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PROVISIONAL INTELLIGENCE REPORT

STRATEGIC STOCKPILING POLICY IN THE SOVIET BLOC



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STRATEGIC STOCKPILING POLICY IN THE SOVIET BLOC*Summary

The USSR is operating a program of strategic stockpiling which significantly increases its economic flexibility. Similar programs have been established in Eastern Europe but are in a much less advanced stage. In the USSR, strategic stockpiles of considerable magnitude have been created at great cost. These reserves serve to reduce military vulnerability, to protect the economy from other major disruptions, and to support plan fulfillment. In general, they are intended to permit the government to take rapid, effective action in domestic and international situations which threaten it or afford opportunities to extend its power.

Soviet stockpiles are widely dispersed and are administered by a specialized organization. This mechanism provides strict control over stockpiles and insures that they will not be dissipated in non-strategic uses. In addition, it provides a framework for regional self-sufficiency in time of emergency.

1. Concept and Purpose of Strategic Stockpiling.

a. Definition.

Numerous categories of material stocks exist in the economies of the Soviet Bloc, ranging from working inventories located at individual plants or sales bases to the reserves held at special warehouses operated by a national stockpiling authority. The sum of all these categories may be called national inventory, which breaks down into two major groups: normal operating stocks and strategic stockpiles.

* The estimates and conclusions contained in this report represent the best judgment of the responsible analyst as of 25 February 1954.

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Normal operating stocks are organized in an extensive system which includes plant, commercial, seasonal, and other types of inventories. These stocks are of immense importance to a planned economy because they are the major link in the system of material flows which is crucial to the construction and fulfillment of plans. They not only must provide for supply among all sectors of the economy but also must be large enough to absorb the effects of chronic production and transport failures and yet small enough to keep at a minimum the amount of idle capital.

The practice in agriculture illustrates the extensive nature of the system of normal stocks. Each kolkhoz must maintain three funds in kind for special feeding, seed, and fodder, and each is reinforced by a corresponding insurance fund in kind. ¹/_{*} Similarly, stocks are formed at each stage of the distribution chain from kolkhoz to consumer, including the Machine Tractor Station, the procurement organization, the processing plant, and the trade outlet. All these stocks are owned and disposed of by the local storage agent, subject of course to the requirements of the plan and the supervision of the economic control organs.

In the eyes of the Soviet leaders, however, the system of normal operating stocks cannot be used to provide against all contingencies. To enlarge this system to a level where it could meet such emergencies as war, drought, major transport breakdowns, or serious planning errors would endanger centralized control over materials. This is true because it would entail putting large amounts of reserve stocks, far greater than those needed for normal supply and expected bottlenecks, into the hands of economic units which have a vested interest in hoarding and in consumption.

The USSR has superimposed upon this system, therefore, a second system of strategic stockpiles, which are owned by a national stockpiling authority. These stockpiles, called state reserves, may be located at plants, at distribution points, at military or police units, or at state reserve bases. Despite these and other diversities, however, strategic stockpiles are distinguished from normal operating stocks by one common characteristic -- the storage agent for these strategic stockpiles cannot release them

* Footnote references in arabic numerals are to sources listed in the Appendix.

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for use without specific authorization from the state. More positively, strategic stockpiles consist of unallocated resources under the immediate control of the state.

It might be argued that, since in a Communist country all resources are at the disposal of the state, the distinction between strategic stockpiles and normal operating stocks is no more than formal. But this argument ignores the institutional framework of the Soviet Bloc economies and particularly the mechanics of the planning process. Planning cannot foresee, let alone prevent, all possible economic, military, and political crises -- indeed, it sometimes contributes to them. Furthermore, the economic ministries cannot be allowed to accumulate the stocks necessary to meet all these crises, since this would undermine centralized control not only over materials but also over economic units. On the other hand, the USSR has discovered that attempts to change allocations, which involve a continual revision of the material flows laid out in the quarterly and annual plans, quickly destroy the advantages which the state obtains from economic planning. The USSR, therefore, has chosen to build up and maintain strategic stockpiles which can be held inviolate or put into use upon specific occasion at the will of the state.

b. Concept.

Thus defined, strategic stockpiles consist of a collection of material resources immediately available to the state for use in various types of emergencies. The classic Soviet statement of the subject is Stalin's much-quoted assertion that "it is necessary that the state have in its hands certain known reserves necessary to insure the country against any kind of contingency (poor harvest), for supplying industry, for supporting agriculture, for the development of culture, and so on. Without reserves, life and work would not be possible at the present time." 2/ Other Soviet writers state that one of the contingencies which would call for the use of strategic stockpiles is war, and this, of course, is the only occasion upon which stockpiles of military end items could be used. In the case of nonmilitary items, however, strategic stockpiles may be used in a number of instances, including wartime disruption of the economy, such natural calamities as droughts and floods, and economic interruptions due to planning failures, transport breakdowns, and other supply difficulties. Strategic stockpiles may also be used in time

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of political crisis: the release of large amounts of food, clothing, and other consumer goods from East German state reserves during the June 1953 riots ^{3/} was entirely consistent with the Soviet concept of strategic stockpiling.

