Bitter fruits of the Soviet war economy

by Konstantin George

According to a September survey of 140 towns and small cities in the Russian Republic, published in the weekly *Moscow News,* supplies of meat, fish, and dairy products have vanished in most of them. Every day, reports the weekly *Ogonyok,* hundreds of Russians arrive in Moscow by train from outlying cities, in search of sausage for sale. Throughout the U.S.S.R., sugar has long since disappeared, while fruit and vegetable supplies are limited and highly erratic, even in season, except at the private peasant markets and cooperatives, where they fetch exorbitant prices.

The situation is no better in the Ukraine, and is disastrous in even the traditionally food-surplus regions of the Transcaucasus. In the Transcaucasus republics of Georgia, Armenia, and Azerbaijan, which are chief Soviet fruit- and vegetable-growing areas, these items have disappeared from the shelves, as has meat, which is strictly rationed. In fact, rationing has already been extended to most of the Russian Empire.

Worst off, however, are the Turkic republics of Soviet Central Asia. Meat consumption in Uzbekistan, the U.S.S.R.'s third most populous republic, is officially reported at a mere 30 kg. (66 lbs.) per person per year, or a little over 1 lb. per week. The average for the entire U.S.S.R. last year was only 2½ lbs. per person per week, and this year, 2 lbs. at the most.

These official statistics must be taken with a grain of salt—or dollop of tallow, as the case may be. For one thing, the "meat" weights above include *salo* (pork fat), other "unprocessed animal fats," not to mention, according to *Pravda,* "category II subproducts with no meat content." The latter include "heads, trotters, ears, tripe." Meat products in general, *Pravda* wrote on Sept. 1, "have gotten worse over the past years; . . . sausages have a displeasing look and taste." And as the food crisis worsens, the figures are continually revised downward, while articles and letters in the provincial newspapers and eyewitness reports made available to *EIR* indicate that there is no meat at all in the shops, in city after city. For example, sources with access to first-hand information from Uzbekistan have told this author that the 30 kg. figure is "at best somewhat exaggerated, if not a purely imaginary statistic."

This was the state of affairs before the 1988 grain harvest. Now, Soviet announcements have made it clear that the harvest is a failure. In August, Soviet television acknowledged that drought in Siberia and Kazakhstan and floods in the southwest "black earth" regions had caused major damage, while *Pravda* reported from the Kazakhstan corn belt, "You will not be able to call this a rich harvest." On Sept. 16, General Secretary Gorbachov stated that this year's harvest would be "below that of last year," which was reported at 211 million metric tons, because of poor yields in drought-stricken Kazakhstan, Siberia, and the Volga region. Preliminary estimates put out from Soviet government sources are that the grain harvest will reach, at most, 205 million metric tons, but could, as the *Frankfurter Allgemeine Zeitung* conveyed it, "very well be only 190 million tons." The woefully inefficient Soviet storage and transport system will, as usual, reduce the actually consumable grain by as much as 20%.

The minimum required for Soviet consumption is approximately 235 million tons of grain. In other words, there is a deficit of at least 40 million tons, probably more, to be covered with imports. (Only with the 1978 record harvest of 237.2 million tons did the Soviet Union come within range of producing its own requirements in grain. In 1979-85, the grain harvest averaged around 190 million tons. In 1986-87, it supposedly made it back up to the 210-211 million ton range, although those figures were likely puffed up so that they would portray a positive impact of *perestroika.*) After average imports of 30 million tons per year since 1979, except for 47 million tons in 1981-82 and a record 55 million tons in 1984-85 (these followed harvest disasters of 158 million tons and 173 million tons, respectively), the Soviets are heading toward an import total of 40 million metric tons or more of grain for 1987-88.

Many observers see a "winter of discontent" looming inside the Russian Empire.

Priced out of reach

The other aspect of food shortages inside the Soviet Union is that many food items are for sale only in the cooperative stores, at prices which a worker can afford either never or, at best, once a month. The Soviet press, starting in late summer, began to overflow with articles and letters protesting price-gouging by the coops, whose prerogatives were expanded under legislation sponsored by Gorbachov. During his early September tour of Krasnoyarsk Territory in Siberia, Gorbachov was pelted with complaints about the coops.

The average income of a Soviet factory or office worker is about 200 rubles per month. How much can he buy of the Slavic meat staple, cooked sausage?

One kilogram (2.2 lbs.) of cooked sausage costs 2.30-2.90 rubles, when available, in the state stores. But since June, with the exception of Moscow, Leningrad, and a few other large cities, cooked sausage and most other meats have vanished from state shops throughout the country. In the cooperatives stores, however, cooked sausage is freely available at a price of 9-11 rubles per kilogram—a price-equivalent that is more than double what a Western European worker would pay for the very best filet steak. In order to have 2 lbs. of cooked sausage available per week for a family, the average worker would have to spend 20% of his monthly income. To make it 2 lbs. of actual meat on the table per week, when it is found at the cooperatives for 15-25 rubles/kg., he would have to allocate at least one-third of his monthly wage.

