

A;COMMENTARY

**Taking measure of the aid pit**

Arnold Beichman  
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No matter that Vladimir Putin now officially becomes Russia's elected president, there is a job for the U.S. Congress to undertake without delay: a serious investigation of the Russian financial scandals of the last decade. Billions of U.S. dollars intended to help the Russian economy seem to have vanished into thin air, thin air being a metaphor for Swiss and other overseas havens for stolen or laundered money. Congress must uncover who profited from the American aid program to post-Soviet Russia. Were any Americans involved in these scandals?

For, as has been known for years, the international aid program for Russia has been one of the most witless, most unpoliced and most mismanaged in modern history. Much has been written about the financial disaster visited upon post-Soviet Russia in the attempt to introduce cold-turkey privatization and marketization. Too little has been written about the swindling that has gone on - until now.

An article in the current National Interest ought to be studied carefully by Reps. Benjamin Gilman, New York Republican, chairman of the House International Relations Committee and Rep. Jim Leach, Iowa Republican, chairman of the House Banking Committee. Mr. Gilman stated last October that "the corruption within the Yeltsin government in Russia is extensive. . . . [and] goes to the top of the Russian government." Mr. Leach routinely talks about a "Russian kleptocracy."

The National Interest article in the spring 2000 issue is by **Janine R. Wedel**, a faculty member of the University of Pittsburgh graduate school of international affairs. Her article is titled ominously: "Tainted Transactions: Harvard, the Chubais Clan and Russia's Ruin." Professor Wedel ought to be invited by Congress to testify about her explosive bill of particulars.

As an anthropologist, she has applied her specialty to dissecting how financial aid to Russia was diverted to secret bank accounts while Western advisers, notably Harvard faculty members, among others, stood by and, at best, did nothing to stop the looting.

In her expose, Miss Wedel introduces the concept of "transactorship" so as better to illuminate the murky dealings that have been going on since the Soviet Union sank into oblivion in 1991. By "transactors" Professor Wedel means "players in a small, informal group who work together for mutual gain, while formally representing different parties." The adjectival phrase, "cozy manner" applies to the transactors, American advisers and Russian representatives, whose "activities ran directly counter to the stated aims and of the U.S. aid program in Russia," writes Professor Wedel. Transactors may also have been involved in criminal activities.

It's up to Messrs. Gilman and Leach and their colleagues to find out what has been going on. Professor Wedel's charges are too serious to be ignored.

The National Interest article fingers the Harvard Institute for International Development (HIID); Harvard professors Jeffrey Sachs and Andrei Shleifer; Anders Aslund, a Sachs associate; Russian economists Yegor Gaidar and Anatoly Chubais as the "transactors" who together planned the transition from a centralized socialist economy to what was to be a market economy.

The U.S. General Accounting Office has been investigating HIID activities in Russia and Ukraine. The Clinton administration, says Professor Wedel, "delegated virtually its entire Russian economic aid portfolio - more than \$350 million - for management by the Harvard Institute." Delegating so much aid to a private entity, according to GAO officials is unprecedented.

Treasury Secretary Lawrence Summers, himself a former Harvard faculty member and earlier chief

economist at the World Bank, has described the HIID-Chubais Clan as a "dream team." Such backing, writes Professor Wedel, "enabled the Harvard-Chubais transactors to exact hundreds of millions of dollars in Western loans and American aid."

"Secrecy shrouded the privatization process . . . which was largely shaped by the Harvard-Chubais transactors," writes Professor Wedel, "[and] which was intended to spread the fruits of the free market. Instead, it helped to create a system of 'tycoon capitalism' acting in the service of a half dozen corrupt oligarchs. The 'reforms' were more about wealth confiscation than wealth creation."

Chairmen Gilman and Leach, it's your move. The sooner the better.

Arnold Beichman, a research fellow at the Hoover Institution, is a columnist for The Washington Times.

Cartoon, RUSSIA, By Beattie/Daytona Beach News-Journal (Copley News Service, '00)

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