

“sly peasants”. Once the effects of the current Five-Year Plan becomes visible there will be a “typically Russian” reaction against it — a period of sour, inner grumbling, followed by an outburst.

Despite Moscow’s present contentment to have the United States settle the Middle East problem (despite the outer display of ritual objections to this or that aspect of the proceedings), the Soviets will lose most of their interest in the Middle East and much in other parts of the Third World and elsewhere — unless the Sadat-Begin entente fails to provide Palestinian Arab state, in which case the Soviets will be back into the Middle East bigger than ever in short order. Presuming that Israel ends up recognizing the PLO (in one way or another) and cooperating to establish a Palestinian Arab state, the Soviets will have lost their Middle East political position as a result. This, and some intersecting developments, will trigger interesting reactions in Moscow leading circles.

Contrary to widely held illusions on this subject, Soviet influence in the Middle East was never based on either a significant Arab socialist movement — none really existed — nor on a given number of Arab client states. Rather, in the circumstances dictated by Anglo-American maneuvers in that region, the Arabs’ only alternative was to bring the Soviets into the region to offset the Anglo-Americans, and thus gain a bargaining position for perceived Arab interests. Once a Middle East settlement occurs which provides the Arab sector with genuine, sustained economic development, and under the condition this is aided by the United States and Western Europe, major Soviet influence in the Middle East will almost vanish.

This consequence will bring home to some circles in Moscow the fact that Moscow ought to have moved for such an economic development-focused solution. Then, Moscow would have had the favored position in the Middle East. Moscow had the opportunity, at the point that the Third World was moving toward adoption of the IDB-type new world economic order. However, Moscow, under the influence of the Arbatovians and similar types, acted in effect to sabotage the IDB effort through 1975 and early 1976. In short, if Moscow senses a loss of its Middle East influence, Moscow has no one but itself to blame.

The Middle East is not the end of the matter. Granted, the Soviets have in the past given much development aid to Third World nations. The case of India is notable among the best Soviet efforts. Egypt is also notable. However, Moscow has refused to tackle the fundamental issue of economic development in general. The policy of the forces behind the current Five-Year Plan direction have, on balance, abandoned the Third World to Robert McNamara and similar types.

Now with the de-emphasis on development in the Soviets’ own Five-Year Plan, the process of Soviet self-isolation will tend to grow steadily worse, and accelerate to that effect — until the cumulative consequences of recent years’ Arbatov-tainted policies brings political counteractions in Moscow. The counteraction will, we anticipate with regret, occur in a characteristically Russian way. Then the Soviets will decide, in their own way, that they have been made once too often the prize dupes of British intelligence. Then, Arbatov, if he is fortunate, will probably be found teaching “systems analysis” at Trinity College.

## Key Parameters Of The Soviet Tenth Five-Year Plan (1976-80)

The Tenth Five-Year Plan (FYP) of the USSR, passed into law in 1976 to determine Soviet economic policy for the period of 1976 to 1980, represents a precipitous decline in the rate of growth of the USSR’s economy (Chart 1). Never in the history of the Soviet Union, excepting during war, has an increase of industrial output of only 36 percent been plotted for a five-year period.

A close look at the Tenth FYP reveals that if this plan reflects some difficulties, it contains the seeds of much worse trouble. The steepest decline in growth rate is going to occur in capital investments; that is, at the point where the future backbone of the economy is being built. This undermining of a future productive base is confirmed when the Tenth FYP is broken down by branches of industry (Chart 2): the sharpest growth rate declines are registered for machine tools — the wherewithal to produce the means of production — and cement — representing the prospects of the construction industry. In the Ninth FYP, the Soviets had succeeded in holding the line in these vital industries, which achieved a stable or only slightly declining growth. For 1976-1980, this is not even being attempted.

