

RADIO FREE EUROPE *Research*

COMMUNIST AREA

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USSR/40

USSR: Economics

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REGIONAL DIFFERENCES STILL EXIST

Summary: The Soviet leadership already admitted years ago that the economic gap between the western and the eastern portion of the Soviet Union must be closed. However, no definitive ways to solve this problem have yet been found. The wealth of resources east of the Urals cannot to this day be properly exploited. The investments made in this respect have often been improper and have rarely left any visible success behind them.

For Khrushchev the opening up of the eastern rayons of the Soviet Union was one of the major tasks of the 1959 - 1965 Seven Year Plan. This area was to yield the following percentages of the total Soviet production of the following products in 1965: iron ore, 44%; steel, 48%; rolled steel, 49%; coal, ca. 50%; crude oil, 30%; electric energy, 46%; and wood products, 45%. (1) To this end, 40% of all the investments made in the course of the Seven Year Plan were to flow into the eastern rayons. These became, as Soviet economists admit openly, "investment ruins."

The journal Planovoe Khozyaistvo published in its February 1969 issue an informative article on this topic, from which the following facts were taken.

*Up to now, the industrial and agricultural production, as well as production funds, are concentrated largely in the European rayons and in the Urals, where 77% of the Soviet population lives.

(1) Vnecherednoy XXI. S'ezd Kommunisticheskoy Partii Sovetskogo Soyuza, Stenograficheskiy otchet, Vol. II, Moscow 1959, p. 508.

* Numerous energy branches of the chemical industry and of the ferrous metal industry are situated far away from the highly effective sources of high grade fuel and energy in the eastern rayons. At the moment more than 80% of the products manufactured under the intensive energy process are produced in the European part of the USSR and in the Urals, while the discovered sources of energy there amount to only 30% of the total in the Soviet Union. The consequence of this concentration is that it is becoming increasingly more difficult to supply industry with energy. These disproportions not only continue to exist on a temporary basis; they are also at the root of the prospective plans for the future. Accordingly, the deficiency of fuel and energy will amount to approximately 110 million tons of fuel in 1970 and will triple in 10 to 12 years.

* One of the conditions for the development of the eastern rayons is a rapid improvement of the standard of living of the population, in which the particular conditions of this region must be taken into consideration. Otherwise, the fluctuation in cadres will continue.

* The goals that were set in the Seven Year Plan are, in fact, only to be reached in 10 to 15 years. Yet the proper conditions must first be created, among others a radical change in the policies pertaining to the location of industries, especially in the case of the factories of the non-ferrous and ferrous metal industries, in the fuel industry, in the cellulose, paper and chemical industries, as well as in the construction of heavy machinery. The raw materials needed for these branches are mostly to be found east of the Urals.

*Special difficulties occur in the construction of the infra-structure: the water supply for the population and for the economy must be assured; the connections between the Urals and Kuzbas and the Middle East are difficult; there are too few roads and the existing ones are poorly laid out. In spite of the forced construction of a pipe-line system the transport possibilities are not sufficient for the needs of the eastern or western sections, especially in the case of railroad and truck transportation.

For as long as the Soviet Union has existed, the opening up of the eastern rayons -- especially western and eastern Siberia and the Far East -- has remained an unsolved problem. The economic damage which has resulted from this is only one side of the problem, the other being the political aspect. Communist China has laid claim to a portion of the Soviet territory in Asia for years, using not only historical arguments, but also making reference to the neglected state of this territory. Therefore the Soviet-Chinese conflict provides additional reasons to make the urgency of the solution of this regional problem even more clear to planners and economic experts. However, in the meantime -- and in contrast to Khrushchev -- they have realized this is not a matter of seven years, but rather of a long, drawn-out project.