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The Soviet Quality Control Campaign: Limited Progress But Disruptions Continue

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A Research Paper

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A Research Paper

This paper was prepared by

Office of Soviet Analysis

Comments and
queries are welcome and may be directed to the
Chief, Economic Performance Division, SOVA

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Secret SOV 87-10049 August 1987 Summary

Information available

as of 20 July 1987 was

was used in this report.

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The Soviet Quality Control Campaign: Limited Progress But Disruptions Continue	25X1
Soviet industry is making a slow and erratic recovery from the initial upheaval caused by the introduction this past January of a new quality control system—gospriyemka (state acceptance). The evidence includes a dramatic drop in product rejections, the appearance of better quality goods on the USSR's shelves and factory floors, and a sluggish improvement in Soviet plan fulfillment statistics. press reporting indicate that, despite this progress, the 1,500 flagship enterprises and production associations covered by the new standards continue to be plagued by a strong undercurrent of problems in meeting quantity and quality targets. State acceptance is still in its shakedown period, and its lasting impact on Soviet industry and consumer satisfaction is yet to be decided.	25X1 25X1
 On the positive side, Moscow: Generated a modest 2.4-percent increase in industrial production in second quarter 1987 compared with the corresponding period in 1986, up from the dismal 0.6-percent growth rate posted in January to March. Machine-building output, however, continues to lag plan targets. Reported a 20-percent decline in product rejections in April to June, compared with first-quarter results. Benefited from learning-curve effects, increased quality awareness on the factory floor, and use of inspectors as troubleshooters. Introduced new worker incentives to promote quality, and quickly brought on stream simple testing and measuring equipment. 	25 X 1
Accompanying these steps forward, however, are subtle signs that a de facto compromise on quality has been reached, with enterprises increasingly successful in bypassing state acceptance controls. Whether Moscow has decided to ease up quietly or whether the program's opponents have forced a dilution of the system through increased deviations from established procedures, pressure on inspectors, and "temporary exemptions" is unclear.	25 X 1

Although major disruptions to industrial performance appear to have eased, the Soviet leadership still faces a daunting array of problems created or exacerbated by state acceptance:

• This year's poor start—especially for the critical machine-building sector—throws off balance Gorbachev's tightly scheduled modernization program. Production shortfalls press on the jugular of his strategy by

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slowing the flow of new machinery—necessary to renovate and retool the USSR's antiquated industrial base—and by disrupting investment timetables.

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- Worker dissatisfaction with state acceptance strictures continues, manifesting itself through work stoppages, near strikes, "retirements," and increased grumbling.
- Problems with deliveries of quality raw materials and components appear to have worsened for enterprises whose suppliers remain outside state acceptance controls.

Any push to put the volume of production back on track for 1987 may cause quality to slip or threaten other programs on Gorbachev's economic agenda and could put the leadership in the unpalatable position of rationing important machinery resources.

Gospriyemka casts its shadow as well on the political front. Economists who are pushing for radical reform see the program as just another bureaucratic impediment to market forces. Gorbachev's moves at the June 1987 Central Committee plenum may convince critics of state acceptance that the regime is making strides toward the kind of market-oriented system they want, but the Soviet leader's continued unbridled support for the program also carries the risk of alienating an important political constituency. For the time being, leadership support for state acceptance remains strong in the senior ranks.

Moscow appears cautiously optimistic, however, and is taking steps to consolidate gains achieved this year and lay the groundwork for a planned expansion of the system. An additional 727 enterprises will adopt state acceptance procedures in January 1988. Suppliers to plants already covered in the program will make up nearly half of the new participants, and, for the first time, state acceptance will include enterprises in the food-processing industry and construction.

Whatever the gains from these moves, broadening state acceptance will also have its costs. In economic terms, Moscow could face the added burden of increased salaries for inspectors, longer work hours, higher scrap

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Scope Note

This paper is a status report

It does not attempt to address the implications the new quality control program has for Soviet economic performance in the long run. Seven months after the introduction of the program, it is still too early to judge the lasting impact of the quality strictures. We have, instead, catalogued the program's progress and setbacks, its supporters and critics, and its potential effect on Gorbachev's political health and his economic agenda. Our analysis and conclusions are primarily based on an extensive reading of the Soviet central and regional press from January through June 1987. We wish to thank the Production and Operations Groups of the Foreign Broadcast Information Service for their assistance in reviewing the press for articles of interest as well as for their timely translation support.

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The Soviet Quality Control Campaign: Limited Progress But Disruptions Continue

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Introduction

As part of General Secretary Gorbachev's call to raise the quality of Soviet products to world-class levels by the end of this century, the USSR formally instituted a high-profile system of quality control in some 1,500 industrial enterprises in January 1987. The new program—known as gospriyemka (state acceptance)—puts a staff of inspectors, independent of the enterprise, at individual plants to ensure Soviet products meet stringent quality standards. Its attention is focused largely on the machine-building sector, although a wide range of other products falls under the program.

Press reports indicate the introduction of state acceptance sent a jolt through Soviet industry and sparked worker protests. Industrial production in January and February fell far short of plan goals, posting negative rates of growth. A sharp dropoff in machinery output accounted for much of the poor showing. Although severe weather and transportation bottlenecks in January magnified production shortfalls, place blame on the high rejection rate of products by gospriyemka inspectors.

Mixed results

At the moment it is hard for us, under the conditions of state acceptance of output. But the people are doing much to improve its quality.

M.S. Gorbachev in Czechoslovakia, April 1987

These enterprises represent only 3 percent of the total number of
Soviet industrial facilities, but because many are "flagship" fac-
tories, the program's coverage in reality is much wider. The Soviets
have indicated that one-fifth of all industrial production and 60
percent of civil machine-building output is subject to state accep-
tance.

Soviet industry is making a slow—and erratic—recovery from the initial upheaval caused by gos-priyemka at the start of the year, marking some limited progress in Gorbachev's drive for better goods. Industrial production grew by 2.4 percent in the second quarter of 1987, up from the dismal 0.6 percent increase posted in January-March. Yet, despite this upturn, enterprises continue to be plagued by a strong undercurrent of problems in meeting quantity and quality targets.

