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News Brief No. 98/47
FOR IMMEDIATE RELEASE
November 30, 1998

International Monetary Fund
Washington, D. C. 20431 USA

IMF Holds Seminar on Economic Policies in Russia

The International Monetary Fund (IMF) today hosted a seminar to discuss the policy challenges facing Russia. Stanley Fischer, First Deputy Managing Director of the IMF, said the seminar was attended by government officials from member countries, representatives of international financial institutions, and academics and other experts on the economic and political issues facing Russia.

"A frank and extremely wide-ranging discussion took place on the causes of the current crisis, policy options, and the role that the IMF and other international institutions might most usefully play in helping Russia to extricate itself from its current difficulties. Among the issues discussed were the appropriate fiscal and other macroeconomic policies and structural reforms needed to generate growth in Russia, and the political and social aspects of reform. IMF management and staff found this exchange of views extremely useful in its ongoing effort to develop its policy advice to the Russian authorities," Fischer said.

C/ RUSSIAN FEDERATION/ 000



INTERNATIONAL MONETARY FUND
WASHINGTON, D. C. 20431

CABLE ADDRESS
INTERFUND

MANAGING DIRECTOR

December 18, 1998

Dear Mr. Governor: *dear Viktor,*

It was with great pleasure that I learned of your appointment as Chairman of the Central Bank of Russia, and Governor of the International Monetary Fund for the Russian Federation. Therefore, on behalf of the Executive Board and staff, allow me to welcome you officially back into the Fund. *And best wishes for the holiday season*

Sincerely yours,

A handwritten signature in black ink, appearing to read "Michel Camdessus".

Michel Camdessus

Honorable Viktor Gerashchenko
Governor of the International Monetary
Fund for the Russian Federation
Central Bank of the Russian Federation
12, Neglinnaya Street
103016 Moscow
Russian Federation

CC: MR. FISCHER
MR. OUATTARA
MR. SUGISAKI
MR. MUZHIN
EURII
SEC



Office Memorandum

CENTRAL FILES
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CONFIDENTIAL

February 17, 1999

To: Members of the Executive Board

From: The Secretary

Subject: **Russian Federation—Comparison of March 1996 and Current Staff Balance of Payments Projections—Information Provided to the Paris Club**

Attached for the information of the Executive Directors is a note and tables provided by the staff at the request of the Paris Club, comparing the current medium-term balance of payments outlook with that as seen at the time of approval of the 1996 Extended Arrangement with the Russian Federation.

Please note that this paper is being reissued to correct the tables.

Mr. Thomsen (ext. 38808) or Mr. Mazarei (ext. 34902) is available to answer technical or factual questions relating to this paper.

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FO/DIS/99/21

RUSSIAN FEDERATION

Comparison of March 1996 and Current Staff Balance of Payments Projections

1. This note provides a comparison of balance of payments projections made by IMF staff in March 1996, when Russia requested Fund support under the extended arrangement,¹ and staff's most recent balance of payments projections, which reflect policies under a program that could be supported by a new arrangement with the Fund. Discussions on such a program are still going on, and the staff's recent medium-term projections have not yet been discussed with the Russian authorities. These projections could, therefore, change substantially as a result of such discussions.

A. Projections made in 1996

2. The 1996 projections assumed a reversal in the hitherto negative economic trends, and envisaged a strong change in growth in 1996 and beyond. The rate of growth of real GDP was expected to pick up from -4 percent in 1995 to 2.3 percent in 1996 and rise to about 6 percent over the medium term, underpinned by persistently high rates of investment. Consumer price inflation was projected to decline from 190 percent in 1995 to 51 percent in 1996 and further to a steady 6 percent a year over the medium term. Russia was also expected to undertake fiscal consolidation, resulting in an improvement in the federal budget primary balance from a deficit of 1.7 percent of GDP in 1995 to virtual balance from 1998 onwards. The terms of trade were expected to remain broadly unchanged over the projection horizon.

3. Under these assumptions, and with a rescheduling of Russia's external Soviet-era (pre-January 1992) debt, the overall balance of payments was expected to improve sharply from 1996 to 1999 and beyond (Table 1). The current account deficit was projected to widen from near balance in 1996 to 1.5 percent of GDP in 1999, but move to near balance again by 2005. Increasing access to private capital markets was projected to result in large inflows to the private sector. The capital account was therefore projected to register a sharp improvement between 1996 and 1999, and to strengthen further over the medium term. Official external debt was projected to decline gradually from 21 percent of GDP to about 16½ percent of GDP over the medium term.²

B. Developments between 1996 and 1998

4. Economic developments in the period 1996-98 turned out to be considerably worse than projected at the time of the 1996 Paris Club agreement, reflecting domestic as well as

¹See EBS/96/31, Supplement 3 (and correction 2), dated March 22, 1996.

²Private external debt was small.

external developments. A slow pace of structural reforms and insufficient fiscal adjustment led to a sharp increase in public-sector indebtedness. A heavy reliance on the issuance of short-term government securities made Russia particularly vulnerable to changes in investor confidence. Such confidence weakened significantly from late 1997 as it became clear that Russia was failing to come to grips with its fiscal problem, but also as a result of the adverse impact of the Asian crisis on international capital markets. The default domestic government debt and the imposition of a moratorium on external private debt service last August led to a loss of access to global capital markets. In addition, Russia experienced an unforeseen deterioration in its external terms of trade as a result of the drop in prices of primary commodities. Although reliable terms of trade data are not yet available, the fall in prices of Russia's exports of oil and natural gas, which amounted to some 40 percent in 1997-98, is indicative of a significant shock. As a result of the slow output growth since mid-1997 and particularly the sharp drop in output since August 1998, the real GDP index in 1998 (1995=100) was 9 percent below what had been projected in 1996. Imports departed even more sharply from the originally projected path: in 1998, imports in U.S. dollar terms were 34 percent below what had been projected in 1996.

C. Staff's current projections

5. The projections are based on the assumption of a significant fiscal adjustment in 1999 and beyond. In 1999, the primary balance of the federal government is expected to swing from a deficit of about 1.5 percent of GDP in 1998 to a surplus of 3.5 percent of GDP. The projections also assume determined implementation of structural reforms in the coming years. On the strength of these policies, the projections are based on the following key assumptions: (i) GDP is projected to contract by 7 percent in 1999, but the decline in output should cease in mid-1999, allowing a gradual recovery in GDP, with the annual growth rate reaching 5 percent by the year 2005; (ii) yearly average consumer price inflation is projected to rise from 28 percent in 1998 to over 100 percent in 1999, but to come down to a single-digit range over the medium term; (iii) the terms of trade are projected to show a further deterioration in 1999, reflecting the full-year effects of price changes that have already happened, but to remain steady over the medium term. This could prove to be a conservative assumption as it locks in the terms of trade at levels that are low by historical standards; and (iv) the large real exchange rate depreciation of 1998 is expected to reverse itself in part, but only gradually, over the projection period.

6. The loss of capital market access for Russian borrowers, combined with the heavy external debt burden of both the public and private sectors, is projected to force a \$10 billion correction in the current account to a surplus of over 5 percent of GDP in 1999, from near balance in 1998 (Table 2). The sharp real depreciation of the ruble, the expected decline in output, and the crisis in the banking system—which undermines Russia's access to trade finance—are projected to result in a reduction of imports in real terms by 20 percent in 1999.

7. Despite the current account adjustment, large net capital outflows and the need to clear substantial public arrears are projected to leave Russia facing external financing gaps of

\$24 billion in 1999 and \$9 billion in the year 2000. These capital outflows reflect heavy scheduled amortization of public external debt, and continued sizable private outflows, as well as Russian borrowers' loss of access to global capital markets. Filling the financing gap through exceptional balance of payments financing could be realistic only if Russia were to obtain rescheduling of outstanding public sector arrears (\$11 billion) and a good part of current public debt service. Public external arrears include not only those incurred in 1998 on obligations to Paris and London Club creditors, but also overdue obligations (including penalty interest) to several creditors with whom Russia had not been able to agree on rescheduling agreements along the lines of the 1996 Paris and London Club agreements. These include, principally, several non-Paris Club official creditors and uninsured suppliers. Such a rescheduling, together with some support from the IMF, the World Bank, and Japan could close the financing gap.

8. Over the medium term, with progress toward economic and financial stabilization and the resumption of economic growth, the compression in imports would end and the sharp current account correction of 1999 would be reversed, and the current account is projected to register a deficit of 2 percent of GDP by 2005. This trend, however, would be outweighed by the gradual but steady projected improvement in the capital account. External borrowing by both the government and the private sector from the global markets is expected to be very limited during 1999-2000, but access could resume gradually starting in 2001. The resumption of access would depend crucially on credible and significant fiscal consolidation and on structural reforms, especially in the banking sector. Over the medium term, these factors should also contribute to a reduction in private capital outflows from Russia. On the basis of these assumptions, the overall balance of payments position is projected to improve steadily from a deficit of about \$6 billion in 1999 to a surplus of \$4 billion by 2005.

Table 1. Russian Federation: Balance of Payments, 1996-2005, March 1996 Program Version
(EBS/96/31, Supplement 3, Corrected: 3/22/96)

	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
	EFF program									
	(In billions of U.S. dollars, unless otherwise indicated)									
Current Account	-2.4	-8.7	-12.3	-13.0	-12.3	-12.1	-12.1	-12.1	-11.6	-10.6
Trade balance	13.8	8.5	6.4	6.9	8.1	9.3	10.8	13.8	17.8	23.0
Exports	85.2	90.6	98.1	108.9	122.3	137.3	154.5	174.2	196.7	222.3
<i>of which:</i> Oil	16.5	16.7	17.2	17.5	18.2	19.3	20.3	21.5	22.7	24.1
Natural gas	13.0	12.7	13.0	14.7	16.4	17.3	18.4	19.8	21.3	23.0
Imports	71.4	82.1	91.7	102.1	114.2	128.0	143.7	160.5	178.9	199.2
Services, net	-16.2	-17.2	-18.7	-19.8	-20.4	-21.4	-22.8	-25.9	-29.4	-33.7
Nonfactor services, net	-9.5	-10.8	-11.3	-11.4	-11.3	-11.1	-10.6	-11.6	-12.6	-13.6
Interest, net	-6.6	-6.4	-7.4	-8.4	-9.1	-10.3	-12.2	-14.2	-16.8	-20.1
Receipts	1.2	1.8	1.6	1.5	1.4	1.2	1.2	1.1	1.1	1.0
Payments	-7.8	-8.2	-9.0	-9.9	-10.5	-11.5	-13.4	-15.4	-17.8	-21.1
<i>of which:</i> Official	-7.6	-8.0	-8.1	-8.2	-7.8	-7.7	-7.7	-7.3	-6.8	-6.3
Dividends, net	--	-0.1	-0.2	-0.5	-0.8	-1.2	-1.9	-2.7	-3.7	-4.8
Other factor services	-0.1
Transfers, net	--	--	--	--	--	--	--	--	--	--
Capital Account	-6.7	5.4	9.5	15.0	16.5	16.4	17.6	18.6	18.8	18.2
Medium- and long-term capital to the public sector	-3.4	-1.3	-1.7	-0.8	-2.5	-3.3	-5.7	-6.2	-5.5	-7.0
Disbursements	4.7	5.0	4.0	6.0	5.5	4.5	3.0	3.0	3.0	2.0
Amortization	-7.2	-6.1	-6.4	-7.1	-7.8	-8.1	-8.9	-9.5	-9.3	-9.8
Payments	-8.3	-7.3	-7.6	-8.1	-8.4	-8.3	-9.1	-9.6	-9.4	-9.9
Receipts	1.1	1.2	1.2	1.0	0.6	0.2	0.2	0.1	0.1	0.1
Other 1/	-0.8	-0.2	0.7	0.4	-0.2	0.2	0.2	0.2	0.8	0.8
Medium- & long-term capital to the private sector	0.5	3.5	5.5	8.8	10.3	12.2	14.6	16.9	16.5	17.0
<i>of which:</i> Foreign direct investment	0.5	2.0	4.5	6.5	8.5	9.5	10.5	12.0	13.0	14.0
Commercial banks and other short term 2/	-3.0	3.2	5.7	6.9	8.8	7.6	8.7	7.9	7.8	8.3
Other	-0.8	--	--	--	--	--	--	--	--	--
Errors and omissions	--	--	--	--	--	--	--	--	--	--
Overall balance	-9.1	-3.4	-2.8	2.0	4.2	4.4	5.5	6.5	7.2	7.6
Financing	9.1	3.3	2.8	-2.0	-4.2	-4.4	-5.5	-6.5	-7.2	-7.6
Net international reserves	2.1	-3.0	-2.6	-6.0	-6.7	-5.3	-6.2	-7.0	-7.2	-7.6
Gross reserves (- increase)	-1.9	-5.1	-4.4	-3.0	-3.5	-3.9	-4.4	-4.8	-5.3	-5.9
Net Fund liabilities	4.0	2.1	1.8	-3.0	-3.3	-1.4	-1.8	-2.2	-1.8	-1.7
Arrears	--	--	--	--	--	--	--	--	--	--
Deferral/rescheduling	7.0	6.3	5.4	3.9	2.5	1.0	0.8	0.6	0.0	0.0
Memorandum items:										
Trade balance (percent of GDP)	2.4	1.3	0.9	0.9	1.0	1.0	1.1	1.2	1.5	1.7
Current account (percent of GDP)	-0.4	-1.3	-1.7	-1.7	-1.5	-1.3	-1.2	-1.1	-1.0	-0.8
Gross reserves	19.2	24.3	28.7	31.7	35.2	39.1	43.5	48.3	53.7	59.5
(months of imports of goods and nonfactor services)	2.5	2.8	2.9	3.0	3.0	3.0	3.0	3.0	3.0	3.0
External debt service payments	9.5	9.5	11.2	16.0	16.9	16.4	17.9	18.5	18.0	17.9
(percent of exports of goods and nonfactor services)	9.8	9.1	10.0	12.9	12.1	10.5	10.2	9.3	8.0	7.1

Source: Data provided by the Russian authorities and staff estimates.

1/ Receipts and payments on debts denominated in non-convertible currencies net of reschedulings and deferrals, including debts to COMECON countries.

2/ Includes cash-related transactions, enterprise credits, inter-FSU trade arrears, unrepatriated export proceeds, and unspecified short term financing.

Table 2. Russian Federation: Balance of Payments, 1996-2005, February 1999 Version

	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
(In billions of U.S. dollars, unless otherwise indicated)										
Current account	2.6	-0.8	-1.4	9.1	8.1	5.7	2.6	1.9	-1.0	-5.0
Trade balance	16.6	13.9	12.7	21.4	21.1	20.1	18.0	17.9	16.2	13.9
Exports	90.5	88.7	73.3	71.6	76.0	80.5	84.7	90.8	96.8	103.0
<i>of which</i> : Oil	23.4	22.0	14.3	12.8	14.8	16.0	16.3	16.9	17.1	17.1
Natural gas	14.7	16.4	12.9	10.9	11.6	12.5	13.0	13.5	14.1	14.4
Imports	73.9	74.8	60.6	50.2	54.9	60.4	66.7	72.9	80.6	89.2
Services, net	-14.1	-15.2	-14.3	-12.2	-12.9	-14.3	-15.3	-15.9	-17.1	-18.8
Nonfactor services, net	-6.4	-5.7	-2.9	-0.6	-1.0	-1.6	-2.5	-3.0	-4.0	-5.1
Interest, net	-7.2	-9.0	-10.7	-10.8	-10.9	-11.2	-11.0	-10.7	-10.5	-10.4
Receipts	1.4	1.6	1.7	1.6	2.0	2.0	2.1	2.2	2.3	2.5
Payments	-8.6	-10.6	-12.4	-12.4	-12.9	-13.2	-13.1	-12.9	-12.8	-12.8
<i>of which</i> : Official	-6.7	-8.6	-10.1	-10.3	-10.3	-10.3	-10.0	-9.8	-9.5	-9.3
Dividends, net	0.0	-0.2	-0.4	-0.4	-0.6	-1.1	-1.4	-1.7	-2.2	-2.9
Other factor services, net	-0.5	-0.3	-0.4	-0.4	-0.4	-0.4	-0.4	-0.4	-0.4	-0.4
Transfers, net	0.2	0.5	0.2	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1
Capital account	-6.8	8.2	-6.2	-15.5	-9.9	-2.8	2.1	2.8	5.6	9.3
Medium- & long-term capital to the federal government	7.0	15.2	8.1	-2.5	-1.7	-1.0	-1.0	-3.9	-2.3	-0.6
Disbursements	5.4	6.0	13.0	1.9	2.3	4.1	4.6	5.1	5.6	6.1
Amortization	-7.9	-1.4	-4.1	-2.9	-2.6	-3.9	-4.1	-7.7	-7.5	-6.5
Payments	-8.1	-2.1	-4.9	-3.7	-3.4	-4.6	-4.8	-8.5	-8.2	-7.2
Receipts	0.3	0.7	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8
Purchases of government securities, net	8.2	10.6	-0.4	-0.2	-0.2	0.0	-0.4	-0.1	0.8	1.0
Other 1/	1.2	0.0	-0.4	-1.2	-1.2	-1.2	-1.2	-1.2	-1.2	-1.2
Medium- & long-term capital to other sectors	1.7	4.6	4.0	-0.7	-0.2	2.0	5.7	8.5	9.5	10.4
<i>of which</i> : Foreign direct investment, net	1.7	3.6	0.8	0.1	0.5	1.9	3.5	5.2	5.5	5.8
Other, including short term 2/	-15.5	-11.7	-18.3	-12.4	-7.9	-3.7	-2.5	-1.8	-1.7	-0.4
Errors and omissions, net	-8.6	-7.6	-5.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Overall balance	-12.8	-0.3	-12.9	-6.4	-1.8	2.9	4.8	4.7	4.6	4.3
Financing	12.8	0.3	12.9	6.4	1.8	-2.9	-4.8	-4.7	-4.6	-4.3
Net international reserves	4.6	-1.4	10.3	-6.8	-7.5	-3.0	-4.8	-4.7	-4.6	-4.3
Gross reserves (- increase)	1.7	-2.5	5.7	-3.4	-3.9	-1.6	-1.8	-1.7	-3.0	-3.0
Liabilities	2.9	1.1	4.6	-3.4	-3.6	-2.0	-3.0	-3.0	-1.6	-1.3
Arrears/debt under negotiation 3/	0.0	0.0	1.2	-10.9	0.0	0.0	0.0	0.0	0.0	0.0
Deferral/rescheduling 4/	8.3	1.7	1.4	0.6	0.5	0.1	0.0	0.0	0.0	0.0
Financing gap	0.0	0.0	0.0	23.5	8.8	0.6	0.0	0.0	0.0	0.0
Memorandum items:										
Trade balance (percent of GDP)	3.8	3.1	3.9	12.7	11.7	10.2	8.5	7.7	6.3	4.9
Current account (percent of GDP)	0.6	-0.2	-0.4	5.4	4.5	2.9	1.2	0.8	-0.4	-1.8
Gross reserves	15.3	17.8	12.1	15.5	19.4	21.0	22.8	24.5	27.5	30.5
(months of imports of goods and nonfactor services)	2.0	2.3	1.9	3.0	3.4	3.3	3.3	3.2	3.3	3.3
External debt service payments 5/	...	12.9	17.6	19.2	19.1	18.5	19.1	22.1	22.0	20.7
(percent of exports of goods and nonfactor services)	...	12.7	20.5	22.9	21.5	19.7	19.3	20.9	19.4	17.2

Sources: Data provided by the Russian authorities, and staff estimates.

- 1/ Receipts and payments on debts denominated in non-convertible currencies net of reschedulings and deferrals, including debts to COMECON countries (payable almost entirely in kind).
- 2/ Includes cash-related transactions, enterprise credits, inter-FSU trade arrears, unrepatriated export proceeds, and unspecified short-term financing.
- 3/ In 1998, includes accumulation of arrears (\$1.2 billion) to London and Paris Club creditors. In addition, pursuant to 1996 Paris and London Club rescheduling agreements, Russia was seeking comparable treatment of its Soviet-era debt to other creditors. Some of these agreements (e.g. with non-Paris Club official bilateral creditors) remained uncompleted as of end-1998. Including penalty interest, overdue obligations on such debt amounted to \$9.7 billion as of end-1998, of which Paris Club creditors accounted for \$0.8 billion, London Club creditors \$0.4 billion, non-Paris Club bilateral official creditors \$4.0 billion, uninsured trade suppliers \$4.2 billion, and others (IIB & IBEC) \$1.5 billion.
- 4/ Includes arrears, debt rescheduling, and debt deferrals. Consists of interest capitalization by commercial banks, according to the London Club agreement, and debt reschedulings from uninsured suppliers and non-Paris Club creditors. Debt relief from the Paris Club rescheduling amounted to about \$4.5 billion a year on average in the period 1997-99, due mainly to the rescheduling of principal payments due.
- 5/ Excludes payments on short-term debt.



ПРАВИТЕЛЬСТВО РОССИЙСКОЙ ФЕДЕРАЦИИ

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Mr. Michael Camdessus
Managing Director
INTERNATIONAL MONETARY FUND
Fax: (202) 623 5895

ORIG: EURII

CC: MD

MR. FISCHER
MR. OUATTARA
MR. SUGISAKI
MR. MOZHIN
EXR
SEC
MR. M. CROSS

March 23, 1998

Dear Sir,

052604

I take this occasion to inform you that my tenure as the First Deputy Chairman of the Government of the Russian Federation concluded as of March 23, 1998. The past year of my work in the Government was one of the most hard and critical for Russia, and I am glad to be aware of the fact that I also have contributed to the positive processes that started in my Country.

During my tenure at the Government I had the pleasure to meet you on many occasions. In this relation let me express my sincere appreciation for our mutual cooperation and hope that friendly and confidential relations established between us may be developed in the professional and private levels.

I wish you the best of success in all your endeavours.

Yours sincerely,

Anatoly Chubais

OFFICE OF MD

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MR. FISCHER
MR. OUATTARA
MR. NARVEKAR
MR. TULIN
PDR
MS. R. SAUNDERS

March 10, 1995

PRESIDENT
OF THE RUSSIAN FEDERATION

No. Pr-358

The Kremlin, Moscow

Mr. Michel Camdessus, Managing Director
International Monetary Fund
Washington, D.C.

Dear Mr. Camdessus:

Over the last three years the Russian Federation has been striving consistently to overcome the legacy of the previous 70 years in order to rejoin the international community as a democratic country with an open market economy. This has not been an easy or smooth path. While we deeply appreciate the support of our partners, there is no doubt that in the final analysis it is up to the people and the democratically elected leaders of Russia to determine the pace of the reforms being carried out and the associated costs.

Today we are taking a decisive step, which will not only guarantee the irreversibility of the economic reforms, but will also enable us to achieve stable, noninflationary growth in the Russian economy. The economic program for 1995, on which our request for a stand-by loan from the International Monetary Fund is based, is playing a vital role in implementing these changes. I wholly support the program and am prepared to use every means available to me to ensure its success. At the same time, I would like to stress the critical importance of your support for the efforts we are making, especially with regard to the opening of markets to Russian goods. I trust that Russia can count on that assistance.

Sincerely yours,

/s/

B. Yeltsin



ПРЕЗИДЕНТ
РОССИЙСКОЙ ФЕДЕРАЦИИ

« 10 » марта 1995 г.

№ Пр-358

г. Москва, Кремль

Уважаемый господин Камдессю,

В течение последних трех лет Российская Федерация предпринимает последовательные усилия по преодолению наследия предыдущих семидесяти лет с тем, чтобы вновь войти в международное сообщество в качестве демократической страны с открытой рыночной экономикой. Это не простой и не гладкий путь. Мы высоко оцениваем поддержку наших партнеров, однако не вызывает сомнений, что в конечном счете решение вопроса о темпах осуществляемых преобразований и связанных с ними издержках остается за народом и демократически избранным руководством России.

Сегодня мы делаем решающий шаг, который не только гарантирует необратимость экономических реформ, но и позволяет обеспечить устойчивый неинфляционный рост российской экономики.

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АВТОМАТИЧЕСКАЯ
РЕГИСТРАЦИЯ
1995.03.10
11:08:22 P.M.

EMBASSY OF THE RUSSIAN FEDERATION
2650 WISCONSIN AVE., N.W.
WASHINGTON, D. C. 20007

ORIG: EUR II
CC: MD
MR. FISCHER
MR. OUATTARA
MR. NARVEKAR
MR. TULIN
EXR
PDR
MS. R. SAUNDERS

Mr. M. Camdessus
Executive Director
International Monetary Fund

March 2, 1995

Dear Mr. Camdessus,

As we agreed yesterday during your meeting with Mr. E. Yasin, Minister of Economy of the Russian Federation, I am enclosing herewith the text of the Address to the Russian Parliament of the President of the Russian Federation Mr. B. Yeltsin.

With best regards,

Sincerely,



S. Chestnoy
Senior Economic Counselor
Embassy of the Russian Federation

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.YELTSIN'S ADDRESS TO PARLIAMENT - FULL TEXT - 1.
+CORRECTED VERSION+
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MOSCOW FEBRUARY 16 TASS -
ESTEEMED CHAIRMEN OF THE CHAMBERS OF THE FEDERAL ASSEMBLY
ESTEEMED DEPUTIES

A YEAR AGO THE ANNUAL MESSAGE OF THE PRESIDENT TO THE FEDERAL ASSEMBLY BEGAN OUR JOINT WORK. IT WAS NECESSARY AT THE TIME TO FIND THE BASIS FOR PROMOTING COOPERATION AND INTERACTION. NOW, A YEAR LATER, WE CAN SAY: WE SUCCEEDED TO DO THAT. THE CENTRAL IDEA OF THE FIRST MESSAGE OF THE PRESIDENT TO THE FEDERAL ASSEMBLY WAS THE STRENGTHENING OF THE STATE AND WON A WIDE SUPPORT IN PARLIAMENT, IN RUSSIAN SOCIETY.

IN 1994 WE MANAGED TO REFRAIN FROM TURNING THE CONSTITUTION INTO AN OBJECT OF POLITICAL STRUGGLE. TRADITIONS WHICH WERE NEW FOR RUSSIAN POLITICS BEGAN TO APPEAR. THE MECHANISMS OF INTERACTION BETWEEN THE PRESIDENT, THE FEDERATION COUNCIL, THE STATE DUMA AND THE GOVERNMENT BEGAN TO WORK.

RUSSIAN SOCIETY DID NOT EMBARK ON THE PATH OF POLITICAL EXTREMISM. THE MAJOR PART OF THE POLITICAL FORCES OF THE COUNTRY, OF THEIR LEADERS DISTANCED THEMSELVES FROM EXTREMIST SLOGANS AND PREFERRED LAWFUL, PEACEFUL MEANS OF POLITICAL STRUGGLE.

IN 1994 THE SUPPORT TO SLOGANS ABOUT SECESSION OF THAT OR ANOTHER TERRITORY FROM THE RUSSIAN FEDERATION CONSIDERABLY WEAKENED. ILLUSIONS THAT IT IS POSSIBLE TO SOLVE ONE'S PROBLEMS IN SUCH A WAY DISAPPEARED.

THANKS TO JOINT EFFORTS, THE STAND-OFF BETWEEN THE LEGISLATIVE AND EXECUTIVE AUTHORITIES IN RUSSIA, WHICH HAS BEEN THE MAIN THREAT TO THE COUNTRY IN THE FIRST YEARS OF REFORMS, HAS CEASED TO EXIST IN GENERAL.

I BELIEVE IT NECESSARY TO RESOLUTELY STATE TODAY THAT ONCE HARNESSED INTO ONE CART YOU HAVE TO PULL IT TOGETHER. WE ALL HAVE TO WORK AS LONG AS IT IS FIXED BY THE CONSTITUTION AND BE READY TO HOLD NEW ELECTIONS OF THE STATE DUMA AND THE PRESIDENT IN TIME. SUCH IS MY POSITION. SUCH IS OUR COMMON DUTY BEFORE THE VOTERS.

I THANK CHAIRMAN OF THE FEDERATION COUNCIL VLADIMIR SHUMEIKO, CHAIRMAN OF THE STATE DUMA IVAN RYBKIN, CHAIRMEN OF COMMITTEES, FACTION LEADERS, DEPUTIES FOR THEIR EFFORTS TO PROMOTE A DIALOGUE BETWEEN FEDERAL AUTHORITIES. THERE WAS AND, PROBABLY, WILL BE HEATED DEBATE, TOUGH DISCUSSIONS. HOWEVER, IN THE MOST ACUTE MOMENTS REASON AND RESPONSIBILITY FOR THE FATE OF THE MOTHERLAND DOMINATED.

IT IS TO BE ADMITTED THAT NOT ALL TASKS SET IN THE LAST YEAR MESSAGE WERE FULFILLED.

THE LEGISLATIVE BASE STILL CONSIDERABLY LAGS BEHIND THE NEEDS OF MODERN RUSSIA. WE HAVE MADE LITTLE PROGRESS IN THE ANTI-CRIME FIGHT. WHILE SOLVING ECONOMIC PROBLEMS WE FAILED TO USE THE FAVOURABLE ECONOMIC SITUATION WHICH EMERGED LAST SUMMER.

AND ONE MORE THING WHICH I MUST SAY. WE FAILED TO ENSURE A PEACEFUL COURSE OF TRANSFORMATIONS ON THE WHOLE TERRITORY OF THE COUNTRY. THE FIRE OF AN ARMED MUTINY HAS NOT BEEN YET EXTINGUISHED IN THE CHECHEN REPUBLIC. RUSSIAN SOLDIERS FULFIL THEIR DUTY IN THE MOST DIFFICULT CONDITIONS THERE, PEOPLE ARE STILL DYING AND SUFFERING THERE.

MORE

.YELTSIN-MESSAGE, , E220001, TZ870

.YELTSIN'S ADDRESS TO PARLIAMENT - FULL TEXT - 2.
+CORRECTED VERSION+

ESTEEMED DEPUTIES

SEVERAL YEARS AGO RUSSIA MADE ITS CHOICE IN FAVOUR OF DEMOCRACY AND MARKET REFORMS. WE ARE NOW TRYING TO COVER WITHIN A RELATIVELY SHORT PERIOD OF TIME THE PATH, WHICH TOOK OTHER COUNTRIES CENTURIES TO TRAVERSE.

HISTORY PUT US IN A COMPLICATED SITUATION. ON THE ONE HAND, THERE IS THE ETERNAL LOVE OF THE RUSSIANS FOR THEIR MOTHERLAND, ON THE OTHER HAND, THERE IS THEIR NON-ACCEPTANCE OF THE YOKE OF THE CALLOUS STATE MACHINE, WHICH HAS BEEN MANGLING THE LIFE OF THE PEOPLE FOR CENTURIES. THE OVERCOMING OF THE TOTALITARIAN YOKE DID NOT EASE SOCIETY'S ALIENATION FROM AUTHORITIES. ON THE CONTRARY, THE COUNTRY'S BUREAUCRACY CAME TO FEEL UNCONTROLLED AND TRIED TO SUBJUGATE THE STATE INSTITUTIONS TO ITS SELFISH INTERESTS. THIS IS THE ROOT OF MANY MISFORTUNES WHICH BEFELL US IN RECENT YEARS.

SOLVING THE TASKS OF THE FIRST MESSAGE OF THE PRESIDENT WE GOT CONVINCED THAT THERE WILL BE NO STRONG STATE WITHOUT AN EFFICIENT WORK OF ALL INSTITUTIONS OF AUTHORITY. WE SEE THAT THE OLD TECHNIQUE OF AUTHORITY BASED ON POLITICAL AND IDEOLOGICAL COERCION STILL REMAINS STRONG, AS WELL AS THE ROLE OF HAPPENSTANCE, OF SUBJECTIVISM IN ADOPTING STATE DECISIONS, HOW STRONG IS THE ARBITRARINESS OF AUTHORITIES IN THE CENTRE AND REGIONS. IT IS FOR THAT REASONS THAT WE PROCLAIM AN INCREASED EFFICIENCY OF THE DEMOCRATIC STATE, AN INCREASED EFFICIENCY OF ALL OF ITS INSTITUTIONS.

THE POWER IN RUSSIA WILL BE EFFICIENT ONLY WHEN IT BECOMES OPEN, UNDERSTANDABLE AND PREDICTABLE, WHEN IT LEARNS TO REACT TO THE PAINS OF THE PEOPLE, WHEN MODERN TECHNOLOGIES, CULTURE AND DEMOCRATIC TRADITIONS OF AUTHORITY LEAVE NO ROOM FOR LACKLUSTER AND NEGLIGENCE. AND FINALLY, WHEN WE MANAGE TO MOBILISE THE GIGANTIC POTENTIAL OF RUSSIAN NATURAL WEALTH AND MANPOWER, THE POTENTIAL OF THE FREEDOM WE GAINED.

THE WHOLE STATE PRACTICE NEEDS A RADICAL TRANSFORMATION. AND MOSTLY THE DECISION-DRAFTING AND MAKING PROCESS, THE PERSONNEL POLICY. THE TALK IS ABOUT OBSERVING LAWS AND ETHICAL NORMS BY STATE REPRESENTATIVES, ABOUT A RESOLUTE DISMISSAL OF CORRUPTED OFFICIALS.

MANY OF US WERE UNITED AROUND THE GOALS PROCLAIMED IN THE FIRST MESSAGE. IT WAS CLEAR TO US WHAT WAS TO BE DONE. BUT NO MATTER WHAT GOALS FACE SOCIETY, THEIR IMPLEMENTATION DEPENDS ON THE EFFICIENCY OF THE STATE AUTHORITY. THAT IS WHY, WITHOUT DROPPING THE PREVIOUS TASK OF STRENGTHENING THE RUSSIAN STATE ON THE BASIS OF DEMOCRACY AND LAW, WE HAVE TO BEGIN OILING THE MECHANISMS OF AUTHORITY. I AM SURE THE GOSL WILL UNITE US LIKE THE PREVIOUS ONE DID.

SUCH IS THE MAIN IDEA OF THE SECOND MESSAGE OF THE PRESIDENT TO THE FEDERAL ASSEMBLY WHICH ALL PARTICIPANTS IN THE MEETING OF THE CHAMBERS WILL RECEIVE. DURING THE PREPARATION OF THE MESSAGE PROPOSALS OF COMMITTEES OF THE FEDERATION COUNCIL AND THE STATE DUMA, OF FACTIONS, FEDERAL MINISTRIES AND DEPARTMENTS, COURTS, REGIONAL AUTHORITIES, PUBLIC AND RELIGIOUS FIGURES, INDEPENDENT SPECIALISTS AND SCIENTISTS WERE TAKEN INTO CONSIDERATION.

SURELY, NOT ALL PROBLEMS MENTIONED IN THE MESSAGE CAN BE SOLVED IN A YEAR. BUT I AM SURE THAT EVERY NEW STEP FORWARD WILL TELL ON THE FEELINGS OF THE PEOPLE, ON THE SITUATION IN RUSSIA.

MORE

.VELTSIN'S ADDRESS TO PARLIAMENT - FULL TEXT - 3.
+CORRECTED VERSION+

ESTEEMED DEPUTIES

RUSSIA LIVES IN A COMPLICATED TIME WHEN RESOLUTE AND TOUGH MEASURES ARE NECESSARY TO NORMALISE LIFE IN THE COUNTRY. BUT THEY HAVE NOTHING IN COMMON WITH ARBITRARINESS OF AUTHORITIES. TO CROSS THE LINE BEHIND WHICH ARBITRARINESS BECOMES A SYSTEM, A WAY OF LIFE MEANS TO OPEN A DIRECT ROAD TO THE ESTABLISHMENT OF A POLICE REGIME IN RUSSIA. THE STATE BEARS THE MAXIMUM OF RESPONSIBILITY SO THAT SUCH TURN OF DEVELOPMENTS DOES NOT TAKE PLACE.

THEREFORE, THERE IS NO OTHER MORE IMPORTANT TASK THAN TO ESTABLISH THE AUTHORITY OF LAW IN OUR COUNTRY. IN DECADES AND EVEN CENTURIES LAW WAS DISRESPECTED NOT ONLY BY CITIZENS, BUT ALSO BY AUTHORITIES IN RUSSIA. AND TODAY ITS REPRESENTATIVES SOMETIMES VIOLATE LAWS. THAT IS WHY IT IS NECESSARY TO BEGIN ENHANCING IN ALL WAYS THE MECHANISMS OF EXERCISING POWERS IN THE FRAMEWORK OF LAW, TO ENSURE HIGH LEGAL CULTURE OF THE WHOLE SOCIETY.

FOR THIS IT IS NECESSARY, FIRSTLY, TO STRENGTHEN THE JUDICIAL AUTHORITY. IT IS IN A DEEP CRISIS. HUMILIATING CONDITIONS IN WHICH COURTS WORK REMAIN, A COMPLEX LEGAL BASE OF THE JUDICIAL SYSTEM IS ABSENT. COURTS ARE CRAM-FULL WITH LAWSUITS FROM THOUSANDS OF PEOPLE. THERE IS A HUMAN DESTINY IN EACH OF THEM.

THE JUDICIAL AUTHORITY BADLY NEEDS HELP AND SUPPORT FROM THE LEGISLATIVE AND EXECUTIVE AUTHORITIES. LEGAL AND PERSONNEL PROVISION IS MOSTLY NECESSARY FOR ITS ACTIVITIES.

THERE ARE REMARKS TO THE JUDICIAL CORPS. GREAT CONCERN IS CAUSED BY THE PRACTICE OF UNJUSTLY MILD SENTENCES AND EVEN ACQUITTALS OF PERSONS WHO HAD COMMITTED GRAVE CRIMES. FROM ONE EXTREME, WHEN PROSECUTION DOMINATED, WE JUMPED INTO THE OTHER. THIS RESULTS IN DOUBLE DETRIMENT: CRIMINALS ESCAPE ONLY WITH A LIGHT FRIGHT, WHILE LAW ENFORCEMENT PERSONNEL ARE LOSING HEART.

