

Soviet Economic Integration or Industrial Colonialism?

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[Overcoming](#) the political and cultural Soviet-imperial legacy is an urgent need for Ukraine. For a long time, its desire for linguistic, religious, and toponymic liberation was blocked by economic dependence on the metropolis. For centuries after the [Pereiaslav Council](#) of 1654, Ukraine gradually lost not only political, but also economic independence due to Moscow’s restrictions on business and trade, redirection of customs and tax revenues to the tsar’s treasury, changes in the export routes of Ukrainian goods, etc.¹ The strongest blow to foreign economic relations and the development of promising industries (namely metalworking and production of weapons, potash, glass, and paper) was after the defeat of the Ukrainian-Swedish coalition near Poltava ([1709](#)). After that, a large-scale policy was implemented to use Ukrainian industrial and agricultural potential for the needs of the newly established Russian Empire ([1721](#)). The Ukrainian economy was to be integrated into the Russian state economy to enhance the latter and strengthen its international positions at the expense of Ukrainian raw materials and labor.

“The Tsar Heritage”

Modernizing Ukrainian industry from the mid-19th century to early 20th century was also aimed at ensuring the development of the All-Russian domestic market and increasing the empire’s exports. In order to strengthen the economy and ensure its technical and structural modernization, as well as the growth of new promising industries, the Russian government stimulated foreign investments to develop natural deposits and construct new enterprises on the territory of Ukrainian governorates. As a result, the metallurgical and coal industry and a number of powerful machine-building enterprises were established in the southeast of Ukraine. On the eve of World War I, this region’s enterprises region were producing 78% of the entire empire’s coal, 75% of its iron ore, 69% of its cast iron, 67% of its sponge iron, 56% of its steel, 58% of its rolled steel, and 26% of its electricity². Thus, these enterprises were the driver of the empire’s industrial progress. At the start of the 20th century, Ukraine was one of the largest producers and exporters of sugar, food, and fodder grains, hence significantly filling the imperial treasury³.

In the late 19th century-early 20th century, a railway network was built on Ukrainian territory to supply grain, coal, sugar, and iron ore to the empire’s other economic regions; to export Ukrainian bread to the Black Sea, Azov, and Baltic ports; and for the military and strategic interests of the Russian empire.

According to the famous Ukrainian economist of the 1930s, Mykhailo Volobuyev, from 1893 to 1910, Russia received almost 3.3 billion rubles from Ukraine while spending 2.6 billion rubles on Ukraine’s needs during the same period⁴. Thus, it used one-fifth of the income received for the imperial army and developing the Russian economy. Therefore, although Ukraine was one of the most developed regions of the Russian Empire⁵, its colonial status was determined by developing industry and transportation infrastructure primarily in the interests of the imperial government.

Ukraine as a Jumping-Off Point for a Socialist Leap

In December 1925, the Bolsheviks announced a course of industrialization, which aimed not just to strengthen the country’s industrial potential in the conditions of economic autarky and opposition to the “capitalist environment”. Moreover, Marx’s dreams of a world revolution and forming a world union of proletarian republics

¹ Victoria Nebrat (Ed.). (2021). *Historical determinants of Ukraine’s inclusion in the system of international economic relations*. Kyiv: Institute of economics and forecasting.

² Bohdan Wynar (1958). *Economic colonialism in Ukraine*. Paris: Natsionalistychne vydavnytstvo v Yevropi.

³ Reient Olexander, Serdyuk Olexandr (2018). *Trade balance of Ukraine at the beginning of the 20th century*. Kyiv: Institute of the History of Ukraine.

⁴ Mykhailo Volobuyev (1928). On the Problem of the Ukrainian Economy. *Bolshevik of Ukraine*, 2-3.

⁵ Vsevolod Holubnychy (1969). *Three lectures on the economics of the Ukraine*. Munich – New York: Ukraine and Diaspora.

were raised to the rank of state ideology and foreign policy in Soviet Russia. At the 5th Congress of the Comintern (1924), Grigory Zinoviev declared, “We will have to conquer five-sixths of the earth’s land surface so that there is a Union of Soviet Socialist Republics all over the world!”.⁶ Establishing the USSR ([1922](#)) was the first step on the way to this goal.

