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MY 2 IPTS

GORBACHEV'S VISIT: THE INTERNAL SCENE

1. SIX WEEKS AGO EXPERIENCED OBSERVERS HERE WERE SAYING THAT MARCH WOULD BE A CRUCIAL AND TESTING MONTH FOR GORBACHEV. SO IT HAS BEEN. AT THAT TIME THERE WAS A FEELING THAT PERESTORIKA WAS IN THE DOLDRUMS, THAT SOME NEW PIECE OF GORBACHEV CONJURING WAS NEEDED TO GET THINGS MOVING. THE ECONOMY WAS IN A MESS AND THE REFORM PROCESS APPARENTLY STYMIED. THE GORBAHCEV IMAGE WAS LOSING SOME OF ITS GLOSS. CONSUMER DISCONTENT WAS BECOMING MORE VOCAL. DESPITE LIGACHEV'S DEMOTION LAST YEAR, HE AND HIS COLLEAGUES IN THE CENTRAL COMMITTEE STILL HAVE PERVERSIVE INFLUENCE.
2. THE ELECTION HAS RADICALLY CHANGED THIS PICTURE. GIVEN THE CHANCE, THE WORM FINALLY TURNED. GORBACHEV HAS LEFT BEHIND A COUNTRY STILL IN A STATE OF SHOCK AND TRYING TO PIECE TOGETHER THE IMPLICATIONS. THOSE WHO TURNED OUT IN DROVES IN MOSCOW, LENINGRAD, KIEV AND OTHER CITIES TO OVERTURN THEIR POLITICAL BOSSES WERE NOT JUST OR EVEN PRIMARILY VOTING FOR PERESTROIKA. THEY WERE DELIVERING A MASSIVE VOTE OF NO CONFIDENCE IN A PARTY APPARATUS WHICH, THEY FEEL, DOES NOT UNDERSTAND OR CARE ABOUT THEIR PROBLEMS. ONE OF THE POINTS WHICH HAS ENDEARED ELTSIN TO THE MUSCOVITES IS THEIR BELIEF (WHETHER TRUE OR NOT IS NOT IMPORTANT) THAT HIS WIFE VISITS THE SAME SHOPS AND STANDS IN THE SAME QUEUES AS THEY DO.

PARTY APPARAT

3. GORBACHEV HAS LONG ARGUED THAT PERESTROIKA CANNOT JUST REMAIN A REVOLUTION FROM ABOVE. TO THIS EXTENT THESE DEVELOPMENTS WILL BE WELCOME TO HIM. THEY HAVE ALSO UNDERMINED THE AUTHORITY OF CONSERVATIVES IN THE PARTY APPARATUS AND IN PARTICULAR OF LIGACHEV AND ZAIKOV WHO ARE PROBABLY THE TWO MAIN OPPONENTS OF RADICAL CHANGE. THESE TWO TRIED HARDEST TO STOP ELTSIN AND THEREFORE SUFFER MOST BY HIS CRUSHING VICTORY. (LIGACHEV HAD ALREADY SUFFERED THE IGNOMINY OF RECEIVING MORE NEGATIVE VOTES THAN ANYOTHER OF THE PARTY'S 100 ELECTION NOMINEES FROM THE TRADITIONALLY CONSERVATIVE CENTRAL COMMITTEE. IF THE PARTY HAD NOMINATED 101 CANDIDATES HE WOULD HAVE BEEN DROPPED). ELTSIN, ON THE OTHER HAND, HAS NOW GOT THE VOTES OF

FIVE MILLION MUSCOVITES TO BACK HIM UP. HE WILL NOW HAVE TO BE LISTENED TO.

4. GORBACHEV ALSO NOW HAS THE OPPORTUNITY TO CARRY OUT A PURGE OF THE REGIONAL PARTY APPARATUS, REMOVING FAILED CANDIDATES. THE FIRST SIGNS, HOWEVER, ARE THAT HE IS GOING TO HANDLE THIS VERY CAUTIOUSLY. THE ELECTIONS MAY RESULT IN A SLIGHT SHIFT OF POWER FROM PARTY TO STATE APPARATUS. BUT IT IS STILL GOING TO BE THE PARTY WHICH LEADS THE COUNTRY. TO PURSUE PERESTROIKA GORBACHEV THEREFORE NEEDS A STRONG AND CONFIDENT PARTY BEHIND HIM. HE WILL NOT WANT THE PARTY TO RETREAT INTO Sullen Apathy. HE WILL SEE THE RISK OF A BACKLASH AGAINST PERESTROIKA. RESTORING MORALE IS ONE OF HIS FIRST TASKS. THIS WILL LIMIT HIS ABILITY TO USE THE ELECTIONS TO FORCE FURTHER RADICAL CHANGES IN PARTY BEHAVIOUR EG BY DISMANTLING PRIVILEGES.

