

Russia in turmoil after first round of elections

by Our Special Correspondent

In the June 16 first round of the Russian Presidential elections, President Boris Yeltsin emerged ahead of Communist Party leader Gennadi Zyuganov, by a narrow margin of 35% to 32%. In one of several surprise developments, Gen. Aleksandr Lebed, who polled nearly 15% of the vote, has been propelled by Yeltsin into the top of the Russian power structure, immediately following the first round. Every indication points to just as close a race, if not closer, in the second round on July 3.

The turmoil in the nation was apparent on June 20, when Yeltsin and Lebed jointly announced the firing of Gen. Aleksandr Korzhakov, head of Presidential Security; Gen. Mikhail Barsukov, who had headed the KGB's domestic successor, the Federal Security Service (FSB); and First Deputy Prime Minister Oleg Soskovets. The three were charged with having taken "too much power upon themselves," and having tried to prevent the elections by force.

Commenting on the election results in a radio interview with "EIR Talks" on June 19, Lyndon LaRouche emphasized that "so far, neither Yeltsin nor Lebed has addressed, or been willing to address (as a matter of fact, they've been sort of denying the existence of) the major crisis which is determining what will happen in Russia." LaRouche pointed out that Lebed will have a hard time delivering his supporters to Yeltsin in the second round, because many of them were attracted to Lebed because of their negative attitudes about the policies of Prime Minister Viktor Chernomyrdin, in particular, and the policies of Yeltsin, secondly.

After five years of shock therapy policies dictated by the International Monetary Fund (IMF), the degeneration of Rus-

sia's economic, social and financial fabric has reached the point that no regime can continue with these policies, without causing the disintegration of Russia. Immediately, a crisis in Russian state finances looms, while most of Russian industry has been jettisoned, other than raw materials production for export. In 1995, for the second year in a row, 1 million more people died in Russia than were born.

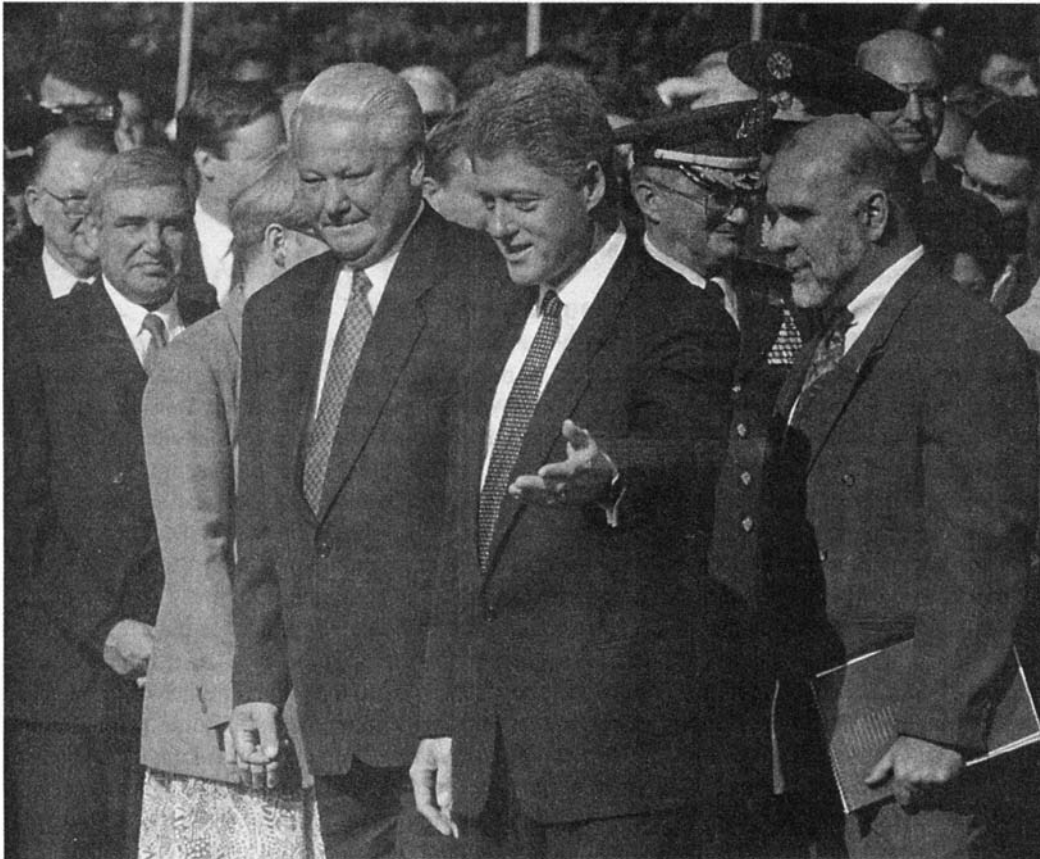
Russia's survival as a nation is thus incompatible with continuation of the IMF reforms.

