR

FOIA(b)(1)

FOIA(b)(3)

Introduction

Traditionally the European Community has been a relatively small supplier of agricultural goods to the USSR. Prior to 1980, the EC accounted for less than 5 percent of total Soviet agricultural imports. By the end of 1981, the share had risen to about 10 percent. US exports, on the other hand, have declined. In the late 1970's, the United States provided roughly 20 percent of Soviet agricultural imports; by 1981, this share had dropped to less than 10 percent. As a result of these trends, EC sales of agricultural goods to the USSR exceeded sales by the United States in both 1980 and 1981. [redacted]

Historical Trends

Throughout most of the 1970s, the USSR was an insignificant agricultural market for the EC. Annual agricultural sales to the Soviet Union usually amounted to only \$200-\$300 million and accounted for only about 2 percent of total EC agricultural exports outside the Community. At the turn of the decade, however, EC agricultural exports to the Soviet Union ballooned.

This memorandum was prepared by [redacted]

[redacted] Office of European Analysis, in response to a request from Roger Robinson, National Security Council. Questions and comments may be addressed to the Chief [redacted]

EUR M 82-10118

[redacted]  
~~CONFIDENTIAL~~ [redacted]

By 1981, sales reached nearly \$2 billion. Although EC agricultural exports to other countries also grew considerably over the past few years, the share going to the Soviet Union expanded to about 8 percent by 1981. The USSR is now the Community's second largest export market. The United States is still the largest, but only by about \$100 million. [redacted]

The jump in EC agricultural exports to the USSR has occurred primarily for two reasons: (a) the growth in EC agricultural production has outpaced domestic consumption, causing the Community's exportable surplus of agricultural commodities to continue to grow; (b) beginning with the US embargo of grain exports to the USSR in 1980, the Soviets have diverted grain orders to other suppliers. [redacted]

EC agricultural production has been stimulated both by structural improvements in the use of land, labor, and capital and by the Community's Common Agricultural Policy (CAP), the overall goal of which is to improve self-sufficiency in essential foodstuffs. From the early 1960's to the late 1970's, the yield of wheat per hectare climbed 57 percent in the EC, with France's gain--70 percent--being the largest. Primarily through continual increases in CAP minimum price supports for pork and poultry, production of these commodities has grown more than 60 percent and 250 percent respectively over the past 15 years.

By the late 1970's, the EC had largely achieved self-sufficiency in foodstuffs for human consumption. Substantial surpluses, which are purchased and stored at Community expense, have developed in dairy products, meat, sugar as well as grains. In an attempt to reduce costs, the EC has increased efforts to sell surplus products in international markets, and the Soviet Union has become an important outlet. In dairy products, for example, the Soviet Union is the only major commercial world market willing to buy surplus EC butter. [redacted]

The US grain embargo of 1980 and 1981 also led to increased EC agricultural sales to the USSR. By international standards the EC remains only a marginal grain exporter. Nevertheless, EC grain exports to the USSR grew from .2 million tons in 1979 to almost 2 million tons in 1981 and likely will rise again in 1982. [redacted]

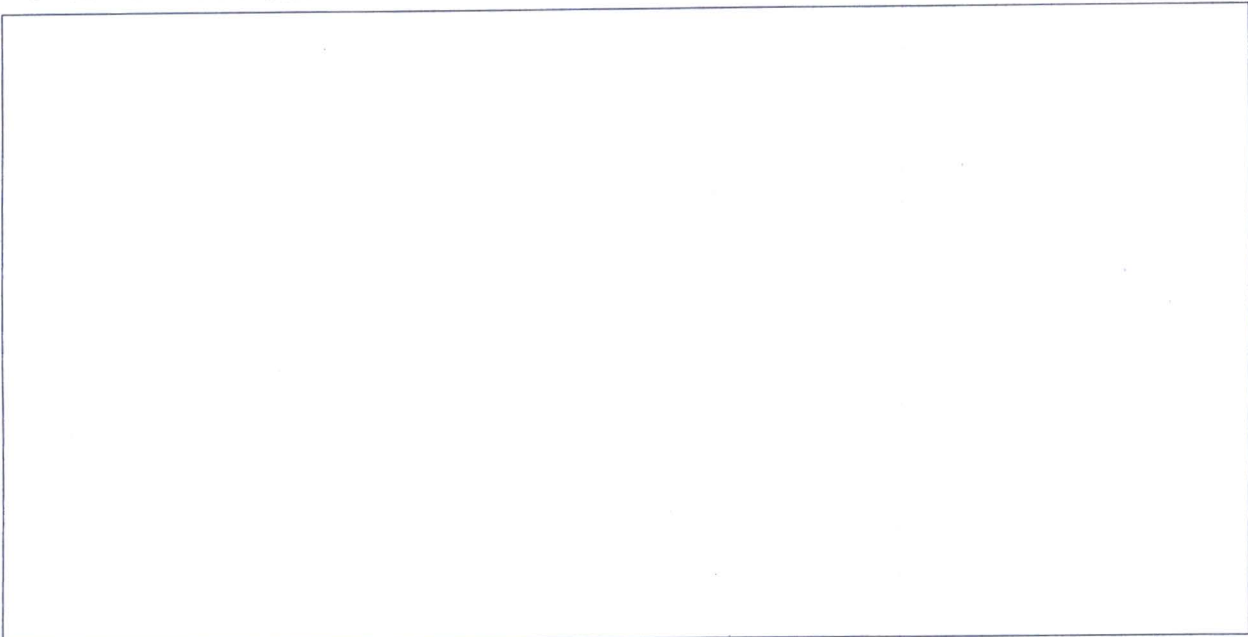
Grain is only one of a number of agricultural goods the EC exports to the USSR. Traditionally, sales of sugar, meat and meat products, and dairy products together have been much more important than have sales of grain. The 1979 jump in EC farm sales was composed entirely of increases in these three commodity

groups while grain exports declined to less than half of 1978 levels. In 1980, however, EC grain exports increased nearly tenfold but were still less than half of United States grain exports that year. Agricultural goods make up about 20 percent of total EC exports to the USSR. [redacted]

France is the single largest EC exporter of farm goods to the USSR, constituting 35-40 percent of the total, and is by far the largest EC exporter of wheat and a sizable exporter of sugar. Germany's exports, in second place, are composed largely of animal feeds, other cereals, sugar, and meat. Dutch export data should be viewed with some caution; sizable transshipments through Rotterdam may distort country of origin information. [redacted]

In contrast, an average 95 percent of U.S. farm sales to the USSR are grains, and agricultural sales accounted for about 70 percent of total U.S. exports in 1980. The United States has not exported any meat or dairy products and only very small amounts of sugar to the Soviet Union in recent years. [redacted]

Recent Developments



The Subsidy Issue

Nearly all EC agricultural exports receive substantial subsidies, and exports to the Soviet Union are no exception. These non-discriminatory export refunds are offered by the Ten to enable EC goods to compete on world markets; they are not

intended to subsidize the economic development of the importing country or to bring EC agricultural export prices below the prevailing world market price. [redacted]

Export subsidies are an integral element of the EC's Common Agricultural Policy (CAP), a comprehensive program designed to support farm income within the Ten. The Community annually sets minimum support prices on many agricultural products and pledges to buy any farm production at this intervention price. Agricultural export subsidies offset the difference between the internal EC farm prices and generally lower world market prices. [redacted]

Although export refunds are only one type of aid available to EC farmers, they now account for nearly one-half of all EC spending on agriculture. For the past three years EC export refunds have cost the Community over \$5 billion annually. Nearly 40 percent of these refunds subsidize the export of dairy products. Other subsidies go to grains (25 percent), sugar (15 percent), oils and fats (7 percent) and meat products (6 percent). We estimate that in 1981 the EC provided more than \$400 million in export subsidies on agricultural goods sold to the USSR. [redacted]

#### Eastern European Connection

Since the Soviet Union can buy directly from EC countries, it has no need to indirectly purchase EC agricultural goods via Eastern Europe. Moscow does not recognize politically the EC Commission, but instead deals directly with the individual EC countries. Nevertheless, the Commission has been forthcoming in awarding export subsidies on annual, one-time sales to the USSR.