These stockpiles are strategic, therefore, because they provide a large amount of economic and military resources which enable the state to take rapid and effective action in any situation that threatens its power or offers an opportunity to extend it. The requirement that all releases must be approved by the center and the creation of a national stockpiling authority to enforce this requirement assure that each proposed release will be judged against the total strategic interest of the state, an interest which includes economic growth, military preparedness, and insurance against material shortages.

2. Organization of the Stockpiling Effort.

a. Military. ^{4/}

Stockpiling of material intended for military consumption is carried out primarily by the armed services. In the Soviet system the Ministry of Defense operates a wide network of regional depots in all the military districts of the USSR. This stockpiling system is under the general supervision of the Chief of the Rear Services, but administration is carried out by the main administrations of the combat branches, technical services, and rear services for whose use the stockpiles are ultimately intended.

Regional depots, specialized along commodity lines, exist for rations and fodder, fuel and lubricants, weapons, ammunition, clothing, motor vehicles, engineer supplies, armored equipment, and signal and medical supplies and equipment. These depots may contain replacement supplies as well as strategic reserves. The latter cannot be utilized except by authorization of top-level command and are constantly turned over to prevent deterioration.

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b. Economic.*

Stockpiling of materials intended for consumption by the national economy is carried out in the USSR by two organizations: the Main Administration of State Food Reserves and the Main Administration of State Material Reserves.** Both are attached directly to the Council of Ministers of the USSR and therefore have a status equal to that of the All-Union ministries. Through them the state exerts that centralized, planned control which is essential to the realization of the aims of the stockpiling program.

The Moscow headquarters of these organizations are set up along functional lines and include administrations of two types -- those concerned with the accumulation, maintenance, and release of stockpiles of particular commodity groups (such as grains, metals, and fuels) and those concerned with administrative functions (such as personnel, construction, and bookkeeping). 6/ In contrast, their field offices are organized on the regional principle. The basic field unit is the territorial administration (territorialnoye upravleniye), which operates all phases of the stockpiling program in a given region and is responsible directly to the Moscow office, being independent of local authorities. These territorial administrations, which cover the USSR, are important links in the policy of regional self-sufficiency. Through them the USSR attempts to create a pattern and level of stockpiles which guarantee the uninterrupted operation of all regional economies in any eventuality.

The strategic stockpiles controlled through the territorial administrations include capital equipment, industrial materials, and foodstuffs. 7/ They are divided into three categories. 8/ The first includes reserves stockpiled at plants and warehouses of economic ministries. These reserves are in addition to, and are carefully differentiated from, the normal stocks and normal reserves at these plants and are owned and strictly controlled by the appropriate food or material reserve agency. They consist of (1) planned

* It is possible that the agencies responsible for economic stockpiling also maintain some reserves destined for military consumption.

** These organizations were formed in 1952 by splitting the former Ministry of State Food and Material Reserves. It is possible that they have been reunited in the general administrative consolidation which followed Stalin's death. 5/

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amounts of the material inputs required under the normal production plan of the enterprise and (2) planned amounts of its finished products. They cannot be used by the enterprise, which merely acts as storage agent, without specific permission from the state. The size of these stockpiles is geared to the production program of the enterprise. One Soviet defector has stated that input stockpiles must be sufficient for from 1 to 6 months' production and that output stockpiles must consist of 3 months' production. 9/ These statements, however, are without confirmation.

The second category of stockpiles consists of reserves held at specialized reserve bases owned and operated by the two stockpiling agencies. These stockpiles are designed as a last line of defense, to be used only after the depletion of all types of normal inventories and the first category of strategic stockpiles located at enterprises. They are intended to include all the materials required to insure the uninterrupted operation of the regional economy when depletion of all other local sources has occurred. The defector cited above reports, again without confirmation, that these stockpiles are set at levels sufficient for a supply of from 1 month to 1 year. 10/

The third category of stockpiles consists of mobilization reserves. These stockpiles are located at enterprises but are not designed to guarantee continuation of normal production. Instead, they consist of the tools and equipment necessary to convert the enterprise to the production program laid down in its mobilization plan as well as the material inputs required to maintain that production for a specified time period. N.A. Voznesenskiy describes the program as follows:

Prior to the Patriotic War ... the Soviet government adopted as a precautionary measure the "mobilization plan" with respect to ammunition for the second half of 1941 and for 1942, aiming at wartime conversion of industry in the event of war. The mobilization plan ... defined a program of industrial conversion, especially for the machine-building industry, in the event of an attack The Soviet government took measures to prepare enterprises for a possible conversion of production in line with the mobilization plan in the case of war. For this purpose,

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enterprises were given assignments to work out technological processes for ammunition production with the equipment on hand, to prepare tools and equipment for the production of munitions according to the mobilizational programs assigned to them, and to stockpile the materials and semi-manufactures essential for war production in the mobilization reserves of enterprises. 11/

These mobilization reserves are owned and controlled by the Main Administration of State Material Reserves, which works closely on mobilization matters with the Mobilization Departments which exist throughout the Soviet economy on the ministerial, main administration, and plant level.