As the industrialization plan started to be implemented, all heavy industry enterprises were subordinated to the All-Union governing bodies, People’s Commissariats. In fact, this meant not only establishing the Stalinist view of economic management (involving voluntarism in identifying priorities and rates of economic development, directive planning, and command and administrative methods of management), but also strict centralization, when construction and production, all economic capacities, and natural resources of Ukraine were managed from outside its borders, from the Union’s “center”.

During the development and consideration of the first five-year plans for developing the national economy, Ukrainian scientists and employees of the [State Planning Committee of the Ukrainian SSR](#) argued for balanced development of the Ukrainian economy, criticized excessive financial centralism, and justified resource and financial autonomy.⁷ However, the [Union State Planning Committee](#) suggested parameters and a type of Ukrainian industry development that turned it into a raw material and energy basis for industrializing all Union republics, primarily the Russian Soviet Federative Socialist Republic (RSFSR).

During the 1920s, Ukrainian exports also faced changes. In 1927-1928, about 89% of Ukrainian products, including bread, were exported to Russian regions while other countries accounted for only 11% of exports.⁸ Further, this trend only intensified, because since 1930, All-Union bodies were responsible for controlling all of Ukrainian SSR foreign trade.

According to the new system of railway tariffs approved in 1931, the cost of freight transportation decreased as the distance increased. A surcharge was established for the maximum truck load and a special reduced tariff was introduced for cargo such as coal, ore, metal, oil, wood, etc., which was subsidized from the Union budget. The policy of benefits and surcharges strived to promote the development of new districts and strengthen the ties between industrial centers and remote and poorly managed territories of the Soviet Union. Therefore, Ukraine’s resources and industrial potential were to ensure the development of the Union’s national economic complex on an industrial basis. Running on the steel rails made from Kryvyi Rih ore at the Donetsk Metallurgical Plant, Luhansk locomotives pulled the echelons produced at the Kharkiv Truck Building Plant, which carried Ukrainian raw materials and industrial and agricultural products to the north and east to strengthen the Soviet Union, build new industrial facilities, and strengthen the military-industrial potential of the first Country of Soviets in the world.

New Constructions of All-Union Importance

The Soviet leadership was preparing for war with global imperialism; hence, it strived to quickly create its own powerful industrial base, able, according to Valerian Kuybyshev, “to swiftly switch from peacefully building socialism to repelling the capitalist world”.⁹ Due to the need to manufacture large volumes of industrial products and the lack of qualified personnel and modern industrial equipment, numerous giant factories were constructed — rather in view of All-Union interests than harmonious development of Ukrainian industry. This created sectoral disparities in the development of the Ukrainian SSR regions and structural imbalances in economic reproduction. Among the hundreds of industrial enterprises that were built and reconstructed, some enterprises should be mentioned: [the Kharkiv Turbogenerator Plant](#), the largest in Europe at that time; one of the largest machine-tool plants in the world, [the Kharkiv Machine-Tool Plant](#); [Kharkiv Tractor Plant](#) and [Kharkiv Electromechanical Plant](#); [the Kuznya on Rybalsky Plant](#) (Kyiv); [Sumy](#) and [Kyiv](#) machine-building plants; [Zaporizhzhia Automobile Building Plant](#) and [Ferroalloy Plant](#); metallurgical giants of world importance [Azovstal](#), [Zaporizhstal](#), and [Kryvorizhstal](#); [Interpipe Niko Tube \(Nikopol South Pipe Plant\)](#); and the Donbas enterprises Horlivka Machine-Building Plant, Khartsyzk Pipe Plant, Mykytiv Mercury Plant, Kostyantyniv Zinc Plant, Lysychansk Soda Plant, Rubizhne Chemical Plant.

⁶ Fifth World Congress of the Communist International. Stenographic report (1925). Moskva-Leningrad: Gosizdat. P.9.

⁷ Victoria Nebrat, Nazar Gorin (2012). The research of financial mechanisms of soviet industrialization in Ukrainian economic literature. *Galician economic journal*, 4(37), 112-123.

