

A P P L I E D K N O W L E D G E

HOW A RUSSIA ENTHUSIAST BECAME AN INTERNATIONAL BANKER



Gail Buyske and colleagues at the farewell party
thrown in her honor by Kazkommertsbank (2012).

GAIL BUYSKE

IN PROFILE

BY MASHA UDENSIVA-BRENNER



As geopolitical tensions over the crisis in Ukraine escalate, and Russia's economy erodes under pressure from Western sanctions, Gail Buyske (Harriman Institute, '93) continues to travel to Russia and Ukraine to advise the Bank of St. Petersburg and the First Ukrainian International Bank. Buyske, a slender, elegant woman with short reddish brown hair and a kind, gentle demeanor, has worked in international banking since 1979 and has been engaged in corporate governance for nearly two decades. She likens the role of a member on a board of directors to that of an amateur psychologist. "I could walk into a bank and pretty quickly figure out what the problems are, but the point is to help other people make the solutions their own," she says. "To do that, you have to understand where those people are coming from." Perhaps it is because of her emphasis on understanding that Buyske has not experienced major changes to her work environment, even in the face of rising international tensions. "My contribution to this is that I just keep showing up," she says. "I try to be friendly, I try to be helpful, because life does go on for everybody and we're just trying to do our best."

Buyske did not always plan to go into the financial sector, nor was she always interested in the post-Soviet region. As an undergraduate, she enrolled in Middlebury College for its French program and ended up taking Russian as a second language at the recommendation of her adviser. The faculty of the Middlebury Russian Department encouraged students to "try to understand the country and its culture as a whole," says Buyske, and its tutelage sparked her interest in the region. But the real turning point came in 1975, during her junior year, when she spent a semester in Leningrad living in a dorm room across from the Hermitage. The experience was not without its hardships, including the lack of food and the difficulty of making Russian

friends because everyone was scared to be seen with an American. The friends she did make were so squeamish about their telephones being tapped—"they always acted as if it was some magic hearing device, even if it was just next to us in the room"—that nearly forty years later she continues to be uncomfortable discussing sensitive information by phone. But Buyske was struck by the shocking beauty of the architecture and the peculiar juxtaposition of Soviet structures and the relics of tsarist times. "In some bizarre way, it felt like home to me," she says. "And I wanted desperately to understand it."

After graduating from Middlebury, Buyske envisioned herself becoming an academic or joining the Foreign Service and enrolled in a master's in public administration program at Princeton University's Woodrow Wilson School. Princeton was known for its strong Russian language department and two star Sovietologists—Stephen Cohen and Richard Tucker—and Buyske continued her studies of the region. But after the two-year program ended, she hesitated to embark on the path to academia. "I realized that I didn't know the world well enough, I didn't have my questions formulated, and I didn't have enough life experience to get a Ph.D.," she says. She

was accepted into the Foreign Service but decided against that too. What if she didn't like it and ended up without the transferable skills necessary to build another career? At that time, U.S. banks were just starting to expand into the international arena and seeking employees with international knowledge and aptitude in foreign languages. Master's programs in business administration were not yet prevalent, so bankers came to university campuses to recruit students with language skills and "a demonstrated interest in travel and meeting people from other countries," and put them in a yearlong training program, says Buyske. She liked the idea of working for a large, international organization, developing a network, and learning technical skills. She interviewed with Chase and got a job in the problem loan department. "It was pretty idyllic," she says.

Though she assumed her work in the banking sector would be temporary, Buyske kept landing interesting assignments and delaying her exit from the industry. Throughout the early 1980s, she worked with the senior banker leading the 1980 Chrysler bailout negotiations on a coal mine in Pennsylvania, and with a movie company in California. She also conducted a study of the nascent

timeshare industry in Florida. "I had broad exposure to a bunch of different industries and people trying to figure out how to solve problems," she says. Then she got a four-year placement in Hong Kong when it was still a British colony, shortly after the opening of China's economy. "It was just spectacular," she recalls.