SO FAR THE PRACTICE OF THE DIRECT ACTION OF THE CONSTITUTION HAS NOT BEEN MASTERED. THE JUDICIAL AUTHORITY DOES NOT PRACTICALLY INTERACT WITH OTHER BRANCHES OF AUTHORITY. AND THIS IS DEMANDED BY THE PRINCIPLE OF DIVISION OF AUTHORITIES.

I STATE WITH SATISFACTION THAT THE CONSTITUTIONAL COURT HAS BEEN FULLY FORMED IN THE PAST DAYS AND CONGRATULATE THE JUDGES AND NEWLY ELECTED CHAIRMAN V.A. TUMANOV WITH THE BEGINNING OF WORK.

THE JUDICIAL REFORM IS GOING ON VERY SLOWLY. 1995 SHOULD BECOME A YEAR IN WHICH THE JUDICIAL AUTHORITY WILL RISE. I BELIEVE IT TO BE THE FIRST-PRIORITY TASK OF THE PRESIDENT, THE GOVERNMENT AND THE FEDERAL ASSEMBLY.

MANY RUSSIANS STILL DO NOT KNOW HOW TO PROTECT THEIR LAWFUL INTERESTS IN NEW CONDITIONS - WHERE TO GO, WHO TO ASK FOR HELP, WHAT IS RISKY AND WHAT IS RELIABLE, WHAT CAN BE DONE AND WHAT NOT. THEY DO NOT KNOW WHAT ARE THE OBLIGATIONS OF VARIOUS STATE BODIES IN THE PROTECTION OF HUMAN RIGHTS. TO HELP PEOPLE ADAPT TO THE QUICKLY CHANGING CONDITIONS IS THE TASK NOT LESS IMPORTANT THAN THE CHANGE OF THE CONDITIONS PROPER.

IT IS NOT ALWAYS THAT A CITIZEN CAN RESTORE HIS VIOLATED RIGHTS. THE REASON FOR THAT IS NOT ONLY THE IMPERFECT LEGISLATIVE BASE AND DRAWBACKS IN THE WORK OF COURTS. PROTECTION OF HUMAN RIGHTS IS THE OBLIGATION OF ABSOLUTELY ALL STATE AND MUNICIPAL BODIES. EACH OF THEM MUST PROTECT THE RIGHTS OF CITIZENS IN THE FRAMEWORK OF THEIR CONSTITUTIONAL TASKS AND BY INHERENT METHODS.

AN INCREASED EFFICIENCY OF AUTHORITY IS INSEPARABLY LINKED TO THE DEVELOPMENT OF A CIVIC SOCIETY IN RUSSIA. LAWS BY THEMSELVES ARE NOT ENOUGH FOR THAT. IT CAN BE FORMED IF THERE IS A REAL INTERACTION OF VARIOUS PUBLIC FORCES, IF THERE IS A PATIENT SEARCH FOR MUTUALLY ACCEPTABLE SOLUTIONS.

THE SIGNING OF THE CIVIC ACCORD TREATY BECAME AN EVENT OF 1994. LIFE MADE INFLUENTIAL FORCES IN RUSSIA ACCEPT THE COMPROMISE.

IN 1995 THE TREATY SHOULD BECOME A SCHOOL OF CIVIC SOCIETY IN WHICH VARIOUS PUBLIC FORCES WOULD STUDY A CONSTRUCTIVE DIALOGUE WITH EACH OTHER. IT IS THAT, AND NOT THE NUMBER OF THOSE WHO SIGNED OR CEDED FROM THE TREATY, WHICH IS ITS MAIN SENSE. ONE OF THE STUDENTS OF THE SCHOOL IS THE STATE WHICH HAS FOR LONG FORGOTTEN TO SPEAK WITH SOCIETY ON EQUAL GROUNDS.

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.YELTSIN'S ADDRESS TO PARLIAMENT - FULL TEXT - 4.
+CORRECTED VERSION+

EFFICIENT WORK OF A MODERN STATE IS IMPOSSIBLE WITHOUT A CONSIDERABLE INCREASE OF THE PROFESSIONALISM IN THE WORK OF STATE OFFICIALS. IT IS INADMISSIBLE WHEN THAT OR ANOTHER LEADER, PROCEEDING FROM HIS PARTISAN AMBITIONS, REFUSES TO FULFIL HIS DIRECT OBLIGATIONS. IT IS INADMISSIBLE WHEN OFFICE POSSIBILITIES ARE USED FOR SELFISH AIMS.

THIS YEAR STRICT GUARANTEES OF THE RIGHTS OF STATE OFFICIALS WILL BE LEGISLATIVELY FIXED, MEASURES TO ENHANCE DISCIPLINE IN STATE SERVICE ENVISAGED. A STRICT SYSTEM OF LIMITATIONS AND BANS - FIRSTLY ON COMMERCIAL ACTIVITIES OF OFFICIALS - SHOULD BE ADOPTED.

THE EFFICIENCY OF STATE AUTHORITY IS ASSESSED TO A GREAT DEGREE BY ITS FIGHT AGAINST CRIME. WE HAVE MADE LITTLE PROGRESS IN THE JOB. A MAJORITY OF RUSSIANS EXPERIENCE AN OPPRESSIVE FEELING OF UNPROTECTEDNESS BEFORE CRIMINALS.

LAST YEAR THE FEDERAL ANTI-CRIME PROGRAMME WAS APPROVED. BUT IT IS FULFILLED ONLY PARTIALLY. AND THE PROBLEM IS NOT ONLY IN THE LACK OF FINANCES. IT IS NO SECRET THAT THEY SOMETIMES GET INTO UNWORTHY HANDS. CORRUPTION IN LAW ENFORCEMENT AGENCIES BECOMES AN EVER BIGGER OBSTACLE FOR NORMAL WORK. AS LONG AS THE EVIL REMAINS, THERE CAN BE NO TALK ABOUT ANY SUCCESSES.

MAJOR CRIMINAL COMMUNITIES, THE SO-CALLED AUTHORITIES OF THE CRIMINAL WORLD, ACT WITH IMPUNITY AND WITH GROWING IMPUDENCE. LAW ENFORCEMENT BODIES HAVE ACTUALLY OCCUPIED THE POSITION OF NON-INTERFERENCE. I BELIEVE IT TO BE INADMISSIBLE AND SHALL PROCEED FROM THAT IN ASSESSING THE WORK OF THE LAW ENFORCEMENT SYSTEM. I HOPE DEPUTIES OF THE FEDERAL ASSEMBLY WILL SUPPORT SUCH AN APPROACH.

I THINK THAT EVERYBODY IS CONVINCED THAT NO WIDELY-ADVERTISED CAMPAIGNS, CERTAIN OPERATIONS, RAIDS AND OTHER SIMILAR EVENTS WILL RESULT IN A BREAKTHROUGH IN THE ANTI-CRIME FIGHT. PAIN-STAKING, ROUTINE AND TENSE WORK IS NECESSARY IN EACH REGION, EACH CITY, DISTRICT, STREET AND QUARTERS. POSITIVE RESULTS APPEAR WHERE IT IS CARRIED OUT, WHERE MILITIA ACTS TOGETHER WITH THE PUBLIC.

THE FIGHT AGAINST CRIME DEMANDS AN EARLY CREATION OF THE CORRESPONDING LEGAL BASE, AS WELL AS A SPECIAL PSYCHOLOGICAL CLIMATE IN THE INSTITUTIONS OF AUTHORITY. IT IS INADMISSIBLE, AS IT SOMETIMES HAPPENS, TO RAISE THE BARRIERS OF DEPARTMENTAL SUPERIORITY, TO COMPETE IN MUTUAL CLAIMS.

THE PUBLIC HAVE BEEN EXPERIENCING OF LATE A GROWING CONCERN OVER THE SPREAD OF FASCIST IDEOLOGY, FASCIST ORGANISATIONS IN RUSSIA. FOR MANY YEARS RUSSIANS HAD A STRONG IMMUNITY TO FASCISM. NOW THE IMMUNITY HAS WEAKENED. FASCIST PUBLICATIONS ARE FREELY CIRCULATING IN THE COUNTRY, AND IT HAPPENS ON THE EVE OF THE 50TH ANNIVERSARY OF THE VICTORY OVER FASCISM. PEOPLE ASK WHY IS THE PROSECUTOR'S OFFICE INACTIVELY WORKING, WHERE IS THE PRINCIPLED POSITION OF COURTS, WHY DO THE STRUCTURES WHICH ARE TO PROTECT OUR PEOPLE FROM THAT DIRT REMAIN INACTIVE? THE OBLIGATION OF THE STATE IS TO ENSURE ORDER IN THAT.

MORE

.YELTSIN'S ADDRESS TO PARLIAMENT - FULL TEXT - 5.
+CORECTED VERSION+

ESTEEMED DEPUTIES

IN 1994 THE ECONOMY HAS PASSED A CERTAIN PART OF THE ROAD MARKED IN THE FIRST MESSAGE OF THE PRESIDENT. THE ANNUAL INFLATION WAS THREE TIMES LOWER THAN IN 1993 AND NEARLY SEVEN TIMES LOWER THAN IN 1992. FINANCIAL PRECONDITIONS FOR INCREASED INVESTMENT ACTIVITIES APPEARED.

THE FIRST STAGE OF THE LARGE-SCALE PRIVATISATION HAS BEEN CARRIED OUT IN A SHORT TIME. THE NON-STATE SECTOR, HAVING PRODUCED 62 PER CENT OF THE GROSS DOMESTIC PRODUCT, BEGAN TO DOMINATE.

MARKET ECONOMY INFRASTRUCTURE (BANKS, TRADE, FINANCIAL, INSURANCE COMPANIES) VIGOROUSLY PROGRESSED. THE SECURITIES MARKET DEVELOPED INTENSIVELY. THE ECONOMY BECAME MORE OPEN.

IN THE FIRST MESSAGE TO THE FEDERAL ASSEMBLY I INTENTIONALLY AND ACUTELY RAISED THE ISSUE ABOUT THE SOCIAL PRICE OF ECONOMIC REFORMS. A YEAR HAS PASSED. THE SOCIAL PRICE OF THE ECONOMIC POLICY REMAINS HIGH. A PROOF OF THAT IS THE NEW POOR, THE PEOPLE WHO ARE EMPLOYED, BUT RECEIVE HUMILIATINGLY LOW WAGES. AND OFTEN IRREGULARLY.

I BELIEVE THAT THE MAIN REASON FOR LAST YEAR FAILURES IS THE LOW EFFICIENCY OF THE STATE AUTHORITY. IT POORLY FELT THE PULSE OF MARKET ECONOMY PROCESSES. IT OFTEN EITHER FELL BEHIND THEM OR, ON THE CONTRARY, WAS SLOW WHEN IT WAS NECESSARY TO SPEED UP THE TRANSFORMATIONS. THIS DID NOT ALLOW TO FULFIL A NUMBER OF IMPORTANT DECISIONS AND USE THE RESERVES OF REFORMS TO THE MAXIMUM.

WE MISCALCULATED THE RECEIPTS OF THE BUDGET AND THE GOVERNMENT WAS IN THE GRIP OF AN ACCUTE DEFICIT OF FINANCES.

1994 RESULTS ARE CONTRADICTORY. BUT IN GENERAL IT WAS NOT LOST FOR ECONOMIC REFORM. THE TASK OF 1995 IS TO FORM THE STARTING CONDITIONS AND THE POTENTIAL OF FUTURE ECONOMIC GROWTH. WE HAVE TO BUILD A BRIDGE BETWEEN THE INFLATIONARY PAST AND THE INVESTMENT FUTURE.

THE CURRENT YEAR DOES NOT CEDE TO 1992 IN THE COMPLEXITY AND SCOPE OF PROBLEMS. IF CONSIDERABLE EXPERIENCE HAS BEEN ACCUMULATED IN THE SPHERE OF FINANCIAL AND MONETARY POLICY, THE POTENTIAL OF GROWTH IN CONDITIONS OF A MARKET ECONOMY IS TO BE CREATED PRACTICALLY ANEW.

THE MAIN STARTING CONDITIONS ARE THE FINANCIAL STABILISATION AND THE STRENGTHENING OF THE ROUBLE. IF WE FULFIL IT, THE CREATION OF THE POTENTIAL OF ECONOMIC GROWTH WILL BECOME A REALITY. TWO SERIOUS ATTEMPTS WERE MADE TO CURB INFLATION IN THE YEARS OF REFORMS - IN THE FIRST HALF OF 1992 AND IN THE END OF 1993 - THE BEGINNING OF 1994. FOR VARIOUS REASONS THE JOB WAS NOT IMPLEMENTED IN FULL. THE THIRD ATTEMPT MUST BE A SUCCESS. THAT IS WHAT THE RUSSIANS EXPECT FROM US, AS WELL AS FOREIGN PARTNERS, INCLUDING INTERNATIONAL FINANCIAL ORGANISATIONS.

IT IS NOT ENOUGH TO ENSURE FINANCIAL STABILISATION. IT IS NECESSARY TO USE ITS FRUITS. THE FINAL AIM IS NOT ONLY TO STABILISE PRODUCTION, BUT ALSO TO RAISE ITS EFFICIENCY. THE WAY TO THAT LIES THROUGH ACTIVE INVESTMENTS. THE WEAK MARKET ECONOMY STIMULA FOR INVESTMENTS SHOULD BE STRENGTHENED BY VIGOROUS ACTIVITIES OF THE STATE. IT IS NECESSARY TO CREATE A GOOD INVESTMENT CLIMATE FOR EVERYBODY - BOTH FOR RUSSIAN AND FOREIGN INVESTORS.

.YELTSIN'S ADDRESS TO PARLIAMENT - FULL TEXT - 6.
+CORRECTED VERSION+

THE GOVERNMENT APPROACH TO FOREIGN INVESTMENTS IN 1995 WILL BE BASED ON THE DEGREE OF THEIR USEFULNESS FOR FORMING POTENTIAL FOR THE GROWTH OF THE RUSSIAN ECONOMY AND THE DEVELOPMENT OF ITS EXPORT CAPABILITIES, ESPECIALLY WHERE SCIENCE-INTENSE PRODUCTS ARE CONCERNED. THIS IS OUR LONG-TERM NATIONAL INTEREST.

THE SWITCH FROM THE DISTRIBUTION TO THE INVESTMENT STAGE OF PRIVATISATION MUST PLAY A POSITIVE ROLE. THE TASK OF THE 1995 PRIVATISATION POLICY IS TO FACILITATE AS MUCH AS POSSIBLE A RISE IN THE INVESTMENT ACTIVITY. THE RUSSIAN ECONOMY NEEDS EFFECTIVE MANAGEMENT OF STATE PROPERTY. THIS APPLIES ABOVE ALL TO THE BLOCKS OF SHARES HELD BY THE GOVERNMENT AS STATE PROPERTY.

A STRATEGIC STRUCTURAL MANOEUVRE MUST BEGIN IN 1995. ITS AIM IS A RELATIVE REDUCTION OF THE RAW MATERIALS SECTOR OF THE ECONOMY AND AN INCREASE OF THE SHARE OF THE PROCESSING INDUSTRY, PARTICULARLY ITS SCIENCE-INTENSE PORTION, THE SERVICE SPHERE AND INTELLECTUAL ACTIVITY. THIS WILL ALLOW US NOT ONLY TO ENTER AN ECONOMIC DEVELOPMENT STAGE BUT ALSO TO GIVE IT A MODERN QUALITY.

THE PRIORITIES OF THE STRUCTURAL POLICY FOR 1995 ARE AS FOLLOWS:

- TECHNOLOGICAL MODERNIZATION OF THE RUSSIAN ECONOMY,
- CONSOLIDATION OF THE NATIONAL INDUSTRIAL INFRASTRUCTURE,
- THE DEVELOPMENT OF EXPORTS, PARTICULARLY OF SCIENCE-INTENSE PRODUCTS.

THE STRUCTURAL CHANGE WILL BE IMPOSSIBLE WITHOUT RADICAL CHANGES IN THE GOVERNMENT SUPPORT OF PRODUCTION AT THE FEDERAL LEVEL AND IN REGIONS. GOVERNMENT SUPPORT WILL BE EXTENDED FIRST OF ALL TO RUSSIA'S SCIENTIFIC AND TECHNOLOGICAL POTENTIAL.

ONE OBLIGATORY CONDITION FOR OBTAINING GOVERNMENT SUPPORT IS A TOUGH CONTROL OVER ITS PURPOSE-ORIENTED UTILIZATION AND RESPONSIBILITY OF THE RECIPIENT FOR ASSUMED OBLIGATIONS.

IT IS NECESSARY TO FINANCE FULLY THE GOVERNMENT'S DEFENCE ORDERS. IT IS TIME TO BEGIN IMPLEMENTATION, AT LONG LAST, OF THE DECISION TO ESTABLISH FULLY STATE-FINANCED ENTERPRISES. IT IS NO LESS IMPORTANT TO LEARN TO USE RATIONALLY BUDGET RESOURCES AND TO REMEDY OLD STRUCTURAL DISPROPORTIONS IN THE DEFENCE SECTOR. AT THE SAME TIME, I THINK THE FULFILMENT OF THE DEFENCE BUDGET APPROVED BY THE FEDERAL ASSEMBLY IS A MUST.

WE CANNOT DO WITHOUT GOVERNMENT SUPPORT TO AGRICULTURE. SPRING FIELD WORK WILL SOON BEGIN IN RUSSIA. I ASK THE GOVERNMENT, REGIONAL AUTHORITIES, BUSINESS PARTNERS OF OUR FARMERS AND FARMERS THEMSELVES TO DO THEIR BEST TO ENSURE THE SUCCESS OF THE SPRING SOWING EFFORT.

WE SHALL BE ABLE TO SECURE STRUCTURAL SHIFTS IF WE STRENGTHEN FINANCIAL DISCIPLINE AND OVERCOME INTER-ENTERPRISE NON-PAYMENTS. IN A NUMBER OF CASES NON-PAYMENT HAS BECOME A MECHANISM OF SERVING THE SELFISH INTERESTS OF SOME ECONOMIC MANAGERS. ANOTHER ASPECT OF THE SAME PROBLEM IS THE APPLICATION OF THE BANKRUPTCY PROCEDURE TO LOSS-MAKING AND INSOLVENT ENTERPRISES. THESE ARE ACUTE PROBLEMS. AND BECAUSE OF THIS, I MUST SAY THAT THE GOVERNMENT COMMISSION FOR NON-PAYMENTS IS WORKING UNSATISFACTORILY SO FAR.

FINANCIAL DISCIPLINE IS TO BE STRENGTHENED AT ALL LEVELS OF POWER. LET US AGREE AS FOLLOWS: NO ONE - EITHER THE FEDERAL ASSEMBLY, OR THE GOVERNMENT, OR THE PRESIDENT - IS ENTITLED TO MAKE DECISIONS WHICH UNDERMINE THE BUDGET AND BOOST INFLATION.

THE PROBLEM OF TAXES IS VERY COMPLICATED. I SAID EVERYTHING I HAD TO SAY ON THIS SCORE IN MY LAST YEAR'S MESSAGE. THE GOVERNMENT UNDERESTIMATED THE IMPORTANCE OF THIS QUESTION. THIS YEAR, IT WILL HAVE TO MAKE UP FOR THE LOSSES.

IN 1995, WE SHALL CONTINUE OUR POLICY OF INTEGRATING OUR ECONOMY INTO THE WORLD ECONOMY. THE MAIN THING NOW IS TO SECURE RELIABLE PROTECTION OF THE DOMESTIC MARKET PRIMARILY WITH THE HELP OF ECONOMIC METHODS. THIS WILL BE A TACTICAL MANOEUVRE. IT WILL NOT CONTRADICT THE STRATEGIC POLICY OF GRADUALLY REDUCING THE CUSTOMS TARIFF RATES FOR IMPORTED GOODS.

MORE

.YELTSIN'S ADDRESS TO PARLIAMENT - FULL TEXT - 7.
+CORRECTED VERSION+

DURING THE FIRST REFORM YEARS, THE TASK WAS TO CREATE MARKET MECHANISMS AND A NEW SYSTEM OF SOCIAL PROTECTION OF OUR CITIZENS. WHILE CONTINUING TO ACCOMPLISH THAT TASK, WE HAVE TO MOVE ON. WE MUST NOW SECURE THEIR EFFECTIVE OPERATION. FOR THIS REASON, OUR PRIORITY NOW IS TO FILL THE ECONOMIC AND SOCIAL RIGHTS OF MAN WITH REAL SUBSTANCE AND REMOVE ALL FETTERS FROM THE CREATIVE ENERGY OF THE ENTITIES OPERATING ON THE MARKET.

1995 MUST BECOME A YEAR OF FILLING ECONOMIC REFORMS WITH SOCIAL SUBSTANCE.

MAJOR CORRECTIVES WILL BE MADE IN THE BUDGET PHILOSOPHY AT THE FEDERAL AND REGIONAL LEVELS. THIS MEANS, FIRST OF ALL, THAT STATE MINIMUM STANDARDS WILL BE WORKED OUT FOR THE BASIC INDICES OF THE LEVEL OF LIVING, AND THE SPENDING ON SCIENCE, CULTURE, EDUCATION, HEALTH SERVICES AND THE ENVIRONMENT. THESE STANDARDS MUST BECOME MANDATORY.

THE PROCESS OF FORMING A CLASS OF REAL OWNERS IS IMPEDED BY THE WEAK PROTECTION OF THE RIGHTS OF OWNERSHIP, FIRST OF ALL, THOSE ACQUIRED IN THE COURSE OF PRIVATISATION. WE NEED GUARANTEES OF THE RIGHT TO PRIVATELY OWN REAL ESTATE, OF THE RIGHTS OF CREDITORS TO MORTGAGED PROPERTY, AND THE RIGHTS OF THE HOLDERS OF SHARES AND OTHER SECURITIES.

IT MUST BE ADMITTED THAT THE RIGHTS OF CITIZENS HAVE FOUND THEMSELVES UNDER SERIOUS THREAT EXACTLY ON THE SECURITIES MARKET. THE STATE IS OBLIGED TO ASSUME THE RESPONSIBILITY FOR PROTECTING THE POPULATION AGAINST SCHEMING ENTREPRENEURS.

MUCH WILL HAVE TO BE DONE IN 1995 TO ENSURE IN REAL TERMS THE RIGHT TO ADEQUATE REMUNERATION FOR WORK AND TO PROTECTION FROM UNEMPLOYMENT. THE FORECASTED EXPLOSIVE GROWTH OF UNEMPLOYMENT FAILED TO MATERIALIZE AGAIN. BUT THE TIME GIVEN THE GOVERNMENT FOR TAKING PREVENTIVE MEASURES AGAINST UNEMPLOYMENT IS COMING TO AN END.

THE PRESENT SITUATION IS CLEARLY ABNORMAL - THE PRICES OF GOODS ARE CLOSE TO THOSE ON THE WORLD MARKET, WHILE THE PRICE OF LABOUR IS MUCH LOWER THAN THAT ON THE WORLD MARKET. CHEAP LABOUR CANNOT BE EFFECTIVE. NO NEW RESTRICTIONS SHOULD BE IMPOSED ON EARNINGS, AND THOSE THAT EXIST WILL BE GRADUALLY REDUCED.

THE CONSTITUTIONAL PROVISION FOR MINIMAL WAGES MUST BE HONOURED AT ENTERPRISES REGARDLESS OF THE FORM OF OWNERSHIP. OF COURSE, DECISIONS ON RAISING MINIMAL WAGES MUST BE MADE RESPONSIBLY, PROCEEDING FROM THE BUDGET CAPACITY.

ONE OF THE ILLS OF THE FIRST REFORM YEARS WAS MASS-SCALE PRACTICE OF DELAYING THE PAYMENT OF WAGES. THAT WAS A GROSS VIOLATION OF MAN'S INALIENABLE RIGHTS. THE RECENT STRIKES OF MINERS REMINDED US AGAIN THAT TOUGH LEGISLATIVE MEASURES ARE NEEDED IN THIS SPHERE.

I SHALL NAME ANOTHER SOCIAL PROBLEM: THE RESTORATION AND PROTECTION OF INDIVIDUAL SAVINGS AGAINST INFLATION. IN 1995, WE SHALL MOVE AHEAD ALONG TWO LINES.

FIRSTLY - TO DRAFT AND BEGIN IMPLEMENTING THE PROGRAMME OF RESTORING INDIVIDUAL SAVINGS.

SECONDLY - TO CREATE A SPECIAL INSURANCE MECHANISM DESIGNED TO PROTECT INVESTORS AGAINST THE RISK OF LOSING MONEY. THE GOVERNMENT AND THE CENTRAL BANK HAVE NO RIGHT TO WEAKEN THEIR CONTROL OVER THE ACTIVITY OF COMMERCIAL STRUCTURES WHICH ATTRACT FINANCES CITIZENS. I WILL SAY MORE: THEIR CONTROL MUST BE TOUGH.

I HAVE LISTED ONLY SOME OF THE ECONOMIC PROBLEMS MENTIONED IN THE MESSAGE TO THE FEDERAL ASSEMBLY. REAL PROGRESS IN THEIR IMPLEMENTATION SHOULD BECOME THE MOST IMPORTANT INDICATOR OF THE EFFICIENCY OF THE RUSSIAN STATE POWER IN 1995.

MORE

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.YELTSIN'S ADDRESS TO PARLIAMENT - FULL TEXT - 8.
+CORRECTED VERSION+

ESTEEMED DEPUTIES

RUSSIA WILL BE UNABLE TO PULL OUT OF THE ECONOMIC AND INTELLECTUAL CRISIS AS LONG AS THE DEVELOPMENT OF CULTURE REMAINS A SECOND-RATE CONCERN FOR THE STATE.

ONE OF THE ACHIEVEMENTS OF RECENT YEARS WAS PLURALISM IN CULTURE, FREEDOM TO CHOOSE FROM AMONG CULTURAL VALUES. BUT SOCIETY IS NOT INDIFFERENT TO WHAT KIND OF CULTURE WILL SHAPE OUR YOUNGER GENERATION.

THE STATE IS A GUARANTOR OF INTELLECTUAL PLURALISM. BUT IT HAS NO RIGHT TO BE EQUIDISTANT FROM ALL THE VARIOUS PHENOMENA OF OUR CULTURAL LIFE. THOSE AMONG THEM WHICH FORM THE INDIVIDUAL'S RICH SPIRITUAL WORLD NEED THE GOVERNMENT'S PROTECTION AND PATRONAGE. THEY MUST BE ACCORDED MOST FAVOURED TREATMENT, INCLUDING IN TELEVISION AND RADIO BROADCASTING. PROBLEMS HEAR ARISE NOT ONLY FROM A SHORTAGE OF MEANS. WE NEED A WELL-THOUGHT-OUT CULTURAL POLICY. WITHOUT SUCH A POLICY, NO MONETARY INFUSIONS CAN BRING ABOUT THE DESIRED EFFECT.

HERE ARE THE PROBLEMS WHICH WE MUST BEGIN TO SOLVE IN 1995.

IT IS NECESSARY TO WORK OUT A GRADED SYSTEM OF TAXATION OF THOSE ENTERPRISES AND FIRMS WHICH INVEST PART OF THEIR PROFITS IN THE DEVELOPMENT OF RUSSIAN CULTURE. THIS APPROACH IS NEEDED TO SUPPORT THE PUBLICATIONS OF SOCIALLY-MEANINGFUL LITERATURE, DOMESTIC CINEMATOGRAPHY, ETC. WHILE PROMOTING THE DEVELOPMENT OF PUBLIC AND PRIVATE INITIATIVE IN THE SPHERES OF EDUCATION AND CULTURE, THE STATE CANNOT AGREE TO A BLANKET PRIVATISATION OF THESE SPHERES.

LAST YEAR, WE ADOPTED AND BEGAN TO IMPLEMENT A PROGRAMME CALLED +CHILDREN OF RUSSIA+. AN EFFECTIVE AND REALISTIC NATIONAL PROGRAMME +RUSSIA'S YOUNGER GENERATION+ MUST BECOME THE NEXT STEP IN THIS DIRECTION. I THINK THIS WORK SHOULD BE ENTRUSTED TO GIFTED TEACHERS AND SCHOLARS. WE HAVE SUCH IN RUSSIA.

SUPPORT OF GIFTED CHILDREN IS A TRADITION IN RUSSIA. THIS IS WHY, ALONG WITH THE DEVELOPMENT OF PAID SERVICES, IT IS NECESSARY TO DEVELOP FREE (OR TOKEN-FEE PAYING) OUT-OF-SCHOOL INSTRUCTION AND TRAINING OF CHILDREN. I MEAN MUSIC, ART, SPORT AND OTHER SCHOOLS, INTEREST GROUPS AND COLLECTIVES OF CHILDREN.

THE SHAPING OF THE YOUNGER GENERATION'S MENTAL MAKE-UP AND MORAL PRINCIPLES MUST BECOME THE MAIN TASK OF RUSSIA'S SECONDARY AND HIGHER SCHOOLS. HUMANITARIAN EDUCATION OF SCHOOLCHILDREN AND STUDENTS MUST BE CONSIDERABLY IMPROVED IN STATE-RUN AND PRIVATE EDUCATIONAL ESTABLISHMENTS.

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THE RUSSIAN MASS MEDIA ARE A QUESTION APART. OVER THE PAST FEW YEARS, THEY HAVE BECOME A POWERFUL MECHANISM OF DEFENCE OF DEMOCRACY, WHICH IS NOT AN HONORARY TITLE BUT A HEAVY BURDEN TO CARRY. ONLY THOSE WILL COPE WHO ARE ABLE TO REALISE THE HUGE RESPONSIBILITY WHICH EVOLVES TO JOURNALISTS AT PRESENT.

NATURALLY, THE RUSSIAN AUTHORITY IS ONLY LEARNING TO EXIST IN CONDITIONS OF FREEDOM OF EXPRESSION. ITS PATIENCE SOMETIMES RUNS SHORT. SOME PEOPLE PREFER TO ISSUE COMMANDS AND BRING DIRECT PRESSURE TO BEAR ON JOURNALISTS.

BUT I WOULD POINT TO THE OTHER SIDE AND SPEAK ABOUT WHAT THE MEDIA SOMETIMES FEEL FREE TO DO. THE MEDIA SOMETIMES VIOLATE THE LEGAL FRAMEWORK. TO MY DEEP REGRET, WORDS WHICH IN THE PAST HIT THE EYE ONLY IF SCRIBBLED ON WALLS CAN NOW BE USED IN HEADLINES IN NATIONAL NEWSPAPERS. IT IS IMPOSSIBLE TO AGREE TO THE ATTEMPTS MADE BY SOME PUBLICATIONS TO TURN THE FREEDOM OF MASS INFORMATION INTO A FREEDOM FROM OBLIGATIONS BEFORE SOCIETY.

THE CONSTITUTIONAL PRINCIPLE OF THE FREEDOM OF THE MASS MEDIA IS INVIOABLE. DEMOCRATIC SOCIETY AND RUSSIA'S STATE CANNOT EXIST WITHOUT IT. OPENNESS OF INFORMATION MUST FORM THE CORE OF THE STATE POLICY IN THE FIELD OF THE MASS MEDIA.

AT THE SAME TIME, THE GOVERNMENT INFORMATION POLICY MUST PROMOTE CREATIVE PRINCIPLES AND LAY BARE THE TRUE AIMS AND MOTIVES OF THE ACTIVITY OF ALL BRANCHES OF POWER. I BELIEVE THAT THIS IS THE POSITION SHARED BY MOST RUSSIAN JOURNALISTS. THEIR VOCATION IS TO SERVE RUSSIA'S SPIRITUAL AND MORAL RENAISSANCE AND TO SUPPORT ALL USEFUL AND PROGRESSIVE INITIATIVES. AS IT IS, JOURNALISTS SEEM TO BE OBLIVIOUS OF THE WHOLE OF RUSSIA FROM THE BALTICS TO THE PACIFIC, WITH THE EXCEPTION OF MOSCOW AND CHECHNYA.

I WANT TO EXPRESS MY PERSONAL OPINION. I AM PREPARED TO PUT UP WITH THE MOST RIGOROUS CRITICISM OF STATESMEN AND ESTABLISHMENTS. BUT CRITICISM SHOULD NOT TURN INTO MOCKERY OF THE STATE. I AM PREPARED TO PUT UP WITH THE MOST RIGOROUS CRITICISM OF OUR POWER METHODS IN CHECHNYA. BUT I SHALL NEVER AGREE WHEN COWARDNESS AND NON-FULFILMENT OF THE OATH ARE POSED FOR TOP VALOUR. I AM READY TO REACT TO THE TOUGHEST CRITICISM OF OUR POLICY, BUT IT MUST NOT CALL INTO QUESTION THE COUNTRY'S INTEGRITY AND CROSS THE LINE BEHIND WHICH RUSSIA'S DISINTEGRATION BEGINS.

AND ANOTHER THING. IT HAS BECOME FASHIONABLE LATELY TO PICTURE THE PRESIDENT AS SOMEONE WHO PERSECUTES THE PRESS. I SHALL SAY THIS FRANKLY: ATTEMPTS HAVE BEEN MADE TO USE THE PRESIDENT TO PUT THE PRESS INTO A STRAIT-JACKET. THOSE ATTEMPTS FAILED AND WILL FAIL. ALTHOUGH IT IS NOT EASY TO COUNTERACT SUCH ACTIONS. IF WE REALLY WANT TO PRESERVE THE SHOOTS OF FREEDOM WHICH HAVE ALREADY SPROUTED IN RUSSIA'S SEVERE CLIMATE, LET US ACT TOGETHER.

MORE

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.YELTSIN'S ADDRESS TO PARLIAMENT - FULL TEXT - 9.
+CORRECTED VERSION+

ESTEEMED DEPUTIES OF THE FEDERATION COUNCIL AND THE STATE DUMA

THE SOVEREIGNTY OF THE RUSSIAN STATE COVERS AN IMMENSE TERRITORY. IT INVOLVES NUMEROUS PEOPLES. THAT IS WHY THE FUTURE OF RUSSIA IS IN FEDERALISM. THIS IS THE BEST WAY TO UNITE THE STATE.

WE AGREED TO A CONSIDERABLE EXPANSION OF THE RIGHTS OF REPUBLICS, TERRITORIES, REGIONS AND AUTONOMIES. NATURALLY, WITHIN THE FRAMEWORK OF THE CONSTITUTION. THIS IS OUR PRINCIPLED POSITION. BUT IT IS IMPORTANT THAT THE REGIONS PRESERVE THE FEELING OF REALITY AND UNDERSTAND THAT THEIR POSSIBILITIES ARE NOT LIMITLESS. LAST YEAR TREATIES WERE SIGNED WITH TATARSTAN, BASHKORTOSTAN AND KABARDINO-BALKARIA. TIME SHOWED THAT IN THAT PERIOD THE TREATIES HELPED REGULATE RELATIONS WITH THE SUBJECTS OF THE FEDERATION.

WE HAVE ACCUMULATED CONSIDERABLE EXPERIENCE IN IMPLEMENTING THE REGIONAL POLICY. 1994 BECAME THE YEAR WHEN THE RUSSIAN BUDGET FEDERALISM WAS BORN. AS A RESULT BUDGET INDEPENDENCE AND RESPONSIBILITY OF THE SUBJECTS OF THE FEDERATION INCREASED. WE SUCCEEDED TO DROP TENSIONS IN INTER-BUDGET RELATIONS TO A CERTAIN EXTENT. IN 1995 IT IS NECESSARY TO OIL THE NEW MECHANISM OF BUDGET RELATIONS AND SPREAD IT TO ALL THE SUBJECTS OF THE FEDERATION.

A SPECIAL FEDERAL PROGRAMME ON DEPRESSION REGIONS WHERE THE SITUATION IS WORSE THAN IN OTHERS IS EXTREMELY NECESSARY. THE WORK ON IT WAS INTENSIVELY CARRIED OUT IN THE PAST YEAR. IN 1995 IT SHOULD BE ADOPTED.

SUBJECTS OF THE FEDERATION ARE DRAFTING THEIR CHARTERS AND CONSTITUTIONS. THIS IS A POSITIVE PROCESS, BUT ONE SHOULD NOT FORGET THAT A CITIZEN SHOULD FEEL WELL-PROTECTED BY THE CONSTITUTION OF THE RUSSIAN FEDERATION ON ANY TERRITORY OF THE COUNTRY. LEGISLATIVE WORK OF SUBJECTS OF THE FEDERATION SHOULD NOT UNDERMINE THE UNITY OF THE RUSSIAN LEGAL SPACE.

IT IS IMPOSSIBLE TO ORGANISE LIFE IN SUCH AN IMMENSE COUNTRY AS RUSSIA WITHOUT SELF-GOVERNMENT. SO FAR IT HAS BEEN CONNIVED THAT LOCAL SELF-GOVERNMENT, RELATIONS BETWEEN REGIONAL AND MUNICIPAL AUTHORITIES ARE THE BUSINESS OF THE SUBJECTS OF THE FEDERATION. SUCH A TREND IN THE POLICY SHOULD BE OVERCOME.

UNFORTUNATELY, THE DRAFT FEDERAL PROGRAMME OF STATE SUPPORT TO LOCAL SELF-GOVERNMENT HAS BEEN WANDERING FROM ONE MINISTRY TO ANOTHER FOR MORE THAN A YEAR. IN 1995 THE GOVERNMENT SHOULD APPROVE THE DOCUMENT.

SPECIAL ATTENTION SHOULD BE PAID TO OUR CITIZENS AND COMPATRIOTS LIVING IN THE NEAR ABROAD. USING ALL LAWFUL MEANS, THE RUSSIAN LEADERSHIP WILL CONTINUE TO PROTECT EQUAL PARTNERSHIP RELATIONS OF OUR COMPATRIOTS IN NEWLY INDEPENDENT STATES.

WE MUST PROTECT THE RIGHTS OF REFUGEES AND MIGRANTS. THE TASK OF LEGISLATIVE BODIES AND THE GOVERNMENT IS TO ENSURE THEIR RECEPTION AND SETTLEMENT.

