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# The USSR Ministry of Defense Industry: Soldier in the Conversion Campaign

*A Research Paper*

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# The USSR Ministry of Defense Industry: Soldier in the Conversion Campaign

*A Research Paper*

This paper was prepared by  
Office of Soviet Analysis, with contributions from

, and , SOVA.

Comments and queries are welcome and may be  
directed to  
SOVA.

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## The USSR Ministry of Defense Industry: Soldier in the Conversion Campaign

### Summary

Information available  
as of 28 May 1991  
was used in this report.

Since 1988, when President Gorbachev first announced plans to transfer resources from weapons production to support the civil economy, the Soviets have been claiming progress in converting defense industry to civil production. To date, however, there is little evidence that Soviet defense plants are being fundamentally reoriented to produce civil machinery and consumer goods. Soviet efforts are better characterized as diversion, not conversion, because [ ] evidence shows that most involve the transfer of expertise or labor to increase production of existing civil products rather than the replacement of military production lines with lines devoted to civil production.

The Ministry of Defense Industry (MOP)—one of eight defense-industrial ministries and a major producer of land arms and several types of missiles—is a good test for the Soviet conversion program. On the one hand, its traditionally large output of civil goods and its extensive excess capacity—increased in recent years by weapons cuts—provide the potential for sizable contributions to the civil economy. On the other hand, unlike the products of the Ministries of the Aviation Industry and of the Shipbuilding Industry—two other defense-industrial ministries—most of MOP's military products have no close civil counterpart. To meet their new civil obligations, MOP's military enterprises must retool production lines, retrain workers, and construct new facilities. Some MOP plants are sharing industrial technology with civil producers, and others are increasing output of existing civil product lines—as in the case of plants currently manufacturing agricultural machinery and consumer goods. However, new civil production capacity must also be brought on line if MOP enterprises are to have a substantial impact. MOP's success in implementing and executing conversion will be a gauge for how the rest of defense industry might perform.

As part of their conversion responsibilities, MOP enterprises have been tasked in a number of priority areas. They are to:

- Modernize the meat-processing, canning equipment, and ice cream production sectors.
- Modernize the textile industry.
- Substantially increase production of consumer goods.
- Increase output of diverse goods with which they already have experience, such as plumbing equipment, medical equipment, railway cars, and locomotive engines.

MOP is also under pressure to raise the quality of its current civil products as well as to design and produce newer versions of these items incorporating state-of-the-art features.

MOP's performance to date suggests that defense industry's greatest contributions are likely to be in the form of increased output of civil items that it already produces or in sharing manufacturing technologies with civil industry. MOP's greatest challenge will be in providing those civil goods with which it has little or no production experience. Production of these unfamiliar goods—such as machinery for light industry and food processing, and certain types of medical equipment—will require a longer transition time because MOP will have to retrain workers and engineers, retool facilities, and establish new supply networks.

Despite the attention the program has received, conversion of defense-industrial facilities will not be a panacea for the problems of the civil economy. Although the leadership traditionally has considered defense industry to be the strongest sector of the Soviet economy, the advantages that it has enjoyed—such as access to better quality raw materials and higher pay and social benefits to attract more highly skilled personnel—are by definition limited and therefore not readily transferable to civil industry. Moreover, defense industry's ability to make a difference is limited by its attitude that civil production is beneath its dignity.

Ironically, the economic reforms that, along with conversion, are currently making defense plant managers' lives miserable may be the best hope for conversion in the long run. Reforms such as self-financing, which is requiring plants to cover most of their costs through profits and wholesale trade in place of guaranteed supply networks, have been painful for the defense industrialists but, at the same time, are leading them to consider the needs of their customers. In the short term, defense plants will try to meet their new civil obligations through increasing production of their traditional civil product lines and possibly transferring some unused capacity to production of civil goods. Over time, however, if the leadership continues reducing military expenditures and, correspondingly, weapons procurement, defense-industrial plants at the local level may be forced to expand their role in civil production in order to maintain financial solvency.