

# Gore-Chernomyrdin agreements show risky U.S. policy vis-à-vis Russia

by William Jones and Marsha Freeman

The arrival of Russian Prime Minister Viktor Chernomyrdin in Washington, D.C. on Jan. 28 for the sixth session of the U.S.-Russian Joint Commission on Economic and Technical Cooperation, known as the Gore-Chernomyrdin Commission, was eagerly awaited by Clinton administration officials, anxious to know just how far political realities in Russia would force the Yeltsin government to move away from the austerity policies imposed on the country by the International Monetary Fund (IMF).

The Russian Duma (parliament) elections in December had seen tremendous advances by the refurbished Communist Party, which gained a new lease on life through its opposition to the austerity policies. Recent personnel changes in the Yeltsin government, including the resignation of Deputy Prime Minister Anatoli Chubais, the choreographer of the IMF-backed privatization process and darling of the international financial institutions, clearly indicated that President Boris Yeltsin was conducting some necessary "damage control" in the face of an upsurge of resistance to the IMF "reform" policy.

The resignation of Chubais had caused great concern in Washington, with State Department officials underlining the importance for Russia of maintaining good relations with the IMF. On the day Chubais resigned, an IMF delegation was in Russia to negotiate a \$9 billion credit, contingent upon Russia continuing to pursue the austerity policy which has pushed the country to the brink of social chaos. The first reaction by the State Department was to try to get some assurances that the reform policy was not being abandoned by Yeltsin.

Faced with the reality that the Yeltsin government may well have to make further "corrections" to the IMF policy, if it is to avoid a fiasco in the June Presidential elections, Clinton administration officials are now saying that Russia's implementation of austerity will occur in accordance with the old Leninist principle of "two steps forward, one step back." Unwilling, at the moment, to take on the IMF austerity policies themselves, the Clinton administration is attempting to do what it can within such bounds, while at the same time establishing a "partnership" to maintain key technological capabilities in spite of such an adverse environment.

The policy is a risky one. Unless there is a consistent policy of economic reconstruction for Russia, calling into play the industrial capabilities of the West, and particularly

of western Europe (reflected in the "Productive Triangle" proposal outlined by Lyndon LaRouche), the R&D capabilities that the administration is so eager to preserve, will be ultimately engulfed in a growing sea of increasing industrial decay.

## State Department pushes IMF reforms

"We think it is absolutely essential that President Yeltsin and Prime Minister Chernomyrdin reaffirm the reform basis of the Russian government concerning economic reform," said State Department spokesman Nick Burns, commenting on the Chubais resignation on Jan. 16. "We think it is very important that the Russian government continue to work productively with the International Monetary Fund, with the World Bank, and with the American, the German, and other governments who wish it well and who are supporting it, with billions of dollars in international assistance."

Burns downplayed the Chubais resignation, saying that while Chubais's contribution to "reform" was very important, there were others in the Yeltsin government, pointing to Chernomyrdin, who were also instrumental in implementing these policies. Although President Clinton had received assurances in a phone call with President Yeltsin on Jan. 26 that Russia would continue the course of "reform," senior administration officials privately said that an overall evaluation of how far the IMF "reforms" had been discarded would only emerge with the visit of the Russian prime minister at the end of January.

Prime Minister Chernomyrdin, speaking to the press on Jan. 29, assured the Clinton administration—and the IMF—that "the course of reforms will not be changed." He said, "Taking into account the abnormal timing of the present session [of the commission], in a year of Presidential elections in both Russia and the United States, I would like to caution against any false interpretations of the possibility of a change in the economic policy of Moscow."

At the same time, Chernomyrdin underlined that "necessary corrections" would be made in implementing those conditionalities, "in particular in the social spheres." Already, President Yeltsin had had to assure the half-million coal miners on strike in Russia during Chernomyrdin's visit, that they would be paid months of back wages. When asked what these "corrections" would entail, Chernomyrdin deferred to Presi-

dent Yeltsin, who is to announce the changes later in February.

After discussions between President Clinton and Chernomyrdin on Jan. 30, the President announced that the United States would give its support to the \$9 billion IMF credit to Russia, a seal of approval that Russia was still "open for business." If the IMF refused to give this credit, it was feared, some investors, who are already nervous, might just begin pulling out.