SPEAKING ON FEDERATIVE RELATIONS I BELIEVE IT NECESSARY TO FOCUS ON THE CHECHEN PROBLEM.

MORE

.YELTSIN'S ADDRESS TO PARLIAMENT - FULL TEXT - 10.
+CORRECTED VERSION+

THE LATEST EVENTS IN CHECHNYA REFLECT ALL PROBLEMS OF MODERN RUSSIA.

FOR A LONG TIME WE COULD NOT GET DOWN TO SOLVING THE CHECHEN PROBLEM. RUSSIAN SOCIETY WAS AS IF REPENTING FOR THE IMPERIAL PAST OF THE STATE AND FEARED THAT IT WOULD BE UNDERSTOOD IN THE WRONG WAY. THE AFGHAN SYNDROME AND THE PROTRACTED STAND-OFF BETWEEN AUTHORITIES OF RUSSIA ALSO HAD AN IMPACT. THESE ARE ALL DEEP-ROOTED REASONS WHICH DELAYED THE SETTLEMENT OF THE CHECHEN PROBLEM FOR SO LONG.

BUT THERE WAS ALSO ANOTHER THING - WHAT WAS HAPPENING IN CHECHNYA WAS UNDERESTIMATED. AT ALL LEVELS OF AUTHORITY.

WE SHALL CALL A SPADE A SPADE: IN ONE OF THE RUSSIAN REGIONS - ON THE TERRITORY OF THE CHECHEN REPUBLIC A REAL DICTATORSHIP WAS ESTABLISHED AS A RESULT OF AN ARMED MUTINY.

ILLEGAL ARMED FORCES, WELL TRAINED, EQUIPPED AND ORGANISED, WERE ACTUALLY CREATED THERE.

THE REGIME IN CHECHNYA MADE THE CRIMINAL BUSINESS ITS MAIN JOB. CRIMINAL ACTIVITIES BECAME THE MAIN SOURCE OF ITS REVENUES AND THE MAIN GOAL OF ITS EXISTENCE.

THE MERGING OF THE CRIMINAL WORLD AND AUTHORITIES, WHICH POLITICIANS AND JOURNALISTS CONSTANTLY QUALIFIED AS THE MAIN THREAT TO RUSSIA, BECAME A REALITY IN CHECHNYA. IT WAS A TEST GROUND FOR PREPARATION AND SPREAD OF CRIMINAL POWER ACROSS RUSSIA. IF WE DO NOT WANT THE CHECHEN DEVELOPMENTS TO REPEAT, WE MUST NOT ALLOW THE ESTABLISHMENT IN ANY PART OF RUSSIA OF REGIONAL DICTATORSHIPS, THE USURPING OF POWER AND SO ON.

WE HAVE BEEN FOR TOO LONG CHERISHING THE HOPE THAT THE SITUATION WILL BE SETTLED BY ITSELF, THAT A COMPROMISE WAS POSSIBLE. THIS WAS A FATAL MISTAKE. SUCH ABSCESSSES LIKE THE MEDELLIN CARTEL IN COLUMBIA, THE +GOLDEN TRIANGLE+ IN SOUTH-EAST ASIA AND THE CRIMINAL DICTATORSHIP IN CHECHNYA DO NOT RESOLVE BY THEMSELVES.

TO PRESERVE ITS SOVEREIGNTY, INDEPENDENCE AND INTEGRITY THE STATE CAN AND MUST USE THE FORCE OF AUTHORITY. BUT OUR STATE TURNED OUT TO BE UNPREPARED FOR EFFICIENT POWER ACTIONS. THIS IS THE REASON FOR LOSSES. THIS IS THE ROOT OF HUMAN RIGHTS VIOLATIONS IN THE COURSE OF COMBAT ACTIVITIES.

WE ALL HAVE TO LEARN LESSONS FROM THE DRAMATIC DEVELOPMENTS. AND IF WE SERIOUSLY INTEND TO DO THAT, WE SHOULD NOT DO IT STRAIGHT FROM THE SHOULDER. WE HAVE TO ANALYSE ALL ASPECTS OF THE CHECHEN ANOMALY TOGETHER, TO ANALYSE THE ACTIVITIES OF ALL BODIES OF AUTHORITY IN RESTORING THE CONSTITUTIONAL LAWFULNESS IN CHECHNYA. ONLY ON THAT BASIS SHOULD DECISIONS BE ADOPTED.

ANOTHER THING IS ALSO IMPORTANT. RUSSIA IS GETTING RID OF THE CANCER TUMOUR OF THE GROZNY REGIME DURING THE BEGINNING OF THE CREATION OF ITS NEW STATEHOOD, WHILE THE CIVIC SOCIETY HAS NOT MATURED AND DEMOCRATIC TRADITIONS ARE WEAK. IN THESE CONDITIONS SOCIETY REFRAINED FROM CHAVINISTIC AND MILITARY HYSTERIA. AUTHORITIES HAD ENOUGH PATIENCE NOT TO CUT SHORT THE WAVE OF CRITICISMS, TO REMAIN OPEN BOTH TO THE COUNTRY AND TO THE OUTSIDE WORLD. ALL THESE ARE SIGNS OF THE EMERGENCE OF A NORMAL DEMOCRATIC STATEHOOD. IT HAS PASSED THE FIRST THE FIRST AND VERY SEVERE TEST.

MORE

THE SETTLEMENT OF THE CHECHEN CRISIS IS NOT LIMITED TO THE USE OF MILITARY FORCE. WE SHALL GIVE PRIORITY MOSTLY TO POLITICAL AND ECONOMIC METHODS OF SETTLEMENT. IN CHECHNYA LEGITIMATE BODIES OF POWER AND LOCAL SELF-GOVERNMENT SHOULD BE RESTORED. WE ARE INTERESTED THAT IT HAPPENS AS SOON AS POSSIBLE. A DECREE HAS ALREADY BEEN SIGNED ON ADDITIONAL MEASURES TO RESTORE THE ECONOMY AND SOCIAL SPHERE OF THE CHECHEN REPUBLIC.

TODAY IT CAN BE OFTEN HEARD: WE HOPED THAT OUR ARMED FORCES AND INTERIOR TROOPS WERE STRONGER AND MORE EXPERIENCED, THAT THEIR COMBAT READINESS WAS HIGHER. THEIR FAILURES, SETBACKS AND MISTAKES OF THE COMMAND ARE A PAINFUL BLOW ON PATRIOTIC AND CIVIC FEELINGS, ON THE DIGNITY OF RUSSIANS.

IT IS TO BE ADMITTED THAT THE ARMED FORCES ARE NOT WELL PREPARED FOR SETTLING CONFLICTS OF LOCAL CHARACTER.

THE LEGAL AND ORGANISATIONAL MECHANISM OF THE USE OF THE ARMED FORCES AND OTHER POWER STRUCTURES IN CASE OF AN ARMED MUTINY ON THE TERRITORY OF THE RUSSIAN FEDERATION HAS NOT BEEN CREATED. INEFFICIENT IS THE INTERACTION OF THE ARMED FORCES, THE INTERIOR TROOPS, FRONTIER TROOPS, THE FEDERAL COUNTERINTELLIGENCE SERVICE AND OTHER POWER STRUCTURES IN SUCH CONFLICTS.

ALL THIS BECAME A BIG BURDEN ON THE SHOULDERS OF SOLDIERS AND OFFICERS PARTICIPATING IN THE SETTLING OF THE CHECHEN CRISIS.

THEY DO NOT SHOOT FROM BEHIND THE BACKS OF WOMEN AND CHILDREN, THEY DO NOT USE THEM AS A LIVE SHIELD, THEY DO NOT SET UP COMBAT STRONGHOLDS IN SETTLEMENTS UNDER THE COVER OF RESIDENTIAL BUILDINGS AND HOSPITALS. AN OVERWHELMING MAJORITY OF RUSSIAN SERVICEMEN DISPLAYED THEIR BEST MILITARY QUALITIES WHILE FULFILLING THEIR TASKS. THEREFORE, SPECIAL ATTENTION SHOULD BE DEVOTED TO THE STRENGTHENING OF THE ARMED FORCES THIS YEAR.

THE GENERAL CONCLUSION WHICH I MAKE AS THE SUPREME COMMANDER-IN-CHIEF, AND NOT ONLY PROCEEDING FROM THE CHECHEN CRISIS SETTLEMENT, IS THAT REFORM OF THE ARMED FORCES IS CARRIED OUT TOO SLOWLY.

IN 1995 RESOLUTE MEASURES SHOULD BE ADOPTED TO REORGANISE THE ARMED FORCES AND OTHER TROOPS WITH DUE CONSIDERATION OF THE EXISTING PROBLEMS OF ENSURING THE NATIONAL SECURITY OF RUSSIA, AND PROCEEDING FROM THE ECONOMIC AND DEMOGRAPHIC POSSIBILITIES OF THE COUNTRY.

IT IS NECESSARY TO RAISE THEIR TECHNICAL OUTFIT, IMPROVE THEIR PROVISION, RAISE THE OPERATIONAL AND COMBAT TRAINING TO THE LEVEL OF MODERN REQUIREMENTS.

COORDINATION OF DEPARTMENTS IN SOLVING THE TASKS OF ENSURING BOTH LAW AND ORDER WITHIN THE COUNTRY AND THE DEFENCE CAPABILITY OF RUSSIA IS TO BE RADICALLY ENHANCED.

THE ORDER OF MANNING TROOPS, THE PERSONNEL POLICY SHOULD BE REVISED, A PROPER MOBILISATION READINESS OF THE COUNTRY IS TO BE ENSURED. THE SYSTEM OF MILITARY EDUCATION SHOULD BE FURTHER IMPROVED. THE REORGANISATION OF THE DEFENCE INDUSTRY SHOULD ACQUIRE A GOAL-ORIENTED CHARACTER.

THE IMPLEMENTATION OF THE PLANNED MEASURES IN THE SPHERE OF DEFENCE WILL BECOME THE BASIS FOR THE CREATION OF A HIGHLY EFFICIENT ARMY OF THE RUSSIAN FEDERATION WHICH WILL NOT BE NUMEROUS, BUT WILL BE SUFFICIENTLY MANNED AND EQUIPPED WITH MODERN ARMAMENTS AND SOCIALLY PROTECTED.

MORE

.YELTSIN'S ADDRESS TO PARLIAMENT - FULL TEXT - 12.
+CORRECTED VERSION+

ESTEEMED DEPUTIES

THE NEW DEMOCRATIC RUSSIA HAS ADVANCED TO THE INTERNATIONAL ARENA THREE YEARS AGO. A LOT OF CHANGES HAVE TAKEN PLACE SINCE THEN. RUSSIA BECAME AN ACTIVE PARTICIPANT IN THE EFFORTS OF THE INTERNATIONAL COMMUNITY TO SUPPORT PEACE IN VARIOUS HOT SPOTS OF THE PLANET.

IN 1994 IN NAPLES THE +GREAT SEVEN+ OF THE LEADING WORLD POWERS BEGAN TO GRADUALLY DEVELOP INTO THE +G-8+ THANKS TO RUSSIA. WITH ACTIVE RUSSIAN PARTICIPATION THE CSCE WAS TRANSFORMED INTO THE ORGANISATION ON SECURITY AND COOPERATION IN EUROPE. A FULL-SCALE AGREEMENT ON ECONOMIC COOPERATION BETWEEN THE EUROPEAN UNION AND OUR COUNTRY HAS BEEN SIGNED. THE COOPERATION OF OUR COUNTRY WITH THE UNITED NATIONS AND OTHER INTERNATIONAL ORGANISATIONS IS EXPANDING.

A SEARCH FOR EFFICIENT WAYS OF EQUAL COOPERATION WITH NATO IS GOING ON. RUSSIA CONTINUES THE GRADUAL ELIMINATION OF ARMAMENTS ACCORDING TO EARLIER CONCLUDED AGREEMENTS AND HAS BEGUN TO RADICALLY REDUCE THE ARMED FORCES. WE EXPRESSED READINESS TO PROCEED ALONG THE PATH OF MEASURES OF TRUST AND SECURITY.

WE ARE CONVINCED THAT THE FUTURE OF OUR CONTINENT AND OF THE WHOLE WORLD COMMUNITY IS IN UNITY, IN INTEGRATION OF THE GIGANTIC ECONOMIC POTENTIAL, IN COORDINATION OF POLITICAL EFFORTS. IT IS ONLY IN THIS WAY THAT IT IS POSSIBLE TO OVERCOME THE NUMEROUS MISFORTUNES OF THE MODERN WORLD - CIVIL, LOCAL AND REGIONAL WARS, SOCIAL INJUSTICE, HUNGER AND POVERTY OF THE WHOLE PEOPLES, DRUG TRAFFIKING, SMUGGLING OF WEAPONS, TO SAVE THE ENVIRONMENT.

THE WORLD NEEDS COOPERATION, THE BASIS OF WHICH IS A MUTUAL RESPECT OF LAWFUL RIGHTS AND INTERESTS OF STATES, RATHER THAN THE STRUGGLE OF SELFISH INTERESTS AND THE LOGICS OF IMMEDIATE PROFITS AND RUTHLESS COMPETITION. THE MORE SO, IT IS INADMISSIBLE TO ALLOW NEW SPLITS IN EUROPE AND THE WORLD.

SOMETIMES WE CAN HEAR THAT PARTNERSHIP WITH THE NEW RUSSIA IS PREMATURE. AS A RULE, BEHIND SUCH STATEMENTS THERE IS THE WISH TO ELIMINATE A POTENTIAL COMPETITOR. IF SUCH AMBITIONS DOMINATE IN THE WEST, THEN THE EFFORTS TO CREATE A NEW, MORE JUST AND SAFER WORLD ORDER WOULD BE UNDERMINED. THEN THE HUMANITY WILL NOT STEP INTO THE 21ST CENTURY, BUT WILL BE THROWN BACK INTO THE 19TH CENTURY.

CHARACTERISTIC IN THIS RESPECT IS THE INTENTION TO PUSH NATO TOWARDS EXPANSION TO THE EAST WHICH IS DETRIMENTAL TO THE JOINT EFFORTS IN CREATING A NEW MODEL OF GENUINE PAN-EUROPEAN SECURITY. WE DO NOT CONCEAL WHAT CONCRETELY DOES NOT SUIT US IN THIS SCENARIO AND WHY RUSSIA IS AGAINST IT.

TODAY THE PROBLEM OF THE TYPE OF MUTUAL RELATIONS OF THE STATES ON THE EUROPEAN CONTINENT IS BEING SOLVED AND FOR A LONG TIME. ON THE VERY CONTINENT FROM WHICH TWO GLOBAL MILITARY CATASTROPHIES HAD DEFALLEN ON THE WORLD. AND WE DO NOT WANT EUROPE AND THE WORLD RETURN TO THE OLD OR NEW DIVISION LINES.
MORE

+EMBARGOED UNTIL THE PRESIDENT DELIVERS THE ADDRESS TO
PARLIAMENT, CHANGES POSSIBLE+

.YELTSIN'S ADDRESS TO PARLIAMENT - FULL TEXT - 13.

IT IS ALWAYS POSSIBLE TO FIND A SOLUTION IF BOTH SIDES STRIVE FOR PARTNERSHIP AND FUTURE COOPERATION. THIS IS OUR CHOICE AND WE WORK ON IT WITH THE UNITED STATES AND OTHER COUNTRIES. BUT THE CONSTRUCTION WHICH IS INTENDED TO BE BUILT ON RUSSIAN WESTERN FRONTIERS, WHERE NATO IS HASTILY BEING ADVANCED TO, IS BASED ON DIFFERENT PRINCIPLES. BY EXPANDING NATO THE WEST ALLEGES THAT IT WANTS TO DEFEND EAST-EUROPEAN COUNTRIES FROM THE SO-CALLED +BLACK THOUGHTS+ OF MOSCOW.

I STATE WITH RESPONSIBILITY: THEY DO NOT EXIST. WITH ALL CONTRADICTIONS OF THE TRANSITION PERIOD, RUSSIA IS ADHERENT TO THE VALUES OF DEMOCRACY. OUR WISH TO PARTICIPATE IN THE CONSTRUCTION OF A NEW WORLD ORDER IN THE EUROPEAN AND GLOBAL SCOPE REMAINS UNCHANGED.

IN 1995 THE RUSSIAN FOREIGN POLICY IN PROTECTING THE STATE INTERESTS SHOULD COMBINE CONSISTENCY AND FIRMNESS WITH FLEXIBILITY AND PRAGMATISM.

RUSSIA DOES NOT INTEND TO CONFRONT WITH ANY INTERNATIONAL +POWER CENTRE+. ITS OPTIMAL STRATEGY IN THE COMING YEARS WILL BE A STRATEGY OF REALISTIC PARTNERSHIP IN ALL AZIMUTHS. WE SHALL DEVELOP RELATIONS BOTH WITH THE UNITED STATES AND THE COUNTRIES OF EUROPE, AS WELL AS CHINA, INDIA, JAPAN, LATIN AMERICAN STATES, WITH ALL COUNTRIES OF THE WORLD WHICH ARE READY TO MAINTAIN A DIALOGUE WITH RUSSIA ON AN EQUAL AND MUTUALLY ADVANTAGEOUS BASIS.

RUSSIA WILL CONTINUE TO VIEW ENHANCED RELATIONS WITH THE CIS STATES AS A PRIORITY. LAST YEAR VARIOUS WAYS OF INTEGRATION OF OUR STATES WERE PROPOSED. I BELIEVE THE MOST OPTIMAL IS THE WAY WHICH HAS BEEN ALREADY ACCEPTED IN THE COMMONWEALTH. IT ALLOWS TO MOVE TOWARDS INTEGRATION IN THE BEST REGIME FOR EACH STATE. THIS CONCERNS THE SPEED OF INTEGRATION AND ITS LEVEL.

THE CENTRE OF RUSSIAN INTERACTION WITH EUROPEAN STATES IS THE CREATION OF A SECURITY MECHANISM FOR THE 21ST CENTURY. THE MAIN THING IS THAT NOBODY REMAINS ISOLATED FROM ADOPTING DECISIONS CONCERNING THE FATE OF EUROPE.

PARTNERSHIP WITH THE UNITED STATES ON THE BASIS OF MUTUALLY ACCEPTED BALANCE OF INTERESTS IS A MAJOR DIRECTION OF THE RUSSIAN FOREIGN POLICY. FIRMLY DEFENDING OUR POSITIONS, WE SHALL CONTINUE TO TRY AND ENHANCE THE SOLID POTENTIAL ACCUMULATED IN THE LAST YEARS.

WE SHALL BE MORE ACTIVE IN THE PACIFIC DIRECTION IN OUR FOREIGN POLICY. IT IS IMPORTANT THAT A STABLE CHARACTER OF RELATIONS WITH THE LEADING COUNTRIES OF THE REGION HAS BEEN ACQUIRED.

THE EFFICIENT IMPLEMENTATION OF THE RUSSIAN FOREIGN POLICY DEMANDS THE CREATION AT THE RUSSIAN PRESIDENT OF A STRICT MECHANISM OF INTER-DEPARTMENTAL COORDINATION IN THE SPHERE. THIS WILL ALLOW TO CONSISTENTLY IMPLEMENT INTO LIFE THE FOREIGN POLICY INITIATIVES, WILL PROMOTE AN EFFICIENT DIALOGUE BETWEEN RUSSIA AND FOREIGN COUNTRIES.

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+EMBARGOED UNTIL THE PRESIDENT DELIVERS THE ADDRESS TO
PARLIAMENT, CHANGES POSSIBLE+

.YELTSIN'S ADDRESS TO PARLIAMENT - FULL TEXT - 14.

ESTEEMED DEPUTIES

I THINK IT NECESSARY TO POINT OUT THE MOST IMPORTANT THINGS WHICH WILL BE THE FOCUS OF MY CONCERN IN 1995. I SHALL WORK TO:
FIRST. UPGRADE THE EFFICIENCY OF THE RUSSIAN GOVERNMENT ON THE BASIS OF LAW AND DEMOCRATIC PRINCIPLES. CONSOLIDATING GUARANTEES OF HUMAN RIGHTS AND FREEDOMS.

SECOND. RESTORE PEACE AND QUIET IN THE CHECHEN REPUBLIC. WE MUST TRANSFORM THE DESTRUCTIVE ENERGY OF THE CHECHEN CRISIS INTO POTENTIAL FOR FORTHCOMING CHANGES IN THE INSTITUTES OF POWER, IN THE ARMY, AND IN POLITICAL AND GOVERNMENT PRACTICE.

THIRD. MAKE DEEPER THE COUNTRY'S PUBLIC ACCORD.

FOURTH. CONTINUE ECONOMIC REFORM AND FILL IT WITH SOCIAL SUBSTANCE.

FIFTH. ACCOMPLISH COURT REFORM.

SIXTH. PREPARE AND HOLD THE ELECTIONS TO THE STATE DUMA IN DECEMBER 1995 AND THE PRESIDENTIAL ELECTIONS IN JUNE 1996.

AND FINALLY. THIS YEAR MARKS THE 50TH ANNIVERSARY OF THE GREAT VICTORY. IT IS OUR DUTY TO CELEBRATE THIS ANNIVERSARY IN AN APPROPRIATE MANNER AND DEDICATE THIS YEAR TO THE VETERANS OF THE GREAT PATRIOTIC WAR.

I HOPE THAT THESE EFFORTS WILL BE SUPPORTED BY YOURSELVES, ESTEEMED DEPUTIES, BY THE GOVERNMENT, PARTIES AND PUBLIC MOVEMENTS, AS WELL AS BY ALL THOSE WHO HOLD RUSSIA'S FUTURE DEAR.

* * *

THE YEAR OF 1994 IS ALREADY PART OF HISTORY. IT WAS A DIFFICULT YEAR. AND STILL I AM CONFIDENT THAT 1994 WILL GO DOWN IN PEOPLE'S MEMORY AS A YEAR OF UNOBTRUSIVE BUT ACTUALLY TITANIC WORK OF CITIZENS AIMED AT NORMALISING THE LIFE IN THEIR COUNTRY.

WE WANT A DEMOCRATIC, LAW-GOVERNED SOCIETY TO TAKE FIRM ROOT IN RUSSIA WITH DUE ACCOUNT OF ETHNIC PECULIARITIES AND TRADITIONS OF ITS PEOPLES.

WE WANT LAW TO REIGN SUPREME IN OUR COUNTRY AND BE THE SAME FOR ALL CITIZENS IRRESPECTIVE OF THEIR SOCIAL STATUS,

WE WANT THE RUSSIAN FEDERATION TO BE AND ALWAYS REMAIN A SINGLE AND INTEGRAL STATE,

WE WANT SOCIAL PARTNERSHIP TO BE CONSOLIDATED IN RUSSIA AND PROTECTION OF EVERY CITIZEN'S LIFE, DIGNITY, PROPERTY AND RIGHTS TO BE SECURED.

THESE OBJECTIVES ARE PROCLAIMED IN THE CONSTITUTION.

ALL TOGETHER WE SHALL CERTAINLY ATTAIN THEM. IT WILL NOT BE SIMPLE TO ACCOMPLISH. WE KEEP STUMBLING OVER OUR OWN MISTAKES, BUT WE ARE ACQUIRING PRICELESS EXPERIENCE.

WE MUST ALL NURTURE CONFIDENCE IN FUTURE SUCCESS, IN THE CREATIVE POTENTIAL OF OUR NATIONAL CHARACTER AND ITS WISDOM.

OUR MOTHERLAND DESERVES A HAPPY FUTURE AND SHE WILL HAVE IT.

ITEM ENDS

C/Russia/000

THE WORLD BANK
Washington, D.C. 20433
U.S.A.

December 8, 1994

LEWIS T. PRESTON
President

Mr. Michel Camdessus
Managing Director
International Monetary Fund
700 19th Street, N.W.
Washington D.C. 20431

ORIG: EUR II
CC: MD
MR. FISCHER
MR. OUATTARA
MR. NARVEKAR
FAD
PDR
RES
MS. R. SAUNDERS

70 FEB 16 1995
01 30 101100

Dear Michel,

We both have emphasized consistently to our Russian colleagues the importance of the oil and gas sector to three objectives:

- attracting foreign investment and new technology to the sector to reverse the decline in output;
- increasing export earnings and, thus, external creditworthiness; and
- generating revenue by raising the domestic price of petroleum products.

COMMUNICATIONS
DIVISION
RECEIVED
INTERNATIONAL
SECRETARY

In pursuit of a satisfactory framework, we have made two loans to oil producing associations and have worked with the Russian government to develop a legal framework for the sector, including an investment code and legislation on production sharing. This legislation has not yet been enacted.

Last June, there was agreement to eliminate export quotas for oil which, in due course, would have raised the domestic price to the export level. The agreement was reflected in a decree which, however, was reversed within the week. Our most recent discussions have sought to restore the agreement on the elimination of export quotas, and the Government decided to abolish them effective January 1. But, simultaneously, the Government has decided to establish mandatory domestic market allocations. From what we know, there is a serious possibility that the level of the domestic allocations will be substantially above recent and projected domestic consumption and thus maintain downward pressure on domestic prices.

019735

While oil producers may be allowed to export production in excess of their domestic allocations, the tax treatment of exports and the access to export pipelines are further causes of concern. A high tax would discourage incremental production for export. A low tax would encourage arbitrage, corruption and capital flight to take advantage of the differential between domestic and international prices.

We also attempted to have access to the pipelines put on a more transparent basis. That would facilitate export liberalization while safeguarding previously granted investment incentives. This, too, has been rejected.

If the proposed decrees are implemented, there would be a system which meets domestic demand at highly subsidized prices, limits exports to keep the domestic price low, and continues to allocate the rental income of the limited pipeline capacity administratively. In those circumstances, we will be unable to complete our discussions on the second Rehabilitation loan. In addition, we will cease the processing of any further operations in the oil sector, with the possible exception of assistance to help mitigate the oil leak problem in the Komi area.

I need not tell you how much the continued subsidy of the oil prices costs the Russian economy. The estimates of capital flight from oil exports is high. At the same time, the existing producing fields are declining due to lack of funds for maintenance and repairs and potential export earnings foregone are conservatively estimated at \$10-15 billion annually. And, if the price of petroleum products were at even 65% of international prices, domestic earnings of the producing associations and/or tax revenue would increase by about \$4 billion annually.

In addition, the interest of oil companies in further exploration and development has been weak, despite Russia's substantial potential resources, due to the price structure and lack of a permanent acceptable framework investment. The change in policy being considered, which would alter assurances to the existing joint ventures, will inhibit further the availability of foreign private investment.

I realize that your colleagues also are struggling with a host of complicated issues on the stabilization front. But, as we agreed at our recent lunch, the respective issues we are addressing support the same reform effort and should be treated by us as an integrated package. I believe that substantial progress in the oil and gas area is a prerequisite to a substantial component of our currently planned lending. Progress can either take the form of eliminating mandatory domestic oil allocations, which will gradually drive domestic prices to international levels, or raising through taxation the domestic price of petroleum products to international levels, or both. Either action should be accompanied by initial steps to make access to the existing pipelines available on a non-discriminatory basis. To do otherwise would, in my view, make resources available to Russia which, consistent with its own policy of moving to a market economy, it could generate for itself.

Sincerely,



Lewis T. Preston
President

1,000 russa

3



INTERNATIONAL MONETARY FUND

WASHINGTON, D.C. 20431

FAX CENTER

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IMF FAX CENTER

COPY

Fax # (202) 623-4661

Tel # (202) 623-8262 10:03

MSG. NO. 789	DATE October 12, 1994	PAGE 1 OF 6
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TO

Mr. Lopez-Claros
IMF Moscow Office

cc: Mr. Hernández-Catá
Russia Team

Moscow, Russian Federation

(7-095) 929-9136

Augusto,

Attached are two letters the FDMD ended up sending (via KK) to Shokhin and Gerashchenko today. Could you please arrange to transmit them informally to our friends in the MOF (assuming there are any left!). Thanks.

Donal

FROM

Donal Donovan
EUR II/Russia Division

ROOM NO. 9-525	EXTENSION 37902	ACCOUNT CODE 0700
AUTHORIZED BY Donal Donovan		SIGNATURE



Office Memorandum

2/6

d.d.
R. Team
T.W.
D.C.
File
Chiron

To: Mr. Kagalovsky

October 12, 1994

From: Donal Donovan *DS*

Subject: Letters from the Acting Managing Director

I would greatly appreciate it if you could arrange to transmit the attached letters from the Acting Managing Director to Deputy Prime Minister Shokhin and Mr. Gerashchenko.

Attachments

cc: The Acting Managing Director
Mr. Hernández-Catá



INTERNATIONAL MONETARY FUND
WASHINGTON, D. C. 20431

3/6

FIRST DEPUTY MANAGING DIRECTOR

CABLE ADDRESS
INTERFUND

October 12, 1994

Dear Mr. Shokhin:

I was very pleased to have seen you and your colleagues last week in Madrid and to have exchanged views on Russia's current economic situation and prospects. I am following with great interest the events in Russia and would like to take this opportunity to express my concerns about recent developments in the foreign exchange market and to convey the IMF's views about what needs to be done.

First, I understand that the CBR refinance rate has just been increased substantially. This an appropriate step which is needed to provide a clear signal of the authorities' determination to pursue tight monetary policies and further reduce inflation. This step should be followed by further adjustments in the refinance rate as required to keep it in line with interest rates in the interbank market; and tight restraints should be maintained on credit expansion. Second, in present circumstances I do not believe that continued intervention by the authorities in the foreign exchange market would succeed in stemming the decline of the ruble. Official reserves have already fallen to very low levels and, in the absence of changes in the fundamental factors influencing the market, additional intervention is likely to have little effect.

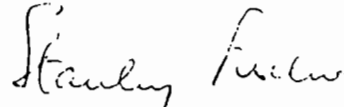
To my mind, recent exchange rate developments show that the market correctly views the weak budgetary position as the dominant, fundamental source of inflation in Russia at present. Therefore, a lasting solution to pressures on the exchange rate will require substantial and credible deficit reduction measures, including on the revenue side. While foreign financing can help to reduce inflationary financing of the budget, there is no prospect of obtaining sufficient external funding to avoid a strong fiscal adjustment. There is no way to stabilize the economy without a major cut in the budget deficit. We would expect that such an adjustment will be a major element in a program that could be supported by financial resources from the Fund, and that the appropriate fiscal measures will be explicitly introduced in the budget for 1995. As you know, a staff mission is scheduled to visit Moscow for two weeks beginning October 19 in order to discuss with you the elements of such a program.

I hope these observations will be helpful in your deliberations on these matters in the crucial period immediately ahead. We of course stand willing to assist in further discussions and in working towards a sustainable Fund-supported stabilization program on as rapid a schedule as is feasible.

I am sending a copy of this letter to Mr. Gerashchenko.

With best wishes,

Yours sincerely,



Stanley Fischer
Acting Managing Director

Mr. Alexander Shokhin
Deputy Prime Minister and
Minister of Economy
Government of the Russian Federation
Russian Government House
Moscow, Russian Federation



INTERNATIONAL MONETARY FUND
WASHINGTON, D. C. 20431

5/6

FIRST DEPUTY MANAGING DIRECTOR

CABLE ADDRESS
INTERFUND

October 12, 1994

Dear Mr. Gerashchenko:

I was very pleased to have seen you and your colleagues last week in Madrid and to have exchanged views on Russia's current economic situation and prospects. I am following with great interest the events in Russia and would like to take this opportunity to express my concerns about recent developments in the foreign exchange market and to convey the IMF's views about what needs to be done.

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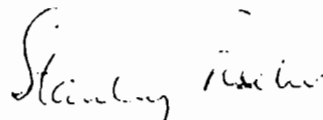
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6/6

I am sending a copy of this letter to Mr. Shokhin.

With best wishes,

Yours sincerely,



Stanley Fischer
Acting Managing Director

Mr. Victor Gerashchenko
Chairman
Central Bank of the Russian Federation
Ul. Neglinnaja 12
103016 Moscow
Russian Federation



Office Memorandum

To: The Managing Director

October 11, 1994

From: Aleksei Mozhin *All*

Subject: Letter from the Prime Minister of the Russian Federation

Please, find enclosed a copy of a letter from Prime Minister of the Russian Federation Mr. Viktor Chernomyrdin which we have received from the Russian Embassy in Washington.

My understanding is that the original letter was sent to you by mail.

44610

- ORIG: EUR II
- CC: MD
- MR. FISCHER
- MR. OUATTARA
- MR. NARVEKAR
- MR. KAGALOVSKY
- FAD
- PDR
- LEG
- MAE
- SEC
- TRE
- MS. R. SAUNDERS

201 OCT 12 1994
 COMMUNICATIONS
 DIVISION

Translated from Russian**On Russia's Economic Policy,
2nd half of 1994**

Dear Mr. Camdessus:

The objectives of the credit-financial policy as set out in the Joint Statement of the Government of the Russian Federation and the Central Bank of the Russian Federation, have been met by the results of the 2nd half of this year: net internal assets, monetary base, and net credits to the Government and commercial banks are within the limits stipulated in the joint statement. Inflation rate is steadily decreasing, and even at a faster pace than provisioned. If in January, 1994 the rate of inflation was 17,9%, in July, 1994, it already was at 5,3%. Inflation rate in this August amounted to 4,6%. The Russian Government is making every possible effort to ward off any significant increase in the inflation by the end of 1994. We have every reason to say that judging by such an important indicator of economic activity as the G.D.P. dynamics, we are close to a stabilization today.

Nevertheless, the burden of the still unsettled institutional and structural issues inherited by Russia from the defunct USSR, once again place most complex problems before us. We traditionally experience a sharp increase in the budget financing demands in the third quarter, which is due to the seasonal fluctuations in the Russian economy. The Russian Government is obliged to finance in part the purchase of the harvested grain, as well as the supply of goods for the Northern Territories.

The Honorable
Michel Camdessus
The Managing Director
International Monetary Fund
Washington, D.C. 20431

The preliminary estimates of the Russian Ministry of Finance have demonstrated: in order to avoid an excessive sequestration of the running expenses in the third quarter, including on social needs, it would be expedient to raise the drawings designed to finance the budget deficit by approximately 3 trillion rubles against the sum based on the agreed microeconomical program. Because of a limited financial market capacity, we are not able to finance these demands by way of extra issuance of State treasury bonds and will be obliged to increase drawings from the Central Bank of the Russian Federation.

During the next, fourth quarter of 1994 we intend to limit our drawings by the same amount in order to ensure unconditional compliance with all the parameters of the monetary-credit program agreed with the I.M.F. We hope that the proposed approach will find your understanding and support.

The Russian Government counts on a successful realization of the anti-inflationary program for 1994 and on further expeditious progress in the cooperation between Russia and the I.M.F.

September 28, 1994

V.CHERNOMYRDIN



Office Memorandum

Mr. Van Houtven
Mr. Lang
Mr. Foglizzo
Mr. [unclear]
Mr. [unclear]
Mr. [unclear]

To: Mr. Odling-Smee

August 30, 1994

From: Leo Van Houtven

Subject: Tatarstan

Thank you for your note on Tatarstan. I would also inform Mr. Foglizzo that it would not be possible to grant Tatarstan observer status. That is a decision that can only be taken by the Chairman of the Board of Governors after consultation with the Executive Board. With respect to guest (or, for that matter, visitor) status, we would not feel free to extend such status to political representatives of Tatarstan without clearance of the Executive Director. In coming to this reaction, I am following the precedents that would be applied to similarly placed political officials of any Fund member country.

cc: Mr. Gianviti



Office Memorandum

① 3WL
② 2VF

AUG 30 11:10:01

OFFICE OF
THE SECRETARY

To: Mr. Van Houtven

August 29, 1994

From: John Odling-Smee *Jo-s*

Subject: Annual Meetings - Tatarstan's Wish to be Invited

You should know that Tatarstan, one of the most independent-minded republics within the Russian Federation, would like to be invited to the Annual Meetings in its own right, perhaps as a guest or observer. Mr. Foglizzo has suggested that it should seek inclusion in the official delegation of Russia (see attached memo). I would be happy to pass on to Mr. Foglizzo any additional points which he might make to the representatives of the Government of Tatarstan.

Attachment

cc: Mr. Gianviti



Office Memorandum

To: Mr. John Odling-Smee

August 26, 1994

From: Jean Foglizzo *JF*

Subject: Tatarstan's desire to be invited to the Annual Meeting

One of my correspondents is consulting for the Government of Tatarstan. They have expressed to him the desire to be invited to the Annual Meeting. Either the President or the Deputy Prime Minister would attend. This is, of course, a delicate matter. I suggested that the most neutral approach would be to seek inclusion in the official delegation of Russia. However, the Government of Tatarstan, looking for some sort of international recognition, would like a more independent status like Guest or Observer.

I said to my correspondents that the IMF would not be able to positively answer such a demand without an appropriate clearing with the Russian Authorities. As a result the best approach for Tatarstan would be through the Russian Government and Mr. Kagalovsky's office. I am told that the Russian Ministry of Foreign Affairs has authorized Tatarstan to open a commercial representative office in Paris to which their present Representative in Moscow is being appointed.

The Tatarstan Authorities are aware of the concept of "association" that was discussed in 1991, at the time of the Soviet Union, to allow the Fund to deal directly with the Republics. I carefully avoided to react to this analogy.

* dubious

Mission Fee/ 000

From: Foglizzo, Jean (JFOGLIZZO)
To: MOSEMAIL
Date: Monday, August 1, 1994 10:59 am
Subject: Relocation of the Moscow office

As of today, the IMF Moscow Office has moved to:

7th. Floor
5 Belinskovo Street
Moscow 103009

Telephone: 7-095-929-9200

Fax: 7-095-929-9136 (general office)
7-095-929-9137 (mission offices)

Callers from within Fund Headquarters can utilize three tie lines between the Headquarters PBX and the Moscow Office by dialling:

540 0 for the Moscow Office telephone console operator

540 XXX for direct access to any office telephone, where
XXX is the person's Moscow Office extension number
(see extension list below)

Electronic mail is also available between Headquarters and the Moscow Office. A Local Area Network has been installed in the Moscow Office, and it is linked via a dedicated satellite connection to the Headquarters network.