A Russian break with the IMF is a national security question for the United States and other nations, as well. LaRouche said, in a June 12 interview, that the Russian election outcome is "in the area of subjective decisions—branching points—at which decisions have to be made, which will determine the fate of humanity in general, or at least part of it. . . . If Russia cannot make the right decisions, if others cannot make the right decisions to support those if Russia makes them, then *the whole world will pay a terrible price*, including the lives of many people who would rather not even discuss the Russia question. But, it's there; it affects world history. So, something's going to happen."

LaRouche outlined three possibilities:

1. "You can get a regime which repudiates the IMF conditionalities, which means the present policy goes, and the United States has to get off the pot, and say whether it's going to support Russians on that, or not. If we don't support Russia on such a decision, we are doomed, not because the Russians are going to bomb us, but because the whole system will blow out, and we will not have any policy to get out of the mess."

2. "No effective decision can be made, in which case



President William Clinton with President Boris Yeltsin in Washington, Sept. 27, 1994. The future of the world depends on whether leadership will emerge in Russia that is ready to repudiate the IMF's shock therapy policies, and on whether the U.S. President will support such a decision, and move to institute a new strategic arrangement, outside British control.

you get chaos.”

3. “You might get a very nasty type of Third Rome regime, coming up in Russia, which would not necessarily mean nuclear war, but it would mean that you would have a hostile revival of the apparatus of the Soviet state, based on Russia—but, the apparatus of the Soviet state, as opposed to the Russian state apparatus. And this Soviet apparatus, in a rage-fit, would contribute to exploding every hot spot in the world in our face and other people’s faces.”

By contrast, Deputy Secretary of State Strobe Talbott, President Clinton’s chief adviser on Russia, defended the IMF’s policies, on the June 16 broadcast of ABC’s “This Week with David Brinkley”: “It will not be possible for the U.S. to use its leadership position in the international financial institutions to help Russian reform, unless Russian economic policy continues to move towards privatization.” He was replying to a question about a possible renationalization of key industries, under Zyuganov; but the continued assumption that “international financial institutions” can, or intend to, help Russia or anybody else, would be a fatal error.

‘A general collapse is possible’

On April 17, interest rates on the Russian state’s three-month bonds were raised to an annual 121%, and on six-

month bonds to 180%, in order to sell an issue equivalent to \$1.2 billion (while \$1.4 billion was paid to cash out old bonds on that date, the new issues were failing to cover the payments due). The government is using the short-term borrowings, to cover the budget deficit—as Yeltsin dishes out money on the campaign trail, although wage arrears have still not been paid in many regions.

In a May 31 article, economist Sergei Glazyev, who is head of the Democratic Party of Russia and who campaigned for Lebed, suggested that “the June wages for public-sector employees may be the last they get this year; all budget revenues in the second half will go to pay obligations to creditors.” (See *EIR*, May 31, for a lengthy analysis by Glazyev of the current economic situation in Russia.)

Tatyana Koryagina, the lead author of Zyuganov’s economic program, also forecast post-election financial storms. Interviewed by the weekly Interfax-AiF in early June, Koryagina said, “A general collapse is possible—first on the securities market, with short-term state bonds in particular, and, as a consequence, the collapse of the entire banking system is not to be excluded.”

Even government officials, such as Economics Minister Yevgeni Yasin, have spoken in terms of a “complete collapse” of state finances taking place after June.

New power constellations

The 15% vote for General Lebed comprised 11 million Russian voters. In all, nearly 60% of the votes (with a just under 60% turnout in the first round) went to candidates other than Yeltsin or the “reform”-linked Grigory Yavlinsky, marking a clear rejection of the failed IMF “reform” policies.

