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Non-Target Communist Area Analysis Department

Background Information USSR

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USTINOV'S ECONOMIC EMPIRE

A series of announcements in Pravda (March 3, 1963) appear to finalize and legitimize some of the organizational proposals for the economy which were made in vague and tentative form at the November plenum of the CPSU by Khrushchev.

On the 13th March a joint meeting was held of the Party Presidium and Council of Ministers, with Khrushchev in the chair. It discussed the drafting of the plan for 1964-65, the last two years of the Seven Year Plan, and also the drafting of the next Five Year Plan which will cover the years 1966-1970. These documents will no doubt undergo many changes before they are completed, and it should be understood that planning in the USSR is a continuous process, with amendments and revisions being made constantly as they become necessary or desirable.

Therefore the fact that this exalted gathering has discussed the shape of the plan for the two years ahead need not necessarily mean that the Seven Year Plan as a whole has been "abandoned". It would be more reasonable to suppose that further changes are to be made in some of the individual targets such as those for agriculture, which have largely become a farce, and for some sectors of industry where in most cases easy fulfillment of the goals for the first four years suggests either that higher targets are now attainable than were first planned or that redistribution of effort would now be rational.

A case in point might well be the steel industry which for 1963 has had its planned growth rate halved, since Khrushchev believes that it has grown too fast for his probable requirements. Last year it produced 76,000,000 tons, and at the former growth rate (+6,000,000 tons p.a.) it would have exceeded present US output (98.3 million tons in 1962) by 1966.

Khrushchev prefers to see some of the earlier planned investment in his over-inflated steel industry redirected into more backward sectors such as chemicals, light industry and state agriculture, and the final 1964-65 plans will probably reflect this tendency.

The New Supreme Council

One concrete action taken by the joint session of the Presidium and Council of Ministers was the establishment of a Supreme Council of the National Economy of the USSR under

the Council of Ministers USSR. This agency is to be the highest industrial body in the Soviet Union, reporting directly to the government, and headed by D.F. Ustinov, who is simultaneously promoted to the rank of the 1st Deputy Chairman of the Council of Ministers.

Since the latter rank is at present held only by Mikoyan and Kosygin, both of whom are full members of the Presidium, it may be reasonably guessed that if Ustinov is successful in his new post, it will not be long before he is elevated at least to candidate membership of the top policy-making Party agency (at present he is a full member of the Central Committee.)

Ustinov was People's Commissar for Armaments throughout the war and for the entire period 1946-1957 he was either Minister for Armaments or Minister of the Defense Industry (the post-Stalin title of the same job). There is no likelihood that he will neglect his former weapons orientation in his new post.

Downgrading of Ministries.

In order to bring some of the important surviving industrial Ministries under Ustinov's direct control, several of them are being downgraded to the rank of State Committees and subordinated to the Supreme Council of the National Economy. These include the Ministry of Medium Machine-Building (which has long been suspected by Western experts of being the cover name for nuclear weapons production), the Ministry of Geology and Minerals Conservation, the Ministry of Power and Electrification.

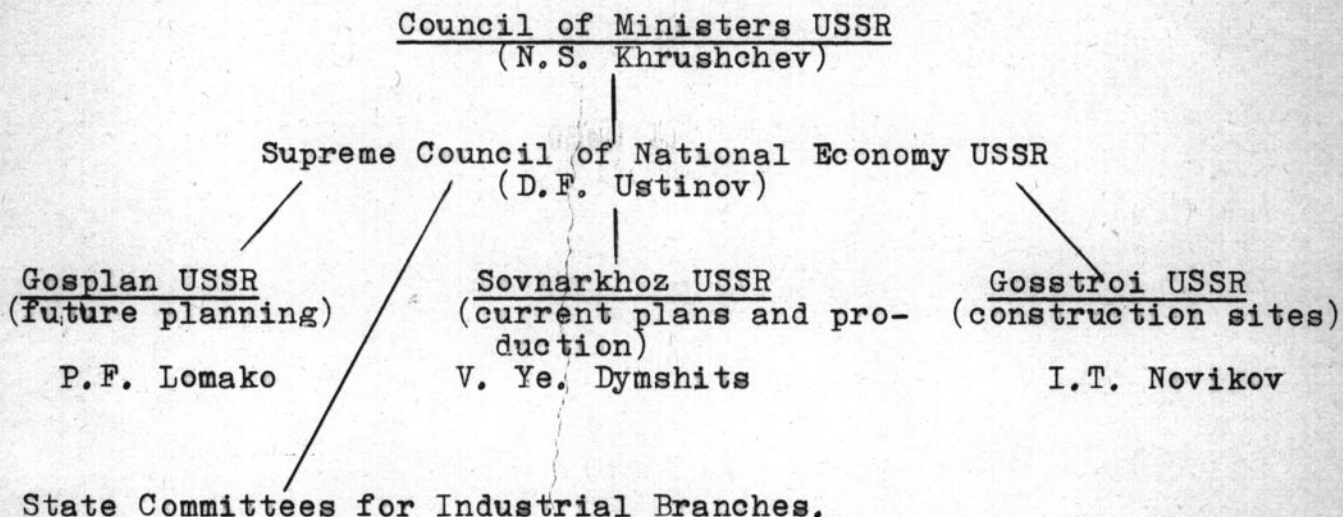
The Ministry of Transport Construction and the Ministry of Construction for the Central Asiatic Economic Area are also to become state committees, but are to be subordinated to Gosstroil USSR, while Soyuzseltekhnik, the All-Union body concerned with agricultural machinery, is to be subordinated to the Sovnarkhoz of the USSR.

This latter office, the Sovnarkhoz USSR, will continue to exist but will be downgraded from All-Union status to the Union-Republican level. The same reduction of status is also to apply to Gosplan USSR, and both agencies (Sovnarkhoz USSR and Gosplan USSR) will henceforth be directly subordinated to Ustinov's Supreme Council. Since Gosplan USSR is responsible for future planning (it is instructed to prepare proposals for the draft 1964-1965 and 1966-1970 plans) and the Sovnarkhoz USSR deals with current planning as well as production problems under V. Ye. Dymshits, it is evident that Ustinov in future is to have full charge of all types of planning in addition to his executive economic functions.

The main Soviet building agency (Gosstroil USSR), the full title of which henceforth is to be the State Committee for

¹State Construction Agency, USSR.

Construction of the USSR, will form the third main prong of Ustinov's empire, directly subordinated to his Supreme Council. Thus the chain of command will be:



Ustinov's deputy on the Supreme Council is to be A.M. Tarasov, who has been appointed a Minister of the USSR as a consequence of his new post. Unlike his chief, Tarasov's production experience has been mainly on the civilian side of industry, first in motorcycles and then from 1948-59 as Director of tractor factories in the Altai and in Minsk.

There has been some speculation in the West that the magnitude of Ustinov's new responsibilities may mean a decline in the status of Mikoyan and Kosygin. At present it seems premature to draw such an inference, because Mikoyan and Kosygin are full members of the Presidium, giving them policy-forming duties at a higher Party level. But it can be said with some confidence that not for decades past has so much economic executive and planning power been concentrated in the hands of one man below the rank of Chairman of the Council of Ministers.

The "return to Lenin", who created the precedent of a Supreme Council of the National Economy in December 1917, seems now to be interpreted by his self-appointed disciple, Khrushchev, to mean a return to centralization. But the Soviet economy is infinitely more complex than in Lenin's day, and the consumer is beginning to frustrate the planners by refusing to act predictably. Ustinov will have his work cut out.

r.r.g.