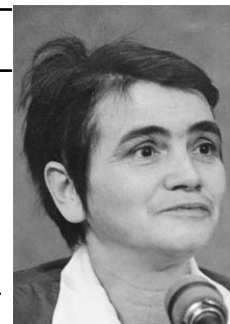

Interview: Tatyana Koryagina



To Save Russia's Economy, Destroy the Financial Oligarchy

Prof. Tatyana Koryagina, an Academician of the Russian Academy of Natural Sciences and Senior Scientist of the Institute for Macroeconomic Research at the Ministry of Economics and Trade Development of the Russian Federation, is one of the leading Russian experts on the problems of the "shadow economy" and organized crime, which are ruining the economy. She was interviewed on March 8 in Wiesbaden, Germany, by Hartmut Cramer.

EIR: How do you see the present economic situation in Russia, especially in respect to organized crime?

Koryagina: The actual level of organized crime in Russia is very high. Presently, the volume of the entire shadow economy in our country amounts at least to about 3.3 trillion rubles per year, of which 2.2 trillion rubles, i.e., two-thirds, account for organized crime. The other third of the shadow economy consists mainly of family labor—for instance, in the gardens and little dachas [country cottages], where people grow their own food in order to survive; so-called "official business"; and certain activities by smaller companies which break the law by evading taxes—not in a serious way, since that we would categorize as organized crime, but nevertheless, they break the law.

The total volume of the economy in Russia is very hard to calculate exactly. Last year's GDP was officially estimated at about 6 trillion rubles—

EIR: More than half of economic activity takes place in the "shadow economy"?

Koryagina: In reality this figure is even higher: about 70%. Officially, this figure is not admitted; nobody calculates the figures as rigorously as we in our institute do. But what I say is true.

Of course, this is not only a "Russian phenomenon." Since we also analyze the relevant figures of other countries, we can say, that all over the world the amount of the shadow economy is rather high—even in countries like the United States, where we estimate it to be about 30%; also in Italy it is very high. But we can't tell the exact figures, because we don't know how the statistics in these countries are produced, and how their shadow economy is calculated.

In addition to the problem of the shadow economy, in

Russia we have the problem of massive tax evasion. Practically *all* companies in Russia evade taxes in a big way. So, if one of our economic scientists goes to a company to really find out the truth of its economic activity, he wouldn't have to ask the manager: "How much did you produce today?" but rather: "How much did you *steal* today?" That is, unfortunately, the reality in our country.

EIR: What are the areas where organized crime is most active in Russia, and which are the biggest names?

Koryagina: The financial sector, as well as stealing, and trade in everything that is lucrative. Trade in stolen cars is one specialty of organized crime, for example. But the big areas, of course, are trade in weapons and drugs.

One of the biggest names in these illegal financial and economic activities is that of [Boris] Berezovsky, whose personal wealth *Forbes* magazine estimated at about \$4 billion. Of course, it is difficult to say, whether he really has this amount of money, because *Forbes* estimated his shares; and today these shares can be very high, but tomorrow down to zero.

Another famous name mentioned in respect to organized crime in Russia is Vladimir Gusinsky, who—unlike Berezovsky, whom I would characterize as a "lone wolf"—is the man of the international financial oligarchy. These two are the most famous names in this respect. Of course, it is impossible to say, who in particular is an owner of criminal money, so to speak, but the leading figures of organized crime in Russia are known. While our authorities do go after people connected to organized crime, our Ministry of Internal Affairs usually doesn't catch the big fish. It is obviously a political problem.

EIR: That brings us to the question: Who really has the power in Russia right now? The elected President and government, or organized crime?

Koryagina: During the time of President [Boris] Yeltsin, the answer to this question was clear: surely, organized crime. Now, the situation is different. Organized crime still has a lot of power, because the state has not limited it. But President [Vladimir] Putin wants to do so, and therefore, we could see the power of organized crime in Russia being weakened rather quickly. It is possible to disrupt the connections of these crimi-

nals, especially their financial connections. And I think, under the present circumstances, it is better for our organized crime figures to go abroad.

EIR: Some of them are already abroad.