<u>Name</u>	<u>E-Mail</u>	<u>Extension</u>
Burkova, Marina	MBURKOVA	164
Burlakova, Svetlana	SBURLAKOVA	105
Dillon, Kathleen Burke	KDILLON	101
Foglizzo, Jean	JFOGLIZZO	100
Khattak, Nadia	NKHATTAK	116 (until August 31)
Lissovolic, Bogdan	BLISSOVOLIC	106
Lopez-Claros, Augusto	ALOPEZCLAROS	102
Marks, Carolyn	CMARKS	119
Nikitin, Alexander	ANIKITIN	108
Ovchinnikova, Ludmilla	LOVCHINNIKOVA	116 (from September 1)
Panova, Olga	OPANOVA	107
Pervukhina, Alexandra	APERVUKHINA	123
Petrova, Tamara	TPETROVA	110
Radzikowski, Natalia	NRADZIKOWSKI	111
Razmyarchic, Irina	IRAZMYARCHIC	124
Rubina, Tatjana	TRUBINA	118
Ruzheinikova, Ksenia	KRUZHEINIKOVA	114
Serova, Vera	VSEROVA	109
Sorokina, Anna	ASOROKINA	115
Tiwari, Siddarth	STIWARI	103
Utkina, Olga	OUTKINA	117
Zhukova, Natalia	NZHUKOVA	112

PBX Room
Technology Room

140
138

Jean Foglizzo
Senior Resident Representative.



Office Memorandum

Mr. Van Houtven
Mr. Lang
Mr. Leipold
Mr. Mountford
Mr. Friedman
+
FILE _____

To: The Managing Director
The Deputy Managing Directors

July 14, 1994

From: Michael Mussa *mm*

Subject: Revised Terminology for the Transition Countries

At Mr. Odling-Smee's suggestion, and in agreement with Mr. Russo, Mr. Saito, and Mr. Anjaria, for purposes of the WEO, we intend to abandon references to the "Former Soviet Union" (except when we refer to the situation prior to the break up of the USSR). Instead, we will classify the transition countries on the basis of geographic location:

Transition countries

Central and Eastern Europe *)
Excluding Ukraine and Belarus

Russia

Transcaucasian and Central Asian countries **)

*) Including "Central Europe" as defined earlier plus the Baltic countries, Ukraine, Belarus, and Moldova.

***) Including Armenia, Georgia, Azerbaijan, Kyrgyz Republic, Tajikistan, Kazakhstan, Turkmenistan, Uzbekistan, and Mongolia.

The subgroup "excluding Ukraine and Belarus" will be retained for the time being given the relatively large size of these two countries, and their less encouraging near-term outlook.

The new classification responds to the desire of some members of the Board to move away from the "FSU" grouping. It notably reflects an attempt to solve the problem regarding the classification of the Baltic countries without raising similar objections among other transition countries. More generally, it would allow us to move away from a "backward-looking" concept. I understand in this connection that EUR II is also reviewing ways in which it and other departments can progressively move away from the use of the term "FSU" in other Board papers and internal documents. This would also facilitate the adoption of the proposed new WEO classification by EXR in the Annual Report, beginning next year.

Subject to any comments you may have, the revised classification would be introduced with the upcoming World Economic Outlook.

cc: Department Heads
Ms. Saunders

C/Russian Fed. / 000

The World Bank
Washington, D.C. 20433

Office of
Ernest Stern
Managing Director

Tel: (202) 458-2004
Fax (202) 477-6658

Facsimile Transmittal Form

DATE: July 7
TO : M. Caudeessus.

No. of Pages: 2
(including this page)

FAX #: 623 - 4661
FROM: E. STERN
Michel -

Per our conversation.

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013642

94 JUL -7 AM 10:28

Copy
C/Russian Fed. / 721

ANNEX III

Unofficial translation

**DECREE
OF THE PRESIDENT OF THE RUSSIAN FEDERATION**

**On Deliveries of Oil and Petroleum Products for Exports
in 1994**

With a view to ensuring guarantees on implementation of international commitments of the Russian Federation including repayment of international loans for development of oil and oil production and refinery industries of the Russian Federation and in pursuance of Decree of the President of the Russian Federation dated May 23, 1994, No. 1041 "On Elimination of Quotas and Licensing for Deliveries of Goods and Services for Export" (A Code of Legislative Acts of the Russian Federation, 1994, No.5, Article 397), I hereby DECREE:

1. To extend to January 1, 1995 the existing procedure for oil and petroleum products deliveries for federal state needs and within quotas of enterprises based on licenses granted by the Ministry of External Economic Relations of the Russian Federation as well as privileges for customs taxation in making these deliveries.

2. The Government of the Russian Federation shall approve procedures stipulating, from January 1, 1995, deliveries of oil and petroleum products for exports by oil companies and producing enterprises through organizations registered with the Ministry of External Economic Relations of the Russian Federation in established manner, with customs export duties to be paid on the whole volume of exports safeguarding interests of the state and the producing enterprises.

without QR

3. This Decree shall become effective from the date of its signature.

President
of the Russian Federation

B.Yeltsin

Moscow, Kremlin
1 July, 1994
No. 1385

but not used anybody



Office Memorandum

RECEIVED
MONETARY FUND

94 JUN 22 PM 12: 22

~~Mr. Van Houtven~~
Mr. Lang
Mr. Leibold
Mr. Mountford
Mr. Friedman
+
FILE _____

To: Mr. Kagalovsky

OFFICE OF
THE SECRETARY

June 21, 1994

From: The Managing Director

Subject: Status of the IMF Office in Moscow

Thank you for your memorandum of June 9, 1994. You note that the Ministry of Foreign Affairs of the Russian Federation would like the Fund to negotiate and conclude an agreement on the status of the IMF office in Russia. I am informed that staff has diligently pursued this matter with the Ministry through Mr. Jean Foglizzo for some time already, but various obstacles have prevented conclusion of an agreement, none on the Fund side.

I understand the present position to be as follows:

The substantive issue is the absence of formal confirmation that Russian employees of the IMF in the Russian Federation are exempt from the obligation to pay income tax in respect of salaries received from the IMF. The IBRD and IFC are, in this respect, in the same position as the IMF, whereas the EBRD has formally been granted this privilege in March 1993. Formal confirmation of this exemption from income tax will be achieved by acceptance by Russia of the UN Convention on Privileges and Immunities of the Specialized Agencies with respect to the IMF. Staff has been informed through Mr. Foglizzo by Ministry of Foreign Affairs officials that acceptance by Russia of this Convention with respect to the Bretton Woods institutions is imminent. However, to date no confirmation has been received from the UN in New York. If Russia does accept the Convention in respect of the IMF, all issues are resolved from the perspective of the Fund, including the income tax exemption issue, and we are happy to leave the matter at that.

If, however, the Russian authorities prefer to conclude an establishment agreement in respect of the IMF office in Moscow, I am prepared to direct staff to pursue this course and submit a draft of a possible agreement, provided such an establishment agreement gives effect to the same results as would acceptance by Russia of the Convention referred to above.

cc: Mr. Van Houtven ✓
Mr. Odling-Smee
Mr. Foglizzo
Ms. Powers

C/RUSSIA/000
1720



INTERNATIONAL MONETARY FUND
WASHINGTON, D. C. 20431

MANAGING DIRECTOR

CABLE ADDRESS
INTERFUND

April 22, 1994

Dear Prime Minister:

I am delighted that the Executive Board on Wednesday approved Russia's request for a second drawing under the Systemic Transformation Facility. This is a tribute to your own commitment to the program, and to ensuring that it is fully implemented. I know very well the kinds of pressures to which you will be subjected by those who attach less importance to securing the necessary fundamental changes in the Russian economy than you do. But I can assure you that you have my support and that of the international financial community as a whole in sticking to the course you have chosen.

Please accept my best wishes for the success of your economic policies and our continued cooperation.

Sincerely yours,

Michel Camdessus

Mr. V. S. Chernomyrdin
Prime Minister
Council of Ministers
Government of the Russian Federation
Moscow
Russian Federation

CC: MD
DMD
MR. KAGALOVSKY
EUR II
MS. R. SAUNDERS

C/ RUSSIA / 000



Office Memorandum

To: The Managing Director April 6, 1994

From: K.G. Kagalovsky *K.G.K.*

Subject: Communication from the Prime Minister of Russia

I am pleased to transmit to you the communication from Mr. V.S.Chernomyrdin, Chairman of the Council of Ministers - Government of the Russian Federation, which I received today. An unofficial translation is enclosed for your easy reference.

018367

cc: Mr. Van Houtven

ORIG: EUR II
 CC: MD
 DMD
 MR. KAGALOVSKY
 EXR
 SEC
 MS. R. SAUNDERS

RECEIVED
 INTERNATIONAL
 MONETARY FUND
 COMMUNICATIONS
 DIVISION
 APR -7 PM 2:16

6 APR 94 6:29

OFFICE OF MD

Unofficial translation from Russian

The Honorable Michel Camdessus
Managing Director
International Monetary Fund
Washington, D.C.

Moscow, March 31, 1994

Dear Mr. Camdessus,

At the February 26 meeting of the G-7 finance ministers with ministers of the Government of the Russian Federation in Frankfurt am Main, the Russian side proposed holding a special meeting in our country in April, 1994 with the participation of the G-7 finance ministers, heads of the leading international financial organizations and Russian leaders on the most pressing problems of foreign credits and investments in the Russian economy. We had the impression that this initiative was received by the Western participants in the Frankfurt meeting with understanding.

In this regard, allow me to officially invite you to take part in the special meeting on Russia, which will be held from 3.00 to 6.00 p.m. on April 17, 1994 in the Yussouпов Palace in St.Petersburg. Selection of the place and time for this meeting is due to the holding in St.Petersburg at about the same time of the Third Annual Meeting of the Board of Governors of the European Bank for Reconstruction and Development with anticipated participation of all G-7 finance ministers, as well as the leaders of major international financial institutions.

The agenda includes two items for discussion by the participants in the St.Petersburg meeting:

1. Problems of strengthening coordination of assistance to Russian reforms provided by national and international lending and financial institutions in the areas of credits and investments, and technical assistance.
2. Matters of establishment of a specialized international agency for non-commercial risk insurance of foreign investments in the Russian Federation, in the context of the efforts which are undertaken to achieve substantial growth of private foreign investment in the Russian economy.

The agenda may also include other current issues related to the implementation of the previously adopted international programs of assistance to Russian reforms and pertaining to the preparation for the Naples summit.

Sincerely,

V.Chernomyrdin

ДИРЕКТОРУ-РАСПОРЯДИТЕЛЮ
МЕЖДУНАРОДНОГО ВАЛЮТНОГО ФОНДА
ГОСПОДИНУ МИШЕЛЮ КАМДЕССЮ

Уважаемый г-н Камдессю,

На состоявшейся 26 февраля с.г. во Франкфурте-на-Майне встрече министров финансов группы семи промышленно развитых стран с министрами правительства Российской Федерации российская сторона выдвинула инициативу проведения в апреле 1994 года в нашей стране специальной встречи министров финансов государств "большой семерки", руководителей ведущих международных финансовых организаций и российских лидеров по наиболее острым проблемам иностранных кредитов и инвестиций в российскую экономику. Как представляется, данная инициатива была с пониманием встречена западными участниками Франкфуртского совещания.

В этой связи позвольте мне официально пригласить Вас принять участие в специальном совещании по России, которое состоится в Санкт-Петербурге в Юсуповском дворце 17 апреля с.г. с 15.00 до 18.00. Выбор места и времени этой встречи объясняется проведением в Санкт-Петербурге в этот период третьего годового собрания Совета управляющих Европейского банка реконструкции и развития, предполагающего участие министров финансов всех стран "семерки", равно как и руководителей основных международных финансовых организаций.

На обсуждение участников петербургской встречи выносятся два вопроса:

1. Проблемы усиления координации кредитно-инвестиционного и технического содействия российским реформам со стороны национальных и международных кредитно-финансовых институтов;

2. Вопросы создания специализированного международного агентства по страхованию иностранных инвестиций в Российской Федерации от некоммерческих рисков в контексте предпринимаемых усилий по обеспечению существенного роста иностранных частных инвестиций в российскую экономику.

2.

В повестку дня могут быть включены и другие актуальные проблемы, связанные с реализацией ранее принятых международных программ содействия российским реформам и с подготовкой встречи на высшем уровне в Неаполе.

С уважением,

В. ЧЕРНОМЫРДИН

31 марта 1994 г.

г. Москва

2/RUSSIA/000



CENTRAL BANK OF RUSSIAN FEDERATION
(BANK OF RUSSIA)

CHAIRMAN

103015, Moscow,
Neglinskaya, 12
Tel 921-79-95
Fax 925-46-39
Telex 411263 A GOK SU

ORIG: EUR II

CC: MD

DMD

MR. KAGALOVSKY

MS. R. SAUNDERS

No

Date

005839

1994 MAR 28 A 9:33

RECEIVED
INF. PAY. CENTER**Mr. Michel CAMDESSUS****Managing Director.****INTERNATIONAL MONETARY FUND.****Dear Michel,**

I would like to express my deep satisfaction with the results of our fruitful discussions in Moscow.

Let me thank you once again for your high appreciation of the efforts spent by the staff of the Central Bank of Russia in discussions with the recent mission from European II Department. I think that my colleagues at the CBR, in their turn, significantly benefitted from the interaction with the IMF staff.

I firmly believe that the mutually beneficial working relationship which has been established between the Central Bank of Russia and the International Monetary Fund will be strengthened even more in the future.

With my cordial good wishes,


 Victor V. GERSCHENKO

RUSSIA / 000

7

INTERNATIONAL MONETARY FUND

60, RUE DE MOULLEBEAU
1200 GENEVA, SWITZERLAND
PRINCIPAL OFFICE, WASHINGTON, D.C. 20421



OFFICE IN GENEVA

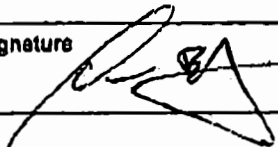
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TELEPHONE: (22) 794.30.00

TELEX: 23603 IMF CH

Facsimile: (22) 794.33.88

Facsimile Service Cover Sheet

Number of pages (including cover sheet) 5	Message number	Date Feb. 4, 1994
To	Name of addressee (type) The Managing Director The Deputy Managing Director cc: Mr. Narvekar Mr. Boorman Mr. Odling-Smee Ms. Saunders Facsimile telephone number	
From	Name of sender (type) H.B. Junz Office in Geneva	
Text or special instructions <p style="text-align: center;">Please see attached memorandum on speech given by Mr. Boris Fyodorov in Geneva the other day.</p>		
Authorized by (type) H.B. Junz	Signature 	

RECEIVED
IMF FAX CENTER
002229

1994 FEB -04 A 10:52



Office Memorandum

TO: The Managing Director
The Deputy Managing Director

FROM: H.B. Junz *[Signature]*

SUBJECT: Speech by Mr. Boris Fyodorov

February 4, 1994

Please find attached Mr. Scott's report on a speech made by Mr. Boris Fyodorov, former Minister of Finance of the Russian Federation, on the theme of "Russia after the Elections", given on February 2, 1994 at the Graduate Institute of International Studies in Geneva.

Attachment

cc: Mr. Narvekar
Mr. Boorman
Mr. Odling-Smee
Ms. Saunders



Office Memorandum

February 3, 1994

MEMORANDUM FOR FILES

Subject: Report on the Speech by Mr. Boris Fyodorov, Former Minister of Finance of the Russian Federation, on the theme of "Russia After the Elections", given at the Graduate Institute of International Studies, Geneva, February 2, 1994.

1. The speaker had not resigned as Finance Minister, as had been suggested in the introduction by Professor Gasteyer, but rather had refused to participate in the new government of Mr. Chernomyrdin. Looking back to the outcome of the parliamentary elections, he explained the failure of the reform group by its lack of experience in electoral campaigning and the mistake made by reformist ministers in devoting more time to their ministerial duties than to the election trail. In addition, the numerous dissensions and factions in the democratic campaign had weakened the image they projected. Moreover, their failure to grasp the importance of the media in campaigning had left the TV screen largely dominated by Mr. Zhirinovskiy, who appeared several times a day.

2. For these reasons he did not think the election results truly reflected the preferences of the electorate, which had been very confused. No one knew where the preferences of the President and the Prime Minister lay, and the presentation by reformists of Russia's economic situation had failed to bring home to the electorate how well the Russian economy was faring--in comparison to that of the Ukraine, for example.

3. The composition of the new parliament was certainly better, qualitatively, than that of its predecessors, but it was largely composed of lobbyists whose fees had been paid by vested interests, and it was treated with some disdain by the Executive Branch of government; thus, it was unlikely that it would be able to do much useful work.

4. Although the role of the President had been considerably enhanced, the balance of power between him and the Prime Minister was now such that Yeltsin had, to all intents and purposes, abandoned many of the goals he had earlier fought for. The composition of the new government was dominated by the presence of "industrialists"--i.e., people who had had responsibility for the management of large Soviet enterprises (which often have over 100,000 employees). These industrial managers had never been educated in the principles of a market economy, although they were often competent engineers and executives within the old command system. However, their lack of education in and understanding of market principles was at

- 2 -

variance with the reality that the Russian economy was now de facto a market economy.

5. In these circumstances, there was little prospect of the new government pursuing a sensible policy of industrial restructuring nor of assuring a recovery in savings and investment. As an example of the inefficiency of the present structures, Fyodorov mentioned the existence of five huge automobile plants which were now producing inferior cars at prices as high or even higher than imported vehicles. This sort of situation would very soon generate strong protectionist pressures as the only means of assuring markets for otherwise unsalable products.

6. In parenthesis, Fyodorov nonetheless claimed some successes for the policies of the previous government, including much improved food supplies, a steep increase in retail sales, and a reduction of the budget deficit from 20 percent of GDP to 9 percent at the end of 1993--and much of that was due to Central Bank money creation. Fyodorov argued strongly that in the absence of financial discipline, the reforms in Russia would be doomed in the short-term. Thus, although a start had been made to put tax collection on a sounder basis, the government was still yielding to pressures from financial lobbies to grant tax holidays and concessions, which undermined the revenue base. As was to be expected, Fyodorov was strongly critical of the policy of the Central Bank and its Governor, Mr. Geryashenko.

7. Reviewing prospects for 1994, Fyodorov expected a very difficult year. The government of "industrialists", despite having no knowledge of economics, prices or marketing, was nonetheless very sure of itself and had a preference for "non-monetary means" of taming inflation. (As an example Fyodorov mentioned--but as a very far out possibility--a reduction in the strength of the armed forces to one fourth of their present level.) Inflationary pressures would continue to be very strong and standards of living would not improve. In his view, another political crisis would therefore occur, possibly in the autumn, at which point the President--"the sole guarantor of the reforms" would have to intervene and accept his responsibilities for assuring the continuation of the reform program. Hence, now was the time for the reformers to start preparing in earnest for the next elections and to avoid the mistakes made the last time around. Fyodorov, in conclusion, described himself as an optimist in the medium-term.

8. In answer to questions about the role of international financial organizations and of Western assistance in the development of the economic situation in Russia, Fyodorov gave a positive assessment. In general he approved of the policies pursued by international financial organizations, but thought that the government should have argued more strongly last September for the release of the IMF second tranche. It would be regrettable if the international financial organizations were to relax their rules and disciplines. He seemed to imply that, while no final decision had yet been taken on the release of the second tranche, acceptance by the Fund of an 18 percent rate of inflation as acceptable would mean a departure from

- 3 -

traditional Fund standards. So far as Western assistance in general was concerned, he thought it was a strongly expansionary sector of employment for Western consultants, but did not consider that it was targeted at the "grass roots level" where it was most needed. He would like to see greater concentration of effort on training and retraining at the enterprise level.



Norman Scott

2/RUSSIA/000

SEC-9400457
CD/RR
017883

ORIGINAL: RUSSIAN

ORIG: EUR II

CC: MD

DMD

MR. KAGALOVSKY

PDR

MS. R. SAUNDERS

MINISTER OF THE ECONOMY
OF THE RUSSIAN FEDERATION
(Ministry of the Economy of Russia)

1 Oxotnyy Ryad
Moscow, 103009

No. AShch-25

January 24, 1994

Mr. Michel Camdessus, Managing Director
International Monetary Fund

Dear Mr. Camdessus:

I am writing to you at the instruction of V.S. Chernomyrdin, Chairman of the Government of the Russian Federation, to confirm our intention of continuing our multifaceted interaction with the International Monetary Fund.

One of the most urgent issues requiring immediate discussion with the IMF is the economic policy of the Government for 1994, which could be supported with the disbursement of a second credit tranche under the systemic transformation facility (STF).

We deem it important to begin discussing with the IMF the main tasks and directions of the Government's program as soon as possible. To this end, we should like to invite to Moscow a high-ranking IMF delegation, which we are prepared to welcome on or after January 26, 1994.

I should like to take this opportunity to confirm the invitation previously sent to you by the Government of the Russian Federation to pay an official visit to Moscow, which, if your schedule permits, could take place in the middle of February of this year.

Sincerely yours,

/s/

A. Shokhin



Office Memorandum

RECEIVED
INTERNATIONAL
MONETARY FUND

1994 JAN 25 PM 2 00

COMMUNICATIONS
DIVISION
January 24, 1994

To: Mr. Camdessus

From: Konstantin Kagalovsky *K. G. K.*

Subject: Letter from Minister of Economy of the Russian Federation

Please find attached a copy of a letter from Minister of Economy of the Russian Federation Mr. Aleksander Shokhin.

Attachment

ORIG: EUR II

CC: MS. R. SAUNDERS

017883



МИНИСТР
ЭКОНОМИКИ РОССИЙСКОЙ ФЕДЕРАЦИИ
(Минэкономки России)

THE ORIGINAL IS BEING TRANSLATED

103009, Москва, Охотный ряд, 1
Телеграм 207986

24/1-1994 № АШ-25

Директору — распорядителю
Международного валютного фонда
г-ну Мишелю Камдессю

Уважаемый г-н Директор - распорядитель,

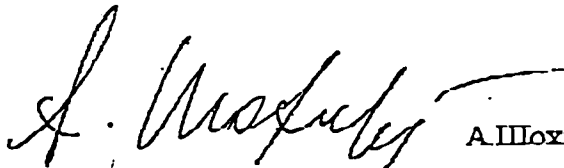
Обращаюсь к Вам по поручению Председателя Правительства Российской Федерации В.С.Черномырдина, чтобы подтвердить наше намерение продолжать разностороннее взаимодействие с Международным валютным фондом.

Одним из первоочередных вопросов, требующих незамедлительного обсуждения с МВФ, является экономическая политика Правительства на 1994 год, которая могла бы быть поддержана выделением второго транша кредита в рамках программы "системной трансформации" (STF).

Нам представляется важным начать обсуждение с МВФ основных задач и направлений правительственной программы в самое ближайшее время. В этих целях мы хотели бы пригласить в Москву высокопоставленную делегацию МВФ, которую мы будем готовы принять начиная с 26 января с.г.

Пользуясь случаем, чтобы подтвердить направленное Вам ранее приглашение Правительства Российской Федерации посетить Москву с визитом, который, если позволит Ваше расписание, мог бы состояться в середине февраля с.г.

С уважением,


А.ШОХИН



INTERNATIONAL MONETARY FUND
WASHINGTON, D.C. 20431

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FACSIMILE INQUIRIES
(202) 623-6262

Facsimile Cover Sheet

MSG. NO. 335 (Fax Center use only)	DATE December 6, 1993	PAGE 1 OF
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TO	NAME	BDILLON/ALOPEZ-CLAROS/STIWARI MOSCOW OFFICE	
	AGENCY		
	CITY/COUNTRY	MOSCOW, RUSSIAN FEDERATION	
	FACSIMILE TELEPHONE NO.	7-095	202-5143
		(Country Code)	(City Code) (Number)

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93 DEC - 6 PM 8: 25

FROM	TEXT	INTERNAL DISTRIBUTION
	<p>Please find attached the Managing Director's letter to Prime Minister Chernomyrdin--could you please arrange for its transmittal, and also please copy Mr. Donovan.</p> <p>Many thanks.</p> <p>Luis V.</p> <p>Attachment</p>	<p>CC: MD</p> <p>DMD</p> <p>MR. KAGALOVSKY</p> <p>PDR</p> <p>EUR II</p> <p>MS. R. SAUNDERS</p>
	NAME Luis M. Valdivieso DEPT./DIV. European II Department	

ROOM NO. 9-525	EXTENSION 34705	ACCOUNT CODE 0071
AUTHORIZED BY (TYPE) Luis Valdivieso Acting Division Chief	SIGNATURE	



INTERNATIONAL MONETARY FUND
WASHINGTON, D. C. 20431

CABLE ADDRESS
INTERFUND

MANAGING DIRECTOR

December 3, 1993

Dear Mr. Prime Minister:

Thank you for your letter dated November 19, 1993. We are following with great interest the implementation of your Government's Economic Policy Memorandum as well as the developments surrounding the forthcoming elections.

It is my pleasure to accept your kind invitation to visit Moscow in the second half of January 1994. Our staff can settle the specific dates in due course. *With all my best personal wishes*

Sincerely yours,

Michel Camdessus

Mr. Viktor Stepanovich Chernomyrdin
Chairman of the Council of Ministers
Government of the Russian Federation
Government House
Staraya Pl. 4
103123 Moscow
Russian Federation



Office Memorandum

(REDISTRIBUTED WITH ENGLISH TRANSLATION)

To: The Managing Director

November 22, 1993

From: Konstantin Kagalovsky *K. G. K.*

Subject: Letter from the Prime Minister of the Russian Federation

Please, find attached a copy of a letter from the Prime Minister of the Russian Federation Victor Tchernomyrdin which was received by fax. The original will arrive later on.

Attachment

cc: Mr. J. Odling-Smee

ORIG: EUR II
 CC: MD
 DMD
 MR. KAGALOVSKY
 PDR
 MS. R. SAUNDERS

017627

NOV 23 1993
 COMMUNICATIONS SECTION
 11 NOV 23 1993

SEC-9306497

KS/CD

017627

ORIGINAL: RUSSIAN

CHAIRMAN OF THE COUNCIL OF MINISTERS
GOVERNMENT OF THE RUSSIAN FEDERATION

Moscow

No. 2702p-PZ1

November 19, 1993

ORIG: EUR II

CC: MD

DMD

MR. KAGALOVSKY

PDR

MS. R. SAUNDERS

Mr. Michel Camdessus
Managing Director
International Monetary Fund
Washington

Dear Mr. Camdessus:

Thank you for your letter dated October 25, 1993.

I value very highly the good personal relations which have developed between us, as they promote the successful development of cooperation between the Government of Russia and the IMF.

It was a pleasure for me to find out that the Declaration on the Economic Policy of the Russian Federation sent to you recently was favorably received by the Executive Board of the IMF. At present, the Government of Russia is actively working toward its implementation.

Once again, I would like to confirm my invitation to you to visit Moscow. Taking into account the tight schedule of the Government's work at the end of the year, I would like to propose to you that we meet in Moscow during the second half of January 1994.

Sincerely yours,

/s/

V. Chernomyrdin



ПРЕДСЕДАТЕЛЬ
СОВЕТА МИНИСТРОВ — ПРАВИТЕЛЬСТВА
РОССИЙСКОЙ ФЕДЕРАЦИИ

« 19 » ноября 19 93 г.

№ 2702П-ПЗ

г. Москва

THE ORIGINAL IS BEING TRANSLATED

Директору-распорядителю
Международного валютного фонда

г-ну М.КАМДЕССЮ

Вашингтон

Уважаемый г-н Камдессю!

Благодарю Вас за письмо от 25 октября 1993 года.

Я очень высоко ценю установившиеся между нами добрые личные отношения, которые помогают успешному развитию сотрудничества между Правительством России и МВФ.

Мне было приятно узнать, что направленное Вам недавно Заявление об экономической политике Российской Федерации было благожелательно воспринято Советом директоров МВФ. В настоящее время Правительство России проводит активную работу по его реализации.

Я еще раз хочу подтвердить Вам мое приглашение посетить Москву. Учитывая плотный график работы Правительства в конце года, я бы предложил Вам встретиться в Москве во второй половине января 1994 года.

Искренне Ваш,

В.Черномырдин

RUSSIAN SOVIET FEDERATED SOCIALIST REPUBLIC

Russian Soviet Federated Socialist Republic, commonly abbreviated RSFSR, largest and most populous constituent republic (□ 6,501,500, with coastal seas □ 6,533,600; 1947 pop. estimate 111,000,000; in Europe, □ 1,578,700, pop. 91,500,000; in Asia, □ 4,922,800, pop. 19,500,000) of the USSR; © Moscow (*Moskva*). Constitutes 76% of the area of the USSR and 58% of the pop. Borders on seas of Arctic Ocean (N), seas of the Pacific (E), China, Mongolia, and Kazakhstan (S), Azerbaijan and Georgia (SW), Ukraine, Belorussia, the Baltic republics, Finland, and Karelia (W). Extends 5,000 mi. from Baltic Sea (W) to the Pacific (E), 1,500-2,500 mi. from Arctic Ocean (N) to the Caucasus, Caspian Sea, Altai and Sayan mts., and Amur R. (S). Of the USSR latitudinal soil and vegetation zones, it includes the entire tundra and taiga belts, nearly the entire wooded steppe, the N black-earth steppes, and only isolated sections of the semi-desert, desert, and subtropical zones. Its dominant relief features are (W to E) the East European (Russian) Lowland, the Urals, W-Siberian Plain, and Central Siberian Plateau drained by Volga, Ob, Yenisei, Lena, and Amur rivers. Pop. consists of Russians (74%), Ukrainians (8%), Belorussians, Tatars, Jews, Mordvinians, Chuvash, Bashkirs, Udmurts, and numerous other ethnic groups. Administratively, areas with a predominant Rus. pop. are constituted as oblasts [variously translated as region, district, province, etc.] and territories [Rus. *krai* or *kray*], while non-Russian nationalities are constituted as autonomous republics, autonomous oblasts, and natl. okrugs [also variously translated], in accordance with their importance. In early 1950, the Russian SFSR administered directly 48 oblasts, 6 territories, 12 autonomous republics and Tuva Autonomous Oblast. Other oblasts, autonomous oblasts, and nat. okrugs are included in the primary territories or oblasts. These first-order administrative divisions can be grouped into physico-economic regions: Central Industrial Region (oblasts of Moscow, VLADIMIR, IVANOVO, YAROSLAVL, KOSTROMA, RYAZAN, TULA); Central Black-Earth Region (oblasts of OREL, KURSK, VORONEZH, TAMBOV); European West (oblasts of BRYANSK, KALUGA, SMOLENSK, KALININ, VELIKIYE LUKI); European Northwest (oblasts of PSKOV, LENINGRAD, NOVGOROD); European North (oblasts of MURMANSK, ARCHANGEL, VOLOGDA, and KOMI AUTONOMOUS SSR); KALININGRAD oblast; upper (wooded) Volga Region (GORKI and KIROV oblasts, MARI AUTONOMOUS SSR); middle (wooded-steppe) Volga Region (oblasts of ULYANOVSK, PENZA, and KUIBYSHEV); CHUVASH, TATAR, and MORDVINIAN Autonomous SSRs); lower (steppe) Volga Region (oblasts of

SARATOV, STALINGRAD, ASTRAKHAN); the CRIMEA; the Lower Don and Northern Caucasus (ROSTOV and GROZNY oblasts, KRASNODAR and STAVROPOL territories, KABARDIAN, NORTH OSSETIAN, and DAGESTAN Autonomous SSRs); the Urals (oblasts of MOLOTOV; SVERDLOVSK, CHELYABINSK, and CHKALOV, UDMURT and BASHKIR Autonomous SSRs); Western Siberia (oblasts of KURGAN, TYUMEN, OMSK, NOVOSIBIRSK, TOMSK, and KEMEROVO, and ALTAI Territory); Eastern Siberia (KRASNOYARSK Territory, IRKUTSK and CHITA oblasts, BURYAT-MONGOL and YAKUT Autonomous SSRs, and TUVA Autonomous Oblast); the Far East (MARITIME and Khabarovsk territories, SAKHALIN and AMUR oblasts). There are extensive mineral resources of coal (Kuznetsk, Moscow, Pechora, and Bureya basins), petroleum (Grozny, Maikop, Second Baku, Sakhalin), iron ore (Kursk magnetic anomaly, Kerch, Bakal, Komarovo, Zigazinski), nonferrous and rare metals (Urals, Siberia), apatite (Khibiny Mts.), phosphorite, salt, potash, Glauber's salt, chromite, pyrite, timber, and hydroelectric reserves. Principal industries are machine mfg., nonferrous and high-grade steel metallurgy, mfg. of chemicals, textiles, leather goods, fish and lumber products. Agr.: wheat (central Black-Earth Region), rye, barley, oats, corn (N Caucasus), millet (dry steppes), buckwheat (European West), rice (N Caucasus, Khanka Plain), potatoes, flax, hemp, sunflowers, sugar beets. Dairy farming (Vologda, Baraba Steppe), beef-cattle, hog, sheep, and reindeer raising are principal pastoral occupations. Transportation relies on a dense railroad network in European Russian SFSR and on Trans-Siberian RR in the Asiatic part, on river and canal navigation (mainly Volga, Kama and Oka rivers, Mariinsk, White Sea-Baltic, and northern Dvina canal systems), and coastwise shipping (including the Arctic Sea route). Principal urban centers are Moscow, Leningrad, Gorki, Novosibirsk, Sverdlovsk, Kuibyshev, Omsk, Kazan, Rostov. Proclaimed 1917; joined (1922) Ukrainian and Belorussian SSRs and Transcaucasian SFSR to form the USSR. During Second World War, W European section was occupied (1941-43) by Germans. While the term Russia is sometimes applied to the RSFSR, it more commonly refers to the Russian Empire prior to 1917 and to the USSR since 1917.

Russian Fed. / 000

ORIG: EUR II
CC: MD
DMD
MR. KAGALOVSKY
MAE
MS. R. SAUNDERS

**INTERNATIONAL MONETARY FUND
MOSCOW OFFICE**

Old CMEA Building, 36 Novyi Arbat Street
121205 Moscow Russia

Telephone: (7 095) 290 90 01
(7 095) 290 90 02
Fax: (7 095) 202 51 43

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FACSIMILE COVER SHEET

Date: November 12, 1993	Number of pages: 3	1993 NOV 12 PM 4:43
To: Mr. John Odling-Smee		
From: Jean Foglizzo		
<p>Please find attached a copy of a letter from Mr. Gaidar to Mr. Camdessus as well as its translation. This letter was announced to the office this morning by Mr. Mau, Advisor to Mr. Gaidar and was delivered one hour later.</p> <p>Please forward a copy to the Managing Director while we are investigating the background of this letter. The original will be sent by Tuesday's pouch.</p> <p style="text-align: center;"><i>Leger</i></p>		

To the Managing Director
of the International Monetary Fund
Mr. MICHAEL CAMDESSUS

**FIRST DEPUTY CHAIRMAN
OF THE COUNCIL OF MINISTERS -
GOVERNMENT OF THE RUSSIAN FEDERATION**

November 12, 1993

No EG-П51-51

Moscow

Dear Mr. Camdessus,

I highly appreciate the support of the International Monetary Fund and your personal support for the economic reforms, conducted by the Government of the Russian Federation.

As you know, developing economic relationships with the states of the former Soviet Union is one of the essential aspects of the economic transformation of Russia. We have always been following, with keen interest, the measures undertaken by our neighbor countries in the sphere of economic policy. It is understandable that the possible introduction of national currencies by such countries as Armenia, as well as Kazakhstan and Uzbekistan, was one of the most crucial issues for us.

You have noted in your letter to Mr. Chernomyrdin of October, 1 1993, the expediency for the member countries of the existing Agreement of introducing their national currencies for the period during which are established the conditions needed to form the common monetary space and develop a unified monetary policy.

You undoubtedly already know that Armenia, Kazakhstan, and Uzbekistan are intending to introduce national currencies. I would like to reiterate that we support their decision to do so and do not consider this an obstacle to the development of trade and financial relationships between Russian and the said states.

At the same time I would be very grateful to you, if the International Monetary Fund would take position on the issue in question.

I am also very thankful for your contribution to the process of stabilization and development of the Russian economy. I look forward to meeting you in Moscow.

With best regards

E. Gaidar



ПЕРВЫЙ ЗАМЕСТИТЕЛЬ
ПРЕДСЕДАТЕЛЯ СОВЕТА МИНИСТРОВ —
ПРАВИТЕЛЬСТВА РОССИЙСКОЙ ФЕДЕРАЦИИ

Директору - распорядителю
Международного валютного фонда

г-ну МИШЕЛЮ КАМДЕССЮ

« 12 » ноября 1993 г

№ ЕГ-П51-51

г. МОСКВА

Уважаемый господин Камдессю,

Я высоко ценю поддержку, оказываемую Международным валютным фондом и лично Вами экономическим реформам, проводимым Правительством Российской Федерации.

Как Вам известно, одним из ключевых моментов экономических преобразований в России является развитие экономических отношений с государствами - бывшими республиками Советского Союза. Мы всегда с большой заинтересованностью следили за мероприятиями, проводимыми соседними государствами в области экономической политики. Вполне понятно, что вопрос о возможности введения национальных валют в таких странах, как Армения, а также Казахстан и Узбекистан, оставался для нас одним из наиболее важных.

В письме г-ну Черномырдину от 1 октября 1993 г. Вы отмечали целесообразность введения странами - участниками данного Соглашения национальных валют в период подготовки условий, необходимых для формирования единого денежного пространства и выработки единой денежной политики.

Без сомнения Вы уже знаете о намерении Армении, Казахстана и Узбекистана ввести национальные валюты. Со своей стороны, хотел бы подчеркнуть, что мы поддерживаем их решение о введении национальных валют и не рассматриваем его как препятствие развитию торговых и финансовых отношений между Россией и этими государствами.