SUPREME SOVIET

5. ON HIS RETURN, GORBACHEV WILL HAVE TO FOCUS ON THE HANDLING OF THE CONGRESS OF PEOPLES DEPUTIES AND THE NEW SUPREME SOVIET. HE IS UNLIKELY TO MEET PROBLEMS IN SECURING HIS POSITION AS PRESIDENT. BUT MANY IN THAT BODY, NOT LEAST ELTSIN, HAVE RECEIVED A MUCH WIDER POPULAR MANDATE. THERE IS INEVITABLY GOING TO BE A GROWTH IN POLITICAL FACTIONALISM AND, DESPITE GORBACHEV'S REPEATED DISMISSAL OF THE IDEA, CONTINUED DISCUSSION OF A MULTI-PARTY SYSTEM. THE SUPREME SOVIET MUST TACKLE CONTROVERSIAL LEGISLATION ON ECONOMIC REFORM (EG THE LAW ON LEASING) AND ON CIVIL RIGHTS - LAWS ON THE FREEDOM OF CONSCIENCE, PRESS AND EMIGRATION.

NATIONALITIES

6. THE ELECTIONS HAVE HIGHLIGHTED THE TWO MAJOR UNDERLYING CRISES - THE ECONOMY AND NATIONALITIES - WITHOUT PROVIDING SOLUTIONS. IN NAGORNO-KARABAKH THE INSTITUTION OF DIRECT RULE APPEARS TO HAVE DONE THE TRICK. ARMENIA STILL SEEMS STUNNED BY THE EARTHQUAKE. BUT THE ARMENIANS, AZERIS (AND GEORGIANS STILL REQUIRE CAREFUL HANDLING. THE MEMBERS OF THE KARABAKH COMMITTEE HELD IN DETENTION SINCE DECEMBER MAY BE RELEASED SOON. THERE HAVE BEEN SLIGHT STIRRINGS IN THE UKRAINE BUT THESE ARE UNLIKELY TO TROUBLE GORBACHEV IN THE NEAR FUTURE. IN THE BALTIC STATES, HOWEVER, THE ELECTIONS HAVE AGAIN REVEALED THE EXTENT TO WHICH THE LOCAL PARTY ORGANISATIONS ARE IN THE GRIP OF THE NATIONAL FRONTS. THIS WILL POSE SERIOUS PROBLEMS IN THE SUMMER (WHEN NEW CONSTITUTIONAL AMENDMENTS ARE DUE TO INCREASE REPUBLICAN AUTONOMY) AND DURING THE REPUBLICAN AND LOCAL ELECTIONS IN THE AUTUMN. COOL HEADS WILL BE NEEDED ON BOTH SIDES.

ECONOMY

7. FEW PEOPLE YET SEE LIGHT AT THE END OF THE ECONOMIC TUNNEL. ONE

LONGSTANDING WESTERN EXPERT THINKS THEY HAVE NOT EVEN FOUND THE TUNNEL. OFFICIALLY, GNP GREW BY ABOUT 5% LAST YEAR. BUT THIS FIGURE TAKES INSUFFICIENT ACCOUNT OF INFLATION. REAL GROWTH WAS PROBABLY BETWEEN 0 AND 2%.

8. THE STEP BY STEP APPROACH TO ECONOMIC REFORM IS PROVING MUCH MORE DIFFICULT THAN WAS ORIGINALLY ENVISAGED. FIRMS HAVE BEEN GIVEN A SMALL MEASURE OF INDEPENDENCE. BUT THEY STILL REMAIN ISOLATED FOR CONSUMER PRESSURES. IN THE RETAIL SECTOR THEY ARE MANIPULATING THE PRODUCT RANGE TO INCREASE PROFITS AND PUSH UP PRICES. INFLATION LAST YEAR IS VARIOUSLY ESTIMATED AT 3% TO 7% (THERE ARE NO OFFICIAL FIGURES). IN SOME SENSITIVE CONSUMER AREAS OF CLOTHING PRICE INCREASES HAVE BEEN SUBSTANTIALLY ABOVE THIS. MOST OF THE KEY ITEMS OF THE REFORM PROGRAMME, EG BANKING AND CREDIT, FISCAL POLICY, INDUSTRIAL SUPPLIES, AND ABOVE ALL, PRICES, REMAIN MOTHBALLED. THE LEADERSHIP STILL HAVE NO APPARENT STRATEGY FOR PUTTING THEM INTO EFFECT. WATCHING POLAND AND NOW CHINA, GORBAHCEV HAS, UNDERSTANDABLY, ACCEPTED THE ADVICE OF HIS ECONOMISTS: A RUSH TO FREE PRICES NOW WITH THE MARKET IN SUCH INBALANCE WOULD LEAD TO SPIRALLING INFLATION AND WORSENING SHORTAGES. THE ISSUE HAS NOW BEEN TAKEN OFF THE AGENDA FOR TWO TO THREE YEARS.

