

Soros bids for more power in Russia

by Rachel Douglas

At the end of his week-and-a-half-long tour of Russia, marking the tenth anniversary of the launch of Soros Foundation activities in the Soviet Union, global speculator George Soros was confronted at his Monday, Oct. 20 press conference in Moscow with the unfolding international market turmoil. "Is the panic selling in Asian markets . . . such as in Thailand on Monday, justified?" a British correspondent asked him. "When? Which Monday? This Monday? . . . Obviously I'm not up to date," Soros replied. "It must have something to do with the IMF [International Monetary Fund] package, which maybe they're not willing to meet the conditions of the IMF, which would justify the fall—or [quickly correcting himself] would explain the fall."

The IMF's latest team just happened to have arrived in Moscow that day, to pass judgment on whether Russia's tax-collection and budget-cutting performance is adequate for release of the latest tranche of its IMF credit line.

A Russian radio journalist brought up to Soros that, "You have been criticized for causing damage to some Asian countries," and asked if he were merely speculating with his Russian financial operations, or actually planned to make real investments. Soros answered by attacking the Malaysian prime minister again, by name: "As far as accusations by Prime Minister Mahathir [Bin Mohamad], I have refuted those accusations totally. And he has produced absolutely no evidence to justify as such [sic]."

Regarding Svyazinvest, the Russian communications company he bought into, Soros spoke with the arrogance of a selfish landlord, "I have already invested in Svyazinvest and I will continue. And until I sell it, I own it." He did not deny that he might bid on the next 25% of Svyazinvest to come up for sale, but said his main hope was "to create the conditions for foreign operating companies to come in," including to run Svyazinvest.

The hands-on control by foreign interests over Russian resources and infrastructure, is still a burning issue in Moscow. Meanwhile, the package of new donations, unveiled by Soros at the press conference, looks less like a gift, than an offensive to take over other Russian institutions, as well, focussed on the sorest points of Russian society.

On Oct. 23, the State Duma (parliament) asked the Russian government to investigate the business activities of Soros and Boris Jordan, a U.S. citizen who runs MFK investment

bank, part of the Oneksimbank empire with which Soros is in partnership. The interrogatory cited potential damage to Russia's national security, from their activities.

Russia globalized

But, global financial collapse means that all bets are off in the latest hot "emerging market," Russia, a truth that is beginning to dawn on some people in Moscow. "The Crisis of the World Economy" was the Oct. 24 headline in *Kommersant-daily*, read primarily by Russian businessmen and government officials. In one of the first detailed Russian press discussions of the Asia-centered world market crisis, the article explained that week's nearly 25% slide in the Hongkong stock market, as the immediate consequence of the currency collapses in Thailand and Indonesia—which had been, as reported previously in *Kommersant*, triggered by Soros, personally. Authors Ilya Plaksin and Yelena Maksimenko applied the term "chain reaction" to the spreading collapse in Asia.

On Oct. 25, *Izvestia* (which co-publishes a business supplement with the *Financial Times* of London) denounced such reports, declaring that the Hongkong slide, which had caused "such a panic that some experts claimed it was the crash of world economy," was over the next day. *Izvestia* assured readers that the crash was not affecting the Russian market, adding that the "IMF has not expressed great anxiety about the Hongkong events."

By Oct. 27, Russian TV broadcasts were singing a different tune, with up-to-the-minute reports on Wall Street's big drop of that day, while NTV's Vladimir Shashkov commented on how stock market crashes drive depressions. On Tuesday, Oct. 28, Moscow's stock exchange plunged nearly 20%. TV stations spent the day broadcasting, and then denying, reports that First Vice Premier Anatoli Chubais was rushing back to Moscow from London.

The sore spots

Soros's newly promised \$300-500 million infusion of funds into Russia over the next three years, through the Soros Foundation and the Open Society Institute, will be directed as a seven-part package, to make Soros indispensable where Russia is hurting the most:

- Health care. The project will focus on the tuberculosis epidemic, and drug-resistant bacteria. As yet, Soros has not launched a campaign in Russia for another of his favorite causes, euthanasia. Possibly it is considered superfluous, in a country where the population is already falling by a net 1,300 persons per day.
- Education. "We perceive our task as twofold: to preserve what is good in Russian education, which is basically science and mathematics, and to reform what is too authoritarian in structure, content, and teaching methods."
- Culture. "Management training for cultural institu-

tions,” as well as matching-funds supplements to self-help, will be provided.

- **Books.** Expansion of the OSI textbook project, through which Soros has already seized the high ground in Russian schools.