Вместе с тем я был бы очень признателен Вам, если бы Международный валютный фонд также выразил свое отношение к данному вопросу.

Искренне благодарю Вас за содействие процессу стабилизации и развития российской экономики. Надеюсь встретиться с Вами в Москве.

С наилучшими пожеланиями

Е.Гайдар

**ЗАМЕСТИТЕЛЬ ПРЕДСЕДАТЕЛЯ
СОВЕТА МИНИСТРОВ - ПРАВИТЕЛЬСТВА
РОССИЙСКОЙ ФЕДЕРАЦИИ
А.Н.ШОХИН**

103132, г.Москва, Старая площадь, д.4

Номер телефакса 007 095 206 36 86
Telefax N

Номер телефона 007 095 206 29 46
Telephone N

Номер факса (202) 623 4661
Telefax N

ORIG: EUR II

CC: MD

DMD

MR. KAGALOVSKY

MS. R. SAUNDERS

Кому Mr. Michel Camdessus,
To person IMF Managing Director

Количество страниц, включая данную
Number of pages, including this sheet

2

Дата 15.10.1993
Date

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ЗАМЕСТИТЕЛЬ ПРЕДСЕДАТЕЛЯ
СОВЕТА МИНИСТРОВ — ПРАВИТЕЛЬСТВА
РОССИЙСКОЙ ФЕДЕРАЦИИ

« 14 » октября 19 93 г.

№ АИИ-ПЗІ-172

г. МОСКВА

Mr. Michel Camdessus
Managing Director
International Monetary Fund

Dear Mr. Camdessus:

This is to advise you that Mr. Konstantin Kagalovsky, Executive Director for the Russian Federation at the IMF, is a permanent participant of the Russian delegation on foreign debt negotiations. As the Governor for the Russian Federation at the IMF and as the Chairman of the Governmental Commission on state debt and foreign assets of the Russian Federation responsible for foreign debt negotiations, I highly appreciate the cooperation of the Fund in that respect which allows Mr. Kagalovsky to participate in the meetings on foreign debt issues. I hope that we will continue this kind of cooperation in the future.

Yours sincerely,

Alexander Shokhin

C/Russian Fed./000



Office Memorandum

To: The Managing Director

October 13, 1993

From: Grigori Glazkov *GG*

Subject: Letter from Prime Minister of the Russian Federation

Please find attached a copy of a letter from Prime Minister of the Russian Federation Mr. Tchernomyrdin which was received by fax. The original will arrive later on.

Attachment

cc: Mr. J. Odling-Smee

ORIG: EUR II
CC: MD
DMD
MR. KAGALOVSKY
MS. R. SAUNDERS

RECEIVED
INTERNATIONAL
MONETARY FUND
COMMUNICATIONS
DIVISION
OCT 14 09:38 1993

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поливалютной основе (с введением странами национальных валют), так и на основе создания рублевой зоны нового типа (при готовности тех или иных стран идти на эту меру). В ходе многосторонних (в рамках СНГ) и двусторонних переговоров наши партнеры неоднократно были проинформированы о нашей позиции, и у них нет причин ожидать отрицательной реакции со стороны России. Более того, откровенно скажу, г-н Камдессю, основные трудности для России связаны не с возможностью создания поливалютной системы, а именно с таким созданием новой рублевой зоны, которое не принесло бы ущерба национальным интересам России.

В заключение я хотел бы еще раз выразить надежду на скорую встречу с Вами в Москве и на продолжение нашего плодотворного сотрудничества.

С наилучшими пожеланиями.

Искренне Ваш,



В.С.Черномырдин

Председатель Совета Министров
- Правительства Российской Федерации

ORIG: EUR II
CC: MD
DMD
MR. KAGALOVSKY
MS. R. SAUNDERS

SEC-9305685
CD/JJMM
017454

ORIGINAL: RUSSIAN

CHAIRMAN
OF THE COUNCIL OF MINISTERS--GOVERNMENT
OF THE RUSSIAN FEDERATION

No. 2461p-P31

Moscow, October 13, 1993

Mr. Michel Camdessus, Managing Director
International Monetary Fund

Dear Mr. Camdessus:

Permit me to thank you for your kind letter of September 1, 1993. We value highly the support of the IMF and its readiness to continue its cooperation with Russia. I hope to see you in Moscow, presumably in November of this year, if your schedule for that month permits you to travel here and take the time to discuss further prospects for our work together. We also hope to receive a mission from the Fund in October of this year. The possibility of its coming was discussed and, so far as I know, agreed upon during the talks in Washington.

I would like to thank you for the exceptionally useful discussions held by Mr. Shokhin and Mr. Fedorov during the Annual Meetings of the IMF and IBRD. In this regard, permit me once more to confirm our commitment to the policy of economic reform and our firm intention to continue its implementation. Allow me further to assure you of our desire to take the necessary measures as quickly as possible.

I would also like to note, Sir, that we understand your concern with regard to the further development of economic relations between Russia and the other countries of the CIS, especially as regards the introduction of national currencies. However, permit me to emphasize that Russia's position in this area is unambiguous and has repeatedly been expressed as such recently. We recognize the right of each state to introduce a national currency, and this step will not have negative effects on our relations with a country desiring to undertake such a measure. Furthermore, Russia itself proposed stipulating in the recently signed Agreement on the Creation of an Economic Union the possibility of economic integration within the CIS on either a multi-currency basis (where the countries introduce national currencies) or on the basis of the creation of a new type of ruble area (if various countries are willing to undertake this measure). Our partners have repeatedly been informed of our position in the course of multilateral (within the CIS framework) and bilateral negotiations, and they have no reason to expect a negative reaction on the part of Russia. Moreover,

Mr. Camdessus, let me say openly that the greater difficulties for Russia are associated not with the possibility of creating a multi-currency system but rather with creating a new ruble area that would not harm Russia's national interests.

In conclusion, I would like once more to express my hope to meet with you soon in Moscow and to continue our fruitful cooperation.

My best wishes.

Sincerely yours,

/s/

V. Chernomyrdin, Chairman

Council of Ministers

Government of the Russian Federation



ПРЕДСЕДАТЕЛЬ
СОВЕТА МИНИСТРОВ — ПРАВИТЕЛЬСТВА
РОССИЙСКОЙ ФЕДЕРАЦИИ

Международный Валютный Фонд
Директору-Распорядителю

М. КАМДЕССЮ

« 13 » октября 19 93 г

№ 2461п-ПЗ1

г. Москва

Уважаемый г-н Камдессю!

Позвольте мне поблагодарить Вас за Ваше любезное письмо от 1 сентября 1993 г. Мы высоко ценим поддержку МВФ и его готовность к продолжению сотрудничества с Россией. Я надеюсь увидеть Вас в Москве, предположительно в ноябре текущего года, если Ваше расписание на этот месяц позволит Вам приехать и иметь возможность обсудить дальнейшие перспективы нашей совместной работы. Мы также надеемся принять в октябре т. г. миссию Фонда, возможность присзда которой обсуждалась и, насколько я знаю, была согласована во время бесед в Вашингтоне.

Я хотел бы поблагодарить Вас за исключительно полезные обсуждения, проведенные г-ном Шохиным и г-ном Федоровым во время ежегодных заседаний МВФ и МБРР. В этой связи позвольте мне еще раз подтвердить нашу приверженность курсу экономической реформы и твердое намерение продолжать ее проведение. Позвольте мне также заверить Вас в нашем желании принимать необходимые меры настолько быстро, насколько это возможно.

Я хотел бы также отметить, г-н Директор-Распорядитель, что мы понимаем Вашу обеспокоенность в отношении дальнейшего развития экономических отношений между Россией и другими странами СНГ, и особенно в части вопроса введения национальных валют. Однако позвольте мне подчеркнуть, что позиция России в этой области является недвусмысленной и в последнее время неоднократно выражалась в качестве таковой. Мы признаем право каждого государства на введение национальной валюты и этот шаг не будет иметь отрицательных последствий для наших отношений со страной, желающей принять такую меру. В этой связи именно Россия предложила предусмотреть в недавно подписанном Договоре о создании экономического союза возможность экономической интеграции внутри СНГ как на

C/Russia/000



Office Memorandum

2/4

To: Mr. Odling-Smee

August 19, 1993

From: A. Lopez-Claros *Rlc.*

Subject: Fyodorov's Letter

Please find attached Minister Fyodorov's letter, as noted in my memorandum.

- ORIG: EUR II
- CC: MD
- DMD
- MR. KAGALOVSKY
- FAD
- LEG
- PDR
- SEC
- TRE
- MS. R. SAUNDERS

1993 AUG 20 AM 10:46

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ЗАМЕСТИТЕЛЬ ПРЕДСЕДАТЕЛЯ
СОВЕТА МИНИСТРОВ — ПРАВИТЕЛЬСТВА
РОССИЙСКОЙ ФЕДЕРАЦИИ

“ 19 ” УШ. 19 93 г.
№ ВФ-П27-122

г. МОСКВА

3/4

Mr. M. Camdessus
International Monetary Fund
Washington D.C.

19 August 1993

Dear Mr. Camdessus,

In view of the recent developments in the Russian economy, highly influenced by the political instability, I am pressed to turn to you for an urgent advice.

Up to July we have been generally on track with the reform and financial stabilisation measures. Most notably the official discount rate was sharply increased, foreign exchange market system modified, credit limits observed, excise taxes introduced.

In July, in addition to the very unfortunate monetary reform, we have got on our hands a situation when:

- we are implementing our budget but very important revenues are missing since Parliament did not adopt them; naturally this increased budgetary pressures;

- agricultural lobby despite our resistance succeeded in its demands for more credits and higher purchasing price for grain, thus giving a very strong blow to the budget and credit limits;

- we did not take into consideration certain seasonal factors when setting credit limits;

many other factors were not properly accounted for, etc.

Now we are in a critical position when certain signs of stabilisation (most notably exchange rate stability) can quickly vanish. Indeed weekly price changes are getting worse. In view of the political disturbances the whole reform effort is at peril.

I have had an extraordinary meeting of the Credit Policy Commission with Messrs. Geraschenko, Chubais, Gaidar and others present. We have concluded that this is a critical moment when we should undertake everything to save the situation. Commission decided to ask the IMF to start immediately consultations with Russia on the state of affairs and possible ways to amend it. We think a package of very strong measures must be prepared and implemented urgently in coordination with the IMF.

4/4

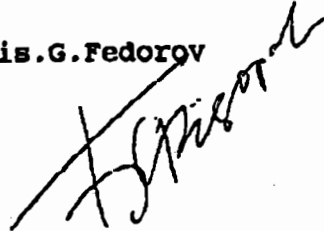
I shall be very grateful if a very senior official of the IMF could come to Moscow in the very near future to discuss the fate of financial stabilization and of Tokyo package.

President and Prime-minister are alerted to the situation and it would be very usefull for you to have a meeting with our PM here in Moscow or during his visit to the USA in late August. I hope this will help clarify the the position of the Russian Government on crucial issues.

I rely on you and your colleagues in our joint efforts to get Russia out of economic and financial crisis.

Sincerely,

Boris.G.Fedorov



From: Foglizzo, Jean (JFOGLIZZO)
To: U:\MAIL\MOSPHONE.GRP
Date: Thursday, June 3, 1993 3:07 am
Subject: Changes to Moscow Office Telephones

The Moscow Office telephone system is now equipped with additional incoming lines which provide "roll-over" features. Because of the limitations of the telephone system within the office, which uses three separate telephone switches, it has been necessary to subdivide the staff of the office into three groups, to reduce the possibility of busy lines for incoming or outgoing calls.

The general Moscow Office telephone number is now

(7-095) 290-9001

which is backed by three "roll-over" numbers (the maximum which could be fitted to the existing equipment), so that the telephone exchange will select the next available line. The previous Moscow Office telephone numbers (290-7133, 290-7135) are still connected, and callers to these numbers will be advised of the new numbers.

Because the four new numbers associated with 290-9001 are insufficient to handle all the incoming traffic, an additional telephone number, also backed by three "roll-over" numbers, has been installed. To make the best use of the eight incoming lines now available, this number,

(7-095) 290-9002

should be used to contact Ms. Dillon, Mr. Lopez-Claros or Mr. Tiwari, or any of their secretarial/support staff. Because they each have a handset from two telephone switches, they can also be contacted on 290-9001.

The incoming fax number for the main Moscow Office on the 20th. floor remains unchanged at (7-095) 202-5143. However, a second fax machine has been installed for the staff now located on the 31st. floor. This fax machine

(7-095) 203-4093

should be used for Mrs. Aelion-Moss, Ms. Panova, or Ms. Zhukova.

Russian Fed. / 000



MANAGING DIRECTOR

INTERNATIONAL MONETARY FUND
WASHINGTON, D. C. 20431

CC: EXR
MD
DMD
EUR II
INS
MAE
MS. R. SAUNDERS

CABLE ADDRESS
INTERFUND

April 8, 1993

Dear Jerry:

I was very glad to receive your letter of March 25 including an update on the important training program for Russian commercial bankers to be launched by the Academy for Advanced Studies in Banking and Finance, beginning on June 20, 1993. I also appreciate very much your kind invitation to me to address the Russian bankers on the role and functions of the Fund, but unfortunately it will not be possible for me to travel to Fairfield, Connecticut in late June. If you would find it helpful, I would be pleased to arrange for a senior Fund staff member to give the lecture instead.

Please accept my congratulations on the progress of the Academy project.

Sincerely,

A handwritten signature in black ink, appearing to read "Michel Camdessus".

Michel Camdessus

Mr. E. Gerald Corrigan
President
Federal Reserve Bank of New York
New York, N.Y. 10045

Copies
A 534.4

Russian Fed. / 000

CORRECTED COPY

FEDERAL RESERVE BANK OF NEW YORK

NEW YORK, N.Y. 10045

AREA CODE 212 720-6173

E. GERALD CORRIGAN
PRESIDENT

ORIG: ~~EXR~~

CC: MD

March 25, 1993

Rsp'd. 4/8/93

DMD

EUR II

INS.

MAE

MS. R. SAUNDERS

Mr. Michel Camdessus
Managing Director
International Monetary Fund
Washington, DC 20431

016319

Dear Michel:

As you may know, we have recently announced the establishment of the "Academy for Advanced Studies in Banking and Finance." The focal point of the work of the "Academy" will center on bringing to the United States about 250 mid-to-senior level Russian commercial bankers for eight weeks of intensive training beginning on June 20, 1993. To provide you with some perspective on the objectives and organization of the "Academy," I am enclosing the following documents:

- A press release dated March 15, 1993, together with a two-page "fact sheet" on the Academy.
- A memorandum dated February 26, 1993, outlining the curriculum for the university phase of the program.

The specific purpose of this letter is to invite you to deliver a lecture on the role and functioning of the International Monetary Fund, with emphasis on its activities in Russia, to the assembled group as a whole on Friday, June 25, 1993. For your information, I have sent similar letters to Lew Preston at the World Bank, and to Ronald Freeman at the European Bank for Reconstruction and Development.

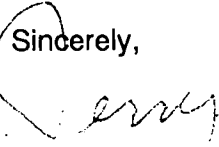
As you can readily ascertain, my hope is to provide the Russian program participants with an overview of the activities of the three major multilateral official institutions they hear so much about but, on the whole, have little knowledge as to what they really do. In this regard, I should also emphasize that while most of the program participants will be commercial bankers, there will also be a number of individuals drawn from the central bank, various government agencies, and perhaps a few members of the parliament.

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C/ U.S. / 000 (see Att. 1)

If you have any questions, do not hesitate to call. Needless to say, I generally hope your schedule will permit you to join us at Fairfield on the 25th and look forward to hearing from you in that regard.

Sincerely,


E. Gerald Corrigan
President

Enclosures

increased sales of public lands--could help alleviate the inflation problem.

Directors observed that Hong Kong's long-term economic prospects appeared to be highly favorable. In particular, China's reaffirmation of its commitment to continued economic reform would underpin the further integration of the Hong Kong and southern Chinese economies, and enhance the investment climate and growth potential of Hong Kong.

Directors noted that Hong Kong's economic dynamism owed much to the authorities' strong and sustained commitment to a free internal and external trade regime. In that context, the hope was expressed that tensions in the international trading system, including trade restrictions imposed by other industrial countries, would not undermine Hong Kong's growth prospects in the period ahead. In addition, it was noted that the prospects for Hong Kong, given the openness of its economy, would be enhanced by a successful conclusion of the Uruguay Round.

It was expected that the next Article IV consultation with Hong Kong would be held on the standard 12-month cycle.

3. RUSSIAN FEDERATION - REPORT BY DEPUTY MANAGING DIRECTOR

The Deputy Managing Director reported that he had met with Prime Minister Chernomyrdin of the Russian Federation at the Davos World Economic Forum. The Prime Minister had expressed the intention of his Government to continue its economic reforms, and had expressed his desire to continue to work closely with the Fund.

In discussing the economic situation and drawing on the recent Board discussion, he had expressed the Fund's concern about the course of credit creation, and the ensuing inflation and decline of the ruble over the latter part of 1992 and into 1993, the Deputy Managing Director continued. He had indicated that there appeared to be excessive pressures on the Central Bank of Russia and the Government from all sectors of the economy, and that to achieve the necessary improvement in inflation performance, it would be necessary to introduce, inter alia, more discipline and restraint on overall credit creation, and to allow interest rates to reflect the high rates of inflation. He had also stressed the importance of a budget policy that would be consistent with reducing inflation and achieving stability.

The Prime Minister had said that he shared those concerns, and that he was making a major effort to achieve the conditions for stability, the Deputy Managing Director went on. The Prime Minister had also expressed his strong interest in financial support from the Fund. In that context, he had told the Prime Minister that the Fund was prepared to move quickly to provide support, but that the timing of such support would depend very much on

prospect for continued strong growth, and the current stance of policies.

On the sources of inflation in Hong Kong, Directors noted that an important part of the current problem stemmed from the ongoing structural changes relating to a shift in manufacturing activities to China, and the surge in demand for services offered by Hong Kong in support of China's growing external trade. While there were structural factors behind the rise in inflation, Directors emphasized in addition that strong private demand could push aggregate demand beyond the economy's supply capacity.

Directors commented extensively on the appropriate mix of monetary, fiscal, and other policies to deal with the inflation problem. Looking at the budgetary prospects for the fiscal year and beyond, Directors expressed concern that fiscal policy was once again turning expansionary. The construction of the airport core projects, while desirable from the viewpoint of Hong Kong's long-term growth potential, would place heavy calls on economic resources over the period of its implementation. As a result, a significant decline in the net public savings balance appeared likely, implying an expansion of aggregate demand and a potential heightening of inflationary pressures already in the system. In order to prevent a significant positive impulse to aggregate demand while inflation remained strong and the economy was at full employment, Directors urged the authorities to find ways to economize on current expenditures, to adjust, if possible, capital expenditures, and to consider raising additional revenues as part of an effort to strengthen the budget position.

Directors noted that monetary policy remained oriented toward maintaining the linked exchange rate vis-à-vis the U.S. dollar. They generally agreed that, since its introduction in 1983, the linked exchange rate system had been an important element in preserving financial confidence and stability in the economy. However, Directors also observed that the exchange rate link ruled out the effective use of monetary policy in containing inflation, and they noted with concern the persistence of negative real interest rates. A greater burden was therefore being imposed on other policy instruments--in particular, on fiscal policy--to contain demand pressures.

While most Directors agreed that the exchange rate link, on balance, continued to serve Hong Kong well, a few Directors believed that, given the overall stance of other policies, an upward adjustment of the exchange rate in the current circumstances could be an appropriate policy response in order to ease inflationary pressures. Directors also observed that supply-side measures--such as a further expansion of labor imports and

how quickly the Government could put in place policies and reforms necessary to make progress toward a decline in underlying inflation and financial stability, and thus, to improve the prospects for growth. He also recalled the concerns of the Board that monetary and budget policy had been relaxed quickly after the approval by the Fund of the \$1 billion loan in 1992, and that it was important to establish a record of implementation that would tackle underlying inflation in a credible way.

The Prime Minister had reiterated his determination to put in place credible policies and, in that context, the importance of eventual Fund support, the Deputy Managing Director concluded.

DECISION TAKEN SINCE PREVIOUS BOARD MEETING

The following decision was adopted by the Executive Board without meeting in the period between EBM/93/16 (2/3/93) and EBM/93/17 (2/3/93).

4. EXECUTIVE BOARD TRAVEL

Travel by Assistants to Executive Directors as set forth in EBM/93/27 (2/1/93) is approved.

APPROVED: October 20, 1993

LEO VAN HOUTVEN
Secretary

Russia/000



COPY

INTERNATIONAL MONETARY FUND
WASHINGTON, D.C. 20431

FACSIMILE-NUMBER
(202) 623-4661

FACSIMILE INQUIRIES
(202) 623-6262

Facsimile Cover Sheet

MSG. NO. 1007 (Fax Center use only)	DATE January 22, 1993	PAGE 3 OF
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TO	NAME The Honorable Aleksandr N. Shokhin	FAX CENTER 1993 JAN 22 PM 12: 07
	AGENCY Government of the Russian Federation	
	CITY/COUNTRY Moscow, Russian Federation	
	FACSIMILE TELEPHONE NO. 7 095 206 3686 <small>(Country Code) (City Code) (Number)</small>	

FROM	TEXT Please see attached letter from the Managing Director.	INTERNAL DISTRIBUTION
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INTERNATIONAL MONETARY FUND
WASHINGTON, D. C. 20431

MANAGING DIRECTOR

CABLE ADDRESS
INTERFUND

January 22, 1993

Dear Mr. Shokhin:

Thank you very much for your letter of January 22, 1993, which I have just received, and for the attached article.

I fully endorse the statement issued by our Moscow Office, which I attach herewith. I reiterate that the article you referred to has neither originated in, nor received at any time the support of, the Executive Board, management, or staff of the IMF.

Allow me to add that I deplore the confusion of public opinion which such a document could have created over the support which the IMF is extending to the government's efforts for stabilization and reform. I wholeheartedly confirm this support, which was clearly stated by the Executive Board on January 11, 1993 on the occasion of the review of developments under the Stand-by Arrangement.

I would not object to the publication of this letter if you judge it to be appropriate.

Please accept the assurance of my highest respect.

Sincerely yours,

Michel Camdessus

The Honorable Aleksandr N. Shokhin
Governor of the International Monetary
Fund for the Russian Federation
Government of the Russian Federation
Staraya Ploshad 4
Moscow
Russian Federation

Please find below the text of the communiqué given on January 21, 1993 to Reuters, Associated Press, Agence France Presse, Financial Times, Wall Street Journal, Interfax, Nezavissimaia Gazeta.

"Presse communiqué

Moscow

January 21, 1993

The Representative Office of the International Monetary Fund in Moscow.

The document published this morning in Nezavissimaia Gazeta, which is presented as reflecting the point of view of the International Monetary Fund on the course of economic reform in Russia, has actually neither originated in, nor received at any time the support of the management or the staff of the IMF. Nor has it at any time been submitted to, or approved by, the Board of Directors of the Fund.

It does not, in any manner, reflect the views of the management or the staff of the IMF. The management of the Fund did not, in any manner or at any level, suggest or authorize its release to the press.

The Fund deplores any wrong impression, intentional or otherwise, that publication of the document may create in the public opinion of Russia".

Russia, 000

The International Committee for Economic Reform and Cooperation

Ulitsa Vesnina 9/5
121002 Moscow
Russian Federation
tel. 241-82-55
fax: 230-2608
telex: (871) 411749 Nika SU
e-mail: intlfund@sovusa

10 bis, rue de la Salle
78100 St. Germain-en-Laye
Paris, France
tel. 33-1- 3451 5120
fax: 33-1 - 3965 6519

ORIG: EXR
CC: MD
DMD
EUR II
SEC
MR. BHATIA
MS. R. SAUNDERS

FACSIMILE MESSAGE

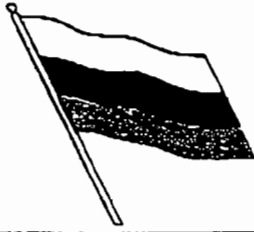
TO: Ms. MARGARET KELLY IMP
FAX: 8-10-1-202-623-4661
FROM: INTERNATIONAL COMMITTEE (Moscow)
DATE: 27/10/92
NUMBER OF PAGES, INCLUDING THIS ONE: 4

ORIGINAL TO FOLLOW

1992 OCT 28 AM 9:03

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If transmission is incomplete or illegible, please call (095) - 241-82-43.



INDUSTRIALISTS & ENTREPRENEURS UNION OF RUSSIA

RUSSIAN FEDERATION
103070 MOSCOW STARAYA PL., 10/4

TEL.: 206 14 75, 206 07 85
FAX.: 973 20 13, 975 23 23, 975 23 28

24th October, 1992

***"The International Committee
for
Economic Reform and Cooperation"
within the Commonwealth of Independent States***

Dear Mr. Camdessus,

We are pleased to inform you that significant progress has been made in recent months to establish the International Committee for Economic Reform and Cooperation. The project is moving to the stage of practical implementation. We are now engaged in the preparatory process to establish the International Committee in the first half of 1993. The International Committee will be established on a non-governmental basis, with wide participation.

As the first step, a small, private, high-level meeting will take place on Thursday 12th and Friday 13th November 1992, at the Dacha Conference Centre of the Union of the Industrialists and Entrepreneurs of the Russian Federation, in the Moscow suburb of Serebryany Bor.

Nine States have so far given their official support to the project (Azerbaijan; Belarus; Georgia; Kazakhstan; Kyrgyzstan; Moldova; the Russian Federation; Tadjikistan; and Uzbekistan.). A number of these States have already indicated the names of the high-level participants whom they have designated to attend the meeting, from both the Governmental and the non-Governmental sectors. You will find enclosed, a preliminary list of participants from States of the CIS.

In addition, the Government of the Ukraine has given notice of its intention to participate in the meeting, as has the Government of the Republic of Estonia.

Mr. Michael Camdessus
Managing Director
International Monetary Fund
Washington, D.C., USA

As indicated by President Yeltsin in his statement to the Heads of State and Government of the seven major Western industrialised countries in Munich on 8th July, this initiative is intended not only to promote economic cooperation among the CIS States themselves, together with those of Eastern and Central Europe, but also, to provide a framework for systematic cooperation with Western Governments, major corporations, and multilateral institutions.

For this reason, we wish to invite a limited number of Western participants - from several key countries and from multilateral institutions. We are pleased to be able to inform you that reactions in the West are increasingly positive to this initiative.

Following contacts between Mr. Martin Lees and Ms. Margaret Kelly, we are writing to invite you to designate one high-level participant to attend the meeting.

The Draft Agenda for the meeting is also enclosed, together with a Note of 23rd July 1992 describing the project, and a more recent Progress Report dated 8th September 1992.

The International Committee is intended to support economic reform and cooperation in three important ways:

- The Committee will be an important focus to strengthen economic cooperation among the Independent States of the Commonwealth, together with interested countries of Eastern and Central Europe.
- The Committee will also be a focus for systematic cooperation on priority issues with Western partners, both from the public and the private sectors. It will be action-oriented, focused on the definition and development of specific opportunities for cooperation and investment.
- The Committee and its working groups will provide access to a wide range of experience, ideas and advice on the critical issues of economic and social reform in our countries at this critical stage. It will gradually lead to the creation of a broadly based network of intellectual and practical cooperation.

3

With these purposes in mind, the Moscow meeting has three specific objectives:

- to consider how the International Committee can be designed and organised so that it can be most effective in promoting economic cooperation and investment;
- to clarify the practical steps to be taken to establish the Committee as soon as possible;
- to reach preliminary agreement on the priority issues for the programme of the Committee and its expert Working Groups.

It would be most convenient if the participants could arrive in Moscow on Wednesday 11th November when arrangements will be made for transportation to the Conference location.

The Moscow office of the International Foundation for the Survival and Development of Humanity has effectively supported the project during the development phase: the Foundation will be responsible for the organisation of the meeting.

For further information, please contact the office of Martin Lees in Paris: Tel: (33) 1. 34.51.51.20. Fax: (33) 1.39.65.65.19.

We very much hope that, in view of the importance of this initiative at this critical time, you will be prepared to accept this invitation.

Yours sincerely,



Arkady I. Volsky
President,
Union of Industrialists and Entrepreneurs
of the Russian Federation.



R. Martin Lees
Project Director

Russia) 000



Office Memorandum

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92 OCT 26 PM 4: 38

OFFICE OF
THE SECRETARY
October 26, 1992

To: Mr. Van Houtven
From: Julian Berengaut **JB**
Subject: Russian Federation--Fax from the Moscow Office

Please find attached a letter from Mr. Shokhin faxed to us by Mr. Foglizzo from the Moscow Office who asked that we forward it to your department.

Attachment

ORIG: MISS: HUGHES
CC: MD
DMD
MR. KAGALOVSKY
MR. DAWSON
LEG
SEC
MS. R. SAUNDERS

cc: Mr. Odling-Smee
Mr. Hernandez-Cata
Mr. Wolf (on return)
Ms. Primorac (on return)

015551

RECEIVED
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COMMUNICATIONS
DIVISION



ЗАМЕСТИТЕЛЬ ПРЕДСЕДАТЕЛЯ
ПРАВИТЕЛЬСТВА
РОССИЙСКОЙ ФЕДЕРАЦИИ

Mr. Michel Camdessus
Managing Director
International Monetary Fund

October 21, 1992

« 22 » октября 19 92 г.

№ 2171п-П9

г. МОСКВА

Dear Mr. Camdessus,

As you know, Mr. Konstantin Kagalovsky is the principal representative of the Russian Federation among the Executive Directors of the International Monetary Fund effective November 1, 1992 and resides in Washington, the permanent Headquarters of the Fund. The Fund is a specialized agency of the United Nations.

According to paragraph 4, Section 15, Article V, of the Agreement between the United Nations and the United States of America, regarding the Headquarters of the United Nations, dated June 26, 1947, principal resident representatives of member countries to specialized agencies of the United Nations with Headquarters in the United States are entitled to the privileges and immunities covered by said agreement under the conditions therein provided.

I have the honor to request that you communicate to His Excellency the Secretary of State of the United States of America our desire that His Excellency extend the privileges and immunities covered by said international agreement to Mr. Konstantin Kagalovsky; and I beg you, in transmitting this request, to express to the Secretary of State of the United States your views thereon.

A. Shokhin

Deputy Prime Minister
of the Russian Federation,
Governor for the Russian Federation
in the International Monetary Fund

1215 FEB 1000



ORIG & ENCL: MR. BHATTIA
CC: MD
DMD
EUR I
EUR II
EXR
SEC
MS. R. SAUNDERS
PAR

FRANS LURVINK
President

015493

Mr. Michel Cardessus
Managing Director
International Monetary Fund
700 19th Street, N.W.
WASHINGTON, D.C. 20431
U.S.A.

RECEIVED
INTERNATIONAL
MONETARY FUND
1992 OCT 15 PM 5:21
COMMUNICATIONS
DIVISION

Lanaken, October 13, 1992

Dear Sir,

Due to misinformation the attached letters addressed to you were sent to Brussels. The employee in charge at the EC-office in Brussels promised us to forward the original letter to your address in Washington. However, in order to make sure that you will indeed receive these very important letters, we take the liberty to let you have a copy in the enclosure.

We trust to have been of service to you and wish to apologize for the inconvenience.

Sincerely yours,
Secretariat Alerdinck Foundation

Mimi van Gangelen

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Executive Board Consejo Ejecutivo المجلس التنفيذي
Conseil exécutif Исполнительный совет 執行局

7, place de Fontenoy,
75700 Paris

téléphone : 568.10.00
câbles : Unesco Paris
télex : 204461 Paris

référence :

Mr. V. Lomeiko
135, rue de la Tour
F - 75016 Paris
Tel. (33) 1.45 04 43 73
Fax (33) 1.45 03 08 41

Mr. Michel Camdessus
Managing Director
International Monetary Fund
200, rue de la Loi
1049 BRUSSELS
Belgium

Paris, September 30, 1992

Dear Sir,

On behalf of the First Vice-Chairman of the Government of the Russian Federation, Mr. V. Shumeiko and Mr. V. Kebich, Prime Minister of the Belarussian Government, I am honoured to send to you their letters and annexes, informing you that the Russian and Belarussian Government and the Alerdinck Foundation of the Netherlands are establishing the Russian Center for Economic Transformation with offices in Berlin and Moscow and the Belarussian Center for Economic Transformation with offices in Berlin and Minsk.

In my capacity as Vice-Chairman of the Executive Council of UNESCO for the Eastern European Group and Member of the Executive Committee of the Alerdinck Foundation, I am entrusted by both Governments to hand over to you their letters requesting support. I am also honoured that both Governments have entrusted me together with Mr. Frans Lurvink, President of the Alerdinck Foundation, to assist in preparatonal work for the establishment of these Centers.

The Alerdinck Foundation has during the past seven years successfully worked in East-West relations in the media and in the economic sphere.

The Centers are to be structured as Western non-profit organisations and will use German Treuhandanstalt expertise as well as expertise from other Western, Russian and Belarussian institutions. The Vienna Council has consented to be associated with the project. Other foundations and institutions may be invited to do so as well.

Achieving political and economic stability is our first priority and in our mutual interest. We believe that this initiative may contribute.

Sincerely yours,

Vladimir Lomeiko,
Vice-Chairman of the Executive Board of UNESCO,
Ambassador of Russia to UNESCO

Annexes:

Letter Mr. V. Shumeiko, Russia
Letter Mr. V. Kebich, Belarus

ALERDINCK FOUNDATION



FRANS LURVINK

President

Mr. Michel Camdessus
Managing Director
International Monetary Fund
200, rue de la Loi
1049 BRUSSELS
Belgium

Lanaken, September 30, 1992

Dear Sir,

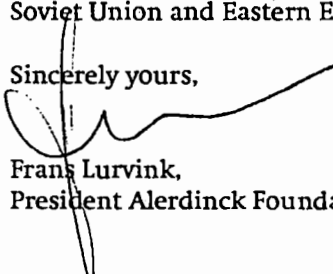
The Russian and the Belarussian Government together with the Dutch based Alerdinck Foundation are establishing the Russian Center for Economic Transformation and the Belarussian Center for Economic Transformation. These two Centers with offices in Berlin, Moscow and Minsk will use the expertise of the German Treuhandanstalt and other institutions.

I am honoured that Mr. V. Shumeiko, First Vice-Chairman of the Government of the Russian Federation and Mr. V. Kebich, Prime Minister of Belarus, have asked our Foundation to be cofounder for the Centers and asked me, together with Mr. V. Lomeiko, Vice Chairman of the Executive Board of UNESCO and Ambassador for Russia to UNESCO in Paris, to assist in the preparational work for setting up the Centers.

The Vienna Council consented to be associated with the Centers. Other international foundations and institutions may be invited to do so as well.

I am more than ever convinced that the West has to assist Russia, Belarus and other states of the former Soviet Union and Eastern Europe in their quest for transformation.

Sincerely yours,


Frans Lurvink,
President Alerdinck Foundation



ПЕРВЫЙ ЗАМЕСТИТЕЛЬ
ПРЕДСЕДАТЕЛЯ ПРАВИТЕЛЬСТВА
РОССИЙСКОЙ ФЕДЕРАЦИИ

«18» августа 1992 г.

№ _____

г. МОСКВА

Директору Европейского Отдела
Международного Валютного Фонда
господину Еаб Ричард

Ваше Превосходительство!

В ходе осуществления экономической реформы в Российской Федерации возникает целый ряд проблем, решение которых требует Вашей помощи и содействия. Как показывает опыт всех стран Восточной Европы и республик бывшего Советского Союза, в период перехода от старых экономических структур к новым эти страны переживают серьезный экономический кризис: падение производства, нестабильность финансовой системы, существенное снижение жизненного уровня населения.

Правительство Российской Федерации предпринимает решительные меры по стабилизации ситуации в стране, будучи твердо убеждено, что прежде всего собственные усилия должны вывести страну из кризиса и что глубокие перемены в социальной и экономической сферах не могут пройти безболезненно и займут продолжительный период.

Многие негативные явления связаны с отсутствием опыта экономических преобразований на пути перехода от системы жесткого планирования к рыночной экономике. Мы считаем, что определенную помощь в этом плане нам могли бы оказать высококвалифицированные западные специалисты, имеющие положительные результаты в аналогичной ситуации.

Идея создания Российского центра экономической трансформации и промышленного развития, расположенного в Берлине и Москве, на базе использования опыта Немецкого опекунского совета была представлена мне на рассмотрение господином Ф.Люрвинком, президентом Фонда Алердинк в Голландии, после ее обсуждения с госпожой Биргит Брейл, президентом Опекунского совета Германии.

Идея по достоинству оценена рядом специалистов в России и на Западе и вполне логично привлечение специалистов Опекунского совета Германии в качестве экспертов, которые в течение 2,5 лет накопили большой опыт работы по трансформации экономики одной социальной системы в другую.

Российский центр экономической трансформации и промышленного развития, который предлагается создать в Берлине и Москве, должен оказывать содействие Правительству Российской Федерации в разработке стратегии и тактики перехода к рыночной экономике во всех областях: финансы, экономика, законодательство, промышленность, экология, общественные и инфраструктурные аспекты.

Я попросил господина Ф.Люрвинка и господина В.Ломейко, вице-председателя Исполнительного совета ЮНЕСКО от стран Восточной Европы, вести временную организационную работу по созданию центра.

Как только мы получим Вашу поддержку, мы создадим постоянный организационный комитет.

Адрес Фонда Алердинк, который будет координировать работу на Западе:

Alerdinck Foundation
Mr.F.LURVINK
Koning AlBertlaan 179
B-3620 Lanaken
tel: (32) 89.711222
(32) 89.711232.

