

Heat is on Russia's Yeltsin to break with 'shock therapy'

by Konstantin George

As the economic crisis inside Russia intensifies day by day, President Boris Yeltsin is coming under increasing pressure to break with the disastrous "shock therapy" of Economics Minister Yegor Gaidar, the darling of the International Monetary Fund (IMF), and with the "free market" mafia of Harvard University's Jeffrey Sachs. Gaidar, the architect of the Jan. 2 price "reform" which sent the price of consumer goods soaring, while doing nothing to put food on the shelves, is proposing to follow up these measures with massive budget cuts that would cripple Russia's high-tech military and industrial sectors.

A solid bloc of opposition to Gaidar has crystalized in the Russian leadership, centered around Vice President Gen. Maj. Aleksandr Rutskoy, and the head of the Russian Parliament, Ruslan Khasbulatov. These figures and the powerful forces they represent from the military and military-industrial complex, have been exerting enormous pressure on Yeltsin. A showdown on these questions has been put off until later in February, when Yeltsin returns from an overseas tour. The big open question is, which side will Yeltsin take, after his summitry in London, at the U.N. Security Council and at Camp David with President George Bush?

On Jan. 30, just before Yeltsin's departure to Britain and the United States, Vice President Rutskoy, interviewed in *Pravda*, blasted "the Russian economics minister . . . and the group of incompetent academics" surrounding Yeltsin, who has been "shielded from the people by his advisory group," for "conducting an experiment on the Russian people" which has brought "poverty in catastrophic proportions." Rutskoy emphasized that the economic-social crisis they have caused "will lead to the breakup of Russia . . . into 100 banana republics, each with its own army." "Russia is on the verge of collapse," he warned.

The pressure on Yeltsin to break with Gaidar was first reflected in a Russian cabinet meeting of Jan. 23, where for the first time, Yeltsin distanced himself from the "shock therapy" policies of Gaidar. The Russian President accused Gaidar and other members of the cabinet of having launched "an unthought-out," across-the-board price decontrol, failing, as he put it, to provide "adequate social protection" for the population.

Since that day, Gaidar has come under very heavy attack by the Russian Parliament, with no one taking his side. The German daily *Berliner Tagesspiegel* commented on Jan. 29, "Yeltsin is plugging for Gaidar only as far as the elementary loyalty of a boss requires." When the "storm broke out in the Russian Parliament" over Gaidar's budget cuts, "Yeltsin was deliberately absent, and no one in the leadership jumped to his defense." Gaidar knows that if his policies don't produce results, Yeltsin will make sure that he is the first to go, the paper said. The pressure building up is so strong that Gaidar himself is now trying to hang on by singing a different tune, as this IMF sweetheart denounced the West for using "the food weapon" against Russia.

Germany gives in

The day of the turn against Gaidar also marked the commencement of what threatens to become a national wave of protest strikes against his policies. It was also the day that, as the news came in from the Washington "Coordinating Conference on Assistance to the New Independent States," the Russian government could plainly see that the brutal sacrifices the country was making on IMF dictate would not be "rewarded" with anything approaching adequate western aid and credits (see article, page 6).

The hidden agenda of the Washington conference was

characterized by an Anglo-American crackdown on Germany, and German submission to that. This had the effect of lowering the existing level of desperately needed goods entering Russia and other states via normal trade channels.

The German submission occurred in the form of, first, a government announcement, as the Washington conference was in progress, that a paltry ceiling was being imposed of DM 5 billion (\$3.2 billion) in Hermes state-backed export guarantees for exports to the Community of Independent States (CIS) for 1992. The move, as suicidal to German national interests as it is crippling to the national interests of the CIS nations, means, unless it is amended or revoked, a shutdown of the huge industrial and capital goods complexes in eastern Germany, whose livelihood rests on exports to the CIS. The Bonn submission to U.S. dictates also threatens to add 300-500,000 eastern German workers to the unemployment lines.