This calculation reflects July prices. As the shortages in the state shops have worsened since then, the prices in the cooperative stores, which in effect are a ruble-denominated black market, have risen.

Low investment, high looting

Since the end of World War II, the Soviet economy has depended to a great extent on Moscow's power to milk its colonies, the captive nations of Eastern Europe. Their "trade" arrangements were rigged so that the satellite nations paid for over-priced Soviet energy and raw materials imports, by exporting to the U.S.S.R. under-priced industrial goods, machinery, equipment, ships, transportation equipment, and construction vehicles. This license to loot Eastern Europe allowed the Soviet Union to underinvest in its own civilian manufacturing sector, the better to concentrate on its war machine.

The year 1982, when Yuri Andropov succeeded Leonid Brezhnev as Communist Party general secretary, marked the inception of an increased-tempo Soviet war plan, which *EIR* has labeled the Ogarkov War Plan. This featured a buildup of the Soviet war economy, under what has since been named *perestroika* (restructuring), and a dramatic increase in the rate at which Moscow looted Eastern Europe to sustain the Soviet civilian economy. The pattern was discernible already in the mid-1970s, when then-Chief of the General Staff Marshal Nikolai Ogarkov began to put his policies into effect; Russia increased investment in the military-industrial sector and related heavy industry, at the expense of already overdue modernization of light industry, the consumer goods industry, agriculture and food processing, and a wide range of infrastructure, including housing, health care, energy, and raw materials.

The gaps in Soviet light industry, which Eastern Europe was pillaged to fill, were described at a February 1988 Moscow seminar on "Problems of Radical Change in Economic Management," where Gorbachov's economic adviser, Abel Aganbegyan, was the main speaker. His report and recommendations were published in the March issue of *Nauka i Zhizn* (*Science and Life*).

"For a long time," said Aganbegyan, "we obviously underestimated the production of mass consumer goods. . . . Although this branch of industry accounts for 37% of all income generated, it has received [since the late 1960s] only 8% of all investments. Light industry is still operating unsatisfactorily. . . . The reasons for this are rather deep: equipping light industry with new machinery has not been done for decades. 40% of its plant and equipment passed its point of amortization long ago."

He proceeded to document the collapse of living standards, already by 1987, down to the levels of the early 1960s or late 1950s: "Today . . . 17% of all Soviet families do not have their own apartment or house, half of all apartments in the Soviet Union, above all in the rural areas, have no toilet, no sewage, no running water, let alone hot water, telephone or central heating. . . . Compared to other developed countries, we have very low per capita meat consumption—62 kg. per year—in other countries it is 75-80 kg. per year and even 85 kg. per year. . . . In the consumption of milk and milk products, the Soviet Union is far behind most other countries; and the variety of these products is very limited and the quality is very poor. The Soviet Union is far behind other countries in the consumption of vegetables. . . . Our population consumes only one-third of the amount of fruit recommended by the medical profession, and this has especially negative effects on the health of our children."

The shortages of 1988, if one makes the relevant comparisons, have taken living standards down to the level of the early 1950s—the last years of Stalin.

'Joint projects'

Aganbegyan failed to list one crucial area that Soviet investment has neglected: energy and raw materials projects and related infrastructure. Compensation has come from Eastern Europe, by means of what are called Council for Mutual Economic Assistance (CMEA) "joint projects."

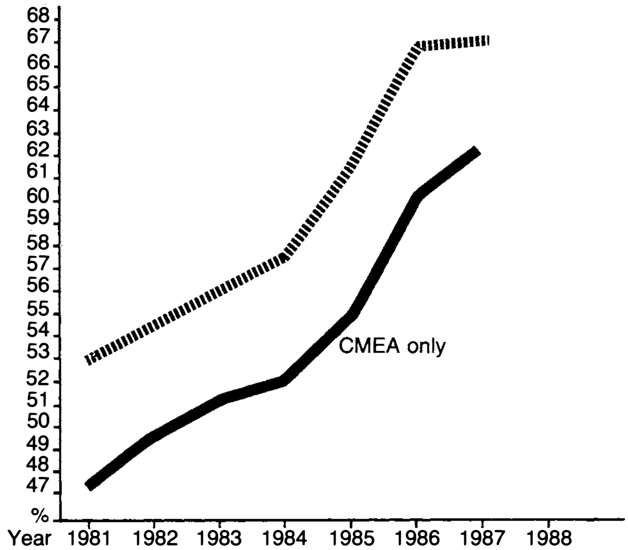
From the mid-1970s to the present, half the cost of every Soviet oil and natural gas pipeline, running 4,000 kilometers from Western Siberia to Eastern Europe, has been paid for by the Eastern European nations. They also supplied half the labor force to build these projects. The same "50-50" rule for "joint projects"—though these, too, are entirely on Soviet soil—has been applied to other energy investments, such as power plants in the U.S.S.R. and electric power lines from the U.S.S.R. to Eastern Europe, and to multi-billion ruble investments in raw material projects, for iron ore, pulp and paper, and asbestos, to name but a few.

