

Man in the shadows. (USSR Politburo member Oleg Shenin) (Hidden assets of the Soviet Communist Party)

By Vladimir Kvint and Natalia Darialova

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THE SOVIET UNION announced late last month that it has only \$3 billion in gold reserves. Westerners were stunned. What happened to all those tens of billions of dollars' worth of gold the CIA and other analysts had assumed existed in Soviet vaults?

The standard answer is that the Soviets spent it, especially after their oil revenues dropped. We think the standard answer is incorrect. Not all the Soviet gold was spent. A lot of it remains, but in private names and in private bank accounts.

I (V.K.) worked in the Soviet gold and silver industry for many years. Knowing how the metals are produced and where they go, I estimate that at least 60 tons of gold, 8 tons of Norilsk platinum and not less than 150 tons of silver were hidden abroad at the order of the Communist Party. We're not talking about peanuts.

This is without counting diamonds of more than 10 carats, which the U.S.S.R. has been mining but hasn't been selling in the world markets for over 45 years. In theory they were held at the "Third Department" of the U.S.S.R.'s Ministry of Finance, known under the name "Gokhran" (State Guard). In practice the Communist Party and the Central Committee functionaries could and did help themselves to these diamonds.

By our estimates, between \$15 billion and \$50 billion of Communist Party money sits, like the lost treasures at the bottom of the ocean, in the safes of Western banks.

So the Soviet Union is not as broke as it pretends. As with a lot of Latin American countries, what should be its reserves instead sit in private hands in foreign banks.

Further, we think this buried capital was a factor in the unsuccessful coup against Gorbachev on Aug. 19. According to the official account, the leader of the coup was Vice President Gennady Yanayev. But in spite of his cunning, he is a rather shallow man, overly fond of vodka. He couldn't conspire his way out of a paper bag.

Then who was the real ringleader? His name is Oleg Shenin, 54, a member of the Politburo. Shenin's name has not yet been publicly linked to the coup, but he was arrested in Moscow soon after the coup failed and is now behind bars.

I have known both Yanayev and Shenin for 20 years. Unlike Yanayev, Shenin is razor-sharp and persistent in reaching his goals. As secretary of the Central Committee, he controlled at least \$15 billion worth of secret Communist Party deposits in Western, mainly Swiss, banks.

Always a man in the shadows, Shenin was in charge of the country's two most powerful institutions: the KGB and the army. He is a man who believed that arrows from the dark hit better. So he preferred anonymity even though both the former KGB chairman, Vladimir Kryuchkov, and the former defense minister, Dmitri Yazov, reported to him.

Equally important, Shenin controlled the Communist Party's money. He was to the Communist Party what Martin Bormann was to Hitler's National Socialists.

One other man had a hand on the purse strings. He was a party functionary named Nikolai Kruchina. Since 1983 Kruchina ran the Upravlenie Delami—the Business Management Headquarters. That organization controlled billions of dollars' worth of the party's money, mostly in publishing houses, real estate and cash.

Where is Kruchina now? In a better world. Four days after the coup and after the frantic flights between Moscow and the Crimea, Kruchina made his last flight—out of the fifth-floor window of his apartment. Did he jump? Or was he shoved? It's not clear. What is clear is that he knew too much for his own good. So now only the jailed Shenin—and perhaps Gorbachev—knows where the money is.

It boils down to this: The Communist Party's head is dead, but its body still lives. It is one of the world's biggest

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financial corporations. A burglar and exploiter, for 74 years the party has ignored any distinction between its own and the state's pockets.

In 1991 the Law on Property was adopted in the U.S.S.R., ending the state's monopoly on property. That should help Boris Yeltsin and others who have been demanding that the party hand over its assets to the republics. Seeing this coming, since 1989 the big-time party players have been illegally transferring money abroad.

Of course, not all of the gold stolen by the party is abroad. Much of it is at home. Like any gangster, the Communist gangsters now face the problem of laundering their illegal domestic wealth.

One of my clients, a very large American multinational corporation, recently had a taste of this. It was approached by a Soviet man who claimed he was a president of a large new concern. He had a reference letter from Gorbachev's closest party friend. I soon discovered that the alleged Soviet company was not registered as a company and didn't have the right to participate in foreign economic activity. However, the letter from Gorbachev's friend meant the party was involved. Party members were trying to launder assets by creating a joint venture with a legitimate foreign company. A similar unregistered concern, blessed by the Soviet state bank, tried to sell, a U.S. company several billion rubles for dollars at a price lower than the official rate.

Some of this laundering has already been exposed. When Germany was uniting, the German communist party started moving its valuable new currency outside the country. (West German marks and East German marks were made equal.) This money was invested in businesses, often through joint ventures. One of them was revealed in a Russian newspaper. Putnic, an office-construction firm, was a joint venture between the Soviets and a Cyprus holding company. Where did the Cyprus partner's capital come from? Answer: from those East German party hacks bearing valuable Deutsche marks.

One Japanese pharmaceutical company won enormous privileges in the U.S.S.R. I learned why: The company helps finance the Japanese Communist Party.

All this activity was directed by Oleg Shenin.

Before the coup one of the U.S.S.R. government's newspapers published memoirs of a Soviet spy family. As part of its cover, the family owned companies in the U.S. and in Western Europe. Where did the initial capital for the companies come from? From the KGB. I am sure that this is just one piece of a huge financial iceberg the KGB had built in the West under the wise leadership of the Communist Party, and of the party's KGB overseer, Oleg Shenin.

Foreigners doing business in the former U.S.S.R. should be careful about prospective partners, who may be fronts for old party interests or who actually may have stolen money rightfully belonging to the Soviet state or one of the former republics. Komsomol, the party's youth branch, is now officially dissolved, but before it went, a lot of its assets leaked out. For instance, it invested 250 million rubles in a new bank, Finist. Now Komsomol is abolished. Who will be getting the interest on the investment? Interesting question.

The new governments, especially Yeltsin's in Russia, are going after this stolen—or misplaced—money. Last year the Communist Party tried to transfer one of its central Moscow buildings to a Soviet-Swiss joint venture called Link. Its principals on the Soviet side included people connected with the party. Then the democratic Moscow City Council threatened such joint ventures with criminal investigation, and the planned property transfer probably never materialized.

But the main problem is finding out where the treasure abroad is hidden. The Moscow Association of Businessmen has announced rewards for information about the whereabouts of the party's assets. Russia's chief prosecutor has started an investigation. Some big scandals are yet to make headlines.

Where it has been identified, party property inside the country is being transferred to local authorities. Local governments have already taken control of more than 4,000 party publishing and printing houses, 40 of them being among the world's biggest. Many of them will soon be used to form joint ventures with major foreign publishing conglomerates.

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Boris Yeltsin and the Russian parliament have asked the Swiss government to freeze the party's money in Swiss banks. Standing on principle, the Swiss authorities have asked for more information. Perhaps they want proof of the party's criminal activity. The Swiss government hasn't yet asked its banks to freeze any funds, but Swiss bankers are keeping an eye out for large transfers.

Other foreign governments have received similar requests from the Yeltsin government.

The world now knows Communist rule in Russia was corrupt and its socialism utterly unworkable. But the world doesn't yet know how utterly corrupt and rotten it was.

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