

Markets' Black Friday shapes Putin visit to Britain

by Mark Burdman

Whatever Russian President Vladimir Putin may have intended, by deciding to make Great Britain his first state visit, his agenda in London was shaped by a huge reality shock in the days immediately preceding his April 16 arrival. On April 14, the global financial system was hit by the "Black Friday" upheavals on the markets around the world. This created shock-waves in Russia, triggering fears among Russian influentials, that the already wrecked Russian economy could disintegrate.

Such a threat was likely uppermost on the Russian President's mind. Particularly, the need for immediate aid for Russia's beleaguered energy sector (oil and gas) which is collapsing because of a decade of non-investment and neglect, would have been a priority concern.

While British strategic calculations vis-à-vis Russia have also undoubtedly been affected by the global financial turbulence, and by the effect this is having on the speculation-ridden British economy and financial system, the general thrust of British policy is clear. According to well-informed British sources, the Tony Blair government and the predominant grouping in the British establishment believe that Russia's economic devastation can be exploited, to bring the Russians into some longer-term "entente" with Britain, and to force the Russians to acquiesce to pet British geopolitical projects, such as the establishment of an expanded NATO protectorate in the Balkans.

The carrot being offered the Russians, is British investment in Russia, especially in the oil and gas sectors—this investment being tied to draconian "economic reforms" favorable to the usual British looting approach. A City of London source has informed *EIR*, that the British elites have long viewed Russian oil and gas resources as the basis for a long-term British strategic penetration of Russia.

As we reported last week, British strategists see the current conjuncture as a "moment of opportunity" to make vital inroads into Russia, at a time when German ties with Russia, which peaked during the Chancellorship of Helmut Kohl, have weakened, and when there is perceived drift and indecision in the United States, in this election year. Certain British gamemasters, view the Russo-British entente as the centerpiece of a new British relationship with Eurasia as a whole, ultimately aimed against American interests. On the other hand, some British sources have told *EIR* that the recent Blair-Putin back-and-forth has had the encouragement, privately, of the U.S. State Department, and perhaps other Washington power centers as well.

In any case, British cultivation of their "Russian connection" is intense. As one Scotland-based British strategist told *EIR*, "There is, and will be, a great deal of cozying up" between the British and the Russians. As we will see, the British royal family is very much involved in that "cozying up."

Two big gatherings in London

The public atmospherics of the April 16-17 visit were dominated by the war in Chechnya. At an April 17 joint press conference with Blair, Putin growled at reporters peppering him with questions about alleged Russian "human rights violations" in Chechnya, angrily insisting that this was a war being fought by Russia against "international terrorism" and for "civilization." Blair interrupted his rhesus-monkey smiling, long enough to express his "concern" about what the Russians were doing, and insisting that Putin had not been given a blank check by Great Britain. This issue generated hundreds of commentaries and editorial statements in the British media, many of them lambasting Blair for hosting Putin at this time. But, in fact, in comparison to certain other

matters of extreme import, the Chechnya atmospherics were a theatrical sideshow.

Probably the most important episode in the short visit, was the Russian President's April 17 meeting with the Confederation of British Industry (CBI), where there was some substantive back-and-forth about the state of the Russian economy. The April 18 London *Daily Telegraph* reported that CBI leaders were putting out the word that Putin is a "man we can do business with." That is the phrase that former British Prime Minister Margaret Thatcher used in 1984, after she had become the first Western leader to meet Soviet President Mikhail Gorbachov.

CBI Director General Digby Jones announced, after Putin's speech to the group, that "on the basis of what we heard this morning, I am very encouraged." Jones added: "However, it is early days yet." He avowed that the CBI would be "monitoring carefully" whether the Russian leadership would implement the "reforms" that Putin was promising.

The Russian press reported that Putin brought with him, some 30 projects for discussion. It has not been revealed, whether cooperation on any of these was formally concretized.

