

Russians look to Asia with both alarm, and hope

by Rachel Douglas

Chinese leaders are mindful of the precipitous collapse of industry and society in the huge area of the former Soviet Union, to China's north, and this awareness has been one of the spurs to finding an effective real growth policy, and to be on guard against the ravages of financial speculation. In Russia, in turn, attention is being paid to economic events and policies in Asia, in two respects.

Among the intelligentsia and political circles, who are concerned with how Russia may yet survive, there is growing interest in a "Chinese model" of development, and in the benefits of direct involvement in the Eurasian Land-Bridge projects. What's new, is a dawning realization about the financial collapse under way in other parts of Asia, and the world—that the currency and markets turmoil, centered in Southeast Asia, is relevant to Russia's situation.

Lessons of the 'tigers'

Malaysian Prime Minister Dr. Mahathir Mohamad's denunciation of currency speculation caught the attention of Russian media, because George Soros was one of its main targets; Soros has not only financed dozens of projects in the former Soviet Union, gaining him enormous leverage in the areas of science, education, and communications, but, more recently, he has begun to invest there on a large scale. When Mahathir applied the words "rogue speculator" to Soros, he was talking about the owner of 25% of Russia's national telephone grid. The wider implications of the Southeast Asian financial crisis, driven by the same sort of "emerging markets" brew of speculative investment and short-changing of productive industry that First Deputy Premier Anatoli Chubais and his team have concocted for Russia, escape many Russians. Southeast Asia is seen as a matter of little concern, one Moscow intelligence expert with a concentration on national security questions told *EIR*, because Russians have not invested there, and "there is no immediate threat to the ruble."

In Kazakhstan, where news of the magnitude of the Southeast Asia debacle, evidently, was slow to reach, President Nursultan Nazarbayev even told parliament, in an Oct. 10 presentation reported by Moscow's *Nezavisimaya Gazeta*, that their country should take the "little tigers" of Southeast

Asia as the model for its development through the year 2030, and aim to become "Central Asia's mountain lion."

Some Russian commentators, who did cover Dr. Mahathir's attacks on Soros, obscured the strategic importance of the global derivatives bubble, the rampant speculative practices Mahathir went after, by reducing everything to a geopolitical subversion ploy by an undifferentiated "Washington," against targets ranging from Italy and Britain (allegedly as punishment for the Maastricht accords!), to Southeast Asia, to Russia. The author of one such article, in *Pravda-Pyat* of Oct. 7, was Anton Surikov, an analyst who has collaborated with both the Ministry of Defense and Foreign Office staff in Britain, and who habitually puts that kind of spin on his scenarios of a global "U.S." drive for hegemony. "Officials of the European Community have often noted," claimed Surikov, "that Soros was speculating on direct orders from the U.S. government."

A far more competent analysis of the turmoil in Southeast Asia appeared at the beginning of October in the weekly *Ekonomicheskaya Gazeta*, which gave readers a good dose of what really happened at the Hongkong IMF-World Bank meeting. Author Dr. Taras Muranivsky reported on "the blow, initiated at Hongkong by the Asian 'tigers,' against the looting policy of the International Monetary Fund." The title of his article was "Milton Friedman, Theoretician of Monetarism: The IMF Should Have Been Liquidated Back in 1971; But, Now Is Not Too Late." The irony of the title becomes clear, as Muranivsky contrasts the recent "anti-IMF" antics of free-marketeer Friedman, who is interested in maximizing the looting capabilities of the private interests behind the IMF, to the genuine attack on the IMF by Lyndon LaRouche.

Addressing Russian readers, who are generally in the dark about what happened in Hongkong, Muranivsky began: "The annual meeting of the International Monetary Fund and World Bank (IMF-WB), which took place in Hongkong in September, is known in Russia mainly for the fact that Anatoli Chubais took part in it, and there was crowned [by *Euromoney* magazine] 'best minister of finances.' But, it will more likely go down in history, for extremely harsh criticism of the international financial organizations' looting policy, which has

widened the gap between the industrially developed and the developing countries. Especially acute, in Hongkong, was the question of the IMF's and WB's destructive activity, in the countries known as the 'Asian tigers.'

"The Russian press sometimes reports on the financial crisis that has broken out in Thailand and, subsequently, in Malaysia and other countries of Southeast Asia. But the information provided is sparse, and biased. Under pressure of the strongly promoted myth about the 'prosperity' of these countries, some authors have treated the crisis as if with irony, saying that—ah, yes, the 'Asian economic tigers,' it turns out, sometimes get the slightest bit under the weather, too. In reality, the processes going on there are quite serious. And, they are indicative for the entire world economy."