### **Help for aerospace industry, space program**

Over the course of the six sessions of the U.S.-Russian Joint Commission on Economic and Technical Cooperation, 120 agreements have been reached, covering a broad range of areas of cooperation, including energy, health, the environment, defense conversion, and scientific research. By far the most extensive series of agreements, with the highest public profile, have been those involving their manned space programs.

Two years ago, an agreement was signed that initiated joint manned efforts, resulting in last year's two link-ups of the Space Shuttle Atlantis and the Russian space station Mir, out of a planned total of seven Shuttle-Mir missions. Russia was also brought into the international space station project. On Jan. 30, Gore and Chernomyrdin announced that the agreement would be amended to include two additional Shuttle flights to Mir, to be carried out in 1998.

Last fall, Russian Space Agency head Yuri Koptev had informed NASA that the Russian Space Agency was not getting support in Russia for mothballing the Mir station in 1997, when the international space station begins construction. One likely reason was the source of foreign currency the Mir station has come to provide, from flying paying "guest cosmonauts" from other countries. Koptev indicated that with Mir still operational, without \$200 million of additional funds from the United States, Russian international space station hardware could not be delivered on time.

NASA officials explained that they could not commit funds for the space station to support the Russian contribution, since that funding has been capped by Congress at \$2.1 billion per year. But the two additional Shuttle missions NASA will now fly to Mir, will relieve the Russians of the cost of two resupply missions. NASA will also use the Shuttle to deliver the Science Power Platform to the international station in 1999, saving Russia the cost of three Zenit rocket launches. In his statement on the agreements, NASA Administrator Dan Goldin said that with this extension of the Shuttle-Mir program, NASA would have additional opportunities for astronauts to perform long-duration missions on the Mir.

One of the unique capabilities of the Soviet military space program, was its ability to mass-produce rockets and launch more than 100 of them per year. By 1995, this rate had fallen by nearly two-thirds. The aerospace design and manufactur-

ing facilities, which have been "privatized," must increasingly fend for themselves as financial support from the Russian government has dried up.

The huge Russian aerospace companies have entered into joint ventures with U.S. firms, and tried to sell their own products on the world market. But such sales are constrained because most commercial satellites are made in the United States or use American technology, and the United States has to give its permission for the satellite to be launched on a Russian rocket.

The September 1993 U.S.-Russian Commercial Space Launch Agreement opened the commercial space launch market to Russia. The agreement limited Russia to nine launches to geosynchronous orbit (the favored orbital position for communications satellites) to the year 2000, and stipulated that the price could not be more than 7.5% below the lowest western bid. The changes in this agreement, announced after the sixth Gore-Chernomyrdin Commission meeting, increase the limit to potentially 20 geosynchronous launches, worth more than a half-billion additional dollars to Russian aerospace firms. The Russians will also be allowed to charge up to 15% less than the lowest western bid for a launch, similar to agreements signed with China and Ukraine during 1995.

Other aspects of the agreements worked through during Prime Minister Chernomyrdin's meetings in Washington, are also designed to support the crucial "military-industrial complex" of the former Soviet Union, including a \$1 billion Export-Import Bank loan to the Russian airline Aeroflot, which is desperately in need of modernization, to pay for U.S. jet engines and electronics for Russia's air fleet.

### **Partnership at risk**

As Democratic Presidential candidate Lyndon LaRouche has consistently emphasized, Russia's science capabilities are the key to rebuilding its economy. But all of the initiatives in science, technology, and high-technology industry will come to naught if overall economic "reform" policy in Russia is not changed.

More immediately, the implementation of those IMF measures will continue to erode whatever support the Yeltsin government has left, leaving it to an angry electorate to decide its fate in the June Presidential elections. How the U.S.-Russian "partnership" would fare under another Russian government is anybody's guess. There is a growing tendency in Russia to see the IMF austerity policies as part of the U.S. "partnership," and the legitimate outrage over the effects of these policies is beginning more and more to take the form of an anti-western and anti-American attitude. Unless the "partnership" enunciated by President Clinton at his summit with Yeltsin in Hyde Park, New York last fall becomes a clear alternative to the disastrous IMF conditionalities, social outrage will sweep away whatever good will President Clinton has been able to establish among the Russian people for that partnership.