The CBI is an influential grouping, in the British scheme of things. Its board includes chief executive officers, chairmen, or other senior figures, from leading British multinationals, including British-American Tobacco, British Airways, British Petroleum Amoco, the Royal Dutch Shell Group of Companies, and others. The former and current British Ambassadors to the Russian Federation, Sir Andrew Wood and Sir Rodric Lyne, respectively, are also on the board.

One CBI board member, Ralph Land, is also chairman of the Russo-British Chamber of Commerce. Immediately after Putin had left Britain, this Russo-British Chamber held a conference in London on April 19-20, attended by 500-600 delegates. Sponsors for that extravaganza included Russia's Alfa Bank and Yukos Oil Co.; ING Barings bank; British Airways; the British Cable & Wireless telecommunications giant; Bloomberg; and the London *Financial Times*.

A massive delegation of speakers flew to London from Russia for the occasion, including Anatoli Chubais, the most notorious of Russian "reformers" and privatizers, who is now chairman of the RAO UES Rossiya electricity conglomerate; Pyotr Aven, president of Alfa Bank, who recently told the London *Guardian* that Russia needed a "Pinochet" to deal with its current crisis; several key figures of the State Duma (lower House of Parliament), including Deputy Speaker Boris Nemtsov, of the "reformist" Union of Right Forces, Deputy Speaker Vladimir Zhirinovskiy, the loudmouthed ultra-chauvinist, and Deputy Speaker Vladimir Lukin, former Russian Ambassador to the United States; top "oligarchs" Mikhail Khodorkovskiy, chairman of Yukos Oil Co., and Oleg Deripaska, president of Sibirskiy Aluminum Co.; Viktor Chernomyrdin, former Prime Minister and chairman of the board of Gazprom; and other leading figures from the Rus-

sian media, banking world, and strategic policy think-tanks.

From the British and "Western" side, speakers included First Vice-President of the London-based European Bank for Reconstruction and Development Charles Frank, Group Chief Executive of BP Amoco John Browne, former British Ambassador to the Russian Federation Sir Andrew Wood, and other leading figures from British banks and multinationals.

The official "patron" of the Russo-British Chamber of Commerce is the Duke of Kent, cousin to Queen Elizabeth II. The Chamber was created in 1916, during World War I, and the Anglo-Russian "alliance" of that time.

EIR is investigating what kinds of deals were cut, between this elite British crew, and their Russian counterparts. On April 19, the Iranian News Agency commented that the two-day "Russia 2000" conference of the Russo-British Chamber at the Queen Elizabeth II Conference Center in London, is key to the mutual desire of Blair and Putin, to bring relations between Russia and Britain, to the level of a strategic partnership. Duma Deputy Speaker Nemtsov is quoted: "We want this meeting in London to become an alternative to the Davos [Switzerland] meeting, which has already exhausted its potential. London has everything necessary for becoming the financial gateway to Russia." Putin recently showed his inclination in such a direction, by appointing arch-monetarist Andrei Illarionov as Economic Adviser to the President.

'A financial Chernobyl'

In the midst of all this London activity, influentials back in Russia were fretting about the latest upheavals in the world financial and economic system, and the effects of these on Russia.

On April 18, a well-connected Russian think-tanker in Moscow who is working in an advisory capacity to President Putin, told *EIR* that "alarm bells are ringing in Russia" over the massive instability in global financial markets in mid-April. He said that the view in Russia, is that certain developments now unfolding could "destroy the Russian economy." Now, "the worst combination for Russia" is happening, namely, falling oil prices and financial market instability, he said.

This source emphasized that the hope had been, in leading Russian circles, that high oil prices would make Western financial aid to Russia unnecessary, but now, that prospect is fading, as oil prices drop. At the same time, Western financial aid is much more unlikely, under conditions of prevailing global financial instability. Hence, the likelihood, is that all budget projections for 2000 will have to be revised downward, significantly worsening the Russian economic situation.

