

Looted Russia is straining at the seams

by Rachel Douglas

Surviving quintuple bypass surgery at the age of 65, Russian President Boris Yeltsin is eight years past the average life expectancy for men in his country.

Russia's population loss, a net 350,000 for the first nine months of 1996, is headed for a year-end decline of over 500,000, following two years in which deaths exceeded births by more than 1 million. That crudest indicator of the agony of Russia and its population, is elaborated each day in reports received on the degenerating state of affairs in Russian science, in the country's military institutions, at the power plants and on the farms throughout Russia, and in the ferocious, Byzantine power struggle that has escalated during Yeltsin's illness. On Nov. 5, the social crisis in Russia assumed a new dimension, as upwards of 2 million people took to the streets across Russia in a "Day of Action," called by the Federation of Independent Trade Unions, to protest the non-payment of wages and pensions for the past four to seven months.

Without a change in the so-called "reform," the imported policies that launched the economic and social demolition of Russia in 1992, there is no hope for that nuclear superpower to survive, even if Yeltsin's physical recovery were to stabilize the power configuration in the short term. For the United States to welcome the recent power grab by Anatoli Chubais, trained at Mont Pelerin Society seminars, before becoming privatization chief under Yeltsin, then deputy prime minister, and, currently, chief of the Presidential Administration—and the current International Monetary Fund-mandated tax collection drive—as steps to consolidate "the reform," portends a strategic blunder of enormous proportions. Because of Cold War traditions, the tendency in

Moscow is to react with greatest hostility against the United States, as author and enforcer of the "reform," which really originated in London.

In a speech at the Harriman Institute at Columbia University, titled "America and Russia in a Changing World," Deputy Secretary of State Strobe Talbott has just reiterated the International Monetary Fund (IMF) line of policy, based on the axioms of monetarism: "Russia appears to be well on its way to slaying the beast of hyperinflation," and "Russia urgently needs a prompt and massive overhaul of its tax-collection system. The Russian government's failure to collect revenues has jeopardized its eligibility for further lending from the IMF." Talbott regretted that "crime and corruption . . . threaten to discredit and even doom reform," but who would care to note, that the "reform," as incubated by Chubais et al., *could not have failed to produce an explosion of criminal activity*, and that influential economics authors like Vitali Naishul anticipated the increased clout of the shadow economy, and justified it with the theory of *institutionalization*?

Economic, cultural holocaust

The day after Talbott spoke, on Oct. 30 at 11 p.m., Academician Vladimir Zinoviyeich Nechay, prominent Russian physicist and head of the Chelyabinsk-70 Nuclear Center, shot himself to death in his office. He left a note that said, "We can't live like this any longer." The scientists of Chelyabinsk-70, one of the two top-secret nuclear weapons research facilities in the Soviet Union, have not been paid since May, at which time their average salary was 250,000 rubles (less than \$50) per month. Days before his suicide, Nechay re-

ceived an instruction from Moscow, to cut his staff by half.

The scientist's words are on the lips of many others, throughout Russia. The Moscow daily *Trud* reported from the Kuzbass coal-mining region on Oct. 23, that people "at rallies, meetings, and standing on picket lines," are asking, "How can we go on living like this?" The same phrase was uttered by a 42-year-old nurse and mother, who set fire to herself, but survived; she and her husband had not been paid in four months.

People from the Kuzbass town of Anzhero-Sudzhensk, according to *Trud*, addressed this open letter to Prime Minister Viktor Chernomyrdin: "Most families in the city are living in poverty. People are starving without going on hunger strike—they simply do not have any money to buy food. . . . Miners, power industry workers, construction workers, teachers, and doctors, not to mention pensioners, are having to fight for their survival. We have never been in such a difficult, humiliating situation before."

In the Russian Far East, where a payments crunch has left power plants without fuel for weeks on end, the infrastructure breakdown led to an outbreak of hepatitis. Hundreds of people fell sick during October, after drinking contaminated tap water.

Economic desperation is straining the integrity of the Russian Federation. At the beginning of November, Sverdlovsk Province Governor Eduard Rossel announced that the region intended to introduce—and had been cleared by First Deputy Prime Minister Potanin, a Moscow banker, to do so—its own currency for local use, already dubbed the "Ural Franc." The currency was first planned, and rejected, when Rossel was pushing a scheme for a quasi-independent Ural Republic, in 1993. In Magadan on the Pacific Coast, the victorious gubernatorial candidate in Nov. 4 elections was Valentin Tsvetkov, supported by both the Communist Party of the Russian Federation (CPRF) and Vladimir Zhirinovskiy's Liberal Democratic Party of Russia, in a campaign in which he promised, "The first thing we have to do is to demand that 15% of our income stay in the possession of the region."

