Andropov's Kindergarten

"Why didn't [the SDI] work? ... Why did Yuri Andropov, who had British antecedents, in terms of influence, ... summarily, without discussion, publicly repudiate any discussion with President Reagan? Because he was controlled by British agents. Now, the core of this, which became nastier and nastier, was associated with a subsequent successor, to Andropov: Gorbachov....

"Here we are, all this time, all this talk about "Soviet."... We lived in a world in which that was the big issue. And now we turn around, and we find that the key powers inside the Soviet Union itself, working for the British Empire, as traitors to Russia, were actually running many of these operations which we thought were the Soviet operations."

—LaRouche, March 13, 2010 webcast

Economist **Abel Aganbegyan**, mentioned by Vladimir Mau as one of the first sponsors of the Gaidar group, is otherwise famous as the architect of the *perestroika* ("restructuring") and *uskoreniye* ("acceleration") policies, started by Mikhail Gorbachov when he became General Secretary of the Communist Party of the Soviet Union, 25 years ago this Spring.

Behind the rise of Gorbachov was his predecessor, Yuri Andropov, who was identified by *EIR* in the 1980s—besides his ill-starred role in rejecting the Strategic Defense Initiative for U.S.-Soviet strategic cooperation—as having initiated Soviet experimentation with free-trade economics. In 2002, for the first time in the Russian press, a veteran of Soviet intelligence identified in print the grouping and relationships, named by Lyndon LaRouche as "Andropov's Kindergarten," as the force behind the liberal economic reforms that wrecked Russia during the 1990s.

That exposé, written by an author identified as "Vyacheslav K.," appeared in the February 2002 issue of *Stringer* magazine, founded by President Yeltsin's one-time security chief Alexander Korzhakov. It zeroed in on the nexus of Andropov's grouping in the KGB (the State Security Committee, which Andropov headed in 1967-83), as being rooted in the patronage of Andropov's Communist Party career by Finnish Communist International leader Otto Kuusinen, and in the International Institute of Applied Systems Analysis (IIASA) in Laxenburg, Austria. IIASA was an arrangement, deadly to Russian economic planning, which was built up after U.S. National Security Advisor McGeorge Bundy (senior figure of the Anglophile U.S. financial establishment, architect of the Vietnam War, and overseer of the cover-up of President John Kennedy's assassination) reached an understanding with KGB figure Dzhermen Gvishiani in 1967.

"Vyacheslav K." described Andropov's strategy, which occurred in the setting of economic hardship and food rationing in the Soviet Union after the late-1970s plunge of oil prices, as a plan for the Soviet Union, "as a huge corporation, financially independent, economically sustainable, and possessing a huge technological potential, concentrated in the military industry.... Andropov's idea was to convey modern technologies to Russia's industrial corporations, which would be allowed to attract foreign investments."

The *Stringer* article then characterized the recruitment of the Kindergarten: "Andropov made a decision to develop economists for 'Corporation U.S.S.R.' from scratch, and outside the country. The function of ideological control was, definitely, assigned to the KGB apparatus.... As a base for the foreign training of economists, Andropov selected IIASA [in Vienna]. No wonder the young cadres, deployed to Vienna, immediately came under influence from well-trained foreign intelligence 'specialists in management.'... As a result of strict selection, during which some of the students left the experiment on ethical grounds, getting bored with constant manipulation, the team of those who completed their education on the base of IIASA [and its Moscow branch], included persons such as Pyotr Aven, Anatoli Chubais, and Yegor Gaidar.... The resulting team ruined the Russian economy.... That was a direct result of Andropov's personal influence: Andropov was a pupil of Kuusinen, who was supposed to become the leader of Soviet Finland after the planned victory which did not happen."

Both of the highlighted aspects of Andropov's orientation—his political descent from the so-called "right-wing" Soviet and Comintern circles of Nikolai Bukharin, Eugen Varga, Otto Kuusinen, and others, and his interest in systems analysis—point to one of the great secrets of 20th-Century history: the special relationship between the upper echelons of British Intelligence and a layer within the Soviet leadership.