9. BUT IT IS NOT AT ALL CELAR THAT THIS SENSIBLE APPROACH WILL WORK, AND THE LEADERSHIP COULD PAUSE TO WORK OUT THE NEXT STEPS. BUT THE FINANCIAL AND MONETARY CRISES WHICH HAVE BEEN BUILDING UP FOR YEARS HAVE NOW BURST OVER THEM. THE POPULATION HAS LOST CONFIDENCE IN THE ROUBLE. MILLIONS OF 'HOT ROUBLES' ARE BEING SWITCHED UNPREDICTABLY FORM SAVINGS ACCOUNTS AND TAKING GROWING TOLL ON THE SHOPS. THE SHORTAGES ARE STEADILY GETTING WORSE. CHEESE IS THE LATEST ITEM TO DISAPPEAR FORM THE SHELVES IN MOSCOW. SERIOUS ECONOMISTS ARE WARNING IN THE PRESS THAT THE CONSUMER WILL NOT STAND FOR ANOTHER YEAR LIKE LAST YEAR AND THAT SOMETHING MUST BE DONE. THE QUESITON IS WHAT. GORBACHEV POINTS OUT THAT ONE OF THE REASONS FOR THE PROBLEM IS THAT PEOPLE AREPAYING THEMSELVES MORE THAN THEY EARN. WAGES HAVE BEEN INCREASING SIGNIFICANTLY FASTER THAN PRODUCTIVITY. BUT THIS IS NOT A POPULAR MESSAGE. THE GOVERNMENT UNDERSTANDABLY DOES NOT WANT OT HIT THE ALREADY RESTIVE CONSUMER IN HIS POCKET, EG THROUGH WAGE FREEZES, PRICE OR TAX INCREASES. INSTEAD THEY ARE GOING FOR GOVERNMENT SPENDING CUTS. INVESTMENT IN INDUSTRY, DEFENCE AND SPACE IS TO BE CUT. A MODEST TARGET HAS BEEN SET FOR THIS YEAR. MORE RADICAL MEASURES ARE PROMISED. BUT GORBACHEV, LIKE MANY BEFORE HIM, WILL FIND THAT BELT-TIGHTENING OPERATIONS ARE EASIER ON PAPER THAN IN PRACTICE.

10. GORBACHEV'S OTHER MAIN HOPE IS AGRICULTURE - GIVING THE LAND BACK TO THE PEASANTS. THIS SOUNDS MORE RADICAL THAN IT IS IN PRACTICE. GORBACHEV'S LONG-TERM AIM IS TO LET THE PEASANTS DECIDE

WHAT TO PRODUCE AND TO WHOM TO SELL. BUT BUREAUCRATIC AND IDEOLOGICAL OPPOSITION IS TOO STRONG FOR THIS TO BE PRACTICAL POLITICS AT PRESENT. THE COLLECTIVE FARM SYSTEM WILL REMAIN IN PLACE FOR THE TIME BEING, AND THE LOSS-MAKING FARM WILL CONTINUE TO DRAIN GOVERNMENT FINANCE. THERE IS LIKELY TO BE SOME IMPROVEMENT IN FARM OUTPUT: BUT NOT ENOUGH TO PLACATE THE CONSUMER.

CONCLUSION

11. THE DOMESTIC SITUATION IS MORE UNCERTAIN THAN FOR MANY YEARS. THE TRADITIONAL POLITICAL MOULD HAS BEEN BROKEN. NO-ONE SEEMS SURE WHAT WILL HAPPEN NEXT. DEMOCRATISATION AND GLASNOST ARE MAKING PROGRESS. THE ELECTION RESULTS HAVE SURPRISED EVERYONE. BUT ALTHOUGH THE PEOPLE HAVE SHRUGGED OFF THEIR APATHY TOWARDS THE BALLOT BOX, IT IS HARD TO BELIEVE THAT A SIMILAR PHENOMENON IS ABOUT TO OCCUR IN THE WORK-PLACE. RUSSIANS STILL DO NOT WANT TO WORK HARD: AND GORBACHEV HAS YET TO PRODUCE A SYSTEM THAT WILL ENCOURAGE THEM TO DO SO. PARADOXICALLY THE RENOWNED RESISTANCE TO CHANGE OF THE SOVIET PEOPLE MEANS THAT MORE DEMOCRACY WILL NOT MEAN MORE PRESSURE FOR REFORM. THE ECONOMIC REVOLUTION WILL STILL HAVE TO BE CARRIED OUT FROM ABOVE.

BRAITHWAITE

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