He noted that on the evening of April 17, Aleksander Livshitz, the official Russian government liaison to foreign banks and to the Group of Eight, made a special appearance

on television, to try to calm the population, which was beginning to panic, after the ruble had fallen and the stock market had nosedived, earlier that day.

The Moscow think-tanker asserted that “under these kinds of conditions, don’t underestimate the possibility of a *Russian default*. That is a real danger.” Pointing to a recent interview in the *Guardian* with Alfa Bank head Aven, in which Aven had insisted that Russia now needed its own “Pinochet,” he said, “If there is a default, then, yes, things will go the way Aven talked about.”

On April 18, the Russian newspapers *Izvestia* and *Sevodnia* warned of the danger that the world would see new financial crises in the domain of currencies, and raised the question, whether the dollar itself had become a bubble, that was soon to burst.

Also on April 18, a well-connected Russian expert told *EIR* that the world is on the verge of a “financial Chernobyl,” because of “the increasingly uncontrollable forces in the markets.” He stressed: “We have a global financial system with money moving around at the speed of light, and it’s all speculation. Making matters worse, the speculation is fuelled by massive borrowing. Major calls in of this money can cause a Chernobyl explosion. It can all become very unruly, and neither [U.S. Treasury Secretary] Larry Summers nor the other big guys could control it.”

From a Russian strategic standpoint, he said that this matter was “more important” than the original agenda items President Putin may have thought he was going to talk about, during his two-day visit to Britain. “There are other forces at work in the world than set agenda items,” he stressed.

The source was emphatic, that the physical economy of Russia is now “falling apart, threatening the collapse of our system as an organized country. This is very serious. Basic infrastructure is collapsing: energy, communications, sewage. Gas and oil production are down, because we have had a lack of real investment in maintaining the necessary equipment. Instead, we have had the disastrous policy, over the past ten years, of prioritizing raw materials exports. As a result, there will be energy blackouts, and not only in outlying provinces, but also in Moscow.”

The royal family factor

Russian and British sources have told *EIR*, that one other important issue discussed during Putin’s British stopover, was the Anti-Ballistic Missile (ABM) Treaty, and the U.S. National Missile Defense (NMD) program, the implementation of which would require undermining the ABM Treaty. The British are playing their usual game of strategic duplicity, claiming that they can be a “mediator,” or “messenger,” between Washington and Moscow, on this issue. Blair is reportedly saying that he will pressure the United States not to abandon or weaken the ABM Treaty—this, weeks after he made it known that he was supporting the U.S. NMD program, and integrating Britain into it. The Russians, for various reasons, seem to want to use Britain as a “channel” to the United States, on this matter.

Of course, also not to be ignored, is that Putin had tea with Queen Elizabeth II at Buckingham Palace, on April 17. While details of that tête-à-tête are not being revealed, it is certain that Her Majesty, as usual, is playing a central directing role, in shaping British foreign policy. Some Russians have mooted, that the Queen and her Royal Consort, Prince Philip, could soon make a visit to Russia.

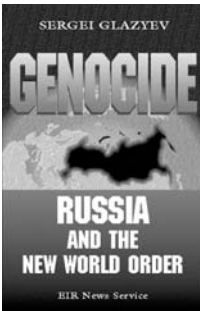
Some days before the tea, the 100-year-old Queen Mother, Elizabeth, was made an honorary citizen of the Russian city of Volgograd, in recognition, so the city authorities said, of her role in the fight against the Nazis in World War II. The London *Times*, in an April 18 editorial, pointed to this move, as emblematic of a Russian effort, encouraged by Putin, to upgrade Russia’s historical appreciation of Britain, as a wartime ally.

A senior Russian strategist has told *EIR*, that this theme of “Russia and Britain as wartime allies,” will be played to the hilt by Putin and his apparatus in the days leading up to the May 9 commemoration of the 55th anniversary of the World War II victory. That event, the strategist stressed, will be a major occasion in Russia, when all sorts of state-backed or state-organized patriotic outpourings will be on display, highlighted by a military parade in Red Square.

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