

Opposition grows to Russia's IMF-dictated shock therapy

by Konstantin George

Senior intelligence sources are expecting the crisis in Russia to come to a head following the Dec. 17 elections to the State Duma (Parliament). The power wars among the contending factions in the Russian elite, broadly grouped into anti-national "comprador" elements versus national-patriotic forces demanding an end to the economic and social rape of Russia's population, will break fully into the open, with "dramatic actions," possibly including violence. The motor for this is the "accumulation of shocks"—the steady erosion of the economy, where industrial production was again down by 7% in the first half of 1995, and falling more during the summer; the impending collapse of the mass of private banks that had grown up during the speculative binge in currencies, etc., that had accompanied the government's shock therapy policies; and assorted scandals involving the looting of pension funds.

A sharp confrontation is now pitting Prime Minister Viktor Chernomyrdin and his electoral bloc, "Our Home Russia," known informally as the "Party of Power," against various powerful opposition forces. Moscow observers expect Chernomyrdin to play his "western card" to the hilt, arguing, in an echo of Mikhail Gorbachov, that "it's either me or chaos," and trying to fix his position into 1996 by securing western support. If a reversal of shock therapy policies is not effected relatively soon, the danger of Russia sinking into chaos becomes quite real. The ultimate demise and burial of the International Monetary Fund-dictated policies of the Chernomyrdin group are ensured; the overriding question is whether that burial occurs now, before chaos overwhelms the nation.

Economic policy battle

One sign of hope in this critical situation occurred on Sept. 4, when the opposition group known as the Congress of Russian Communities held a Moscow press conference, inaugu-

rating its electoral campaign by presenting its top five candidates. The five are: Gen. Aleksandr Lebed, a staunch opponent of government policies, who is presently considered one of the top vote-getters in Russia; Yuri Skokov, former head of the Russian Security Council, a leading figure in the military-industrial complex, and head of the Forum of Industrial Goods Producers; Sergei Glazyev, chairman of the Russian Duma's Economic Affairs Committee and leading Russian economist promoting the high-technology-based development of the physical economy; Lyudmila Vartazarova, head of the Duma research section and chairman of the Socialist Party of Working People; and Duma member Dmitri Ragozin.

The press conference was almost universally blacked out in the western media. One article appeared in the *London Times*, omitting any mention of what was presented on economic policy—which was the bulk of the press conference—except for a passing reference to the speakers' opposition to the privatization of State-owned companies. What was said was worthy of much more serious consideration by western media, and accordingly, we publish here key excerpts.

Lyudmila Vartazarova: "We disagree with the strategic course of reform being conducted. We believe it is destructive and bringing misfortune to an absolute majority of the people in our country."

Sergei Glazyev: "We cannot support the privatization that is being pursued by the present cabinet, which obviously makes decisions under the pressure of specific commercial structures, systematically violates laws and acts in an arbitrary fashion. . . . We see that privatization has in fact been carried out in the interests of a very narrow group of people, capital speculators closely linked with foreign capital."

(An interview with Glazyev was published in *EIR*, Nov. 18, 1994, and an article on his economic program in *EIR*,



The shock therapy policies of Russian Prime Minister Viktor Chernomyrdin (inset) will most certainly be overthrown; the question is, will it happen before the nation is submerged in chaos? Shown here is an example of the "privatization" of the Russian economy: street vendors in Moscow, June 1995.

July 7, 1995.)

Yuri Skokov: "The country is hit by a systemic crisis. This is not only a problem of the economy. We have a crisis of statehood, a crisis of society, a crisis of spiritual and moral life."

Skokov stressed that the Congress of Russian Communities electoral group had been formed by various organizations, parties, and individuals out of "a common sense of compassion for our humiliated homeland." Glazyev added that the collaboration that produced the Congress of Russian Communities had begun a year ago, around economic policy questions. At that time, the electoral group was joined by the Federation of Goods Producers. As Glazyev underscored, the decisions taken as a result of this collaboration have formed the basis of the program of the Duma Committee for Economic Policy.

Toward the end of the press conference, Glazyev commented on the electoral group's economic program, which he had drafted. It calls for lowering taxes to below 35% of value added on products, and introducing tax exemption for part of enterprises' profit, if they spend it for developing production, replenishment of working capital, scientific research, and for equipment purchases. He also proposed State guarantees for capital earmarked for adding new production, measures to protect the Russian market from cheap imports, and production-centered measures to combat inflation, as well as forms of price control.

The approach taken by the Glazyev group, with the clear intention of serving the national interest, can be contrasted with that of the government. The regime seems intent on a "flight forward" in its privatization policy in the final months of 1995. After months of bitter intra-governmental infighting, President Boris Yeltsin signed a decree on Aug. 31,

which was made partially public only some days later, authorizing the privatization of an unspecified list of 3,000 firms, through a bank-loans-for-equity scheme, first floated by Russia's top banks in March. While some of the details are still murky, the basic idea is that the banks would lend the Russian government up to 9 trillion rubles. In exchange, the banks would first have the right to manage the State firms up for privatization. This would occur by the end of 1995. Then, during 1996, the banks would be repaid through share holdings in these firms.

On Sept. 6, the national gas monopoly, Gazprom, announced that it would proceed with the privatization of 15% of its shares, though no target date or other specifics were given. The privatization of Gazprom, which would threaten to place the crucial Russian energy sector under foreign control, has quite legitimately become a subject of heated controversy, a "red line" which some refuse to cross.

The drive for accelerated privatization is proceeding from a position of weakness, as can be seen in the growing political troubles facing the Chernomyrdin electoral bloc going into the Duma election campaign. At the beginning of September, with the campaign barely off the ground, his bloc was hit by a major defection. His deputy prime minister, Sergei Shakhrai, pulled his Russian Unity and Concord Party out of the Chernomyrdin electoral bloc. Shakhrai smells which way the wind is blowing, and openly based his defection on the expectation that the Chernomyrdin bloc will do poorly in the elections.

That is certainly true, but the time factor for Russia is very critical. The fundamental question remains how much more damage, or even irreparable damage, will the current ruling comprador caste do to Russia before it is forced to renounce its hold on power, and it and the failed reforms get the political burial they deserve.