⁸ Karlo Kobersky (1933). *Ukraine in the World Economy*. Praha: Ukrajins'ka strilets'ka hromada v USA.

⁹ XV Congress of the AUCPB. Stenographic report (1928). Moskva-Leningrad: Gosizdat. P. 839.

The Dnipro Aluminum Plant (now [the Zaporizhzhia Aluminium Combine](#)), the largest in Europe at the time, produced chemical aluminum, silumin, and magnesium and was a strategically important enterprise for the Union's defense industry. However, it is the Dnipro Hydroelectric Power Station that provided it with the necessary amount of electricity. After the dam was constructed, the water level raised and more than 50 communities were flooded. Western Europe almost never used such environmentally destructive industrial construction at that time. The Ukrainian metallurgical and coal industry continued working for the needs of Russian industrial centers, and former economic and industrial relations and structures were reproduced. Mostly, the military-industrial complex was the final consumer of numerous labor-intensive and ecologically dangerous industries; its development aligned with the Soviet military-political doctrine, but by no means with the interests of Ukrainians.

In general, Soviet industrial enterprises used three types of cooperation: supply of raw materials, supply of parts, and performance of individual operations within the production process. Despite the wide range of goods produced by Ukrainian enterprises, including tractors, combine harvesters, and mining engineering equipment, dependence was still significant on imported precision mechanics, radio technical and automatic installations, control and measuring equipment, etc. On the eve of World War II, the Ukrainian SSR accounted for more than half of all coal, cast iron, and iron ore production and about half of the steel output in the All-Union national economy. However, instead of processing more of these products, they were supplied to the factories of the RSFSR, the Byelorussian SSR, Central Asia, and Transcaucasia through railroad crosshauling, which strengthened the economic ties and dependencies between the Union republics.

More than two-thirds of Ukrainian industrial manufacturers lacked complete technological production cycles and, hence, required production cooperation, often extremely irrational, with enterprises in other Union republics¹⁰. For example, the Azovkabel plant in Berdyansk received cast metal products from Russian Astrakhan and Kolchugino even though the local mechanical plant produced the same products for export; the Odesa Car Assembly Plant received electric cable from Moscow enterprises and, vice versa, the Moscow Auto-Tractor Electrical Equipment Plant received it from Odesa, which significantly increased the cost of final products.

Economic zoning, one of the instruments of the Soviet policy of industrial colonialism, aimed for structural intertwining and interdependence of the Union's economic complexes, thus creating "built-in fuses" against any centrifugal movements of the national republics, strengthening the Union's military potential, and promoting communist ideology.

The Policy of Leveling "Sister Republics" and Strengthening the "Family of Fraternal Nations"

In the mid-1930s, development of the eastern Union republics began to gradually intensify due to Soviet military strategies and authorities' unwillingness to allow self-sufficient development of the Ukrainian SSR economy. This policy of economic zoning and spatial leveling was mostly developed by the heads of the Council for the Study of Productive Forces of the USSR and the State Planning Committee. World War II significantly accelerated implementation of the initiated processes.

Due to the German troop offensive in Ukraine during July–October 1941, the Soviet authorities carried out a large-scale evacuation of industrial enterprises and factory equipment to the east, in particular to Magnitogorsk, Zlatoust, Kuznetsk, Chelyabinsk, Ufa, Sverdlovsk, and other cities. For instance, the Kharkiv Tractor Plant was dismantled and transported to the Altai Krai, where the Rubtsovsk Tractor Plant was created on its basis. Everything that was impossible to evacuate was destroyed or flooded, in particular mines, iron ore industry equipment, metallurgical furnaces, etc. In total, more than 1,300 large industrial enterprises and tens of thousands of trucks with equipment were evacuated from the Ukrainian SSR¹¹. In September–December 1941 alone, 55,000 trucks with machine-building and metallurgical industry equipment arrived in Nizhny Tagil. After the end of the war, only a small part of the evacuated enterprises was relocated back to Ukraine, while the rest, along with the displaced workers, continued working in the east.