The decision on the Hermes credits was followed up by a second disaster, a speech on Jan. 27 by German Chancellor Helmut Kohl to the General Staff heads of the nine European countries comprising the West European Union. Kohl unveiled a new policy, again clearly reflecting Washington pressure, making all aid to the CIS conditional on these states' respecting arms control and "proliferation" agreements. As these states have been and are respecting such agreements, there was no reason for such an insult.

These two decisions send precisely the wrong signal to Moscow and other capitals, that Germany will do nothing to act as a counterweight to the Anglo-Americans. The same signal was received from Japan, which "offered" the infinitesimal sum of \$50 million in aid, a sum smaller even than what Great Britain has agreed to provide.

The strike wave

With no international "rewards" in sight for pursuing the Gaidar policies, any incentive for sticking with the IMF recipe for disaster disappeared. Events on Jan. 23 provided the first proof that the military and military-industry opposition to shock therapy was forming a potentially unstoppable alliance with organized labor from heavy industry and defense plants, targeted at Gaidar. Tens of thousands of workers protested that day, marching through the heavy industry and military production centers of Yekaterinburg (the former Sverdlovsk) and Perm in the Urals, in Komsomolsk on the Amur in the Russian Far East, site of one of Russia's largest military aircraft production plants. The protests were joined by the coal miners of Vorkuta in northern Russia.

Simultaneously, two crucial sectors of the work force—the coal miners, who had spearheaded the national strike waves of 1990-91, and the oil workers—threatened strike action unless Gaidar's price rises were rolled back, and consumer supplies at lower price levels were secured. The demands from the coal miners were presented to Yeltsin Jan. 22 by a delegation from the Siberian Kuzbass mines. Similar

demands are being made by the oil workers of the Tyumen West Siberian fields, which account for three-quarters of Russian oil production. An oil strike alone would collapse the economy and bring down the government. Strikes have also been threatened by Russia's 4.5 million health-sector workers, by teachers, and other public employees in many cities.

The threat of a national strike wave forced Yeltsin to issue a decree tripling the wages of the Kuzbass coal miners and giving hefty wage increases to the workers of the health sector, causing that strike threat to evaporate, at least for now. This fire-brigade pattern of extinguishing strikes or strike threats threatening critical parts of the economy, continued during Yeltsin's Jan. 28 appearance in the Russian Black Sea port of Novorossisk. There was more to his agenda there than the Black Sea Fleet issue. Yeltsin was also there to end the strike of Novorossisk seamen and port workers which had begun the day before, crippling Russia's most important Black Sea port. End the strike he did, through wage increases, including stipulation for part payment in dollars.

Ukraine: The clock is ticking

The fight on economic policy in Russia is mirrored in the Ukrainian republic. For Ukraine, the dismal outcome of the Washington conference, and the de facto credit and aid embargo Ukraine has been subjected to since its Dec. 1 independence, has produced intense anger and a sense of betrayal by the West. Alongside this, there are clear moves toward tight control over the economy through a system of rule by presidential decree.

This was explicit in the speech by Ukrainian President Leonid Kravchuk to the opening session of Parliament on Jan. 28, in which he demanded emergency powers to deal, through rule by decree, with the economic crisis in the nation. Said Kravchuk: "The foundation of our state is taking place in difficult times. The economic downturn is continuing. . . . People are losing faith in our ability to improve the situation." He announced that he will begin holding consultations with all parties, including Rukh and the other opposition parties, to form a new government.

Kravchuk also took the occasion to comment on the reports of "conflict" between Ukraine and Russia, denouncing the mass media, both within the CIS states, above all Russian media, and the western media, for having fanned the problems existing between the two states out of all proportion to their real level. He accused the mass media of fueling the dispute with Russia over the division of the Black Sea Fleet, and of helping to make an issue out of the question whether Crimea should belong to Ukraine or Russia. Finally, he blasted the media for painting a false, slanderous picture of Ukraine: "The mass media want to present Ukraine as a military monster which apparently doesn't want economic reforms, and is only interested in the army."