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CENTRAL INTELLIGENCE AGENCY

WASHINGTON, D.C. 20505

2 March 1982

Mr. Brian V. Kinney
Chief, Declassification and
Historical Research Branch
Records Management Division
Washington Headquarters Services
Room 1D517, Pentagon
Washington, D.C. 20301

Dear Mr. Kinney:

In response to a letter of 22 February 1982 from Mr. E. E. Lowry, Jr., OSD Records Administrator, we have reviewed the attached document under the systematic review provisions of Executive Order 12065. The document is a State Department publication and is composed of three articles from the State/OIR publication Monthly Review of Soviet Economy for July-August 1948.

We note several CIA footnotes in two of the articles, but have no objection to the declassification and release of this document under Executive Order 12065. The final decision for its release, however, should be obtained from the Department of State.

Sincerely,

[Redacted Signature]

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Chief, Classification Review Division
Office of Information Services
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Monthly Review
OF THE
SOVIET ECONOMY

CIR REPORT NO. 434110 • JULY-AUGUST 1948

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Monthly Review of SOVIET ECONOMY

OIR REPORT NO. 4344.10 • JULY-AUGUST 1948

DEPARTMENT OF STATE

DIVISION OF RESEARCH FOR EUROPE

OFFICE OF INTELLIGENCE RESEARCH

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II. A NEW ROUND OF LEND-LEASE NEGOTIATIONS

A New Though Unsatisfactory Offer

WITH the return of Soviet Ambassador Panyushkin from Moscow on June 22, negotiations concerning settlement of lend-lease obligations incurred by the USSR under the Mutual Aid Agreement on June 11, 1942 are being resumed. The Soviet side has altered its position and made offers which, although unsatisfactory, could be considered as a starting point for more successful negotiations if the professed Soviet willingness to reach a settlement proves genuine.

The negotiations originally opened April 30, 1947, after repeated requests by the United States Government over a period of almost two years, and have continued at an irregular pace over the past 14 months. Progress toward agreement has been made on a few specific matters, but there has been no real meeting of minds concerning basic principles upon which an over-all settlement could be established.¹

¹ After the initial meeting between Mr. Thorp and Ambassador Novikov on April 30, 1947, ten meetings of two combined working groups were held to discuss specific aspects of the settlement. The last of these meetings took place on July 18, 1947. There followed a period of five months during which the Soviet side, despite informal and formal inquiries, offered no indication as to when negotiations would be resumed. During this period no counterproposals were received in reply to the "Outline of Main Points of Settlement Proposed by the US Side" which had been transmitted to the Soviet delegation on June 25, 1947. The United States on November 17, 1947 delivered an aide memoire calling the attention of the USSR to the necessity for resuming negotiations, and on December 16, 1947 the US received a note from the Soviet Government which set forth certain counterproposals concerning the settlement of the lend-lease obligations. The US replied by a note of January 23, 1948. On January 19, 1948, soon after the arrival of the new Soviet Ambassador (Alexander S. Panyushkin), meetings between the representatives of the two sides were resumed, and four meetings between the Ambassador and Mr. Thorp occurred during the succeeding two months.

After the last meeting between Ambassador Panyushkin and Mr. Thorp on March 12, 1948, the American negotiators had arrived at the conclusion that further discussion would be fruitless unless the Soviet delegation altered its position. A 14 page note was addressed to Ambassador Panyushkin on May 7 in which this Government explained the unacceptability of the Soviet proposals of December 16, 1947; reiterated firmly, and in detail, its position on various issues; and emphasized its dissatisfaction at the slow progress of the discussions. Late in May the Ambassador called upon the Under Secretary of State and advised him that he was returning to Moscow for new instructions concerning the lend-lease settlement negotiations. It is reported that the Soviet Ambassador, on arriving at La Guardia Field upon his return, declared that he expected to continue the negotiations and thought it possible to reach an agreement but that this depended upon both sides, especially the United States.

