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Finance not the key to Russian reform

From Mr Bijan-Daniel Khezri.

Sir, More financial aid is not better aid. While proposing that western governments "provide about 4 per cent of Russian gross national product (\$14bn) in quick-disbursing funds for socially oriented projects", Jeffrey Sachs and Charles Wyplosz ("How the west should help Russian reform", January 11) suggest a short-term treatment of symptoms rather than a policy taking into account the structural obstacles blocking reforms in the short as well as in the long term.

First, parliamentary appropriations will be difficult to obtain. Recession-haunted

western taxpayers are fed up with pumping billions of dollars into non-existent macro-economic structures, paying for western policymakers' inability to develop a coherent co-operative strategy for reform. The policy should consist, financial aid aside, of strong and wide-ranging technical assistance in local institution-building (tax-system, judiciary, banking, etc) trade and business training.

Professors Sachs and Wyplosz believe that "\$14bn is surely the most important investment in Russia's democratic future and, thus, in western security"; but Russia's dealings with ex-Soviet repub-

lics during the past two years might well indicate that the Trojan horse of Russian expansionism, threatening international security, is a battery of subtle ideology-fuelled power politics manifested in trade and monetary policies, economically suffocating its neighbours to death. The west's stability-enhancing support should focus on the economic and, thus, political survival of Russia's neighbours. A possible policy option might consist of providing incentives to Russia, not politically to abuse energy and monetary monopolies.

A well-established class of corrupt entrepreneurs is build-

ing a state of its own within Russia, controlling the wealth of the country, namely the natural resources. It is manipulating the development of all entrepreneurial activity, working partly hand in hand with the government and reducing the country's tax revenue through systematic bribery - though creating some jobs and filling some empty shelves. Under these circumstances, western reform support should be strictly limited to technical assistance, excluding huge financial injections.

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