

Bush's \$24 billion 'aid' plan for Russia is a fraud

by Kathy Wolfe

President George Bush's April 1 announcement of the "Freedom Support Act," his initiative to give \$24 billion to the International Monetary Fund (IMF) for "shock therapy" economic policies in Russia, and billions more for eastern Europe, has become an April Fool's joke, ridiculed by world financial circles. Bush's plan "will not work . . . when IMF-style shock therapy has already created a disaster in Russia," a Japanese diplomat told *EIR* that day. By April 3, Tokyo had rejected the scheme publicly.

The proposal and its reception is symptomatic of the political instability sweeping London, Paris, Tokyo, Bonn, and Washington, which is fueling financial panic. In Britain, the Tories' tenuous grip on power led to a London bourse panic, with £6 billion of share values wiped out in the first two weeks in April. In France, voters are demanding the end of the Mitterrand regime. In Italy, the major parties are being challenged by pro-autonomy parties seeking to dismember the nation. In Germany, state election campaigns could soon topple the Kohl majority government. In the United States, disgust reigns.

The financial reaction everywhere is sharp. In Japan, calls for the dissolution of the Miyazawa government led Tokyo stocks to hit their lowest point since November 1986, the Nikkei average falling more than 12% since March 30. "There's a growing fear that the Japanese financial system is being destroyed" because the value of stocks held by Japanese banks is crashing, a British banker in Tokyo said.

Japan's top 10 banks are also the world's top 10, with over \$3 trillion in assets, so the crisis is international in scope (see box, page 6).

The July Group of Seven (G-7) economic summit in Munich faces "a nightmare scenario," Horst Koehler, state secretary in the German Ministry of Finance, told the April 5 *Welt am Sonntag*. "When I begin to reflect on the wobbly

governments, coming elections, and the international security problems—this is all a nightmare scenario. . . . France's Mitterrand is mortally wounded. . . . Japan struggles with economic crisis and scandals. Germany faces the growing threat of budget crisis. If the world economic situation does not improve," he said, "we can simply forget help for Russia and the CIS [Community of Independent States] republics."

Bush's blackmail

At the press conference announcing his grand plan, Bush gave many of the right reasons for much-needed western assistance to the people of the former Soviet communist states. "With the collapse of the Soviet Union, we face an unprecedented historical opportunity to help freedom flourish in the new independent states. . . . The success of democracy . . . can help ensure our security for years to come," he said. "Together, we won the Cold War, and today we must win the peace. Our national effort must be part of a global effort."

Beneath the rhetoric, however, there was no help for the Russian population. In fact, Bush's plan is a \$24 billion check to the IMF, for use in blackmailing Russia into further "shock therapy" economics. "After weeks of intensive consultations in the G-7," Bush said, "Chancellor Kohl, currently serving as chairman of the G-7, has announced today G-7 support for an IMF program for Russia. . . . We're working to develop with our allies and the IMF a \$6 billion currency stabilization fund to help maintain confidence in the Russian ruble. The United States will also join in a multilateral effort to marshal \$18 billion in 1992 to assist Russian efforts to stabilize and restructure their economy. . . . We will work to complete this \$24 billion package by the end of April."

At a followup session, U.S. Treasury Secretary Nicholas Brady explained that the \$24 billion was for IMF programs in Russia alone, and that Bush is proposing \$3-6 billion more

in IMF-World Bank credits to Ukraine and other eastern European states, up to \$30 billion total.

Who pays? The U.S. and Japanese taxpayers, naturally. Bush announced that he was also "transmitting to Congress a comprehensive bill . . . to authorize a U.S. quota increase of \$12 billion for the IMF, which is critical to supporting Russia and the other new states. The IMF and World Bank will be the primary source of funding for the major financial assistance needs of the new governments."

The IMF in fact is in control of the whole process. In an article, "World Monetary System Would Gain Leverage on Moscow Policy," the April 1 *New York Times* noted that the IMF on March 31 had just approved the Russian government's harsh 1992-93 economic plan, certifying Russia for IMF membership—otherwise, Bush could have done nothing. This, the *Times* claims, "will place the Russian economy to some extent under the stewardship of the IMF. . . . The relationship could lead to future strains between Russia and the IMF. . . ."