Kim Philby, the famous British Intelligence "defector" to Moscow in 1963, was a part of that configuration. Philby's status as a "triple" agent, continuing to represent British interests throughout his career, was discussed by LaRouche in a ground-breaking series of articles starting in 1979. In 1988, just weeks before his death, KGB Gen. Kim Philby gave a series of interviews to Philip Knightley for the London *Sunday Times*. "Andropov was a fine man and a fine leader—a tragedy he died so soon," Philby opined, "and in Gorbachov, I have a leader who has justified my years of faith."

Where Are 'Our Men' Today?

Listed here are the career highlights and current posts of members of the London-trained Russian group, named by Lord Harris and his friends.

Government or State-Owned Institutions

Anatoli Chubais. B. 1955. Professor at the Leningrad Economic Engineering Institute in the 1980s. Chairman of Russian State Property Committee (for privatization), 1991-94. Deputy Prime Minister, 1994-96. Chief of the Kremlin Administration, 1996-97. Deputy Prime Minister, 1997-98, and Minister of Finance (1997). CEO of United Energy Systems (the national electricity utility), 1998-2008.

Currently: **CEO of Rosnano**, the national nanotechnology company, since 2008. Member of JP Morgan's international advisory council, since 2008.

Alexei Kudrin. B. 1960. A member of Chubais's "Perestroika" club in St. Petersburg, founded in 1987. St. Petersburg city government, 1990-96. First Deputy Minister of Finance, 1997-2000.

Currently: **Minister of Finance**, since 2000, and **Deputy Prime Minister**, since 2007.

Vladimir Mau. B. 1959. Advisor to Acting Prime Minister Gaidar, 1991-92. Deputy Director of Gaidar's Institute for the Economy in Transition, 1993-97. Director of the Russian Government's Working Center for Economic Reforms, 1997-2002.

Currently: **Rector of the Academy of National Economy**, Government of the Russian Federation, since 2002.

Andrei Nechayev. B. 1953. First Deputy Minister of Economics and Finance, then Minister of Economics, 1991-93.

Currently: **President of the state-owned bank, Russian Finance Corporation**, since 1993.

Alexei Ulyukayev. B. 1956. Worked at the *Kommunist* editorial office with Gaidar, in the 1980s. Advisor to the Gaidar government, 1991-94. Deputy Director of Gaidar's Institute of the Economy of the Transitional Period, 1994-96, 1998-2000. First Deputy Minister of Finance, 2000-04.

Currently: **First Deputy Chairman of the Central Bank**, since 2004. The Central Bank's chairman since 2002, **Sergei Ignatyev**, was also a Deputy Minister of Economics and Finance in the Gaidar and subsequent governments in the 1990s.

Sergei Vasilyev. B. 1957. Director of the Government's Working Center for Economic Reform, 1991-94. Deputy Minister of Economics, 1994-97. Deputy Director of the Kremlin staff for finance and economics, 1997-98. Chairman of the Board of the International Investment Bank, 1998-99. Member of the Federation Council (Senator), including as Chairman of the FC Committee on the Financial Markets and Monetary Circulation, 2001-07. Chairman (from 2004), Deputy Chairman (currently) of the Board of the National Association of Stock Market Participants (NAUFOR).

Currently: **Deputy Chairman of the state-owned Vneshekonombank (VEB)**, the Bank for Development and Foreign Economic Activity, since 2007. VEB has been the main, "system-forming" bank handling disbursement of government bailout funds since the Autumn of 2008.

Private Sector

Pyotr Aven. B. 1955. International Institute for Applied Systems Analysis, 1987-91. Chairman of State Committee for Foreign Economic Ties/Minister of Foreign Economic Ties, 1991-92. Founded consulting firm Pyotr Aven's Finances, 1993.

Currently: **President of Alfa Bank**, since 1994.

Leonid Grigoryev. B. 1947. At Institute of the World Economy and International Relations (IMEMO), 1971-91. "500 Days" plan co-author. Deputy Minister of Economics and Finance, Chairman of the Committee on Foreign Investment, 1991-92. Advisor to the World Bank's Russia directorate, 1992-97. Advisor to the Russian Union of Industrialists and Entrepreneurs, 1997-2001.

Currently: **President of the Association of Independent Economic Analysis Centers**, since 2002.

