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CONGRESS OF PEOPLE'S DEPUTIES: DAY 5: GORBACHEV'S REPORT: THE ECONOMY.

SUMMARY

1. BUDGET DEFICIT AND IMBALANCE IN THE CONSUMER MARKET STILL CAUSING SERIOUS PROBLEMS AND JUSTIFIABLE POPULAR DISCONTENT. BUT THERE COULD BE NO HOLDING BACK THE REFORM PROCESS. THE COUNTRY NEEDED A FULL BLOODED SOCIALIST MARKET. ITS MORE EFFECTIVE MECHANISM FOR ECONOMIC MANAGEMENT HAD BEEN DEVISED. BUT THE CHANGE COULD NOT BE MADE IN ONE GO. THE REAL FIGURE FOR MILITARY SPENDING IN 1989 WAS 77.3 BILLION ROUBLES.

DETAIL

2. GORBACHEV FINALLY DELIVERED HIS PRESIDENTIAL REPORT TO THE CONGRESS ON 30 MAY. THIS TELEGRAM SETS OUT THE MAIN POINTS ON THE ECONOMY. HIS REMARKS ON POLITICAL REFORM, NATIONALITIES POLICY AND FOREIGN POLICY ARE IN MIFTS. COMMENT FOLLOWS SEPARATELY.
3. GORBACHEV BEGAN BY SETTING OUT SOME OF THE ECONOMIC ACHIEVEMENTS OF PERSTROIKA. HOUSING CONSTRUCTION OVER THE PAST THREE YEARS WAS 15% UP ON THE LAST FIVE YEAR PLAN: DESPITE THE DIFFICULT FINANCIAL SITUATION AN EXTRA 12 MILLION ROUBLES HAD BEEN SET ASIDE FOR HEALTH AND EDUCATION. THERE HAD BEEN A SUBSTANTIAL INCREASE IN THE COMPLETION OF NEW MEDICAL CLINICS, KINDERGARTENS, HOSPITALS, ETC. THE SERVICES SECTOR WAS EXPANDING AT AN ANNUAL RATE OF 15%. MORE THAN FIVE MILLION FAMILIES HAD RECEIVED PRIVATE PLOTS OVER THE PAST THREE YEARS.
4. BUT PEOPLE WERE STILL NOT FEELING THE BENEFITS OF PERSTROIKA. THIS WAS PRIMARILY BECAUSE OF THE DISTORTED FINANCIAL SYSTEM AND THE UNBALANCED CONSUMER MARKET. CONSUMER SHORTAGES WERE GIVING RISE TO STRONG AND LEGITIMATE DISCONTENT. THE STATE WAS CONTINUING TO LIVE BEYOND ITS MEANS. BUDGET EXPENDITURE WAS STILL GROWING FASTER THAN NATIONAL INCOME. THIS WAS SIMPLY IMPERMISSIBLE. IT WAS THE RESULT OF A SERIOUS MISCALCULATION FOR WHICH THE USSR MINISTRY OF FINANCE WAS PRIMARILY RESPONSIBLE. AN INDEPTH AND COMPETENT DISCUSSION OF

THESE PROBLEMS SHOULD TAKE PLACE AT THE CONGRESS.

5. THE MOST URGENT TASK WAS TO NORMALISE THE CONSUMER GOODS MARKET. THE CURRENT IMBALANCE WAS NULLIFYING ANY POSITIVE CHANGE WHICH HAD OCCURRED SO FAR UNDER PERESTROIKA. SOME PROPOSED SOLVING THE PROBLEM BY MOVING STRAIGHT TO A FULL MARKET ECONOMY. THE LEADERSHIP DID NOT SHARE THIS VIEW. SUCH AN APPROACH WOULD BRING ENORMOUS DISRUPTION. BUT THERE HAD TO BE A RAPID INCREASE IN THE OUTPUT OF CONSUMER GOODS. THE TASK THIS YEAR WAS TO INCREASE THEIR PRODUCTION BY 37 BILLION ROUBLES: ESTIMATES SUGGESTED THAT THIS INCREMENT SHOULD TOTAL 55-60 BILLION ROUBLES IN 1990. THE GOVERNMENT (IE PRESUMABLY RYZHKOV IN HIS SPEECH) SHOULD MAKE SPECIFIC PROPOSALS CONCERNING THE SHORTAGE OF STAPLE GOODS AT THE CONGRESS. AN AUSTERITY BUDGET HAD TO BE DRAWN UP. THE CONGRESS SHOULD GIVE INSTRUCTIONS TO THE GOVERNMENT ON THIS. THE POSSIBILITY OF IMPORTS BOTH OF EQUIPMENT FOR THE LIGHT AND FOOD INDUSTRIES AND TO REPLENISH THE CONSUMER MARKET SHOULD ALSO BE CONSIDERED.