"The Fund is likely to link continued assistance on further belt tightening," the *New York Times* said, revealing that the IMF will be holding on to the \$24 billion-plus in cash, using its control to demand more harsh austerity measures in Russia. Already shock therapy measures implemented by IMF darling, Russian Finance Minister Yegor Gaidar, are causing prices of bread and meat to soar, massive layoffs, and the printing of ever more paper money. The IMF has also called upon Russia to raise energy prices to world levels, which would shut down dozens of industries in Russia and in former satellite countries that still rely on Russia for energy. Russia must also stop protecting its weakened industries with tariffs and allow dumping by western multinationals.

The IMF is actually expecting Russia and the other CIS states to *pay money* to the IMF, before one cent is released to them! During its first year of IMF membership, an IMF official told the *New York Times*, Russia must pay into the IMF \$3.1 billion in rubles and \$900 million in hard currency, and other former Soviet republics are expected to pay in a total of \$2.3 billion. Only then, and only if the U.S. Congress approves Bush's \$12 billion quota increase to the IMF, Russia and the other republics *could* qualify for IMF aid.

IMF shock therapy 'a disaster'

Reaction to the Bush IMF scheme has been sharp. On April 2, Russian President Boris Yeltsin fired the IMF's Yegor Gaidar from his Finance Ministry post, in order to try to forestall criticism of the IMF plan at the April 6-10 Congress of People's Deputies in Moscow (see page 6). Russian Parliament Speaker Ruslan Khasbulatov attacked the shock therapy policies on April 3. He warned that the budget deficit was more out of control than ever, and exclaimed that "now is the hour of the Parliament." He called for reorganizing industry to halt the fall in production.

The Japanese, meanwhile, are refusing to foot the bill,

which could destroy the entire scheme right there. Bush's \$24 billion IMF plan "will not work" because "IMF-style shock therapy has already created a disaster there," a Japanese diplomat told *EIR* April 1.

He reported that he had been visited, the day Bush announced his new plan, by a member of the advisory board for the World Bank's European arm, the European Bank for Reconstruction and Development (EBRD). This banker had just toured eastern Europe and Russia, and was "horrified by what he saw," the source said. " 'It's a disaster over there,' he told me, 'and the Yeltsin government will end up like Venezuela if the shock therapy continues.' "

On April 3, Jacques Attali, head of the EBRD, made similar predictions about the former Soviet Union at a Paris economics conference, warning that there would be 50 million unemployed, a rising balance of payments deficit, and a crumbling of the state system. "We have not touched the bottom of the recession," he said. "This is merely the first stage of a major decline in foreign trade and a considerable worsening of their growth capacity. Eastern Europe has emerged toward civil war, dragging the whole of Europe toward civil war. The dangers are huge."

The Japanese diplomatic source was emphatic that "what is ridiculous is not so much the money, but the idea that the IMF would control the money."

On April 3, Japanese government officials told the *New York Times* that Bush's announcement was "inappropriate," "premature," and never got the slightest agreement from Tokyo. "As far as our government knows, there has been no agreement on this package," the official said. "These figures are extremely new to us. It was inappropriate to announce them."

Finance Ministry spokesman Hiroshi Yasuda said April 3 that the \$24 billion IMF plan had never received Tokyo's agreement. "It's larger than the size we were told of," he told a news conference in Tokyo.

On April 7, the Japanese government announced it would "consider" giving the relatively tiny sum of \$1 billion to the entire scheme. Japanese Finance Minister Tsutomu Hata said that Japan would have "no further statement" on the matter until the end of April.

While the Bush Democrats in the U.S. Congress all endorsed the IMF scheme, led by Sen. Sam Nunn (D-Ga.) and House Majority Leader Richard Gephardt (D-Mo.), IMF sources are worried that Bush's request for \$12 billion in U.S. quota cash for the IMF may present a massive "logistical difficulty." While the Senate approved long-introduced legislation allowing for the full \$12 billion last year, the House never voted on it. Now, the source frets, it appears likely that the full CIS package will come under jurisdiction of a half-dozen House committees which could play politics with it in this chaotic election year. House Banking Committee sources said that Bush will have to break his back to lobby the cash through Congress.