China Report by Michael Billington

Mongolia probes disappearance of funds

China's neighbor Mongolia, the land of the Great Khans, is now suffering from IMF barbarism.

Even in this backward, impoverished nation, the "shock therapy" being applied by a team of Harvard economists under Jeffrey Sachs was able to locate $80 million to steal. During December, the government of Mongolia, which is now independent after 70 years of Soviet control, discovered that $80 million in government reserves had disappeared as a result of foreign exchange operations.

While the amount may be a pittance to international speculators who have been turned loose in this vast nation of only 2 million people, when compared with the size of the federal budget, it is catastrophic. Under orders of the Sachs advisers, Mongolia cut government expenditure last year by 30%, resulting in a total expenditure of $125 million. Thus, the $80 million lost in the swindle represented 64% of the annual federal budget.

The case is under investigation, with several leading officials named as suspects. While they very well may find some corrupted officials, the real crime was committed when the country was forced to accept the economic dictatorship of the International Monetary Fund (IMF) under the direction of Sachs.

One of the officials accused of complicity in the swindle, First Deputy Premier D. Ganbold, when confronted with the charges by *The Mongol Messenger,* said: "The losses and damages in the banking sphere are the misfortunes of not only Mongolia but of almost all former socialist countries, as this is the result of the competition between planned and market economies. The approval by the government for dealer operations was a recognition of the need to cooperate with market-economy countries."

This amounts to saying, "We stole it fair and square." It is a truthful reference to the role of western speculators in using the deregulated "free trade" rules for the exchange markets to steal the last dollar of reserves of this poor nation. But there is no justification for having let the wolves in in the first place. It is also not accurate to say that only "former socialist countries" are being robbed by such "shock therapy" policies. As *EIR* has documented, these are the same policies imposed on Third World nations over the past decade under the rubric of "conditionalities" on the refinancing of debt, which allow the "free" flight of capital, "free" flow of drug money, and "free" access of international speculators to manipulate unregulated markets.

One of the first accused in the scandal, 34-year-old head of the central bank N. Zhargalsaikhan, is one of the key local hit-men for the "shock therapy" gurus. Despite the ongoing investigation, he is still cracking the whip. On Feb. 27, he denounced the government for going too slowly in imposing the deadly austerity measures. He demanded the right to cut off the credit supply and dictate limits on government spending. "We need real liberalization of prices, not half measures," he told Reuters.

The "half measures" which he complains are not tough enough include the lifting of price controls on all goods except bread and flour. Meat prices have doubled, there is no butter or cooking oil, most necessities are rationed, and there is a severe lack of medical supplies. The chairman of the Parliament's economic committee told Reuters on Feb. 26, "In mid-March, all our oil will run out. We can prolong this by using our special reserves for agricultural machinery, but if we use these reserves we can't plant seeds during the planting season. The question of whether we survive depends on external factors."

Unfortunately, those external factors are in the hands of Sachs and the IMF. The other "contribution" which Sachs provided to Mongolia is a stock market. Run by 26-year-old N. Zolzhargal, who was trained at Harvard under Sachs himself, the market was based on the rapid privatization of 2,200 of the nations 2,600 state factories. All are open to foreign ownership in part or in full. In a harebrained scheme to develop "capitalists" overnight, every citizen was offered a chit worth $250 as a voucher to purchase stock, delivered personally to his or her yurt.

Efforts by advanced sector nations to provide assistance to prevent a disaster have been under the direction of U.S. Secretary of State James Baker, who has an unusual personal interest in Mongolia, and head of the U.N. Development Fund William Draper III, a leading advocate of depopulation and deindustrialization. It is clear that the minimal assistance needed will not be forthcoming unless Mongolia continues to implement the genocidal demands of the shock therapists.

This may explain the recent split in the ruling coalition. The second largest party, the Mongolian Democratic Party, announced it was forming a formal opposition challenge because the reforms are going too slow.