
Conference Report

Economic crisis sparks Russian debate over relations with Germany

by Mark Burdman

What will happen if the economic crisis in the former Soviet Union is not resolved in a rational way, through sensible forms of cooperation between the West and the republics of the former U.S.S.R.? From the evidence presented by two representatives from the Moscow U.S.A. and Canada Institute during a Sept. 27-29 strategic conference at the Loccum Evangelical Academy in Germany, the answer is simple: Things could get very nasty. Certain segments of the Bolshevik *nomenklatura*, of which the U.S.A. and Canada Institute is typical, are toying with post-Soviet "Great Russian" imperial schemes and claims on former Soviet republics, and are trying to figure out ways in which a new "balance of power" can be erected in Europe along the lines of the British-orchestrated Congress of Vienna of 1815, with the main aim being to contain the recently reunited Germany.

From other evidence on display at Loccum, such disasters are not inevitable. Leaving aside the question of whether the U.S.A. and Canada Institute is representative of the prevailing or emerging trend in Moscow thinking, the fact is that even among this faction of the *nomenklatura*, a certain kind of hard-nosed rationality on matters of economic policy now prevails. This is typified by a rejection of the "economic shock therapy" advice coming from the West and support for the revival of the agro-industrial development policies of Pyotr Stolypin, the reformist minister in the pre-Bolshevik period from 1905 to 1911. If the West comes up with policies that reinforce those saner trends, a positive relationship with Russia could be constructed.

The conference in Loccum (located in the German state of Lower Saxony) was on the theme, "Security in the New Europe." The question of where the former Soviet Union fits into the emerging security situation in Europe was one of many subjects debated, together with the situation in Yugoslavia, the changes in U.S.-European relations, the impact of such "non-military" factors as economics on security, and more. But especially as this was the first strategic debate at Loccum since the failed putsch of Aug. 19-21 in Moscow, the problems posed by the former U.S.S.R. presented some of the more sober challenges for the strategists, military professionals, peace researchers, and others in attendance. In

total, 15 nations were represented, either by official government spokesmen or by private citizens: Germany, Austria, Hungary, Italy, France, Russia, the United States, Belgium, Holland, Great Britain, Sweden, Norway, Poland, Czechoslovakia, and Bulgaria.

On the first day of the proceedings, Pyotr Gladkov, from the U.S.A. and Canada Institute, addressed the gathering. The institute is headed by Georgy Arbatov, a fixture of the "former" Bolshevik *nomenklatura* who has built a vast array of "back channels" to the United States over the past decades. The institute's traditional assignment has been both to profile the United States, as well as to use its points of access within the American policy establishment, to attempt to build a U.S.-Soviet global power-sharing "condominium." At this moment, its views would be more representative of the "Moscow center" group around Soviet President Mikhail Gorbachov than the group around Russian Federation President Boris Yeltsin, although, with everything in flux in Moscow, they are obviously opening up channels into all factions.

Gladkov stressed that after the putsch, "neither the Soviet Union nor Europe nor the world would ever be the same," and what is now happening to the East will certainly "affect the situation on the continent." He stated bluntly that "there is no such thing as the Soviet Union any more."

After outlining his appraisal of the internal correlation of forces among the republics of the former U.S.S.R., Gladkov advised his audience, "History can teach us some lessons." He pointed to the 1919 Treaty of Versailles arrangements vis-à-vis Germany as what should *not* be done now vis-à-vis Russia, since at Versailles, "the winning powers marginalized, singularized, and humiliated the Germans. This fanned the flames of Nazism in Germany, and led to World War II."

Preventing a continental 'hegemon'

So far, so good. However, Gladkov's chosen positive alternative to Versailles was the 1815 Congress of Vienna, which codified and institutionalized the British balance-of-power system for continental Europe. His line of reasoning was that France, the big loser after Napoleon was defeated, was "not denied access to the club," but was given a "legiti-

mate place." He made the dubious assertion that this ensured a "very stable environment" for Europe that prevailed for the better part of a century.

