

Russia edges toward civil war as power struggle deepens

by Konstantin George

As of mid-August, in the setting of an ongoing war in Chechnya, the power struggle in Russia to succeed President Boris Yeltsin has taken on the overtones of a civil war. The main contenders are: Gen. Aleksandr Lebed, head of the Security Council, who is opposed to the two other, temporarily allied members of what has become a chaotic post-Yeltsin triumvirate, Prime Minister Viktor Chernomyrdin, and the new head of the Presidential staff, Anatoli Chubais.

It is no exaggeration to speak of the post-Yeltsin era. His sudden return to Moscow to resume work in the Kremlin on Aug. 22, at the height of the Chechen crisis and in-fighting in the Kremlin, and the announcement that he would deliver a speech later that day, do not change that reality. The Aug. 21 *Komsomolskaya Pravda* carried a piece by a former Yeltsin spokesman, Pavel Voshchanov, who said that he has learned from Kremlin sources that Yeltsin will have to undergo heart surgery, and suffers from cirrhosis of the liver, weak kidneys, a chronic middle ear infection, heart muscle problems, and sleep disruption. Whatever the medical details, the Russian President has apparently been incapable of carrying out his duties of office. Yeltsin has not been seen in public since his wooden appearance at his Aug. 9 inauguration, a ceremony which lasted a grand total of 15 minutes, and in which he was barely able to read aloud the oath of office, a reading which lasted exactly 45 seconds.

While an existential crisis confronts Russia as a whole, the war in Chechnya has become a decisive predicate of the struggle for power. There are at least three, somewhat overlapping institutional power bases involved in the struggles in and around the Kremlin: the Presidential "palace guard," run by Chubais, who is the International Monetary Fund's (IMF) darling, but whose strength in Russia primarily relies on a shaky alliance with the Chernomyrdin group; the Chernomyrdin group, controlling most of the new cabinet unveiled Aug. 15, with a minority input from the Presidential staff; and the

Security Council, headed by General Lebed, now allied with Defense Ministry forces under Defense Minister Gen. Igor Rodionov, the one cabinet appointment selected by Lebed.

The new cabinet

The new cabinet could be classed as a horror show, and it promptly received the effusive blessing of an IMF delegation, in Moscow at the time. To the delight of Western financiers, the 35-year-old banker Vladimir Potanin, head of ONEK-SIMbank, the fourth largest bank in Russia, was made first deputy prime minister in charge of "economic reform." Through the privatization policies of Chernomyrdin, ONEK-SIMbank has pioneered debt-for-equity schemes for the dirt-cheap acquisition of choice Russian enterprises, including Norilsk Nickel, the world's leading producer of platinum. Yeltsin's liberal economics adviser, Aleksandr Livshits, became deputy prime minister for finances, as well as finance minister.

This comprador cabinet delighted the IMF. Its delegation noted with "satisfaction" an "improvement" in Russian finances during July. To buttress Chernomyrdin at the peak of the Chechen crisis, on Aug. 21 the IMF turned over the July tranche of \$330 million on the three-year standby credit, which it had withheld; the same amount for the August tranche is all but certain to be delivered on schedule on Aug. 31.

Under Lebed's guidance, the Security Council countered on Aug. 14, with the appointment of pro-development dirigist economist Sergei Glazyev as head of the Security Council's Economic Security Department (see *Documentation*). It appears that Lebed, in recognition of how grave Russia's crisis has become, has concluded that a coherent national reconstruction program, as advanced by Glazyev, is the only alternative to chaos and breakdown for Russia.

The civil war dynamic has been intensified by the war in Chechnya, which resumed with the Aug. 6 rebel offensive that

seized most of the Chechen capital, Grozny. Chechnya has since become a, if not *the* crucial lever in the power struggle.

When Lebed suddenly received the Chechnya portfolio, becoming Yeltsin's personal representative on Chechnya by Presidential decree on Aug. 10, he said, "I did not have the time to find out who prepared that decision and brought it to the President, but all this shows that someone wants me very much to break my neck over this assignment," alluding to Chubais, whose control of the decree-drafting process during Yeltsin's illness has been widely reported. But, "we shall see," Lebed mused at his Aug. 12 press conference. Starting with an unannounced nighttime foray into rebel-held Chechen territory on Aug. 11-12, Lebed launched personal diplomacy to try to secure an immediate cease-fire, and then secure political accommodation to permit the extraction of Russian Armed Forces from the quagmire. Should he succeed, out-foxing the attempted set-up of himself, engineered by the Chubais-Chernomyrdin duo (though Chernomyrdin always keeps his options open), he would greatly enhance his power in Moscow.

