

Yeltsin goes for broke in pre-election scramble

by Konstantin George and Rachel Douglas

Before the first round of Russia's Presidential elections on June 16, Boris Yeltsin is on a spending spree, supplemented with other manipulations, to secure victory over the "popular-patriotic bloc's" candidate, Gennadi Zyuganov, head of the Communist Party of the Russian Federation (CPRF). The Russian President arrived at campaign destinations, such as Arkhangelsk on May 24, saying things like, "I've come with full pockets." Yeltsin's final sprint took off with his high-publicity May 27 proclamation of the "end" of the war in Chechnya.

In a decree on May 13, Yeltsin restored financing to the military-industrial complex (MIC), ravaged by nearly five years of "shock therapy" prescribed by the International Monetary Fund (IMF). The government must transfer 2.8 trillion rubles to MIC enterprises, to fund state weapons and equipment orders. Yeltsin also ordered the government to pay MIC firms by May 31, the 6 trillion rubles owed them by the state since 1994. Armaments Minister Zinovi Pak announced a tripling of Russian arms exports, from \$3 billion to over \$10 billion annually by the year 2000.

Yeltsin is desperate for institutional support from the MIC; this defines his short-term, political purpose. There has been a behind-the-scenes battle between the MIC, and the energy, metals and raw materials sector, which, being oriented to exports, is the main beneficiary (in nominal financial-profit terms) of the IMF plundering policy, at the expense of the rest of the Russian economy and the majority of the population. Yeltsin has support from top Russian banks and affiliated firms, plus the top and middle layers of *biznismeny*. Banks control the Russian news media, which have been churning out publicity for Yeltsin as the only "real leader" for Russia.

But the Russian *nouveaux riches* are, chiefly, a Moscow oligarchy. Elections are lost and won in the provinces, where the MIC can open doors for the incumbent President. Accord-

ing to Moscow sources, Yeltsin has promised the MIC and the regional bosses a significant share of central power, if he wins. Some of the latter expressed support for him at a May 16 meeting in the Ural city of Yekaterinburg, which drew over 1,000 businessmen and regional leaders from all over Russia. During May, regional bosses such as Yekaterinburg's Eduard Rossel and Boris Nemtsov of Nizhny Novgorod, publicly called Zyuganov "stupid" and unworthy to become President.

Yeltsin's next stunt was the May 17 gathering in Moscow of the 11 other heads of state of the Community of Independent States, who endorsed him and told the press what a "disaster" a Zyuganov victory would be. Armenia's President Levon Ter-Petrosyan went so far as to say that should Zyuganov win, the CIS would "no longer exist the next day." The message was clear: Anyone who, like most Russians, really wants a smooth reintegration of the former Soviet republics with Russia, should vote Yeltsin.

The Chechnya stunt

A priority for Yeltsin was to lead the Russian population to believe he had ended the war in Chechnya. First, he signed a decree ending conscription into the Armed Forces by the year 2000. The popularity of such a measure stems from the fact that some 4,000 Russian soldiers have been killed in Chechnya, not to mention the deaths caused by brutal practices in the Army. The decree stipulated that from now on, no conscript would be forced to serve in Chechnya or other "conflict zones." The promise of an all-volunteer Army is a costly one that Yeltsin will not have to fulfill: By the year 2000, that would be his successor's problem.

Yeltsin's May 27 meeting with Chechen rebel leader Zelimkhan Yandarbiyev in Moscow, to agree on a cease-fire as of May 31, also took advantage of the calendar. The cease-

fire might hold till the elections, but a pause in the fighting is desirable for the rebels, too. They need a breathing space to rest, regroup, and resupply. The rural areas could use a hiatus, to plant and harvest the next supply of foodstuffs for the population and guerrilla forces. The rebels and their civilian support infrastructure took heavy pounding from Russian air and artillery bombardment throughout the spring.

Yeltsin's visit to Chechnya on May 28, when he proclaimed the victory of Russian forces "over the Jokhar Dudayev rebels," was pure electioneering. In a village 20 km north of Grozny, Yeltsin boasted, "Here I am in Chechnya, [and] not a shot has been fired." Perhaps he wasn't told, that there has been no fighting in this area.