Yeltsin was quick to acknowledge that if he is to get through the run-off, he must have the support of Lebed. On election night, he invited Lebed to meet him in the Kremlin the next day. Yeltsin then issued a decree on June 18, appointing Lebed as secretary of the Russian Security Council, as well as Presidential adviser on national security. The decree specified that Lebed had been placed in charge of reform of the Armed Forces, national security, and the fight against crime and corruption. The previous Security Council Secretary, Oleg Lobov, becomes a first deputy prime minister. At the same time, Yeltsin fired Defense Minister Pavel Grachov, placing the Chief of the General Staff, Gen. Mikhail Kolesnikov, as acting defense minister. Sources on the President’s staff told the agency Interfax on June 18, that Yeltsin will soon issue a follow-up decree, defining new, expanded powers for the secretary of the Security Council.

How sweeping these powers will be, Lebed indicated in a press conference later that day. He declared that his competences will include questions such as capital flight, privatization, compensation for savings lost, the defrauding of ordinary people by bogus investment funds, the financial independence of Russia, Russian dependence on imported food, all as questions of “national security.” Concerning his pledge to begin a real fight against “crime and corruption,” he stressed that the Internal Affairs Ministry knows the identity of the leaders of organized crime mafias, and that arrests should be made on the basis of hard intelligence. He promised that order would be brought to Russia, but without the abrogation of the freedoms of citizens.

In explaining his choice to throw his lot in with Yeltsin, rather than support Zyuganov in the second round, Lebed said: “I was facing two ideas. An old one that has shed lots of blood and the new one which is being implemented very badly at the moment, but behind it is the future. I have chosen the new one.” Zyuganov and his party, the CPRF, had tried hard to win over Lebed to their side. As Zyuganov himself confirmed at his June 17 press conference, he had offered Lebed the post of prime minister, should he win in the second round. The post of “prime minister of a government of national unity” was offered to Lebed again by Zyuganov, in a meeting between them on June 19.

No matter who wins the second round, sweeping cabinet changes are on the agenda, as President Yeltsin and General Lebed both loudly hinted. Asked by journalists, after his June 17 meeting with Yeltsin, whether he would become a minister in a new government, Lebed replied: “I will not become a minister in this government. This government anyway has only two weeks to go.” The days of Prime Minister Chernomyrdin and his cabinet are numbered.

Economics and ‘order’

In the past, Lebed has distinguished himself by expressing devotion to rebuilding Russia as a great nation, while not being tainted with neo-imperial impulses. But Lebed, as he has admitted, has no knowledge of economic policy. In a situation where correct economic decisions, not “law and order” (welcome as they would be to Russian citizens), will determine the fate of Russia, this is an Achilles’ heel. Lebed has now consciously aligned himself with Yeltsin’s regime, with its record of dismal policy failures.

A certain Vitaly Naishul, who echoes the views of the ultra-free-market Mont Pelerin Society, is reported to have advised Lebed’s team on economics recently. Such influences were apparent in Lebed’s campaign platform, published in *Izvestia* on May 31. There, Lebed called for a radical scaling down of the state, radical budget cuts, and—with the exceptions of law and order, defense, social services, health care, education, and support of science—no state role in society.

Zyuganov and other CPRF figures have already written Lebed’s political obituary, following his decision to work with Yeltsin. Zyuganov predicted that Lebed would go the way of Yeltsin’s former vice president, Aleksandr Rutskoy, whom Yeltsin had also placed in charge of fighting crime and corruption, but whom he never allowed to do anything concretely; Rutskoy was jailed after resisting Yeltsin’s abolition of the Constitution and forcible crushing of the Parliament, in September-October 1993.

How the power plays shake out in coming weeks, is an open question. But reality, beginning with the fact that the Russian state is at the brink of bankruptcy, will force a decision on either continuing to capitulate to, or repudiating, IMF conditionalities. Even in the realm of “quick fixes” to buy a little time, any post-election regime has only one immediate revenue-generating option, to stave off a crash of state finances. That would be to repudiate the IMF requirement that denies Russia the right to tax its oil and gas exports. That one measure would provide Russia, this year, with billions of dollars right away.

Given that Russia’s back is to the wall, it is conceivable that a Yeltsin regime, surviving the second round, could change policy and repudiate the IMF conditionalities. There is also a potential for such a shift on the part of Zyuganov’s team, given the input of anti-IMF economists such as Tatyana Koryagina to Zyuganov’s program.