The official Soviet reply to the American note of May 7, 1948, which apparently sets forth the USSR's position in the resumption of negotiations, is contained in a note (dated June 25, 1948) recently received by the Department of State. In this communication the Soviet Government states that it adheres to the principles set forth in its note of December 16, 1947. These principles are basically at variance with the main points of the American position and with the interpretation of lend-lease obligations accepted as a basis for all previous settlements. At the same time, the Soviet side states that in the interests of obtaining agreement it is prepared to suspend discussion concerning the principles of the settlement and to continue its efforts to find a practical solution to the questions in dispute. As regards one major issue, the compensation due the US for civilian-type articles which remained in existence on VJ-Day, the Soviet Government suggests that this obliga-

tion be settled at a sum which amounts to only a fraction of the depreciated value of the inventory, as estimated by the United States.

The Soviet note makes no reference to the purchase of 36 war-built vessels, upon which the two governments previously had reached a tentative agreement. However, a cash offer is made for the purchase of 48 prewar-built vessels and a tug, including three vessels lost since March 18, 1946. This offer is less than one-half the total stipulated by the US as the minimum price for these vessels. The note also includes other Soviet proposals, most of which are unresponsive to the United States requests. Included are proposals to delay return of 28 naval frigates pending an over-all settlement and to lease three icebreakers on a long-term basis. Reference is also made to the purchase of other naval vessels, the relinquishment by the US of title to military equipment situated in the USSR, negotiations on patent matters, and the cessation of shipments under the "pipeline" credit agreement.*

Basic Differences in Interpretation Hinder Settlement

As suggested above, the prolonged and inconclusive character of the negotiations represents more than a disagreement over items of inventory or the details of financial terms. The negotiations have been marked by a fundamental difference in approach, involving the interpretation of both the obligations assumed by the USSR and the rights of the United States under the Mutual Aid Agreement.

The United States settlement proposals are predicated on the following principles which were successfully used in other lend-lease settlements: (1) No payment is requested for items destroyed, lost or consumed during the

* The details of these proposals will be discussed below. In this note the Soviet Government for the first time formally suggests the question of the cessation of shipments under the lend-lease "pipeline" agreement of October 15, 1948 as a matter to be included in the over-all lend-lease settlement discussions. Inasmuch as the American side considers this a problem outside the settlement negotiations, no attempt will be made to deal with the subject in this article.

war and prior to September 2, 1945; (2) in accordance with Article V* of the Mutual Aid Agreement, the US requests the return of certain items which were not destroyed, lost or consumed, and (3) the US asks compensation for other items which remain in the possession of the USSR.

Under lend-lease the USSR received merchant vessels, naval, and other military vessels, civilian-type articles, and military equipment. The United States has already requested the return of eight merchant vessels (seven tankers and one steamer) and 31 naval vessels (three icebreakers and 28 frigates), and will probably specify other vessels for return. These are vessels which the United States cannot or will not offer for sale because of domestic legislative or other legal restrictions or because of strategic considerations. Other naval and merchant vessels have been repeatedly offered for sale to the USSR. The US contends that in offering to sell these vessels instead of demanding their return it is modifying the agreement in favor of the USSR, since the Soviet Government is obligated to return any vessels requested by the United States. Compliance with such requests is not contingent upon negotiations or the conclusion of a general settlement.

The US side also asks compensation in an amount representing an agreed fair value of the civilian-type lend-lease articles which remained in existence on VJ-Day, and has openly evidenced willingness to negotiate upon the sum. The United States does not request the return of, or payment for, military-type equipment, with the exception of 260 gun assemblies, but merely proposes to retain title to these items and the right to demand their re-

* Article V: "The Government of the Union of Soviet Socialist Republics will return to the United States of America at the end of the present emergency, as determined by the President of the United States of America, such defense articles transferred under this Agreement as shall not have been destroyed, lost or consumed and as shall be determined by the President to be useful in the defense of the United States of America or of the Western Hemisphere or to be otherwise of use to the United States of America."

turn (limited only by the duration of their existence).

In accordance with Article IV,⁴ the US requires that satisfactory arrangements be concluded with US firms concerning licenses for continuing Soviet use of patents and processes connected with petroleum refinery equipment transferred to the USSR under lend-lease, or that a lump sum payment be made to the US Government to cover the claims of the American firms. Other matters which the United States wishes to include in the general settlement concern miscellaneous small claims arising from ocean freight charges and insurance.