Konstantin Kagalovsky. B. 1957. Held various positions representing Russia to the International Monetary Fund and the World Bank, 1991-94. Executive of the private sector Bank Menatep (from 1994) and of Yukos Oil (1998-2002), which Menatep obtained through a loans-for-shares auction. His wife, Natalia Gurfinkel-Kagalovsky, figured in the Bank of New York money-laundering scandal in 1999. Kagalovsky moved to London permanently, as the Russian government cracked down on Yukos in 2003-04, its CEO Mikhail Khodorkovsky ending up in jail. In 2004, he organized a U.K.-based consortium in an unsuccessful bid to buy Yukos from the Russian government.

Currently: London-based emigré, involved in litigation against his erstwhile business partner in a 2008 media venture, Vladimir Gusinsky, a mid-1990s Russian tycoon who also left the country (becoming a dual citizen of Israel and Spain).

Deceased

Yegor Gaidar. 1956-2009. Economics editor of the Communist Party journal *Kommunist* in the 1980s. Minister of Finance, 1991-92. Acting Prime Minister, June-December 1992. First Deputy Prime Minister and Acting Minister of Economics, 1993-94. Director of the Institute for the Economy in Transition, 1990-2008. Died at age 53 following a heart attack, December 2009.

Boris Fyodorov. 1958-2008. At IMEMO during the 1980s. "500 Days" plan co-author. Minister of Finance, 1993-94. Founder and head of United Financial Group (investment bank), 1994-2005. Head of UFG Asset Management, including UFG Private Equity, 2005-08. Died at age 50 of a stroke in London, November 2008.

London Clique Seeks Control of 'Modernization' Policy

Anatoli Chubais, that veteran of the devastation of Russia's economy through London-scripted monetarism in the 1990s, is currently at the center of efforts to take over President Dmitri Medvedev's announced policy of economic "modernization and innovation." Besides posturing as a "liberal imperialist," Chubais has worked up his resume as an efficient corporate manager (for overseeing the break-up of UES), and as the go-to guy for allegedly cutting-edge technologies, with the emphasis on finding lucrative market niches for Russian products.

As in the West, such a fixation on digitization, IT, and "nano" as the heart of technological innovation is a diversion from essential tasks of developing physical infrastructure, space exploration, and more energy-dense technologies like thermonuclear fusion power. Reporting to Prime Minister Putin Feb. 2, on the operations of Rosnano, the national nanotechnology corporation he has headed since 2008, Chubais waxed so lyrical about "whole sectors, which didn't exist before, and are being born before our very eyes"—like production of solar energy batteries!—that Putin advised him to focus more on "our own economy and our current needs," on "such very important areas as new materials and microelectronics."

Working with Chubais are members of the original London-schooled clique that seized control of the Russian government in 1991, such as the late Gaidar's right-hand man, Vladimir Mau, now rector of the Russian government's Academy of the National Economy. Other high-ranking government officials are marching to Chubais's drum, notably including Deputy Prime Minister and Finance Minister **Alexei Kudrin**, whose frequent consultations in the City of London, and call for "global Maastricht" strictures against government credit-creation, earned him the title of "subprime minister" from LaRouche.

Every aspect of economic policy in Russia is currently being discussed under the umbrella of the "modernization and innovation" campaign, which Medvedev launched with the creation of his Commission on Modernization and Technological Development of the Russian Economy in May 2009. Its five areas of concentration are energy efficiency, nuclear power, space technologies with an emphasis on telecommunications, medical diagnostics and pharmaceuticals, and IT. The Commission's meetings on nuclear power, held at the Academy of Sciences' Kurchatov Institute and the national weapons lab in Sarov, have included a healthy perspective for the nuclear power sector, of moving from improvements in Russia's workhorse VVER pressurized water reactor design, to accelerated development of plants based on full fuel-cycle breeder reactors, and on to fusion power not too much later.