The sector most notably scheduled to grow at a faster rate in the Tenth FYP than the Ninth is agriculture. But its 17 percent expansion is merely a recovery from the 13 percent growth achieved in the Ninth FYP, a result which fell far short of the targeted 21.7 percent growth planned for agriculture in that period. During the years of the Ninth FYP, 1971-1975, the USSR suffered one harvest failure (1972) and one harvest catastrophe (1975). As part of its priority position, the agriculture sector is receiving *increasing* portions of national electro-energy production and capital investment. But agriculture, the least efficient sector of the economy, is a notorious sinkhole down which such investments drain with a low rate of return.

Soviet energy production, whose slowed growth is partially indicated in Chart 2, is characterized by what Soviet planners call “the shift of the country’s energy base to the North and East.” Energy development, in other words, depends on the development of Siberia. (We are not ignoring the production of nuclear fission energy, which is also an increasingly important component of the Soviet energy program.) This involves not only tapping

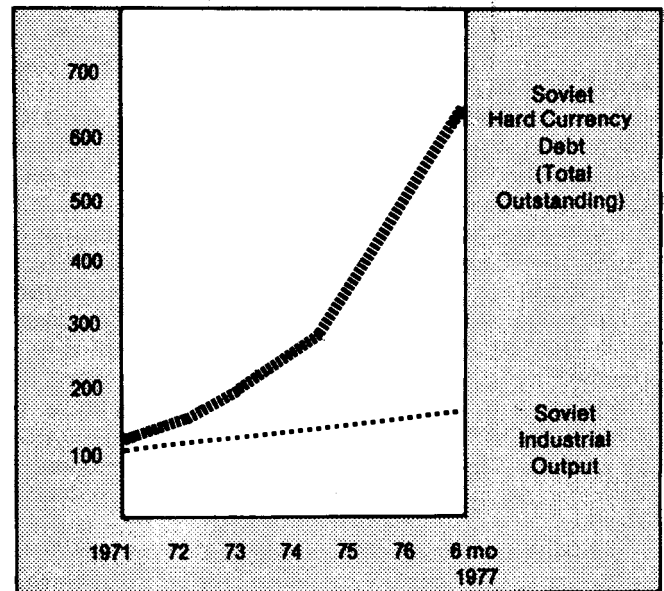
Siberia's fossil fuels, but the construction of several new hydroelectric stations as the cores of new cities in the region.

Although the correlation is not spelled out in the Tenth FYP documents, it is no secret that completion of these projects, especially those related to the extraction of fossil fuels and their transportation, is geared to expected input from the OECD sector: credits for purchase of pipeline, for sophisticated drilling technologies, etc. It is precisely this area of expansion that is jeopardized, when East-West trade stalls because contracting Western markets cannot absorb Soviet exports. The first two years of the Tenth FYP have seen a leveling and then drop-off (Chart 3B) of the share of Soviet foreign trade conducted with the advanced capitalist sector, a portion which had mushroomed in the first half of this decade (Chart 3A).

The same point is made in a different way, when the West German daily *Handelsblatt*, representative of some of the USSR's most important trading partners in Western Europe, complains bitterly that all Moscow wants is barter, compensation, and more barter!

In sum, the Soviet Union is in a situation where a leading Academy of Sciences member can tell *Pravda* that thermonuclear fusion power is industrially practicable by the end of this century, yet the country's economic growth at this moment is slowing down. The way in which this contradiction is "reconciled" by the planners is symptomatic of one of the root problems: in the long-term project for the Soviet energy balance, issued last year by the State Committee on Science and Technology, fusion power is not mentioned. It was not permitted into the closed "system" of the energy industry by the committee whose Vice-chairman Dzherman Gvishiani, is simultaneously co-chairman with McGeorge Bundy of the International Institute for Applied Systems Analysis in Vienna.

— Rachel Berthoff



GRAPH 1

Increase of Soviet debt and Soviet industrial growth (1970=100).

Source: Estimates prepared for U.S. Congress Joint Economic Committee; Chase Manhattan and Morgan Guaranty estimates; Soviet Yearbooks and *Ekonomicheskaya Gazeta*.

