

Putin becomes President: a phase-change in Russia

by Jonathan Tennenbaum

In a dramatic television address on Dec. 31, Boris Yeltsin announced his withdrawal from the Russian Presidency, and the transfer of power to Prime Minister Vladimir Putin, who is to serve as acting President as well as Prime Minister until early elections, now set for March 26.

At first glance, the long-standing issue of Yeltsin's succession, and thereby of the political future of Russia, would seem to have found a definitive resolution. With the advance of Putin to highest state power, following a dirty, media-dominated Duma (Parliament) election in which a threatened consolidation of "center-left" opposition forces was brutally beaten back, and with the moving up of the Presidential election from June to a date much more favorable to now-incumbent Putin, there can hardly be any doubt about the outcome. If we believe the loud chorus of the media, the only really important question remaining is: Which economic, foreign, and domestic policy course will Russia's new "strongman" actually follow in the weeks and months ahead?

That, indeed is a very important question, but—contrary to over-hasty, naive assumptions being made in many quarters—by no means the only one. In fact, as of this moment, very little has really been settled. The Russian situation remains characterized by multiple paradoxes and imponderables which virtually guarantee further surprises in the near future. Above all, the Russian situation must be seen not as a purely Russian phenomenon, but as a function of the global financial and strategic crisis which has entered a period of unprecedented turbulence. Especially crucial is the outcome of the political struggles around Lyndon LaRouche in the United States. Whoever tries to make any simple calculations

or schedules in this situation, is in for some big surprises in the coming weeks and months.

Some of the imponderables

Before turning to the person of Vladimir Putin and his early actions upon assuming the Presidency, let us first review some of the imponderables of the Russian situation.

1. Yeltsin's dramatic television announcement of his withdrawal, the transfer of the famous "nuclear briefcase" to Putin, the departure of Yeltsin's daughter Tatyana Dyachenko from the Kremlin, and so forth, have led many observers to assume, in part unconsciously, that Yeltsin is now definitively "out of the picture." But could it really be, that by some magic, the infamous "Family," with its vast apparatus and circles of allied "Russian oligarchs," has suddenly evaporated, or just naively placed its entire fate and fortunes at the mercy of the "inscrutable" Putin? Before jumping to conclusions, observers should watch the Yeltsin family's "post-retirement" activities more closely, and bear in mind, that the real story of the events leading to the transfer of power to Putin, and the arrangements made in that connection, has not yet come to the surface.

2. While most eyes were fixed on Moscow and the activities of the new President Putin, the "retired" Yeltsin was flying in the Russian Presidential jet to Israel for a very extraordinary event: an unprecedented celebration of the Russian Orthodox Christmas on Jan. 7 by the highest-level representatives of the Orthodox Church and Russian political figures ever to visit the Holy Lands in modern times. Yeltsin was joined not only by Belarus President Aleksandr Luka-

shenka and Ukrainian President Leonid Kuchma, but also by “oligarchs” Boris Berezovsky and Roman Abramovich, as well as Tatyana Dyachenko and Kremlin Chief of Staff Aleksandr Voloshin. Yeltsin reportedly made a remark to the effect, that he considered himself “the Holy President of Russia.”

Whatever Yeltsin may have meant by that, the presence of Belarus’s Lukashenka should remind observers of the fact, much discussed at an earlier point but recently nearly forgotten, that the just-formed Union of Belarus and Russia, signed into law by one of the first acts of Putin after a curious chain of events surrounding Yeltsin’s perhaps feigned illness at the end of last year, in effect creates a new state. Regardless of formalities (which, in Russia politics, often have more theatrical than substantial effect), the question unavoidably arises: Who will be the real head of state of this new entity? The question becomes even more interesting in light of recent speculations, that the Union might be expanded further, even to include Ukraine. The latter prospect might appear extremely remote, at first glance; but things might suddenly look different in the context of an emergency situation which could arise as a result of major financial default, the outbreak of economic chaos, or a world strategic crisis weeks or months down the road.