С наилучшими пожеланиями

 В.Шумейко

САВЕТ МІНІСТРА У
РЭСПУБЛІКІ БЕЛАРУСЬ



СОВЕТ МИНИСТРОВ
РЕСПУБЛИКИ БЕЛАРУСЬ

220010, г. Минск, Дом Урада

220010, г. Минск, Дом Правительства

20 июля 1992 г. № 06/89

Mr. Michel Camdessus
Managing Director
International Monetary Fund
700 19th Street, N.W.
WASHINGTON, D.C. 20431
U.S.A.

Ваше Превосходительство!

Республика Беларусь, которую я представляю в качестве Председателя Совета Министров, переживает период глубокого экономического кризиса и нуждается в Вашей помощи.

Во всех странах Восточной Европы, а также в республиках бывшего Советского Союза налицо резкое падение производства, жизненного уровня населения. Повсюду можно встретить пессимизм и недовольство. Нам пока удается сохранить контроль и порядок в Беларуси, но продолжающаяся ломка отношений между бывшими Советскими республиками преумножает количество проблем, которые даже трудно себе представить. За шесть месяцев текущего года значительно сократилось промышленное и сельскохозяйственное производство.

Мы понимаем, что перемены в политической, экономической и общественной сферах не могут пройти безболезненно. Однако опыт, наш и наших соседей, убеждает в том, что многие нежелательные проявления кризиса можно было бы избежать. Наша республика находится в начале сложных и трудных преобразований.

Мы, в Беларуси, пришли к заключению, что необходимо обратиться к опытным специалистам рыночной экономики и совместно с ними разработать (примерно за год) подробный план на переходный период и с их помощью приступить к реализации этого плана.

Идея создания Белорусского Центра экономической трансформации, расположенного в Берлине и Минске, используя опыт специалистов Немецкого Опекунского Совета, разработана господи-

ном Лурвинком, Президентом Фонда "Аллердинк" в Голландии и нашими специалистами.

Эта идея внимательно изучена в Правительстве Беларуси, она нашла поддержку некоторых министров экономики Западных стран. Центр должен, разрабатывая план перехода к рыночной экономике, оказывать правительству консультационные услуги по всем аспектам уже сейчас.

Одновременно мы ведем работу с руководством Дойче Банка по воссозданию кредитно-финансовой системы Беларуси и образованию республиканского банка реконструкции.

Предлагаемые расходы в период создания и работы Центра:

- а) период создания Центра - 1 млн. долларов
- б) расходы, необходимые для работы Центра - 10 млн. долларов в год

Мы обращаемся к Вам с просьбой выделить:

1. Часть от указанной суммы в 1 млн. долларов, необходимой для скорейшего создания Центра, назначив одного эксперта от Вашего министерства, который помог бы нам в выработке первоначального плана.

2. Часть от 30 млн. долларов, предполагаемого бюджета Центра на три года.

Я попросил гос. Мясниковича, Заместителя Премьер-Министра Беларуси, гос. Леонова, Торгового Представителя Беларуси в Берлине, гос. Ломейко, Члена Исполнительного Комитета ЮНЕСКО по странам Восточной Европы и члена Правления Фонда "Аллердинк", вести временную организационную работу. Как только мы получим Вашу поддержку, мы назначим постоянный организационный комитет.

Гос. Леонов будет координировать работу на Западе по адресу:

Унтер ден Линден 55-61

1080 Берлин

Германия

тел. (37) 2 234 30 34 || 229-29-78

факс (37) 2 229 24 69

телекс II4004, II4005

С уважением и признательностью



В. Ф. Кебич,

Председатель Совета Министров
Республики Беларусь

Translation

V. Shumeiko
First Vice-Chairman of the Government of the Russian Federation.

Moscow, September 30, 1992

Mr. Michel Camdessus
Managing Director
International Monetary Fund
700 19th Street, N.W.
WASHINGTON, D.C. 20431
U.S.A.

Dear Sir,

In the process of realization of economic reforms in the Russian Federation, a whole range of problems has arisen and for solving them we need your help and assistance. The experience of all East European countries and republics of the former Soviet Union shows, that in the time of transition from the old economic structures to the new ones, these countries are enduring serious economic crisis: drop in production, unstability of financial system, considerable decline in living standards.

The Government of the Russian Federation is taking critical measures to stabilize the situation in the country being absolutely sure, that first of all its own efforts should help the country to get out of crisis and that the profound changes in social and economic spheres would last long and cannot be painless.

Many negative facts occurred because of the lack of experience in economic reforms on the way of transition from strict planning system to the market economy. We believe that certain aid in this area can be provided by highly qualified Western specialists who have gained positive results in equal situations.

The idea to establish the Russian Center for Economic Transformation and Industrial Development situated in Berlin and Moscow on the basis of experience of the German Treuhandanstalt, was presented to me for consideration by Mr. F. Lurvink, President of the Alerdinck Foundation in the Netherlands, after discussing it with Mrs. Birgit Breuel, President of the German Treuhandanstalt.

The idea was appraised as its true worth by some experts in Russia and in the West and it is quite logical to draw in the specialists from the Treuhandanstalt as experts, as during 2,5 years they accumulated great experience in transformation of one social economy system into another.

The Russian Center for Economic Transformation which is proposed to be established in Berlin and Moscow, should assist the Government of the Russian Federation in working out the strategy and the tactics of transition to a market economy in all areas: finance, economy, legislation, industry, ecology, social and infrastructural aspects.

I asked Mr. F. Lurvink and Mr. V. Lomeiko, Vice-Chairman of the Executive Board of UNESCO of Eastern Europe countries to carry out temporarily practical activities in establishing this center.

As soon as we receive your support we shall establish a permanent organization committee.

The address of the Alerdinck Foundation which would be the coordinator in the West is:

F. Lurvink, Alerdinck Foundation
Koning Albertlaan 179, 3620 LANAKEN, Belgium
Tel. (32) 89.71 12 22
Fax (32) 89.71 12 32

With best regards,
V. Shumeiko
First Vice-Chairman of the Government of the Russian Federation

Translation

V.F. Kebich
Chairman of the Council of Ministers of the Republic of Belarus
(Prime Minister)

Minsk, September 30, 1992

Mr. Michel Camdessus
Managing Director
International Monetary Fund
700 19th Street, N.W.
WASHINGTON, D.C. 20431
U.S.A.

Dear Sir,

The Republic of Belarus, of which I am the Prime Minister, is going through a period of a deep economic crisis and it needs your help.

All countries of Eastern Europe and the former Soviet Union are facing sharp fall in productivity, sharp drop in living standard. Pessimism and dissatisfaction is spread all over these countries. Although we still manage to keep control over the situation in Belarus, the more and more breaking down of the relations between the former Soviet Republics mounts problems hardly conceivable. During the last six months the industrial and agricultural production drastically curtailed.

We are well aware that changes in political, economical and social fields cannot take place without deep pain. However, the experience of our neighbour states and ourselves proves, that one should have avoided many unpleasant developments of the crisis. Our republic is at the beginning of difficult and complicated reforms.

We, in Belarus, came to the conclusion that it is necessary to apply to the experienced experts on market economy and together with them to develop (approximately in one year) a detailed plan for the transitional period and together with their help to start implementing the plan. A plan to set up a Belarussian Center for Economic Transformation in Berlin and Minsk, using the expertise of the German Treuhandanstalt, was developed by Mr. Lurvink, President of the Alerdinck Foundation in the Netherlands and our experts.

This plan has been thoroughly discussed in the Belarussian Government and supported by some Western Ministers of Economy. The center should, while drawing up a plan for the transition into a market economy, assist the government in consulting on all fields already now.

At the same time we work together with the leadership of the Deutsche Bank in re-establishing the monetary system of Belarus and in setting up a Republican Development Bank.

The costs of the center will probably be:

- a) Developing stage of the center - US\$ 1 million
- b) Operational stage of the center - US\$ 10 million a year

We would ask you to commit

1. a part of US\$ 1 million at short notice for the development cost and to nominate one expert from your Ministry to help draw up the initial plan.
2. a part of the probably US\$ 30 million a three years budget for the center.

I have asked Mr. Myasnikovich, Deputy Prime Minister Mr. Leonov, Trade Representative of Belarus in Berlin, Mr. Lomeiko, member of the Executive Board of Unesco for East-European countries and a Board Member of the Alerdinck Foundation to conduct temporarily organisational activities. As soon as we have your support we will nominate a constant organisational committee (In his letter of September 2nd to Mr. Lurvink, Mr. Kebich asked Mr. Lurvink to join this Committee, which Mr. Lurvink has consented - see copy attached). Mr. Leonov will coordinate the work in the West (in his letter dated September 2 Mr. Kebich asks Mr. Lomeiko, Mr. Leonov and Mr. Lurvink to coordinate - see copy attached).

Address Mr. Leonov:

Unter den Linden 55-61, 1080 BERLIN, Germany

Tel. (49) 2 234.30.34

Telex 114004, 114005

Fax (049) 2 229.24.69

*Amb. V. Lomeiko

135, rue de la Tour, 75016 PARIS, France

Tel. (33) 1. 45 04 43 73

Fax (33) 1. 45 03 08 41

*Frans Lurvink

Koning Albertlaan 179, 3620 LANAKEN, Belgium

Tel. (32) 89. 71 12 22

Fax (32) 89. 71 12 32

Yours sincerely,

V.F. Kebich

Chairman of the Council of Ministers of the Republic of Belarus

Translation

V.F. Kebich
Chairman of the Council of Ministers of the Republic of Belarus
(Prime Minister)

22010, Minsk House of the Government
September 2, 1992, No. 03/400-956

Dear Mr. Lurvink,

The Republic of Belarus, of which I am the Prime Minister, is going through a period of a deep economic crisis and it needs your help to overcome it. All countries of Eastern Europe and the former Soviet Union are facing sharp fall in productivity, unbalanced financial system, sharp drop in living standard. Although we still manage to keep control over the situation in Belarus, the more and more breaking down of the relations between the former Soviet Republics mounts problems hardly conceivable.

The Government of Belarus is well aware that deep changes in political, economical and social fields cannot take place without pain. However, the experience of our neighbour states and ourselves proves, that one could have avoided many unpleasant developments and the crisis itself if we had been consulted by the economic experts who had already gained experience of carrying out such kind of macro-economic reforms. The idea to set up a Belarussian Center for Economic Transformation and Industrial Strategy with offices in Berlin and Minsk, which would use the expertise of the German Treuhandanstalt, was presented by you. The idea was a result of your meeting with Mrs. Birgit Breuel, The President of the Treuhandanstalt, when she made some important suggestions. This plan has been thoroughly discussed in the Belarus Government and got its approval. Besides this, some Western Ministers of Economy consider the idea to use the experts of the German Treuhandanstalt with two and a half years of experience with such economic reforms as a very logic one.

Such center can assist our Government to work out the strategy and the tactics for the transformation to a market economy in all fields - monetary, economy, legislation, infrastructure and a social field and also to carry out structural reforms in industry and realize the privatisation reform.

The costs to set up the Belarussian Center for economic transformation and industrial planning with offices in Berlin and Minsk will probably be:

- a) developing stage of the Center - US\$ 1 million.
- b) financing of the Center for a three years periods - US\$ 30 million.

We would ask you to commit:

1. a part of US\$ 1 million at a short notice for the development costs.
2. a part of the probably US\$ 30 million budget for three years to finance the center.

I have asked my Deputy, Mr. Myasnikovich, Mr. Leonov, Trade Representative of Belarus in Berlin, Mr. Lomeiko, Member of the Executive Board of Unesco for East-European countries and a Board Member of the Alerdinck Foundation, and you, Mr. President, to conduct temporarily organisational activities.

During the organisational period we will appoint our representatives to the Board of the Center.

The Government of Belarus would like to ask you, Mr. Lurvink, as well as Mr. Leonov and Mr. Lomeiko to coordinate the work in the West.

We also approve your suggestion on close cooperation between the Belarussian and the Russian Centers with their offices in one building in Berlin.

Yours sincerely,
V. Kebich
Chairman of the Council of Ministers of the Republic of Belarus

САВЕТ МІНІСТРАУ
РЭСПУБЛІКІ БЕЛАРУСЬ



СОВЕТ МИНИСТРОВ
РЕСПУБЛИКИ БЕЛАРУСЬ

220010, г. Минск, Дом Урада

220010, г. Минск, Дом Правительства

20 ИЮЛЯ 1992 г. № 06/92

Международный валютный фонд
Г-н Фаб Ричард,
Директор, Европейский отдел
(Вашингтон, США)

Ваше Превосходительство!

Республика Беларусь, которую я представляю в качестве Председателя Совета Министров, переживает период глубокого экономического кризиса и нуждается в Вашей помощи.

Во всех странах Восточной Европы, а также в республиках бывшего Советского Союза налицо резкое падение производства, жизненного уровня населения. Повсюду можно встретить пессимизм и недовольство. Нам пока удается сохранить контроль и порядок в Беларуси, но продолжающаяся ломка отношений между бывшими Советскими республиками преумножает количество проблем, которые даже трудно себе представить. За шесть месяцев текущего года значительно сократилось промышленное и сельскохозяйственное производство.

Мы понимаем, что перемены в политической, экономической и общественной сферах не могут пройти безболезненно. Однако опыт, наш и наших соседей, убеждает в том, что многие нежелательные проявления кризиса можно было бы избежать. Наша республика находится в начале сложных и трудных преобразований.

Мы, в Беларуси, пришли к заключению, что необходимо обратиться к опытным специалистам рыночной экономики и совместно с ними разработать (примерно за год) подробный план на переходный период и с их помощью приступить к реализации этого плана.

Идея создания Белорусского Центра экономической трансформации, расположенного в Берлине и Минске, использующего опыт специалистов Немецкого Опекунского Совета, разработана господином Люрвинком, Президентом Фонда "Аллердинк" в Голландии и нашими специалистами.

Эта идея внимательно изучена в Правительстве Беларуси, она нашла поддержку некоторых министров экономики Западных стран. Центр должен, разрабатывая план перехода к рыночной экономике, оказывать правительству консультационные услуги по всем аспектам уже сейчас.

Одновременно мы ведем работу с руководством Дойче Банка по воссозданию кредитно-финансовой системы Беларуси и образованию республиканского банка реконструкции.

Предлагаемые расходы в период создания и работы Центра:

- а) период создания Центра - I млн.долларов
- б) расходы, необходимые для работы Центра - IO млн.долларов в год.

Мы обращаемся к Вам с просьбой выделить:

1. Часть от указанной суммы в I млн.долларов, необходимой для скорейшего создания Центра, назначив одного эксперта от Вашего министерства, который помог бы нам в выработке первоначального плана.

2. Часть от 30 млн.долларов, предполагаемого бюджета Центра на три года.

Я попросил гос.Мясниковича, Заместителя Премьер-Министра Беларуси, гос.Леонова, Торгового Представителя Беларуси в Берлине, гос.Ломейко, Члена Исполнительного Комитета ЮНЕСКО по странам Восточной Европы и члена Правления Фонда "Аллердинк", вести временную организационную работу. Как только мы получим Вашу поддержку, мы назначим постоянный организационный комитет.

Гос.Леонов будет координировать работу на Западе по адресу:

Унтер ден Линден 55-61

1080 Берлин

Германия

тел. (37) 2 234 30 34, 229-29-78

факс (37) 2 229 24 69

телекс II4004 II4005

С уважением и признательностью



В.Ф.Кебич,

Председатель Совета Министров
Республики Беларусь

C/Russian/000

JIM LEACH
1ST DISTRICT, IOWA



COMMITTEES:
BANKING, FINANCE AND URBAN AFFAIRS
FOREIGN AFFAIRS

CONGRESS OF THE UNITED STATES

July 10, 1992

014984

ORIG: EXR
CC: MD
DMD
MR. DAWSON
MR. P. ANDREWS

Michel Camdessus
Managing Director and Chairman
of the Executive Board
International Monetary Fund
700 19th Street, N.W.
Washington, D.C. 20431

Dear Mr. Camdessus:

I have commenced a one person crusade to get the House to consider the IMF/Russian aid package before the August recess.

Attached is a statement I thought might be of interest.

Sincerely,

James A. Leach
Member of Congress

JL:bt

enclosure

1992 JUL 20 10 30
COMMUNICATIONS DIVISION

PUBLIC AFFAIRS DIVISION
92 JUL 21 AM 10:21

Copy
C/USA/000

OFFICES:
1514 LONGWORTH HOUSE OFFICE BUILDING
WASHINGTON DC 20515-1501
(202) 225-6576

209 WEST FOURTH STREET
DAVENPORT IA 52801-1307
(319) 326-1841

218 N. THIRD STREET
RM. 306
BURLINGTON IA 52601-5307
(319) 752-4584

204 PARKVIEW PLAZA
107 E. SECOND STREET
OTTUMWA IA 52501-2964
(515) 682-8549

Russia, 000



**Полномочный представитель
Правительства Российской Федерации
по взаимодействию с международными
финансовыми организациями**

03132, Москва, Старая площадь, 4

тл. 206-28-48
факс 206-48-55

07.10.92 N 184

за N от

Dear Ms. Hughes,

Thank you for your letters of October 6 and 7.

I would very much appreciate your further assistance in order to enable us to open the office by November 1. In this connection and taking into account short time left, I hope that all the necessary arrangements are being made so that the appointed Alternate Director, Advisor and Assistant could come to Washington by October 26-27.

Sincerely yours,

Konstantin Kagalovsky

1992 OCT -8 AM 7:22

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✓ 1. STATES OF FORMER U.S.S.R. OTHER THAN RUSSIAN FEDERATION -
REPORT BY DEPUTY MANAGING DIRECTOR

The Deputy Managing Director made the following statement on recent developments in the states of the former Soviet Union other than the Russian Federation:

The Managing Director and I have reported to Executive Directors on Russia on a number of occasions, and you will consider the Russian authorities' request for a first credit tranche arrangement on August 5. On this occasion, I would like to update Executive Directors on developments in the states of the former Soviet Union (FSU) other than Russia. Given the general interest in these countries, and the fact that no papers on these countries will be issued to the Board before the recess, Executive Directors may welcome this opportunity to hear about recent developments.

There have been many similarities in the economic developments of the states of the FSU. All were severely disrupted by the collapse of the old central planning system, which has yet to be replaced in most countries by well-functioning markets. Although the old regime has remained stronger in some places, such as Ukraine, Moldova, Azerbaijan, Uzbekistan and Tajikistan, than in others, it has not protected them significantly from the general decline in output. Disruptions in trade between the states of the FSU and a lack of financing for imports from elsewhere have aggravated the general output situation. Monetary disturbances in the form of growing substantial interenterprise arrears (including interrepublican arrears) and a shortage of cash have also contributed to the decline in activity.

Incomes in most states of the FSU other than Russia have also been hit by the deterioration in the terms of trade in those cases where they import oil or gas from Russia and other FSU states; and some of the lowest-income countries have been further hit by the loss of transfers from the Union budget.

In most of the states of the FSU, output is now expected to be down 20-25 percent in 1992 compared to 1991. There are signs in a number of countries that the fall in output has been diminishing in recent months. A separate note will be circulated to Executive Directors with further details and tables on economic developments and policies in each country.

There appears to have been a greater variety of policy responses than of basic economic conditions. Regarding price liberalization, some countries are still controlling the prices of some basic consumer products, such as bread, meat, and dairy products. There has been little change in this since the Pre-Membership Economic Reviews, but the general cost of subsidization

Also Present

IBRD: C. E. Kimes and D. Morrow, Latin America and the Caribbean Regional Office. European I Department: M. Russo, Director; G. Earp. European II Department: J. Odling-Smee, Director; E. Brau, Deputy Director; A. Cheasty, L. E. DeMilner, D. J. Donovan, L. Hansen, I. Kapur, T. Shikado. External Relations Department: S. J. Anjaria, Director; M. A. Seeger. Fiscal Affairs Department: V. Tanzi, Director. IMF Institute: C. J. R. Morris. Legal Department: H. Elizalde, R. B. Leckow. Monetary and Exchange Affairs Department: M. Guitián. Policy Development and Review Department: J. T. Boorman, Director; T. Leddy, Deputy Director; F. C. Adams, B. Christensen, R. F. Krieger, M. Precious, J. P. Pujol. Research Department: M. Mussa, Economic Counsellor and Director; M. Goldstein, Deputy Director; M. D. Knight. Secretary's Department: J. W. Lang, Deputy Secretary; S. W. Tenney. Southeast Asia and Pacific Department: L. M. Koenig. Statistics Department: J. B. McLenaghan, Director. Treasurer's Department: D. Williams, Treasurer; D. Gupta, C. A. Hatch. Western Hemisphere Department: C. M. Loser, Deputy Director; J.-P. Amselle, M. E. Bonangelino, L. E. Escobar, C. Gonzalez-Rodriguez, O. Gronlie, E. C. Suss, E. S. Williams, R. L. Zandamela. Advisors to Executive Directors: J. O. Aderibigbe, M. A. Ahmed, L. E. Breuer, M. B. Chatah, C. D. Cuong, B. R. Fuleihan, M. Galán, A. Gronn, J. Jamnik, J. M. Jones, E. Martínez-Alas, M. Nakagawa, Y. Patel, A. M. Tanase. Assistants to Executive Directors: M. C. Arraes, D. A. Barr, G. Bindley-Taylor, B. Bossone, J. H. Brits, Chen M., M. Da Costa, Deng H., N. A. Espenilla, Jr., A. Giustiniani, H. Golriz, K. M. Heinonen, T. Kanada, T.-M. Kudiwu, K. Langdon, G. J. Matthews, S. Rouai, P. Salles, D. Sparkes, F. A. Sorokos, T. P. Thomas, Tin Win.

in those countries retaining price controls has been rising as inflation has persisted at a high, though falling, rate throughout the region. There have also been strong pressures, which have been accommodated in some countries, for increases in budgetary producer subsidies and subsidized credits, especially to agriculture.

Since the Tashkent meeting on which the Managing Director has already reported, little progress in improving the arrangements for the coordination of monetary policy in the ruble area has been made. Only two members of the ruble area other than Russia have raised the central bank finance rate to 80 percent, following the Russian move on May 29. Similarly, the exchange rate has been unified only in a very few states. Russia has now started bilateral negotiations with other ruble area members, aimed at agreeing a set of rules for monetary policy. The Fund staff is advising the Russian working group on ruble area issues on these agreements and other matters, making this advice available to other ruble area members at the same time.

There is a growing sentiment among all members of the ruble area other than Russia that their interests might be better served by introducing their own national currencies. They have been influenced in this by a perception that they will continue to have little if any influence over monetary policy decisions, by the shortage of cash supplies, and, in some cases, by increasing doubts about Russia's ability to stabilize the ruble or provide cash. As the degree of commitment to the ruble area has diminished, some of its members have felt less constrained from issuing excessive amounts of central bank credit. This has been most pronounced in the case of Ukraine, but has occurred in a number of countries. However, in others the ruble shortage has sharply constrained credit expansion, and credit policies have ended up being considerably tighter than in Russia.

Despite the shift in favor of the introduction of national currencies, only a few countries have recently added their names to those that have already announced a clear intention to introduce their own currency. After Estonia, which introduced the kroon on June 20, Latvia freed the Latvian ruble from the Russian ruble on July 20, and now in effect has a separate currency although its official new currency, the lats, will not be introduced for another few months. Lithuania, Ukraine, and Moldova are still intending to introduce their own currencies, although the timing is unclear in the case of Moldova. Azerbaijan has recently announced its intention to introduce a currency in mid-August initially as a parallel currency alongside the ruble. Belarus has already introduced a parallel currency to act as a supplement to the ruble because of the cash shortage, but it remains in the ruble area for the time being. There are reports that Georgia is

planning to move in the same direction within the next couple of months. Some other states are now actively preparing contingency plans to introduce their own currencies if discussions with Russia on monetary arrangements are not successful in the coming months.

Many states of the FSU are grappling with major budgetary pressures, with the problems being especially acute where subsidies are large, transfers from the Union have been lost, and there are no natural resources available to provide a relatively painless source of revenue. There have been some successes, especially in the Baltic countries: Estonia and Latvia are both planning balanced budgets in the second half of 1992, despite above-average falls in output and deteriorations in the terms of trade, and the absence of natural resources. Good progress is being made in some other countries, notably Kazakhstan and Kyrgyzstan. There are, however, strong pressures in many countries to increase expenditure, especially subsidies and credits to producers, and very large fiscal deficits could occur in those countries if these pressures are not resisted.

The need for structural reform is accepted in the vast majority of countries. Considerable progress has been made in the preparation of privatization programs and in corporatization of state enterprises. Mass privatization, usually through voucher schemes, is more often found now in these programs. Considerable progress has also been made in the privatization of housing. On the other hand, demonopolization is proceeding slowly.

The Fund staff has visited most of the states of the FSU several times in recent months to discuss economic reform and stabilization programs. In nearly all cases the staff has discussed with the authorities memoranda of economic policies which cover similar ground to the Memorandum of Economic Policies in Russia which Executive Directors saw in March. In a few cases, the discussions about policies have evolved into negotiations over a letter of intent. This process is most advanced in the case of the Baltic countries, and I am pleased to inform Executive Directors that the staff reached agreement, ad referendum, with the Latvian authorities on a letter of intent at the beginning of this week. It is our intention to issue a staff report on Latvia next month, so that Executive Directors can consider a request for a stand-by arrangement before the Annual Meetings. Negotiations on a program are currently under way with Estonia, and the indications are that they will soon be successful, so that the Board can consider a request for a stand-by arrangement on a similar timetable. For Lithuania, negotiations will be resumed in the second half of August.

Other countries where we foresee a realistic possibility of reaching agreement on a program within the next few months include

Belarus, Kazakhstan and Kyrghyzstan. The authorities are keen to move ahead fast and progress is being made. However, much work still remains to be done in these countries, and at least another two missions to each will be required. It is not possible at this time to predict how long the process will take, or whether it will in fact be possible to reach agreement.

In all these countries considerable financing requirements are envisaged. The usual financing assurances will be required before the requests for stand-by arrangements will be brought to the Board. In the case of the Baltic countries the process of obtaining financing assurances has already begun within the G-24 chaired by the EC Commission. It is hoped that the meeting in Brussels next week will establish that sufficient financing will be forthcoming for these three countries to enable the programs to go ahead. In the case of the other countries, it is intended to seek financing assurances in the context of consultative groups for each country. The World Bank will chair these groups, and the Fund will take the lead in work relating to balance of payments financing. The Bank is planning to launch this process in a series of meetings in the capitals of potential donors and creditors, beginning next week. The initial series of meetings will focus on Kazakhstan and Kyrghyzstan, and will not discuss specific financing requirements. The Fund staff will participate. When agreement is reached between the Fund staff and a country about a program, the World Bank will arrange a consultative group meeting for that country in order to seek financing assurances. Fund staff will keep Executive Directors informed of developments in advance of such meetings, as has been done in the case of the Baltic countries.

The Fund staff has been discussing the major elements of a suitable economic reform and stabilization program with Armenia, and a staff visit to Yerevan is currently in progress. However, the regional conflict is having adverse economic effects, both direct and indirect, which will make it difficult for a program to achieve its economic objectives. The staff has, therefore, indicated that the prospects for being able to conclude negotiations on a Fund-supported program are likely to depend on, among other things, a diminution of the impact of the conflict on the economy. The same would hold in the case of Azerbaijan where, however, discussions on a program are at a very preliminary stage, partly because of recent governmental changes.

Four European II Department missions to Ukraine in the past seven months have been preparing the ground for negotiations on a program that could attract Fund support. The outline of a possible memorandum of policies was left with the authorities in May, on the understanding that the staff would return in June to discuss the Government's considered response and begin quantifying

program objectives. In the event, no such response was forthcoming, and policy discussions were confined to the problems of short-term crisis management. In the meantime, monetary and fiscal policies have become markedly weaker, and a sharp acceleration in inflation is a distinct possibility unless policies are changed. The impact of this situation on the stability of the ruble is causing concern among the Russian authorities and is damaging economic relations between Russia and Ukraine. Ukraine has agreed with Russia to leave the ruble area by October 1, but much clearly remains to be done to ensure the satisfactory introduction of a fully independent monetary policy and currency.

Extensive technical assistance has been rendered to all states of the FSU in the last few months. The emphasis has been on providing advice on changes in the fiscal, monetary and statistics systems which could be implemented quickly and which would improve the prospects for the success of economic reform and stabilization programs in the near future. However, advice about longer-term institutional improvements has also been provided. In addition to providing guidance in the area of tax and expenditure policies, the Fiscal Affairs Department has also provided advice aimed at improving fiscal management through strengthening budgetary procedures, establishing a Treasury, reforming tax administration, and streamlining and targeting social safety nets. The scope of technical assistance from the Monetary and Exchange Affairs Department (MAE) has been comprehensive, covering all major central banking functions in order to support the immediate operational and structural changes needed for effective implementation of monetary and exchange policies. Mission work has been concentrated most on Ukraine and those countries, such as the Baltics, Belarus, Kazakhstan and Kyrgyzstan, that are closest to effecting economic reform and stabilization programs with Fund support. In all cases clear recommendations have been left with the authorities, who have often expressed their great appreciation for the Fund's contribution in these areas. However, the implementation of the recommendations has often been slow or non-existent. The IMF Institute has not only included participants from the FSU in its courses in Washington, but has also conducted short courses for high-level officials in a number of FSU states, and longer courses in Moscow. Courses at the Joint Vienna Institute will begin next month.

The Fund staff has continued to cooperate closely with other international institutions, member governments and central banks. MAE technical assistance has been supported by experts from 22 cooperating central banks and staff from BIS and OECD. Cooperation with the World Bank has been close, with Fund staff relying on Bank staff to provide advice on many areas of structural policies, and Bank staff following Fund staff advice on macroeconomic policies. There has been virtually no overlap between the work of

the Fund and the other international and multilateral institutions such as the EBRD, the EC Commission and the OECD, but there has been full exchange of information about each other's activities.

The placement of resident representatives and advisers in the states of the FSU is progressing satisfactorily. There are now two resident representatives in Moscow, and one each in Estonia and Lithuania. Others will take up their posts in Kazakhstan, Kyrgyzstan, Latvia, Moldova and Ukraine in the next few weeks, and in Belarus a little later. We are in the process of confirming or seeking to identify resident representatives for the other countries. In addition, resident advisers in central banks are beginning to take up their positions. Advisers in Lithuania and Ukraine have already begun their assignments and advisers in the Central Bank of Russia will begin soon. These advisers are on secondment from cooperating central banks.

A separate note will be circulated to Executive Directors with further details of missions, resident representatives and advisers, and membership status.

As the Fund's familiarity with the states of the FSU increases, the diversity of economic situations and policy responses becomes more apparent. Management and staff will tailor the activities in each country according to its specific circumstances. But whatever these may be, there can be no doubt that the contribution that the Fund can make to economic reform and stabilization is very great indeed, and will continue to justify a major, and probably growing, allocation of our resources in this direction.

Mr. Goos wondered whether more specific information could be provided on how the consultative group process, which would include staff visits to capitals beginning the following week, would work.

The Director of the European II Department responded that the capitals to be visited were in Western Europe and Japan. A team comprised mainly of World Bank staff, but with Fund representation, would explain the purposes of the consultative groups and how they would operate in future to officials in those capitals. It was his understanding that the World Bank had already contacted officials in those capitals through the Executive Directors' offices in the World Bank to propose how those meetings might be conducted. The process would take about two weeks. Also present at those meetings would be representatives of the Governments of Kazakhstan and Kyrgyzstan, who would give presentations of their view of the situation. The purpose of the meetings was more to explain the consultative groups' functioning and the future consultative group process than to discuss specific developments in those two countries, which were being used as models. Both the Fund and

the Bank expected that the consultative group process would be functional in a few months.

Mr. Prader said that he welcomed that information, because it showed that the Fund gave equal attention to all the former Soviet republics, not merely to Russia. In that context, he wondered what the reaction had been in discussions with other former Soviet republics to the Fund program for Russia and whether the Russian model of a first credit tranche approach would be considered in other cases or would the staff recommend stand-by arrangements for the other republics.

The Acting Chairman said that the objective in each case was to try to come to an agreement on policies for the period ahead that could be supported by a full stand-by arrangement. That approach was being taken for each of the states. The first credit tranche was also an instrument that the Fund could use in some of the former Soviet republics, just as it was currently being used in Russia and other member countries. He could not see any near-term prospect for use of the first credit tranche, but he would not preclude it. With respect to the three Baltic states, the staff was negotiating a full stand-by arrangement rather than a first credit tranche arrangement, mainly because programs could be agreed that could serve as the basis for full stand-by arrangements.

The Director of the European II Department remarked that one reason that Russia had not been considered ready for an upper credit tranche arrangement was that ruble area issues had not been settled. In contrast, Latvia and Estonia already had essentially separate currencies. Lithuania was expected to introduce its own currency at about the same time that its program with the Fund was ready.

As to other countries' reactions to the arrangement with Russia, generalizations were difficult, the Director of the European II Department commented. Their reactions had been more in the form of questions, especially what the arrangement meant for them.

Mr. Wright noted that, on the issue of monetary arrangements, it now seemed clear that a number of republics intended to introduce their own currencies, irrespective of the outcome of the working group on the ruble area. Some time ago, Directors had regarded Estonia as the model for introducing a separate currency in an orderly manner with respect to the treatment of remaining ruble balances and other factors. He wondered whether that model was still considered workable and what the prospects were for achieving an orderly transition to independent currencies in those republics that so chose. The information contained in the Acting Chairman's statement did not sound particularly encouraging.

The Director of the European II Department replied that the situation was not at all discouraging. On the contrary, given the possibilities for things to go wrong, he had been pleasantly surprised. Most of the negotiations about exiting the ruble area had been progressing reasonably well.

In the negotiations between Ukraine and Russia on the former's intention to leave the ruble area, agreement had been reached on a number of important points. Among other issues to be discussed, the one that was likely to take time was the exact treatment of rubles after they were withdrawn from circulation in Ukraine. Given that the models of Estonia and Latvia now existed, there was a good chance that amicable and workable arrangements would be reached with Ukraine and with other republics generally. In a sense Estonia did provide the model, but, as the Latvian situation had shown, circumstances could be slightly different in each country. Therefore, the approach had to be adjusted in each case, but the underlying principles were likely to be the same.

The Directors concluded their consideration of the Acting Managing Director's statement.

2. DOMINICAN REPUBLIC - REVIEW UNDER STAND-BY ARRANGEMENT,
AND EXCHANGE SYSTEM

The Executive Directors considered a staff paper on the first review under the 19-month stand-by arrangement for the Dominican Republic approved on August 28, 1991 (EBS/92/113, 6/29/92).

Mr. Kafka made the following statement:

My authorities are in full agreement with the thrust of the staff paper which profiles the dramatic turnaround in the Dominican Republic's situation after the new economic program was adopted by the Dominican authorities in 1990 and particularly since the stand-by arrangement was approved in August 1991.

In 1990 my Dominican authorities introduced a bold package of measures that sought to address the imbalances that had accumulated in a period of rapid growth between 1986 and 1989. The package sought to liberalize the price system, introduce a more market-oriented monetary policy, and realign the value of the peso relative to the U.S. dollar to a more realistic level; it also incorporated structural reforms in the tax and trade areas.

In 1991, the full-year effect of the 1990 measures contributed significantly to the strengthening of the Dominican Republic's macroeconomic situation, thereby bringing practically to a stop the fall in real GDP growth and dramatically curbing inflation from 100 percent in 1990 to 4 percent in 1991, as well as improving the balance of payments. Underlying these successes was a dramatic improvement in the overall balance of the nonfinancial public sector, which swung from a deficit of 5 percent of GDP in 1990 to a small surplus, owing to both expenditure restraint and increases in revenue.

The improvement in public finances was reflected in the substantial decline in the net domestic assets of the Central Bank and a substantial increase in foreign exchange reserves. Other factors that contributed to the strengthening of the monetary sector and the reserve position were the liberalization of interest rates and the establishment of an essentially unified exchange rate in the interbank market. Toward the end of 1991, the authorities eliminated portfolio requirements of commercial banks and unified reserve requirements in the banking system. The essentially market-determined interest rate structure resulted in high real interest rates, which encouraged domestic saving, promoted substantial capital inflows, and helped to contain demand pressures in the economy.

In the external sector, the current account deficit narrowed marginally as improvements in the services accounts and a fall in imports were partially negated by an almost compensatory fall in exports. The latter reflected the impact of a drought on agricultural production and a shortfall in the export of ferronickel. However, the capital account saw a substantial turnaround from a net outflow of \$300 million in 1990 to a net inflow of \$250 million in 1991. The latter was due to substantial private sector inflows, reflecting a show of confidence in the policy actions of the authorities and the real interest rate differential that developed between the Dominican Republic and the United States.

During 1991, my authorities observed all quantitative performance criteria--many with substantial margins--and have not drawn upon the resources of the Fund under the current stand-by arrangement, although they drew on the compensatory and contingency financing facility (CCFF). Also in 1991, my authorities took the initiative to begin restructuring their external debt. They reached an agreement with their Paris Club creditors, bought back the outstanding public sector debt to Mexico at a substantial discount, and cleared all arrears to multilateral lenders, with one exception, for which a prompt solution is expected.

In 1992, my authorities intend to pursue vigorously policies aimed at attaining macroeconomic stability and lay the groundwork for sustainable growth. Real GDP is expected to grow by 3 percent, inflation to stabilize at relatively low levels, and the external current account deficit to narrow.

The overall public sector deficit is expected to move from a marginal surplus in 1991 to an equally marginal deficit in 1992. This development represents a rise in capital expenditure in the accounts of both the Central Government and the public enterprises. However, it should be noted that discipline with respect to current expenditures will be maintained, and efforts will continue to be made to improve the overall revenue position of

asia, 600



INTERNATIONAL MONETARY FUND
WASHINGTON, D. C. 20431

CABLE ADDRESS
INTERFUND

CC: EUR II

July 24, 1992

Dear Mr. Mashits:

I am very pleased to accept the invitation in your letter of July 22, 1992 for Fund staff to participate as advisors in the work of the Working Group on the ruble area. The forms of participation you propose are acceptable to us. This is most important work, and we are ready to begin immediately.