Escalation in Chechnya

The gravest escalation of the war to date, was the Aug. 20 announcement by the Russian commander in Chechnya, Lt. Gen. Konstantin Pulikovsky, that a "general offensive" to retake Grozny, employing "all means," including massive air and artillery bombardment, would begin Aug. 22. He ordered all civilians to leave Grozny before that date. The announcement by Pulikovsky, a general of the Interior Troops (not the Army), seemed to have torn to pieces the cease-fire agreement reached between Lebed and the Chechen chief of staff, Aslan Maskhadov.

Over Aug. 20-22, the correlation of forces in Moscow appeared to change dramatically in Lebed's favor. On Aug. 20, Pulikovsky was suddenly replaced by Gen. Vyacheslav Tikhomirov. On Aug. 21, Defense Minister Rodionov declared he had "nothing to do with the ultimatum" of Pulikovsky, who had acted alone, for which Rodionov had "reprimanded" him. Later that day, Lebed flew to Chechnya, met with General Tikhomirov and the Russian command, and announced that the order for a general offensive was a "bad joke" that will "never be repeated." Then, Lebed met with Maskhadov and other Chechen rebel leaders. In a matter of hours, the "general offensive" was canceled, a cease-fire agreement reached, a plan readied for the joint withdrawal of Russian and Chechen forces from Grozny in order to demilitarize the city, and fighting actually stopped by the night of Aug. 21-22. On Aug. 22, Lebed began talks with Chechen leaders in the south Chechnya town of Noviye Atagi. Maskhadov declared that the chance existed for "lasting peace."

To reconstruct some of the main elements that preceded the dramatic turn of events in Chechnya: General Pulikovsky's ultimatum came a day after the issuance of what were presented as a set of Presidential orders to Lebed which, in effect, required him to square the circle. Lebed was ordered to "restore the conditions that existed in Grozny before Aug.

6," i.e., drive all Chechen forces out of Grozny; "continue negotiations" to "fulfill" the two agreements reached (before the Presidential elections) with the rebels in May and in Nazran, capital of Chechnya's neighboring republic of Ingushetia, in June, for a cease-fire, exchanges of prisoners, disarming of rebels, and withdrawal of the bulk of Russian forces by Sept. 1. Lebed was also ordered to present a "plan for settling the conflict" by Aug. 26. It is almost impossible to imagine a more absurd and contradictory set of orders.

Pulikovsky's ultimatum also followed the refusal of Yeltsin to fire Interior Minister Anatoli Kulikov, which Lebed had demanded on Aug. 16; in order to end the Interior Ministry capability to keep the war going and undermine Lebed's efforts. Lebed had also demanded a meeting with Yeltsin on the matter of firing Kulikov, but the meeting was blocked by the machinations of Chubais. (Now, with Yeltsin back in the Kremlin, a meeting with Lebed on this and other crucial matters is expected.)

So, on Aug. 20, armed with the phony directive to "restore order in Grozny," and with Kulikov still in the saddle, Pulikovsky ordered the Aug. 22 "general offensive" to retake Grozny. Far more important, on that day, the Security Council met, chaired by Lebed, and, in a precedent-setting action, challenged the authenticity of the Presidential order. The Security Council declared: "The content of the document gives solid grounds to doubt that the President of Russia took a direct part in finalizing the text of the order." The Security Council said that any attempt to carry out the order would ruin peace efforts undertaken by Lebed, including destroying the cease-fire accord he had reached with rebel leaders.

The reality was that a cabal, backed behind the scenes by Chernomyrdin, and up-front by Chubais, had concocted the document. In parallel, Chubais used his position as head of the palace guard, to prevent any personal contact between Yeltsin and Lebed. Already, according to a Presidential directive published in *Rossiiskie Vesti* on Aug. 15, Chubais was given sole authority to decide which Presidential decrees were ready for signing. By Aug. 19, with Yeltsin away, Chubais had increased his powers to include forgery. The proof was seen on Russian television on Aug. 20, when the document was shown, with the Presidential seal and the name "B. Yeltsin" in block print. It contained no signature.