In a paper submitted for circulation, entitled "Emerging European Architecture," Gladkov developed this theme in greater detail, and went beyond it, to argue the following:

"Geopolitically, the U.S. needs to be concerned with the threat of a single power dominating Europe. Both times of its invasion in Europe (1917 and 1940-41), the United States tried to forestall the emergence of a continental *hegemon*. Here, a stable Soviet Union is needed to advance U.S. objectives. With Germany unified, a 21st-century European power balance will require the presence of a counterweight on Germany's eastern flank.

"Balance of power equilibrium—with German economic power checked by Soviet military power—is also a prerequisite for east central European stability and for ensuring that the region does not come under the sway of a hegemonic power. Just as the collapse of Germany in 1945 opened the way for the Soviet ascendancy in east central Europe, the collapse of Soviet power today would lead to German preeminence in the region.

"At the same time the Soviet Union finds it in its interests if the United States remains engaged in Europe because Americans are a critical element of a stable security environment for the U.S.S.R.

"As long as domestic ills fully occupy Soviet leadership it would need American assistance to tether the inherent power of a reunified Germany, and the volatility of an east-central and southeastern Europe that no longer is constrained by Soviet hegemony. And, in a paradoxical way, the Soviet Union may trust the United States far more than the intentions of Helmut Kohl or any future German leaders.

"To be sure, reunited Germany can build on more than four decades of democracy, sound economic achievement, and give no signs of being anxious to develop into a rival military power. From the Soviet standpoint, however, Germany does not need to be a threat to be threatening. The mere reemergence of a state with 80 million people, and an economy that will be the world's largest exporter, with a GNP larger than that of Britain and France combined, cannot be seen as reassuring, especially at a time when the Soviet Union is dying and Russia, as a logical major counterbalance in all European power games, is too much preoccupied with its domestic problems to be able to be engaged in any serious process of redistribution of power. . . .

"Engagement of both the United States and the Soviet Union (in any form it will take in the future) in a Euro-Atlantic security condominium is thus a requisite element of any future European order."

Economics will influence security

Lost in all this is the fact that "containing" Germany would weaken the economic strength of the Germans, which

the Russians themselves need for their own economic advance. This strange omission is all the more striking, in view of the arguments put forward by Gladkov's colleague Vladimir Benevolenski, assistant director of research planning at the same institute. In his circulated written paper, entitled "A Common European Economic Space as a Security Factor for the Continent," Benevolenski wrote:

"Domestic stability and the support for the leadership of a nation, which are important national security factors, too, also depend on development levels and current development trends to a large extent. . . . Ensuring stability in east European countries and the region of the former Soviet Union means first and foremost ensuring socially acceptable rates of economic development, since the reform movements are to a large part driven and in fact even legitimized by popular aspirations of an improvement in standards of living. . . .

"It will not be an exaggeration to observe that most east European reformers (including the U.S.S.R.) view public disappointment in economic performance as a major threat to the development of positive social and political processes in their countries, which in turn might, if not endanger, slow down and raise future costs of further improvement of the international climate in Europe. The recent experience of the Soviet Union demonstrates how easily public dissatisfaction with economic performance may in a multinational environment trigger conflicts between nationalities (nations) that then become self-sustaining because of non-economic factors and mature into long-term hotbeds of instability. Southeast Europe provides additional examples of that class of potential dangers to European security."

As he stated, "Economic matters will influence the European security agenda in a prominent way."

Targeting Ukraine

Benevolenski was less diplomatic at one crucial point in his public presentation, where his analysis of the Ukrainians became downright nasty. Stressing that "nationality" conflicts often "have roots in economic problems," he proceeded to appeal to his predominantly European audience to put pressure on Ukraine, painting the Ukrainians as the instigators of an economic-political crisis. His basic line of argument was that Europe needs Siberian oil, which is transported, in significant part, via ports in Ukraine. The Ukrainians, however, are demanding that higher and higher percentages of that oil be diverted for internal Ukrainian use, and that Ukraine receive a hefty percentage of world trade in oil in dollars. If this continues, the oil flow from Siberia could be jeopardized. Worse, many in Moscow will respond that "the Union," not Ukraine, built the ports in the first place. Also, Russians will recall that the name for the area where the ports used to be, "Novaya Rossiya" ("New Russia"), was formerly part of Russian territory.