I am sure that you understand the need for the Fund to be impartial as between its members. Should any misunderstandings occur among other members of the ruble area about the nature of our cooperation on this subject, I hope that you would not mind if I was to show the authorities in those countries copies of this exchange of letters.

I have asked Mr. Hernandez-Cata, Deputy Director of the European II Department, to take responsibility for overseeing the participation of the Fund staff in your work. Mr Lopez-Claros of the Fund's Moscow office will be responsible for local liaison.

I am greatly looking forward to this new phase in the cooperation between the Fund and the Russian Government.

Yours sincerely,

John Odling-Smee
Director
European II Department

Mr. Vladimir Mikhailovich Mashits
Chairman
State Committee of the Russian Federation
On Economic Cooperation with Member States
of the Commonwealth
6 Proezd Vladimirova
103073 Moscow, Russian Federation

Copy: Republics of the/000
Former USSR

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EUII-9204152
WPK

ORIGINAL: RUSSIAN

Reply: 7/24/92

ORIG: EUR II

CHAIRMAN OF THE
STATE COMMITTEE OF THE
RUSSIAN FEDERATION FOR
ECONOMIC COOPERATION
WITH MEMBER COUNTRIES
OF THE COMMONWEALTH

July 22, 1992
No. VM-2041

Director
European II Department
International Monetary Fund
Mr. John Odling-Smee

Dear Mr. Odling-Smee:

In accordance with the agreement arrived at between the Acting Chairman of the Government of the Russian Federation, Ye. Gaidar, and the Managing Director of the International Monetary Fund, M. Camdessus, the Fund experts may participate as advisors in the activity of the Working Group of the Government of the Russian Federation on Problems of Monetary and Payment Relations with the States of the Ruble Zone.

We assume that the IMF experts acting as advisors of the Working Group will provide consultative assistance in the form of preparing their proposals for documents that have to be worked out and also materials on a number of general and special matters of a technical nature. The IMF experts will be invited to sessions of the Working Group primarily in cases where their proposals are being discussed and also at technical meetings at which representatives of other CIS countries are participating.

We would like to hope that we will reach a mutual understanding on the functions of the IMF experts in the framework of the Working Group's activity.

We anticipate that our cooperation will be fruitful and successful.

Sincerely yours,

[signature]
V. Mashits

Copy: Republic of the
Former USSR



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014289

1992 JUL 23 AM 7:43

**ПРЕДСЕДАТЕЛЬ
ГОСУДАРСТВЕННОГО КОМИТЕТА
РОССИЙСКОЙ ФЕДЕРАЦИИ
ПО ЭКОНОМИЧЕСКОМУ СОТРУДНИЧЕСТВУ
С ГОСУДАРСТВАМИ — ЧЛЕНАМИ
СОДРУЖЕСТВА**

Директору 11 Европейского Департамента
Международного валютного фонда

Г-ну Джону Одлингу-Сми

22 июля 1992 г.

№ ВМ-2041

103012, Москва, ул. Варварка, 7

Уважаемый Г-н Одлинг-Сми!

В соответствии с договоренностью, достигнутой между и.о. Председателя Правительства Российской Федерации Е. Гайдаром и Директором-распорядителем Международного валютного фонда М. Камдессю, эксперты Фонда могут принять участие в качестве советников в деятельности Рабочей группы Правительства Российской Федерации по проблемам денежно-кредитных и платежно-расчетных отношений с государствами рублевой зоны.

Мы предполагаем, что эксперты МВФ в качестве советников Рабочей группы будут оказывать консультативное содействие в форме подготовки своих предложений к разрабатываемым документам, а также материалов по ряду общих и специальных вопросов технического характера. Эксперты МВФ будут приглашаться на заседания Рабочей группы прежде всего в тех случаях, когда будут обсуждаться их предложения, а также на технические встречи с участием представителей других стран СНГ.

Хотелось бы надеяться, что мы достигнем взаимопонимания о функциях экспертов МВФ в рамках деятельности Рабочей группы.

Мы рассчитываем, что наше сотрудничество будет плодотворным и успешным.

С уважением

В. Машиц

В. Машиц

0017p-3



INTERNATIONAL MONETARY FUND
WASHINGTON, D. C. 20431

DEPUTY MANAGING DIRECTOR

CABLE ADDRESS
INTERFUND

JUL 21 1992

Dear Mr. Gerashchenko:

I am writing to congratulate you on your appointment as Acting Chairman of the Central Bank of Russia. It is evident to all that you are undertaking this position at a very critical point in the Russian stabilization and reform program; I know that Russia can benefit considerably from your broad experience in the banking field.

Looking forward to renewing our personal contacts established last year, I remain

Yours sincerely,

A handwritten signature in black ink, appearing to read "Richard D. Erb".

Richard D. Erb
Acting Managing Director

Mr. Viktor Gerashchenko
Acting Chairman
Central Bank of Russia
Moscow, Russia

CC: MD
DMD
EUR II
MR. P. ANDREWS



Office Memorandum

To: The Acting Managing Director

July 20, 1992

From: John Odling-Smee *JS*

Subject: Russian Federation--Letter to Mr. Gerashchenko

FFICE/DMD--

UL 92 10: 00

Please find attached a draft letter, for your signature, to Mr. Gerashchenko, who has been named Acting Chairman of the Central Bank of Russia, replacing Mr. Matiukhin.

Attachment

cc: The Managing Director (o/r)
Mr. P. Andrews



Office Memorandum

To: The Acting Managing Director

July 20, 1992

From: John Odling-Smee *JS*

Subject: Russian Federation--Letter to Mr. Gerashchenko

OFFICE/DMD--

JUL 22 10:00

Please find attached a draft letter, for your signature, to Mr. Gerashchenko, who has been named Acting Chairman of the Central Bank of Russia, replacing Mr. Matiukhin.

Attachment

cc: The Managing Director (o/r)
Mr. P. Andrews

Russia, 000



Office Memorandum

cc: TL
CA
BVC
DB
RR
Central Files

→ Mr. Odling-Smee

-OFFICE/DMD--

To: The Acting Managing Director

July 17, 1992

17 JUL 92 4:55 From: John Odling-Smee *JS*

Subject: Sachs and Russia

cc Mr. Boorman
Mr. Anjaria

MP
7/21/92

You will be interested to see the attached transcript of a radio program broadcast yesterday morning on NPR, in which Sachs is quoted as being critical of the IMF. Direct quotes include his comments that:

--More could have been done (presumably by the IMF) to get the aid from the West moving faster

--The IMF has insisted that the Russians hold the money from the IMF in the bank rather than using it to finance imports;

--The IMF gave bad advice in cautioning governments not to introduce their own currencies too quickly, thereby leading to irresponsible monetary policies, undermining the ruble and preventing the implementation of the stabilization fund.

Indirectly, Sachs is quoted as saying that the IMF has been "grudging, stinting, picayune and ineffective".

Sachs does not make one complimentary remark about the IMF. There is no attempt at a balanced presentation of the Fund's activities in Russia.

This seems to me to be unacceptable behavior, especially on the same day that Sachs was going to meet with you and expected to be taken seriously. You might consider writing him a gently rebuking letter.

cc: Mr. Boorman
Mr. Anjaria

That we are not doing all that we should in the current circumstances and given the lead role the IMF has been assigned

Although I was not aware of the attached at the time of my meeting with Sachs, I did discuss with him the deep strains that had developed between him and the Fund in light of his public statements that were unfair and unbalanced and his other efforts with the press to criticize the Fund. I said that our mutual objective of helping the Russians through this difficult transition would be undermined by such attacks. I was aware that he is doing a critical paper on the role of the Fund, but I'm not sure I persuaded him that such an attack would not make helping the Russians any easier in the difficult period ahead. He feels very deeply.

Russia, 000

Mr. Van Houtven



Office Memorandum

Mr. Van Houtven
Mr. Lang
Mr. Leipold
Mr. Jbili
Mr. Franklin
⊕
Mrs. Greaves

To: The Managing Director

June 12, 1992

From: Leo Van Houtven

Subject: Office for Russian Special Working Group

With the impending visit to Washington of President Yeltsin and others who will accompany him, the availability of an office in the Fund for the Special Working Group may again be raised. As indicated in the attached memorandum, Mr. Verzhbitskiy, a member of the working group, has been advised that the Fund would be ready to proceed on office space, provided there is progress on administrative arrangements for Mr. Foglizzo's office. The Russians do not want to link the two issues. Moreover, it seems that there has not been movement on settlement of the Moscow office matter. We have, therefore, reiterated to Mr. Verzhbitskiy that the two issues would need to be coordinated.

Attachment

cc: The Deputy Managing Director
 Mr. Odling-Smee
 Mr. Andrews



Office Memorandum

To: Mr. Van Houtven June 10, 1992

From: B. R. Hughes *BRH*

Subject: Office Space for Russian Special Working Group

In response to the inquiry by the Russian Federation, yesterday I spoke with Mr. Vitaliy Verzhbitskiy, Third Secretary for Economic Affairs, concerning arrangements for office space in the Fund for the Special Working Group. The group is anxious to have the office as soon as possible.

As agreed, I indicated to Mr. Verzhbitskiy that we would be ready to provide office space, but that for us to proceed, the Fund would find it helpful for there to be progress on the matter of offices for the Fund's Resident Representative in Moscow. Mr. Verzhbitskiy was taken somewhat aback and asked for information on our requirements in Moscow. With Mr. Brau's agreement, a copy of the letter of April 24, 1992 was faxed to Mr. Verzhbitskiy.

Today, Mr. Verzhbitskiy called to say someone was currently working on the issue in Moscow. Mr. Markossov, however, wished him (i) to make it clear that they do not see a direct link between the two issues, and (ii) to determine whether there is any difficulty in obtaining the Fund office space soon. It was pointed out that Mr. Foglizzo has office space. I replied that the Fund felt the two matters would need to be coordinated. Regarding the office space in Moscow, I understood that administrative arrangements were yet to be made as the Fund was itself providing the present offices. Mr. Verzhbitskiy indicated that Mr. Kagalovskiy or Mr. Gaidar may speak with "the leadership of the Fund". A delay in being able to establish their contacts in the Fund by linking the two matters "would be detrimental to our success". I confirmed that the specifics of the Moscow issue would best be discussed with the European II Department.

cc: Mr. Brau



Russia, 000

INTERNATIONAL MONETARY FUND
WASHINGTON, D. C. 20431

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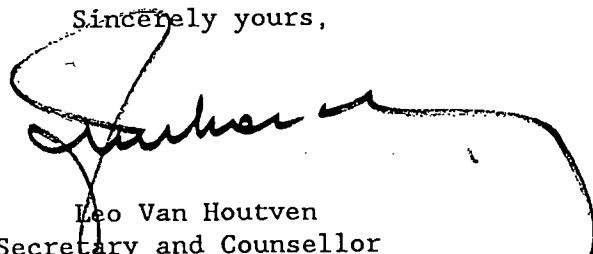
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MD
DMD
MR. PERETZ
EUR II
MR. BEVERIDGE
MR. P. ANDREWS

June 4, 1992

Dear Mr. Kagalovskiy:

Thank you for your letter of May 18, 1992, to the Deputy Managing Director regarding the designation of members of a Special Working Group for liaison with the Fund. We shall look forward to working with Mr. Markössov and Mr. Verzhbitskiy.

Sincerely yours,



Leo Van Houtven
Secretary and Counsellor

Mr. Konstantin Kagalovskiy
Plenipotentiary Representative of the
Russian Government for Relations with
International Financial Organizations
Ul. Ilinka 10
Moscow, Russian Federation

BRH:skr

Russia, 000

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Mr. Van Houtven
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Mrs. Greaves

22 MAY 26 PM 1:06

КАГАЛОВСКИЙ КОНСТАНТИН ГРИГОРЬЕВИЧ

OFFICE OF
THE SECRETARY

**Полномочный представитель Правительства Российской Федерации
по взаимодействию с международными финансовыми организациями**

103132, Москва,
Старая площадь, 4
тел. 206-28-48,
факс 206-48-55

ORIG: SEC

CC: MD

DMD

The Honorable Richard D. Erb
Deputy Managing Director
International Monetary Fund
Washington, D.C. 20421

MR. PERETZ

EUR II

MR. BEVERIDGE

MR. P. ANDREWS

May 18, 1992

Reply: 6/4/92

Dear Mr. Erb,

At the request of Mr. Yegor T. Gaidar, First Deputy Prime Minister of Russia, a Special Working Group has been formed in Washington that will report to the Government through the Office of the Plenipotentiary Representative of the Russian Government on Interaction with International Financial Organizations.

Mr. Gueorgui S. Markossov, Counsellor, and Mr. Vitaliy Y. Verzhbitskiy, Third Secretary for Economic Affairs of the Embassy of Russia to the United States have been assigned to this Group.

They will serve as designated liaison officers for the Government of Russia, working from an office in the IMF Building (which, as we understand, shall be provided to the Group) in close cooperation with the Office of the U.K. Executive Director who represents the interests of Russian in the IMF and the World Bank.

Your assistance in helping the Group to get established in the IMF and maintain day-to-day contacts with the staff of the Fund and myself will be greatly appreciated.

With best regards,

Sincerely,

Konstantin G. Kagalovskiy

01 MAY 28 1992

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12th World Bank

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
INTERNATIONAL DEVELOPMENT ASSOCIATION
MULTILATERAL INVESTMENT GUARANTEE AGENCY

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Washington, D.C. 20037
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Callin Address INT/EA/AS

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TELEFAX TRANSMITTAL SHEET

Europe and Central Asia Region

ORIG: ODLING-SMEE

CC: MD
DMD

MR. BRAU
MR. HERNANDEZ-CATA
MR. BOORMAN (ETR)
MR. P. ANDREWS

DATE: MAY 14, 1992

NO OF PAGES: 12 (including cover)

TO: MR. RICHARD D. ERB
DEPUTY MANAGING DIRECTOR
INTERNATIONAL MONETARY FUND

FAX NUMBER: (202) 623-4661

FROM: WILFRIED THALWITZ

RECEIVED
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1992 MAY 14 PM 9:40

THE WORLD BANK

ROUTING SLIP		DATE	5/14/92
FROM THE VICE PRESIDENT, EUROPE AND THE SOVIET UNION REGION			
NAME		ROOM NO.	
Mr. Erb		IMF	
APPROPRIATE DISPOSITION		NOTE AND RETURN	
APPROVAL		NOTE AND SEND ON	
COMMENT		PER OUR CONVERSATION	
FOR ACTION		PER YOUR REQUEST	
INFORMATION		PREPARE REPLY	
INITIAL		RECOMMENDATION	
NOTE AND FILE		SIGNATURE	
REMARKS			
You may find this helpful for our meeting tomorrow morning			
FROM:		<i>Wilfried Thalwitz</i>	

sads/lw46935

THE WORLD BANK/IFC/MIGA

OFFICE MEMORANDUM**DATE:** May 14, 1992**TO:** Mr. John Odling-Smee, Director**FROM:** Wilfried Thalwitz RVP, EC3**EXTENSION:** 473-36860**SUBJECT:** Russian Federation - Structural Issues

1. We have carefully examined the proposals in your memorandum of May 12th to strengthen conditionality on structural issues for the Stand-by Arrangement. At the outset let me emphasize that we share your objective of sustaining and accelerating if possible the pace of structural reforms during this critical period. The issue for Russia, however, is not so much a matter of commitment; indeed in many areas the Government has already set objectives and timetables which are perhaps overly ambitious and unlikely to be met because of the time required for proper preparation and implementation. There are nevertheless areas where it would be possible to establish additional monitorable outcomes as structural benchmarks and to specify intermediate measures which could serve as appropriate prior actions. We have introduced a number of such changes in the attached matrix which are shaded gray for ease of reference along with related deletions.

Let me elaborate on some of the issues.

2. For enterprise reform, we welcome the suggestion to move forward with a few demonstration cases for large enterprises and to include some more upfront actions. We would also welcome adding measures to encourage more foreign direct investment (by perhaps inserting in the matrix wording like "Create a high-level Inter-Agency Commission or working group by October 30, 1992 to draft comprehensive legislation and guidelines to attract, screen, and register foreign direct investment, particularly for natural resource exploitation but also for other areas"). We would, however, advise against including numerical targets such as privatizing 50% of the small-scale enterprises by December 1992. The experience to date with the experimental program in Nizhny Novgorod and the reality that the local authorities, who will play a major role in the privatization process, will not be easily guided by the center means that the outcome is not amenable to specification as this time. Similarly for the mass privatization program, some monitorable intermediate steps can be added but it would be unrealistic to attempt to specify completion dates for a complex and unwieldy program which is likely to span years rather than months.

3. We believe the actions in the area of competition and anti-monopoly to be undertaken by mid-June should provide the basis for designing a strong program to be implemented later in 1992. Please note that anti-trust legislation already exists; thus the immediate requirement is to prepare guidelines to improve implementation based on the experience over the past year.

4. We have clarified wording under the social safety net where the issue is more one of timing rather than substance. Legislation on the unemployment system

- 2 -

should be a prior action but the design and establishment of a comprehensive system of social entitlement cannot be done by mid-June since work is just underway and will be supported by a component under our proposed privatization TA project scheduled for Board consideration later this summer.

5. We have provided more specifics on the program of commercial bank reform which should meet the desire for more monitorable indicators. In reexamining the financial sector issues, we also thought you might find helpful our views on directed credit programs (attached annex) which you might wish to include in your Letter of Intent.

6. We would advise against including formal conditions for the agriculture sector at this time. The land tenure problem is both complex and politically sensitive. We intend to deal with this as well as many other issues in developing a program of reforms for our proposed Agriculture Sector loan planned for Board consideration later this calendar year. Instead, you might wish to mention in your letter of intent that the Government is working with the Bank in developing a broad program of reforms in this sector under a planned FY93 operation.

7. Finally please note that we, as a matter of policy, do not specify formal approval of legislation as a condition to avoid pre-judging parliament's authority (and have thus modified such references) and on the legal framework, we believe that the key actions are already included as part of enterprise reform (7d).

8. We hope that these suggestions will prove helpful in formulating more timely and specific anchors to monitor the adjustment process.

cc. Mr. Stern
Mr. Cheetham
Mr. Michalopoulos
Mr. Holsen
Mr. Huang
Mr. Brau (IMF)

Table 5. Russian Federation: *Prior Actions, Performance Criteria and Structural Benchmarks*
 Revisions and Additions Suggested by the Bank in Policy Areas 1 through 6

Revised 13 May 1992

	(1) Prior Actions	(2) Performance Criteria	(3) Structural Benchmarks
1. Price Policy	<p>Liberalization of all energy prices (subject to export taxes) by June 1, 1992. <i>[No change suggested.]</i></p>		<p>Reduction of export tax for oil and gas so as to permit domestic price to rise to one-half the world level by April 1993, to three-fourths by August 1993 and to the world level by April 1994.</p>
3. Financial Policies a. Fiscal policy	<p>Establish new domestic tax on oil and gas. <i>Initially this will be a temporary excise tax (to be replaced as soon as possible by profits-based taxation). [The structure and level of excise tax is to be discussed and agreed (ad referendum) in the field by Bank, Fund and Russian authorities.]</i></p>		<p>Define and publicly announce a new, profits-based oil and gas taxation system (by 9/30/92). The new system should replace the temporary excise tax by 12/31/92, or as soon thereafter as is feasible. The introduction of the new tax system should be accompanied by the elimination of all other republican level petroleum taxes except for basic royalties (and, until the transition to world prices is completed in April 1994, the temporary variable export tax).</p>
5. External Policy			<p>All externally imposed export quotas (and other VERs) to be auctioned by 12/31/92.</p>
6. Interstate Relations	<p>Appoint working group to develop proposals and action plan to eliminate most state-to-state trading arrangements, to remove remaining restrictions on trade and to facilitate enterprise-to-enterprise transactions.</p> <p>Concomitant with imposition of 15 percent tariff on trade with third countries, appoint working group to make recommendations on the future tariff regime and to examine problems of rules of origin and other procedures.</p>		<p>Reach agreement (by 9/30/92) to eliminate all state orders in interstate trading (by 12/31/92).</p>

Table 5. Russian Federation: Prior Actions, Performance Criteria and Structural Benchmarks
Sections 7 to 10 - Systemic Changes

Revised 13 May 1992

	(1) Prior Actions	(2) Performance Criteria	(3) Structural Benchmarks
<p>7. Enterprise Reform</p> <p>a. Corporatization of medium and large state enterprises</p> <p>b. Privatization of state owned enterprises (SOEs)</p> <p>c. Privatization plans for large enterprises</p>	<p>Establish Working Group on corporate governance (appointment and responsibilities of boards of directors, incentives for managers, improved accounting system, agreement on state subsidies (if any), etc.) for SOEs expected to remain in the public sector.</p> <p>Propose legislation on Privatization Program providing support for privatization in 1992 (including guidelines for privatization) subsidies and institutional arrangements</p> <p>Announce the start of small scale privatization by the end of 1992</p> <p>Develop and adopt program for small scale privatization by the end of 1992</p> <p>Working Group formed to develop specific privatization proposals for a "demonstration group" of 5 - 10 large enterprises (including appropriate steps to promote competition and to resolve excess labor and environmental problems)</p>		<p>Announce (by 7/30) plans for conversion of all medium and large SOEs into joint stock companies. Conversion to be completed by 12/31/92.</p> <p>Agree upon procedures for exercise of ownership role for SOEs expected to remain in public sector (by 9/30/92). Establish entity to fulfill this function for Russian Federation enterprises (by 9/30/92).</p> <p>Working Group to complete (by 9/30) program to strengthen corporate governance in large SOEs remaining in public sector. Implementation of program in selected large enterprises (by 1/1/93).</p> <p>Completion by GKI of detailed design for mass privatization scheme (by 9/30).</p> <p>Announcement of mass privatization and voucher program (by 1/31/93) including implementation of test trials by voucher establishment of administrative machinery and start of pilot trials</p> <p>Announcement by GKI of simplified and flexible scheme for small scale privatization (by 8/30).</p> <p>Implementation of small scale program in at least 10 major enterprises by 12/31/92</p> <p>Revision of laws, programs and guidelines for consistency with mass privatization and small scale schemes, and to enhance administrative simplicity, by GKI (by 9/30).</p> <p>Selection of "demonstration group" of 5-10 large enterprises for specific privatization program by 12/31/92</p> <p>Completion of privatization plans for the "demonstration group" of 5-10 large enterprises (by 6/30/93).</p>

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	(1) Prior Actions	(2) Performance Criteria	(3) Structural Benchmarks
<p>7. Enterprise reform (continued)</p> <p>d. Legal framework for enterprise reform</p>	<p>Working Group formed to progressively complete draft legislation on (i) bankruptcy and liquidation, (ii) contract law and its enforcement, and (iii) creation and transfer of property rights.</p>		<p>Completion of all draft legislation in indicated areas (by 6/30/93). Schedule of parts as follows:</p> <ul style="list-style-type: none"> — (i) By 9/30/92 — (ii) By 12/31/92 — (iii) By 3/31/93
<p>8. Pro-Competition and Anti-Monopoly Policies</p> <p>a. Demonopolization of existing structures</p> <p>b. Facilitate new private sector activities</p> <p>c. Anti-trust legislation and enforcement</p>	<p>Remove controls of prices and profits for enterprises classified as monopolies.</p> <p>Establish Working Group with responsibility for developing approach and mechanisms for demonopolization and to coordinate the work of the relevant agencies in this area. Define work plan and schedule to address these issues.</p> <p>Establish Working Group on removing obstacles to effective freedom of entry for new enterprises.</p> <p>Complete and disseminate guidelines for improved implementation of existing anti-trust legislation.</p>		<p>Working Group completes Phase I of work which provides strategic approach to demonopolization and defines appropriate institutional arrangements and jurisdictions (by 10/30/92). Complete Phase II which distills lessons on demonopolization of on-going pilot privatization studies of a sample of large enterprises (by 12/30/92). Complete Phase III which prepares operational guidelines for broader demonopolization (by 3/31/93).</p> <p>Working Group completes (by 9/30) report, including recommendations on measures to implement its conclusions, on removal of obstacles to freedom of entry (registration procedures, access to urban commercial real estate, etc.).</p>

(1) Prior Actions

(2) Performance Criteria

(3) Structural Benchmarks

9. Strengthening the Commercial Banking System.

Establish Inter-Agency Working Group (Central Bank, Supreme Soviet, Ministry of Finance, Ministry of Justice, Association of Bankers) to study and make recommendations regarding strengthening the commercial banking system, including (i) banking legislation, prudential regulation and supervision, (ii) auditing and accounting standards, (iii) quality of portfolio and capitalization of banks, (iv) structure of the financial system and ownership of banks, (v) taxation of financial transactions, and (vi) payments issues.

Completion (by 12/31/92) of inter-agency working group report on strengthening the commercial banking system (by 12/31/92) including inter alia:

- (1) completion of revised law on commercial banks and their performance issues
- (2) strategy for bank recapitalization or reorganization
- (3) the inter-agency working group report on the financial system
- (4) revision of the prudential system

Introduction of revised law:

- (1) Draft of Commercial Banking Law submitted by Central Bank by 11/19/92, approved by Supreme Soviet by August 22, 1993 (12/1/92)
- (2) Draft of new law on commercial banks submitted to working group by 12/31/92
- (3) Draft regulatory system of commercial bank banks in working group by 1/1/93
- (4) Inter-agency working group report on the financial system (1/1/93)
- (5) Draft law on the re-capitalization of commercial banks (2/1/93)

Completion (by 12/31/92) of Inter-Agency Working Group report on, and recommendations for, strengthening the commercial banking system.

Introduction of revised law, accounting and auditing standards, prudential regulation and supervision system (by 1/21/93).

Complete phase (by 12/31/92) for the re-capitalization of commercial banks where necessary.

	(1) Prior Actions	(2) Performance Criteria	(3) Structural Benchmarks
<p>10. Social Protection and the Social Safety Net</p>	<p>Define minimal poverty line that can be defended and set minimum level of main benefits (pensions and unemployment) at the poverty line.</p> <p>... Move to a system of flat rate benefits for unemployment no lower than the poverty line. Review and, if necessary, supplement funding for Employment Fund (...)</p>		<p>Completion (by 9/30) of recommendations for redesign of the system of entitlements (Pensions, family allowances, sick pay, and means-tested social assistance for individuals both in and out of the labor force) based on ongoing work in the Ministries of Labor and Social Protection.</p> <p>Develop the administrative capacity to implement the above policies. The main elements of the design to be completed by 12/31/92; full implementation to take place by 12/31/93.</p> <p>Completion (by 9/30) of recommendations for redesign of the system of entitlements (pensions, family allowances, unemployment compensation, sick pay, and other social assistance).</p> <p>Design and implement procedures for establishing eligibility for, and ensuring delivery of, cash benefits, including means-tested social assistance for individuals both in and out of the labor force. The main elements of the design to be completed by 12/31/92; full implementation to take place by 12/31/93.</p> <p>...</p> <p>Establish [number to be determined] employment offices able to deliver unemployment and other benefits to be fully operational by 9/30/92.</p>

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Annex

Draft Paragraph on Direct Credit

During the period of economic dislocation, we cannot rely upon the financial markets alone to allocate credit. We have introduced special credit programs for agriculture, for basic industries, for conversion of military factories, etc. Under these programs the banks have been directed to make credit available to designated sectors at low interest rates. On some of these loans the government budget has had to cover the difference between the rate charged and the central bank's discount rate. The program of low interest rate loans is costly both to the budget and impedes the banking system's ability to mobilize funds. While it is probably infeasible to eliminate all directed credits at this time, the government does wish to rationalize the approach. It is our intention to delineate a very small number of priority sectors to receive directed credits at lower than market rates, to limit the amount of credit in these programs, and to tie the interest rate charged to the market rate. Over time we would phase out these special programs. By the end of this year we shall put forward a specific set of proposals to govern credit programs in 1993.

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Office Memorandum

To: Mr. Thalwitz, IBRD

May 12, 1992

From: John Odling-Smee *Jo-S*

Subject: Russian Federation--Structural Reforms

As you know, we are looking to the World Bank to identify structural reform measures that could be incorporated as prior actions and structural benchmarks for the stand-by arrangement we are now discussing with the Russian authorities. To this end, our staffs have been in close contact in the past weeks in Washington and over the past few days in Moscow.

I have seen the revised policy matrix for the structural reforms prepared by your staff last week. I am very concerned by how little it contains in the way of concrete actions to be implemented in the nearest future such as would be needed to support the macro-economic stabilization intended under a possible Fund program. Were the stabilization program to be implemented in the absence of a set of strong and comprehensive structural reforms, the output loss would likely be greater, inflation higher, and external support more problematic. Moreover, I fear that a lack of structural reforms in the coming months will undermine the momentum for reform, and jeopardize the progress made so far, leading to a possibly unsustainable situation in the medium term.

We believe that the early implementation of at least the following measures is of utmost importance:

- Small-scale privatization: as a prior measure (i.e., by June 15), the announcement by GKI of a plan; and structural benchmarks calling for the privatization of say, 50 percent of small-scale enterprises by December 1992 and the remainder by June 1993.

- Medium and large-scale privatization: as a prior measure (i.e., by June 15), completion of the design of a program of mass privatization including the criteria for enterprises not included in the program; and structural benchmarks, including the implementation of a voucher scheme on a testing basis during the fourth quarter of 1992 and targets for completion of the program.

- Privatization of 5-10 very large enterprises: (worth US\$20-30 million each) as "demonstration cases" already within 1992, by selecting the enterprises and nominating investment advisors.

- Legal framework: as prior measures, bankruptcy and liquidation and foreign investment laws being enacted before a

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Fund program would go into effect. As structural benchmarks, the remaining elements of a thoroughly overhauled legal system in respect of economic activities (contracts, property rights, etc.) to take effect no later than December 31, 1992.

- Competition and anti-monopoly measures: as a prior action, the preparation of a program of pro-competition measures (registration, establishment of real estate markets, anti-trust, demonopolization). As structural benchmarks, these would have to be implemented by December 31, 1992.

- Social safety nets: as prior measures, submission of unemployment insurance legislation, establishment of training and public works facilities in areas likely to be effected by conversion of defense industries, submission of a new system of family benefits in a form satisfactory to the Bank and the Fund, and continued abeyance of existing indexation. As structural benchmarks, preparation of the system of a poverty "physiological" basket of commodities to form the basis of localized social assistance (i.e., excluding pensions, family allowances and unemployment benefits) by a date to be determined.

- Financial system: as a prior action, define the nature, content and timing of a program to strengthen the commercial banking system. Structural benchmarks would include dates for implementation of measures in the program.

- Agricultural sector: as prior actions, definition of a program to resolve the issue of land ownership and transfer (e.g., introduction of long-term leases). Structural benchmarks would include implementation of measures in this program already in 1992 and the first half of 1993 and of measures required under the December 1991 decrees on land reforms. To encourage competition, measures ensuring free entry should be in place within a few months, and a certain proportion of enterprises in agricultural distribution and processing should be privatized by December 1992.

Nearly all of these measures are implicit in your matrix, but we are here proposing a faster timetable for implementing them. I understand your concern that the measures should be properly prepared, but it is surely possible to do this in stages. In the first stage, there would be measures which, while not necessarily being ideal for the longer term, would have an immediate impact and would buy time for designing longer-term measures for implementation in subsequent stages. Your approach, however, seems to envisage a gradual implementation of the longer-term measures so that the short-term impact would be minimal.

I recognize that there are risks with setting ambitious objectives. But unless this is done and every effort is made to encourage the authorities to achieve ambitious targets, little will be

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done in the next few months, or even the next few years, an absolutely crucial time for reform in Russia. There are other risks in being insufficiently ambitious. Macroeconomic stabilization will be more difficult, if not impossible. And slow progress on structural reforms could lead to a policy vacuum, which could in turn result in a disorderly and piecemeal restructuring of the economy with the possibility of the re-establishment of many aspects of central planning.

I hope that we shall be able to persuade you that greater urgency is required at this stage, perhaps along the lines of the list of measures above. I look forward to your early reaction to these proposals since the policy discussions with the authorities are now beginning in earnest.

cc: The Deputy Managing Director
Mr. Boorman
Mr. Brau
Mr. Hernandez-Cata
Mr. Holsen (IBRD)

moscow 000



INTERNATIONAL MONETARY FUND
MOSCOW OFFICE

CMEA Building, 56 Novyi Arbat Street
121205 Moscow Russia
Telephone: (7 095) 290 71 33
(7 095) 290 71 35
Fax: (7 095) 202 51 43

FACSIMILE COVER SHEET

Date: April 16, 1992	Number of pages: 3
Attn: <u>Mr. John Odling-Smee</u>	
From: Jean Foglizzo <i>ppcej</i>	
Re.:	
<p>Please find attached a Russian version of Federative Treaty. The translation will be sent to you later.</p>	
cc: Mr. J. Berengaut	

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ФЕДЕРАТИВНЫЙ ДОГОВОР

Договор о разграничении предметов ведения и полномочий между федеральными органами государственной Российской Федерации и органами власти республик в составе Российской Федерации)

Мы, полномочные представители федеральных органов государственной власти Российской Федерации и органов власти республик в составе Российской Федерации, проявляя уважение к истории, традициям, культуре языку и национальному достоинству народов Российской Федерации, признавая свою ответственность за сохранение исторически сложившегося государственного единства народов Российской Федерации, целостности составляющих ее республик и территорий, ставя целью достижение и укрепление межнационального согласия, доверия и взаимопонимания, реализуя приоритет прав и свобод человека и гражданина независимо от национальной принадлежности и территории проживания, а также право народов на самоопределение в составе федеративного российского государства, стремясь к качественному обновлению федеративных отношений на основе добровольного распределения полномочий и эффективного их осуществления, исходя из того, что в условиях единой политической системы федеративной общности республик в составе Российской Федерации самоназначенные органы власти на соответствующих территориях, руководствуясь Декларацией о государственном суверенитете Российской Федерации, Декларациями о государственном суверенитете республик в составе Российской Федерации, решениями Съезда народных депутатов Российской Федерации и Верховного Совета Российской Федерации по вопросам федеративного устройства и федеративных отношений в Российской Федерации, договорились о нижеследующем:

Статья I

1. К ведению федеральных органов государственной власти Российской Федерации относятся:

а) принятие и изменение Конституции Российской Федерации и федеральных законов, контроль за их соблюдением;

б) федеративное устройство и территория Российской Федерации;

в) защита прав и свобод человека и гражданина и гражданство Российской Федерации; защита прав национальных меньшинств;

г) установление системы федеральных органов законодательной, исполнительной и судебной власти, порядка их организации и деятельности; формирование федеральных государственных органов;

д) федеральная государственная собственность и управление ею;

е) установление основ федеральной политики и федеральные программы в области государственного, экономического, социального, культурного и национального развития в Российской Федерации;

ж) установление правовых основ единого рынка; финансовое валютное, кредитное, таможенное регулирование, денежная эмиссия, основы ценовой политики; федеральные экономические службы, включая федеральные банки;

з) федеральный бюджет; федеральные налоги и сборы; федеральные фонды регионального развития;

и) федеральная энергетика, расщепляющиеся материалы; федеральные транспорт, пути сообщения, информация и связи; деятельность в космосе;

к) внешняя политика и международные отношения Российской Федерации, международные договоры Российской Федерации; вопросы войны и мира;

л) внешнеэкономические отношения Российской Федерации;

м) оборона и безопасность; оборонное производство; определение порядка продажи и покупки оружия, боеприпасов, военной техники и другого военного имущества; производство расщепляющихся материалов, ядовитых веществ, наркотических средств и порядок их использования;

н) статус и защита государственной границы, территориальных вод, экономической зоны и континентального шельфа Российской Федерации;

о) судостроительство; прокуратура; уголовное, уголовно-процессуальное и уголовно-исполнительное законодательство; амнистия и помилование; гражданское, гражданско-процессуальное и арбитражно-процессуальное законодательство; правовое регулирование интеллектуальной собственности;

п) федеральное коллизионное право;

р) метеорологическая служба, стандарты, эталоны, метрическая система и исчисление времени; официальный статистический и бухгалтерский учет;

с) государственные награды и почетные звания Российской Федерации;

т) федеральная государственная служба.

2. Органы власти республик в составе Российской Федерации участвуют в осуществлении федеральных полномочий в пределах и формах, установленных Конституцией Российской Федерации и федеральными законами.

3. Республикам в составе Российской Федерации гарантируется представительство в федеральных органах государственной власти Российской Федерации.

Статья II

1. К совместному ведению федеральных органов государственной власти Российской Федерации и органов государственной власти республик в составе Российской Федерации относятся:

а) обеспечение единства конституции и законов республик в составе Российской Федерации;

б) защита прав и свобод человека и гражданина, обеспечение законности, правопорядка, общественной безопасности;

в) природопользование, охрана окружающей среды и обеспечение экологической безопасности; особо охраняемые природные территории; охрана памятников истории и культуры;

г) общие вопросы воспитания, образования, науки, культуры, физической культуры и спорта;

д) координация сферы здравоохранения, защита семьи, материнства, отцовства и детства; социальная защита, включая социальное обеспечение;

е) проведение мер борьбы с катастрофами, стихийными бедствиями, эпидемиями, ликвидация их последствий;

ж) установление общих принципов налогообложения и республиках;

з) административное, административно-процессуальное, трудовое, семейное, земельное, жилищное, военное, лесное законодательство; законодательство о недрах, об охране окружающей среды;

и) адвокатура, нотариат; защита исконной среды обитания и традиционного образа жизни малочисленных этнических общностей;

л) установление общих принципов организации местного самоуправления.

2. По вопросам, указанным в части первой настоящей статьи, федеральные органы государственной власти Российской Федерации издают Основы законодательства, в соответствии с которыми органы власти республик в составе Российской Федерации осуществляют собственное правовое регулирование, включая принятие законов и законов субъектов по предметам совместного ведения, указанным в пункте 1 настоящей статьи, направляют свои полномочия в составе Российской Федерации.

1. Республики обладают всей полнотой государственной власти на своей территории, кроме тех полномочий, которые переданы в ведение федеральных органов государственной власти Российской Федерации в соответствии с настоящим Договором.

