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CHANGES IN SOVIET MILITARY EXPENDITURES
IN CERTAIN REGIONS OF THE USSR

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CHANGES IN SOVIET MILITARY EXPENDITURES
IN CERTAIN REGIONS OF THE USSR*

Summary

Analysis indicates that defense expenditures for the maintenance and upkeep of military (including MVD) units probably dropped an average of about 10 percent below 1952 levels during 1953 in certain areas of the Soviet Far East. Similar declines may have occurred in some areas of the Transcaucasus and Central Asia. Primorskiy Kray is the only known region excepted from this decrease, and expenditures there for the maintenance and upkeep of troops rose about 5 percent above the 1952 level. The decrease of expenditures may have resulted in part from a transfer of military units to other areas of the USSR during 1953, an administrative reorganization, an economy drive, a reduction in the number of Soviet military units, or a personnel reduction within existing units.

It is possible that the declines in these areas indicate a decline in 1953 over 1952 in the total Soviet expenditures for the maintenance and upkeep of the military establishment. The procurement portion of the defense budget is not dealt with here, and any fluctuations in it also would have to be considered in dealing with the total defense budget.

I. Analysis of Evidence of Changes.

Local budgetary expenditures of Soviet military establishments (as given in the reports on which this analysis is based) are believed to cover costs of maintenance and upkeep (wages, food, clothing, and

* The estimates and conclusions contained in this report represent the best judgment of the responsible analyst as of 13 April 1954.

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other personnel costs) but to exclude costs of procurement of military end items and capital construction. It is estimated that maintenance and upkeep expenditures account for about 46 percent of the total budgetary expenditure for defense.

Analysis indicates that defense expenditures for the maintenance and upkeep of military units in certain areas of the Soviet Far East probably dropped on an average of 10 percent below 1952 levels during 1953. Similar declines may have occurred in some areas of the Transcaucasus and Central Asia. The only known region excepted from this decrease is Primorskiy Kray, where expenditures for the maintenance and upkeep of troops rose about 5 percent above the 1952 level.* The general decrease in expenditures may have resulted from (a) a transfer of military units to other areas of the USSR during 1953, (b) administrative reorganization within the defense organizations, (c) an economy drive, (d) a reduction in personnel in existing military units, or (e) a reduction in the number of existing military units. The retail price reductions of April 1953 probably have also contributed to a decrease of maintenance expenditures, since it has been established that the military establishments have to pay turnover taxes.

In order to understand the detailed analysis leading to these observations, a brief explanation of the Soviet budgetary system is necessary. The State Budget of the USSR is divided into two major parts -- the All-Union Budget and the Republican and Local Budgets. The former includes all Soviet defense expenditures, investment in industries under jurisdiction of the All-Union Government, and a portion of the USSR's social-cultural expenditures. The Republican and Local Budgets on the other hand, include the major portion of social and cultural expenditures and investments in industries under republican and local jurisdiction. 1/** The information on which the present analysis is based

give cumulative ruble expenditures (not including capital investment) by region from the All-Union Budget as of the first of each month from the beginning of the year.

* This rise, however, was much greater in June than it was in December (see Table 4, p. 11, below).

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

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Three types of budget reports: (a) a short report which gives the sum total of ruble expenditures from the beginning of the year; (b) a long report which gives a breakdown of ruble expenditures to "non-strategic" activities; and (c) a supplementary report which gives a breakdown of "strategic" expenditures -- that is, expenditures to MVD economic activity, State Reserves purchasing, certain atomic-energy activities, MVD-MGB troops, and maintenance of the armed forces. It is believed that all procurement of military end items is handled directly from Moscow, and that military units in outlying areas, such as those represented here, do not receive funds for such procurement. 2/. Consequently, the amounts are believed to represent outlays for maintenance and upkeep (wages, rations, clothing, and other personnel costs).

The item of MVD economic activity seems to pertain mostly to mining activity. After the reorganization of the MVD, when it lost much of its economic activities to other ministries, this item decreased by a great deal. Therefore, in order to obtain approximately comparable figures for "strategic" expenditures, the 1953 figure for allocations to the Ministry of Metallurgy was transferred from the long "non-strategic" form to "strategic" expenditures. Since 1951, the supplementary reports on "strategic" expenditures have not been available for areas as large as those under consideration here. Therefore, to obtain total "strategic" expenditures for these areas, the total of the long, "non-strategic" form is subtracted from the total given in the short form. Scattered evidence from 1950-51 indicates that over 65 percent of the "strategic" expenditures were for maintenance of units of the armed forces, and for MVD-MGB military units. 3/ This proportion was significantly higher in the Soviet Far East (see Table 1*).

Table 2** contains available information comparing "strategic" expenditures and civil expenditures from the All-Union Budget in certain areas of the Soviet Far East for the years 1950 through 1953. As Table 2 indicates, a decrease in "strategic" expenditures occurred during 1953 in all the regions covered except Primorskiy Kray, while an increase took place in civil expenditures. Therefore, total expenditures from the All-Union Budget in these areas also decreased, but not so much as "strategic" expenditures.