March plan-fulfillment statistics showed an abrupt rebound in industrial growth, led by a surge in the production of computers, instruments, livestock and feed equipment, and metal-cutting machine tools (see figure 1). press reporting indicate this improved performance was buoyed in large part by secondary factors—better weather, longer work hours (including unpaid Saturday and weekday overtime), and quick fixes to the backlog of previous rejects which, however, masked continuing disruptions from gospriyemka on the factory floor. Yet, despite these weaknesses, Soviet officials claimed victories on the quality front, citing a dramatic drop in rejection rates. increased participation of workers and managers in the quality control process, and better product appearance.

Soviet industry as a whole posted modest output increases in April, but growth in production of goods heavily covered by state acceptance—such as tractors, automobiles, grain combines, and livestock and feed equipment—declined or just matched last April's

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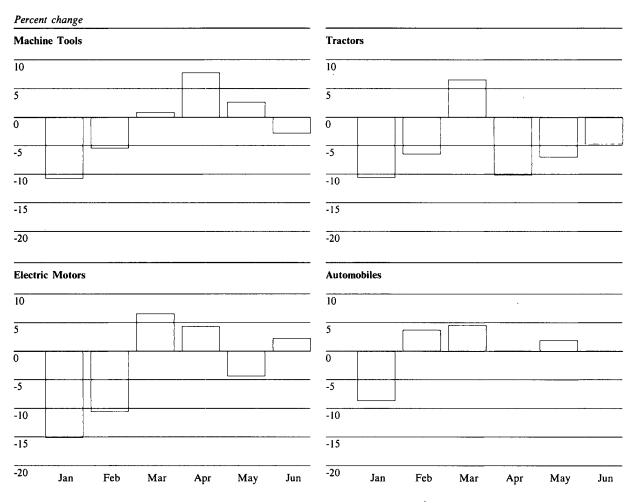
² Although Soviet and Western analysts traditionally evaluate Soviet economic performance on Moscow's ability to meet plan targets and sustain increases in production, these may not be the most appropriate measures of success at a time the Soviets have embarked on a massive modernization program. Soviet leaders may have begun to put more emphasis on quality improvements and structural changes and less on quantitative gains.

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Figure 1

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USSR: Selected Industries Under Gospriyemka, 1987^a



^a Calculated from monthly production in physical units, (except for machine tools which are reported in rubles), 1987 compared with the same month in 1986.

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Table 1 Factors Behind Selected Improvements in Soviet Industrial Performance

Increased output Better weather. Improved raw materials supplies. Quick fixes to previously rejected output; average backlog of 10 to 20 per Fewer rejects Deviation from established procedures. Relaxation of quality control standards; inspectors threatened or bribed. "Temporary" concessions

 Overtime, unpaid Saturday work.

cent of total production

for January-February

available for repair.

- Disruptions ease from new economic measures (industrial experiment and selffinancing program).
- Greater availability of diagnostic and measuring devices for production; improved documentation.

and exemptions made be-

cause of extenuating cir-

equipment and substan-

cumstances (obsolete

dard materials, for

example).

- Switch to more modern processing methods.
- Increased cooperation between designers and production personnel.

rates. Moreover, output of refrigerators, television sets, and washing machines—other targets of the quality control campaign—failed to meet plan goals by a wide margin. Soviet anecdotal evidence suggests April's slowdown reflected a breather from the end-of-quarter rush to meet physical output goals as well as efforts by enterprises to address reemerging—and more noticeable—problems with product quality.

The sluggish rebound in Soviet economic performance continued in May and June, and, by the half-year mark, growth in overall industrial production was up 1.5 percent compared with the same period last year. The Soviets reported a 20-percent decline in product rejections in the second quarter of the year compared with January to March results. Pockets of improvement were visible in machine building, but the sector

still has not caught up with growth targets for the	
year. ³	25)
suggest this upturn reflected an easing	25
of state acceptance strictures rather than an increase	
n output of higher quality products.	25

Signs of Progress

In past years everyone understood that quality was an important component of production, but in practice the attitude taken toward it was as though it was an annoying hindrance on the path to the achievement of the largest gross indicators. It was difficult to expect another attitude from the economic manager if, as a result of failing to fulfill the plan, he could be removed from his assignment but for failing to keep the quality high, he could at worst be reproved.

A Soviet economic correspondent

In a kind of "shock therapy" the introduction of state acceptance left the 1,500 industrial enterprises with little choice but to confront quality problems. Press accounts indicate Moscow's tactics have paid off in some measure with enterprises building momentum since March in raising the quality of Soviet goods (see table 1). These gains—often in improved physical appearance rather than in other aspects of better product quality—were generated by natural learning-curve effects and short-term fixes. Fixes included measures to increase quality awareness on the factory floor, the introduction of quality-oriented worker incentives, the infusion of simple diagnostic and measuring equipment, and the use of inspectors as troubleshooters.

Improvements in machinery production, however, should be interpreted with caution. Disguised inflation and padding of ruble-valued statistics have traditionally biased upward the performance of the machine-building sector, prompting Western economists to create synthetic indexes to measure growth more accurately. Current pressures to raise quantity and quality simultaneously may have led to an increase in the upward bias of these value indicators. Consulate reporting, for example, indicates an improbable 11-percent rebound in May industrial performance compared with last May's performance for the Leningrad Oblast—a critical machine-building region.

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In a few instances Soviet enterprises have initiated longer term steps to correct product flaws by installing more modern equipment and upgrading design specifications-steps that fall into line with Gorbachev's overall modernization strategy. Nevertheless, Nikolay Ryzhkov, Chairman of the Council of Ministers, stated in June that the "replacement of fixed capital is proceeding at only half the necessary speed." **Quality Awareness** Gospriyemka, at the very least, has called plant

officials' attention to quality requirements and spotlighted deficiencies. Soviet use of

product standards was abysmal before the introduction of state acceptance: "Technical documentation for certain products was literally buried in dust. It had not been touched in 10 years."

Because of this past record of neglect, increased awareness of quality standards and the presence of hardnosed state inspectors have by themselves spurred a sizable boost in quality:

'the very presence of state acceptance specialists markedly disciplines the workers. Defective output is no longer anonymous."

"we have sensed that people are really reckoning with us. We no longer have to run after workers and persuade them. They approach us to ask where we see deficiencies."

"it is no longer just the shop chief and his deputies that consult the standards and other technical documentation. Ordinary workers are now referring to them more and more frequently and checking their work against them."