In contrast to the American position and approach, the Soviet side has tended to disregard the "lending and leasing" aspects of the agreement and to interpret lend-lease operations only in terms of mutual aid, stressing a net balance of mutual contribution to the war. The Soviet representatives maintain that the Mutual Aid Agreement was not an economic but a military and political agreement, and that the United States is attempting to modify it into an economic contract. The first point in the Soviet reply (December 16, 1947) to the "Outline of Main Points of Settlement Proposed by the US Side"—a point reiterated throughout the reply and the discussions—is the magnitude of the Soviet contribution to the war effort and the relatively advantageous position of the US in escaping from war damage and enjoying the opportunity for economic development. The Soviet Government contention is that the benefits received by the United States, as a result of the destruction of a common enemy which was achieved in considerable degree through the efforts of the USSR, exceed the benefits received by the USSR under lend-lease.

⁴Text of Article IV: "If, as a result of the transfer to the Government of the Union of Soviet Socialist Republics of any defense article or defense information, it becomes necessary for that Government to take any action or make any payment in order fully to protect any of the rights of a citizen of the United States of America who has patent rights in and to any such defense article or information, the Government of the Union of Soviet Socialist Republics will take such action or make such payment when requested to do so by the President of the United States of America."

In addition, the Soviet side holds that the Master Lend-Lease Agreement does not impose the definite obligations upon the USSR which the US outlines, but was intended as a preliminary agreement providing a framework under which final determination of terms and conditions for aid were to be arranged. Mr. Arutiunian, a member of the Soviet delegation, on June 11, 1947 made the striking statement that the Soviet Government had not expected to have to return any of the lend-lease equipment to the United States and had not kept its records as it would have done if that were to be the case; further, that the lend-lease agreement contained no obligation to return lend-lease articles. After his attention had been called to certain clauses of the agreement and to the receipts which the US holds for the naval vessels, he appeared to feel that he had made a misstatement. The remark is worth noting, nevertheless, as an indication of the premises upon which the Soviet representatives approached the negotiations during this period.

While the US side proposed to reach a settlement on the basis of inventories, or reasonable estimates thereof, of articles which were not destroyed, lost or consumed, and arrive at an agreement as to compensation for these items or an arrangement for their return to the US, the Soviet side approached the negotiations in terms of an over-all political settlement. Ambassador Novikov made it clear at the very first meeting (April 30, 1947) that the Soviet side desired and expected to reach an over-all settlement rather than to work toward a general agreement by way of an examination and settlement of specific claims. Although the Soviet side concurred in the US suggestion that the various detailed questions be referred to technical working groups, it did not supply the necessary data.

Another fundamental point of contention concerns the terminology and translation of Article V. This situation has at times proved almost ridiculous although not unprecedented in Soviet foreign relations. The English text, the only official text, stipulates that articles "not destroyed, lost or consumed" which the President deems useful to the United States

will be returned at the end of the emergency. The USSR contended that only lend-lease articles which were "unused" at the termination of hostilities are subject to return to the US, and has further interpreted this to mean "undistributed to ultimate consumers."

As early as mid-1945 the United States had asked the Soviet Government, along with other lend-lease recipients, to supply an inventory of articles not destroyed, lost or consumed. The Russians failed to supply any information on this subject even after negotiations were begun. In the absence of these data, the American side, in order to provide a basis for settlement in keeping with the principles used with other countries, was forced to construct its own estimate of a preliminary inventory of such items on the basis of American records of articles arrived in the USSR. This inventory was presented to the Soviet delegation on May 13, 1947. At the meeting of the combined working group on June 11, 1947, Mr. Arutiunian attacked the American inventory as being of no real value. He said that although it was possible to arrive by guesswork at such a figure, it was not a practical procedure in connection with the settlement negotiations. He presented an inventory of articles "undistributed" as of September 2, 1945 valued at \$261,817,000. This is only a fraction of the estimate of the American inventory, which itself is only a small portion of the total cost to the US of over \$11 billion for lend-lease articles and services for the USSR. The concept of "undistributed" or "unused" articles, introduced by this inventory, was expanded as a basic Soviet position in the note of December 16, 1947, and adhered to vigorously throughout the meetings between Ambassador Panyushkin and Mr. Thorp.