Eventually, after working on the Latin American debt crisis in the mid-1980s, and as the deputy head of Chase's Soviet and Eastern European division from 1988 to 1991, she decided to enter academia full time and enroll in a Ph.D. program in Columbia's Department of Political Science. "During my days at Chase I had met all these interesting people and had all these fantastic anecdotal experiences, but I didn't have a way to put them together in my head," she says. What she wanted out of a Ph.D. program was a framework for understanding the Soviet Union. Just as she embarked on her degree, the Soviet Union collapsed. Buyske, who was fascinated by the unfolding developments, took advantage of the growing demand for Russian speakers with banking knowledge and spent her doctoral years consulting for banks from the former Soviet republics, as the post-Communist region tried to develop new banking systems. "It really helped me



From left to right: Gail Buyske (chair) and colleagues of the Board Working Group on Audit and Risk at the First Ukrainian International Bank; Gail Buyske (chair) with members of the Risk Committee of the Board of Directors of Bank St. Petersburg, visiting a construction site; Gail Buyske and colleagues at her Kazkommertsbank farewell party (2012).



Gail Buyske at the International Banking Congress in St. Petersburg.

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to define what I wanted to research," she says. Meanwhile, Buyske's professors—Richard Ericson and Robert Legvold, Jack Snyder and Richard Wortman, to name a few—gave her a perspective on Russian economics, politics, and history. "It was such an exciting time because everyone was trying to figure out what was going on," she says.

After finishing her dissertation—a comparison of the banking systems in Russia, Estonia, and Hungary—Buyske went back into the financial sector to apply her knowledge. She was particularly interested in the world of corporate governance, which was key to former Communist countries trying to develop market economies. As state-owned companies privatized, and shareholders received privatization vouchers, there were no mechanisms in place to ensure that they would treat their shareholders fairly. Thus, it became necessary for each company to develop the appropriate supervisory framework and a board of directors to keep that framework in place. In 1998, Buyske moved to Moscow to join the Financial Institutions Team at the European Bank of Reconstruction and Development (EBRD). The following year, the EBRD asked her to chair the board of directors for the Small Business Credit Bank (KMB), and she was unwittingly brought into the world of microfinance.

In the 1990s, microfinance—the practice of making "micro" loans to small borrowers, often traced back to a \$27 loan made to basket weavers in Bangladesh in the mid-1970s—was associated with poverty reduction and generally executed by churches or nongovernmental organizations (NGOs) in countries all over Asia, Africa, and South America; banks rarely became involved in these transactions because of the perceived inherent risk involved in lending to poor borrowers. But in Russia, where the commercial banking center was just developing, banks had no preconceived notions about microfinance and eagerly accepted the practice after

it was introduced to them by organizations such as the EBRD. While, much like their counterparts in less-developed nations, many Russian citizens were unemployed and without credit history, it worked in their favor to have a strong tradition of national education—they were able to build larger businesses on a more sophisticated scale. Microfinance became an indispensable means to creating new enterprises and sparking economic growth in Russia. Buyske, although initially skeptical, eventually became so interested in the concept and eager to debunk the stereotypes that she wrote a book about it: *Banking on Small Business: Microfinance in Contemporary Russia* (Cornell University Press, 2007). "Writing that book was a very important personal accomplishment," she says.

Is there another one in her future? "Possibly. The challenge of writing a book is that you have to feel passionate about something and I'm still mulling about what that would be," Buyske says. She is considering a study on the fate of borrower discipline in Russia over the past five years. Too many lenders can lead to discipline breakdown, she explains; a sole lender has more clout in setting conditions. "Has competition actually turned out to be a good thing? If it hasn't, what lessons can we learn?" she wonders.

Currently, the Russian economy is in crisis, and Buyske worries that the geopolitical overtones will hinder the financial sector's ability to learn from these events. She also fears that state-owned banks will dominate the weakening economy and hinder the development of privately-owned ones. "That will lessen the opportunities for economic innovation, and I would hate to see it happen." But, despite the commotion, the banking system continues to function, says Buyske. "Bankers are trying to do their jobs, and my job is to help them." □