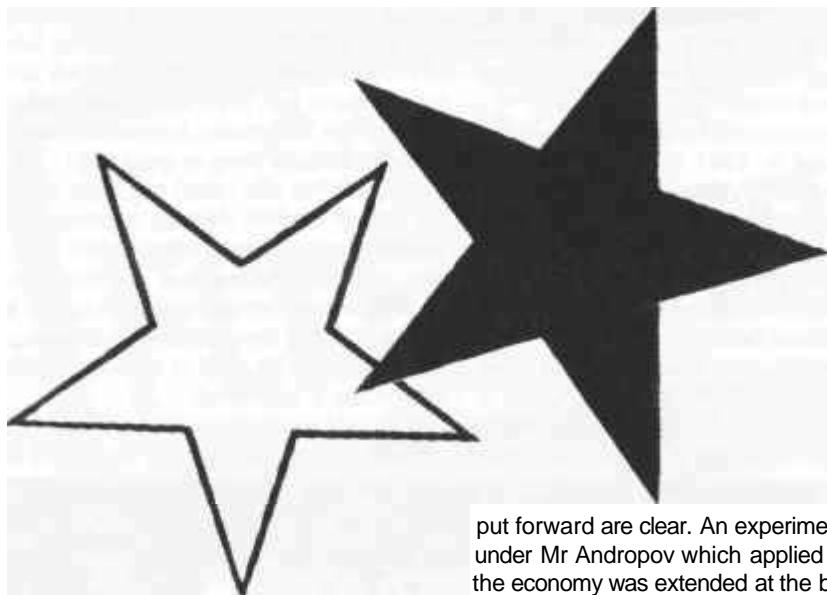


# FOCUS



## ALL EYES EAST

Later this month Westerners on both sides of the ideological divide will be studying events in Moscow with more than usual interest. Starting on February 25, the 27th congress of the Communist party of the Soviet Union is expected to offer some valuable clues to the future intentions of the new Soviet leadership.

The main issue at the congress will be economics. There is little need to rehearse the list of problems that beset the Soviet economy. The slow down in growth, consumer dissatisfaction, bottlenecks in key sectors and, worst of all, the widening technological gap between the Soviet Union and the West, make reform of some kind an imperative. The congress is being invited to endorse the broad principles on which such reform might be founded.

The nature of the economic reforms being

put forward are clear. An experiment started under Mr Andropov which applied to 7% of the economy was extended at the beginning of the year, to cover 40% of enterprises. The idea now is that by January 1987 virtually all Soviet production should be subject to these new rules. The most important consequence will be that enterprises will have enhanced autonomy and independence.

Managers will be able to make some investment decisions, and formulate their own production plan for ministry approval. Differential pricing, introduced by the central planning apparatus, is intended to encourage an improvement in quality and productivity. At the same time the central planning mechanisms will be streamlined by cutting back on branch ministries. It is the proliferation of these ministries which has been responsible for the bureaucratic jungle in which important projects get lost.

These changes will not be easy to implement. Opposition has already arisen from a variety of sources. At the highest level, Gorbachev's purge of the old generation has already isolated much of the resistance. Already Grigori Romanov and ex-prime minister Nikolai Tikhonov have left the polit-

buero to be replaced by younger men. It is likely that former Moscow party boss Viktor Grishin and Ukrainian Vladimir Scherbitsky will follow before the congress opens.

But as the leaked internal party document, the 'Novosibirsk memorandum' noted the real resistance is much wider than the top echelons of the party. It is the inertia and vested interests of managers and workers that are likely to prove the real obstacles to progress.

Despite this the Soviet leadership may well recommend going further along the road to decentralisation. The reforms to be outlined at the congress are unlikely to go far enough to solve the problems of the economy. Put crudely, centralisation and the reliance on output targets have fostered low productivity, and a lack of innovation. Many Soviet experts believe the current changes will alter the structures responsible too little to affect these central problems.

In recent months there has been much discussion of further decentralisation. Mention of Hungary's new economic mechanism is not encouraged but many aspects of the Hungarian programme have won approval from contributors to Soviet journals. Reformist economists advocate a move towards 'wholesale trade' where enterprise - customer relationships replace rigid central planning as the main motors of economic activity at the enterprise level. One of these economists Abel Aganbegyan, heads a commission of the central committee charged with reporting on these areas to the congress.

Signs like this have led some to believe that Mr Gorbachev has an incremental strategy of gradual but extensive change. But the evidence is so far inconclusive. It may well be that Mr Gorbachev, above all a pragmatist, has yet to decide where the Soviet economy is going and how fast.

*David Aaronovitch*

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