

# Putin Prepares Russia For A Dollar Crash

by Alexander Hartmann

While the global economic and financial crisis is worsening, and international hotspots such as the Middle East and the Balkans are heating up, Russia, under President Vladimir Putin's leadership—despite, or because of, the inaction of the Group of Seven governments—is moving more and more into the center of international efforts to develop a working political alternative to reverse the ongoing collapse. This is true for the international cooperation between Europe and Asia, as well as for the efforts to stop the conflict between Israel and the Palestinians from growing into a general clash of civilizations in the Middle East and Central Asia. At the same time, careful steps are being taken to protect Russia from the effects of a crisis of the U.S. dollar, and to push the dollar aside as a competitor to the ruble in Russia's domestic trade.

In these developments, President Putin personally is playing an essential role, not least because of his remarkable diplomatic skills, which he demonstrated most recently in Finland, laying a wreath at the grave of Finland's national hero, Field Marshal Carl-Gustav von Mannerheim. Mannerheim led Finland's army twice in a war against Russia and the Soviet Union. Thus, Putin's gesture created quite a sensation. Among those he addressed from Finland were clearly the Baltic republics. Without any agitation or polemic, Putin said that the Baltic republics could, of course, choose freely to join NATO, but that objectively, there were no reasons for doing so.

In light of the failure of the U.S. government to intervene to stop the conflict in the Middle East, Mideast diplomacy is more and more turning toward Moscow. In this respect, it is interesting that Russia's former Prime Minister and Foreign Minister Yevgeni Primakov has announced that he will resign as chairman of the Fatherland-All Russia group in the State Duma (lower house of parliament), while at the same time saying that he will continue to play a prominent role in Russia's politics. Now, rumors are circulating that Primakov will serve Putin as a close adviser on foreign policy. Since Primakov is one of Russia's most experienced diplomats, not the least regarding the Middle East, it is likely that Russia will assume an even more active role in world politics.

Putin and Primakov share a common outlook on Russian policy toward Eurasia, too. Putin is working resolutely to create an economic and political sphere of stability, which is to include, if possible, the whole of Eurasia. This can be seen in countless economic and infrastructure development pro-

grams designed to interweave Eurasia, but also in alliances and cooperation agreements regarding security policy, for example, the Shanghai Cooperation Organization. Soon, a conference in Kazakstan will gather representatives of 30 Asian governments, to discuss shared security problems, such as Afghanistan's Taliban.

Especially intensive is Russia's cooperation with China. In July, China's President Jiang Zemin visited Russia, followed by Chinese Prime Minister Zhu Rongji in August. In October, Putin will be at the Asia-Pacific Economic Cooperation (APEC) summit in Shanghai. One of the issues will be to de-escalate the situation on the Korean Peninsula. This Autumn, India's President Atal Behari Vajpayee will visit Russia. In September, the Russian Academy of Sciences will host a conference on the Russia-China-India strategic triangle. To this picture, the Commonwealth of Independent States summit and the conference on Macedonia must be added. Thus, Russia's, and Putin's, weight in world politics is growing by the day.

## Decoupling Russia From the Dollar

In a similar skillful manner, Russia's leadership succeeded—despite determined resistance from within government institutions—in shattering the dollar's role as a “reserve currency” for Russia's population. Twice, in 1992-93 and in 1998, Russia's citizens lost their savings because of ruble hyperinflation. To a large extent, Russia's internal trade is using dollars. In a hearing sponsored by the State Duma's economics committee, Lyndon LaRouche and Russian economist Tatyana Koryagina warned that the country was extremely vulnerable to a dollar crisis.

Apparently, these warnings did not go unheeded. In early July, the gold chervonets and the sable silver coin, which had heretofore been of interest only to coin collectors, were declared to be legal currency. At the same time, an heated debate started in the Russian media, focussing on a coming dollar crisis. Within the Russian government, intensive fights about strategy of de-dollarization started. Declarations and rumors were published and denied, government actions were decided and rescinded. At the end of August, exports of gold and other precious metals were stalled, until the administrative details of a new regulation were clarified, which could take months.

Into these battles, burst Russian oligarch Boris Berezovsky's *Novaya Izvestiya*, with the claim that the government was preparing to return to the former Soviet Union's currency regime, forcing the population to accept government debt certificates for their rubles. But instead of enraging the population over these alleged government plans—which were denied instantly—and to create bad feelings against Putin, Berezovsky's intervention served only to feed the insecurity among the population about the dollar's future. Russia's citizens, who have had to endure ten years of “reforms,” do not want to lose everything again.

The effect of the debate is clear: From all parts of the