In 1981 EC agricultural exports to Eastern Europe reached almost \$1.4 billion--about \$400 million less than agricultural exports to the USSR that year. Almost 60 percent of EC agricultural exports to Eastern Europe consisted of grains and meat; fish accounted for another 20 percent. Poland took just over 50 percent of agricultural sales to Eastern Europe; Romania 15 percent; East Germany 13 percent; and Czechoslovakia 10 percent. [redacted]



# AGRICULTURAL EXPORTS TO THE USSR

1971-1981

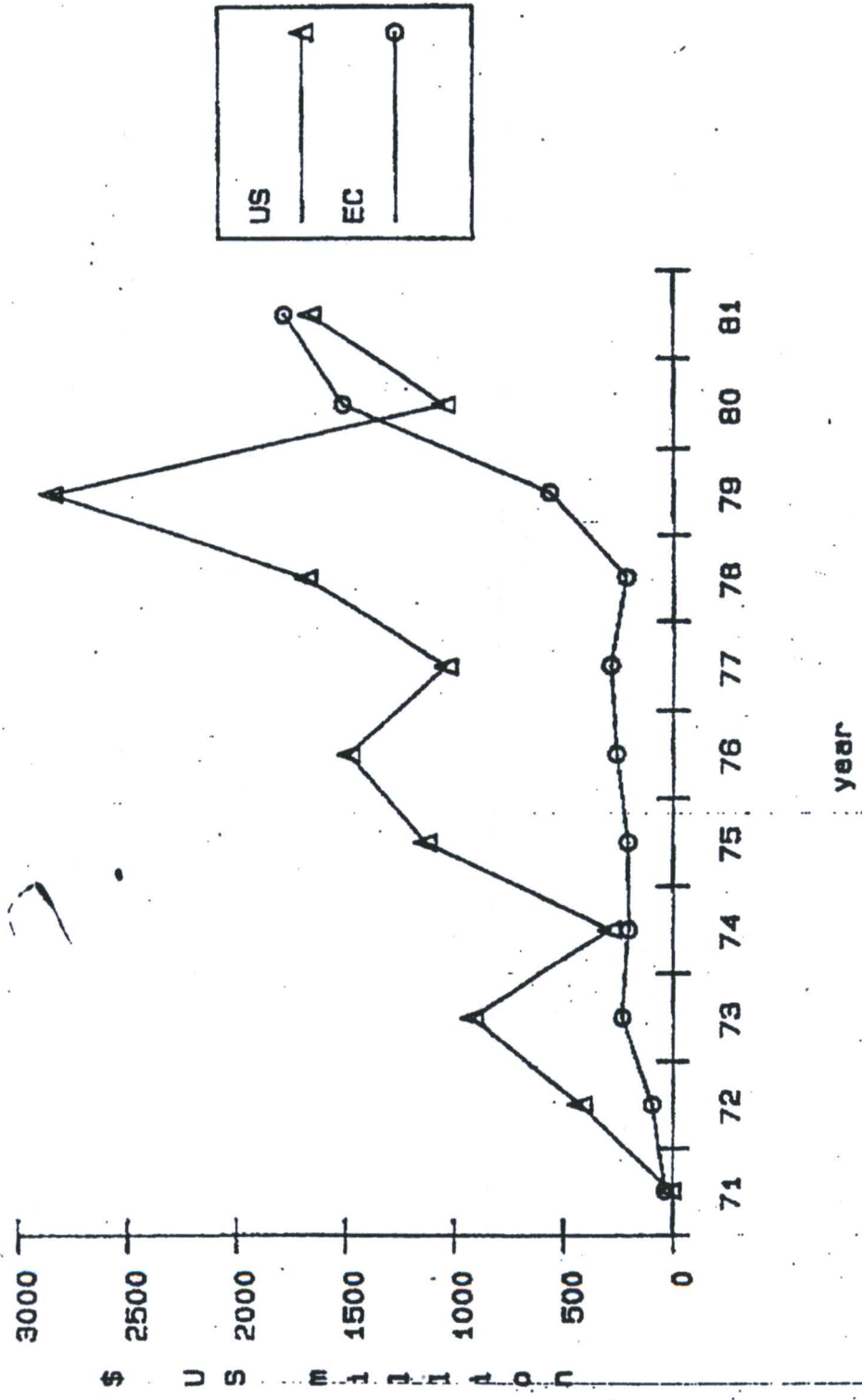


Table 1

European Community<sup>1</sup>: Agricultural Exports to the USSR  
By Major Commodity Group, 1971-1981

	Million US \$										
	<u>1971</u>	<u>1972</u>	<u>1973</u>	<u>1974</u>	<u>1975</u>	<u>1976</u>	<u>1977</u>	<u>1978</u>	<u>1979</u>	<u>1980</u>	<u>1981<sup>2</sup></u>
Total	38	99	233	203	206	257	285	214	560	1510	1780
Cereals	4	64	109	43	51	55	20	95	41	398	781
Meats, Fish	18	2	8	95	75	42	80	20	190	268	250
Fruit, Vegetables	9	8	3	7	7	11	11	8	10	13	31
Dairy	1	3	94	1	3	12	46	23	174	288	62
Coffee, Cocoa	1	3	7	20	22	24	24	4	0	1	7
Sugar	0	10	0	0	1	82	75	16	67	428	436
Wines	0	0	3	4	13	3	5	8	22	34	28
Other	5	8	9	32	35	28	23	39	55	79	184

Excludes Greece

Figures for 1981 do not include Denmark, Ireland, and the United Kingdom; these countries accounted for only 7 percent of EC agricultural exports to the USSR in 1980.

This table is UNCLASSIFIED

Table 2

European Community<sup>1</sup>: Agricultural Exports to the USSR  
By Country, 1971-1981

	Million US \$										
	<u>1971</u>	<u>1972</u>	<u>1973</u>	<u>1974</u>	<u>1975</u>	<u>1976</u>	<u>1977</u>	<u>1978</u>	<u>1979</u>	<u>1980</u>	<u>1981</u>
European Community	38	99	233	203	206	257	285	214	560	1510	1780 <sup>2</sup>
Belgium/Luxembourg	3	7	30	16	15	32	17	8	32	100	209
Denmark	4	2	9	5	3	8	27	9	33	26	NA
France	8	63	132	92	88	141	127	48	221	624	649
Ireland	0	0	0	18	20	2	4	2	38	43	NA
Italy	10	9	3	13	24	8	11	53	33	54	112
Netherlands	10	11	22	27	29	34	66	26	92	261	391
United Kingdom	4	2	1	3	5	5	7	53	41	37	NA
Germany	0	6	35	29	21	28	26	15	70	366	419

Excludes Greece

Total excludes Denmark, Ireland, and the United Kingdom.

This table is UNCLASSIFIED

Table 3

European Community<sup>1</sup>: Grain Exports to USSR, 1971-1981

	Million US \$										
	<u>1971</u>	<u>1972</u>	<u>1973</u>	<u>1974</u>	<u>1975</u>	<u>1976</u>	<u>1977</u>	<u>1978</u>	<u>1979</u>	<u>1980</u>	<u>1981</u> <sup>2</sup>
Total Grains	4	64	109	43	51	55	20	95	41	398	781
Wheat	0	17	27	0	0	0	0	0	1	110	NA
Rice	0	0	0	5	15	0	4	43	9	22	NA
Corn	3	0	0	0	0	0	10	1	2	4	NA
Mixed	0	0	1	2	0	0	3	0	7	116	NA
Soybeans	0	0	1	0	0	0	3	0	0	3	NA
Other Cereals	1	47	80	36	35	55	0	51	22	143	NA

<sup>1</sup>Excludes Greece.

<sup>2</sup>Figures for 1981 do not include Denmark, Ireland, and the United Kingdom.

This table is UNCLASSIFIED

Table 4

United States: Agricultural Exports to the USSR  
By Major Commodity Group, 1971-1981

	Million US \$										
	<u>1971</u>	<u>1972</u>	<u>1973</u>	<u>1974</u>	<u>1975</u>	<u>1976</u>	<u>1977</u>	<u>1978</u>	<u>1979</u>	<u>1980</u>	<u>1981</u>
Total	17	425	916	288	1131	1484	1037	1680	2852	1048	1665
Gains	14	421	905	278	1108	1472	1009	1634	2754	1048	1563
Meats, Fish	0	0	0	0	0	3	7	1	0	0	0
Fruit, Vegetables	2	1	5	8	7	9	19	21	19	29	29
Dairy	0	0	0	0	1		0	0	0	0	0
Coffee, Cocoa	0	0	0	0	0	0	0	0	0	0	0
Sugar	0	0	0	0	0	0	0	0	0	4	16
Wool	0	2	6	0	14	0	0	19	73	28	56
Other	1	1	0	1	1	1	1	1	5	3	0

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Table 5

## United States: Grain Exports to USSR, 1971-1981

Million US \$

	<u>1971</u>	<u>1972</u>	<u>1973</u>	<u>1974</u>	<u>1975</u>	<u>1976</u>	<u>1977</u>	<u>1978</u>	<u>1979</u>	<u>1980</u>	<u>1981</u>
Total Grains	14	421	905	278	1108	1472	1009	1634	2754	984	1563
Wheat	1	159	555	124	667	250	427	356	812	336	773
Barley	0	0	0	0	9	15	25	6	9	0	0
Rye	12	167	239	141	424	1078	397	1056	1402	602	782
Other Grains	0	0	0	1	0	0	2	0	7	0	0
Soybeans	0	52	67	0	3	125	159	216	493	46	8
Other Cereals	2	43	43	13	5	3	0	0	31	0	0

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- 2 -

SOV. Economy 20  
11/9/82

2. USSR: ECONOMY SLOWS BUT EXPORTS SURGE

The Soviet economy is expected to grow by 1-2 percent in 1982. The increase in industrial production will be the lowest since the end of World War II, and agricultural performance will be poor for the fourth consecutive year. Soviet consumers face the grim prospect of continued hard times, while Kremlin leaders confront difficult economic decisions.