The mobilization model of the Soviet economy and prioritizing the needs of heavy industry caused a [mass famine in Ukraine in 1946–1947](#). In contrast to the [famine of 1932–1933](#), it was mainly caused by the low efficiency

¹⁰ Bohdan Wynar (1964). *Ukrainian industry*. Paris – New York - Munchen: Persha Ukrainiska drukarnia u Frantsii.

¹¹ Oleksii Nesterenko, Illia Romanenko, Dmytro Virnyk (Eds.). (1954). *Essays on the development of the national economy of the Ukrainian SSR*. Moscow: Izd-vo Akademii nauk SSSR.

of agricultural production and lack of machinery and labor, but there also was a common deep precondition: resources and crops were distributed and used by the Union “center” in both the 1930s and the 1940s.

The policy of regions “leveling” and attempts to solve the food problem resulted in a project to develop [virgin](#) and fallow lands in the east of the USSR. The project planned to plow over 43 million hectares of land, which had not been cultivated agriculturally before, in Kazakhstan, Siberia, the Volga region, and Ural. Would it be superfluous to say that implement this large-scale plan, funds and personnel were attracted at the expense of the republic with the highest rate of agricultural development, agricultural traditions, and agrarian specialists? In 1954–1955 alone, more than 93,000 machine operators, builders, engineers, technicians, and other agricultural specialists from the Ukrainian SSR went to Kazakhstan to develop virgin lands, and 54 state farms were staffed with Ukrainian personnel. More than half of the graduates of Ukrainian agricultural, veterinary, and zootechnical institutes, technical schools, and colleges were sent to work permanently in the Kazakh steppes¹². While consuming the lion’s share of state investments in agriculture, the virgin lands program actually exhausted the human and material resources of the traditional agricultural regions of the European part of the USSR, primarily Ukraine.

The Number of “Sisters” Increased

The post-war recovery of the Ukrainian economy mainly involved investments to enhance the work of enterprises, whose products were now to be exported to the member states of the [Council for Mutual Economic Assistance \(CMEA\)](#), formed in 1949 to compete with the member states of the then European Economic Community ([EEC](#)). Exports were completely controlled by the USSR’s Ministry of Foreign Trade and focused on achieving the political and strategic interests of the Union state, which clearly defined the vector and nomenclature of the products to be exported to CMEA partner states, thus contributing to the industrial development of the German Democratic Republic (GDR), Czechoslovakia, Bulgaria, Hungary, Poland, and other countries, and strengthening the European bloc of socialist countries.

The nomenclature and geography of sales of Ukrainian products constantly expanded. In the mid-1980s, more than 1,000 Ukrainian enterprises delivered their products to 105 countries. In general, Ukraine generated about a quarter of the Union’s exports: fuel, metals, and mineral raw materials accounted for almost 50% of these, equipment and machines (vehicles, tractors, internal combustion locomotives, electric locomotives, trucks, turbines, generators, motors, electric furnaces, scraper conveyors, etc.) were 25%, and food industry products were about 10%¹³. The foreign exchange earnings received were redistributed through the Union’s budget extremely inefficiently. Furthermore, deliveries were often made at reduced prices or even for free, that is, as “fraternal aid” to people’s democratic regimes. The Soviet government thus strived to demonstrate to the world the advantages of socialism and a planned economic system. When Western European states, in response to the energy crisis in the mid-1970s, actively introduced the results of the scientific and technical revolution into production, the Soviet Union increased its export of energy resources and raw materials, hence slowing down economic innovation.

Ukraine’s industrial capacity and high export potential were used to support and strengthen the public sector in the economies of socialist and “Third World” countries. In addition, Soviet authorities sent their engineers and specialists to these countries to assist in using and maintaining the equipment they received¹⁴. Moreover, the Soviet Union covertly and massively armed Asian and African countries, often even with loans or subsidies, in order to support national communist movements.

The imposed nomenclature and export geography cemented the structural disproportions of the Ukrainian SSR’s economic development. In 1984, with USSR support, more than 700 new enterprises were launched in the European member states of the CMEA. The Soviet Union’s technical and economic assistance significantly enhanced its status as the leader of the socialist camp countries; hence, Ukrainian production remained the means to strengthen Soviet-Russian influence and dominance.

