

# Harvard shock troops storm Mongolia

by Michael Billington

U.S. Secretary of State James Baker has made only three trips to Asia during his tenure. Yet, on two of those visits he stopped in Mongolia, a desolate nation of 2 million people spread out over a territory three times as large as France, landlocked between the communist land masses of China and Russia. Mongolia is a beautiful place, and some reports say that Baker's special attachment derives from his enjoyment of the famous hunts for long-horned sheep. Whatever the cause for this special concern, he and a team of seven Harvard whiz kids have driven the once Soviet-dominated nation into a devastating spiral of collapse through the same methods of free market "shock treatment" used to destroy the potential development of Poland (see p. 4). Some have labeled this a Mongolian Sachs-ually transmitted disease.

Mongolia was dropped from the Soviets' circle of client states in the wake of the revolutions in Eastern Europe in 1989, but is still ruled by the Communist Party. Under Soviet control, nearly all trade was directed toward the Soviet Union, and the Soviets built what little there is of Mongolian industry and infrastructure. All Soviet trade and assistance was cut off at the beginning of this year, and all Soviet troops are being pulled out by the end of this year.

Mongolia has now virtually turned its economy over to the Harvard boys, several of whom came fresh from peddling their wares in Poland. All but the most essential industries are being auctioned off to a "free market," which is in fact controlled by these "advisers," allowing 100% foreign ownership. The budget was slashed by 30%, and the currency was devalued by 600%. Harvard economist Peter Boone, now an adviser to the Mongolian central bank, told the *Washington Post*: "No one has done it so fast. The shock here is far greater than anywhere else in the former socialist world. It's as bad as a war."

Among the nearly unavailable goods are newsprint, fruit, spare parts, toilet paper, and most foods except rationed sugar, flour, and butter. Even basic medicines like penicillin and aspirin are out of supply. Mongolia has 22 million head of livestock and has always been a net meat exporter, but now meat is rationed at one-third the previous average rate of consumption. Some 300,000 fewer animals were born this year than last, as the farmers slaughter herds that are too expensive to either keep or take to market. Trade has collapsed by 63%.

The current breakdown comes as no surprise to the United

States. Baker visited Mongolia in 1989, promising full support for the "positive developments" in their decision to "move in the direction of a more market-oriented economy," as his State Department associate Desaix Anderson told the U.S. Congress. Mongolia needed assistance of about \$600 million per year and massive infrastructure investments to open up its resource potential. In two years, the U.S. has invested nothing, given \$2 million in aid, and sent them Harvard economists.

Under Harvard's direction, Mongolia sent a team to observe the Chinese free trade zones along the Chinese coast, and announced that six such zones will be set up along their border, with even fewer restrictions for foreign investors than those in China. These Chinese coastal zones have functioned as a structure for the virtual recolonization of China, as foreign investors use the cheap labor to produce export goods, launder drug money, and protect the bloody regime of Deng Xiaoping while the rest of the country has collapsed

## The Kazakhstan connection

Another neighboring republic is closely observing the same model of the Chinese free trade zones—the Soviet Republic of Kazakhstan, which stretches from Europe to Mongolia. Kazakhstan recently sent a team to visit the Chinese coastal free trade zones, with the intention of setting up similar operations at home.

Baker has also taken a "special interest" in Kazakh Communist Party chief Nazarbayev, who is being groomed, with Baker's support, to play a key role in the Anglo-American vision of a fractured Soviet Union. Nazarbayev will be attending the summit meetings between Bush and Soviet leader Mikhail Gorbachov. A look at a map will explain the strategic significance of an Anglo-American interest in maintaining an economically weak Kazakhstan and Mongolia, spanning the area dividing Europe from Asia.

Clearer heads, even within the Washington establishment, can see that these policies toward the newly freed Soviet satrapies are courting disaster both in eastern Europe and in Mongolia. A Brookings Institution China specialist who has watched the destruction of Poland by the Harvard "shock treatment" crowd around Jeffrey Sachs—"those orthodox economists who are so proud and so bloody confident that they're right about everything"—is worried that the world will soon see that the U.S. has given these nations fundamentally bad advice. "Sachs would tell you that it's too soon to judge the results of the shock treatment, but at the same time we're telling Poland that the best they can hope for under our advice over the next 10 years is a zero percent rate of growth," he said. "Do these guys really know what we are doing to them?"

Unfortunately, the answer is "Yes." Harvard's Clifford Zinnes brags that it is only the Mongolians who don't know what is going to hit them. "It's going to be grim," he told the *Washington Post*.