

a gas-distribution network in China, and cooperation in engineering for the energy industry.

The nuclear energy subcommission approved the ongoing Russian-Chinese cooperation in building the atomic power station near Lianyungang, the Chinese east coast port which is also famous as the eastern terminal of the Eurasian Land-Bridge. "We believe that the successful implementation of this very big project, which is valued at \$3 billion, will prove that Russia is capable of competing as an equal with the biggest world manufacturers of power equipment and will allow us to substantially increase supplies of Russian energy equipment to the Chinese market," Rakhmanin said.

Rakhmanin also took care to state that "Russian-Chinese interaction in the field of nuclear energy is of an exclusively peaceful nature and does not have any military aspects." Liu Jibin's participation "is explained by the fact that his sphere of responsibility includes also the peaceful nuclear energy enterprises of China."

Economic relations are developing on other fronts as well. The official *China Daily* reported on Jan. 27 that China is trying to increase border trade with Russia, especially in an effort to counter the effects of the "persistent Asian financial crisis." Wang Zhenchuan, Deputy Governor of Heilongjiang province, which borders Russia, said that "we will allow more domestic companies to register for trade with Russia this year." The decision is in response to a rush of Chinese firms, affected by shrinking trade within Southeast Asia, investing in Heilongjiang, he said. "Many big-name companies from southeast China are landing in Heilongjiang in a flurry, either to tap our natural resources or to find a springboard for trade with Russia."

Russia, like other members of the Commonwealth of Independent States, can make a major contribution to the growth of China's industries, especially Heilongjiang's automobile, chemical, and electronics sectors, Wang said.

Heilongjiang will host the 10th Harbin Economic and Trade Fair on June 15-21. Approximately 4,000 delegates from Russia and eastern European countries will join 40,000 Chinese merchants at the exhibition. "We expect our border trade with Russia to exceed the 1998 level of \$1.3 billion, as more local companies acquire foreign trade rights," Wang said.

Military trade is also likely to grow. India and China are the largest importers of the Russian Sukhoi military aircraft, from the Sukhoi military-industrial complex based in Irkutsk, Komsomolsk-on-Amur, and Novosibirsk, Interfax quoted general director Mikhail Pogosian on Jan. 27. India has signed a contract for the purchase of 50 Sukhoi-30M fighters and is negotiating the purchase of a license to produce them, and China has bought a license for manufacturing Sukhoi-27KS fighters, and flew the first two planes built in China late last year. China is considering importing additional planes, Pogosian said.

Growing social unrest in Romania, Russia, Ukraine

by Konstantin George

The beginning of 1999 has seen a wave of labor unrest sweep the looted nations of eastern Europe and the former Soviet Union, hitting hardest in Romania, Russia, and Ukraine. In Romania, a mass march by coal miners in the week of Jan. 17-22 even threatened for a time to topple the "reform" government of Prime Minister Radu Vasilyev. In Russia and Ukraine, similar eruptions on the part of coal miners were barely avoided at the end of January, and remain — always — just below the surface. Other sections of labor are erupting, or could do so at any time; in Russia, for example, as of Jan. 27, what had been a weeks-long pattern of regional teachers' strikes became a nationwide phenomenon, with up to 300,000 teachers on strike on any given day, going into February. The explosive situation reflects the toll taken, in constantly declining living standards, by the cumulative effect of years of vicious International Monetary Fund (IMF)-dictated austerity policies.

Nor are Russia, Ukraine, and Romania "just any" countries. They are, respectively, first, second, and fourth largest in population among the nations of the former East bloc. Under continued IMF policies, the economic-financial crises in these countries are programmed to worsen drastically during 1999, ensuring bitter social upheaval, with incalculable political consequences. Strategically, manipulated labor unrest could be used — with catastrophic results — to destabilize Russia's Primakov government, which has been resisting the IMF.

Romania: desperation and manipulation

The case of Romania illustrates what's in store not only for Romania, but for other countries in the region. The miners' dramatic "March on Bucharest" came after IMF-World Bank policies pursued by the government had cost 100,000 miners their jobs in the past two years, with 100,000 more miners slated to be dumped over the next two years. The very existence of miners living in a region of southwest Romania was threatened. The shock was all the more harsh, as the miners were earning the equivalent of less than \$250 a month (about twice the national average wage). Such "high" wages to those miners who are still working, stem from the World Bank policy of trying to keep social peace. Through layoffs, the overall wage bill for the coal-mining sector can still be drastically lessened, and another category of IMF budget conditions is met.