	Percent of Total Turnover	Percent of Exports	Percent of Imports
1965	19	19	19
1970	21	19	24
1975	31	25	36
1976	32	28	37
1977 (Jan-June)	29	25	34

CHART 3b

Portion of Soviet trade with capitalist sector (1965-1977).

Source: Soviet yearbooks and *Foreign Trade*.

CHART 1

Growth of the Soviet economy in the Eighth, Ninth, and Tenth five-year plans (percent growth shown for five-year periods, from actual results for Eighth and Ninth plans, from targets for Tenth FYP).

Source: Soviet yearbooks and *Ekonomicheskaya Gazeta*.

	National Income	Industry	Industry A Means of Production	Industry B Objects of Consumption	Capital Investment	Agriculture
8th FYP (1966-1970)	41	50	51	50	43	21
9th FYP (1971-75)	28	43.3	45.7	36.7	42	13
10th FYP (1976-80)	26	36	38	32	26	17

	Electro-energy	Oil	Steel	Machine Tools	Cement	Mineral Fertilizers	Household Goods
8th FYP (1966-70)	46	45	27	64	31	77	88
9th FYP (1971-75)	41	39	21	63	28	63	62
10th FYP (1976-80)	33	30	19	51	18	58	56

CHART 2

Growth of some key branches of industry in the USSR during the Eighth, Ninth and Tenth five-year plans (percent growth shown for five-year

periods, from actual results for Eighth and Ninth plans, from plan targets for Tenth FYP).

Source: Soviet yearbooks and *Ekonomicheskaya Gazeta*.

	TURNOVER		EXPORTS		IMPORTS	
	Total	Capitalist Sector	Total	Capitalist Sector	Total	Capitalist Sector
1970	151	168	155	157	147	179
1975	347	564	324	436	371	693
1976	389	664	378	557	400	771
1980 (Plan)	462	NA	NA	NA	NA	NA

CHART3a

Growth of Soviet trade and trade with advanced capitalist sector (1965 = 100).

Source: Soviet yearbooks and *Ekonomicheskaya Gazeta*.

## The Tenth Five-Year Plan To Date

In 1976 and the first ten months of 1977, the overall industrial output targets of the Tenth FYP were met. For 1976, in fact, they were surpassed: industrial output grew 4.8 percent, whereas the planned increase was 4.3 percent.

In part, this pace was maintained because of the very successful grain harvest of 1976. A record 224 million metric tons of grain was harvested, providing a sufficiency of foodstuffs domestically and avoiding the necessity of large grain purchases using hard currencies. This year's grain crop, however, has been preliminarily announced as 194 million metric tons. Although not a disaster, this low total will deprive the Soviet economic managers of some flexibility. A crop shortfall usually has significant ripple effects in the Soviet economy.

At the same time, the areas where the plan has not been met in 1976 and 1977 sound a warning signal. In 1976, plan targets were missed for steel, mineral fertilizers, cement, and reinforced con-

crete. As of October this year, the Ministries of Ferrous Metallurgy (steel) and Construction Materials were again listed as behind target by the Central Statistical Directorate of the USSR. It is at the heart of Soviet industry, steel, and construction that faltering is noticeable even in the terms of the Tenth FYP's scheduled slowed growth.

It was revealed last month that the Soviet Union has slashed its imports by \$2 billion so far in 1977, a reduction of approximately 20 percent. This is one side of Moscow's attempt to manage its payments deficit. The other side, boosting exports, is proving more difficult than anticipated in the plan. For the first six months of 1977, the volume of Soviet exports and of total trade turnover with its major western trading partners showed an absolute decline over the same period in 1976. Soviet trade with France fell 8.2 percent (exports down 7.8 percent); with West Germany it fell 6.8 percent (exports down 8.2 percent); with Britain it fell 5.3 percent (exports down 1.7 percent).