Koryagina: Yes, in France and Spain, but also in Germany. Berezovsky presently is probably hiding in France; Gusinsky is under arrest in southern Spain, and he had many business and financial activities going on in Gibraltar, which, of course, belongs to Great Britain.

EIR: Why has President Putin so far hesitated to really demolish organized crime, and finish off Gusinsky and Berezovsky by destroying their financial empire?

Koryagina: One reason is, Putin does not control the media. Now, he *doesn't want* to control the media, because he is trying to be a democratic President. The media controlled by Gusinsky — he *directly owns* NTV, one of the biggest Russian TV stations, as well as many newspapers, and in addition, many correspondents in the other TV stations and media are on his payroll—they are very aggressively going against Putin. This, for President Putin, is a very serious problem. Already the media have blamed him for not being a “democrat,” and this has done much damage to Putin, as it has shaped the public opinion of the entire world in this direction. Putin is indeed in a very difficult situation; he is walking a very thin tightrope.

Otherwise Putin's problem is the international financial oligarchy, since Russian organized crime is simply part of international organized crime. And on this level, our President has to face a lot of pressure: The international financial oligarchy is threatening to withhold credits, for example. Even official organizations like the International Monetary Fund are doing this; maybe some people in these institutions don't know what they are doing, and why, but it is a serious problem for Russia.

EIR: What is the economic policy of the Putin government, other than its fight against organized crime?

Koryagina: Primarily to promote our industry, and this is very difficult, since during the time of “shock therapy” our industry was widely destroyed. Today we have only little maneuvering room, and almost no money to invest. A lot of our economic activity involves barter; mainly inside Russia, but also mainly with Eastern countries, because they also had to suffer under “shock therapy,” and don't have money to pay. To revive our industry, and bring our country back to a path of growth in our productive capacities, is the biggest challenge right now, and that is what Putin wants to master, I think.

On a political-strategic level, President Putin wants Russia to act as a bridge between East and West, especially between Asia and Europe, and to have good relations with all the other countries in the world.

EIR: What is the most important thing the Western leaders should do now, in respect to Russia?

Koryagina: Talk. The Western countries should respectfully talk with Russia, and with Putin. They should respect our position: The situation in Russia after “shock therapy” being pushed through by our liberals is awful; the condition in our industry and our society in general is poor. We have to carry a huge burden of internal debt, which *has* to be paid to our people. President Putin is indeed in a very serious situation. In addition to this, Russia has a huge amount of debt to the Western countries, especially Germany.

EIR: What is, in your view, the best way to solve the problem of Russia's enormous foreign debt?

Koryagina: We tried to solve this question in our negotiations with the members of the Paris Club, but so far without success; right now, we are in a trap. The recent proposals by Italy and Germany, however, to turn the debt into investment, would be a very good solution. For example, by giving Italian and German companies shares in new joint ventures in the productive sector: especially in high-tech machine-tool building, but also in the automobile sector. This would not only be advantageous for Russia, but for Italy and Germany too, because by investing in the real economy of Russia, they can expand their exports of capital goods, create additional productive jobs, reduce unemployment, etc. Paying the debt in exchange for productive investment in the real economy, as Moscow discusses this right now with Rome and Berlin, is an excellent concept; but whether it will be fully realized remains to be seen.

I personally have still another proposal, a rather radical one, but just, to solve our problem of the foreign debt: The huge sums of flight capital, which organized crime figures like Berezovsky, Gusinsky, and their ilk have channelled out of Russia in the last ten years, and then deposited in international banks in Western Europe and abroad, should be confiscated and used to pay our foreign debt. When I first made this proposal several years ago, most of my fellow scientists in Russia laughed at me; but recently, even people in our government have started to take it seriously and have begun to discuss it.

EIR: You said the situation in Russia is very serious, but at the same time people hope that with Putin it will improve. Can you give us some examples?

Koryagina: The situation now is rather better than several years ago, but it is still on a very low level. But *tendentially* it is much better. Putin stated publicly that the income of families must go up; and this is very important.

Speaking about income: If you look *structurally* at how much the various professions earn in Russia right now, you get a glimpse of the enormous problem our government is facing. At the bottom of the income ladder rank the people engaged in culture, then come those Russians engaged in

medicine, education, and science; above them, rank those who are active in agriculture. Our farmers earn, in real terms, about 1,000 rubles a month, that is, \$30 to \$35.