* P. 6, below.

** P. 8, below.

In several areas of the Transcaucasus and Central Asia, information is available concerning total expenditures from the All-Union Budget, with no breakdown into "strategic" and civil expenditures. Table 3* contains this information for the Georgian SSR, Azerbaydzhan SSR,⁶ and Uzbek SSR. This table shows that total expenditures from the All-Union Budget in these areas ranged from about 2 to 8 percent less during the first 3 quarters of 1953 than in the corresponding period of the preceding year. It is very doubtful that civil expenditures have decreased in these areas, in view of the heavier emphasis on agriculture and consumer goods production in the USSR since Stalin's death. It seems much more likely that in these areas as well as in the Soviet Far East, the decline in total expenditures from the All-Union Budget resulted from a decrease in "strategic" expenditures.

2. Possible Effects on Total Defense Expenditures.

It is believed, because at least 65 percent of "strategic" expenditures pertains to troop financing, which includes MVD military units, that the defense portion of these expenditures is likely to be a cause of over-all fluctuations in "strategic" outlays, just as the category of "strategic" expenditures causes fluctuations in total expenditures. In Khabarovsk Kray, this belief has been substantiated; expenditures to certain military installations at Provideniya and Anadyr' fell during 1953, 4/ and at the same time total "strategic" expenditures in Khabarovsk fell sharply.

It is difficult to assess, however, to what extent these changes in particular areas may be reflected in total defense budget expenditures. It is possible that they are indicative of a decline over actual expenditures in 1952. Since actual expenditures in 1952 were less than planned expenditures for 1953, any such decline would result in the 1953 defense budget's not being fulfilled, by at least 1.6 billion rubles. (1952 actual expenditures were 108.6 billion rubles; 1953 planned expenditures were 110.2 billion rubles.)

It is also possible that changes in these particular areas are of a purely local nature and reflect merely a transfer of troops to other areas of the USSR. All other explanations of these reductions in defense expenditures -- administrative reorganization within the defense

* P.10, below.

organizations, an economy drive, a reduction in personnel in existing military units, a reduction in the number of existing military units, or the retail price cuts of 1 April -- would apply to the total defense budget for maintenance and upkeep and would have a depressing effect on it. If these declines represent merely reduction in forces in these particular areas, they probably reflect the ending of the Korean War, which would also affect the total defense budget. It probably can be assumed, however, that these reductions were planned for in the budget, since the budget was announced in August and the Korean War ended in June. The total defense budget, of course, includes procurement of military end items, with which this paper does not deal. Any fluctuation in the procurement portion of the budget, therefore, could either accentuate or nullify any effects these area declines have on, or represent in, total maintenance and upkeep expenditures.

Table 4* shows a comparison of total and "strategic" expenditures of the All-Union Budget for two periods in 1953 and 1952. In all areas observed, the rate of growth in the second half of 1953 is lower than the rate of growth in the second half of 1952. These data suggest that if a general policy decision was taken to reduce expenditures for maintenance and upkeep, it was implemented some time during or after early summer.

* P. 11, below.

Table 1

Distribution of Components of "Strategic" Expenditures a/*
1949-51

Area	Date	Million Rubles																		
		MVD	Economic	State Reserves	Atomic Energy	Armed Forces	MVD	MGB	Naval Forces	Total	Military b/									
Amur Oblast	1 Sep 1950																			
Total Amount		34.6		46.0	0.1	466.3	15.2	46.2	0.4	608.8	528.1									
Percent		5.7		7.6	0.02	76.6	2.5	7.6	0.07	100.1	86.8									
Primorskiy Krai	1 May 1951																			
Total Amount		0.5		85.7	0.9	277.5	10.3	97.7	452.3	924.9	561.2									
Percent		0.1		9.3	0.1	30.0	1.1	10.6	48.9	100.1	90.6									
Irkutsk Oblast	1 Oct 1950																			
Total Amount		185.9		71.3	0.1	243.1	122.3	48.0	N.A.	670.7	170.4									
Percent		27.7		10.6	0.01	36.2	18.2	7.2	N.A.	99.9	61.6									
Irkutsk	1 May 1951																			
Total Amount		29.8		25.5	2.8	117.2	86.5	24.8	N.A.	286.6	229.4									
Percent		10.3		8.9	1.0	40.9	30.2	8.7	N.A.	100.0	79.8									
Uzbekaydzhan SSR	1 Nov 1949																			
Total Amount		5.4		310.4	6.2	9/	9/	9/	9/	1,028.8	706.8									
Percent		0.5		30.2	0.6	9/	9/	9/	9/	100.0	68.7									
Khabarovsk Krai	1 Apr 1950																			
Total Amount		100.4		54.6	40.3	9/	9/	9/	9/	653.7	458.4									
Percent		15.3		8.3	6.2	9/	9/	9/	9/	99.9	70.1									

* Footnotes for Table 1 follow on p. 7.