Financial disaster

3. This brings us to the extremely precarious economic and financial situation of Russia and its neighbors, a looming disaster which will determine events as much, or more, than any amount of byzantine political maneuvers. Although the international oil price rise has significantly boosted Russian government revenues in the short term, permitting the Chechnya war to be financed with relative ease, a new wave of economic and financial crisis is on the horizon. A marginal industrial production recovery, which had begun under the September 1998-May 1999 Primakov government, is running out of niches for expansion, and a wave of bankruptcies and factory closings has begun to spread across the country. Besides this, there is the threat of a formal default, and signs of a violent, “underground” struggle over the fate of the gigantic financial assets placed by Russian citizens outside the country.

4. Another “imponderable” is the further course of the military operations in Chechnya. While the overwhelming popular support for the war continues, the period of “easy victories” has definitively come to an end. With the onset of winter, and the stiff resistance encountered by Russian forces in Grozny and elsewhere, the Russian military is faced with the prospect of either suffering huge, perhaps unacceptable losses of men, or going for a massive escalation of firepower, even up to the threshold of tactical nuclear weapons. Under discussion, and perhaps already used, are so-called “fuel-air” bombs—special, non-nuclear devices

whose destructive effect is comparable to that of a small nuclear weapon—various other “non-conventional” weapons, and chemical weapons. Such actions, in the context of the whole “arc of crisis” from the Middle East into the India-Pakistan conflict and Central Asia, can quickly thrust events in Chechnya into a quite different strategic plane, than the “limited conflict” it has represented so far.

5. A further factor of incalculability is the highly uncertain balance of political forces in the country following of the Dec. 19, 1999 Duma elections, and especially the future of Yevgeni Primakov, up to now the main potential rival of Putin for the Presidency. As we note below, the actual outcome of the elections was by no means so favorable for the Kremlin-Putin bloc, as was generally reported in the international media. On the other hand, the Fatherland-All Russia (OVR) election bloc, which was Primakov’s base in the election, appears to have split irreversibly. The Russian press is full of speculations, ranging from Primakov simply withdrawing from politics, to Primakov’s potential emergence as the Presidential candidate for the entire “left,” including the Communist Party of the Russian Federation, according to a scenario in which CPRF leader Gennadi Zyuganov, recognizing that he could not win himself, would withdraw in favor of Primakov. Just as conceivable, and increasingly under discussion, is the prospect of Primakov’s being chosen as the speaker of the Duma, or joining with Putin in some form in a government of national consensus. But all is only speculation for the moment: Primakov himself has remained completely silent, making no single public statement since the events of New Year’s Eve. At the same time, there are hints that Primakov and his circle have by no means given up, but are planning some surprises of their own.

6. Finally, the uncertain future of certain powerful Russian oligarchs, including Boris Berezovsky, who made it a point of acquiring Duma seats, and thereby immunity from prosecution. Long central to various intrigues around the Yeltsin “Family,” Berezovsky and his *Nezavisimaya Gazeta* have come out as the most glowing supporters of Putin. But now that Putin is in power, can Berezovsky count on his protection? Although Putin has been reputedly close to Anatoli Chubais and other so-called young reformers, and has so far acted in the general interest of the “Family” and the “Russian oligarchs,” he should by no means be discounted as a mere “puppet” of these interests. On the contrary, it is entirely possible that Putin, as an avowed “dirigist nationalist,” will move quickly to rein in and even break the power of “oligarchs.” Just a first days in office, Putin has already acted to change the legal status of “organized crime,” effectively removing the task of combatting it from the hands of the dubious Internal Affairs Minister Vladimir Rushailo, and putting it, as a national security matter, instead in the hands of Federal Security Agency (FSB, the former KGB) structures

loyal to Putin himself. Here also, major surprises could be in the making.

Who is Vladimir Putin?

This brings us to the “imponderable” of Putin himself, an intelligence professional who up to now has appeared to the outside as a most loyal servant of Yeltsin and the Family’s Kremlin apparatus. In last week’s issue, I emphasized the ambiguities of Putin’s rapid rise, which have led to widely diverging evaluations of his intentions and motivations. Perhaps more significant, Putin is credibly described as a careful and highly disciplined, but very intense personality, with a significant potential for independent action.