Necessity-The Mother of Invention

On the advent of state acceptance, inadequate preparation left both factory workers and inspectors lacking even simple diagnostic and measuring instruments to

test product quality. Seeing little hope of outside assistance in the near term, enterprises took matters into their own hands. Soviet press accounts indicate that numerous facilities have manufactured their own rudimentary testing equipment, while others have created a shadow supply network to acquire instruments:

- A nonferrous metallurgical complex in Siberia equipped its own furnaces with control and measuring instruments so that ore would not be smelted by "guesswork" any longer.
- A tractor plant in the Ukraine-which had fallen far short of its production targets in January and February because of state acceptance—commissioned its engineers to produce measuring equipment in March.
- In Rostov, production facilities turned to local academic and research organizations to obtain simple measurement and control devices.
- In April a machine-tool plant near Moscow managed to get calibration instruments and welding attachments from other enterprises in the region.

Different Carrots and Sticks

Moscow's initial tool to spur quality improvements was the threatened withholding of bonuses-which constitute a substantial portion of earnings for plant managers and workers alike-when products are rejected for not meeting standards. Statements in the Soviet press indicate that local officials, however, are taking steps to introduce alternative incentives to shift worker attention to quality rather than quantity goals:

- At a few light-industry plants in Central Asia, production shops with a stipulated number of repeat rejects now lose all of their bonuses, even if physical output goals are achieved.
- · Prorated bonuses have been instituted at the Lyubertsiy machine-tool plant near Moscow. The rate is dependent on whether output passes inspection on the first, second, or third try.

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•	Contests were held at a Voronezh machine-building
	plant throughout March and April to correct defec-
	tive output. Winners were awarded monetary bo-
	nuses, travel packages, or coupons that allowed
	them to bypass the waiting list to acquire a private
	automobile.

Prodding Managers To Modernize

The above measures are designed to deal with deviations from standards that are primarily the fault of the production worker. An article in a recent issue of a Communist party journal, *Partiynaya zhizn*, however, notes that only "20 percent of all quality problems are the fault of workers and the remaining 80 percent are a result of mistakes by management in the area of the organization of production and quality control." Management is responsible for making decisions on design specifications, updating machinery, and altering production processes. In the past, managers had no motivation to retool or upgrade technology because the downtime necessary to carry out these tasks prevented fulfillment of short-run physical output targets.

We have mixed signals on whether the 1,500 plant managers are more likely to reequip and renovate their plants now that many of them cannot meet plan targets because of the stricter quality requirements. We have seen indications that managers are running existing equipment harder to increase output. But the Soviet press has reported that some enterprise officials have chosen—under pressure—to modernize and renovate to meet higher quality standards:

• Before the introduction of gospriyemka, a Moscow machine-building plant used three technological processes—grinding, milling, and plastic molding—to manufacture drills. The introduction of state acceptance prompted the addition of a fourth, more advanced, technology that improved the finishing of the drills.

⁴ Consultants to US companies trying to raise product quality
cite similar findings. They note tha
in the United States no more than 20 percent of quality defects can
be traced to the production line; managers cause the other 80
percent during the design phase or by purchasing poor-quality part
and materials.

• Tired of cleaning welding equipment on unpaid overtime to satisfy state acceptance standards, a worker at an unidentified machine-tool plant designed and built a new type of spray deflector.

A Kazakh instruments plant accelerated its retooling efforts, bringing on stream computer-controlled machine tools, robots, and other specialized equipment in response to state acceptance.

• Under the gun to make up production shortfalls spawned by *gospriyemka*, the Voronezh ball bearing plant introduced more advanced—and error-free—production technologies.

A New Role for Inspectors

At some of the plants under gospriyemka, the role of the state inspector has been expanded to that of troubleshooter. This practice probably began at the plant level when frustrated managers and workers wanted to know why their output did not pass inspection and what they needed to do to make the necessary improvements. This position also fills a gap in the management of enterprises where there is poor coordination between production shops. The expanded role of the state inspector appears to be officially sanctioned. A recent article in *Pravda* stated:

The fact that gospriyemka does not give a "good mark" to poor-quality products leaving an enterprise is just one of its concerns and not even the most important one. Its main task is to establish where flaws and defects actually originate. And not only find the weak link in the chain, but give advice as to how this link should be strengthened and draw on the plant's resources for this purpose.

Signs of Compromise

No matter how strict the state quality control bodies are eventually they will have to adapt themselves to the existing conditions and possibilities in enterprises.

Worker's reaction to the introduction of state acceptance

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Accompanying the signs of gospriyemka's success are more subtle indications that the program has suffered setbacks. Recent Soviet press reporting reveal that embattled managers and workers are increasingly finding ways to bypass state acceptance controls. Whether Moscow has made a conscious decision to ease up quietly on its demands for quality or whether opponents of state acceptance have forced adjustments in the system is unclear. But whatever the cause, a growing body of evidence points to a de facto compromise on gospriyemka's initial hardline stance.

Perhaps the strongest signal of gospriyemka's weakening authority is the rise in successful "end runs" around the new quality control apparatus—a pattern confirmed by top Soviet leaders and local officials alike. Not only are offenders going unpunished, according to Soviet claims, but also diversions appear to be becoming more blatant: 5

- Beginning in March, after a disastrous first two months under state acceptance, quality checks at an unspecified enterprise were delayed until dark so defects were less noticeable.
- In Latvia, bicycles and mopeds that had not passed March inspections were sent back to shop workers, allegedly for repair. Instead, the rejected products were shipped directly to retailers and included in first-quarter production records.
- In March specifications at a Ukrainian machinetool factory were hidden so quality checks could not be conducted.
- Throughout March and April, one resourceful director at a machine-building plant "recycled" previously issued state acceptance stamps, attaching them to rejected consignments of goods.

In Gospriyemka We Trust?

Has the introduction of state acceptance guaranteed the quality of products? The following consumer complaint suggests the answer is no.

As a surprise for her husband and son, Moscow resident N. Kalashnikova decided to buy a color television set. She had no doubts about what brand to choose—the Rekord VTS-311 made by the Voronezh Elektrosignal plant.

"When we unpacked the television at home and put it on the table," N. A. Kalashnikova notes, "it began to rock like a baby in a cradle. It turned out that its legs were of different shapes and lengths. We used things around the apartment to give it stability and then turned it on. After exactly an hour and a half the screen went blank. We couldn't revive it ourselves."

Searching for some solution, Mrs. Kalisnikova emptied the box in which the set had come. "I looked more carefully at the television's registration certificate, where next to the mark of the department of technical control was the stamp 'State Inspection No. 95.' The set had passed an extra inspection, so the quality is guaranteed, I thought. I saved money for three years for this purchase; I wanted to give my family a nice surprise but as a result I got grief and extra trouble."