2. Республики в составе Российской Федерации являются самостоятельными участниками международных и внешнеэкономических связей, соглашений с другими республиками, краями, областями, автономными образованиями Российской Федерации, если это не противоречит Конституции и законам Российской Федерации, настоящему Договору. Координация международных и внешнеэкономических связей республик в составе Российской Федерации осуществляется федеральными органами государственной власти Российской Федерации совместно с республиками в составе Российской Федерации.

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DMD

MR. PERETZ

MR. P. ANDREWS



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1992 APR 14 AM 11:06
INTERNATIONAL MONETARY FUND
MOSCOW OFFICE

GMEA Building, 56 Novyi Arbat Street
121205 Moscow Russia
Telephone: (7 095) 290 71 33
(7 095) 290 71 35
Fax: (7 095) 202 51 43

PRESS ARTICLES IN FULL

Date: April 14, 1992
Attn: Mr. John Odling-Smee
From: Jean Foglizzo

Number of pages:3
Prezidentskiy Vestnik,
April 13, 1992
Interfax, April 13, 1992

**GOVERNMENT WARNS: IMPLEMENTATION OF
CONGRESS' RESOLUTION SPELLS NEGATIVE CONSEQUENCES**

*** Russian Government experts have concluded that the Resolution "On the Progress of the Economic Reform" adopted by the 6th Congress of Russia's People's Deputies could entail a change of the course aimed at radical economic transformations. This, in its turn, implies that "major potential investments" from abroad would be suspended. The Document underlines that Russia's "integration into world economy" would be impossible without considerable foreign investments and convertibility of the ruble. The Government warns that should the course at the radical reforms be relinquished, the West may annul its earlier decision to postpone some of Russia's reimbursements which was predicated by the IMF support of Russia's market-oriented transformations. As a result, in 1992, it would have to repay

April 13, 1992

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its creditors \$21 rather than \$10. Concomitantly, all the newly opened IMF and "Big Seven's" credits, amounting to \$24 billion, will be frozen.

Denial of aid, as well as freezing of credits and payments of the external debts would bring Russia's import down to zero. The country would fail to import many million tons of grain, 75 per cent of the sugar it consumes, 45 per cent of cigarettes, 40 per cent of vegetable oil, 100 per cent of pesticides and other chemicals its agriculture is badly in need of.

The Government has accentuated the provisions of the Resolution which, in their opinion, may have a devastating effect on the Republic.

The Government experts also contend that the Resolution, should it come into effect, would "ineluctably lead to a new dramatic aggravation of living standards which would exceed by far that of the first three months of 1992". The imminent hyper-inflation, as a result of refusal from the austere credit-and-finance policy, would not only wipe out all the population's existing savings but it would also block every incentive for productive labor. This would inevitably force the State to "resort to the measures of extra-economic coercion". In that situation, the State would be unable to insure social security in contrast to today's government, the Cabinet of Ministers insist.

According to the Cabinet assessments, the indexation of wages of the personnel involved in scientific research, culture, health-care and education will lead to additional budget spending amounting up to 700 billion rubles a year. Additional allocations into agriculture, envisaged in the Resolution, would require extra 500 billion rubles. All this would result in the increase of the budget deficit in 1992, bringing it to the level of 1.5 trillion rubles which comprises 23% of the GNP or 80% of the total income.

By the end of 1992, this budget deficit would boost the inflation to the level of 300-400%. The price of a ruble would drop to 25 kopeks. The technological capabilities of GOSZNAK would be insufficient for augmenting the issue of money to the required level. About 30-40 per cent of wages would remain unpaid.

As a whole, it means a drop of the population's purchasing power by 4-5 times

If the Resolution were implemented, it would be impossible to stabilize the financial situation in this country in 1992 nor achieve the convertibility of the ruble.

In agriculture, the implementation of the Congress' Resolution, requiring that the Presidential ukases and the decisions and resolutions of the Government should be brought to compliance with the conformable laws of Russian Federation, would retard the reforms which were initiated in January. The cancellation of the Presidential ukases is likely to reconstruct the situation of 1991 and create new obstacles in the way of reforms, as regards the creation of peasant farms.

The change of policy aimed at drastic reforms would lead to a suspension of major investments by the Western countries which are critically indispensable, along with the

April 13, 1992

convertibility of the ruble, for integrating Russia into the world economy, the Government warns.

The analogical assessments of probable consequences of the implementation of the Congress resolution transpire in the express analysis made by the group of experts in the Inter-Regional Analytical Center close to the Cabinet. Their analysis is dated 12 April. It states that a possibility of a change of government suggested by the Resolution hence the country's economic policy would "undermine confidence in the state power, first and foremost, of those who seek to apply their efforts to productive activities. It would affect stability in society, catastrophically reflect on the already meager flow of non-state investments into the sphere of production, and further aggravate the declining production".

**GOVT MINISTER NECHAYEV SUGGESTS FORMING NEW GOVERNMENT .
OR LETTING CURRENT CABINET WORK NORMALLY**

Russian Economics Minister, Andrei Nechayev, has said that the Cabinet would like the 6th congress of people's deputies of Russia to interpret the resolution on progress in economic reforms as "certain recommendations not linked to a specific date". He made it quite clear that in that case the government, although it has already tendered its resignation, will be able to go on working.

The congress's resolution said that progress in economic reforms was unsatisfactory and asked the President to make serious amendments to the tactics and methods, as well as to present to the Supreme Soviet a list of measures to aimed at achieving the economic objectives set in the economic sphere. The government described a number of provisions of that document as a restriction on the President's right to carry out reforms. As a result, all Cabinet members put their signatures to the statement of resignation.

Nechayev said the government was not going to put pressure on the congress or making it change its own decision altogether. At the same time, the government ministers hope that the law-makers would agree to the option that would let the Cabinet implement the congress's resolution "to the extent the budget allows for".

Nechayev said the Cabinet would like to have the guarantees that there would be no petty interference on the part of the Supreme Soviet and that the Cabinet would not turn into a "provisional government as soon as the congress is over." Economics minister said the government suggested that the congress should make a decision on forming a new government or letting the current one "work as long as the additional powers granted to the President at the previous congress are in effect". Nechayev said that Boris Yeltsin fully supported the government, had confidence in it and believed that the current Cabinet should keep working.

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CC: MD

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MR. PERETZ

MR. P.ANDREWS

CMEA Building, 56 Novyi Arbat Street
121205 Moscow Russia
Telephone: (7 095) 290 71 33
(7 095) 290 71 35
Fax: (7 095) 202 51 43

FACSIMILE COVER SHEET

Date: April 13, 1992

Number of Pages: 2

Attn: Michel Camdessus
From: Jean Foglizzo



NOTES FROM IMF MOSCOW OFFICE
RUSSIAN EDITION

Government submits letter of resignation: At a press conference today, First Vice Premier E. Gaidar announced the government has asked President Yeltsin to accept its resignation. Gaidar said this decision could be changed if the Congress of Peoples Deputies changed its resolution on economic reform or if the President made the decision to allow the government to continue to function. The letter of resignation was dated Saturday, April 11. The letter said the resolution on the course of economic reform adopted at the Congress had forced the resignation. The aggregate of demands set out by the Congress doomed the country to hyperinflation and signified a suspension of the privatization process and curtailment of agrarian reform. Political decisions being made were leading to the destruction of the organs of power, leaving the government powerless and transforming the president into a figurehead. They were blocking any possibility to follow the chosen path. It was inevitable that these decisions would lead to a cut off of international aid.

Yeltsin proposal rejected: Российская Газета reports President Yeltsin's proposed amendment to the Parliament's resolution "On the Government of the

Russian Federation" was not passed. In it, Yeltsin had asked for extra time to prepare the law and for Parliament to adopt it only on December 1, leaving Yeltsin with his extraordinary powers until then. The failure to pass the amendment led to a statement that Russia was giving up on reform, the sacrifices of the past four months were for nothing and the \$24bn earmarked for Russia would now not be received. Later, the Congress decided to allow Yeltsin to retain his extraordinary powers for three months. By that time he must propose a candidate for the position of Prime Minister. A resolution "On the Course of Economic Reform in the Russian Federation" was passed. The resolution states that it is necessary to make the transition to a market economy but recognizes the Parliament's dissatisfaction with the course of reform in the areas of social security of the population, taxes, and monetary, investment, industrial and agricultural policy. The attack on the President was led by the leader of the faction Российское Единство, Russian Unity, I. Bratishchev. After passage of the resolution, First Vice Premier, E. Gaidar said the whole government might resign because passage of the resolution meant a change in economic

reform and would lead to the collapse of the financial system.

Muscovites dissatisfied with Congress:

Russian television reports only 8% of Moscow voters feel the Peoples Deputies live up to their expectations. 18% of those polled feel the Deputies represent the interests of the nation and only 15% have any trust in the Congress of Peoples Deputies. Presidents are more trusted in Russia and other republics of the CIS.

Attempt to move people to the country:

Российская Газета reports First Vice Premier E. Gaidar signed a decree giving all families who move from the city to the countryside a onetime grant of rub 75,000 for the head of the household and rub 15,000 for each family member.

Referendum on Crimean sovereignty:

Вечерняя Москва reports the Presidium of the Crimean Supreme Soviet will fix the date of a Parliament session to decide on whether to hold a referendum on Crimean sovereignty.

Credit to industry to be given out by

commercial banks: Российская Газета reports the rub 200bn that the Russian government along with the Central Bank has decided to allocate to certain industries, will be distributed by commercial banks. From April to October, rub 70bn will be allocated to agriculture, rub 70bn to investment, rub 50bn for industrial enterprises and rub 10bn for other enterprises. A commission has been formed with representatives from the Central Bank and the Ministries of Finance, Economics, Industry and Fuel and Energy to choose who will receive the credits. Interest rates on the credits will be set in accordance with market rates and take into account inflation.

Yakutia issues checks: Interfax reports the government of Yakutia introduced checks for payments for goods and services. The decision came after a

strike last week by workers who, protested against delays in wage payments.

Minimum wage to rub 900: Российская Газета reports Vice Premier Shokhin told Parliament that the minimum salary would rise to rub 900 per month. The physical minimum is considered rub 811 per month.

Hard currency sales waived for some

enterprises: Коммерсант reports President Yeltsin signed an instruction exempting certain enterprises from the requirement to sell hard currency to the government. The move was believed to have been made to garner the support of the industrial lobby during the Congress of Peoples Deputies. Enterprises who are not required to sell hard currency to the government will have to pay a 30% export duty rather than 15% as of May 1.

St. Petersburg introduces credit card:

Коммерсант reports a filial of the St. Petersburg Sberbank introduced a system of non-cash payments using ruble credit cards. Equipment for the cards was provided by the French firm Bull.

Government decree on privatization:

Коммерсант reports President Yeltsin signed a decree "On Additional Measures for the Realization of the Program of Privatization in 1992", dated April 2. The decree calls for the establishment of privatization accounts by the fourth quarter of the year rather than by January of 1993 and allows for the sale of enterprises even if only one bidder is at auction. Previously, enterprises for which only one bid was received were withdrawn from sale.



To: Mr. Jean Foglizzo
From: S.Sereda *SS*

April 13, 1992

I contacted the office of the Vice- Premier Mr. Shokhin and received the following information from press-secretary Mrs. N.Ershova.

The Government of Russia has decided to resign today. All 25 ministers have signed a letter of resignation. The following is the full text of the statement made by First Deputy Premier Mr.Gaidar this afternoon:

"The Resolution on the course of economic reforms passed by the 6th Congress of Peoples Deputies compels us to make the following statement. Realistic reforms of the economy and social structures of Russia have been launched, at last, after many years of fruitless talk about reform.

A critical stage of mastering the situation in the country has been traversed in the main. There were difficulties and errors along the way.

We are prepared for a constructive dialogue with all political forces that support the objectives and ideas of economic reform. We are open to criticism. We have introduced and are introducing adjustments to reform implementing tactics if they are not aimed at renouncing the strategy of transformations.

Unfortunately the decisions taken by the 6th Congress of People's Deputies are blocking the possibility of a continuation of the chosen policy.

The aggregate of demands set out by the Congress dooms the country to hyperinflation and signifies a suspension of the privatization process and curtailment of the agrarian reform.

The proposals to lower taxes and at the same time increase social and other allowances are impracticable and may lead only to a break up of the financial system. One must be also aware that such decisions inevitably lead to a diminished support from the world community and would bring Russia back to the path of isolationism.

The Congress decisions in the political field signify a disruption of the new managerial mechanism, render the Government powerless and make the President just a figure-head.

The implementation of the Congress decisions would inevitably result in a disastrous decline in living standards: hunger, social upheaval and chaos. All sacrifices that the citizens of Russia have made with such a courage and patience over the past three month become to no avail.

We do not consider that we have the right to take the path of irresponsible populism when under the pretext of protecting people, the population is robbed as a result of an acceleration of inflation".

Mrs. Ershova also said that if the Congress reversed a series of measures watering down the reforms, the Government might remain in office.

At 4 p.m. I was told by Mrs.Ershova that President Yeltsin has asked the Cabinet members to continue to perform their duties and said that he would make a decision on the matter by the end of the Congress.

At 6 p.m. the Congress ended today's session and it will come back tomorrow morning to what is perceived here as a constitutional crisis rather than just a governmental change . President Yeltsin might address the Congress tomorrow.



**INTERNATIONAL MONETARY FUND
MOSCOW OFFICE**

CMEA Building, 56 Novyi Arbat Street
121205 Moscow Russia
Telephone: (7 095) 290 71 33
(7 095) 290 71 35
Fax: (7 095) 202 51 43

PRESS ARTICLES IN FULL

Date: April 13, 1992

Attn: Mr. Odling-Smee

From: Jean Foglizzo

Please, copy: Mr. Wolf

Number of pages: 1

Source: Pravda, April 9,
1992

slug: Russia: Western credits

Title: The Cat Will Be Hurt

by Vladimir Gerasimov

Pravda, April 9, 1992, p. 3

SUM-UP: The Russian government was bribed by the IMF, the author maintains.

Discussing the Russian government's program of reform, the author writes: "In April 1991, in a Time interview, Jeffrey Sax, setting forth his plans concerning privatization in East European countries and the Soviet Union and discussing the necessity of closer contacts with their governments, said: 'We in the West will have to bribe and persuade these governments.' As for bribing the Russian government, they have succeeded in this. They won it over by promising aid from the IMF and the World Bank. However, the other day Mr.

Sax made a very significant hint: if you remove Gaidar and put forward a different program that is not approved by the IMF, you will get nothing."

The author does not believe that the stabilization fund of \$6 billion can save the ruble and help raise its exchange rate. "The shadow economy structures have accumulated zillions of rubles which will allow them to play this game, ruinous for Russia, on equal terms." The author is also concerned about the fact that the Russian government is not planning the participation of Russian enterprises in tenders organized by the IMF: competitions and contests for the delivery of machines and equipment to the world market. "The government has no plans to promote the resurrection of Russia's potential as an industrial and not just a raw materials exporter."

In the author's opinion, "it will take Russia much time and trouble to repay these debts. And in doing this it will be impeded in every possible way. This can be done simply by raising interest rates."



Office Memorandum

To: Department Heads

April 10, 1992

From: Records Division *cb*

Subject: Country Codes for Former USSR Republics

We have received notification from the International Organization for Standardization (ISO) that country codes for the following former USSR republics have been approved and released for public use:

Armenia	ARM
Azerbaijan	AZE
Georgia	GEO
Kazakhstan	KAZ
Kyrgyzstan	KGZ
Moldova	MDA
Russian Federation	RUS
Tajikistan	TJK
Turkmenistan	TKM
Ukraine	UKR
Uzbekistan	UZB

cc: Administrative Officers

Copies: A 831 (ISO)
A 1012.2
C/000 (the other
Republics)

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ORIG: EUR II
CC: MD
DMD
SEC
MR. P. ANDREWS

International Institute for
Applied Systems Analysis
A-2361 Laxenburg/Austria

Telephone: +43 2236 715210
Telex: 079137 iiasa a
Telefax: +43 2236 73147

Peter E. de Jánosi
Director

9th April, 1992

Michel Camdessus
Managing Director
Chairman of the Executive Board
International Monetary Fund
700 Nineteenth Street NW
Washington, DC 20431

Dear Mr. Camdessus,

My letter to you today concerns a set of plans involving the Russian Federal Republic's ambitious economic reform plans and the International Institute for Applied Systems Analysis' relationship to them in terms of research, technical assistance and seminars. The Russian Federal Republic (RFR) took the first steps in the transition to a market economic in early 1992, and now faces further complex problems during the transition period. The Republic's government has asked the International Institute for Applied Systems Analysis (IIASA) in Austria to arrange for a series of seminars and research reports that would analyze some of these problems and offer policy-oriented approaches to deal with them.

The most crucial areas of concern were specified in a formal agreement signed by Mr. Yegor Gaidar, First Deputy Prime Minister of the RFR, and IIASA (copy enclosed). This unique agreement recognizes IIASA's potential for a special contribution. The mutually agreed upon topics include: (1) the behavior of enterprises during the transition, (2) unemployment, (3) the Russian tax system, and (4) the internationalization of the Russian economy. The work would build on an earlier IIASA Project on economic reform in the Soviet Union, and would involve many of the same personnel. Russian officials have repeatedly stated that no other activity has had a comparable impact on their thinking as that earlier IIASA activity.

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In order to carry out in a satisfactory manner this ambitious project, substantial resources will be required. IIASA and the RFR would therefore welcome the active participation of your organization in this endeavor. Both intellectual and financial support of the aforementioned activities could contribute to the success of the effort. Incidentally, the plans have been reviewed and approved by Dr. Konstantin Kagalovsky, advisor to the Russian Government, responsible for building relations with international organizations, who has encouraged me to enlist your cooperation.

If this brief description of the plans the RFR and IIASA have formulated are of interest to you, we would be happy to provide you with further information. My colleagues and I are also willing to visit you, or the individuals you identify in your organization, to explore whether there are opportunities for collaboration. I look forward to hearing from you.

Sincerely,

A handwritten signature in black ink, appearing to read "Peter G. Kofas". The signature is written in a cursive style with a large, sweeping initial "P".

Enclosure

PdJ:ov

Agreement

between

the Government of the Russian Federal Republic

and

the International Institute for Applied Systems Analysis

for

the Conduct of a Program of Coordinated Research and Related Activities to Enhance Stabilization, to Build the Institutional Basis of a Market Economy, and to Moderate the Impact of the Structural Changes of the Transition in Russia

March 1992

1. The government of the Russian Federal Republic (RFR) appreciates the efforts of the International Institute for Applied Systems Analysis (IIASA) during 1989-1991 to develop recommendations for a comprehensive program of reform for the Soviet economy. At that time, this program formulated by Soviet experts after careful exchanges with economists at IIASA, was not accepted by the then government of the USSR. However, the program was widely publicized. The process of discussion of the proposals contributed substantially to the understanding of transition, and made it easier for Russian participants, many of them currently senior government officials, to identify the basic issues and the potential solutions. The collaboration of Western and Eastern European economists and Russian scholars in the activities of the project constituted an excellent example of a collaborative work in identifying peculiarities of the then Soviet economy, and in utilizing a wide range of experience of market economies with reform.
2. Currently, the Russian economy is going through a difficult transition. Stabilization of the economy in serious disequilibrium must be accomplished simultaneously with the establishment of the institutions of the market economy. In addition, the state of Russia as a sovereign nation and economy is being formed. The attitudes of different strata of the population towards the process of transformation are vague, controversial, and divisive.
3. In this state of affairs the government of the RFR proposes that IIASA renew its activity in order to provide assistance for the process of economic transformation by creating a better understanding of the most salient issues and reviewing them with a broad array of experts. It asks for the organization of a

series of conferences, consulting, and seminars in which scholars and policy makers from market economies and the transforming East European countries would discuss the special problems of the Russian economy to find socially acceptable and economically satisfactory solutions. The activity would include systematic descriptions and analyses as well as policy advice. It would involve sponsoring research activities whose results would be presented in books, journal articles, and working papers.

4. The four topics listed here are regarded as having urgent priority for the RFR, call upon the expertise that IIASA can organize, and are topics in which the activity of other organizations are inadequate or non-existent.

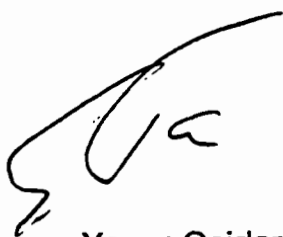
a) The behavior of enterprises during the transition years is crucial. It involves such issues as: (1) response of enterprises to the changing monetary and fiscal conditions of a transition era; (2) the impact of "a hard budget constraint" on enterprises; (3) the role of bankruptcy; (4) and the impact of various schemes of privatization on equity and economic efficiency.

b) Unemployment in its open form was virtually unknown with only 70,000 unemployed as of January 1992. As the transition proceeds, unemployment is projected to rise to 2-3 million, with higher numbers possible. In a society with little experience with unemployment, such numbers threaten social and political stability. The sub-topics that IIASA could analyze are: (1) the design of the social safety net in such a way as to provide incentives for re-employment and minimize budget cost and still provide adequate benefits; (2) an examination of fiscal and monetary policy to minimize the extent of overall unemployment and; (3) the impact of industrial policy on unemployment in specific sectors.

c) The current Russian tax system will be analyzed: (1) elaboration of various scenarios of fiscal "federalization" in cases of further growth of political disagreements between the federal and other levels of government; (2) an identification and evaluation of enterprise responses to the recently introduced tax system; (3) examination of possible efficiency effects of political and economic measures aimed to improve tax collection.

d) The internationalization of the Russian economy is at an early stage of development. However, a study of the proper sequencing of further steps is needed for an efficient and irreversible opening. The research should deal with: (1) the elaboration of trade policy instruments; (2) the role of industrial policy in protecting and/or giving temporary support to industries being suddenly exposed to international trade; (3) exchange rate policy. A special problem is the extent of barter trade in Russia. Experience has shown that such trade is not going to shrink rapidly. Hence, the role and function of barter trade needs investigation including both Russia's trade with former members of the CMEA and in trade between CIS members. Such trade poses a unique problem for analysis, given the previous strong trade dependence among the republics of the former USSR.

5. In order to carry out this ambitious agenda of research, consulting and other forms of assistance, IIASA will require additional financing. The RFR is not currently in the position to disburse the necessary sums for the activity proposed here apart for local costs. It agrees, however, to join IIASA in attracting external funding for this important activity. After its anticipated joining of international institutions like the IMF and the World Bank the Russian government will consider using some its technical assistance that may be provided to support this proposed IIASA activity. The Russian government and IIASA would welcome the intellectual and financial support by other research organizations and foundations of the aforementioned activities.
6. IIASA agrees to organize research, consulting and other forms of intellectual assistance asked for by the RFR by reliance on its wide international network of scholars. It proposes that the representatives of the RFR participate in the proposed activities to provide the current information about the actual and planned changes in the Russian economy and directly involve their experts in the discussions of the international experts.
7. The coordination of IIASA's activity to assist the Russian government would be by the Ministry of Foreign Economic Relations of the RFR and by the Economic Transition and Integration Project of IIASA.



Yegor Gaidar
Deputy Prime Minister
Russian Federal Republic



Peter de János
Director
International Institute for Applied
Systems Analysis



ORIG: MR. ODLING-SMEE
CC: MR. WOLF

**INTERNATIONAL MONETARY FUND
MOSCOW OFFICE**

CMEA Building, 56 Novyi Arbat Street
121205 Moscow Russia
Telephone: (7 095) 290 71 33
(7 095) 290 71 35
Fax: (7 095) 202 51 43

PRESS ARTICLES IN FULL

Date: March 25, 1992
Attn: Mr. Odling-Smee
From: Jean Foglizzo
Please, copy: Mr. Wolf

Number of pages: 5
Source: Komsomolskaya
Pravda, March 25, 1992

Please find attached the Russian text of a press conference of Mr. Gaidar, published in Komsomolskaya Pravda on March 25, 1992. The English version will be sent to you tomorrow.

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— Егор Тимурович, освобождение цен на энергоносители не вызывает восторга не только у рядовых потребителей, но и у многих известных экономистов. В чем все-таки необходимость столь радикального шага?

— Уголь и особенно нефть стоят гораздо больше, чем мы за них сейчас платим. Если ничего не менять, просто не хватит средств на их добычу. Еще немного — и отрасль встанет, вслед за ней разорится все народное хозяйство. Вынуждая структура цен, базирующаяся на дешевой энергии, не может больше существовать. Она даст совершенно искаженную, нереальную картину того, что происходит в экономике, на основе ее невозможно представить, что же нужно делать, чтобы эту экономику вытаскивать из кризиса. Либерализация цен на энергоносители высветит неэффективные производства, которые потребляют больше, чем производят. В конце концов мы все так бедно живем во многом из-за того, что они столько потребляют. Мы хотим выйти на уровень цен, которые составляли бы при нынешнем курсе рубля 25 процентов от мировых. При этом стоимость нефти будет колебаться в пределах две тысячи — две тысячи шестьсот рублей за тонну.

— И насколько тогда подпрыгнут цены на товары повседневного спроса?

— Катастрофического рынка не произойдет. Я порой, грешным делом, думаю: если бы у нас было тоталитарное государство с жестким контролем за средствами массо-

вой информации, а правительство, ни о чем не объявляя, тихо делало бы свое дело, в течение первых недель бышла бы часть людей, кроме автолюбителей, конечно, ничего бы не заметила. У нас и сегодня на значительную часть нефтепродуктов цены разморожены: 20 процентов с начала года и 40 с начала месяца продается по свободным ценам. Для автолюбителей изменения будут ощутимы. На первом этапе бензин будет стоить пять—семь рублей за литр. На остальных товарах изменение цен скажется с течением времени. По цепочке дойдет и до повышения стоимости транспорта, особенно авиационных перевозок. Не сразу, но изменится и квартплата. Ее, кстати, придется пересматривать и в связи с приватизацией. Но вообще жилье — это вопрос местного бюджета.

— Сейчас много говорят о том, что освобождение цен на энергоносители может привести к полной остановке производства, которое и так разваливается после января...

— Между прочим, как это ни парадоксально звучит, после январской либерализации не было ускорения спада производства. Основное падение пришлось на прошлый год и отражало развал хозяйственных связей, общую дезорганизацию базовых отраслей, падение импорта. А уже с января обозначился рост среднеуточной добычи угля, производства кокса, наметилась стабилизация добычи газа. Идет рост производства металла. С нефтью ситуация продолжает оставаться неприятной, но она, безусловно, изменится в

результате предстоящей либерализации цен.

Другое дело, что с января начал особенно остро проявляться структурный кризис в тех отраслях, которые безумно раздуты. В свое время мне приходилось писать о том, что у нас в середине года стоит столько неисправных комбайнов, сколько в Америке надо произвести в течение десятка лет. И это никак не сказывалось на их производстве. А вот сегодня, когда цены на комбайны подняты настолько, что их никто не берет в прежних количествах, безусловно, происходит спад производства. Та же самая картина — по военной технике, по тяжелому машиностроению, по строительству. Таким образом, два параллельных процесса будут определять состояние производства в ближайшее время: постепенная стабилизация работы базовых отраслей и начало структурного кризиса.

— По поводу кризиса вам, наверное, никто возражать не станет. Но в последнее время все чаще звучит, что структурной перестройки, ради которой приходится переживать ужасы всевозможных кризисов, что-то не видать. Не видно, чтобы росло и производство необходимых людям товаров...

— За два месяца структурная перестройка не происходит, только вырисовываются отрасли структурного кризиса. Что мы и наблюдаем. А по товарам народного потребления роста действительно пока нет, хотя тенденция к снижению темпов падения их производства уже наметилась.

Кстати, на примере пищевых продуктов можно наблюдать действие механизма структурной перестройки. В последние три месяца в торговле скопились рекордные запасы мяса, где-то на уровне семидесятих годов. Мы начали восполнять то, что сбросили за последние 6 лет. Безусловно, мясные запасы возникают и из-за недостатка кормов — забоя скота, но главная причина все-таки в том, что рынок начал работать. Производитель сокращает производство, увеличивает цены, надеясь выгадать. Но дальше выясняется, что покупательский спрос эластичен, он переключается на другие товары. В результате у производителя — нулевые доходы, он бежит к правительству или в банк за кредитами, которые позволили бы ему и дальше работать на склад. Наша политика переструктурирования состоит как раз в том, что мы не даем кредиты тем, кого нужно как можно быстрее вытолкнуть на рынок.

— Вас упрекают в том, что до сих пор нет единой программы конверсии, без которой просто невозможны серьезные изменения в структуре экономики.

— Она и не нужна. Единая программа конверсии — это из прошлого, когда существовали огромные централизованные капиталовложения, единый Госплан. Должно быть много программ конверсии — целевых, адресных, ориентированных на конкретные отрасли, конкретных потребителей. Они разрабатываются. Например, программа использования боевых машин пехоты для лесодобывающей промышлен-

ности, артиллерийских ствол для нефтедобычи, многие другие.

— Егор Тимурович, почему так медленно идет приватизация? Председатель Госкомимущества Чубайс обещал перелом к середине февраля, март кончается, а перелома...

— Это так. Процесс идет медленно. К концу года намеревались получить от нас 92 миллиарда рублей, за январь-февраль выручили только 425 миллионов. В марте намечалась тенденция к ускорению: за десять дней приватизации дала 840 миллионов. Постоянно приходится придумывать, что делать в специфических случаях. Как быть в сельских районах, где не получается никаких конкурсов? Как обходиться с крупными иностранными инвесторами? Конечно, можно приватизироваться быстро, создав новую структуру собственности. Но она породит огромные социальные конфликты, если раздавать собственность по «начальникам». Можно создать и структуру заведомо неэффективную, если все отдать трудовым коллективам.

— Ваши критики утверждают, что, несмотря на жесткую финансовую и бюджетную политику, правительство ничего не добилось, экономика на грани гиперинфляции, а в бюджете концы с концами не сходятся...

— Это неправда. На сегодня нет никаких предпосылок для гиперинфляции. Опасность ее действительно была, пока сохранялся «денежный навес» — искусственно накопленная денежная масса в условиях слабой финансовой по-

литики и административного контроля цен. Вообще это самая большая проблема при переходе от военной экономики (необязательно социалистической) к мирной: как ликвидировать «денежный навес», не запустив гиперинфляции. Считаю, что это нам сделать удалось. А если навеса нет, то можно говорить о возможности инфляции, о высокой инфляции (уровень ее будет зависеть от жесткости денежной и бюджетной политики), но гиперинфляция в данной ситуации уже не грозит.

Что касается бюджетного дефицита: по январю-февралю он нулевой, бюджет сбалансирован. Мы открывали финансирование только под реальные доходы. Сейчас даже можем позволить себе быть более мягкими в бюджетной политике. Март кончим с довольно большим дефицитом, но это потому, что смогли открыть финансирование целого ряда программ.

— Не сведут ли эти отступления на «нет» все предыдущие усилия?

— Надеюсь, что не сведут. Во-первых, отступаем все-таки упорядоченно. Во-вторых, отступаем в тот момент, когда сами считаем, что маленькое отступление возможно, и отступаем для того, чтобы перегруппировать силы. Чтобы на фоне либерализации цен на энергоносители получить дополнительные источники доходов и к концу года квартальный дефицит опять сократить до уровня, не превышающего двух процентов от валового национального продукта.

— Что будет с рублем?

— Сейчас довольно сильны

инфляционные ожидания в связи с предстоящей либерализацией цен на энергоносители, на курс рубля оказывается мощное давление. Оно будет продолжаться по крайней мере до момента либерализации и охватит примерно еще недели три после нее. Считаем, что курс рубля должен стабилизироваться на уровне значительно более низком, чем тот, что существует сегодня.

— Опять пошли слухи о реформе денег...

— Никакую реформу с отменой союзных денег российское правительство не готовит.

— Теперь о том, что волнует всех без исключения: массовая безработица. Это реальная угроза?

— Вряд ли она станет массовой к концу года. Миллионов шесть — да, и то — завышенная цифра. Однако постепенно безработица будет все более возрастать. Что посоветовать? Не упираться в старые привычки, а искать новую работу. Не паниковать, у нас колоссальная возможность занятости и в сфере обслуживания, и в рыночной инфраструктуре. И еще, наверное, следует постоянно отдавать себе отчет в том, что твое рабочее место вовсе не дано тебе раз и навсегда. Я не запугиваю. Я просто хочу, чтобы люди понимали: у нас у всех один выбор. Либо маленькая возможность безработицы и нищенская заработная плата для всех, либо более серьезная возможность безработицы и высокие доходы у тех, кто создает нужный людям продукт.

И. САВВАТЕЕВА.

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EXR

EUR II

MR. P. ANDREWS

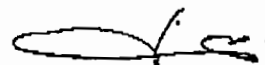
Michel Camdessus
Managing Director
International
Monetary Fund
Washington D.C.
U.S.A.

Dear Mr Camdessus!

The Economics and Finance Ministry of the Russian Federation thanks the Research Institute of the IMF for holding the seminar on using financial instruments in macroeconomic regulation for Common Wealth officials from the Central banks and Ministries of Finance at Moscow State University. This seminar promoted the adaptation of new forms of economic regulation in the transition to a market economy. The above-mentioned seminar attracted much interest in academic and banking circles.

Moscow State University is preparing for the second seminar for the Russian Federation finance officials scheduled in March 1992. We regard an eight-week seminars (in English, Spanish and French) on macroeconomic and financial policies in Washington as very useful.

The Economic and Finance Ministry of Russian Federation, the Central Bank of Russia and Moscow State University greatly appreciate such actions. We are ready to choose suitable candidates from officials of the above-mentioned organizations and group of professors in the field of finance and banking to participate in short-term courses with translation to Russian (about two weeks) in Washington and medium-length courses (3-4 weeks) in Europe. We are ready to pay for the interpreters included in these groups.



Sincerely yours,

S. Gorbachev

Deputy Minister of Economy
and Finance of Russia

Iljinka, 9,
Moscow, Russia



Office Memorandum

To: Department Heads

February 7, 1992

From: Records Division CB

Subject: Former USSR Republics and Baltic States

This is to confirm that for the present, the following list of names for the former Republics of the Soviet Union will be used in Fund documents and publications:

- Armenia
- Azerbaijan
- Byelarus
- Georgia
- Kazakhstan
- Kyrghyzstan*
- Moldova
- Russian Federation
- Tajikistan
- Turkmenistan
- Ukraine
- Uzbekistan

In addition, we have received notification from the International Organization for Standardization (ISO) that country codes for the Baltic states of Estonia, Latvia, and Lithuania have been approved as follows:

Estonia	EST
Latvia	LVA
Lithuania	LTU

cc: Administrative Officers

*Please note spelling change.

Copies: USSR, 000
C/000 - (Republics & states)

Russia, 000



Office Memorandum

CF

To: Mr. Van Houtven

February 4, 1992

From: John Odling-Smee *Jo-S*

Subject: Contacts in the Former Republics for Constituency Purposes

The following are the names and addresses of people in the former republics that member governments could contact on issues of Board constituency. In a few cases, the missions are still out in the field; if, upon their return, we have second thoughts on the appropriate contact person, I will let you know promptly.

✓ Russia: Mr. Yegor Gaidar
Deputy Chairman of the Government of Russia and
Minister of Economy and Finance
Tel: 206-2171, 206-4669

Belarus: Mr. Miasnikovich,
Deputy Prime Minister,
Minsk, Belarus
Fax: 7-0172-29-66-65

Ukraine: Mr. H.O. Piatachenko
Minister of Finance
Ministry of Finance,
12/2 Grushevsky St.
Kiev, 8, Ukraine
Fax: 7-044-226-25-17

Kazakhstan: Mr. D.K. Sembaev, Deputy Prime Minister
Tel: 7-3272-62-48-97
Fax: 7-3272-63-76-33

Kyrgyzstan: Mr. Askar Sarygulov, Deputy Chairman
President's Council for Foreign Affairs
Bishkek, Republic of Kirghizstan

Tajikistan: Mr. A.A. Samadov, Vice Chairman,
Cabinet of Ministers
Dushanbe, Tadjikistan

Turkmenistan: Mr. V.G. Otchertsov, Deputy Head of the
Government of Turkmenistan
Fax: 7-095-274-01-36

Copies: U.S.S.R., 000
1/000 (Columbia)

Uzbekistan: not yet clear

Armenia: Hrant A. Bagratian
Deputy Prime Minister and Minister of Economy
Government House
Republic Square
Yerevan 375010, Armenia
Tel: 7-8852-52-73-42
Fax: 7-8852-15-10-69

Azerbaijan: Raghim Ali Husseinov
Deputy Prime Minister and Chairman of the State Economic
and Planning Committee
Government House
Baku, 370016, Azerbaijan
Telex: 7-0422-14-21-63 BABEK

Georgia: Murman M. Omanidze
First Deputy Prime Minister and Minister of Foreign Affairs
Republic of Georgia
Tbilisi, Georgia

Moldova: Konstantin A. Tampiza
Deputy Prime Minister and Minister of Economy
Republic of Moldova
Kishinev, Moldova

Estonia: Mr. Siim Kallas,
Governor, Eesti Pank (Bank of Estonia)
Kentmanni Str. 13
Tallinn 200100

Latvia: Mr. Maris Gailis
Deputy Minister, Ministry of Foreign Affairs
Brivivas Boluv, 36
Riga, Latvia

Lithuania: Mr. Vytenis Aleskaitis,
Minister of International Economic Relations
J. Tumo-Vaizganto, 2
232039 Vilnius, Lithuania

cc: DCs



Office Memorandum

To: Administrative Officers
From: Records Division *JK*
Subject: Former USSR Republics

January 10, 1992

For the present, the following list of names for the former Republics of the Soviet Union will be used in Fund documents and publications.

Former USSR Republics

Armenia
Azerbaijan
Byelarus
Georgia
Kazakhstan
Kyrgyzstan
Moldova
Russian Federation
Tajikistan
Turkmenistan
Ukraine
Uzbekistan