The connection to food? The oil and gas pipeline "joint project" form of looting Eastern Europe enabled Moscow to develop and sustain a level of oil and gas exports to the West, which earn hard currency to pay for the massive food imports from the West, without disrupting the investment dictates of the Andropov-Ogarkov War Plan.

The Ogarkov Plan's acceleration in the 1980s demanded more raids against the Eastern European satellites, which were forced to vastly expand their export of industrial goods, equipment, and consumer goods to Russia, to plug gaps caused by Soviet disinvestment in the civilian sector. This looting was accomplished by colonialist pricing policies, established by Moscow in the CMEA. **Figures 1-3** show the dramatic shift in the structure of Soviet foreign trade, into a

FIGURE 1

Percent of Soviet trade with socialist countries*



**The Soviet category "socialist countries" includes the CMEA (Council of Mutual Economic Assistance) countries, and the People's Republic of China, North Korea, and Yugoslavia.*

FIGURE 2

Percent of Soviet trade with OECD countries

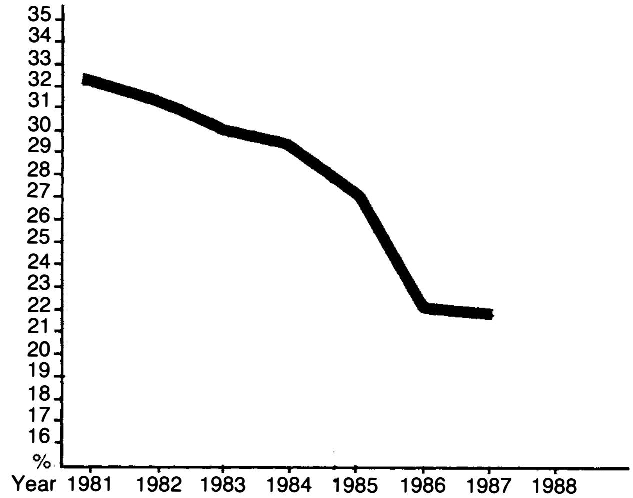
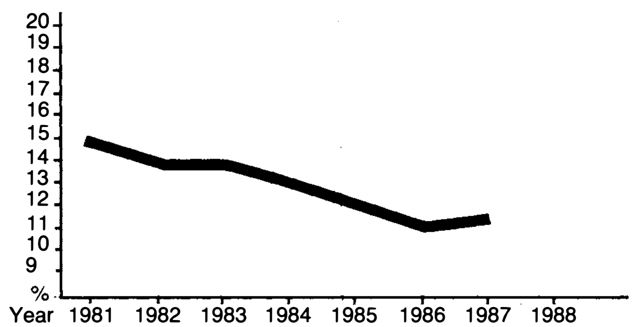


FIGURE 3

Percent of Soviet trade with developing countries



Soviet-directed CMEA autarchy policy during the 1980s.

The colonialist pricing works as follows. The prices of Eastern European countries' exports to the Soviet Union were constant over the six-year period, 1982-87. Therefore, an increase in exports denominated in rubles, faithfully reflects the stunning real increase in the flow of goods to Russia. For the six Eastern European CMEA members, these increases in the ruble amounts of goods shipped to the U.S.S.R. in 1982-87 were:

From East Germany:	by 23%
From Czechoslovakia:	by 46%
From Poland:	by 55%
From Hungary:	by 32%
From Romania:	by 68%
From Bulgaria:	by 53%

During the same period, traffic in the other direction, real Russian exports to Eastern Europe measured in tons of oil, metals, etc., remained flat or even declined. Only if measured in rubles, would it appear that Soviet exports to the colonies grew sharply, because Moscow tripled the price of oil and hiked prices on most other raw materials it exports to these captive nations.

The case of Czechoslovakia illustrates the experience of Eastern Europe as a whole. In 1981, the Czechs paid 8 billion koruny for Soviet oil. Crude oil comprises 41% of all Czech imports from Russia. In 1986, for a somewhat smaller amount of oil, the Czechs paid 23 billion koruny.

In 1980, Moscow exported to Eastern Europe 90 million tons of crude oil, maintaining such a level through 1982. By 1986 however, the figure dropped to 84.2 million tons.

These shifts have placed an impossible burden on the economies of Eastern Europe. At present, 45% of total Czechoslovak trade is with the U.S.S.R. But for Russia, even this brutal consolidation of CMEA autarchy is not enough. Moscow is presently complaining that its trade with Eastern Europe has "stagnated" at an "intolerably low level," to cite Prime Minister Nikolai Ryzhkov at the July 5-8 meeting of CMEA prime ministers in Prague; but in reality, the plateau at which this trade has "stagnated" (as can be seen from our graphs) is a very high plateau indeed.

Our next article will show how Eastern Europe has been looted during the 1980s from the West as well.