AGRICULTURE.

6. THE PROGRAMME FOR INCREASING FOOD OUTPUT WOULD NOT WORK WITHOUT A RADICAL REORGANISATION OF ECONOMIC RELATIONSHIPS IN THE COUNTRYSIDE. BUT THOSE MANAGING FARMS WERE OBSTRUCTING THE DEVELOPMENT OF LEASE-HOLDING. THEY CONTINUED TO ARGUE THAT THE WAY FORWARD WAS THROUGH INCREASED INVESTMENT. THE CONGRESS SHOULD DISCUSS WHAT MEASURES NEEDED TO BE TAKEN TO PREVENT THE IMPORTANT DECISIONS OF THE MARCH PLENUM JUST HANGING IN THE AIR. INDUSTRY SHOULD PRODUCE THE KIND OF AGRICULTURAL MACHINERY THAT WAS REALLY NEEDED BOTH BY FARMS AND LEASEHOLDERS AND AT REASONABLE PRICES.

SOCIAL ISSUES

7. DESPITE THE DIFFICULT FINANCIAL SITUATION URGENT MEASURES WERE NEEDED TO IMPROVE THE LOT OF THE MORE THAN 40 MILLION PEOPLE ON LOW-INCOME. A NEW PENSIONS LAW WAS BEING DRAFTED: SUCH AN IMPORTANT LAW SHOULD BE ADOPTED BY THE CONGRESS. PRIORITY MUST ALSO BE GIVEN TO IMPROVING MEDICAL SERVICES AND TO THE ENVIRONMENT., THE QUANTITY OF HARMFUL SUBSTANCES IN THE ATMOSPHERE EXCEEDED PERMISSIBLE LEVELS IN A 100 OR MORE CITIES. PROJECTS FOR BUILDING CANALS, ATOMIC POWER STATIONS AND CHEMICAL ENTERPRISES HAD BEEN THE SUBJECT OF SHARP DISCUSSION DURING THE ELECTION CAMPAIGN. SUPREME SOVIET COMMISSIONS MUST URGENTLY DISCUSS THESE ISSUES. DESPITE THE PROBLEMS, THE COMMITMENT TO PROVIDE EVERY FAMILY WITH A SEPARATE FLAT BY THE END OF THE CENTURY HAD TO BE MET. THE SUPREME SOVIET SHOULD HAVE STANDING COMMISSIONS TO DEAL WITH THE SPECIAL PROBLEMS OF YOUNG PEOPLE AND OF WOMEN.

PRIVILEGES

8. THE ESTABLISHMENT OF SOCIAL JUSTICE HAD TO REMAIN A PRIORITY. THE SYSTEM OF PRIVILEGES - BE IT DIFFERENTIAL PENSIONS, FREE HOLIDAYS, SPECIAL MEDICAL SERVICES OR HOUSING, AND OTHER MATERIAL AND CULTURAL BENEFITS - ALLOCATED TO DIFFERENT SOCIAL, AND PROFESSIONAL GROUPS, HAD TAKEN SHAPE OVER MANY YEARS. THE PURPOSE OF THESE BENEFITS HAD TO BE TO STIMULATE TALENT AND TO HELP THOSE GROUPS OF THE POPULATION THAT NEEDED IT. ABERRATIONS HAD TO BE ERADICATED. THERE SHOULD BE A SPECIAL COMMISSION OF THE SUPREME SOVIET TO CONDUCT AN AUDIT ON ALL BENEFITS AND PRIVILEGES ON THE BASIS OF THIS CRITERIA.