\* \* \*

According to official statistics, Soviet industrial production increased by 2.7 percent during the first nine months of 1982, well below the planned annual rate of 4.7 percent. The economy was affected by chronic difficulties in key industries--oil, coal, metallurgy--and lagging construction. Labor productivity increased only 2 percent during this period (about half the planned annual rate). The persisting decline in the growth rate of productivity reflects the USSR's continuing failure to install new and more efficient equipment on schedule.

Oil production has remained at roughly 12.2 million barrels per day since September 1980. To achieve the 1982 target of 614 million metric tons, output will have to exceed 12.5 million barrels per day throughout the last quarter of the year. We doubt that such an increase can be sustained. Coal output is growing, but it is unlikely to attain the levels reached in 1977-78 any time soon.

Natural gas continues to be the one bright spot in the energy sector, if not the entire Soviet economy. Natural gas production, up 8 percent this year, accounts for nearly all of the USSR's incremental energy output. The Soviets should have little difficulty surpassing their 1982 target of 492 billion cubic meters.

To help ease their tight hard-currency position, the Soviets have increased exports by 37 percent--largely through increased oil sales to Western Europe and the recovery of trade with Iraq--while they have reduced the value of imports by 1 percent. As a result, the USSR narrowed its hard-currency trade deficit during the first half of this year to \$2.2 billion, a sharp improvement over the mid-year 1981 deficit of \$6.0 billion. If mid-year trends continue, the Soviets should end the year with a hard-currency trade deficit substantially below last year's level of \$4 billion.

## MEMORANDUM

## NATIONAL SECURITY COUNCIL

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November 18, 1982

INFORMATION

FOIA(b)(1)

MEMORANDUM FOR WILLIAM P. CLARK

FOIA(b)(3)

FROM: RICHARD PIPES *RP*SUBJECT: European Involvement in Building in Soviet Union  
the World's Largest Sulfur Plant

The attached intelligence report (Tab I),   
 discusses a major Soviet project,  
 the world's largest sulfur plant to be built in Astrakhan. From  
 it transpires that:

- The French will get the bulk of the contracts, the Germans and the Italians the remainder.
- On Soviet insistence, U.S. technology will be shut out.
- The European firms involved will provide "host government concessionary project financing" which will come to one-quarter of a billion dollars or more.

cc: Norman Bailey  
 William Martin  
 Roger Robinson

## Attachment:

Tab I 

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NLRR F06-114/7 # 9663

BY KML NARA DATE 5/7/13~~CONFIDENTIAL~~

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CU  
7/16/02

11/29/82

1. USSR: 1983 ECONOMIC PLAN SIGNALS RETREAT FROM MID-TERM GOALS

The Soviets appear to have accepted that the goals of the Eleventh Five-Year Plan (1981-85) are unattainable. Whether the new leadership will now face up to the tough decisions it must make on resource allocations remains to be seen. Meanwhile, the very "inertia" that Andropov has attacked as a major obstacle to needed changes in planning and management will provide the momentum to keep the economy moving slowly.

The planned increases in national income (3.3 percent) and industrial production (3.2 percent) for 1983 clearly indicate that Moscow is abandoning the growth rates previously targeted under the Five-Year Plan (FYP). Last year--in an effort to put the Plan back on track after a disappointing first year--the Soviets adopted growth rates for 1982 that were higher than those originally envisaged in the FYP. The growth rates now slated for 1983, however, are below those originally projected and well below what would be needed to make up lost production.

In announcing the new goals, Gosplan Chairman Baybakov pointed to problems in agriculture, steel, chemicals, and rail-road transport as some of the major factors behind the economy's disappointing performance. He also echoed Andropov's remarks last Monday on the unimpressive increase in labor productivity, which the Soviets were counting on to provide 90 percent of the increase in production during the current FYP. Baybakov indicated that the Soviets do not expect to make up lost ground in this key area.

In the critical energy sector, the 1983 target for coal production has been scaled back from this year's goal. The 1983 target for oil production is consistent with the FYP, but Moscow is having difficulty meeting even this year's lower goal. This means increased reliance on natural gas (28 percent of primary energy output in 1981) to take up the slack in energy supplies.

Moscow obviously is hoping for a rebound in agriculture, where output is slated to increase 10.5 percent next year. Andropov has reaffirmed that measures related to Brezhnev's Food Program are central to Soviet plans. He could change his mind, however, when the Food Program is discussed in forthcoming plenary and other meetings.

While continuing to give lip service to consumer welfare, Baybakov made clear in his announcement of 1983 plan targets that the goals for consumer goods in general--and meat and dairy products in particular--will have to slip because of arrearages in production and the fourth consecutive harvest failure.

The Soviet Economy Within A Global Framework:  
Input-Output Projections to the Year 2000

by  
Wassily Leontief, Jorge Mariscal, Ira Sohn  
Institute For Economic Analysis  
New York University  
December 1982

WLF  
Weiss  
Dobricanek  
Martin

ABSTRACT

This study provides a structural description of the current state of the Soviet economy, a methodology for viewing it within the broader context of the World economy and a number of alternative projections of its future course up to the year 2000.

The main methodological tools used for the projections were the 1972 Reconstructed Soviet Input-Output Table and the World Input-Output Model.

The main conclusions are that Soviet economic growth to the end of the century, even at a relatively high rate of 4% per annum, will not be constrained by foreign exchange considerations in light of the projected growth in Soviet gas exports to Western Europe. However, low growth in the projected labor force and lagging productivity growth appear to be serious impediments for achieving even an annual 3% rate of growth in economic activity.

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RELATIVELY WELL. BUT RESULTS WERE MIXED IN THE "PROGRES-  
SIVE" CHEMICALS SECTOR, AND DECIDELY NEGATIVE IN THE  
TRADITIONAL INDUSTRIAL BRANCHES THAT ARE STILL CRITICAL  
TO THE SOVIET ECONOMY: FERROUS METALLURGY, CONSTRUCTION  
MATERIALS, AND TRANSPORT EQUIPMENT. AS IN 1981, THE OUTPUT  
OF CONSUMER GOODS PURPORTEDLY GREW A LITTLE FASTER THAN  
PRODUCER GOODS, BUT THIS CLAIM DESERVES A CLOSE LOOK IN  
LIGHT OF THE RESULTS OF SPECIFIC LIGHT AND FOOD INDUSTRY  
BRANCHES. AS IN 1981, NO GRAIN HARVEST FIGURE IS DIVULGED.  
END SUMMARY.

BASIC ECONOMIC INDICATORS

2. ~~(LOW)~~ "IZVESTIYA" JANUARY 22 CARRIES SOVIET ECONOMIC  
STATISTICS FOR 1982. NATIONAL INCOME REPORTEDLY GREW  
2.6 PERCENT LAST YEAR, LESS THAN THE 3.0 PERCENT PLANNED  
OR THE 3.2 PERCENT GROWTH ACHIEVED IN 1981. (ANALYSTS  
WILL REMEMBER THAT IN HIS NOVEMBER SUPREME SOVIET SPEECH,  
GOSPLAN CHIEF BAYBAKOV ESTIMATED 1982 NATIONAL INCOME  
GROWTH AT 2 PERCENT. WE HAVE NO EXPLANATION FOR THIS  
DISCREPANCY.) THE 2.8 PERCENT GROWTH RATE FOR INDUSTRIAL  
PRODUCTION INDICATES THAT IN CONTRAST TO 1981, PERFORMANCE  
IMPROVED DURING THE SECOND HALF OF THE YEAR: THE MID-YEAR  
FIGURE WAS 2.7. NEVERTHELESS, THE YEAR-END RESULT IS WELL  
BELOW PLAN (4.7) AND THE LEVEL ACHIEVED IN 1981 (3.4).  
SEE SEPTEL FOR AGRICULTURE RESULTS.