In its note of December 16, 1947 the USSR offered to pay for the "undistributed" articles on long-term credit but mentioned no figure. In its note of June 25, 1948, suggesting that the discussion of principles be set aside, the USSR offered to pay \$170 million over a period of 55 years "as representing fair compensation for lend-lease articles furnished to the USSR which were not destroyed, lost or consumed at the end of the war." How the Soviet side ar-

rived at this figure is not clear. The Soviet inventory of "undistributed" items included "undistributed" vessels and military equipment as well as civilian-type articles, but the elimination of those items alone would not reduce the \$261 million inventory figure to \$170 million. The only conclusion which can be drawn at this point, in the absence of Soviet data, is that \$170 million is purely a figure for bargaining purposes. Furthermore, only future developments can reveal the extent to which the entire Soviet position with respect to the principles governing the settlement is an improvised negotiating tool, or even a line promulgated with a view to its propaganda value at a later date.

Some Progress on Vessels and Patents

As indicated above, the lack of any meeting of the minds on principles has not prevented limited progress toward a solution of certain specific problems. The USSR has agreed to buy the 36 war-built merchant vessels at the price stipulated by the United States. In its latest note the USSR further offered to purchase 45 prewar-built vessels and a tug and to effect payment for three prewar-built vessels which were lost after March 18, 1946, although the amount offered is only a fraction of the American asking price and less than the bareboat charter hire of the vessels since the end of the war. These offers cover all of the 87 merchant vessels still in Soviet possession except two war-built tugs.

The Soviet Government also offers to buy 428 of the 518 remaining naval vessels (585 naval vessels were originally transferred to the USSR), and states that it will receive suggestions as to the disposal of 90 vessels which suffered battle damage and are technically worn out. The United States has made no commitments as to which of the naval vessels it is willing to sell.

Eight merchant vessels were returned to US custody in good condition after repeated requests, and in its note of June 25 the USSR has consented to include provision in the final settlement agreement for the return of 28 frigates about which the US has also been making

urgent demands. On the other hand the USSR has failed to return the three icebreakers which the US has been demanding even more urgently since July 1946. In its latest note the Soviet Government proposes that it be allowed to retain possession of the icebreakers under a long-term lease.

Officials of the Department were advised early in June that an agreement in substance had been reached between representatives of the Stratford Development Corporation, one of the patent holders on petroleum refinery processes, and the Soviet Government Purchasing Commission, which is authorized to begin negotiations on patent matters with American firms. A later communication from the American firm, however, informed the Department that although agreement had been reached on certain issues the Soviet representative would not commit himself to a concrete settlement and the negotiations subsequently had stalled.

Conjectures on the Soviet Position

A lend-lease settlement with the USSR, in the context of current Soviet-American relations, cannot be considered in the same light as settlements with other lend-lease recipients who were motivated not only by a desire to meet their obligations and to maintain the most friendly diplomatic relations with the US but also by the hope of receiving postwar financial assistance.

Although in practice the USSR has recognized certain obligations to settle outstanding lend-lease claims, it is clear that it does not fully recognize the obligations in principle, nor does it recognize them in the form and scope in which, as the American side maintains, they are clearly established by the Mutual Aid Agreement. The significant factor, as another round of negotiations opens, is not so much the actual figures under discussion as the fact that the Soviet Government appears to be evidencing, at least for the moment, a certain degree of willingness to abandon its obstructionist interpretations, to discuss terms, and to make specific offers. The new position may indicate that the Soviet Government believes

the conclusion of a lend-lease settlement at this time would be advantageous to the USSR.

It would seem, however, that from the Soviet point of view the actual need to conclude such an agreement is small and potential benefits of a settlement are few. The lend-leased items in question are in the possession of the USSR. Only with respect to merchant vessels calling at foreign ports could there be a realistic expectation on the part of the US of regaining possession if a settlement were not reached. Therefore, the Soviet intention may be merely to place the USSR on record as desiring a settlement, rather than actually to strive toward one.

It would seem that the principal advantages which the USSR might obtain from a settlement would be political and, as such, primarily important in terms of propaganda value. If the Soviet Government decided at any point to engage seriously in a "peace offensive" substantiating the maneuvers of a few months ago, a lend-lease settlement would be a valuable and perhaps not too costly cornerstone for such an effort.