When it comes to IT and the other areas, however, the Chubais clique is introducing psychedelic levels of insanity, elevating the failed post-1968 policy trends of the West to a status from which they could derail any prospect of industrial modernization. Since the beginning of 2010, Kremlin aides **Sergei Naryshkin** and **Vladislav Surkov**, under the influence of the Chubais group, have raised the banner of "creating a Russian Silicon Valley"—as if oblivious to what that famous California district looks like now, after the dot-com crash and real estate deflation: a zone where you can drive past miles of empty office buildings, punctuated by foreclosed McMansions and homeless former programmers, some of them visibly deranged, living on the street. Surkov says that Russia needs small, innovative companies like the ones around Stanford University and the Massachusetts Institute of Technology. Chubais's Rosnano is supposed to be curator of the project.

On Jan. 25-26, Chubais and Surkov came to MIT on what was practically a stealth visit, with no media coverage in the United States, and only one substantial article in Russia, to attend seminars on "MIT's experience in supporting and promoting innovation." With them was a big chunk of the Russian Cabinet and Kremlin staff: First Deputy Prime Minister Igor Shuvalov, Subprime Minister Kudrin, Deputy Prime Minister Sergei Sobyanin, Economics Minister Elvira Nabiullina, Kremlin deputy chief of staff and economics advisor Ardaki Dvorkovich, State Savings Bank (Sberbank) CEO German Gref, Mau, and the CEO of Russian Venture Company Igor Agamirzian. The emphasis, as a U.S. Department of Commerce release put it, was on "commercialization of technology, bringing innovations from the laboratory to the marketplace."

On Feb. 11, Medvedev convened a session of the Commission on Modernization, in the Siberian city of Tomsk, dedicated to the role of the private sector in modernization. To give the keynote presentations to the two dozen top government officials and corporate CEOs in attendance, he invited Chubais and Kudrin, who gave a report-back on their MIT expedition. Chubais put forward the notion that success will be measured when "the market" decides that a start-up is "a viable innovation company."

Medvedev himself reconfirmed what LaRouche has called the "greatest blunder" in recent Russian policy, namely, downgrading the role of the Academy of Sciences, by saying that the "inspiring" list of proposals for technological breakthroughs, submitted by the Academy, needs to be vetted, and that, "with all enormous due respect to the Academy of Sciences, it would not be a bad idea for this to be done by the business world."

One of Surkov's innovations is to regularize input from abroad, not only by excursions to MIT, but by bringing delegations to Russia. Thus, a joint U.S. government/IT sector/Hollywood delegation arrived in February to visit Moscow and the science center of Akademgorodok in Novosibirsk. They set out to advise Russian leaders on guiding their economy into new technologies, with the advice being provided by "high-ranking leaders of U.S. technology companies," who joined Obama Administration officials on the Feb. 17-23 trip: the CEOs of online flea market eBay, Internet software maker Mozilla, and the Social Gaming Network, along with officials from IT companies Microsoft and Cisco Systems, and Esther Dyson, known for success with lucrative start-up ventures in the virtual world. The group received huge publicity in Russia because it also included actor Ashton Kutcher, who provided play-by-play to the 4.5 million subscribers to his Twitter feed.

From the U.S. government, the delegation was led by Jared Cohen of the State Department policy planning staff, and included National Security Council official Howard Solomon, chief technology officer Aneesh Chopra, and Ambassador John Beyrle. They were hosted by Surkov, who has recruited Dyson as one of three foreign members of his working group on the "Russian Silicon Valley." They met with him and Kremlin economics advisor Dvorkovich twice, also visiting the Russian Union of Industrialists and Entrepreneurs, and the government ministries of economics, education, communications and health, as well as meeting with representatives of Rostelecom, the search engine firm Yandex, and the anti-malware company Kaspersky Laboratory.

In a Feb. 18 press conference, held at Russian State TV and Radio, Cohen spoke in the lingo of globalization. He hailed "social networking" as the statecraft of the 21st Century, and said that social-networking-based "multi-stakeholder partnership" ("stakeholders" being newspeak for "the public") was the way to go, on education, health, and other social issues. Kutcher chimed in that his "tweets" about Russia's desire to master high-tech will enable Russia to get tons of free advice from all over the world, in a process dubbed "crowd-sourcing."

Russia and the 'Offshores'

"And if you want to find the offices of the people who run the Russian economy, in terms of this financial operation, they all are located outside Russia, in British territory!"