To give you an example: I receive as a monthly salary 1,100 rubles in cash; in my village, the farmers receive, maybe, 100 rubles in cash, but about 900 rubles in the form of agricultural products like potatoes, grain, corn, milk, bread, etc. And since these products in a city like Moscow cost much more than in a village in the Russian countryside, in *real* terms, the farmers “earn” more than scientists, artists, doctors, and teachers in our cities.

EIR: How do they survive?

Koryagina: By working many jobs, of all sorts. Driving a taxi is one way; digging graves, like one of my friends—a nuclear physicist—does, is another. His wife, also a qualified scientist, works as a cleaning woman. I survive, because I have a little dacha in a village outside Moscow, where I grow potatoes and vegetables. Of course, it is crazy that we scientists drive taxis, grow potatoes, and even are forced to dig graves, rather than doing research and writing scientific pa-

pers, but that is the ugly consequence of the “shock therapy” imposed on us by our liberals.

EIR: President Putin has been in power now a good year. How much time does he still have, in the eyes of the Russian population, to improve this desperate situation?

Koryagina: I think, about one year. Our people are still waiting; they do believe by now, that Putin *wants* to change the situation for the better. But if he can’t make *big* changes, then our people will soon become disappointed. The Russian people regard Putin as the last hope after Yeltsin. Although Yeltsin presented Putin as “his man,” the Russian people, after some months of watching Putin with some suspicion, realized—especially after Putin successfully solved the problem with the war in Chechnya—that he actually was different than Yeltsin. And now, our population wants Putin to also accomplish an “economic Chechnya,” to radically improve the economic situation; and that for the *whole population*, for the *whole state*.

I hope Putin will be a national leader. He is clever, calm, and doesn’t speak like Gorbachov, who talked about *every-*

Russians See ‘Systemic’ World Financial Crisis

The ongoing worldwide financial crisis has amplified the discussion in Russia, about the consequences of a collapse of the U.S. dollar. Economist Sergei Glazyev, corresponding member of the Russian Academy of Sciences and chairman of the State Duma’s (lower house of Parliament) Committee on Economic Policy and Business, released a statement on March 16 dealing with the latest financial events. These, he said, were no mere “market fluctuations”; rather, “this is a systemic crisis, which will have very grave consequences for the entire world financial system. It is especially alarming, that the epicenter of the crisis is the United States, a nation whose national currency is effectively a world currency.”

Glazyev also noted that “the dollar is only 4% backed up by [U.S.] gold reserves. Yet, in order to satisfy the interests of financial speculators, an astronomical quantity of dollars has been put into circulation. As a result, the market has overheated, and the numerous financial pyramids, which were constructed during the past 20 years on a base of various securities and their derivatives, can no longer remain stable.”

Now that “panic among the speculators” is observed, Glazyev said, look for the crisis to spread from stock mar-

kets into other areas, including currencies. The process is not controllable: “Theory and practical experience both tell us, that if a major financial crisis begins, it is extremely difficult to halt its spontaneous development. Local crises may be neutralized in one way or another, but a crisis, spreading from the epicenter of the world financial system, is practically impossible to stop.”

Regarding the impact of the latest events on Russia, Glazyev said that the Russian market “has not yet been restored after the August [1998] crisis, so—to put it crudely—there’s nothing to shake.” But, he added, a collapse of the dollar, and a transition into “the depression stage,” will not fail to affect the heavily dollarized Russian economy. Companies and ordinary citizens, who keep their funds in dollars, will be hit. He suggested that Russia diversify its currency holdings into the euro and other currencies, “in order to reduce our dependence on the dollar,” and implement existing proposals to strengthen the role of the ruble within the Russian economy.

Also on March 16, the Russian government daily *Rossiyskaya Gazeta* advised investors to get out of the dollar. Author Alexander Velichenko documented the desolate situation of the U.S. financial markets, emphasizing the catastrophic accumulation of unpayable debt and the threat of a collapse of the U.S. banking system in the wake of the present stock market crash. Velichenko noted that some British and American experts have already called for an “inflationary solution” to the internal debt crisis.