Muranivsky quoted the strongest passages from Dr. Mahathir's speech in Hongkong, where he called for banning currency speculation as "unproductive and immoral," and his words about unseen foreign traders, who are prepared to throw a target country into the garbage can.

That this attitude has been the IMF's from its inception, Muranivsky showed as he unmasked Milton Friedman's phony criticism of the IMF, noting that Friedman has no objection to IMF conditionalities, imposed on nations, only to the slightest interference by *anybody*, in "the functioning of the market." To understand the IMF, Muranivsky urged, better to look at the speech given by "another American economist, Lyndon LaRouche," at the Russian State Duma (parliament) in June 1995. There, LaRouche established the nature of central banks, like the Federal Reserve in the United States, as "in effect, joint-stock companies of the leading financial groups." By the same token, Muranivsky explained, "the IMF is under control of a financial mafia, which represents the interests of a group of family banks."

The middle section of the article analyzed "why the 'tigers' are mangy," by presenting the concept of a "full-set economy," developed from the American System of Political Economy, and put into practice in post-war Japan, and in South Korea—but, not in the "tigers," where low-technology agricultural employment, and child labor in industry, are typical. The operative concept, expressed by Zbigniew Brzezinski in 1978, is, "No new Japans!" (For Russians, whom Chubais advises to welcome the "growth" of a stock market boom and an alleged imminent upswing in "GDP," while Russian industry rusts all to pieces, the point could not be missed.)

Malaysia, finally, has become "a casino economy," while the Philippines, having experienced "headlong privatization," is now into "Hongkongization," and rates the construction of casinos as one of its few booming "industries," wrote Muranivsky.

Under a concluding subhead, "Into the 21st Century Without the IMF," Muranivsky reported on the "summit of the 15" developing countries, scheduled for Nov. 3-5 in Kuala Lumpur. "The members of the Group of 15 (Malaysia, Argen-

tina, Brazil, Peru, Chile, Venezuela, Mexico, Jamaica, Zimbabwe, Senegal, Nigeria, Egypt, Algeria, Indonesia, and India) have begun to develop a program for the creation of a new economic order in the world. Malaysian Foreign Minister Abdullah Badawi announced this in an interview with the Malaysian *Star*, on Sept. 29, as President Mahathir Mohamad began his tour of Latin America. The decision to create an Asian Monetary Fund and the Group of 15, amplify the power of the blow, initiated in Hongkong by the Asian 'tigers,' against the looting policy of the IMF."

Chinese model

The great promise of development along the Eurasian Land-Bridge, including the benefits for Russia, has been under scrutiny in Russian academic institutions. Academician Vladimir Myasnikov's presentation of the case for the Land-Bridge appeared in the Sept. 16, 1997 issue of *EIR*. As debate of the Chubais regime's latest austerity budget began in the State Duma, the "Chinese" alternative came into the Russian political arena, too.

Speaking in the Duma debate after head of government Viktor Chernomyrdin's report on Oct. 8, Communist Party of the Russian Federation leader Gennadi Zyuganov discussed the past ten years of "reform" in China and in Russia, respectively, as a relatively successful economic policy, and a disastrous one. He emphasized the consistency of China's successes with the principles of growth in key periods in the West.

"We began our reforms at the same time as China," said Zyuganov. "We had similar social and economic systems, and even similarities in the setting. In China, there had been 10 years of the so-called cultural revolution; we had come through 10 years of political sclerosis. The Chinese drew the appropriate lessons, and, in the subsequent years, during two five-year plans, they have doubled their national product, which took the Americans 47 years to accomplish, and 33 years for the Japanese. We, however, have experienced a collapse of production and our gross product, of 8 to 10% per annum. . . . The best companies in the world are investing \$35 to 40 billion in China today, whereas \$3 billion comes into our economy, and that is with political strings attached."

The collapse was unnecessary, said Zyuganov, because other models were available, among them "Roosevelt's New Deal, which turned a collapsed America into one of the leading powers, in 15 years time. There were the social reforms of Erhard, which transformed post-war Germany into a world competitor. There was the Japanese miracle, and then this modernization in China, with which both Mr. [Boris] Yeltsin and Mr. Chernomyrdin are familiar."

Glazyev: Is Russia a colony?

