IMF recommends 'Polish model' for the Soviet Union

by Chris White

A report on the Soviet economy commissioned last July at the Houston economic summit is scheduled to be released on Dec. 21. In draft form, it had found its way to Western press outlets, before the publication date, and was circulating, in Moscow, for comment from Soviet officials.

Published previews of the draft are sufficient to stand one's hair on end, at the consequences of what is proposed. What is now recommended for the Soviet Union, by the International Monetary Fund (IMF), the World Bank, the Organization for Economic Cooperation and Development (OECD), and the European Bank for Reconstruction and Development—each of which was involved in the compilation of the report—turns out to be not so different from what was demanded of Iraq by the financiers of London on Aug. 20, 1988, the very day the ceasefire was concluded in the Iran-Iraq War.

According to London's *Financial Times*, the report calls for "clearer legal protection of private enterprise and private ownership, and calls for genuine liberalization of foreign trade to make Soviet industry more competitive." The *New York Times* on Dec. 20 told its readers that the agencies involved were "assessing the Soviet Union in much the same way they have the economies of Brazil, Argentina, Mexico, Nigeria and other troubled economies of the Third World." This is the recipe for national destruction, through currency devaluation, privatization of national assets, directly or indirectly, wage freezes, and price decontrols.

In the case of Iraq, the London *Economist* made clear that credit for reconstruction would only be forthcoming if that country "turned over its oil reserves of 100 billion barrels—second only to Saudi Arabia—and rich deposits of other minerals like sulfur, phosphates, and bauxite." This is what the *Financial Times* really means by "protection of private enterprise and ownership" and "liberalization of foreign trade," but in less polite language.

A blueprint for disaster . . . and war

The IMF report should help to make clear just where the "magic of the marketplace," "free enterprise" policies associated since 1978 with Margaret Thatcher, Ronald Reagan, and now George Bush, end up. The report is a blueprint for World War III, for it proposes that the Soviet Union put itself out of existence, and submit to a dictatorship of Western usurious finance, as a provider of raw materials.

The policy recommended, complete with "strict wage restraint" and "liberalization of price controls," is essentially the same as that foisted on Poland in the fall and winter of last year in the name of Harvard's Jeffrey Sachs. What happened to that country in the aftermath, with massive increases in unemployment and hideous price inflation, was no different than the policies implemented in Bolivia and Venezuela, which also came from Sachs and the IMF.

The IMF study was initiated at the Houston summit, under the leadership of the British delegation and George Bush personally, in an attempt to head off an alternative approach to the "free market" insanity, which was being promoted by German Chancellor Helmut Kohl. The terms of disagreement were reported by Secretary of State James Baker in his press conference on July 10. Baker said that there was already "a mission of the Europeans" going to Moscow to evaluate what kind of aid would be most useful. "They wish it to be the sole mission," he said, but added that the U.S. supports another mission, "which includes the IMF and World Bank." This position was backed up by a British Foreign Ministry spokesman, who insisted that "IMF expertise" is necessary to avoid "throwing away money. Some people may have a lot," he said, in a reference to France and West Germany, "but we don't."

The mission was opposed during the summit by, among others, French President François Mitterrand, who reportedly argued that the "Soviet Union cannot be treated like the Congo"—a view which was echoed by German spokesman Hans-Heinz Horstmann, and French official Elizabeth Guigau, who said, "The Soviet Union as a sovereign nation could easily be humiliated. That humiliation must be avoided."

The alternative policy required

What was at issue then, was whether the Western nations had the gumption to come up with a policy which could straighten out the economic crises, East and West, which are driving the world into depression and war. Jailed U.S. economist and statesman Lyndon LaRouche had made such a policy available, as a war-avoidance policy, in a press conference at Berlin's Kempinski Bristol Hotel on Oct. 13, 1988.

LaRouche brought up what was then unthinkable, but had become real by one year later. Forecasting then that Germany's reunification would shortly have to be addressed, LaRouche recommended that the West offer a commitment to reversing the Soviet economic breakdown crisis, if reunified Germany and Poland were permitted to join with the West through the effort. He called the policy "Food for Peace."

A year later, the proposal was restated in the form of his Paris-Berlin-Vienna "Productive Triangle" conception. Technologically progressive infrastructure development, radiating out from the core of the world economy, could provide the means to not only reverse the breakdown of Russia and the East, but also turn around the free marketeers' depression in the West.

When Bush and the British enforced consensual adherence to their IMF policy review, back in July, they were attempting to delay and derail the approach advocated by LaRouche. Prior to the Houston summit, Kohl and other German officials had put the question of straightening out Russia's transportation and energy infrastructure on the agenda, if that country's chronic food crises were to be averted.

At the summit, the dispute took the form of whether Western nations would provide credits to the Soviet Union or not. The study was the adopted compromise. Now, the study recommends, as in the Jeffrey Sachs shock approach enforced on Poland to such devastating effect last winter, that there be no credits until reforms be implemented, and that Western aid be limited to what the Fund's managers call "technical assistance." This is the same formula that was employed by Bush, Baker, and the British delegation at Houston, and has been so employed subsequently. For that reason, the *New York Times'* sources consider that the IMF's "analysis is very much in line with the administration's thinking."

Moscow says 'nyet'

The conclusions of the study have been rejected by the Soviets in advance. Before the London NATO summit in June, Gorbachov wrote Thatcher requesting aid. Before the Houston summit, a similar letter was sent to Bush. Then, in meeting with Kohl on July 16, Gorbachov was reported to have said that some propose that aid to the Soviet Union be linked to conditions of the type that the IMF has imposed on Hungary. "We reject such conditions," he said, "The Soviet people will never accept them."

The free enterprise package was embodied in a program of reforms which had been worked on by a group of economists under Stanislav Shatalin. This package was subject to intense discussion inside the Soviet Union during September and October; it was junked, and with it, the reform program that Bush and Thatcher were demanding. But now, the IMF comes back with exactly the same set of prescriptions.

The prospect of German-Russian economic cooperation in the center of what Anglo-American geopoliticians, from Halford Mackinder to Ray Cline, consider the heartland of the Eurasian landmass, has produced the psychosis which twice before in this century led to world war. The IMF study was introduced into the Houston summit by Bush and the British to derail and delay the prosects of such cooperation.

The July 15 meeting between Gorbachov and Kohl—with Gorbachov's rejection of the IMF conditionalities approach, and the concomitant discussion of the need to develop infrastructure to solve the crisis problems of food production and distribution—was arguably among the factors which caused the elites in London and Washington to precipitate the crisis with Iraq when they did. July 25, after all, was the day that April Glaspie, U.S. ambassador to Iraq, told Saddam Hussein that the U.S. "had no opinion" on such inter-Arab disputes as Iraq's border dispute with Kuwait. Glaspie told the Iraqi leader that those were the instructions of Secretary of State Baker. It was also at the end of July that Lawrence Eagleburger, the former president of Kissinger Associates, Inc., now the number-two man in the Baker State Department, was appointed chief of all Bush administration aid efforts toward the Soviet Union and Eastern Europe. From that time onward, U.S. food shipments to the Soviet Union plummeted, leading to charges from the farm community that the administration was running a "virtual embargo" against the Soviet Union.

Now, the publication of the IMF report is going to put such questions back on the table again, in more acute form. Is the Western world, under the leadership of the geopoliticians and free market lunatics of London and Washington, going to be allowed to plunge the world into war for the third time this century, in an effort to prevent economic cooperation in Europe, which could this time mean the difference between survival and catastrophe for the human race as a whole? This time, LaRouche and his Productive Triangle policy must become the alternative to what the IMF has in store.