3. ~~(LOW)~~ WHAT IS SLOWING THE ECONOMY DOWN? THERE ARE THREE  
OBVIOUS CULPRITS. LABOR PRODUCTIVITY IS DECLINING EVEN  
AS SOVIET ECONOMIC STRATEGY ASSIGNS IT THE CENTRAL ROLE  
IN SPEEDING ECONOMIC GROWTH. TRANSPORT IS STRUGGLING,  
WITH TOTAL FREIGHT TURNOVER IN 1982 GROWING ONLY 1.2  
PERCENT AND PRODUCTION OF TRANSPORT EQUIPMENT FALLING  
WELL BELOW THE LEVELS OF 1981. THE RAW MATERIALS

SECTORS ARE UNDERNOURISHING AN INDUSTRIAL MACHINE THAT  
STILL NEEDS A HEAVY DIET. THE OUTPUT OF IRON ORE IN 1982  
WAS ONLY 0.8 PERCENT ABOVE 1981, AND THE PRODUCTION OF  
STEEL, ROLLED STEEL, AND STEEL PIPE ALL DECLINED AFTER  
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1. ~~(LOW)~~ SUMMARY. ECONOMIC RESULTS FOR 1982, RELEASED HERE  
ON JANUARY 22, CONFIRM THAT GROWTH CONTINUED TO DECLINE  
IN THE SECOND YEAR OF THE ELEVENTH FIVE-YEAR PLAN. GROWTH  
RATES FOR NATIONAL INCOME, INDUSTRIAL PRODUCTION, AND  
LABOR PRODUCTIVITY WERE ALL LOWER THAN DECREED BY PLAN,  
AND FELL BEHIND THE ALREADY DISAPPOINTING RESULTS OF 1981  
AND 1980. THE ENERGY SECTOR WAS BRIGHTENED BY THE RAPID  
AND ABOVE-PLAN GROWTH OF NATURAL GAS OUTPUT, AND SLIGHT  
OVERFULFILLMENT OF THE ELECTRICITY TARGET. HOWEVER, OIL  
OUTPUT BARELY GREW AND WAS SLIGHTLY BELOW PLAN, WHILE  
REVERSAL OF THREE YEARS OF DECLINE IN COAL EXTRACTION STILL  
LEFT THIS BRANCH -- ON WHICH THE SOVIETS HAVE PLACED GREAT  
HOPES -- BELOW PLAN AND BELOW THE LEVEL OF 1978. IN  
HEAVY INDUSTRY, MOST MACHINE-BUILDING BRANCHES PERFORMED

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MARGINAL INCREASES IN 1981. ALL THREE BRANCHES OF CON-  
STRUCTION MATERIALS (TIMBER, CEMENT AND CONCRETE) POSTED  
ABSOLUTE DECLINES IN 1982, AFTER MARGINAL GROWTH IN 1981.

4. (LOW) AS FOR THE ENERGY SECTOR THAT FUELS THE ECONOMY,  
A BARRAGE OF PRESS REPORTS IN 1982 SIGNALLED SHORTAGES  
AND TOUTED CONSERVATION. DOMESTIC SUPPLY IS BARELY  
KEEPING UP WITH DEMAND, AND ONLY NATURAL GAS PRODUCTION  
GIVES REASON FOR OPTIMISM.

5. (LOW) 1982 OIL AND GAS CONDENSATE OUTPUT WAS 613 MILLION  
METRIC TONS (12.25 MILLION BARRELS A DAY), AN INCREASE  
OF ONLY 4 MMT OVER THE 1981 FIGURE AND SLIGHTLY BELOW THE  
PLAN TARGET OF 614 MMT. BOTH PAST GROWTH AND FUTURE GOOD  
PERFORMANCE IN THE OIL SECTOR DEPEND ENTIRELY ON THE

PRODUCTIVITY OF THE GIANT WEST SIBERIAN FIELD, WHOSE SHARE  
IN TOTAL OUTPUT IS INCREASING AS OIL PRODUCTION ELSEWHERE  
DECLINES. IN 1983 WEST SIBERIA IS SCHEDULED TO BETTER  
THIS YEAR'S ACHIEVEMENT BY 18 MMT, WHILE PRODUCTION WILL  
SLUMP IN MOST OTHER MAJOR FIELDS; AND WEST SIBERIAN OIL  
WILL COME TO CONSTITUTE 60 PERCENT OF THE SOVIET TOTAL.

6. (LOW) THE PROSPECTS FOR NATURAL GAS ARE BRIGHTER. THE  
FINAL 1982 PRODUCTION FIGURE OF 501 BILLION CUBIC METERS  
IS AN IMPRESSIVE 8 PERCENT ABOVE 1981 PRODUCTION.  
MASSIVE SOVIET INVESTMENT AND THE ABUNDANCE OF THIS  
RESOURCE ENSURE GOOD PERFORMANCE IN THE GAS INDUSTRY  
FOR SEVERAL YEARS TO COME AS THE MAJOR PIPELINE SYSTEMS  
COME ON LINE. HERE, AS WITH OIL, RAPID EXPLOITATION OF  
WEST SIBERIA ACCOUNTS FOR THE INCREASE IN OUTPUT.

7. (LOW) COAL PRODUCTION IN 1982 INCREASED OVER THE PREVIOUS  
YEAR FOR THE FIRST TIME SINCE 1978. NEVERTHELESS, THE  
OUTPUT OF 718 MILLION METRIC TONS REMAINED BELOW THE 1978  
LEVEL (723.6 MMT), AS THE INDUSTRY FAILED TO MEET ITS  
1982 PLAN TARGET (728.3 MMT). NEW CAPACITY, PARTICULARLY  
THE OPEN PIT MINES IN THE SIBERIAN EKIBASTUZ REGION, OFFSET  
THE PRECIPITOUS DECLINE IN PRODUCTION IN OLD COAL-PRODUCING  
AREAS LIKE THE DONETS BASIN. BUT GROSS MEASUREMENTS ARE  
MISLEADING: EKIBASTUZ COAL, FOR EXAMPLE, HAS A LOW HEAT  
CONTENT AND IS UNSUITABLE FOR COKING.

8. (LOW) GOSPLAN HEAD BAYBAKOV'S NOVEMBER PROJECTION OF  
YEAR-END RESULTS FOR ELECTRICITY OUTPUT (1359 BILLION  
KILOWTT-HOURS) WAS CLOSE: 1366 BILLION KWH OF ELECTRICITY  
WERE ACTUALLY GENERATED IN 1982 FULFILLING THE PLAN.  
FOR FUTURE GROWTH IN THIS SECTOR THE SOVIETS WILL BE  
RELYING DECREASINGLY ON FOSSIL FUELS: TWO-THIRDS OF NEXT  
YEAR'S PLANNED 1405 BILLION KWH OF ELECTRICITY IS SUPPOSED  
TO BE GENERATED IN ATOMIC AND HYDROELECTRIC POWER PLANTS.

9. (U) BASIC SOCIO-ECONOMIC INDICATORS  
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SUBJECT: SOVIETS ANNOUNCE 1982 ECONOMIC RESULTS

	1982 AS PERCENT OF 1981	1981 AS PERCENT OF 1980
NATIONAL INCOME USED FOR CONSUMPTION AND ACCUMULATION	102.6	103.2
INDUSTRIAL PRODUCTION TOTAL	102.8	103.4
- OF WHICH:		
- PRODUCER GOODS	102.8	103.3
- CONSUMER GOODS	102.9	103.6
AGRICULTURAL PRODUCTION	104	98
FREIGHT TURNOVER - ALL TRANSPORT	101.2	102.3
FIXED ASSETS PUT INTO USE	105	102

CAPITAL INVESTMENT	102	103
NUMBER OF WORKERS AND EMPLOYEES	101.1	101.4
LABOR PRODUCTIVITY:		
- IN INDUSTRY	102.1	102.7
- IN AGRICULTURE (PUBLIC SECTOR)	106	98
- IN CONSTRUCTION	102.0	102
- IN RAILROAD TRANSPORT	98.5	100.8
PROFITS IN THE ECONOMY	103.5	101
REAL INCOME PER CAPITA	100.1	103.3
WAGES FUNDS IN THE ECONOMY	103.9	103.6
-		
-	1982 AS	1981 AS
-	PERCENT	PERCENT
-	OF 1981	OF 1980
-	-----	-----
AVERAGE SALARIES:		
- WORKERS AND EMPLOYEES	102.8	102.1
- KOLKHOZ FARMERS	104	104
PAYMENTS TO THE POPULATION OUT OF SOCIAL CONSUMPTION FUND:		
- TOTAL	104.8	104.2
- PER CAPITA	103.9	103.4
RETAIL TURNOVER: STATE AND COOPERATIVE TRADE	100.3	104.4
BT		

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COAL 63 2.03 718 102 100 102 99.0  
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TONS)

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- (1) PRODUCTION IN DECEMBER 1982.
- (2) DAILY PRODUCTION RATE IN DECEMBER 1982.
- (3) CUMULATIVE PRODUCTION 1982.
- (4) OVERALL PRODUCTION IN 1982 AS A RATIO OF PRODUCTION  
- IN 1981.
- (5) PERCENT OF PLAN FULFILLMENT FOR 1982 BY VOLUME OF  
- PRODUCTION BY MINISTRY.
- (6) VOLUME OF PRODUCTION BY MINISTRY AS A RATIO OF 1982  
- OVER 1981.
- (7) LABOR PRODUCTIVITY BY MINISTRY AS A RATIO OF 1982 OVER  
- 1981.