The V.Ch.K.

In a country experiencing such conditions, the regime's battle cry of the moment is to increase tax collection from Russia's large industrial companies, ostensibly to fill the state's coffers, allowing wage and other obligations to be met. Chernomyrdin appeared before the Nov. 5 demonstrators in Moscow, to offer a lame promise to pay back wages "by Nov. 15," or maybe, if not this month, then "next month."

The tax drive, launched by Chubais's allies in the government after they attended the annual IMF meeting in Washington at the end of September, is being carried out by a Temporary Extraordinary Commission that shares its acronym, V.Ch.K. (pronounced "Vecheka"), with the original Soviet secret police. In October, the IMF refused to release the latest \$350 million tranche of its credit to Russia, until tax collection

were improved.

Peter Boone, a London School of Economics "expert" attached to the Russian European Economic Policy Center and working closely with the Working Center for Economic Reform under the Russian government, spilled the beans at an Oct. 23 Moscow press conference, "On the Fiscal Situation in Russia." While applauding the Russian regime's "tax compliance" measures, Boone admitted that the large industrial firms being targeted *cannot pay* their tax bills. The reasons: the economic collapse, high tax rates, and the disproportionate taxation of these firms, given non-taxation of the criminal economy.

Government figures confirm that, in October, only 45% of planned budget outlays could be covered by revenues. And only one-third of that 45% came from taxes; the rest was procured by the rollover of existing and issuance of new short-term state bonds (GKO's), at annualized interest rates of over 50%, and by sales of precious metals.

Besides the collapse of the tax revenue base and the factors cited by Boone, other wrinkles have appeared. Some Moscow banks, according to *Izvestia*, have been sued for embezzlement of tax payments, which they were ordered to make from the accounts of various Siberian industrial firms; the banks deducted the funds from the accounts, but used them for speculative financial operations, instead of transferring them to the government. And, in the case of the alleged biggest tax debtor in Russia, the oil firm Tatneft, its CEO told *Izvestia* that the government had failed to record a 365 billion ruble tax credit—against arrears of R 407 billion—authorized by the government in compensation for free-of-charge fuel deliveries made by Tatneft since the early 1990s, to insolvent agricultural customers, so that plantings and harvests could proceed!

Professor Boone revealed the bottom line: "So, the end result is then that, in order . . . to reduce the budget deficit, *it really means somehow expenditures have to be reduced.*" Leaving aside "things that you really would not want to change necessarily too much, such as education, health, roads, defense, debt service, law and order," he declared that the "two remaining big items are *housing subsidies*, which are almost 4% of GDP this year . . . and *pensions and social security*, which are roughly 6% of GDP."

Even speculator George Soros, interviewed in France's *Le Monde* of Nov. 2, warned about Russia, "The situation of this country is very worrying, because a system of savage capitalism reigns supreme there, and this is revolting for the population. Russia is in general bankruptcy. . . . Debt is growing rapidly, and its high interest rates prevent any economic development. . . . The economy continues to slow, production is falling, wage-earners can go for months, without receiving pay. Concern is growing, and we see charismatic leaders gaining increasing power, which raises the specter of totalitarianism. In Russia, I see a very worrisome parallel with the Weimar Republic."

Chubais 'administration' becomes state power center

For the moment, the one who has made the most aggressive power play in Moscow is not a would-be "charismatic leader," such as ex-Security Council Secretary Aleksandr Lebed or Moscow Mayor Yuri Luzhkov, but the widely detested Chubais. "A covert coup has taken place in Russia since the Presidential elections," warned Yeltsin's former press secretary, Pavel Voshchanov, in an early November article in *Komsomolskaya Pravda*. "All power is now concentrated in the hands of representatives of the clan headed by Anatoli Chubais."

On Oct. 2, *Nezavisimaya Gazeta* has reported, Yeltsin signed a decree that instituted a "Regulation on the Presidential Administration (PA) of the Russian Federation," which enhances the power of the PA, which Chubais heads. Deriving its authority from a clause in the December 1993 Constitution, which states that "the President forms the PA of the R.F. [Russian Federation]," the 14-page "Regulation" elevates the PA from a mere staff, to "an organ of the state, providing for [implementation of] the activity of the President of the R.F."