Ties That Turned into Chains

¹² Leonid Berenshtein, Volodymyr Horak (1962). *Ukraine to virgin lands*. Kyiv: Derzhavne vydavnytstvo politychnoi literatury.

¹³ Viktor Krupyna (2011). Export supplies of the Ukrainian SSR in the second half of the 1960s - the first half of the 1980s: directions, structure, results. *Ukraine of the 20th century: culture, ideology, politics*, 16, 193-201.

¹⁴ Andrej Zverev, Vjacheslav Revjakın (1986). *Soviet Ukraine in the system of foreign economic relations of the USSR*. Kyiv: Znannya.

Since the collapse of the Soviet Union and gaining independence, Ukraine has been reaping the fruits of the centrally planned integration into a single national economic complex for 30 years. The following features of the Soviet economic policy towards Ukraine prove that this integration was colonial:

- deprivation of subjectivity in economic decision-making, management, and disposal of national wealth;
- use of natural resources and production and human potential in metropolis interests;
- building dependence (political, economic, technological, financial, and structural) via the inclusion into the network of inter- and intra-branch connections, via financial centralization and planned distribution of resources and products, and via development of incomplete production cycles;
- deprivation of perspectives — the production structure and the form of economic relations created barriers to internal development, also impeding Ukraine from independent entrance into foreign markets with final products; these features thus turned into fuses built into the economy against economic autonomy and state independence.

Current consequences of Russian-Soviet industrial colonialism regarding Ukraine include the focus of national production and export on agriculture and raw materials, technological and investment dependence on external resources, and “short” production chains lacking complete cycles. Therefore, Ukraine is not yet a competitive supplier for both domestic and foreign markets in industries with high added value of production. Narrow specialization and widespread standardization — industrialism features under the Soviet state monopoly — were used to establish a system of economic dependence, the preservation and reproduction of which contradicts the national interests and directly undermines not only economic security, but also the capacity for armed self-defense of Ukraine today.

This Soviet heritage is the prerequisite for low-tech raw material exports (which the Russian Federation is blocking today) and Ukraine’s dependence on imports (especially on supplies from Russia). The main articles supplied from Russia until February 24, 2022, were gas, oil refining and chemical industry products, and nuclear fuel and equipment, which often acted as instruments of political pressure on the Ukrainian authorities and created obstacles to structurally transforming its economy. During the second half of the 20th century, Ukraine exported more than 500 billion cubic meters of gas to the Union republics, which could have covered Ukraine’s current needs of this strategic resource for two decades. Moreover, it was Ukrainian specialists at the enterprise Ukrburgaz who successfully drilled the Urengoy field in Western Siberia to a depth of more than three kilometers at the beginning of the 1980s, thus starting gas production at the then largest field in the world and increasing the USSR’s export capacity¹⁵.

The closure of its own market by the Russian Federation led to a significant reduction in the volume of production and exports by Ukrainian machine-building plants and complicated the aviation industry’s operation since it closely cooperated with Russian enterprises. In Soviet times, about 17% of the military-industrial complex was concentrated on the territory of Ukraine, but there was no a complete cycle of ammunition production. Special steels, cartridges, detonators, and other components were developed and produced in other Union republics. Now, the very existence of Ukraine as a sovereign state is threatened, in particular due to its dependence on Soviet stocks of weapons and ammunition, which are constantly decreasing, and due to the close production cooperation of military-industrial complex enterprises formed in the USSR and inherited by Ukraine. The major reason behind Russia’s war is an attempt to return Ukraine to under its control, thereby ensuring the reincarnation of the Russian-Soviet empire. This is a direct continuation of the economic policy of dependence, subjugation, and extraction — the policy of colonialism.

Ukraine must finally be free of its colonial past and break these chains to become a full-fledged member of the global democratic community and open the way to free development and international cooperation based on mutual respect and benefit.

¹⁵ The country of deep drilling. How Ukrainians extracted gas for the USSR (2012). Istorychna Pravda. URL: <https://www.istpravda.com.ua/articles/2012/02/16/73445/>