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11. ~~(U)~~ SOVIET INDUSTRIAL OUTPUT AND HISTORICAL COMPARISON

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 AMEMBASSY ATHENS 2081  
 AMEMBASSY BONN 4232  
 AMEMBASSY BRUSSELS 2897  
 AMEMBASSY COPENHAGEN 1952  
 AMEMBASSY LISBON 1338  
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 AMEMBASSY THE HAGUE 1717  
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 USMISSION USNATO 3153

- (1) 1982 OUTPUT
  - (2) 1981 OUTPUT (AS PUBLISHED IN JANUARY 1982)
  - (3) 1982 OUTPUT AS A PERCENTAGE OF 1981 OUTPUT  
- (NB: AS PUBLISHED ON JANUARY 22, 1983. FIGURES HERE  
- DO NOT ALWAYS JIBE WITH COLUMNS 1 AND 2)
- |  |     |     |     |
|--|-----|-----|-----|
|  | (1) | (2) | (3) |
|--|-----|-----|-----|

(A) FERROUS METALLURGY

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LIMITED OFFICIAL USE SECTION 04 OF 09 MOSCOW 00924  
 VOLUME OF EVERYDAY SERVICES 104.7 106.1  
 PERFORMED FOR THE POPULATION  
 NEW HOUSING INTO USE 100.5 101  
 FOREIGN TRADE TURNOVER 108.4 117

10. ~~(U)~~ ENERGY OUTPUT DATA

	(1)	(2)	(3)	(4)	(5)	(6)	(7)
ELECTRICITY	132	4.26	1366	103	101	103	100.7
(BILLION KWH)							
OIL (INCLUDING GAS CONDENSATE)	53	1.71	613	100.6	100.7	101	99
(MILLION METRIC TONS)							
GAS	46	1.48	501	108	102	105	105
(BILLION CUBIC METERS)							

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(1) (2) (3)

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(C) CONSTRUCTION MATERIALS

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TIMBER (MILLION CUBIC METERS) 270 274 98

CEMENT (MILLION TONS) 124 127 97

REINFORCED CONCRETE (MILLION CUBIC METERS) 123 123 99

(D) TRANSPORT EQUIPMENT

DIESEL LOCOMOTIVES (MILLION HORSEPOWER) 3.6 3.8 96

ELECTRIC LOCOMOTIVES (MILLION HORSEPOWER) 3.7 3.5 108

FREIGHT CARS (THOUSANDS) 58.6 61.0 96

RUCKS AND CARS (THOUSANDS) 2173 2197 99

- OF WHICH

- TRUCKS 780 786.6 99.1

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- AMEMBASSY SOFIA 7919
- AMEMBASSY WARSAW 0063
- AMEMBASSY ANKARA 2050
- AMEMBASSY STOCKHOLM 1894
- AMEMBASSY HELSINKI 3534
- AMEMBASSY BEIJING 4675
- AMEMBASSY TOKYO 5672
- AMEMBASSY ATHENS 2082
- AMEMBASSY BONN 4233
- AMEMBASSY BRUSSELS 2898
- AMEMBASSY COPENHAGEN 1953
- AMEMBASSY LISBON 1339
- AMEMBASSY LONDON 5910
- AMEMBASSY LUXEMBOURG 0614
- AMEMBASSY MADRID 2072
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STEEL (MILLION TONS) 147 149 99.1  
ROLLED STEEL (MILLION TONS) 102 103 99.3

STEEL PIPE (MILLION TONS) 17.9 18.3 98  
IRON ORE (MILLION TONS) 244 242 100.8

(B) CHEMICAL INDUSTRY

MINERAL FERTILIZER (MILLION TONS) 26.7 26.0 103

HERBICIDES/PESTICIDES (THOUSAND TONS) 533 504 106

SULFURIC ACID (MILLION TONS) 23.8 24.1 99

PLASTICS (MILLION TONS) 4.1 4.1 99.2

SYNTHETIC FIBERS (THOUSAND TONS) 1.2 1.2 102

TIRES (MILLION) 61.7 60.5 102

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AMEMBASSY SOFIA 7920

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AMEMBASSY BONN 4234

AMEMBASSY BRUSSELS 2899

AMEMBASSY COPENHAGEN 1954

AMEMBASSY LISBON 1340

AMEMBASSY LONDON 5911

AMEMBASSY LUXEMBOURG 0615

AMEMBASSY MADRID 2073

AMEMBASSY OSLO 1469

AMEMBASSY OTTAWA 1900

AMEMBASSY PARIS 3087

AMEMBASSY REYKJAVIK 0585

AMEMBASSY ROME 8310

AMEMBASSY THE HAGUE 1719

USMISSION USBERLIN 5995

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LIMITED OFFICIAL USE SECTION 06 OF 09 MOSCOW 00924

- CARS 1307 1324 99

- BUSES 85.7 86.9 99

(E) MACHINES FOR INDUSTRY AND ENERGY

- (1) (2) (3)

ELECTRIC MOTORS 53.3 53.2 101

(MILLION KILOWATTS)

TURBINES (MILLION KILOWATTS) 17.3 15.6 118

MACHINE TOOLS (MILLION 2068 2045 106

RUBLES)

(OF WHICH HAVING NUMER-

CAL PROGRAMMED DIRECTION), 523 10.0 115

(THOUSAND ITEMS 1981)

PRESSES (MILLION RUBLES) 612 596 102

OIL EQUIPMENT (MILLION 211 198 100.2

RUBLES)

CHEMICAL EQUIPMENT 761 712 102

(MILLION RUBLES)			
EXCAVATORS (THOUSANDS)	42.7	42.3	101
EQUIPMENT FOR LIGHT INDUSTRY AND FOOD PRODUCTION (BILLION RUBLES)	1.5	1.4	103
(F) HIGH-TECH. MACHINES	-	-	-
AUTOMATED PROGRAMMABLE MANIPULATORS (THOUSANDS)	5.4	NP	161
INSTRUMENTS (BILLION RUBLES)	4.8	5.6	107
COMPUTERS (BILLION RUBLES)	2.9	5.0	112
(G) AGRICULTURAL MACHINERY	-	-	-
TRACTORS (MILLION HORSEPOWER)	(1) 47.9	(2) 47.9	(3) 100
AGRIC. MACHINERY			
BT			

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AMEMBASSY WARSAW 0065

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AMEMBASSY COPENHAGEN 1955

AMEMBASSY LISBON 1341

AMEMBASSY LONDON 5912

AMEMBASSY LUXEMBOURG 0616

AMEMBASSY MADRID 2074

AMEMBASSY OSLO 1470

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AMEMBASSY PARIS 3088

AMEMBASSY REYKJAVIK 0586

AMEMBASSY ROME 8311

AMEMBASSY THE HAGUE 1720

USMISSION USBERLIN 5996

USMISSION USNATO 3156

PAPER (MILLION TONS)	5.4	5.4	100.7
OF WHICH FOR NEWSPAPERS			
(BILLION SQUARE METERS)	30.7	N.P.	102
TEXTILE (BILLION SQUARE METERS)	11.1	11.0	101
SEWED PRODUCTS	24.1	24.1	99.5
(BILLION RUBLES)			
KNITWEAR (BILLION RUBLES)	1.6	1.6	98
LEATHER FOOTWEAR	730	739	99.3
(MILLION PAIRS)			
WATCHES (MILLIONS)	69.9	68.6	102
RADIOS (MILLIONS)	8.9	8.7	102
TELEVISIONS (MILLIONS)	8.3	8.2	102
OF WHICH COLOR (MILLIONS)	3.1	2.7	115
REFRIGERATORS (MILLIONS)	5.8	5.9	98
WASHING MACHINES (MILLIONS)	4.0	3.9	102
MOTORCYCLES (MILLIONS)	1.1	1.1	101
FURNITURE (BILLION RUBLES)	6.7	6.4	105
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(BILLION RUBLES)	3.3	2.8	103
MACHINERY FOR LIVESTOCK			
AND FODDER PRODUCTION	2.3	2.1	106
(BILLION RUBLES)			
GRAIN COMBINES	112	106	105
(THOUSANDS)			
CORN COMBINES	1.6	N.P.	129
(THOUSANDS)			
POTATO COMBINES	10.6	N.P.	103
(THOUSANDS)			
BEEF GATHERING	9.7	N.P.	104
MACHINES (THOUSANDS)			
COTTON GATHERING	9.9	9.6	103
MACHINES (THOUSANDS)			
(H) LIGHT INDUSTRY			
(1)	(2)	(3)	