Table 1

Distribution of Components of "Strategic" Expenditures ^{5/}
1949-51
(Continued)

a. Amounts cumulative from first of year to given date. In the Georgian SSR, Military expenditures as of 1 December 1950 were 1,683,100,000 rubles, or 62.8 percent of total (not "strategic") All-Union Budget expenditures. ^{5/} Million Rubles

b. Total of Ministry of Armed Forces, Ministry of Naval Forces, MVD, and MGB.

c. Only the total military outlay is available. ^{6/}

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Table 2

Total, Civil, and "Strategic" Expenditures from the All-Union Budget
in Certain Areas of the Soviet Far East a/*
1950-53

Year	Total Expenditures		Civil Expenditures		"Strategic" Expenditures	
	Amount (Million Rubles)	Index (1952=100)	Amount (Million Rubles)	Index (1952=100)	Amount (Million Rubles)	Index (1952=100)
<u>Khabarovsk Kray b/</u>						
1950	2,919.0	80				
1951	3,316.9	90	403.1	81	2,913.8	92
1952	3,667.1	100	500.2	100	3,166.9	100
1953	3,131.9	85	657.4	131	2,474.5	78
<u>Sakhalin Oblast c/</u>						
1952	1,225.3	100	475.4	100	749.9	100
1953	1,215.9	99	531.0	112	684.9	91
<u>Primorskiy Kray d/</u>						
1950	4,119.8	109	1,680.8	170	2,439.0	87.5
1951	3,418.0	91	945.3	96	2,472.7	89
1952	3,775.8	100	990.8	100	2,785.0	100
1953	4,729.7	125	1,778.5	180	2,941.2	106

* Footnotes for Table 2 follow on p. 9.

Table 2

Total, Civil, and "Strategic" Expenditures from the All-Union Budget
in Certain Areas of the Soviet Far East a/
1950-53
(Continued)

Year	Total Expenditures		Civil Expenditures		"Strategic" Expenditures	
	Amount (Million Rubles)	Index (1952=100)	Amount (Million Rubles)	Index (1952=100)	Amount (Million Rubles)	Index (1952=100)
<u>Amur Oblast e/</u>						
1950	1,081.9	90	302.9	97	778.9	91
1951	1,110.4	93				
1952	1,197.0	100	313.1	100	856.6	100
1953	1,189.1	99	353.8	113	835.3	98
<u>Irkutsk Oblast f/</u>						
1950	1,473.4	63	600.9	91	872.5	52.5
1951	1,484.4	64				
1952	2,326.6	100	661.2	100	1,665.5	100
1953	1,798.9	77	731.2	111	1,067.7	64

a. The figures given are cumulative totals to the given date each year.

b. As of 1 September. 7/

c. As of 1 December. 8/

d. As of 1 December. 9/

e. As of 1 November. 10/

f. As of 1 December. 11/

Table 3

Total Expenditures from the All-Union Budget
in Certain Areas of the Transcaucasus and Central Asia a/
1950-53

Year	Total Expenditures		Civil Expenditures		"Strategic" Expenditures	
	Amount (Million Rubles)	Index (1952 = 100)	Amount (Million Rubles)	Index (1952 = 100)	Amount (Million Rubles)	Index (1952 = 100)
<u>Georgia SSR b/</u>						
1950	1,826.9	90				
1951	1,728.9	85	679.7		1,147.2	
1952	2,033.5	100				
1953	1,978.5	97				
<u>Azerbaijdzhan SSR c/</u>						
1950	1,640.2	90				
1952	1,812.8	100				
1953	1,701.7	94				
<u>Uzbek SSR d/</u>						
1950	2,422.7	76				
1951	2,574.7	81				
1952	3,168.7	100				
1953	2,916.7	92				

a. The figures given are cumulative totals to the given date each year.

b. As of 26 August. 12/

c. As of 1 September. 13/

d. As of 1 October. 14/

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Table 4

1953 Expenditures in Certain Areas
Expressed as Percentages of 1952 Expenditures

<u>Date as of:</u>	<u>Total Expenditures</u>	<u>"Strategic" Expenditures</u>
<u>Khabarovsk Kray a/</u>		
1 Jun	90.9	83.1
1 Sep	85.4	78.1
<u>Primorskiy Kray b/</u>		
1 May	146.2	116.9
1 Dec	125.0	105.6
<u>Amur Oblast c/</u>		
1 Jun	101.4	N.A.
1 Nov	99.3	99.1
<u>Irkutsk Oblast d/</u>		
1 Jun	105.9	103.9
1 Dec	77.3	64.1
a. 15/.		
b. 16/.		
c. 17/.		
d. 18/.		

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APPENDIX

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