—LaRouche, March 13, 2010

The allegiances developed in the Gaidar-Chubais 1990s continue to poison Russia's strategic economic policies today. Deep institutional entanglement of Russian companies with London-centered speculative money-flows not only serves as a mechanism for continued looting of Russia, but creates a powerful lobby within the country in favor of one global financial sucker scheme after another.

On Feb. 27, Russia's Deputy Prosecutor General Alexander Zvyagintsev blasted the role of Britain in harboring Russian fugitives from justice, especially those wanted for financial crimes. "No wonder so many of them call the British capital 'Londongrad,'" Zvyagintsev told the government daily *Rossiyskaya Gazeta*, "These are not just small pickpockets, but figures with substantial funds." Zvyaginstev cited the U.K.'s loose asylum laws (which have also been a factor in another of London's nicknames: "Londonistan," haven for terrorists) and the City of London's status as the premier world financial center, which provides ways for criminals to conceal their ill-gotten profits.

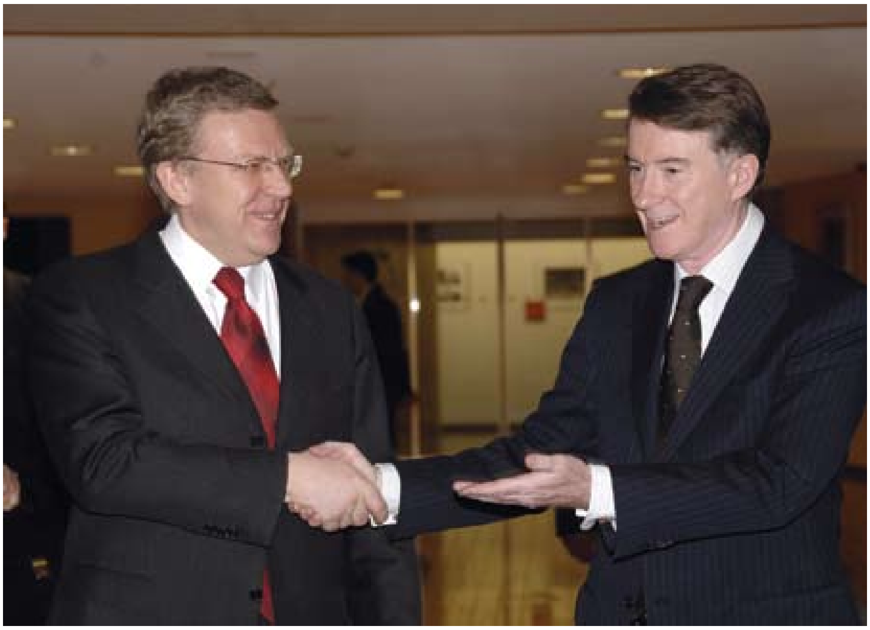
If shadow-economy profits were the only issue, a straightforward law enforcement approach could make headway. What Zvyagintsev didn't go into, however, is a much bigger elephant in the room: the huge portion of the Russian economy which has been integrated into the global hot- and fake-money flows of the Inter-Alpha Group and related financier interests. This, too, is part of the legacy of the 1990s that Chubais would like to be "irreversible."

At a meeting on attracting foreign investment to Russia, held earlier this year, President Medvedev lamented that as much as half of "foreign" investment in the country actually comes from Russian companies that have their legal registration offshore. This is one of the reasons why the top four foreign investor-countries for Russia in 2009 were Cyprus, the Netherlands, Luxembourg, and the U.K., in that order.

A March 3 article in the St. Petersburg newspaper *Nevskoye Vremya* reported that, "by conservative estimates, 90% of Russia's major [privatized] companies belong entirely or partially to offshores." The article cited a number of famous cases in point: the Alfa Group of **Mikhail Fridman** and **Pyotr Aven** is registered through companies in Gibraltar, Luxembourg, the British Virgin Islands, and the Netherlands; **Oleg Deripaska's** Basic Element, the holding company for Rusal (aluminum), the GAZ auto complex, and a major insurance company, is registered through a holding company in the British Crown dependency called the Bailiwick of Jersey, which holding company, in turn, belongs to a firm registered in the British Virgin Islands; **Roman Abramovich's** Yevraz steel empire is registered as a Cyprus company; the NLMK steel complex, property of Russia's richest man, **Vladimir Lisin**, is run through the offshore Fletcher Holding Ltd.; and **Victor Vekselberg's** Renova is registered in the Bahamas.