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 AMEMBASSY ATHENS 2085  
 AMEMBASSY BONN 4236  
 AMEMBASSY BRUSSELS 2901  
 AMEMBASSY COPENHAGEN 1956  
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LIMITED OFFICIAL USE SECTION 08 OF 09 MOSCOW 00924  
 PORCELAIN/MAJOLICA WARE    840        773        105  
 (MILLION RUBLES)  
 GLASS/CRYSTAL QUALITY        1.3        1.1        103  
 PLATEWARE (BILLION RUBLES)

(1) FOODS

-	(1)	(2)	(3)
HEAT TOTAL (MILLION TONS),	15.24	15.2	100.2
OF WHICH:			
INDUSTRIALLY PROCESSED	9.2	9.2	99.1
SAUSAGE (MILLION TONS)	3.1	3.1	100
EDIBLE FISH PRODUCTS	6.4	5.1	106
(BILLION RUBLES)			
ANIMAL FATS/OILS	1.3	1.2	107
(MILLION TONS)			
WHOLEMILK PRODUCTS	26.4	25.7	103
(MILLION TONS)			

MARGARINE (MILLION TONS)	1.4	N.P.	105
VEGETABLE OILS (MILLION TONS)	2.6	2.6	100.7
SUGAR-GRANULATED	12.1	9.5	127
(MILLION TONS)			
CONFECTIONARY PRODUCTS	4.0	4.0	102
(MILLION TONS)			
TEA (THOUSAND TONS)	221	186	114
CANNED GOODS (BILLIONS OF	16.6	15.9	105
CONVENTIONAL CANS)			
OF WHICH:			
FRIT/VEGETABLE)	11.6	N.P.	107
-			

12. ~~IN~~ THE TRANSPORT SECTOR

-			1982 AS PERCENT
-	1982	1981	OF 1981
-	----	-----	-----
FREIGHT TRANSPORTED			
(MILLION TONS)			
BY: RAILROAD	3725	3746	99
BT			

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AND GREW BY 1.2 PERCENT COMPARED TO 1981. THE PUBLISHED  
1981 FIGURE FOR TOTAL FREIGHT TURNOVER (ECON. GAS NO. 5,  
1/82) WAS 6.3 TRILLION, AND PRESUMABLY DID NOT INCLUDE  
GAS PIPELINES. HARTMAN  
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- USMISSION USBERLIN 5998
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~~LIMITED OFFICIAL USE SECTION 09 OF 09 MOSCOW 00924~~

- RIVER TRANSPORT	604	595	102
- AUTOMOBILE	6739	6631	101
- OIL PIPELINE	645	638	101

FREIGHT TURNOVER

(BILLION TON-KILOMETERS)

IN: RAILROAD	3465	3507	99
- RIVER TRANSPORT	263	255	103
- AUTOMOBILE	143	140	102
- OIL PIPELINE	1307	1263	103
- GAS PIPELINES	772	N.P.	113

OF MINGAZPROM

PASSENGER TURNOVER	941	926	101.5
--------------------	-----	-----	-------

(BILLION PASSENGER-KILOMETERS)

13. ~~U~~ IZVESTIYA REPORT SAYS FREIGHT TURNOVER OF ALL  
TYPES OF TRANSPORT (PRESUMABLY MEANING THE ABOVE PLUS  
AIR AND SEA) IN 1982 REACHED 7.1 TRILLION TON-KILOMETERS

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USSR ECON. 41

2/2/83

(X-REF)

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BY PW NARA DATE 10/23/88

2. USSR: ECONOMIC PERFORMANCE MIXED IN 1982

Last year's economic performance was a major disappointment to the Kremlin. Although the USSR markedly improved its hard-currency position, GNP increased only 1.6 percent and agricultural output rose about 2 percent, according to CIA estimates. With the possible exception of a rebound in agriculture, and some improvement in transportation and services resulting from Andropov's discipline campaign, the outlook for a major improvement in 1983 is not promising.

Official Soviet statistics confirm that the USSR's economic growth rate continues to decline. As a consequence of shortages of raw materials, fuels, and power, industrial output in 1982 (up 2.0 percent) failed to meet the planned increase (4.7 percent) or to match the previous year's performance (3.4 percent). Perennial transportation bottlenecks contributed to the disruption of industrial production.

It is increasingly difficult for the USSR to squeeze out gains in labor productivity, the key to meeting economic growth targets. Labor productivity in industry increased only 2 percent, about half the planned annual rate; it fell 1.5 percent in rail transport. Motivated perhaps as much by frustration as by the need to improve efficiency in this troubled sector, Andropov fired the Minister of Railroads last November. This action was a harbinger of Andropov's campaign to hold managers and workers accountable for poor performance.

Soviet officials recognize the difficult path ahead. According to a clandestine source, a Gosplan official expressed concern about the effects of a potentially worse hard currency situation in the years ahead on investment opportunities. He stressed the need to increase the production and export of natural gas to offset a projected decline in revenues from oil sales.

Nine-month data for 1982 show that the USSR continued to reduce its hard-currency trade deficit and rebuild its deposits in Western banks. The trade deficit narrowed to \$1.6 billion from the \$5.3 billion deficit a year earlier. Deposits in Western banks increased to nearly \$7.5 billion during the third quarter. This improvement occurred because of Moscow's increased export of goods--particularly oil--to the West at the expense of domestic requirements and exports to its allies. Moscow also reduced its imports of Western grain and capital goods. Notwithstanding this improvement, we believe that the likelihood of lower world oil prices will adversely affect the Soviet Union's financial condition in 1983.



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2/24/83

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### 3. ANDROPOV ON ECONOMICS AND IDEOLOGY

In a major article, Andropov has indicated that he favors some structural changes to make the Soviet economy more efficient. But the Kremlin leader implied that political dissent would still not be tolerated. Andropov's emergence as party theorist is again suggestive of his relatively strong power position.

Andropov's article, marking the centenary of the death of Karl Marx, was published in the Soviet party journal Kommunist. It addressed such key issues of the Soviet economy as low return on capital investment and slow introduction of new technology. The fault was said to lie in backward methods of management. Andropov urged that more use be made of price and profit incentives rather than centralized planning orders.

Ironically, Andropov used the Marx anniversary to argue for even more organized social inequality under socialism. He attacked instances of wage leveling and asked for still further use of higher pay differentials for more skilled employees. Stress was put on higher productivity rather than the shifting of investment priorities as the remedy for consumer goods shortages.

Andropov clearly intends to keep the lid on political non-conformists inside the USSR. He alluded to dissidents as people who tried to "oppose their own egotistic interests to those of society and its other members." The reeducation of such people was not a violation of human rights but "real humanism and democracy," according to Andropov. He also took a dim view of revising Soviet theory with the aid of Western social science.

The only real surprise about Andropov's article is that he penned it, rather than letting the honors be done by Party Secretary (for ideology) Chernenko. Soviet elites are aware of Chernenko's recent meeting with a top ideologue from East Berlin to prepare for the upcoming centenary of Marx's death. They are accordingly likely to assume that it is Andropov who is really calling the shots in this sensitive area of party politics. By flaunting his authority in Kommunist, Andropov may hope to lower bureaucratic resistance to the limited changes in economic management that he seems to be formulating.

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SOVIETS

BY WALTER WISNIEWSKI

MOSCOW (UPI) -- THE SOVIET UNION ACKNOWLEDGED MONDAY IT SUFFERED ACUTE ECONOMIC PROBLEMS, BUT VOWED PRESIDENT REAGAN' ATTEMPTS TO TAKE ADVANTAGE OF THOSE PROBLEMS WOULD BACKFIRE.

WASHINGTON'S DECISION TO DEPRIVE MOSCOW OF CREDITS AND TO WITHHOLD TRADE IS BASED EITHER ON BAD HISTORICAL ANALYSIS, "POLITICAL NAIVETE OR COMPULSIVE WISHFUL THINKING," THE OFFICIAL PRAVDA NEWSPAPER SAID.