Conversely, the desire to avoid adverse world publicity in the event that the Soviet Union remained the only lend-lease recipient which did not settle its account might serve as a motivation, particularly since this might imply economic weakness. Even in the absence of a "peace offensive" the USSR might be attracted by the propaganda advantages offered by certain aspects of the position it has taken on the lend-lease issue. The attitude of the USSR as set forth in its notes could be represented as one of international amity, and any failure to reach a settlement could be blamed on the "greedy" demands of the United States for compensation. In such an event the USSR might easily exploit for propaganda purposes many of the arguments and tactics it has employed in the negotiations, such as: the great contribution of the Soviet Union to the war effort, by which the US allegedly benefited far more than the USSR did from lend-lease aid; the asserted attempt of the US to turn a military-political agreement covering a wartime mutual aid undertaking, into an economic contract under which it could obtain financial

gain; and the offers and show of eagerness by the USSR to reach a solution of the questions in dispute, together with its willingness to forego discussion of principles.

Aside from these political and propaganda factors, one of the main interests upon which the attention of the USSR is centered in the negotiations appears to be the retention, with clear title, of the vessels which it received under lend-lease. The USSR has been using these vessels, without paying charter hire, since the end of hostilities, and they are considered important to the Soviet merchant fleet during the current shipping shortage.* The eagerness of the Soviet Government on this score is indicated by its vigorous efforts, including the actual offer of a check, to conclude the transaction for purchase of war-built vessels prior to reaching a general agreement.

The USSR might conceivably be acting on the assumption that the propitious atmosphere

* See "Lend-Lease Vessels Vital to Soviet Merchant Shipping", OIR-4344.6, *The Soviet Economy—Monthly Review*, February-March 1948.

engendered by a lend-lease settlement could lead to a modification of the United States export control policy in a direction favorable to the USSR, or that it might at least keep the policy from becoming more stringent and from being extended to the shipment of items from Western Europe. Recent Soviet attempts to encourage East-West trade, despite simultaneous violent verbal attacks on the ERP, show that the USSR is apprehensive lest deliveries of industrial and manufactured goods from the West be cut off.

Under the type of settlement which the US proposes in accordance with previous settlements, the Soviet payments (except with respect to vessels) would not begin until the end of several years of grace and would be extended over a long period of years. It is quite possible that the Soviet Government may consider that a settlement would be worth while under these circumstances, on the theory that it would have no meaning should current political relations further deteriorate but would be advantageous in the long run should a diplomatic rapprochement occur.

D

III. THE SERVICEABLE FREIGHT CAR INVENTORY OF THE USSR

The number of serviceable freight cars currently on hand in the USSR is uncertain, chiefly because of the lack of information on destruction, damage, and capture during the war. However, it is possible to arrive at a reasonable estimate of the size of the serviceable inventory on the basis of plausible assumptions regarding the utilization of equipment, just as it is possible to measure the rate of utilization by the relationship of freight turnover to the number of serviceable cars on hand.

The Soviet freight car inventory as of the end of 1940 is estimated at 814,900 cars (in two-axle count).¹ This total includes unserviceable units—that is, freight cars under repair, awaiting repair, or temporarily out of service for other reasons. In the mid-thirties about 9 percent of the inventory was unserviceable in this sense, and there is little reason to believe that maintenance standards and repair facilities had improved sufficiently by 1940 to reduce the proportion of unusable cars in the inventory. Hence the number of serviceable cars on hand at the end of 1940 may be estimated at roughly 750,000 units. Since the freight turnover in that year was 425.2 billion ton-kilometers,² the average net work performed per serviceable freight car may be calculated at approximately 570 ton-kilometers.

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The average net work performed per serviceable car in the postwar period is unknown. However, there is reason to believe that it is at least as high as in 1940. Soviet planners have traditionally sought to increase the rate

¹ OIR-4689.5, Freight Cars, June 24, 1948. See also SID-USSR, Chapter IV, Section 14. All figures in this article are in two-axle count.

² *Ibid.*

of utilization of freight cars,³ and prior to the war the actual freight turnover per serviceable car in the USSR was considerably higher than in the United States.⁴ From one point of view a high rate of utilization is desirable, since the net load carried per freight car can be increased by rationalization and improving railroad operations through such means as minimizing the number and length of empty car runs, increasing the speed of trains, and decreasing the time spent in loading, unloading, and in classification yards. On the other hand, a high rate of utilization may be forced upon the railroad industry by the fact that available rolling stock has to be used very hard in order to handle the traffic burden. Both factors have been operative in the USSR, but the latter has been especially true of the postwar period.

