Russia's new finance czar an IMF flunky

by Konstantin George

Russian President Boris Yeltsin's March 25 appointment of Deputy Prime Minister Boris Fyodorov, a hard-core "shock therapist," as "super-minister" for finance and economics, spells disaster for Russia. Fyodorov, who speaks perfect English, is well known and liked by the International Monetary Fund (IMF) and Anglo-American banking circles, not least because he worked at the World Bank before joining the Russian government.

As finance minister, Fyodorov will be in charge of the April negotiations on an "aid" package for Russia with the Group of Seven industrial nations.

The Anglo-American establishment is crowing over the Fyodorov appointment. A British source who returned from Russia at the end of March told *EIR* that on economic policy, "Fyodorov is running the show," and as "the International Monetary Fund's man in Russia, he will accept IMF medicine." The source said that Fyodorov would carry this out in a somewhat more "refined" manner than the sledgehammer shock therapy applied in 1992 by then-Prime Minister Yegor Gaidar: "Fyodorov will bring the idea of [financial wizard] George Soros and President Clinton for a social security net, which will mean that you will no longer have naked shock therapy, but watered-down shock therapy, a shock therapy with something in place to cushion the impact."

Under this "modified shock therapy," Russian industry will continue to be shut down. This IMF-induced economic ruin is the root cause of the crisis in Moscow, "the greatest strategic threat of our time," as U.S. Secretary of State Warren Christopher said in March.

Because of the immense strategic stakes involved, there is at least an impulse emanating from President Clinton to remove or alleviate some of the IMF austerity conditionalities. As cited by the German daily *Frankfurter Allgemeine Zeitung* on April 1, Clinton has been pushing the IMF to come forward with an aid package of about $10 billion per year, above and beyond debt relief, and not to tie the package to conditions. The IMF, in a statement March 31 by its Moscow representative, Jean Foglizzo, rejected this. "I don't see how we can reach an agreement with Russia in the near future," said Foglizzo, adding that Russia can expect no aid at all until the political factions agree on an economic policy acceptable to the IMF.

The IMF has actually given Russia only *$1 billion* of the $24 billion promised, with tremendous fanfare, last year. The condition for further credit had been that the entire presidency, government, and central bank agree on implementing IMF policies. Now, that condition is being extended to include the Supreme Soviet and Congress of Peoples Deputies as well.

'Debt relief' alone won't help

What Russia can expect from the G-7 in April are agreements providing for what is called "debt relief." The Paris Club of western government creditors has been meeting in the last days of March and into April to work out a substantial debt relief package, which would "allow" Russia to suspend payment through 1993 on the $17 billion that fell due or will fall due during 1992 and 1993. This is absurd, because since Jan. 1, 1992, *Russia had already stopped all repayment of debt owed to governments*. The "debt relief package" will only codify and ratify an existing practice.

Russia, since last year, has stopped all payments, both principal and interest, on the debt of the former Soviet Union—debt owed to both governments and to western banks. Russia announced in March that this policy will continue at least through Sept. 30 1993, regardless of what the IMF, western banks, the Paris Club, the G-7, or anyone else says or does. Debt relief in and of itself will not remedy the Russian economic collapse. If it could have done so, then the economic turnaround would have started many months ago and been quite visible now. Not paying debts, or drastically scaling down debt repayments, if coupled with shock therapy, is still shock therapy, as the ruinous cases of Poland, and Russia in the past 15 months, have shown.

Russians fed up with IMF

On March 30, a press briefing was given by Jean Foglizzo, the head of the IMF permanent mission in Moscow, about the role of the Fund in Russia. He received in return a strong taste of the rage building up over what the IMF has done and intends to do to the country.

One Russian journalist asked: "There is a lot of talk in the streets about the pernicious role of the IMF in Russia. Could you cite any examples of IMF help to countries which found themselves in critical situations in the past?" After some hemming and hawing, Foglizzo replied: "You are raising the issue of visibility of IMF actions. Of course, I am visible, but that doesn't feed people. They feed us." He admitted that the IMF "doesn't build anything. . . . IMF money usually stays in the central bank." The journalist pressed him: "Can you say that, say Czechoslovakia or Uganda, at one point or another in their history, relied on the aid or good advice of the IMF to find their way out of the crisis? Just [give] a couple of examples, three examples, five examples." Foglizzo answered, "I cannot give you an example of a country that is forever going to be wealthy and successful thanks to the assistance of the IMF."