While much remains to be learned about Vladimir Putin, above all from his concrete actions in the coming weeks, there is no doubt that his general outlook has been strongly shaped by his career in the Russian intelligence service, which began no later than his student days in the mid-1970s. As some well-informed German commentaries have emphasized, Putin belongs to a generation in the KGB who were broadly known as “Andropov’s children.” These were typically young, highly disciplined and proud professionals, with a strong technocratic orientation, who were acutely aware of the Soviet Union’s backwardness in economic and political terms, and committed to modernization through dirigistic methods. This included an emphasis on areas of advanced technology, such as microcomputer and telecommunications, where the Soviet Union was far behind the United States. This modernization impulse within the Soviet intelligence, armed forces, and other institutional structures, while reflected to a significant extent in the early phases of Gorbachov’s *perestroika*, was all but buried in the ensuing disaster of “shock therapy.” But the image of the “modernizers” shines through in Putin and many of the other, strikingly similar persons he is bringing into power around him now. Putin’s rise came amid a process of “generation shift,” where the remainder of the elder generation from the Soviet *nomenklatura* is gradually being replaced by much younger figures, many coming from the intelligence and former Komsomol (Communist Youth League) apparatus.

Several biographical articles on Putin have appeared in the Russian press in recent days, including an extensive profile published in Berezovsky’s *Nezavisimaya Gazeta*. While nothing in the press, and least of all *Nezavisimaya Gazeta*, is to be taken at face value, it may be of interest to paraphrase some of the biographical highlights contained in that daily’s profile, which are generally in line with what is otherwise known.

Vladimir Vladimirovich Putin was born on Oct. 7, 1952 in Leningrad, in a family of workers. Working his way up from the bottom, he early learned to defend himself, becoming a leading master in the martial art of sambo. He entered the law faculty of Leningrad University, where through extremely

intense study (he rarely went to parties, but worked long hours in libraries), he advanced rapidly. Anatoli Sobchak, later to become mayor of the city, who at that time was a professor at the university, became Putin’s academic supervisor.

In 1975, after leaving Leningrad University, Putin entered service in the KGB. Following training at the KGB school in Moscow, Putin entered the first directorate of the KGB (foreign intelligence), working for 10 years in various capacities in Leningrad, after which, in 1985, he was sent to East Germany to the Group of Soviet Armed Forces there. He spent five years in Leipzig, where he served the KGB under the cover of head of the “House of German-Soviet Friendship.”

With the 1990 reunification of Germany, Putin went into reserve status, returning to Leningrad at the beginning of 1990, where he worked as assistant to the Rector of Leningrad University on international affairs. During this time he was involved in various small businesses, where he received much “concrete experience in market economy.” At the end of spring 1990, Sobchak, who had just become the leading figure in the city, invited Putin to work in the city soviet as an adviser on international affairs. Following Sobchak’s election in June 12, 1991 to Mayor of Leningrad (later renamed St. Petersburg), Putin became chairman of the city’s Committee for Foreign Relations. During June 1991 to July 1996, Putin became one of the most influential figures in city politics, becoming known as “the grey Cardinal,” without whom no important decisions were taken. He enjoyed the complete trust of Sobchak, and fulfilled the function of Vice Mayor during Sobchak’s frequent stays abroad. In August 1991, Putin played an unseen, but crucial role in delicate negotiations with the Leningrad KGB and military structures connected with the attempted coup at that time.

In 1994, Putin became first deputy chairman of the government of St. Petersburg, with wide functions which included diplomatic and business relations, and also large-scale investment projects. In autumn 1995, when the party “Our Home Is Russia” (NDR) of Viktor Chernomyrdin was establishing itself around the country, Sobchak appointed Putin to become the chairman of the Leningrad branch of the NDR with responsibility for running the NDR’s Duma election campaign in the region. Putin remained practically the only single member of the group of “Petersburg Democrats” who stayed with Sobchak right up to his defeat in the mayoral elections of 1996. After the election, Putin refused to work with Vladimir Yakovlev, declaring that this would “give the appearance of treason.” Putin did not sever contacts with his former boss even after Sobchak became the center of a corruption scandal, and fled to France. Later it was Putin who made possible Sobchak’s return to Russia.

In 1996, Putin became the equivalent of a doctor of economics, defending a dissertation on “Strategic Planning in the Maintenance of the Mineral Raw Materials Base of the Region under Conditions of Formation of a Market Econ-

omy,” at the St. Petersburg Mining University.