REDISTRIBUTION OF FINANCIAL RESOURCES

9. GORBACHEV SAID THAT THERE HAD TO BE A SHARP REDUCTION IN OUTLAYS FOR THE CONSTRUCTION OF NEW PRODUCTION FACILITIES. CUTS OF DIFFERENT LEVELS WERE BEING SUGGESTED - FROM SMALL TO TENS OF PERCENT. THE GOVERNMENT SHOULD MAKE ITS PROPOSALS FOR SUCH CUTS TO THE SUPREME SOVIET WHERE THEY SHOULD BE STUDIED.

DEFENCE SPENDING

10. IT WAS POSSIBLE TO REDUCE MILITARY EXPENDITURE WITHOUT DETRIMENT TO THE COUNTRY'S DEFENCE CAPABILITY. OVER THE PAST TWO YEARS MILITARY SPENDING HAD BEEN FROZEN. THIS HAD SAVED TEN BILLION ROUBLES. THE REAL FIGURE FOR MILITARY SPENDING IN 1989 WAS 77.3 BILLION ROUBLES. THE CONGRESS WOULD BE INVITED TO CONSIDER A PROPOSAL FOR FURTHER CUTS IN THE 1990/91 MILITARY BUDGET OF TEN BILLION ROUBLES OR 14%. THERE HAD BEEN SOME REDUCTION IN SPENDING ON SPACE PROGRAMMES: BUT SPACE-RELATED TECHNOLOGIES WERE BENEFITTING THE ECONOMY AS A WHOLE. THERE HAD TO BE AN END TO THE UNNECESSARY SECRECY - THE 'INTERNAL COCOM' WHICH AFFECTED THE DEFENCE INDUSTRIES.

THE ECONOMIC REFORM PROGRAMME

11. GORBACHEV SAID THAT THERE HAD BEEN NUMEROUS DISCUSSIONS IN THE CENTRAL COMMITTEE AND WITH EXPERTS ABOUT THE PROGRESS OF REFORM. THE GENERAL CONCLUSION WAS THAT THE STRATEGY WAS RIGHT. BUT THERE HAD BEEN INCONSISTENCY AND FOOT DRAGGING IN IMPLEMENTATION. THERE WAS A VIEW DEVELOPING THAT THE REFORM WAS RESPONSIBLE FOR THE PRESENT ECONOMIC TROUBLES AND THAT THE PROCESS SHOULD THEREFORE BE SLOWED. THIS COULD NOT BE ACCEPTED. THE CENTRAL COMMITTEE AND THE GOVERNMENT AGREED THAT THE WAY FORWARD WAS THROUGH CONSISTENT IMPLEMENTATION OF THE REFORM PROGRAMME. BUT THE PROGRAMME COULD NOT BE IMPLEMENTED AT ONE GO. THERE HAD TO BE A CONSISTENT PROCESS OF DEVELOPING AND MODIFYING PLANNING METHODS, FINANCIAL INCENTIVES, PRICES, TAXATION,

THE WAGES SYSTEM AND ALL OTHER COMPONENTS OF THE ECONOMIC MECHANISM. MUCH OF THIS IN GORBACHEV'S VIEW COULD BE ACCOMPLISHED BEFORE THE OUTSET OF THE 13TH FIVE YEAR PLAN (I.E. BEFORE 1991)

12. EXPERIENCE HAD SHOWN THAT REFORM WAS IMPOSSIBLE WITHOUT A RADICAL REVISION OF THE CONCEPT OF SOCIALIST PROPERTY. THE ONLY CONDITION WAS THAT THERE SHOULD BE NO EXPLOITATION OF THE WORKERS AND NO ALIENATION FROM THE MEANS OF PRODUCTION. THE CHANGES IN THE ATTITUDE TO PROPERTY ALSO REQUIRED THE CREATION OF A FULL-BLOODED SOCIALIST MARKET. THE MARKET WAS NOT OMNIPOTENT: BUT A MORE EFFECTIVE AND DEMOCRATIC MECHANISM OF ECONOMIC MANAGEMENT HAD NOT YET BEEN DEvised. THIS SHOULD BE ACCEPTED.

13. A SPECIAL GOVERNMENT BODY TO COORDINATE AND OVERSEE THE PROCESS OF ECONOMIC REFORM SHOULD BE CREATED AND HEADED BY A DEPUTY CHAIRMAN OF THE USSR COUNCIL OF MINISTERS. THE SUPREME SOVIET SHOULD ALSO HAVE APPROPRIATE STRUCTURES AND MECHANISMS,

14. SEE MIFTS.

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