In two articles, published as the Duma began debate on the 1998 draft budget, economist Sergei Glazyev wrote about

Russia's transformation into a colony of a "world oligarchy," defined as "a complex and rather diverse totality of major transnational banks and corporations, and comprador national banks and firms controlled by them, as well as the legal and consulting organizations that service them, the international financial organizations, the ideologues and theoreticians of a new world order, and various official and unofficial institutions of political influence and public opinion-shaping." His analysis, excerpted below, goes beyond the lessons of Asian events, but deals with the same economic essentials that arise in connection with them.

Glazyev quit the Russian government, where he was Minister of Foreign Economic Ties, in protest against President Yeltsin's abolition of the Constitution and the elected Supreme Soviet, in 1993. As a member of the Duma from the Democratic Party of Russia, he chaired its Economic Policy Committee for two years, then worked at the Security Council, and, for the last year, has headed an analytical center attached to the Federation Council, Russia's upper house of parliament. A strong advocate of state regulation of the economy, Glazyev here refutes the notion that President Yeltsin's recent advocacy of a stronger economic role for the state means anything other than policing a vicious looting policy:

Pravda-Pyat, Oct. 8, 1997: Entitled, "From a Five-Year Plan of Destruction, To a Five-Year Plan of Colonization."

"Today, the government proclaims the second stage of radical economic reform, the nature of which remains obscure for the population. In reality, the 'contents' of this second stage—reform of housing and utilities, education, science, and enterprises—simply boils down to a reduction of state spending to subsidize these sectors. Thus, the reform degenerates into a reduction of employment in the state sector, the liquidation of institutions, and a lowering of the quality of services in the non-productive sector.

"According to the government's draft Federal Budget for 1998 and its packet of so-called 'social' laws, what is planned for next year is the following: doubling of fees for housing and utilities (while the population's real income is to be practically unchanged); reduction of spending on education to 0.61% of GDP (as against the level of 10% of GDP, required by law); reduction of spending on science to 2.87% of Federal Budget spending (as against the level of 4%, set by law). On the backdrop of endless discussions about 'enterprise reform,' it is actually anticipated to subsidize only 80 firms during this reform, although about half of the 20,000 large and medium-sized firms in the productive sector are operating in the red. At the same time, the budget provides for a twofold reduction of investment, and a 1.7-fold reduction, in absolute terms, of investment for the line called 'Industry, electric power, construction.'

"Thus, if we drop the pseudo-scientific window-dressing, the main idea of the 'second stage of reform' is to dismantle

the state's responsibility for the condition of the economy and society. Contrary to the President's solemn declarations about the need to enhance the state's regulatory functions in a market economy, the government continues to push the line of the state's abandonment of its responsibilities to society, for the condition of the economy and the social sphere. . . .

"Judging by the actual priorities in the government's budget policy, its leaders locate the most important aspect of their activity, as servicing the state's loans, which were assumed at superhigh interest rates, and which, respecting the terms under which they are serviced, border on legalized embezzlement of state property. Against the backdrop of this year's total collapse of budget implementation, on both the revenue and the spending sides, the only area that was not cut, was spending to service the state debt; it even increased, attaining the level of over one-fourth of all Federal Budget spending. In the essence of the functions it actually performs, the Russian government is not an institution of a democratic country with a market economy. It is a colonial administration, chiefly occupied with extracting taxes and selling off state property in the interest of its creditors, for whose enrichment, by means of the highly exorbitant interest paid on state loans and the quasi-free appropriation of state property, the entire machinery of the state is working.

"This is the manner in which many pseudo-state systems are constructed in the underdeveloped countries of Africa; the local ruling oligarchy lives on foreign loans, which are serviced by the allocation of the national income for this purpose, and the transfer to foreign capital, of control over national resources. It is not difficult to see that, according to the basic parameters of the economic policy it actually carries out (contrary to the optimistic declarations of the President), the Russian government in no way differs from the puppet regimes in underdeveloped countries that are really colonial dependencies. Even in its way of life—the construction of family refuges and education of its children abroad, the keeping of funds in accounts in foreign banks, etc.—the Russian oligarchy scarcely differs from similar corrupt comprador regimes in underdeveloped countries.

"The situation today is changing qualitatively, which really does make it possible to talk about a second stage of the reforms—after the stage of disorganization of the economy, and appropriation of state property and national resources by a criminalized oligarchy, grouped around those in power, the stage of Russia's colonization is upon us: the transfer of control over the main elements of the national wealth to foreign capital, the transformation of the state budget into a tax-collection instrument for the extraction of taxes, in order to pay interest to foreign creditors, and the loss of the country's political independence and national cultural self-identification.