From time to time local and short-term shortages of freight cars have been reported.⁵ Concomitantly the need for increasing the size of the serviceable inventory by repairing damaged and defective cars has been stressed.⁶ It is reasonable to assume, therefore, that the serviceable cars on hand have been used as much as they could be used—possibly sacrificing the already low standards of maintenance and safety. It may also be noted that reconstruction in the postwar period would tend to make intensive utilization of freight cars a necessity in much the same way that prepara-

³ See, for example, Borisov, N. "Puti Dalneshego Uluchsheniya v Rabote Khozyaistva Dvizheniya" (The Means of Future Improvement in the Work of the Traffic Economy), *Sotsialisticheski Transport*, 1939, No. 6.

⁴ OIR-4689.5, p. 7.

⁵ See, for instance, R-47, Moscow, June 12, 1946; Economic News Bulletin, No. 39, 1946; *Izvestiya*, January 30, March 23, March 29, 1947; FBIB Daily Report (Europe), April 10, 1947, p. AA-7; *Pravda*, April 21, August 20, 1947; *Gudok*, February 29, 1948.

⁶ *Economic Information*, No. 261, May 1945; *Gudok*, September 14, 1947.

tion for war in 1940 tended to increase the traffic burden per serviceable car.¹

Assuming that the postwar rate of utilization is about the same as in 1940, the number of serviceable freight cars on hand may be estimated as follows:

Table 2. ESTIMATED POSTWAR INVENTORY OF FREIGHT CARS IN THE USSR

(Thousand units in two-axle count, at beginning of year)

Year	Total ¹	Serviceable ²	Unserviceable
1941	814.9	744.0	70.9
1946	770.0	520.0	250.0
1947	779.5	587.5	192.0
1948	817.5	632.5	185.0

¹ OIR-4689.5.

² Calculated by dividing freight turnover (see OIR-4689.5) by the average ton-kilometer per serviceable car in 1940.

The large number of unserviceable cars indicated by these estimates is consistent with the reported damage to Soviet railroad rolling stock. Some of the unserviceable cars, prob-

¹ Compared with 1937, the net work performed per serviceable freight car in 1940 increased nearly 11 percent.

ably in the neighborhood of 9-10 percent of the total inventory, are out of commission because of normal wear and tear; but the majority of unserviceable units represent a backlog of freight cars which were damaged during the war and have either been only partly repaired or, having been temporarily repaired, are again in the shops or standing idle in the yards awaiting repairs. The figures imply that this backlog was reduced from roughly 180,000 cars in early 1946 to about 100,000 cars at the present time.³ In view of the fact that over 400,000 freight cars were damaged or destroyed during the war and the probability that about 270,000 of these cars were repairable,⁴ it appears that the USSR has made progress in the past three years. However, the number of unserviceable freight cars on hand is still greatly in excess of the number that might be regarded as normal for the Soviet Union, and the chances are that this backlog will not be completely eliminated before 1950.

³ Deducting 9-10 percent of the total inventory from the number of unserviceable cars shown in Table 2 above on the assumption that this amount would have been unserviceable even though there had been no war.

⁴ See OIR-4689.5.

POLAND

VI. PREWAR POWER GENERATING CAPACITY TO BE REGAINED IN 1949

Electrification in prewar Poland was comparatively backward. The country was little industrialized; home consumption of electric power was small in the cities and almost zero in the rural areas. The first power stations were built before the First World War; the war and the troubles following it retarded the development of the industry. Considerable progress took place between 1925 and 1929, when the installed capacity rose from 824,000 KW to 1,274,000 KW and annual output from 1.8 to 3 billion KWH. In the years of the great depression capacity continued to increase, though only slightly; production fell off substantially. Another step forward was taken in the four years immediately preceding the outbreak of the Second World War; the Polish Government inaugurated a plan for systematic electrification in connection with its efforts to build up the industries of the central region of the country. The installed capacity increased from 1,511,000 KW in 1934 to 1,618,000 in 1938 and annual output from 2.6 to 3.9 billion KWH.

The recent war caused substantial damage to generating plants and transmission lines. On the other hand, through the shift in the Polish frontiers Poland lost its most backward regions to the USSR and won highly electrified territories from Germany. It is estimated that in 1938 the capacity installed in the present Polish territory amounted to 2.8 million KW, i.e., 75 percent more than the generating capacity of prewar Poland. Capacity in the present area at the end of hostilities (May 1945), however, was only 1.2 million KW.