Adapted from a 22 March Pravda article.

 During April, in at least four factories, enterprise managers called workers back on the plant floor after inspectors had quit for the day. Output produced during off-hours was immediately delivered to customers and counted as part of the month's plan fulfillment. 25X1

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At present, criminal liability exists for managers who allow "poorquality or nonconforming" products to be issued repeatedly or on a large scale. According to a state counselor of justice, however, there are no laws that provide for the situation where managers circumvent inspections. A new law on product quality, scheduled to be drafted this year, may address the problem.

• Three Ukrainian metallurgical combines shipped "tens of thousands of metric tons of substandard products" from January to May without first submitting them to state acceptance.

Veiled accusations in the Soviet press indicate that inspectors selectively relaxed standards—most notably in March—to allow threatened enterprises to meet plan-fulfillment targets. Although Moscow may have tacitly sanctioned such tactics, circumstantial evidence suggests that state inspectors in some cases bowed to the barrage of pressure levied by workers and managers. Soviet press reports that inspectors have been removed because of "poor moral standards" indicate that bribes are being offered and accepted. Continued consumer complaints about the shoddiness of inspected products confirm this trend:

- An audit of March production at Tashkent textile machine-building enterprises revealed that state acceptance staffers turned a blind eye to obviously substandard equipment.
- One plant played "chicken" at the end of March, sending back the same defective industrial scales to an inspector four times in one day. The worndown inspector finally passed the still-flawed items.
- An April *Izvestiya* editorial notes that "gospriyemka representatives now lack boldness; they are letting defective products through."

A further sign of compromise is the growth in "temporary" exemptions from gospriyemka. Although granted to make the system more equitable to enterprises saddled with antiquated equipment or with poor-quality supplies from plants outside the state acceptance system, Soviet press statements suggest that concessions are undermining the program:

- Because of a "pileup of problems," in March a Kazakh instrument plant obtained a five-month reprieve from the new quality control strictures.
- The Vitebsk television factory convinced its state acceptance staff to limit formally, beginning in March, the number and types of defects flagged in inspections.
- Senior officials in Lithuania cut a deal with the State Committee for Standards (*Gosstandart*) in April to allow "deviations" in the production of bicycles and motorcycles.

- A problem-laden shop was allowed to secede from its mother enterprise late this spring and operate as an "independent" organization outside of state acceptance to avoid further disruptions from the new quality control system.
- As of early June, more than 40 "temporary" changes in technical documentation have been granted to a Moscow area instrument plant since the beginning of the year, which in effect allow workers to continue producing substandard goods.

Not Out of the Woods

Although major disruptions to industrial performance appear to have eased, Moscow still faces a daunting array of other problems created or exacerbated by the state acceptance system.

The year's poor start—especially for the critical machine-building sector—throws off balance Gorbachev's tightly scheduled modernization program. Production shortfalls press on the jugular of the Soviet leader's strategy by slowing the flow of new machinery—necessary to renovate and retool the USSR's antiquated industrial base—and disrupting investment timetables. Growth in output of a wide range of products remains well below planned levels for the year (see table 2). Any push to put industry back on track for 1987 may cause quality to slip or threaten other programs on Gorbachev's economic agenda and could put the leadership in the unpalatable position of rationing important machinery resources.

open sources suggest that worker dissatisfaction with gospriyemka continues and in a few instances has bubbled to the surface.

increased complaints about unpaid

overtime for corrective work and persisting conflicts between inspectors and plant employees. Recent statements in the Soviet press indicate, moreover, that there have been at least five cases of work stoppage 25X1

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Table 2 USSR: Production of Selected Industrial Products

	1986	1987 Plan	1987 Plan Growth (percent)	Jan-Jun 1987 Actual Growth (percent)
Crude steel (million tons)	161	161	0	0.3
Rolled steel products (million tons)	112	113	0.9	1.1
Steel pipe (million tons)	19.8	20.3	2.5	3.1
Mineral fertilizers (million tons) a	34.7	36.2	4.3	3.4
Pesticides (million tons) b	332	346	4.2	-0.7
Sulfuric acid (million tons)	27.9	28.9	3.6	3.6
Caustic soda (thousand tons)	3,229	3,372	4.4	0.5
Chemical fibers (thousand tons)	1,480	1,578	6.6	2.6
Plastics (thousand tons)	5,344	5,689	6.5	2.0
Motor vehicle tires (millions)	66	68	3.0	1.5
Commercial timber (million cubic meters)	295	300	1.7	-0.1
Paper (thousand tons)	6,156	6,435	4.5	3.5
Cement (million tons)	135	136	0.7	1.5
Turbines (million kilowatts)	21.9	28.6	30.6	15.0
Turbine-generators (million kilowatts)	14.9	18.7	25.5	-22.0
AC electric motors (million kilowatts)	55.7	59.3	6.5	-2.9
Metal-cutting machine tools (million 1982 rubles)	2,911	2,995	2.9	-1.3
Forging and pressing machines (million 1982 rubles)	693	802	15.7	-6.5
Industrial robots (thousands)	15.3	17.4	13.7	-3.0
Instruments and automation equipment (billion 1982 rubles)	4.8	5.1	6.2	3.0
Computer equipment (billion 1982 rubles)	4.8	5.2	8.3	7.0
Oil equipment (million 1982 rubles)	247	278	12.6	-3.1
Chemical equipment (million 1982 rubles)	966	1,107	14.6	-6.6
Tractors (million horsepower)	54.5	55.6	2.0	-5.5
Excavators (thousands)	42.9	43.4	1.2	-6.9
Grain combines (thousands)	112	102	-8.9	-16.0
Radio receivers (thousands)	8,925	8,980	0.6	-10.0
Television sets (thousands)	9,436	9,827	4.1	-10.0
Refrigerators and freezers (thousands)	5,948	6,190	4.1	-2.0
Washing machines (thousands)	5,384	6,066	12.7	5.0
Automobiles (thousands)	1,326	1,329	0.2	0.3
Textiles (billion square meters)	12.3	12.7	3.3	3.0
Knitwear (million pieces)	1,776	1,844	3.8	3.2
Footwear (million pairs)	801	816	1.9	1.0

^a In terms of 100-percent nutrient equivalent.

