

Getting It Right in Aid to Russia



By JANINE R. WEDEL

THE Bush Administration's multi-billion dollar aid package to the former Soviet republics calls to mind promises made more than two years ago to Eastern European nations. Although the \$1 billion stabilization fund, to which the United States contributed, helped ease Poland's transition, many other endeavors appear to be less successful and should serve as lessons for working with the former Soviet republics.

Much of the \$2 billion in aid the United States has given to Eastern Europe since 1989 has helped deflect energy from the institution-building, trade and investment that are critical if post-Communist countries are to compete globally. Post-Communist Europe is in danger of becoming a playground for consultants and a dumping ground for surplus commodities of only marginal value.

Consider the distribution of some Defense Department surplus shipped to Poland from military bases in Turkey, Germany and the Persian Gulf. For instance, of nine trucks and ambulances flown from Germany to Poland, half were in such poor repair that they could not be driven safely. The Warsaw staff responsible for distributing them assessed that the goods cost more to ship than they were worth.

Essential medicines unavailable in Russia are urgently needed from abroad, but some "humanitarian" goods are redundant. The 400,000 pairs of trousers the Defense Department sent to Poland were enough to outfit nearly 4 percent of adult males there - and more than enough to raise questions about disrupting some staple domestic industries such as textiles. Articulating the growing resentment toward Western patronage, Polish President Lech Walesa recently accused the West of being opportunistic: betraying his nation by deluging it with consumer goods but failing to make major investments.

United States grant aid, administered through the United States Agency for International Development, is scattershot. Aid recipients are

Janine R. Wedel is a Fulbright scholar and specialist on Eastern Europe, whose latest book is "The Unplanned Society: Poland During and After Communism."

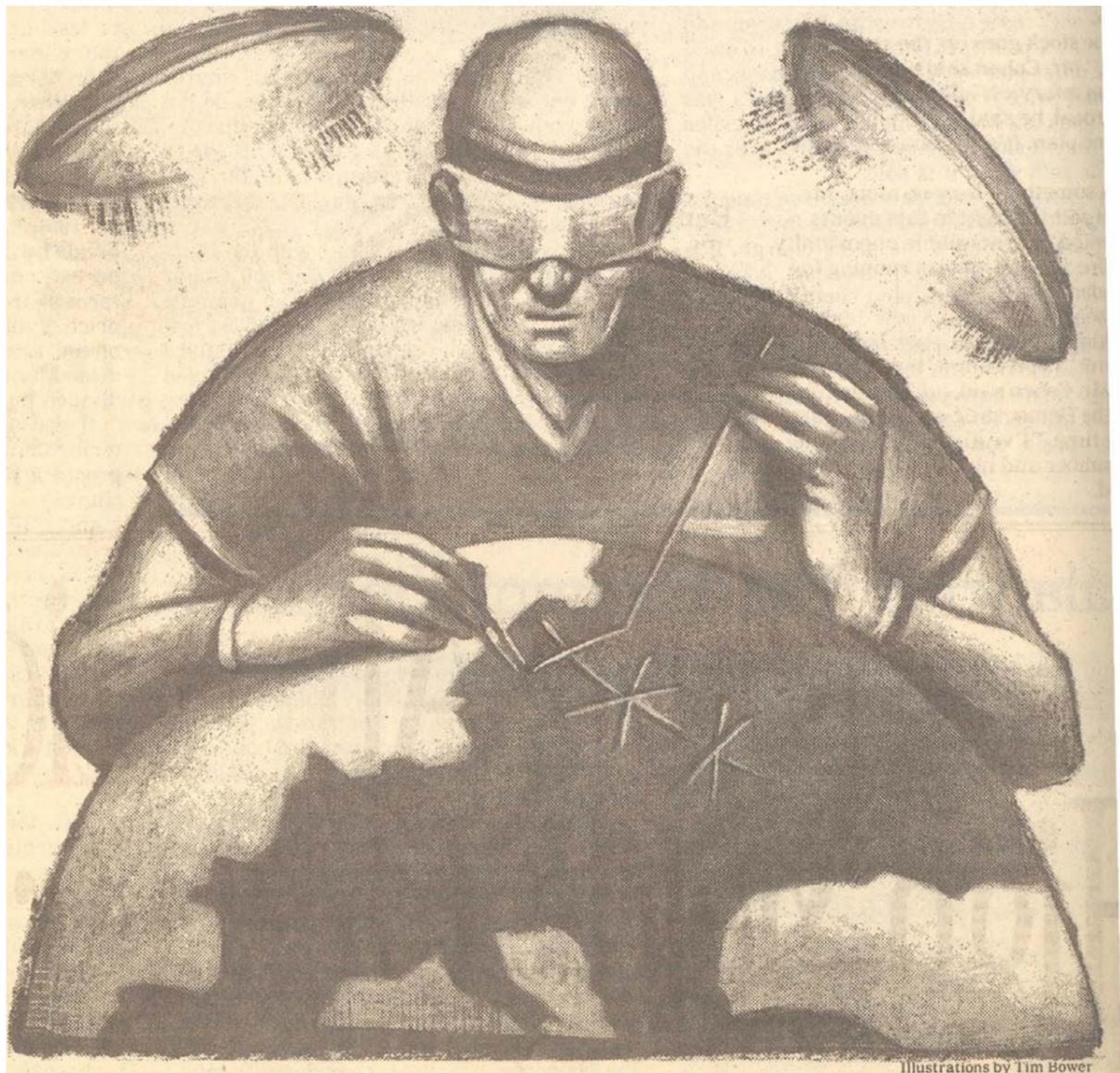
seldom allowed to contribute to the process in a meaningful way. Washington is the center of aid decision-making, and A.I.D. officials residing in Eastern Europe sometimes learn about contracts signed in Washington only when contractors arrive on assignment. And because United States policy insists on aiding the private sector and avoiding governments almost entirely, aid tends to work around the institutions it is supposed to help. Even Polish ministries responsible for privatization and economic restructuring have little authority to assess the work of consultants, determine schedules or terminate a contract for nonperformance or poor performance. As a result, they have used American aid infrequently, and then with often unsatisfactory results. In contrast, the European Community's PHARE program to aid Eastern Europe permits recipient ministries to supervise funds, with oversight by PHARE officials.

A.I.D.'s regional approach has caused further problems. East European officials complain that Washington shifts its priorities when geopolitical winds change. And although problems like pollution cross national boundaries, each country has its own politics

and policies like those guiding the privatization of state enterprises.

A.I.D. programs risk contributing to the crisis governance. While confronting leadership changes, employee turnover, embezzlement scandals and often near-bankruptcy, East Europe officials must try to fit into the structures American assistance. Jacek Poznanski, who helps coordinate assistance to Poland, concluded that aid programs are failing "to create working, sustainable institutions that can promote the process of reform."

To remedy the problems, the United States should focus its efforts not on assistance designed to make the West feel it has done its charitable duty, but on exchanges and partnerships that would marry post-Communist economies to Western ones. Policies that encourage investment, trade and especially exports to the West from Eastern Europe and the former Soviet Union are crucial. Otherwise, officials of the former Soviet republics are in a few years likely to echo the disenchantment and sense of betrayal expressed by Lech Walesa. This time, though, the stakes are higher. The institutional crises and potential damage to American interests are much greater.



Illustrations by Tim Bower