As a harbinger of what could occur in Romania and elsewhere, the miners' desperation was exploited and manipulated by outright fascist political groupings, whose core derives largely from "National Bolshevik" stripes of Communist cadre of the Ceausescu era. The "March on Bucharest" was led by Miron Cozma, a trade union leader and national-chauvinist demagogue, who was on the executive board of the fascist Greater Romania Party (PRM) (and cosmetically removed after the strikes ended). The PRM is headed by Vadim Tudor, favorite court poet of the late dictator Nicolae Ceausescu, and otherwise the PRM is a catch-basin of hard-core former Ceausescu followers, including many who were previously ranking personnel in the Interior Ministry and the Securitate. Cozma, Tudor, and the PRM said flatly that the goal of the march was to overthrow the Vasilyev government.

The March on Bucharest was also supported by Romania's other outright fascist party, the anti-Hungarian National Unity Party (PUNR) of Gheorghe Funar, and by the Social Democrats (PDSR), the former Communists of former President Ion Iliescu. At the last minute, the evening of Jan. 22, a deal was struck whereby the miners, in exchange for a moratorium on pit closings and the promise of wage increases, ended the threat of a putsch. The deal reflected the existing realities: 1) The government was unable to stop the march without using the Army, and thereby risking an escalation that could have gone out of control. 2) The miners and the parties backing them did not have the popular backing to topple the government at this point. However, it is only a matter of time before the next crisis hits Romania.

Russia and Ukraine

The most important strategic arena over the period from February through April for a miner-led strike wave, is Russia. As the most cursory glance at the itinerary of Prime Minister Yevgeni Primakov shows, this view is shared by Primakov and his government. On Jan. 22, the day the Romanian crisis peaked, Primakov went to the central Siberian Kemerovo region, site of the vital Kuzbass coal centers, where he was able to stave off imminent miners' protests.

Immediately upon his return to Moscow from the Davos World Economic Forum, Primakov on Feb. 1 held a conference of key government ministers and representatives of the coal industry. He announced a doubling of government subsidies for the coal industry, from \$256 million to more than \$500 million, and added payments of back wages to miners. Once again, such action staved off large-scale trouble, but the situation remains shaky. Although the overwhelming majority of coal miners are still working, already on Feb. 2, the first limited strike actions were beginning. In the Far East, in Sakhalin Oblast, 400 miners went out, and limited actions were reported from Kuzbass and the Vorkuta region, in European Russia's far north.

The Russian situation is exacerbated by the teachers' strikes of varying intensities, now, as mentioned, coalesced into a nationwide action.

In Ukraine too, the spearhead for potential labor troubles is the coal sector. Since Jan. 27, a pattern of limited strikes has developed in the East Ukraine Luhansk region, near the main Donetsk mining region.

The next shocks

Continuation of the IMF system guarantees that the crisis will intensify in both Romania and Ukraine this year. These countries, perennially close to state bankruptcy and open default, will see their own "August 1998" *à la Russe*, coming some time later this year. Concretely, the form this will take will almost certainly be default on Eurobond payments—which would mark the first-ever such defaults on Eurobond payments. If no further IMF monies are forthcoming, default is a certainty. Ukraine has already defaulted on its domestic debt. The measure of how serious the situation is, can be seen in the visit to Washington by Ukrainian Prime Minister Valeri Pustovoitenko, beginning Feb. 2. He met with IMF Managing Director Michel Camdessus, World Bank President James Wolfensohn, and U.S. Secretary of State Madeleine Albright, begging for resumption of suspended IMF tranches, further World Bank credits, and continued U.S. aid.

Ukraine last year delayed state bankruptcy by borrowing at record high interest rates, on the Eurobond and international markets. As a result, this year Ukraine must pay about \$1.6 billion in debt service, with less than \$1 billion in foreign exchange reserves. Ukraine's chances of getting any money outside the IMF are zero, and little better getting money from the IMF. The usurious loans contracted in 1998 will hit home, starting this year. In June, Ukraine must repay \$155 million of one-year Eurobonds, a loan which carries an interest rate of 15,000 basis points over U.S. Treasury notes (i.e., about 20% interest). A euro deal maturing in the year 2000 also carries that interest rate, while a deutschemark loan issued last February (which at the time "saved" Ukraine from imminent bankruptcy, and which matures in 2001), carries a 16% interest rate, the highest ever attached to a Eurobond at the loan's inception.

Romania's situation is not much better. It has \$2.8 billion in debt service due this year, compared to about \$1.8 billion in foreign exchange reserves. For Romania, the danger period looms in the second quarter. A 52 billion yen (\$449 million) Samurai bond matures May 28, and a \$250 million Eurobond matures June 25.

If "reform" policies are adhered to, the weight of unpaid wages and unpaid social expenses, under these impossible financial constraints, will ensure massive social eruption this year.

In Ukraine and Romania, the governments are committed to such suicide. The Russian government has taken a healthy anti-IMF course, but the accumulation of years of problems, the legacy of IMF policies—above all, a volatile social situation—cannot be dealt with overnight. This is what the forces committed to ruining Russia, seek to exploit, so as to destabilize Russia's last chance: the Primakov government.