

Camdessus and Russia's 'big boys'

by Roman Bessonov

Russian history knows many autocrats who looted the country and did not care even for their own children's future. *Posle nas khot potop*, goes the folk saying about such people. It's the Russian version of *après moi le deluge*, and it came to my mind when the results of International Monetary Fund (IMF) Managing Director Michel Camdessus's mid-February talks in Moscow were made public.

The televised slobbery embrace of Camdessus and Russian Prime Minister Viktor Chernomyrdin, recalling the love scenes of the late Communist bosses Leonid Brezhnev and Erich Honecker, symbolically expresses the essence of the current Russian leadership's policy. Preparations for the Presidential elections this June have become the backdrop to extraordinary acts of national betrayal.

The yielding of Chernomyrdin and President Boris Yeltsin to IMF conditions for the receipt of credits—in particular, the lowering of export duties on raw materials—is partly due to their need for “quick money” (the IMF infusion now, as opposed to duty revenues lost over a longer period in the future) to fulfill the promises they both have made for the payment of back wages and other social budget lines. They are also anxious for a decisive stabilization of war-torn Chechnya, the southern region across which Moscow would like to see a new pipeline carry oil from Baku, Azerbaijan, to markets in Europe.

For Chernomyrdin, success on securing the IMF loan may also have held out hope of improving his personal status, after a period of friction between himself and Yeltsin, which peaked in January. When Interior Minister Anatoli Kulikov spoke out in favor of renationalizing the largest Russian oil company, Lukoil, and Gazprom, the giant natural gas concern with which Chernomyrdin is closely linked, rumors of the prime minister's pending resignation intensified. In that context, the conditions offered by his friend and sometime hunting partner Camdessus were better for Chernomyrdin than the prospect of retirement. Thus, the Russia-IMF agreement also resembles a typical elite compromise.

But what can be explained is not what can be justified. Even liberal experts, writing for *Kommersant Daily*, expect that the tax reform will certainly lead to a new leap in prices for fuel, and consequently almost all goods and services, inside Russia.

This effect will be amplified by the reassessment of the

fixed assets of Russian enterprises, introduced March 1. This alone is expected to raise the prices for oil and oil products by at least 20%. After the IMF-dictated reforms, domestic prices for these products may soar to far above the level of world prices.

The population will feel the effect of the Yeltsin-Chernomyrdin “diplomatic success” very soon.

Already since Feb. 27, the price of railway tickets rose 20%. But the most terrible time for Russians will begin after July 1: Camdessus and Chernomyrdin have fixed this date for the final lifting of customs duties. Industrial collapse and famine will face Yeltsin's successor as President.

Meanwhile, the burden of the new phase of economic catastrophe, caused by the total decontrol of oil prices, will lie on the Russian population and the Community of Independent States (CIS) countries. To support what's left of Russian industry (at least until rising transportation costs kick the gallops board out from under it) and perhaps to delay a wave of strikes and unrest until summer, the government has imposed import duties on certain products—not only on the so-called “Bush's legs” (American chicken thighs), but also Ukrainian vodka, one of the main sources of Ukraine's budget revenues. For election campaign purposes, these measures are packaged as “protectionism” to save Russian national industry, but the real prospects of national industry under the IMF conditions are miserable.

Textiles and agriculture, naturally, are among the branches of the domestic economy to be hit hard by the soaring prices for energy. Due to huge transportation costs, those domestic producers that survive will market their products in their regions, splitting the domestic market into numerous regional markets. By the same token, many citizens will lose their last possibility of visiting their relatives in distant regions of Russia and the CIS countries, the “near abroad.” With its industry and society having disintegrated, Russia would scarcely exist as a nation any more, and only criminal “authorities” would maintain control over the whole territory, gaining new opportunities to exploit the weapon of want and the instincts of hunger and rage.

Oil gangs

The oil monopolies as such, will be affected the least. Their fight for control of the oil fields, pipelines, and refineries

will more and more determine what passes for State policy. Their relations will more and more resemble the relations of rival gangs. Their Moscow lobbyists will be the most influential people. It is already so at the present time. The cutthroat relationships among the new Russian raw materials companies, and the Western cartels with which they interface, shape much of Russian politics today, as well as the war in Chechnya.