"WASHINGTON'S POLICIES HAVE RESULTED NOT IN THE TRANSFORMATION OF THE CONDUCT OF THE SOVIET UNION, BUT IN AN AGGRAVATION OF THE CRISIS IN NATO," PRAVDA SAID.

"THIS HAS LED TO AN UNDERMINING OF TRUST IN THE UNITED STATES BY THE INTERNATIONAL COMMUNITY AND, FINALLY, IN THE WORSENING OF THE ECONOMIC SITUATION IN THE UNITED STATES ITSELF," IT SAID.

BUT IN ANOTHER REPORT ON THE NEWSPAPER'S FRONT PAGE, PRAVDA SAID "URGENT MEASURES ARE REQUIRED" TO CORRECT PROBLEMS IN THE CONSTRUCTION, TRANSPORTATION, FERTILIZER, FORESTRY AND AGRICULTURE SECTORS.

SLOPPY AND INEFFICIENT WORK HAVE A DOMINO EFFECT ON OVERALL ECONOMIC PERFORMANCE IN THE NATION'S CENTRALLY PLANNED SOCIETY, PRAVDA SAID IN A STORY CITING PRODUCTION SHORTFALLS IN THE FORESTRY AND PAPER INDUSTRIES.

NBC TELEVISION REPORTED REAGAN HAS ISSUED A TOP-SECRET ORDER, NATIONAL SECURITY DECISION DIRECTIVE 75, THAT CALLS FOR WITHHOLDING MOST CREDITS AND TRADE WITH THE U.S.S.R. ONLY GRAIN SALES TO THE SOVIETS WERE EXEMPTED.

IN GENEVA, DEPUTY SECRETARY OF STATE KENNETH DAM SAID WASHINGTON WOULD LIKE TO AGREE WITH EUROPEAN ALLIES ON A COMMON OPEN TRADE STRATEGY, AND ONE TO CONTAIN SOVIET MILITARY POWER.

"IT IS IMPORTANT TO NOTE THAT THE UNITED STATES DOES NOT ADVOCATE ECONOMIC WARFARE," DAM SAID IN A SPEECH. "RATHER, WE SIMPLY BELIEVE THAT TRADE WITH THE SOVIET UNION SHOULD BE CONDUCTED WITHIN A COMMON FRAMEWORK CONSISTENT WITH OUR POLITICAL AND SECURITY OBJECTIVES."

PRAVDA SAID U.S.-SOVIET TRADE RELATIONS HAVE BEEN MARKED BY A SERIES OF SHARP UPS AND DOWNS EVER SINCE THE COMMUNIST REVOLUTION IN 1917.

BUT WASHINGTON'S "INCONSISTENCY AND ARBITRARINESS" HAVE NOT PREVENTED THE SOVIET UNION FROM BECOMING ONE OF THE WORLD'S GREAT ECONOMIC POWERS, IT SAID.

SOVIET LEADER YURI ANDROPOV, WHO TOOK POWER ON THE DEATH OF LEONID BREZHNEV LATE LAST YEAR, HAS PLACED A HIGH PRIORITY ON IMPROVING THE SOVIET ECONOMIC PERFORMANCE.



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E.O. 12356: DECL: OADR  
TAGS: PGOV, ECON, PINR, UR  
SUBJECT: MAJOR ANDROPOV ARTICLE CALLS FOR BETTER  
MANAGEMENT AND MORE DISCIPLINE

1. ~~CONFIDENTIAL~~ - ENTIRE TEXT.
2. SUMMARY: IN A MAJOR ARTICLE TIMED TO THE CENTENARY OF KARL MARX'S DEATH, SOVIET LEADER ANDROPOV FORCEFULLY CALLS FOR REAL IMPROVEMENTS IN THE ORGANIZATION AND MANAGEMENT OF THE SOVIET ECONOMY AND FOR MORE DISCIPLINE AND PRODUCTIVITY FROM THE LABOR FORCE. THE MAJOR THEME OF THE ARTICLE IS THAT WAGES AND CONSUMPTION MUST BE LINKED TO OUTPUT; RAISING WAGES MAY CREATE "A FAVORABLE IMPRESSION" BUT IT RESULTS IN ULTIMATE SHORTAGES AND RESENTMENT AMONG WORKERS. ANDROPOV DIRECTLY LINKS THE PAST FOUR YEARS OF AGRICULTURAL DISASTER TO THE FAILURE TO REORGANIZE THE ECONOMY AND DEMANDS MEASURES WHICH ARE "CAREFULLY PREPARED AND REALISTIC." IN A SIGNIFICANT PASSAGE, ANDROPOV ACKNOWLEDGES THAT SOVIET DEMOGRAPHICS DO NOT PERMIT THE ECONOMY TO CONTINUE RELYING ON BRUTE LABOR TO INCREASE OUTPUT AND HE IS CRITICAL OF THE FAILURE TO INCREASE MECHANIZATION. ANDROPOV'S COMMENTS ARE THE MOST BLUNT HE HAS YET USED TO IDENTIFY HIS CULPRITS OF THE CURRENT SOVIET ECONOMIC DILEMMA: POOR MANAGEMENT AND LACK OF DISCIPLINE. MANY OF HIS REMARKS CAN (AND PROBABLY WILL) BE READ AS IMPLIED CRITICISMS OF THE LAX ADMINISTRATION OF THE BREZHNEV YEARS AND AS

HARBINGERS OF THINGS TO COME: REMOVAL OF MANAGERIAL DEADWOOD AND CONTINUED ENFORCEMENT OF LABOR DISCIPLINE ON THE WORKERS. HOWEVER, ANDROPOV SAYS LITTLE ABOUT WHAT KIND OF REFORM HE HAS IN MIND, MENTIONING ONLY THE GROWING IMPORTANCE OF REGIONAL AUTHORITIES IN ECONOMIC MANAGEMENT AND THAT THE EXPERIENCE OF OTHER SOCIALIST COUNTRIES "PROVIDES VAST MATERIAL FOR THEORETICAL INTERPRETATION." IT IS THEREFORE TOO SOON TO SAY IF ANY REAL "REFORM" OF THE SOVIET ECONOMY IS IN THE OFFING; IT IS CLEAR THAT MANAGERS AND WORKERS WILL CONTINUE TO FEEL THE HEAT OF THEIR DISSATISFIED NEW PARTY BOSS. END SUMMARY.

3. ANDROPOV'S ARTICLE, ENTITLED "THE TEACHINGS OF KARL MARX AND SOME QUESTIONS OF BUILDING SOCIALISM IN THE USSR" IS THE MOST SIGNIFICANT PUBLIC STATEMENT BY THE NEW SOVIET LEADER ON THE PROBLEMS OF THE SOVIET ECONOMY SINCE HIS SPEECH TO THE NOVEMBER 1982 PARTY PLENUM. IT APPEARS IN THE PARTY JOURNAL "KOMMUNIST" AND IS CLEARLY TIMED TO THE CENTENARY OF MARX'S DEATH ON MARCH 14. (FULL TEXT ON TASS ENGLISH WIRE.) UNLIKE HIS SPEECH ON THE OCCASION OF THE 60TH ANNIVERSARY OF THE FOUNDING OF THE USSR LAST DECEMBER, THE ARTICLE IS NOT A ROSY RECITAL OF THE ACHIEVEMENTS OF THE SOVIET STATE BUT RATHER A FORCEFULLY WORDED CALL FOR IMPROVEMENTS IN THE LAGGING SOVIET ECONOMY.

4. IN IDEOLOGICAL TERMS THE ARTICLE IS LARGELY UNEXCEPTIONAL. ANDROPOV CALLS MARX "A GREAT PRACTICAL REVOLUTIONARY" IN ADDITION TO HIS THEORETICAL WORK, NOTES THAT MARX APPROACHED THE QUESTION ON INTERNATIONALISM WITH AN UNDERSTANDING OF THE "PECULIARITIES OF THE SITUATION IN VARIOUS COUNTRIES" AND HE REJECTS THE IDEA THAT THE REVOLUTION IN RUSSIA WAS OUT OF KEEPING WITH MARX'S THEORY OR PREDICTIONS. HOWEVER, HE NOTES THAT THE OCTOBER REVOLUTION TOOK PLACE IN ECONOMIC CONDITIONS NOT EXISTING IN MARX'S LIFETIME, THUS JUSTIFYING THE IDEOLOGICAL DEVELOPMENTS OF LENINISM.