After this, Putin moved to Moscow, where he was appointed deputy to the Director of Affairs for the Presidency, Pavel Borodin. There Putin played a key role in determining what happened to the property of the Ministry of Foreign Trade in East European countries. In March 1997, Putin entered directly into the Presidential administration. By May 1998, Putin became a deputy head of the administration with extended powers, including in relations with the Russian regions. Soon afterwards, in July 1998, he was appointed director of the Russian Federal Bureau of Investigation, where he carried out far-reaching reforms. Putin continued in that post only until the financial crisis of August 1998, and the subsequent appointment of Primakov as Prime Minister. This was, as *Nezavisimaya Gazeta* puts it, a period of general political scrambles, in which Yeltsin was significantly weakened both physically and politically. But just as he had remained loyal to Sobchak, Putin did not give up on “the hopeless” Yeltsin.

In the ensuing struggle, brought to a head by the attempts by Primakov in January 1999 to obtain an agreement barring Yeltsin from making any sudden change of government, Putin played a crucial role on the side of Yeltsin. In particular, Putin is credited with having organized the political demise of Prosecutor General Yuri Skuratov, whose investigation of corruption between the Kremlin and Russian “oligarchs” such as Berezovsky, had become a major threat to the Yeltsin “Family.” In April 1999, at the height of the struggle around Skuratov, Putin was named Secretary of the National Security Council. In the period following Primakov’s replacement by Sergei Stepashin in May 1999, Putin became the key “armor-bearer” of the President, while at the same time to a large extent masking his growing importance from the public eye.

It was the total discrediting of Stepashin, through his inaction on the August 1999 “Islamist” attack in Dagestan, which led to Putin’s appointment to Prime Minister. The “Pearl Harbor shock” to the Russian population, caused by the bombings of apartment buildings in Moscow and elsewhere, and Putin’s “hard line” in the Northern Caucasus, became the basis for the hitherto unknown Putin’s meteoric rise to mass popularity in Russia.

This, in turn, entirely changed the situation around the Duma elections, as well as the perspectives for the Presidential election, then planned for June 2000, and for which Primakov had, up to then, been the favored winner.

Dirigistic measures

Biographical details aside, a key strategic question is, what Putin will do about the Russian economy. Although it is too early to make any solid judgment, a first pattern of decisions indicates that Putin is serious about the pledge, as expressed in his “Millennium” article referred to in last week’s *EIR* (Jan. 7), to take “dirigist measures” on behalf of the real economy. Putin reportedly announced measures to

reorganize Russia’s system for exporting raw materials, which form the core of its hard currency earnings. First Vice Premier V. Khristenko announced that “a decision has been taken to restrict access to export oil pipelines, in the year 2000, to those oil companies that have no shortfalls in their payments to the budget. Only this will be the basis for permission to export oil.” Putin, meanwhile, announced that he personally supports the institution of mandatory 100% conversion of foreign currency export earnings, which Khristenko and Central Bank head Viktor Gerashchenko have likewise advocated. He also scrapped a system allowing schemes that produced hundreds of millions of dollars in tax breaks for aluminum exporters. Putin also said that he favored a cut in interest rates to boost business and markets.

If Putin really intends to go for a dirigistic rebuilding of Russia’s productive economy—along lines otherwise strikingly similar to policies advocated by adviser to the CPRF Sergei Glazyev, as well as circles around former Prime Minister Primakov—then he will necessarily have to take on not only the “Russian oligarch” structures (including those aligned with the Yeltsin “Family”), but also their London-centered international backers as well. The course of that battle, if it occurs, will be a crucial test of Russia’s new leadership.

GENOCIDE RUSSIA AND THE NEW WORLD ORDER

Russia in the 1990s: “The rate of annual population loss has been more than double the rate of loss during the period of Stalinist repression and mass famine in the first half of the 1930s . . . There has been nothing like this in the thousand-year history of Russia.”

—Sergei Glazyev



Paperback, with a preface by Lyndon H. LaRouche, Jr.

\$20

Order #ER 2267



Economist Dr. Sergei Glazyev was Minister of Foreign Economic Relations in Boris Yeltsin’s first cabinet, and was the only member of the government to resign in protest of the abolition of Parliament in 1993.

Order from

EIR News Service, Inc.

P.O. Box 17390 Washington, D.C. 20041-0390

OR Order by phone, toll-free: **888-EIR-3258**

OR Send e-mail with Visa or MasterCard number and expiration date to: **eirns@larouchepub.com**

Shipping and handling: \$4.00 for first book, \$1.00 for each additional book.