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^b In terms of 100-percent active ingredient.

and that, on at least two occasions, workers left their jobs temporarily because of the tough new quality

standards:

- An open letter from the head of a workers' brigade to the Minister of Chemical and Petroleum Machine Building notes, "The introduction of gospriyemka has been a blow to our earnings—the average dropped by 30 percent. Twenty people retired in January and February and a few dozen applied to work elsewhere. . . . It can only mean they were under real strain . . . "
- In March employees at a Kazakh instruments plant refused to work after none of the truck scales they produced passed inspection. They did not believe that the *gospriyemka* inspectors were being fair.
- A few Soviet officials mentioned that they have been hearing complaints in the Moscow subway about unpaid overtime for corrective work required under state acceptance.
- An article in the military's daily newspaper reported that some workers at a television plant decided to "retire" during the "difficult times" after the introduction of the new quality control system. The article also notes that some of the "deserters" are returning.
- Party secretary Anatoly Dobrynin recently revealed to an Embassy official that the party's best political officers were sent to problem enterprises to "educate" increasingly dissatisfied workers and to avert strikes.

Probably the most fundamental problem is the lack of adequate quality control at plants providing raw and intermediate materials to factories under the state acceptance system. Many plants have yet to work out longstanding problems in receiving timely deliveries of high-quality components and materials. Although Gorbachev maintains that gospriyemka can be used as a tool to solve problems with suppliers, the experience of its first six months shows that the system has, for the most part, exacerbated these difficulties. We have noted a few isolated incidents where plants under gospriyemka have been able to make arrangements

with other enterprises to receive priority for better quality supplies. To enforce this, state acceptance personnel have begun to inspect and reject incoming goods—emulating a function performed by military representatives at defense plants.

If input control becomes widespread among plants currently under gospriyemka, or if gospriyemka is actually introduced to a larger number of supplying plants, a limited but somewhat more effective system could emerge for the civilian sector. Enterprises under state acceptance would receive better supplies, utilize outside inspectors that exercise quality control over both output and input, and thus be able to produce higher quality goods. Such an arrangement, if successful, could create pockets of quality that may be enough to improve customer satisfaction and meet the goals of the leadership for the next few years. However, such gains could be overshadowed if Soviet suppliers merely foist shoddy goods on enterprises outside the state acceptance system's jurisdiction.

The Leadership Closes Ranks

Judging from public statements, gospriyemka has strong leadership backing, particularly among those with major economic responsibilities (see appendix A). The leadership has forcefully asserted that, although the introduction of state acceptance was a harsh measure, the quality problem had reached a point where emergency steps were required. The degree of disruption to industry may have come as a surprise, but Gorbachev and probably other officials responsible for industry expected some upheaval. Even after six months of comparatively poor economic performance, the leadership has focused its criticism on the enterprises' poor preparation for gospriyemka rather than on the program itself. We believe it is unlikely that the program will be openly rescinded, unless other political factors come into play.

Gorbachev

The strongest supporter of gospriyemka in the leadership has been Gorbachev himself. He moved forcefully to back the system in his opening address at the

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Central Committee meeting in November 1986, assembled to discuss preparations for the program's introduction. Since then he has extolled, on numerous occasions, the virtues of the new quality control system. He has taken little solace in last year's economic improvements, believing that the good results—in terms of plan fulfillment in 1986—masked the fact that plants were not "restructuring" and quality improvements were not being made.

In public statements, Gorbachev has indicated that long-term improvements on the quality front will not be made by state acceptance alone, but will require solving endemic problems that for the last decade have prevented the economy from simultaneously sustaining growth and quality gains. At the June Central Committee plenum, Gorbachev repeatedly emphasized that the absence of competition among enterprises and the dearth of economic incentives for workers have created the USSR's quality problem. He indicated that his comprehensive reform program—to be in place by the beginning of the 13th Five-Year Plan in 1991—is designed to solve it. In the interim, he views gospriyemka as the kind of shock therapy that will not only make people work harder, but will also force the participating enterprises to introduce new technologies, replace outdated machinery, raise the technical level of products, and work out supply problems.

Gorbachev must recognize that there are both political and economic risks in applying this shock therapy to industry. He is supporting a program that has interrupted the growth momentum generated in 1986. If poor performance continues for the remainder of 1987, it might provide ammunition for Gorbachev's opponents, who could contrast 1987 performance with 1986 results as evidence of a misguided policy. Gorbachev is also risking his support among workers who are unhappy with wage cuts and demands for higher productivity. Combined with his other policies aimed at improving efficiency, Gorbachev's quality control program is threatening the social contract (whereby workers are guaranteed employment and a base salary)—a move that could raise the hackles of ideological conservatives who fear that this could undermine the basis for labor quiescence.

Gorbachev, nevertheless, is at least publicly expressing confidence that workers are behind him. During his visit to Prague in April, he told his Czechoslovak audience that Soviet workers fully supported gospriyemka and were not complaining, even though some of them had lost 20 to 30 percent of their wages under it. Moreover, he has criticized unnamed officials who have been "scaring themselves and others with possible complications, conflict situations, and even stoppages of factories."

Other Leaders

Thus far, other Politburo members with economic responsibilities, especially party secretary Lev Zaykov, who oversees the defense industry and general economics, and Council of Ministers Chairman Nikolay Ryzhkov, have voiced strong support for gospriyemka and have placed it on regional leaders' agendas by devoting attention to it during trips to various republics. At the Supreme Soviet session following the June plenum, Ryzhkov characterized state acceptance as a decisive and drastic measure that was "exceptionally necessary for the whole of society and for each and every Soviet person." Nikolay Slyun'kov, newly elected Politburo member and head of the Central Committee economic department, focused considerable attention on quality control problems when he served as first secretary of the Belorussian party, and he is likely to support forceful measures in his new position.

A few leaders appear to have adopted the role of point men for gospriyemka, railing against bureaucratic obstacles and lower level resistance to the program. Zaykov has spoken of "overt and covert opponents" who believe everything will return to the old footing after a few months. According to him, these opponents consist of many economic leaders, including ministers as well as regional party and government officials. He called on local party organs to police the implementation of state acceptance to prevent these officials from evading it. During a visit to the Ukraine in May, party secretary Vladimir Dolgikh, who supervises heavy industry and the energy sector, characterized the situation there as the worst among the

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republics in terms of putting gospriyemka into practice. He did not blame anyone in particular, but said that the problem was with factory managers who found ways to bypass the inspections. Given Zaykov's and Dolgikh's overall support for quality control measures, we believe these statements reflect a recognition that additional steps will have to be taken to combat circumvention of the quality control system rather than an inclination on their part to ease the transition.