Inclusively, the PA is in charge of mass media policy, to inform the population about foreign and domestic policy. It also has the authority "to create conditions for implementation of the President's measures," aimed at preserving Russian sovereignty, independence, and territorial integrity; to oversee his interaction with political parties and other institutions; to tend to the interaction of Moscow with the regions, and so forth. The PA may appoint and dismiss staff at the Security Council and in other institutions, draft bills to be submitted to the Parliament, coordinate the President's decrees, and monitor their implementation. Financed from the national budget, the PA has broad spending leeway. It can shape economic policy, through its review function.

On Nov. 1, a supplementary Yeltsin decree created a Presidential State Military Inspectorate, through which Chubais can supervise the so-called force ministries. According to *Izvestia*, the Inspectorate, a special department of the PA for defense and security matters, will be subordinate to Yeltsin, but day-to-day "operational matters" will be decided by Chubais. It will monitor the Ministry of Defense, and 24 other federal agencies with uniformed staff.

On Oct. 29, Yeltsin appointed *nouveau riche* Boris Berezovsky as deputy secretary of the Security Council, which is undergoing a shakeup since Lebed's dismissal on Oct. 17. Berezovsky is a mathematical physicist, who parlayed his 1989 investment in the (notoriously crime-ridden) used-car business into a multibillion-ruble empire that includes the LogoVAZ car dealerships and ORT television, nationwide Channel 1. He is one of the financial sharks, accused by Gen. Aleksandr Korzhakov and others as the power behind the Chubais "regency" for the ailing Yeltsin.

Yabloko Party leader Grigori Yavlinsky blasted the appointment of Berezovsky as "a masterpiece of incompetence," revealing the "exotic cadre approach" for which Chu-

bais is famous. Gennadi Seleznyov of the CPRF, speaker of the Duma (lower house of parliament), threatened to quit the new Consultative Council—formed last month to provide a semblance of collaboration with the Duma on national unity grounds—if Yeltsin wouldn't fire Chubais.

Power and force

In Moscow and other cities, workers, state employees, and pensioners were joined in the Nov. 5 marches by soldiers in uniform, whose last paycheck was for July. Russia is rife with talk about the formation of "workers and soldiers councils," a phenomenon that last occurred in 1917, the year of the Bolshevik Revolution.

On the eve of Yeltsin's surgery, the U.S. and German embassies in Moscow warned their citizens of possible military unrest during the days of uncertain authority in his absence. *Vechernaya Moskva* reported Nov. 5 that a regiment of Internal Affairs Ministry troops was brought into Moscow around Nov. 2, on the pretext of "preparations for the holiday" (the Nov. 7 anniversary of the 1917 revolution).

Nikolai Nor-Mesek, the director of the Frankfurt, Germany-based Soviet Studies Institute, who is known for cautious and precise evaluations, told the Nov. 3 *Welt am Sonntag*, that such "workers and soldiers councils" have been formed in the garrison towns of Novgorod, Voronezh, Ryazan, and Tula, and in Moscow as well. Tula and Ryazan are garrison towns for Russia's airborne forces; an airborne division is based at Tula, and Ryazan is the training center and school for the airborne forces. Nor-Mesek cited Russian Army officers and politicians as sources of reports, that trade unionists and servicemen were mobilizing for protests and threatening to march on Moscow and occupy the Parliament.

Chernomyrdin and Defense Minister Gen. Igor Rodionov visited Ryazan on Nov. 1, to meet troops and cadets from the airborne forces garrison and school, as well as strategic bomber pilots and workers from a nearby defense plant. Rodionov cited "deep concern over the state of affairs in the Army," while Chernomyrdin gave his pledge to pay wage arrears in the near future.

On Oct. 23, Chernomyrdin, with Chubais in tow, called at Lubyanka for his first-ever meeting (as prime minister) with the leadership of the FSB, the former KGB. According to Russian press reports, the topic was "constant monitoring of the socio-economic situation in Russia's regions."

Nezavisimaya Gazeta reports that there is intense political organizing within the military by Lebed's "For Law and Order!" party, by left radical communists, and by national-patriotic movements. Many of the activists are promoting the idea of convening an All-Army Officers' Assembly, for which preparations are afoot in various military districts and in the fleets.

The Nov. 5 protests, unprecedented in the past five years, were a prelude to the conflicts that are bound to follow, under current policy.