"If things go as 'successfully' for the 'reformers' as they did in the first stage, and the second stage also lasts five years,

then by 2003, the country will confront financial bankruptcy. . . . Other negative changes in the state will occur, at the same time: loss of the ability to maintain the Strategic Missile Forces, a steep deterioration of the condition of our cities and the standard of living in them, as a result of the mass obsolescence of their infrastructure, and a qualitative watershed in the state of our human potential, due to the steep decline of the level of education, training, and moral quality of the labor resources. This stage, according to the design of the foreign ‘mentors’ of the pilots of this pseudo-democratic Russian regime, will end with the final colonization and, most likely, dismemberment of Russia, and the cessation of its existence as an independent geopolitical entity.

“Fantastical as it may seem, that a great power, which had a dominant role in the world for centuries, could crash so rapidly, this scenario is already not only possible, or desirable from the standpoint of foreign secret services—it is becoming the most probable one, the one being brought to life. It may be that the only person who doesn’t understand this, while actively assisting its implementation, is the Russian President, who solemnly proclaims non-existent successes and sets tasks that the leaders of the government, laughing at their chief behind his back, have no intention of carrying out.

“Most likely, only boundless faith in the strength of Russia from time immemorial, prevents most public figures, including those in the opposition, from realizing where things are headed. In the face of overt signs of colossal, selfish treason on the part of the ruling comprador oligarchy, which is guiding the country to self-destruction, we have naive discussions about the need for ‘round tables,’ appeals for common sense, and for the introduction of good programs and correction of the catastrophic situation on the basis of a scientifically grounded policy—all of which would be appropriate if one were dealing with intelligent, law-abiding authorities, but are out of place for these ‘godfathers.’ . . .

“The new stage of the ‘reform’ fits into a well-constructed, transparent system for the destruction of the basic institutions of Russian society, those that define its viability and competitiveness. . . .

“1. Destruction of the financial system of the state, by means of an endless build-up of the state debt pyramid, shrinking of the tax base, deepening of the non-payments crisis, and disorganization of the monetary system. The reduction of the revenue and spending (not counting expenditures for debt service) in the consolidated budget of Russia to 25% of GDP, makes it impossible for the state to fulfill its functions with respect to development, social guarantees, and national security. The rapidly growing state debt pyramid, which already exceeds the money supply and cannot be serviced out of the Federal Budget (debt service is already double the tax revenues), has sucked up almost all liquid capital, blocking productive investments. . . .

“2. Destruction of the scientific and technological potential of the country, achieved by means of a many-fold reduction in state financing of science, the collapse of technological cooperation and scientific production integration, in the course of mass privatization, and the refusal of the government to have any rational scientific and technical, industrial, or structural policy at all. . . .

“3. Sale of controlling blocs of shares in the leading and most valuable Russian firms, in industry, electric power, and telecommunications, to foreign companies. . . .

“4. Transfer of the right to exploit the most valuable Russian raw materials deposits, to transnational corporations. . . .

“5. Transfer of the Russian information space to foreign control. This effectively occurred, already, with the privatization of Svyazinvest. . . .

“6. Establishment of foreign control over the Russian stock exchange . . . the establishment of which, from the start, was guided by foreign ‘experts.’ . . .

“7. Direct recruitment of highly placed officials, as well as simply influential persons, in the Russian government, by the relevant services and corporations from foreign countries. . . .

“8. Establishment of direct foreign control over the shaping of Russian domestic and foreign economic policy. It is no secret that, for some time, the formation of the Russian government’s economic policy takes place under the defining and ruling influence of the IMF. . . .

“9. Erosion of the national legal system, establishment of the primacy of international law, elimination of elements of national sovereignty. . . .

“10. Bald-faced defamation of Russia by many influential foreign structures, in order to create a negative image of Russia in Western public opinion, to justify discriminatory and punitive actions. . . .

“To put it crudely, Russia has ‘given blood’—for the past five years, it has been a lead donor for the economies of the U.S. and the other members of the Group of Seven. Hundreds of billions of dollars have been taken out of Russia, for their gain, as well as over half a million skilled personnel, whose intellectual capital is valued at hundreds of billions of dollars.”

Nezavisimaya Gazeta, Oct. 9, 1997: In a longer article, entitled “The New World Order and Us,” Glazyev looked at “the ideological grounding” for such policies, in “the theory of the ‘golden billion,’ according to which a decent existence on this planet can be guaranteed only for 1 billion people in the developed countries, while the rest of the human population has a sorry lot as providers of raw materials and suppliers of cheap human material, to service the interests of transnational capital.” He outlined a “resistance” and recovery strategy, based on Russia’s remaining scientific and industrial potential, which will work only “if state policy proceeds exclusively from the national interest.”