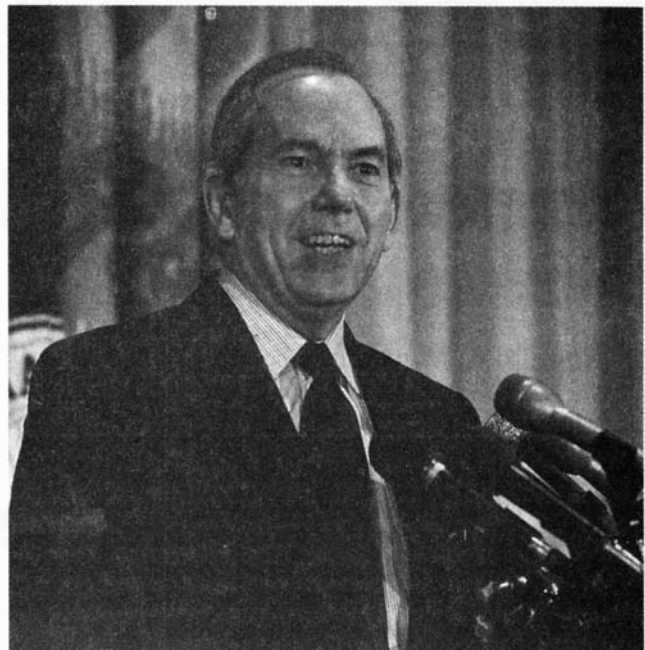
In mid-February, when Yeltsin was preparing to go to his hometown of Yekaterinburg to announce his candidacy for reelection and Chernomyrdin was vacationing in Sochi on the Black Sea, the Russian cabinet reviewed the behavior of the oil monopolies. First Vice Premier Oleg Soskovets, chairing the government meeting, interrupted a report from Deputy Minister of Fuel and Energy Oleg Morozov, to demand why hard currency revenues from petroleum sales were not being received into the State budget. Soskovets cited figures provided by Internal Affairs Minister Kulikov: a \$1.99 billion shortfall from oil sale revenues, owed to the State, and an \$880.6 million shortfall from the sale of petroleum products.

The Russian fuel sharks may be confident that Kulikov's renationalization will not be carried out. But in some cases, words spoken by a man of power do directly influence profits. The president of Gazprom complained, that now no bank would risk giving him loans. The vice president of Lukoil threatened the government, that oil industry workers would go on strike.

At this sensitive moment, Camdessus arrived, with an experienced sense of just when to extract the maximum benefit from the weakness of any leadership. A delegation from the De Beers diamond cartel chose the same week, to come sign its new agreement with Russia. (Despite strong arguments that Russia's dependency on international diamond trade monopolists was an embarrassment and a great disadvantage to the nation, those in the Russian leadership who tried to establish independent Russian diamond selling were unable to guarantee either the reliability of their counteragents, or the quick return of diamond sale revenues to the State budget. First Vice Premier Vladimir Kadannikov recently said that Russia will soon have to sell off part of its diamond reserves.)

Moving toward the elections and having issued a plethora of social promises for immediate fulfillment, such as disbursement of wage arrears, Yeltsin was in dire need of funds. Money is needed for Chechnya as well, both to wage the war and for attempts to cool it down. Power-brokers like Moscow Mayor Yuri Luzhkov, who has his people in the Communist Party (CPRF) group in the Duma (Parliament), or Lukoil's president Vagit Alekperov, who told *Forbes* magazine that the CPRF's popularity was just a matter of business, may quickly shift their support to Yeltsin's rival for the Presidency, CPRF leader Gennadi Zyuganov.

As for Chernomyrdin, he realizes that for many reasons, including his own power hunger, he has lost the strategic



IMF Managing Director Michel Camdessus: His slobbery embrace of Russian Prime Minister Viktor Chernomyrdin eloquently expresses the current position of the Russian leadership.

initiative. Therefore, he really cannot distance himself from Yeltsin, but is doomed to support him.

In this situation, Camdessus could play with the Russian President and prime minister as a cat with a mouse, as the IMF has played with a lot of other greedy, short-sighted, weak-willed, and easily manipulated State leaders. His own motivation is hardly less urgent; the world monetary bubble might live some time longer, if it is fed with Russian oil assets.

Camdessus's eagerness to reach a deal with Russia surprised even the Harvard free-marketeer Jeffrey Sachs, who helped launch the Russian economy toward disaster in 1992. The Russian leadership's eagerness to yield to the IMF's demands embarrassed even domestic liberal economists. *Izvestia*, a liberal mouthpiece and affiliate of the *Financial Times* of London, denounced the resignation of Yevgeni Bychkov from the State Committee on Precious Metals, a development favorable for De Beers, in a chorus with the nationalist *Zavtra*. The problems addressed by the Feb. 23 agreement were not really the problems of Russia, nor even of the IMF as an institution. The interlocutors came off as speaking less for countries or institutions, than for themselves as physical persons, Yeltsin and Chernomyrdin personally, and personally Camdessus and De Beers' Oppenheimer, the "big boys" cutting their deals.

These *persons* were seeking each other. At the core of any treason, there is always the same thing: a person with his own interests, which are above those of the neighborhood, the community, the people, the nation, or mankind.