The paradox shown by the Russian representatives is that such ravings are counterposed to rationality on certain

matters of economic policy. If those better impulses were seized upon and encouraged by the Europeans, might the conflicts and crises be averted? In various discussions and offhand comments, the U.S.A. and Canada team indicated the following:

- They view the Harvard/Jeffrey Sachs "shock therapy" policy for Russia as a non-starter. If implemented in Russia, they correctly state, it would create destabilization and chaos.
- The Russians absolutely do not want westerners to come and propose joint ventures that really amount to speculative get-rich-quick schemes, especially as these play into the worst side of the mentality of a Russian entrepreneurial

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class that has had little experience in international business dealings. Rather, what the Russians want is concrete technical advice, with business managers from the West willing to work with Russian entrepreneurs on a serious basis. The Russians need help in developing what is known in Germany as a *Mittelstand*—medium-sized productive enterprises.

In his circulated draft, Benevolenski wrote: "First practical steps could include the creation of pan-European associations in some specific sectors of the economy, similar to industry branch associations. . . . Such moves could be practical in mining, energy, transportation and communications. Soviet R&D capabilities could also be engaged in some pan-European projects to improve European competitiveness in world markets."

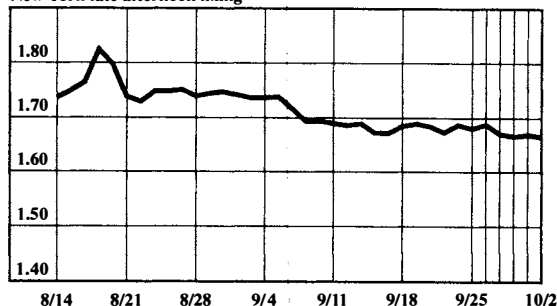
- The mood in Russia is most favorable to a revival of the ideas of Stolypin. Said one of the Moscow visitors: "The belief is now common, that if Stolypin had not been assassinated in 1911 and his reforms had prevailed, the Bolshevik Revolution and all the ensuing troubles would never have happened."

- In response to probings from *EIR*, it was indicated that Russians would react favorably to an offer from the West of a massive infrastructure development program for Europe, including the former U.S.S.R., either modeled on or congruent with Lyndon LaRouche's "Productive Triangle" infrastructure-centered program for a European-sparked world-wide economic recovery.

Currency Rates

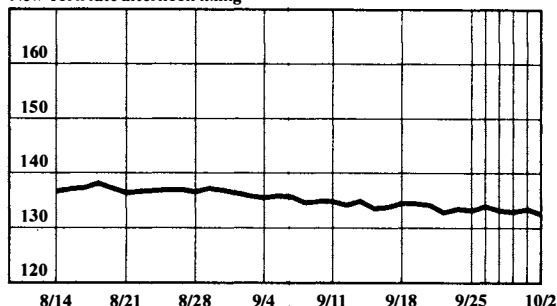
The dollar in deutschemarks

New York late afternoon fixing



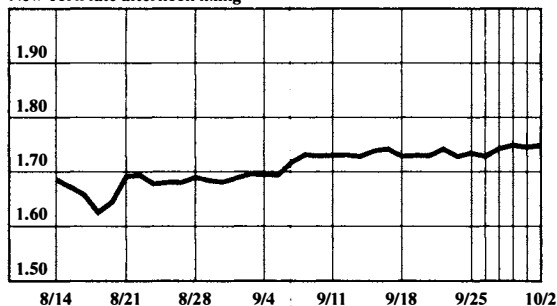
The dollar in yen

New York late afternoon fixing



The British pound in dollars

New York late afternoon fixing



The dollar in Swiss francs

New York late afternoon fixing