5. MUCH OF THE ARTICLE IS A CRITICISM OF THE CONTINUED EXISTENCE IN SOVIET LIFE OF ATTITUDES AND "INDIVIDUALISTIC HABITS" INHERITED FROM THE PRE-REVOLUTIONARY PERIOD. ANDROPOV SAYS THAT THE PEOPLE NEED TO "SHAPE THEMSELVES" BT

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TO BE "WISE AND THRIFTY" IN ECONOMICS, POLITICS AND PSYCHOLOGY. HE LINKS THE ATTITUDINAL QUESTION DIRECTLY WITH BASIC ECONOMIC PROBLEMS OF THE ECONOMY: THE RATE OF SAVINGS, RATIONAL USE OF MATERIALS AND LABOR, AND EFFICIENCY OF PRODUCTION. ANDROPOV ACKNOWLEDGES THAT "THINGS ARE MOVING NOT SO SUCCESSFULLY AS NECESSARY" IN THIS REGARD.

6. ANDROPOV IDENTIFIES TWO CULPRITS AS RESPONSIBLE FOR THE SHORTCOMINGS OF THE SOVIET ECONOMY: MANAGEMENT AND DISCIPLINE. HE STATES THAT REORGANIZATION OF THE ECONOMY AND OF MANAGEMENT IS FALLING SHORT OF REQUIREMENTS AND SAYS THAT THIS HAS RESULTED IN AGRICULTURAL "UNDERPRODUCTION OF CONSIDERABLE QUANTITIES" IN THE LAST FOUR YEARS AND IN THE "EVER INCREASING" COSTS OF DEVELOPING ENERGY AND RAW MATERIALS EXTRACTION. HE DEMANDS THAT MEASURES TO DEAL WITH THESE PROBLEMS SHOULD BE "CAREFULLY PREPARED AND REALISTIC" (I.E. NO HARE-BRAINED SCHEMES) AND THAT THE TENDENCY OF SOME OFFICIALS TO SOLVE PROBLEMS BY "COMMUNIST DECREERING" IS "NAIVE."

7. ANDROPOV DISCUSSES THE DISCIPLINE QUESTION IN BROAD TERMS BUT CLOSELY LINKS WAGES AND BETTER DISTRIBUTION OF GOODS TO IMPROVEMENTS IN WORKER PRODUCTIVITY. AN INCREASE OF WAGES WITHOUT A PRIOR INCREASE IN OUTPUT MAY PRODUCE "A FAVORABLE IMPRESSION" BUT IS "INADMISSIBLE," BECAUSE "IT ENGENDERS REQUIREMENTS WHICH CANNOT BE FULLY

SATISFIED AT A GIVEN LEVEL OF PRODUCTION AND HAMPERS STEPS TO ELIMINATE SHORTAGES WITH ALL ITS UGLY CONSEQUENCES, JUSTLY RESENTED BY THE WORKING PEOPLE." THE "CORRECT SOLUTION" IS THAT "MONEY IN POSSESSION OF THE POPULATION SHOULD BE MATCHED BY THE EXISTENCE OF ADEQUATE AMOUNTS OF VARIOUS CONSUMER GOODS AND SERVICES." THE "DETERMINING FACTOR" IS PRODUCTIVITY. ANDROPOV IS BLUNT ABOUT THE NEGATIVE CONSEQUENCES OF NOT LINKING WAGES TO WORK: "WE HAVE TO FACE UNEARNED INCOMES, SHODDY WORKMANSHIP, SO-CALLED ROLLING STONES, SHIRKERS, SLACKERS" AND SO FORTH "WHICH MUST NOT BE TOLERATED."

8. ANDROPOV IS HIGHLY CRITICAL OF MEASURES SOMETIMES USED TO MEET CURRENT CHALLENGES, SUCH AS "EXCESSIVE RELIANCE ON ADMINISTRATIVE METHODS, FUSSING AND TALK INSTEAD OF WORK." HE CALLS ON THE PARTY TO "IMPROVE MANAGEMENT, RAISE THE LEVEL OF ORGANIZATION, EFFICIENCY, DISCIPLINE IN MATTERS OF PLANNING, STATE AND LABOR DISCIPLINE." HE IS PARTICULARLY CRITICAL OF THE "SLOW RATE OF MECHANIZATION" AND NOTES THAT THE DEMOGRAPHIC SITUATION IN THE SOVIET UNION DOES NOT PERMIT CONTINUED USE OF NON-MECHANIZED LABOR. HIS ANSWER IS A MORE INTENSIVE USE OF THE ACHIEVEMENTS OF SCIENCE, "FIRST OF ALL IN THOSE SECTIONS WHERE LABOR CONSUMPTION IS PARTICULARLY HIGH."

9. ANDROPOV IS MORE THAN A LITTLE VAGUE ABOUT WHAT KIND OF REORGANIZATION OF THE ECONOMY HE HAS IN MIND. IN THIS PART OF HIS ARTICLE, THE SOVIET LEADER RETREATS INTO IDEOLOGICAL VERBIAGE ABOUT THE "DEMOCRATIC EXAMPLE" OF THE COMMUNIST PARTY AND THE CONCEPT OF "DEVELOPED SOCIALISM." (HE ALSO NOTES THE NEED FOR "RE-EDUCATION OF SOME PERSONS, FOR COMBATTING ENCROACHMENTS UPON SOCIALIST LAW AND ORDER" BUT DENIES THE "BOURGEOIS PROPAGANDA" THAT THIS CONSTITUTES A "FLOUTING OF HUMAN RIGHTS.") HE DOES STATE THAT "THE SCOPE OF ACTIVITY OF DISTRICT, REGIONAL, TERRITORIAL

AND REPUBLICAN SOVIETS WILL BE INCREASING IN THE FORMATION OF AGROINDUSTRIAL AMALGAMATIONS," BUT MAKES NO COMMITMENTS TO ANY OTHER CHANGES IN THE EXISTING ET

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MANAGEMENT AND LABOR BE BETTER AND MORE PRODUCTIVE BUT HAS NOT SUGGESTED STRUCTURAL REFORMS TO BRING FORTH THE IMPROVEMENTS HE SEEKS. IN PRAISING THE IDEOLOGY OF KARL MARX, YURI ANDROPOV HAS FORCEFULLY (IF ONLY BY IMPLICATION) CRITICIZED THE ADMINISTRATION OF LEONID BREZHNEV; HE HAS NOT, HOWEVER, OFFERED MUCH OF HIS OWN AS A SUBSTITUTE. END COMMENT. ZIMMERMAN  
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ECONOMIC STRUCTURE. ALMOST IN PASSING, ANDROPOV COMMENTS THAT "THE MULTIFORM EXPERIENCE OF THE FRATERNAL SOCIALIST COUNTRIES, WHICH IS NOT IDENTICAL IN EVERYTHING, PROVIDES VAST MATERIAL FOR THEORETICAL INTERPRETATION." (HARDLY A RINGING ENDORSEMENT OF THE HUNGARIAN OR OTHER MODELS.)

10. FOR PRACTICAL PURPOSES, THERE IS NO FOREIGN POLICY CONTENT TO THE ARTICLE, MERELY PASSING REFERENCES TO "IMPERIALISM" AND THE NEED FOR PEACE.

11. COMMENT: SOVIETS WILL READ THIS ARTICLE WITH GREAT CARE FOR WHAT IT FORETELLS ABOUT ECONOMIC POLICY UNDER THE NEW REGIME. THEY WILL SEE THAT THE BOSS IS VERY DISSATISFIED WITH THE ECONOMY HE HAS INHERITED FROM LEONID BREZHNEV AND THAT HE EXPECTS IMPROVEMENTS FROM THE SHOP FLOOR TO THE MINISTERIAL LEVEL. HOWEVER, THEY WILL LOOK IN VAIN THROUGH THIS ARTICLE FOR CLEAR GUIDANCE AS TO THE DIRECTIONS THEY SHOULD PURSUE. THERE IS PRECIOUS LITTLE FOR AN ADVOCATE OF "LIBERALIZATION" OR A MORE MARKET-ORIENTED APPROACH TO TAKE HOPE FROM. THERE IS NOTHING TO INDICATE WHETHER ANDROPOV WANTS MORE OR LESS CENTRALIZATION OR, INDEED, WHAT KIND OF REORGANIZATION THE PARTY LEADER HAS IN MIND AT ALL. THE GREATEST CLARITY IN THE PIECE COMES WHEN ANDROPOV LINKS WAGES TO OUTPUT; THIS IS A SIGNAL THAT WAGES AND PRICES WILL BE LOOKED AT IN A MORE RATIONAL WAY BY THE NEW LEADERSHIP. OTHERWISE, ANDROPOV HAS DEMANDED THAT

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