—Rachel Douglas

thing without knowing *anything*. We Russians don't like people who just blabber around, like Gorbachov. I believe that Putin is serious about improving the economic situation. He wants necessary interventions by the state in order to build up infrastructure and industry, the productive sector in general. That is an economic concept totally different than that of communist planning. This aspect of Putin's program is definitely not liked by the liberals, because they don't want the state to control or regulate anything.

EIR: Putin wants a mixed economy, with as many necessary interventions by the state in the field of infrastructure, energy, etc. as needed, and as much freedom for productive private enterprise as possible?

Koryagina: Yes, pretty much like what we see in China right now. Our institute has developed a program to establish a two-tiered economy, where the state cares for all those activities that are important for our people not only to survive, but to live a decent life and develop themselves, and their children. That means, that the state regulates everything which is decisive for the development of the whole country and the whole population, in terms of strategic industries, infrastructure, and energy, as well as health care, education, pensions, etc., and leaves the rest to private enterprise.

EIR: That brings us, in conclusion, naturally, to the present energy crisis in California. What is your comment on that?

Koryagina: The people in California got exactly what we Russians got from the liberals like [Anatoli] Chubais. That is not only what our people think, but this is even openly talked about in our newspapers. I hope the Americans will draw the appropriate lessons for themselves.

EIR: Would you, finally, like to say something about what the Western governments should do right now, to help Russia to succeed?

Koryagina: At this moment, it is very important, that the foreign states support our Interior Ministry and prosecutors in their attempt to find the Russian flight capital and confiscate it, so that at least some of it can be used to pay our foreign debt. If one really tried to get the Russian flight capital, one could find at least \$100 billion very easily. To be clear: We do not propose to simply confiscate this money, which was stolen from the Russian people in the first place, but that it be done strictly according to established legal standards. Gusinsky and Berezovsky have the right to hire good lawyers—they certainly have the money to do so—and then our government can argue its case in court.

Ultimately, success in radically changing our economic situation for the better depends entirely on breaking the power of the financial oligarchy and organized crime, which operates, as you well know, internationally. That is the key to solve our problems in Russia.

Hoof-and-Mouth Brings Dark Age to Europe

by Rosa Tennenbaum

That the much-feared hoof-and-mouth disease (HMD) broke out in Great Britain, is probably not more than an unhappy coincidence; any other European country could have been hit just as well. But the way the country is handling the crisis, was, until recently, uniquely British: the method of the Middle Ages, as if a vaccine had never been developed.

The whole countryside is closed down. In areas where HMD has been raging, things are at a standstill. Any movement of people, animals, or goods is forbidden, or permitted only under official supervision. Children are not allowed to go to school, nor women to shop, nor the whole family to go to church on Sunday. The epidemic guards and the killing squads are the only ones allowed into the disinfection areas. If their gruesome task is carried out, all cloven-hoof animals are killed, and the pyres burn; silence descends upon the area. The farmer and his family are left alone; the only animals they keep, is their dog or their cat.

These images suggest that the Black Death is reappearing, but this is not the case. HMD is very infectious for cattle, but it does not harm humans. It is not even deadly for animals, in most cases. Two weeks after the animal comes down with the illness, which causes fever and blisters on the mouth and the hooves, it generally recovers. Older animals rarely die, but among young ones the death rate is 50-70%. After the animal recovers, its productivity is significantly lowered. Meat and milk can be consumed without any risk, as the virus does not affect people.

What makes HMD dangerous, is that the virus is extremely infectious. Infected animals pass it on, but the agent, sticking to clothes, shoes, suitcases, and tires, is spread mainly by human movement; it can easily bridge continents. Wild animals and migrating birds can also spread it. The efforts of British officials to gain control of the disease by extreme epidemiological measures will inevitably end in failure, because of the very nature of the epidemic. Despite that, British Prime Minister Tony Blair's government is holding tooth and nail to this strategy.

History of HMD in Britain

Hoof-and-mouth disease has been known since ancient times. In Europe, it is documented as having existed since the 18th Century. It has regularly broken out, and farmers