Although there has been no overt criticism of gospriyemka by senior leaders, statements that emphasize the importance of fulfilling plans with little praise for state acceptance could indicate weak support. In a recent speech in Tblisi, "Second Secretary" Yegor Ligachev stated that the increasing of economic growth rates was the essence of the strategy of acceleration. Other leaders have defined acceleration to include not only growth rates, but also quality improvements and structural changes in the economy.

Criticism From Reformers

Gorbachev may face the strongest pressure to abandon or compromise on state acceptance from those who compose a large segment of his political support—the proponents of radical economic reform. Thus far, the most severe public criticism of gospriyemka has come from academics and journalists in this group. They believe that the solution to the quality problem is not a state-administered system, but the introduction of market forces that give weight to consumer judgment of quality:

Regional leaders held meetings on preparations for state acceptance shortly after the 14 November 1986 Central Committee meeting. At that time, Ukrainian First Secretary Vladimir Shcherbitskiy noted that a number of enterprises were searching for loopholes to evade gospriyemka. He called on the Ukrainian Council of Ministers, the State Planning Committee, and Gosstandart to put things in order. We do not know whether Shcherbitskiy closed his eyes to subsequent violations or was not in a position to stop them.

Initially, gospriyemka probably benefited from the backing of more conservative leaders who favor administrative, rather than economic, solutions to problems. This is the same group, however, that gives the highest priority to increased production growth. Disruptions that have occurred under state acceptance may have dampened their enthusiasm for the program.

• At a lecture to the Leningrad Writer's Club in December, an economics editor called state acceptance another bureaucratic impediment to market forces and an example of the kind of mistakes that are still being made.

An economic correspondent stated at a public lecture in March that the best control over production is the purchaser himself. He opposed gospriyemka as "the greatest retreat from restructuring to date," a statement that the crowd applauded.

• Two academics writing in the Leningrad press in late March complained that the introduction of gospriyemka did not improve quality as much as it had generated additional expenses, lengthened the production cycle, and increased the amount of unfinished production. They argued that quality could be improved only by using economic levers.

 At a public Moscow lecture in April, the crowd interjected comments during the question-andanswer period to the effect that state acceptance meant only more bureaucrats—what was really needed was a market.

Other officials, academics, and citizens writing to the press appear reconciled to state acceptance only as a temporary emergency measure that is required until market incentives can be introduced into the economy. In a controversial article published in *Novyy mir* in April, Nikolay Shmelev called *gospriyemka* "a good thing as a first, emergency measure, as a palliative, but it is not an Archimedean lever." He then went on to advocate market mechanisms as the solution to a host of Soviet economic problems.

When Gosstandart Chairman Georgiy Kolmogorov was asked in an interview if gospriyemka was a temporary measure, he replied that it should be considered a long-term measure. Later in the interview he admitted that in the future quality should be regulated largely by the market, but that state acceptance would still be required in those industries operating under monopoly conditions where the consumer had no choice.

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Gorbachev's moves toward more radical reform at the June plenum may persuade state acceptance critics that the regime is making strides toward the kind of market-oriented system they want. Indeed, their criticism may have helped push the leadership toward the kinds of measures adopted at the plenum. Nevertheless, Gorbachev shows no indication that he is preparing to abandon or even modify gospriyemka for now, and his continued reliance on the program could eventually alienate an important political constituency.

Whither Gospriyemka?

Gorbachev and fellow supporters of gospriyemka face conflicting pressures from those concerned with any change that threatens plan fulfillment and from those pushing for more radical changes that incorporate market mechanisms. The poor showing in economic performance and hard-to-measure quality improvements make it difficult for advocates to argue that the benefits have been worth the cost. Moreover, even proponents of state acceptance acknowledge, and press reports confirm, that problems and associated costs of the program have been much greater than expected because of inadequate preparation for its introduction.

The adjustment period also has been much longer than expected. Statements by the leadership indicate they were prepared for a transition period of two to three months—not the four to seven months that enterprises experimenting with gospriyemka took in 1986 to turn things around. We believe that it may take enterprises that introduced state acceptance in January 1987 even longer to bring production levels up to plan targets, given the depth and range of problems that have been reported.

The long transition period clearly demonstrates the problem in trying to make quantity and quality strides simultaneously. The leadership may realize the contradictory nature of these two goals and decide to lower plan target growth rates for next year, hoping enterprises concentrate on quality improvements. In recent months, several prominent Soviet officials have hinted that such an adjustment in thinking about growth is under way:

- In March, Zaykov stated that in the machinebuilding complex, "growth is not the most important thing" and the present policy is designed to achieve qualitative modernization.
- In April, Leonid Abalkin, head of the Soviet Academy of Sciences Institute of Economics and frequent adviser to the leadership, noted that it is entirely wrong to identify the program of acceleration with growth rates of industrial production, because the growth rates do not reflect structural or qualitative changes.

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• In May 1987, Georgiy Arbatov, Director of the Institute of the USA and Canada, told that dissatisfaction with quality and the need to improve efficiency are the primary incentives for economic reform and that the Soviets are not looking so much for economic growth as for improved quality. Later, in remarks at a conference preceding the June plenum, he called emphasis on growth rates one of the "sacred cows" that needs to be reexamined.

Gorbachev himself has hinted he may favor such a change in emphasis. At a get-together with media chiefs in February, he expressed concern that by concentrating on measures of growth "we lose sight of more important processes." He criticized the emphasis on output statistics because they do not reflect progress being made in improving quality.

A change in strategy that lowers planned growth rates to concentrate on quality issues would ease the burden on plants trying to do both. Such a move, however, would probably meet opposition from those in the leadership who would object on economic and ideological grounds or those who are concerned with the negative impression this may give to domestic and foreign observers. More important, it could throw into disarray Gorbachev's tightly wound modernization campaign, which depends on a carefully orchestrated schedule of quantitative deliveries of producer durables and machinery components to downstream plants.

The issue could be on the agenda at the June 1988 party conference, which, among other things, is supposed to examine the progress of the current five-year plan. But any dramatic shift in approach to quantitative growth targets is more likely to come in the next five-year plan, when the USSR is scheduled to implement the comprehensive economic reform program approved at the June plenum. For now, as Gorbachev asserted at the plenum, "no one is releasing" the USSR from meeting the goals of the current five-year plan.