The Polish Government aimed at a quick repair of the war damage and at a full utilization of existing facilities. It succeeded in restoring 66 percent of the power plants (1.8 million KW) to normal operation by January 1946. Two years later, i.e., at the end of 1947, the installed capacity reached 2.3 million KW, i.e.,

18 percent below prewar (see Table 9). Output in 1947 amounted to 6.6 billion KWH, slightly more than the goal (6.5 billion), but still probably less than the estimated production of the same area in 1938. The exact 1938 output of the regions at present under Polish administration cannot be ascertained; it may have been in the neighborhood of 8 billion KWH. This figure corresponds to the planned output for 1949, while by 1951 production of electric energy is supposed to reach 9 billion KWH.¹ Needless to say, the return to prewar production levels will mean a higher per capita consumption, since the population inhabiting the present area of Poland was larger in 1938 than it is now.

The industry is almost completely nationalized, 94 percent of output coming from government-owned establishments. Power production and distribution are controlled by the Central Electric Power Board. Industrial stations are supervised on a lower level by different industrial branch boards, but in technical matters they are also subject to the authority of the Central Board.

In 1947 Poland had 222 generating stations of 1,000 KW capacity and over; half of the output was generated by 11 stations, each with 40,000 KW capacity. Ninety-two of the 222 plants are central distribution stations and 130 are connected with industrial enterprises. Since then 15 additional stations are reported to have been placed in operation.²

Most of the Polish electric power plants are thermo-electric stations located near coal mines in the southwestern section of Poland along the Czech border. About 16 percent of the country's coal output is at present utilized for generating electricity. The heaviest con-

¹ The Three-Year Plan of Economic Reconstruction, Table 18, p. 53.

² *Wiadomosci Banku Polskiego*, March, 1948.

centration of the Polish power production is in the Katowice area, where 45 percent of the country's capacity with 58 percent of its output are located. The next largest concentration of electric power plants is in and around Lodz, Walbrzych (formerly Waldenburg), Wroclaw (formerly Breslau), Poznan, and Gdynia. Eastern Poland has very few power stations. East of the line connecting Warsaw with Przemysl in the southeast and Olsztyn (formerly Allenstein in East Prussia) in the north there are only 11 small and medium-size plants of 1,000 to 25,000 KW capacity.

Hydroelectric power generation is relatively very little developed. There are 80 such plants. The total installed capacity of such stations amounts to only 135,000 KW. A number of such small plants were taken over from Germany, most of them being located north of the Giant Mountains near the Czech border. The largest hydroelectric plant is located at Roznow on the northern slopes of the Carpathians. Several additional stations are to be constructed in the near future in the Carpathians as well as in the southern basin of the Vistula River. In the Vistula Valley a system of hydroelectric power stations totaling 450,000 KW capacity is to be created in conjunction with a large water reservoir of 1,500 million cubic meters' capacity.⁸

Plans for the establishment of new thermo-electric stations envisage a large new power station at Dwory, near Oswiecim, which is to be erected for export of current to Czechoslovakia.⁴ An agreement on its construction has been reached by the two countries and a Polish-Czech commission has been formed to promote enterprise.⁵ Construction has already started according to a recent report. The share of each country in construction costs and future output will be 50 percent.⁶

A 220-kilovolt electric power line from Katowice to Brno and Plzen in Czechoslovakia was

⁴ Bank Gosp. Krajowego, *Quarterly Review*, June 1947, p. 4.

⁵ CIA-R-S0926, November 12, 1947.

⁶ CIA, FBIB R-330, June 11, 1948.

⁸ A-810, Warsaw, June 25, 1948.

reported under construction in 1947, to be completed in 1950.⁷ This is to be linked with the Czech power system of the Vah River Valley.