Prospects for peace to continue after the elections are anything but bright. The political future of Chechnya was not even discussed during the two days of Moscow negotiations. A Russian draft document providing Chechnya with "the largest possible degree of autonomy within the Russian Federation," is supposed to be signed, according to a May 29 announcement from its author, ex-Deputy Premier Sergei Shakhrai, by Moscow and the Moscow-installed Chechen government of Doku Zavgayev. That ensures a resumption of fighting.

How will bills be paid?

Buying an election is expensive, and the bill will have to be paid after the vote. Yeltsin has attempted to pay back wages to the workforce, and back pensions owed. He has also raised wages and pensions. In a decree on May 27, he increased minimum monthly pensions by 50%.

On May 16, Finance Minister Panskov warned of a disaster in state finances during the second half of 1996. He reported that state revenues for the first half were coming in at only 40% of the level originally estimated, while the President's decrees had increased state spending 41% above the first-of-the-year estimates. In a letter to Prime Minister Viktor Chernomyrdin on May 27, Economics Minister Yevgeni Yasin concurred, saying that Russia faces a "complete collapse" of state finances after June.

National survival versus IMF

A Yeltsin victory is far from a foregone conclusion, as a by-election in St. Petersburg and results from eastern Europe serve to remind. St. Petersburg Mayor Anatoli Sobchak, the person in Russia's second largest city most identified with "reforms," lost his June 2 reelection bid to ex-Deputy Mayor Vladimir Yakovlev. Although Yakovlev had support from non-communists like Grigori Yavlinsky's Yabloko party and Moscow Mayor Yuri Luzhkov, Sobchak had tried to scare voters by labelling Yakovlev "communist." It didn't work.

The same day, in the Czech Republic, IMF darling, Prime Minister Vaclav Klaus suffered a setback in parliamentary elections. Klaus, together with most of Yegor Gaidar's 1992-93 Russian government, belonged to a clique of East Euro-

pean and Russian economists trained by the Mont Pelerin Society in the 1980s, to implement "shock therapy" in the Soviet bloc, if they could take power. The Czech Republic under Klaus is often cited as a success, in contrast to Russia's havoc, but his coalition fell one vote shy of a parliamentary majority, while the Social Democratic Party quadrupled its vote by campaigning against "shock therapy." Social Democratic leader Milos Zeman hit Klaus's failure to deal with declining health care and falling wages for Czech workers, and charged that there was corruption during the privatization of state industries. The *Financial Times* of London lamented that Klaus's "rapid economic reforms" would likely be "suspended indefinitely."

In Russia, the incompatibility of IMF demands with the country's survival is highlighted in the economic platform of Zyuganov's bloc. "Our position is that we are not going to break relations with the IMF," economist Tatyana Koryagina said at a May 28 press conference to unveil the bloc's program, but the Russian people "have to know the essence of the secret part of the talks between Mr. Yeltsin and Mr. Chernomyrdin and the IMF. . . . If the IMF insists . . . on IMF control of key indicators of the Russian economy and near total renunciation of government control of natural monopolies, notably railway transport, all these aspects, considering the secrecy of talks, will be included in the agenda."

Departing from a Russian habit of seeing the country's crisis as in absolute contrast to prosperity elsewhere in the world, Koryagina situated it within the crisis of "world economic science" and the Western economies. A participant with Lyndon LaRouche at the April 24 Russian Free Economic Society round table on this question (see *EIR*, May 31), Koryagina added, "That's why we have established close contact with scholars from various countries and schools in order to try to understand . . . how representatives of the school of monetarists try to explain their fiasco. . . . The failure of Margaret Thatcher's economic policy and Reagan's underscores the importance for scholars in Western countries to look for the optimum options of how to use the idea of state economic regulation in their countries."

The Zyuganov program calls for measures to stimulate domestic demand, "first and foremost, to revitalize mass purchasing power; organize the relaunching of shut-down industries; modernize production; defend domestic goods producers." It anticipates state intervention to build "modern productive infrastructure—construction of roads, ports, modernization of the means of transportation, communications, etc.," and a "Russian State Bank for Reconstruction and Development," to generate domestic credit "exclusively for long-term capital investments, with the controlling shareholding being in the hands of the state."

There remains a high level of concern among Zyuganov-linked, as well as other opposition circles, that Yeltsin's team might still resort to "the force option," and cancel elections if his defeat in the second round appeared to be imminent.