The Soviet state has capitalized upon the existence of the stockpiling agencies by adding to their functions a responsibility which goes beyond the concept of strategic stockpiling agencies: namely, the control of excess resources. The stockpiling agencies perform this function in two types of instances. First, whenever production of a given commodity exceeds the planned distribution, "the question arises of increasing the initial allocation to state reserves." 12/ Second, according to Voznesenskiy, state reserves also play a role in the storage of seasonal stocks against the disruptions of transport which occur in the winter months. 13/ This problem of seasonal inventories is of particular importance to industries located far from their suppliers and to industries in which a large portion of annual consumption or production of a given commodity occurs in a single season. It appears that in some cases of overproduction and seasonal inventories resources which are temporarily surplus may be put under the control of the stockpiling agencies, which have no vested interest in consumption, in preference to leaving them in the hands of distribution agencies or consumers, either of whom would be likely to find a way to use them.

The organization of stockpiling efforts in the European Satellites shows considerable variation. Central stockpiling authorities on the ministerial level have been established in East Germany, 14/ Rumania, 15/ and Bulgaria. 16/ Scattered information exists concerning stockpiling activities in Poland, Czechoslovakia,

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Hungary, and Albania, but apparently operations are carried out by individual economic ministries under a program coordinated at the national planning level. Economic stockpiling in East Germany is the responsibility of the State Secretariat for Administration of State Reserves, formed from the State Administration for Material Procurement in September 1952, and one report indicates the possible existence of a second stockpiling authority for material destined for the army, the police, and the Dienst fuer Deutschland. 17/ Rumania established an Office of State Reserves at the end of 1950.

3. Operation of the Stockpiling Program.

a. Priority.

The stockpiling agencies have a high priority in the USSR. Far from representing the residual remaining after the satisfaction of other requirements, stockpiling allocations are filled from the first fruits of production. Soviet writers regard state reserves not as a luxury to be enjoyed to the extent that the economy can afford, but as a prime necessity. Thus E. Lokshin writes, in Bol'shevik: "The increase of state reserves for a particular type of product depends on the significance of that type of commodity for the economy and for the defense of the country, on its scarcity (defitsitnost'), on the scale of production, on the conditions of storage and on the time necessary to increase its production in case of necessity." 18/ Defectors from all levels of the Soviet economy confirm that stockpiling receives first-priority assignment. 19/

It appears that a stockpiling priority policy of equal sternness has not yet been applied in the European Satellites. Postponement of reserve goals and unauthorized consumption of stockpiled items are reported in East Germany, where the authority to effect releases was transferred from the Cabinet to the Presidium in December 1952 in an apparent effort to strengthen control. 20/ In the other Satellites, positive information on stockpiling priorities and vigorous enforcement of stockpiling allocations is lacking.

b. Location.

The establishment of the territorial administrations and the location of stockpiles at points of consumption assure a wide dispersion of reserves in the USSR. Similarly, the central supply depots

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containing military stockpiles are scattered throughout the military districts, the number in a single military district ranging from 15 to 50. The special bases, which are heavily guarded, are served by railroad sidings and must be located at a minimum distance from the main line so as to reduce their vulnerability. Thus the strategic stockpiling system must be regarded as including the stockpiling of millions of ton-kilometers.

c. Withdrawals.

During World War II, all withdrawals from Soviet strategic stockpiles were made on the justification of the defense of the country. As consequence, sources whose information dates from this period regard state reserves as "untouchable" except in time of war. On the other hand, more recent defectors report that the strategic stockpiles stored at enterprises with which they were connected were occasionally released and put into use upon permission from Moscow.

for example, reporting the existence of an emergency stock of 450,000 square decimeters of the best chrome leather "which could be released only upon special orders from the minister," noted that withdrawals were often authorized and that after such withdrawals "the emergency stock was replenished as soon as possible." 21/ Another Soviet defector has reported that mobilization reserves* within the Ministry of the Merchant Fleet could be released upon guarantee of repayment. 23/ Such releases implement the policy of using state reserves, to prevent economic disruption in time of peace.** The requirement that permission be obtained from the center insures that local releases shall not significantly reduce national reserves, while the mandatory repayment of material loans is a further attempt to combine flexibility and preparedness for war in the stockpiling program.

* This source also lists the following items as being maintained in "mobilization reserves" by this ministry: tugboats, steel ships, cutters, weapons, nonferrous metals such as bronze and babbitt, special treated steels, solid and liquid fuels and lubricants, navigational and steering equipment, internal combustion engines and spare parts, and clothing and uniforms. 22/

** It should be noted that the "refreshening" process, under which old commodities are replaced by new stocks in the strategic stockpiling program, provides a constant flow from stockpiles to the national economy.

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