A Polish-French contract signed in November 1947 provides for delivery to Poland of \$20 million worth of equipment for new stations with a total capacity of 300,000 KW and equipment for a 220-kilovolt high-tension line to link Warsaw and Lodz with the Polish coal fields.⁹

In 1938 the per capita consumption in Poland (prewar area) was only slightly over 100 KWH. As a result of population losses on the one hand and of the shift of territory to the west, incorporating more highly industrialized regions with higher consumption requirements on the other, the 1949 per capita consumption in the present area of Poland will be around 310 KWH. The Polish Government hopes to double that figure in another 10 years. By Central and Western European standards power consumption in Poland is still very low. Industry, transportation, and communications use almost 90 percent of the output. Rural electrification has barely begun; urban home consumption is low. About 3 percent of the total output in 1947 was exported to Czechoslovakia.⁹

The present Polish power plants are in urgent need of modernization, since the equipment is for the most part backward and obsolete. The turbo-generators are in most cases of small capacity and low efficiency. The machines are overloaded and their rate of depreciation is high. There is no domestic manufacture of turbines, generators, boilers, and other equipment for the electric power plants. Poland depends for the import of such capital equipment on the Western European countries and on Germany and Czechoslovakia. Since the execution of such orders takes a long time and international credits are not as freely available as the Polish planners had hoped, the future development of the Polish electric power industry may be slower than was originally anticipated in the reconstruction plans.

⁷ CIA-10691, January 9, 1948.

⁹ CIA-130559, November 24, 1947, RESTRICTED.

⁹ *Wiadomosci Banku Polskiego*, March 1948.

Table 9. POLISH ELECTRIC POWER GENERATING CAPACITY AND PRODUCTION, 1938-49

	1938		1945	1946	1947	1949 ⁴
	Polish Prewar Territory	Present Territory				
Installed power generating capacity ¹ (in thousand KW)	1,618 ^a	2,800 ^a	1,200 ⁷	2,141 ⁸	2,300 ⁸	2,800
Percentage of 1938 (present territory)		100	43	76	82	100
Production (in million KWH)	3,880 ⁶	*	5,200 ⁷	5,712 ⁸	6,616 ⁸	7,760

* Data not available.

¹ Capacity figures are for the end of the calendar year except for 1945; here the May figure is given, since it indicates the postwar low.

^a DRE/EER estimate.

⁶ Central Statistical Office of the Polish Republic, *Rocznik Statystyczny* (Statistical Yearbook), 1947, p. 85.

⁷ The Three-Year Plan originally set a goal of 2.7 million KW for installed power and 8 billion KWH for output. The figures were later revised by the Polish Government.

⁸ Central Statistical Office of the Polish Republic, *Wiadomosci Statystyczne* (Statistical Bulletin), March 20, 1948.

⁶ Polish Ministry of Information, *Concise Statistical Handbook*, 1939, p. 52.

⁷ Bank Gosp. Krajowego, *Quarterly Review*, June 1947.



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DEPARTMENT OF DEFENSE
WASHINGTON, HEADQUARTERS SERVICES
WASHINGTON, D.C. 20301

February 22, 1982

MEMORANDUM FOR THE CHIEF, CLASSIFICATION REVIEW DIVISION, CENTRAL INTELLIGENCE AGENCY

SUBJECT: Request for Declassification Review

During the systematic review of all classified Office of the Secretary of Defense (OSD) documents over 20 years old, the Declassification and Historical Research Branch, Records Management Division, Directorate for Correspondence and Directives, Washington Headquarters Services, turned up the attached document(s).

The documents were either originated by your agency, contain information for which your agency is the classification authority, or are otherwise of interest to you.

It is therefore requested that your agency review the documents and recommend declassification, continued classification at the present or lesser level of classification, and/or review by other agencies. If your agency is recommending continued classification, in accordance with Paragraph 3-401, Executive Order 12065, it is requested that an authority for continued classification be specified, along with a date for the next review.

The time permitted by Executive Order 12065 to reach the point where all OSD documents over 20 years old have been reviewed, and the large volume of over 20 year old OSD documents, make it necessary to request your response within 60 days. In your response, you may wish to provide guidance with regard to what categories of information you do and do not wish to have referred to you in the future.

Your assistance in effecting this review will be most appreciated. Please return the documents to Mr. Brian V. Kinney, Chief, Declassification and Historical Research Branch, Records Management Division, Washington Headquarters Services, Room 1D517, Pentagon, Washington, D.C. 20301, upon completion of your review.

Without attachments, this memorandum is UNCLASSIFIED.

E. E. Lowry Jr.
E. E. Lowry, Jr.

OSD Records Administrator

Attachments (1)

Report, Jul-Aug 48, Subj: Monthly Review of Soviet Economy, OIR Report No. 4344.10 (C)
V240889

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