In *The Anatomy of Russian Capitalism*, Professor Menshikov detailed how this pattern developed, with the ill-gotten fortunes of the 1980s Gorbachov *perestroika* era passing over into still more ill-gotten fortunes of the 1990s Gaidar-Chubais privatization. It was profitable for the new "oligarchs" to keep their money offshore, avoiding various Russian taxes.

Nevskoye Vremya quotes Kudrin, one of the key members of the Gaidar-Chubais clique still in power today, covering for these practices: "Our budget loses from optimization [tax evasion—*NV* editors] through offshores, but it's not illegal." At the same time, Kudrin is cutting funding to Russian Railways and other na-



EC/G. Goulougouris

Russian First Deputy Prime Minister and Finance Minister Alexei Kudrin (left), with Britain's European Union Trade Commissioner Lord Peter Mandelson ("Randy Mandy of Rio"), in Brussels, March 18, 2008. LaRouche dubbed Kudrin the "subprime minister" for his enthusiastic embrace of British economics.

tional infrastructure projects, in pursuit of his avowed goal of outdoing the European Union's Maastricht conditionalities by a factor of three: Kudrin wants Russia's budget deficit to be no greater than 1% of GDP.

A great majority of Russian companies that have staged IPOs, have done them on the London market. Meanwhile, the U.K.'s Business Secretary, Lord Peter Mandelson, boasts that a thousand British companies are now doing business inside Russia. Major banks like Barclays and Big 4 accounting firms including Ernst & Young and PriceWaterhouseCoopers, not to mention the investment bank N.M. Rothschild (whose Russian involvement in the last century featured Lord Victor Rothschild's history in and around Kim Philby's circles), have hefty operations in Moscow. The same goes for leading Inter-Alpha Group institutions such as Banco Santander: Its Santander Consumer Bank makes loans in the extensive Russian used-car market, while Santander's head office has pursued special cooperation agreements with institutions ranging from the Foreign Ministry university MGIMO to the entire Siberia Federal District.

Accepting the ways and practices of such degenerate and bankrupt institutions as normal, Russia is set up to act as if self-damaging policies were actually "competitive advantages" that would promote Russian national interests. This is currently the case with a push for development of a "Russian carry trade," mimicking that of Brazil; foreign money is supposed to be attracted to Russian stocks and bonds with 8% or higher interest rates, in what looks like a replay of the lead-up to the 1998 crash, when speculative money flows poured into Russia.

The grip of British monetarist practice on whole swathes of Russian economic activity was dramatized in the December 2009 newsletter of MICEX, one of Moscow's two main stock exchanges, which promoted such a carry trade. One of the shorts in *The MICEX Newsletter* section, "Macroeconomic Review," asserted, "In 2010, the possibility of conducting carry trade transactions will contribute to the strengthening of the ruble. Even if the Bank of Russia continues to lower interest rates, the overnight repo rates will remain substantially higher than interest rates in the USA and the EU."

Saner heads, such as Chamber of Commerce and Industry head Academician Yevgeni Primakov, have pointed to the already more than $500 billion foreign holdings of Russian corporate debt as a strategic vulnerability of the nation. Yet, London-centered monetarists continue to hype the ability of the Moscow markets to attract speculative capital as a great plus for Russia.

In 2009, even as Russian goods production collapsed and unemployment surged, the Russian RTS stock market surged by 233%. On March 11, 2010, the British wire agency Reuters crowed that the Russian ruble had hit a 14-month high, on the basis of rising oil prices and the carry trade. The London *Financial Times* of March 12 headlines that "Russia's hot ruble keeps seducing foreign investors."

Even the Central Bank, which is run by veterans of the London-steered free marketeers' hegemony in the 1990s, is alarmed at how rapidly the ruble is surging, tightening financial resources available inside the country. The Central Bank is lowering interest rates, accordingly. The *FT* gloats that Russia is still "the weakest link" in the BRIC (Brazil, Russia, India, China) countries, "but that is not stopping the speculators showing a rational—or perhaps irrational—exuberance for the ruble."