Following this, Interior Ministry General Pulikovsky was abruptly replaced as commander in Chechnya by General Tikhomirov hours after he had ordered the "general offensive." In his earlier tour as commander, Tikhomirov had been a proponent of continuing the war. But before the war in Chechnya, Tikhomirov had served as Lebed's chief of staff with the Russian 14th Army in Moldova. After the Pulikovsky ultimatum, Chechen chief of staff Maskhadov appealed to Lebed to use "all your influence to prevent the threatening insanity." Shortly thereafter, Lebed announced he would return to Chechnya on Aug. 21 for talks with rebel leaders. These talks have succeeded in averting an immediate bloodbath.

The breathing space created in Chechnya will only inten-

sify the struggle for power in Moscow. One of the first questions, is whether Lebed can follow up his initial peace-making victory in Chechnya with a political offensive in Moscow, starting with fulfilling his mid-August pledge to “name the names” of those responsible for what he correctly called the “commercial war” in Chechnya. His Chechen negotiation counterparts, as stated by Chechen spokesman Movladi Udugov, have named “above all Prime Minister Chernomyrdin” as being responsible for the war.

A potent weapon

The venal commercial gain in the war is the single most explosive scandal, if exploited. Everyone in Russia knows that huge sums were officially allocated in both the 1995 and 1996 budgets for “reconstruction” in Chechnya. Everyone also knows that almost nothing has been “reconstructed.” The sums involved are equivalent to \$2.5 billion for 1995 and \$5 billion for 1996. If the names are named concerning who grabbed that money, for whom, and where it “disappeared,” then much of the present comprador political superstructure that dominates Russia could collapse.

These and other weapons are in the hands of Lebed, Glazyev, and the Security Council apparatus. This at least partly explains why Chernomyrdin, while bitterly opposed to the Lebed group, has cautiously avoided an open confrontation. Indeed, on Chechnya, he has cynically backed the Lebed peace process, out of pure power considerations. How the dynamics of the Russian civil war will unfold is unknown. But if they follow traditional Russian methods, akin in principle to those of Rome and Byzantium, the process will be rather long and bloody.

Documentation

Glazyev named to post in Russia's Security Council

At a press conference on Aug. 20, Sergei Glazyev announced his appointment as head of the Economic Security Department of Russia's Security Council. The decree had been issued on Aug. 14, but this was the first public announcement of the appointment.

Economist Glazyev is a former Minister of Economic Relations of the Russian Federation, and former chairman of the Democratic Party of Russia, See *EIR*, May 31, 1996, pp. 48-65, for his analysis of “Growth in a Transitional Economy.”

In explaining why he had accepted the new appointment, Glazyev told the press, “The survivability of the country is the question of what economic measures will be taken in the

immediate future. I hope that my knowledge and experience will be useful for the country in my new capacity. That's why I have accepted Alexander Ivanovich Lebed's offer to head the Economic Security Department of the Security Council.”

Glazyev, a former Duma deputy, was highly critical of the Duma, the lower house of parliament. He stressed that “in the sphere of public policy, very little space unfortunately remains for constructive work,” which, he said, is due to “the very strange position taken by the leadership of the communist majority in the State Duma who have . . . renounced any vigorous political activity, having voted as they did when they approved the chairman of the government [i.e., Prime Minister Viktor Chernomyrdin]. . . . Since we have a manipulated Duma opposition it is clear that all the key questions will be solved now within the system of the Executive branch of government.”

Glazyev added that he and Lebed were “linked also by joint political activity, by work on a joint program, as well as experience of struggle for the recognition of the aims and values that we have set out in our program in the Presidential and parliamentary elections.”

The Security Council must ‘stand guard’

Glazyev was asked, “Don't you think that with your appearance in the Security Council, it will become a body in opposition to the President?” He replied, “If we assume that refusal to blindly accept any initiative coming from the Chernomyrdin cabinet is to be in opposition, then you are probably right.” The role of the Security Council, he said, “is to stand guard over the economic and national security of the country.” If government decisions “run counter to the interests of national security, the Security Council must bring this to the attention of the prime minister and the President and use all legal methods to try to make the government adopt correct decisions that would meet the interests or at least certain national security criteria.”