Prospects for state acceptance appear somewhat favorable in the near term, with Moscow taking steps

Prospects for state acceptance appear somewhat favorable in the near term, with Moscow taking steps to consolidate gains already achieved. In early June, Gosstandart Chairman Kolmogorov announced that another 50 enterprises will be added to the program later this year. His words are ambiguous as to whether or not these are plants that supply enterprises now operating under state acceptance. Kolmogorov said that there is no need for the quality control system to include "absolutely everyone" and foresees an expansion to undefined "problem areas." In his view, supplier plants will inevitably come under the influence of gospriyemka, when they are obligated to comply with its requirements.

At the same time, senior Soviet officials seem to be laying the groundwork for a broader expansion of the system next year. In a June speech in Azerbaijan, secretary for light industry Aleksandra Biryukova stated that gospriyemka will be "significantly" extended in 1988, confirming earlier rumors of expansion by senior economic adviser Abel Aganbegyan. More recent TASS reports indicate that an additional 727 enterprises will adopt state acceptance procedures in January 1988, bringing the total number of civilian factories or production associations subject to the new quality control standards to nearly 2,300.

suppliers to plants already covered in the program will make up nearly half of the new participants and that, for the first time, state acceptance will include enterprises in the food-processing industry and organizations in the construction sector. Such moves suggest Moscow is encouraged by signs that major disruptions are easing and considers remaining problems to be manageable.

Broadening a system to improve quality—whether in a centrally planned or market economy—will raise the costs of production. These costs include the salaries of inspectors, increased work hours, higher scrap rates associated with higher rejection rates, new equipment, and increased costs of using higher quality inputs.8 For Gorbachev, widening the quality control program will be costly in terms of worker support and morale. Extra demands on workers' time and lower pay may sour workers on the reconstruction effort and possibly on Gorbachev himself. This will be especially true if problems cannot be worked out, the transition period drags on, costs continue to climb, or there is little to show for the effort in terms of higher quality consumer goods. Given the mixed results of gospriyemka so far, it appears that a situation is being set up for greater confrontation in the future.

Gorbachev, however, may be able to shift the political fallout to others. At the June plenum, he blamed the Chairman of the State Planning Committee, Nikolay Talyzin, and the head of the State Committee for Material and Technical Supply, Lev Voronin, for the disruptions that occurred in the first months of the year. This criticism is particularly significant, given that these officials were appointed by the Soviet leader himself. Gorbachev appears to be more willing to blame economic problems on the officials he appointed rather than criticize one of his pet programs. He may also use gospriyemka failures as a vehicle to weed out lower level officials who are not supporting his other programs.

Gospriyemka is still in its shakedown period, and its lasting impact on economic performance and the satisfaction of the USSR's consumers remains very much an open question. Although Moscow at present appears cautiously optimistic, it is aware that fertile ground for problems continues to exist and opponents of the program are not without influence.

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^{*} A recent study of US industry indicates that the typical factory invests 20 to 25 percent of its operating budget in finding and fixing mistakes. This figure rises to over 30 percent when the expense of repairing or replacing flawed products that slip out of the factory and into the market is included.

Gospriyemka's long-term fate will depend heavily on the course of events during the next six months. Discerning the program's true progress will, however, be difficult and can probably be measured only in terms of subtle policy shifts. Indications of such change in the near term may include:

- Signals that marginal improvements in quality—
 that prolong the service life of new machinery and
 spur increased worker effort on the job, for example—may be enough to satisfy the Soviet regime's
 needs.
- The introduction of a differentiation in inspection standards for producer durables versus consumer durables.
- Increased emphasis on quantitative output targets or statements that emphasize the importance of fulfilling plans with little praise for state acceptance.

- Provisions in the new law on product quality that penalize managers who circumvent inspections.
- Increased number of plants organizing inspections of incoming goods.
- Signs that consumers have noticed an improvement in the quality of goods.
- An increasing number of reports that products are being exempted from state acceptance.
- More or less attention to gospriyemka in the press.
- Criticism of state inspectors for being too demanding.

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Appendix A

Leadership Statements on Gospriyemka

General Secretary Gorbachev

At the January plenum:

Many collectives have prepared well for work under state quality control ... but there are also those who failed to match the high requirements. Instead of rolling up their sleeves and getting down to improving quality, they began scaring themselves and others with possible complications, conflict situations, and even stoppages of factories.

In Riga in February:

We started conducting the restructuring policy . . . and it has started to affect everybody. . . . How does it affect the worker? Well, it is state acceptance . . . it makes us do everything differently at the factory workplace . . . so everything has to be changed and that stirs people up . . . keeps restructuring on the move.

In Prague in April:

At the moment it is hard for us, under the conditions of state acceptance of output. But the people are doing much to improve its quality. And they are not complaining. Although at some plants they have lost 20 to 30 percent of their wages. But the worker's mood is you should not get paid for poor-quality output.

In the first quarter of the year, when we introduced state acceptance, when we introduced financial autonomy and the new machinery, things were difficult. Especially state acceptance. It became clear all at once that where they are accustomed to a last-minute rush, where they do half the month's plan in the last 10 days, it is bad, everything is bad. State acceptance made us change everything. Supply and organization. So things are not easy for us at the moment. But it is nice that the working class supports it. It cannot be any other way. . . .

In speech in April:

As you are no doubt aware, state acceptance of output has been introduced in our country in order to put up a reliable barrier for bad work and violations of technical procedures. We value highly the fact that these large-scale measures which concern the interests of millions of people have met the active support of the working class and all the working people of our country.

At June plenum:

Society cannot be led by its own selfish interests and actions. These must be resolutely combated. Here, too, a worthy example is shown by the working class and labor collectives, particularly at those enterprises where state acceptance has been introduced. As is well known, this is not a simple matter, it concerns the interest of millions. Nonetheless, the working class has clearly defined its position: state acceptance is necessary, it is needed by all society, the entire people, and each individual.

Senior Party Secretary Ligachev

At party and government conference in Tbilisi:

Serious failures were allowed to occur in industry's work at the beginning of this year. The main cause of this is the inadequate preparaton of ministries and departments, associations, and enterprises for transition to the new conditions of economic management. The symptoms of the old disease have developed again; everyone was ready for restructuring in words, but the rates of output declined as soon as they really encountered state acceptance and the demands of 100-percent performance on contract deliveries.

