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TELNO 1276
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SIC
TELNO 1238: SOVIET ECONOMY: REFORM PROGRAMME '500 DAYS'

SUMMARY

1. ALTERNATIVE REFORM PROGRAMME '500 DAYS', CLOSELY LINKED WITH ELTSIN, BASES STRATEGY ON A STAGE BY STAGE PRIVATISATION OF INDUSTRY AND STABILISATION OF BUDGET DEFECIT BY CUTTING SUBSIDIES, CAPITAL CONSTRUCTION PROJECTS AND DEFENCE SPENDING. THE PROGRAMME BEGINS BY THE SALE OF LAND AND HOUSING, AND NEGOTIATION OF CREDITS FROM THE WEST. '500 DAYS' AT PRESENT BEING CONSIDERED BY GOVERNMENT COMMISSION, AND LIKELY CANDIDATE FOR ADOPTION BY RSFSR LEADERSHIP.

DETAIL

2. TUR REPORTED THAT VARIOUS PROPOSALS FOR REFORMING THE NATIONAL ECONOMY ARE CURRENTLY BEING STUDIED BY A GOVERNMENT COMMISSION HEADED BY AGANBEGYAN. WE HAVE MANAGED TO OBTAIN A COPY OF THE MOST DETAILED OPTION REFORM PROGRAMME '500 DAYS' WHICH PROPOSES A MAJOR SHIFT IN OWNERSHIP TO PRIVATE HANDS, THE ENDING OF GOVERNMENT-FUNDED SUBSIDIES AND CUTS IN EXPENDITURE ON CONSTRUCTION AND DEFENCE. AS ITS TITLE SUGGESTS, '500 DAYS' SETS A DEADLINE FOR THE TRANSITION TO A MARKET ECONOMY. IT HAS BECOME CLOSELY ASSOCIATED WITH ELTSIN AND IS WIDELY BELIEVED TO BE A MAJOR PLANK IN HIS PROGRAMME.

3. '500 DAYS' FIRST SAW THE LIGHT OF DAY AS A BLUEPRINT FOR THE REFORM OF THE RUSSIAN FEDERATION'S ECONOMY, PUT FORWARD BY BOCHAROV WHO NARROWLY FAILED TO BE APPOINTED RSFSR PRIME MINISTER. BOCHAROV NOW HEADS THE HIGHER ECONOMIC COUNCIL, A BODY CONVENED BY ELTSIN TO ACT AS A THINK-TANK FOR ECONOMIC REFORM IN THE USSR. THE REPUBLIC'S SUPREME SOVIET IS AT PRESENT IN THE PROCESS OF AGREEING THE COMPOSITION OF ITS GOVERNMENT. TWO KEY POSTS - CHAIRMAN OF THE COMMITTEE FOR THE ECONOMY AND CHAIRMAN OF THE COMMISSION FOR ECONOMIC REFORM - HAVE ALREADY BEEN FILLED BY RADICALS. THEY NO DOUBT HAVE THEIR OWN IDEAS ON HOW REFORM OF RUSSIA'S ECONOMY SHOULD BE CONDUCTED: BUT NEVERTHELESS '500 DAYS' SEEMS TO DOMINATE THE FORMATION OF THE NEW GOVERNMENT'S ECONOMIC POLICY.

4. THE RUSSIAN PARLIAMENT HAS ALREADY SERVED NOTICE OF ITS INTENTION TO SET UP ITS OWN STATE AND FOREIGN BANKS, CONTROL EARNINGS FROM THE SALE OF OIL AND GAS AND UNDERTAKE A MAJOR OVERHAUL OF ITS MINISTERIAL SYSTEM. ELTSIN IS ON RECORD AS SAYING THAT HE WOULD BE VERY RELUCTANT TO START REFORM WITHIN RUSSIA WITHOUT COORDINATING ACTION WITH THE REST OF THE COUNTRY. BUT IF THE CENTRE CONTINUED TO DELAY, RUSSIA WOULD BE FORCED TO GO IT ALONE. OUR COPY OF '500 DAYS' HAS HOWEVER BEEN RECAST IN A FORM SUITABLE FOR NATIONAL APPLICATION. WE HAVE BEEN TOLD THAT AGANBEGYAN PLANS TO USE '500 DAYS' AS THE BASIS FOR ALTERNATIVE TO THE GOVERNMENT'S PROGRAMME WHICH WOULD WIN SUPPORT FROM BOTH GORBACHEV AND ELTSIN.

SUMMARY OF TEXT

5. '500 DAYS' IS DIVIDED INTO 4 STAGES - PREPARATION, PRIVATISATION, INTRODUCTION OF MARKET MECHANISMS AND STABILISATION. ACCORDING TO THE INTRODUCTION, THE COUNTRY'S ECONOMY IS AT PRESENT SUFFERING FROM FALLING OUTPUT AND HIGH INFLATION (15-20% PA). OTHER ATTEMPTS AT PARTIAL REFORM HAVE FAILED (HUNGARY, YUGOSLAVIA). THE GUARANTEE OF SUCCESS OF '500 DAYS' LIES IN ITS RADICALISM AND ATTENTION TO DETAIL. IT BASES ITS STRATEGY ON USING THE FIRST 250 DAYS (STAGES I AND II) TO BREAK UP PRODUCTION MONOPOLIES, REMOVE THE HEAD HAND OF THE MINISTERIAL SYSTEM, REDUCE EXCESS LIQUIDITY BY AT LEAST 50% (SALE OF GOODS, HOUSING, LAND AND SHARES) AND TO ESTABLISH THE NECESSARY ECONOMIC MECHANISMS TO CONTROL THE TRANSITION. IT ACKNOWLEDGES THAT HELP WILL BE NEEDED FROM ABROAD IF THE PLAN IS TO SUCCEED. ACCORDING TO THE TIMETABLE, DAYS 1-30 ARE ALLOTTED FOR CONDUCTING NEGOTIATIONS WITH THE WEST FOR OBTAINING SUBSIDISED CREDITS AND SPECIALIST ADVICE. STAGE III (DAYS 250-400) SEE THE FINAL REMOVAL OF STATE SUBSIDIES AND INTRODUCTION OF PRICE REFORM, ACCOMPANIED BY WELFARE BENEFITS AND RATIONING OF BASIC GOODS., THE LAST STAGE CALLS FOR THE STABILISATION OF THE ECONOMY, WITH THE OPTION OF USING FOREIGN AID SHOULD THERE BE NO SIGN OF EMERGING FROM THE SLUMP STAGE III IS BOUND TO PRECIPITATE.

6. SEE MIFT FOR TEXT AND COMMENT

BRAITHWAITE

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