- **Internet access.** Development of networks beyond the 33 university Internet centers the OSI is opening in Russia. (There was no special mention here of Chubais, who said recently that he and Microsoft magnate Bill Gates had enjoyed comparing keyboard cursor manipulation techniques and that he, Chubais, spent his entire vacation logged on to the Internet!)

- **Law and local government.** Provision of books and training for local government agencies.

- **Management training and retraining of military personnel.** Soros said that he is promoting “large-scale training of managers,” together with Deputy Prime Minister Boris Nemtsov, and that in Yekaterinburg this would be a joint project with the British Consulate.

In Ukraine, Soros said, the OSI has retrained 50,000 demobilized military personnel, and will begin to do this in Russia, as the military is downsized.

Soros said that his International Science Foundation has ended its program of direct grants to scientists and scientific institutions, of the sort Soros gave in 1992—grants of \$500 to each of 30,000 Russian scientists (including many young scientists who proceeded to emigrate). This is in line with an overall push by Russian liberalizers, to “privatize science.”

Under the not-yet-adopted 1998 Federal Budget of Russia, and a decree that goes into effect next year, the 275-year-old Russian Academy of Sciences will be forced to police its own “downsizing,” presenting to the government recommendations on which institutes should close, and which survive. The government will have the final say.

An Oct. 16 article in the *Vladivostok News* discussed what a shock this is to the prestige, not to mention the existence, of the Academy, which was founded by Peter the Great in 1725. The article quoted Anatoli Kalyagin, a researcher at the Pacific Oceanographic Institute, who wistfully remarked that budget-cutters can’t judge scientific work: “Some scientists who don’t seem productive, may actually be working on significant research. These reforms are designed to annihilate our achievements.”

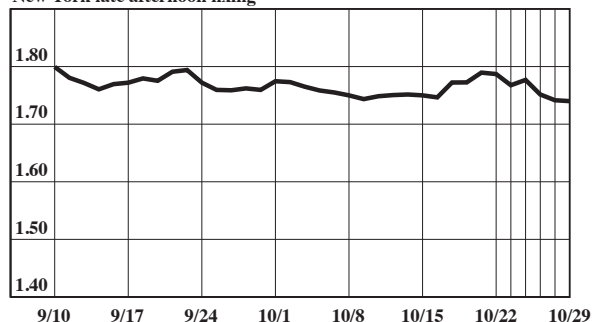
Nationwide, Russian budget financing for the Academy of Sciences is 1/22 of what it was in 1992.

A *Business Week* feature on Russian science, in the Oct. 27 issue, is subtitled, “Can Private Enterprise Pick Up Where the Soviets Left Off?” Reviewing the huge drain-off of resources and personnel from Russian science (see *EIR*, Aug. 8, 1997, “Russian Science: a Strategic Assessment,” by Lyndon H. LaRouche, Jr.), *Business Week* reports that the issue of the day is self-financing by academic institutions, by means of everything from selling the fruits of their research, to running fast-food restaurants on the side.

Currency Rates

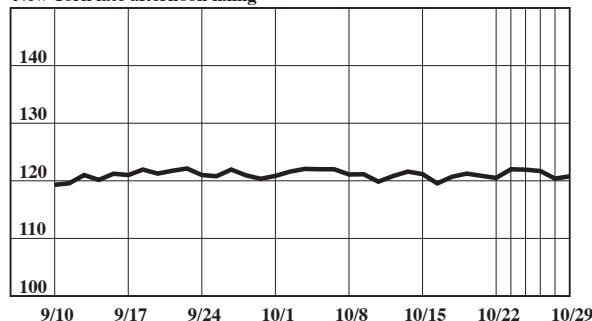
The dollar in deutschemarks

New York late afternoon fixing



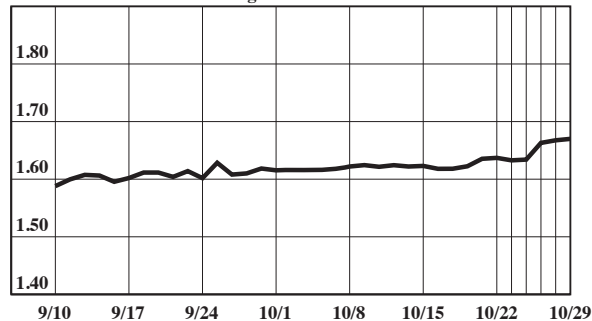
The dollar in yen

New York late afternoon fixing



The British pound in dollars

New York late afternoon fixing



The dollar in Swiss francs

New York late afternoon fixing

