

Russia hedges on shift away from 'reform'

by Konstantin George

The cabinet changes directed by Russian President Boris Yeltsin during January, the most sweeping since the end of 1992, indicate a potential for major policy changes away from the failed economic "reform." But Prime Minister Viktor Chernomyrdin, who has gratified the International Monetary Fund (IMF) and London interests with his continuation of the "reforms," has remained untouched by the changes. Thus, whether a real shift will occur is an open question. In late 1992-early 1993, a portended break with then-Prime Minister Yegor Gaidar's policies turned out to have been mere rhetoric.

When he replaced Gaidar at that time, Chernomyrdin began his tenure emphasizing that the "first priority" would be "raising the level of production." After a few months, such talk evaporated, and it became clear that his real agenda was the continuation of IMF "reform" policies. His continuation now as prime minister, and the first reports from his Jan. 29-31 Washington visit, bode ill for any real policy changes.

Chernomyrdin came to the United States to meet not only Vice President Al Gore and President Clinton, but also IMF Managing Director Michel Camdessus and World Bank President James Wolfensohn, in order to nail down the next \$1.25 billion tranche in the IMF's \$6.25 billion standby loan to Russia, and, more importantly, a new IMF three-year credit of \$9 billion. Those funds have already been counted as expected revenue in Chernomyrdin's 1996 government budget! By the end of the second day, he had lined up U.S. support for the IMF credits, along with a restatement of the disastrous U.S. policy blunder of approving the continued destruction of Russian industry as successful "reform."

On Jan. 30, Chernomyrdin told journalists, "We won't swerve from the reform policy. There is no going back." He was asked to clarify earlier comments on upcoming "necessary corrections in the social spheres." His reply: "President Yeltsin on Feb. 15 will announce the new program in the social sector. I don't think I should comment on that until it has been announced." Moscow is anxious to alleviate the worst austerity features of the IMF policies, in an attempt to keep the increasingly desperate social situation "under control."

When Gore was asked whether the United States would support the IMF \$9 billion loan, he said: "The short answer is 'Yes,' and the principal reason we do is that Russia's commitment to continued reform is obvious from the record of the past year. . . . My own view is that the old saying in the

United States, 'two steps forward, one step back,' has consistently applied to Russia for the last several years. I remember very well when Gaidar left the government and many supporters of reform wrote that the sky was falling in and that reform was over. But, in fact, in the aftermath of that departure, the impetus toward reform continued. And the public, repeated, and vigorous commitment to reform on the part of President Yeltsin and Prime Minister Chernomyrdin is a much more reliable indicator than the reading of tea leaves by Western press."

The latest changes

As a result of the cabinet changes, there was a brief flurry of fears in Britain, echoed through the London press, that the reforms were dead. On Jan. 16, Yeltsin fired First Deputy Prime Minister Anatoli Chubais, who oversaw the privatization of Russian enterprises at cheap prices to the Russian and western financial oligarchy. On Jan. 25, he named Vladimir Kadannikov, former head of the Avtovaz automobile works, to replace Chubais, and the privatization post went to Aleksandr Kazakov, who, in Yeltsin's Presidential Office, had maintained ties to Russia's regions. Kadannikov is reportedly in league with Russia's other first deputy prime minister, the military industry-linked Oleg Soskovets, thus generating talk of a stronger "industry lobby" in the cabinet.

On Jan. 26, the London *Times* nervously commented: "The move, although predictable, was greeted with disappointment in the business community and could delay or even derail a \$9 billion IMF loan due to be finalized by the end of this month." It quoted a Yeltsin address to Moscow students the day before: "Beginning on March 1, I am taking under my personal control the on-time payment of wages, students' stipends and pensions. We cannot talk about the successful completion of reforms without lifting the domestic branches of industry."

Wage arrears of up to four months have already led to work stoppages on the Trans-Siberian Railroad. Yeltsin has given no indication of how he plans to pay wages, short of cranking up the ruble printing presses; that would torpedo Chernomyrdin's success in curbing inflation to "only" 200% last year.

The London *Guardian* wrote: "Mr. Kadannikov's appointment will further isolate Viktor Chernomyrdin, the prime minister. On [Jan. 24], Mr. Kadannikov openly criticized Mr. Chernomyrdin, claiming he was out of touch with industry." Kadannikov had called for "serious changes in industrial policy," and for adopting, albeit omitting details, "protectionist" policies for Russian industry.

The cabinet changes represent a process of "stacking" the cabinet with Yeltsin associates. But policy is another matter. One should not jump to crown Kadannikov as the "savior" of Russian industry. His remarks on Jan. 25, also included that "privatization and market economy are the only way" for what he termed "a new organization" of the economy.