

was not going to solve the country's existing economic problems, and in fact would create new ones. The decision was taken to retreat rather than to push forward. The piecemeal and very minor reforms that were implemented at the margins in the 1970s and early 1980s could not reverse the economic stagnation that had set in.

Mikhail Gorbachev initially believed that reform could improve the performance of the economic system without destroying the Communist Party. He realized, however, that reform was necessary, and his experimentation with reform led to ever more radical change. In August 1990, the reform cadre put together by Gorbachev came up with a plan to convert from the existing framework to a market system within 500 days. The plan was to stabilize the government's budget position and introduce a widespread and radical privatization program, followed by sweeping price liberalization. Under pressure from conservatives, the program was abandoned in the fall of 1990. A period of economic crisis followed: output dropped, while prices and the size of the budget deficit soared. The Soviet Union, of course, dissolved.

In late 1991, Russian President Yeltsin introduced a stabilization plan that was designed to liberalise most prices, reduce the central government's budget deficit and initiate a privatization program. The stabilization program was inconsistently applied (some observers might suggest that it was not implemented at all), leading to an acceleration of inflation and a further fall in output. This has led to an increasingly intense political struggle over the future of economic reform, with reformers often citing a lack of financial support from the West as one of the main obstacles preventing them from pushing ahead with further reform.

The inefficient collectivized agricultural system of the FSU promoted stagnation and waste. For the last 20-25 years, Russia has had to import large volumes of grain and animal feed. Estimates indicate that 25-30 per cent of total agricultural production is lost during harvesting, transport or in storage. For perishable products, the estimates for losses run to 70 per cent. Agricultural production has tended to decline throughout the 1980s and early 1990s. The government has responded by introducing market reforms, including price decontrol and de-collectivisation. Market reforms have made slow headway, with most farms still making obligatory deliveries to the state. The 1993 Presidential decree allowing the sale of land to farmers should eventually lead to the creation of a private agricultural sector.

Russia is a major producer and exporter of timber. The extensive resource use policies of the FSU have resulted, however, in Russia's forests being overexploited. Logging has moved steadily eastward in Siberia, which now accounts for one-third of Russia's sawn timber production. The economic crisis of the last three years has not missed this sector, however, with production declining since 1992. Production in the