Glazyev said that this was a time for “hard office work . . . because the policy that has been conducted by the government up to date, as we can see from the objective results of the continuing economic recession and the destruction of key industries and the sweeping budget crisis and the danger of a financial crisis and the deepening non-payment crisis—all this indicates that many of the economic decisions were wrong and often ran counter to the interests of national security.”

He added, “Adventurist decisions . . . should be stopped, where possible, by the Security Council,” which, Glazyev pointed out, is a power structure that includes the prime minister, representatives of power structures, and is headed by the President.

Glazyev was also critical of policies in relation to the gas industry, to which Chernomyrdin is known to be personally tied. Asked whether he thought Russia should return to a system of state monopolies, Glazyev said that state monopolies were not a panacea, but were appropriate in some areas:

“production and export of gas . . . export of oil, the import of alcohol and many other sensitive things [which], in terms of tax collection and in terms of their impact on the state of society, must be under government control.” Glazyev pointedly added that the government “should perhaps retain only the monopoly on the export of gas. . . . The export of natural gas is an area of activity in which there are super profits and where huge sums evade taxation,” a barb at Gazprom, in which Chernomyrdin is said to have a major financial interest.

Glazyev said, “The government has been given a new, perhaps the last chance to correct its mistakes and start conducting the kind of social and economic policy that people expect it to conduct.”

Glazyev was asked what he thought about newly appointed Finance Minister Aleksandr Livshits’s assertion that there would be no financial crisis in the autumn. Glazyev replied, “The number of bankrupt banks, insolvent banks is increasing exponentially. To deny this is to behave like an ostrich. . . . One cannot last long with such a financial system. So, if the people in charge of the country’s finances proceed on the assumption that it is ‘business as usual,’ this is the surest way of immersing the country in the abyss of financial destabilization which is already what we see happening.”

Rather than cutting spending to industry and making the ordinary citizen bear the brunt of the financial crisis, Glazyev said, why not impose a more stringent payment discipline “on large commercial structures which enjoy preferential treatment.” He suggested streamlining “spending, to change the monetary policy and emission policy without causing a surge in inflation.”

Glazyev also criticized current banking policy, which has gotten to the point that “anyone who wants can issue ersatz money, and pocket profits made on such issues.” He added that the current problem with Russia’s financial policy is that “nobody bears responsibility for [overall financial policy] because the Central Bank pursues its own policy, the Finance Ministry pursues its own policy, and nobody is responsible for the question of balancing a credit and monetary policy that would ensure a normal process of money turnover and investments.”

The immediate problems

In terms of Russia’s current financial situation, Glazyev listed the following problems to be solved: the colossal growth of short-term budgetary debt, with less than half the payments made in money and a larger share made through mutual offsets, barter transactions, foreign currency, and the ersatz money he had referred to; preservation of the scientific and technical potential; insolvency; and use of mineral resources.

In terms of overall economic security strategy, Glazyev pointed to the following: increasing the living standards of the population, unemployment, structural imbalances, and dependence on imports. Said Glazyev, “If our country wants



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to be economically invulnerable, it must observe certain proportions between processing and extractive industries, it should have a self-sufficient defense complex. It should not be politically dependent on foreign capital in vital areas, such as transportation, power engineering, wholesale trade, finance, and . . . scientific and industrial potential.”

Another item on Glazyev’s agenda is the amount of spending in “science and scientific-and-technological progress,” which is “currently at the level of Africa’s, is beyond the critical level.” He called for at least 3% of the GDP to be spent in this area.

Glazyev called for 10% of Russia’s GDP to be spent on education, the collapse of which has angered many in Russia.

Glazyev was also critical of the IMF: “If the government takes its duties seriously and performs its job in accordance with the laws and *not* in accordance with the experts of international institutions who are not responsible for anything, then we will cooperate constructively and help the Executive branch” (emphasis added). But, he said, “if things continue the way they are today, when the government is obliged to do one thing under the President’s decree, but does the opposite thing in accordance with the statement it made to the International Monetary Fund, as for example, on matters of foreign trade policy, we will, of course, criticize such a position severely.”