Premier Ryzhkov

At Sverdlovsk workers meeting in March:

The improvement of the quality of output is perhaps one of the most acute problems, the speaker noted. An uncompromising struggle for high quality has been launched in the country. Everyone has long been convinced that the quality situation has reached the limit.... I would say we have embarked on quite stringent measures in this matter. Only thus is it possible to step up all work on the improvement of the technical standard and quality of output, that is to resolve the questions of the economy's further growth....

In conversation with Sverdlovsk worker:

Have you felt state acceptance? Things are stricter... We do need it, you know. Everyone is fed up with this quality of production. You know the way it goes, one day we make poor-quality things and the next day we go to the shop and make a noise about poor quality How can we go on like that? And the fact that now state acceptance has been introduced, well, I think at first it will be hard, of course, but then everyone will get used to working properly.

In speech on Lenin's birthday in April:

The party has aroused the entire people to the struggle for high quality. Serious organizational, political, and economic measures have been adopted to prevent obsolete and poor-quality output and to encourage conscientious work. We have also been compelled to take the harsh step of introducing the state acceptance service. This process is proceeding with difficulty at the enterprises and industries where work on output quality was neglected; in a number of cases its progress is painful. This is, above all, the case in the machine-building industry.

As a result of stricter demands, an extremely difficult situation arose at numerous enterprises . . . during the first quarter. Machine-building industry workers failed to supply the national economy with output worth hundreds of millions of rubles. The situation is now being straightened out, but serious conclusions ought to be drawn from the first experience of the struggle for quality, since there can be no indulgence as far as this task is concerned.

At Supreme Soviet session after June plenum:

A serious and implacable struggle has been launched in the country against the chronic disease of poor output quality. We embarked on a decisive and, it may be said, drastic measure: the introduction of state acceptance. But that was necessary because quality had evolved from an economic into a political, moral, and ethical term. Due credit must be given to our working class which, regardless of the ensuing difficulties, actively supported this measure as exceptionally necessary for the whole of society and for each and every Soviet person.

Senior Party Secretary Zaykov

In a February address to Ulyanovsk workers:

State acceptance . . . has literally broken down many obsolete stereotypes and widely held notions concerning the inevitability of poor quality and has become a powerful factor in shaping people's new thinking at all levels—from team to ministry. Nonetheless, it must be said very frankly that state acceptance has many overt and covert opponents. Some believe that everything will return to the old footing in two to three months.

Obviously there is an urgent need to extend state acceptance to construction organizations, primarily those which are engaged in erecting apartment blocks and sociocultural establishments.

In Prague in March:

State acceptance ... revealed considerable shortcomings in design and technological documentation. It has also revealed obsolescence in equipment, and a shortage of control, measuring, and other equipment. Early results have shown that the introduction of state acceptance has led not only to technical matters being tackled but also to changes in the people's attitude to their work and to changes in the people themselves. They are showing greater concentration and responsibility.

During a visit to a chemical plant in Novomoskovsk:

Since the 27th Party Congress... many practical steps have been taken to implement the decisions adopted. The essence of the changes is to switch our attention from quantitative indicators to quality and efficiency, from interim results to end results.... The days are gone when no significance was attached to how much things cost, what the quality of output was, what the price was, and how progress was secured. Unfortunately, quality and the technical and economic standard of articles are still vulnerable points in our economy.

Party Secretary Dolgikh

In Orenburg in March:

A radical improvement in the quality of output is an important problem that is directly linked with the strategy of acceleration and restructuring. Gospriyemka . . . should facilitate this in many ways. The first results show that in those areas where they have been well prepared for this important measure, quality has increased noticeably. At the same time, substantial omissions have been uncovered, and in a number of instances there has even been an irresponsible attitude to this most important matter.

The struggle to improve the quality of work must be turned into an offensive and must be waged along a broad front. No retreat is possible. The main thing is to ensure everywhere the strict observance of technological discipline, improve the rate of provision of technical equipment for production facilities, reinforce monitoring, and establish in shops, shifts, and teams a moral climate in which honest high-grade labor is encouraged in every way while people who produce rejects are subjected to serious and moral pressure.

In address to Ukraine metallurgists in May:

Negative effects of slackening technological discipline manifested themselves at a number of enterprises, particularly when state acceptance was introduced. The way state acceptance is put into practice in the Ukraine is worse than in the other republics . . . tens of thousands of metric tons of substandard products have been shipped without being presented for acceptance.

necessary conclusions and prepare its enterprises for this responsible

Secretary Biryukova	In Azerbaijan in June:
	Leaders of the Ministry of Light Industry and of enterprises were
	insufficiently prepared for the introduction of state acceptance. As a
	result of this certain enterprises suffered a considerable decline in
	output volumes in January and February. The situation is now being
	corrected. Bearing in mind that state acceptance will be significantly
	expanded as of 1 January next year, the Ministry must draw the

work.

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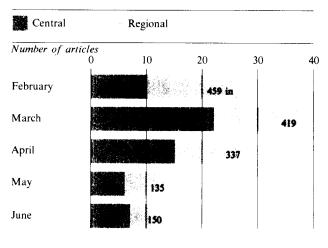
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Appendix B

Gospriyemka: A Content Analysis

Despite continued leadership commitment to the state acceptance program, the amount of attention that gospriyemka has received in the press appears to have tapered off in recent months. We analyzed reporting on the quality control system in a sample of four central and six regional newspapers during February to June, noting the number and length of articles devoted solely to state acceptance.9 In February, we counted a total of 10 articles in the central press (296 column-inches). The number of pieces rose to 22 in March (549 column-inches), probably reflecting increased leadership concern with the poor industrial performance during January and February (see figure 2). In June, however, the central papers published only seven articles on gospriyemka (133 column-inches). Coverage in the regional press has fallen consistently since February (17 articles, 459 column-inches). The six regional newspapers we looked at carried only six stories on state acceptance in June (150 columninches).

Figure 2
Number and Length of Articles on
Gospriyemka in Sample of Central and
Regional Newspapers, February-June 1997



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^o The newspapers were Pravda, Izvestiya, Sotsialisticheskaya industriya, Ekonomicheskaya gazeta, Leningradskaya Pravda, Sovetskaya Estoniya, Sovetskaya Latviya, Sovetskaya Litva, Pravda Ukrainy, and Sovetskaya Belorussiya.

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