IMF deal loots CIS and Baltic states

by Konstantin George

On April 28, Russian President Boris Yeltsin delivered a short speech declaring that "our country does not intend" to work according to "the direct dictates" of the International Monetary Fund (IMF). He said that Russia did not want to experience the "social cataclysm" that had devastated Third World countries after they had agreed to receive IMF loans under the strict terms it set, and that Russia would never submit to unacceptable conditions for loans. The speech was the strongest attack ever delivered on the IMF by an East European head of state. Coming directly after the IMF annual meeting in Washington, D.C. which agreed to admit Russia and the other 10 nations of the Community of Independent States (CIS) as members, it caused many ripples internationally.

The reason for these ripples had much more to do with Anglo-American fears over what could happen later this year, as the anti-IMF backlash inside Russia grows, than with what Yeltsin said. Reading his speech carefully, one sees it was not a break with the IMF. He actually positively cited the IMF Washington conference declarations praising the Russian "reform program," stressing that he was excluding only "unconditional cooperation" with the IMF. "We do not want to work under the diktat of the IMF. *Not all* our standpoints are in agreement, and we will keep our own position." Given the potential strength of the anti-IMF backlash in Russia, Yeltsin could have said no less.

A rotten deal

In reality, Russia has struck a deal with the IMF, under which, in return for a certain leeway granted Russia in implementing IMF conditionalities, Russia will in turn police for the IMF the implementation of these conditions in all the other republics of the former U.S.S.R. The $24 billion IMF "aid" package, which in reality will be far less, was earmarked exclusively for Russia.

This reality of Russia robbing the other republics to pay the IMF and mitigate its own disaster was confirmed on April 28 from Washington by Russian First Deputy Prime Minister Yegor Gaidar, the hatchet man of "shock therapy," who announced an agreement with the IMF for a "ruble zone," to include "the territory of the former Soviet Union *including the Baltic countries*."

The details of how this "ruble zone" would function, indeed as it already *is* functioning, were released April 22 by Konstantin Kagalovsky, Russia's chief negotiator with the IMF. His announcement followed talks in Moscow with an IMF team on conditions for Russia receiving an IMF standby credit. Kagalovsky stated that Russia had accepted conditions which assigned the following powers to the Russian Central Bank:

1) The sole responsibility for issuing rubles for the entire CIS and the Baltic states. This has been the case to date, with disastrous consequences for the other 14 republics of the former U.S.S.R.

2) The right to define the conditions of access to additional rubles, either as cash or credit, and forbidding other republics from issuing their own currency without first having negotiated the "conditions" for this with the Russian Central Bank.

3) Continuing the practice of centralizing the foreign exchange transactions of the republics through the Russian Central Bank. On this crucial question, little has changed since the demise of the Soviet Union. Most of the hard currency earned by the republics still goes through, or better said, *to* the Moscow Central Bank, which has been holding these funds, refusing to repatriate them to the republics. The amounts are not small. Even Estonia, a republic with only 1.5 million people, has to suffer the indignity of having $100 million of hard currency it earned *after independence* held indefinitely by Moscow.

These measures are not really new. The Russian Central Bank has been shipping to these 14 republics every month such small quantities of rubles, that these republics have less money than is required even to meet state payrolls. This, when most state and state enterprise employees in these republics receive their "paycheck" in cash only, on alternating months. Every second "check" is paid into a blocked savings account, from which, given the ruble shortage, withdrawals are impossible. Regional and city authorities have been issuing emergency local money, reminiscent of post-World War I Germany.

A new colonial policy

What is new, is that the IMF has thrown its full weight behind a post-Bolshevik Russian colonialist policy, in what Moscow imperialist circles see as their sphere of interest. The arrangement will be further refined in Russia's next round of talks with the IMF, which begin in Moscow May 10.

Alongside this, there is a revival of the old form of looting through one-sided commodity price fixing that went on under the Soviet-dominated Comecon trading bloc, this time vis-à-vis the 14 non-Russian republics. Expensive Russian oil, gas, and metals will again be exported in return for artificially low-priced finished goods. Even before the IMF Washington meeting, the Russian government announced its commitment to raise oil, gas, and other raw material prices up to "world market levels" by sometime in 1993. It adopted an immediate sixfold increase in the price of crude oil, and on April 24, the Russian cabinet established a two-tier price for natural gas, quadrupling the ruble price for natural gas exported to other republics, while maintaining a subsidized price for the Russian Federation.

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