

January 18, 1993

## AN ACTION PLAN FOR PROMOTING REFORM IN RUSSIA

*... [The] gravest threats are most likely to occur in the following areas. First, the spread of deprivation and disorder in the former Soviet Union, which could lead to armed conflict among the republics or the rise of a fervidly nationalistic and aggressive regime in Russia, still in possession of thousands of long-range nuclear weapons.*

Bill Clinton, speaking at Georgetown University,  
December 12, 1991

### EXECUTIVE SUMMARY

The current political showdown in Moscow is a crucial episode in the struggle for power between the reformers and the hard-line remnants of the old Soviet order. The efforts of Russian President Boris Yeltsin to dismantle the legacy of seven decades of communism and transform Russia into a democratic, prosperous country integrated into the West are encountering increasing resistance from hard-line communists, representatives of state-owned industries, and Russian chauvinists and imperialists, whose interests and power are threatened by his democratic and free market reforms.

Although Yeltsin survived the onslaught against his government during the December session of the hard-line-dominated Congress of People's Deputies, and emerged with much of his program intact, he was forced to make key concessions in personnel, including the replacement of his reformist Prime Minister, Yegor Gaidar, with a candidate of the hard-liners, Viktor Chernomyrdin. Emboldened by these and other victories, the hard-liners are pressing their advantage as a national referendum on a new constitution, scheduled for April, approaches. This referendum is being seen as a vote on whether Russia will sweep away the remaining obstacles to reform or whether the hard-liners will succeed in crippling the reformers.

The outcome of this struggle will directly affect the vital interests of the United States and the West. A democratic, free market Russia at peace with its neighbors would mean the end of Moscow's offensive challenge to the West. In contrast, the failure of the reforms could lead to chaos, with unpredictable consequences for the control of the enormous military arsenal left by the Soviet regime. Worse, a victory by the hard-liners could lead to a revival of the military threat to the West, requiring the expenditure of hundreds of billions of dollars for defense. It would also crush the hopes of three generations of Russians, Ukrainians, Balts, and others who, with innumerable sacrifices, fought and defeated communism in their countries.

The success of the democratic and free market reforms must be the central goal of U.S. policy toward Russia and the other countries of the former Soviet Union (collectively known as the Newly Independent States, or NIS). U.S. interests also require preventing the many ongoing conflicts in the region from growing into larger wars. There are over 30,000 nuclear weapons in the NIS, along with inexhaustible stocks of weapons in all categories. The Bosnian crisis pales in comparison with the potential for war throughout the former Soviet Union, especially if weapons of mass destruction are used.<sup>1</sup>

President-elect Clinton, you were correct to put Russia first on the list of U.S. foreign policy concerns. It is in America's national interest to ensure stability in the former Soviet empire, still armed with tens of thousands of nuclear weapons. Such stability and future cooperation between the U.S. and Russia can be achieved only through the success of reforms and transition to the free market.

To ensure that Russia and the other former Soviet Republics continue on the road of reform, you should:

- Action 1: Appoint an ambassador to Russia who is knowledgeable about the problems confronting the reformers and who has sufficient political weight to command an open channel of communication with you.**
- Action 2: Designate a high-level official to coordinate U.S. government policy toward Russia and the other Newly Independent States.**
- Action 3: Link U.S. assistance to continued progress on economic reforms in Russia, including:**
- ✓ Ending hyperinflation;
  - ✓ Achieving full convertibility of the ruble;
  - ✓ Continued progress in privatization and scaling back the size of the military-industrial complex.
- Action 4: Ensure that U.S. and multilateral assistance promotes the creation of a market economy.** Whenever possible, foreign aid should be directed primarily to the private sector. Government-to-government aid should not be used for government operations, but for creating a private market economy.
- Action 5: Press for greater coordination among the Western aid programs, including a functional division of responsibilities between America and its allies.**
- Action 6: Link continued assistance to Russia to its observation of arms control agreements signed by the U.S.S.R. and Russia.** Hard-line opposition to the recently signed START II is mounting in the Supreme Soviet, and further reductions in Russia's conventional forces are being resisted.

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<sup>1</sup> General D. Dudayev, President of North Caucasian republic of Chechnia, had threatened in 1991 that if independence of Chechnia is not recognized, terrorist squads will be sent to Moscow and other Russian cities to blow up nuclear power stations and disperse radioactive materials.

- Action 7: Insist that Ukraine give up the nuclear weapons on its territory and become a non-nuclear state.**
- Action 8: Press for continued Russian troop withdrawals from Eastern Europe and the Baltics and observation of agreed-upon deadlines.** Yeltsin is under pressure from the hard-liners to delay or halt altogether troop withdrawals from the republics of the former Soviet Union.
- Action 9: Insist that minority rights be respected throughout the region, including rights of the Russian minorities in the non-Russian Republics.** Violations of minority rights are one of most likely causes of conflict within these new states and between them.
- Action 10: Insist that the sovereignty of each of the Newly Independent States be respected by its neighbors in the region.** Russian hard-liners are attempting to use the issue of protecting ethnic Russian minorities in the other republics as excuses for the reestablishment of Moscow's influence in these states. Fostering good relations between Russia and Ukraine is especially important, given their antagonistic relations and large arsenals.
- Action 11: Oppose the spread of Iranian and other Muslim fundamentalist influence in Central Asia.** The U.S. should support the efforts of pro-Western powers, such as Turkey, to provide assistance in building democratic institutions and market economies in these areas.
- Action 12: Prevent the unauthorized sale or transfer by the NIS of nuclear weapons, materials, know-how, and technology, as well as other weapons of mass destruction.**
- Action 13: Foster good relations with both Russia and Ukraine and promote Russian-Ukrainian reconciliation.** Ukraine is the second largest nuclear power in Europe, and is anxious to participate more fully in European security arrangements. However, its economic reforms have proceeded slowly because the government of President Leonid Kravchuk remains dominated by former communists.

## THE HARD-LINERS' COUNTEROFFENSIVE

The success of free market and democratic reforms in the former Soviet Union is in the vital interests of the West. The current showdown in Moscow is not another round of the interminable political battles there, but a crucial episode in the reform process. This period is fraught with hardships for the Russian population and threats to Russia's neighbors.

The power of the hard-liners is growing steadily. As the Russian economy declined over the past year, the hard-liners and other opponents of reform became increasingly bold in their challenge to the government. Yeltsin has been forced into repeated concessions, a process which reached its peak during the December session of the Congress of People's Deputies. At that time, Yeltsin's reformist Prime Minister, Yegor Gaidar, was forced out and replaced by Viktor Chernomyrdin, an ally of the Civic Union, a lobbying group of Yeltsin's political enemies headed by Arkady Volsky. Chernomyrdin's past provides some insight into his views: he was a member of the last Gorbachev cabinet, which voted almost entirely to support the August 1991 coup attempt.



In addition to Gaidar, Yeltsin has lost many of his key supporters from the reformist camp, including his closest advisor, Gennadi Burbulis; nationalities advisor Galina Starovoytova; Radio and TV head Yegor Yakovlev (who was replaced by Igor Malashenko, a Communist Party apparatchik from the former International Department of the Central Committee);<sup>2</sup> Foreign Trade Minister Peter Aven; and Information Minister Mikhail Poltoranin, to name only the most prominent.

The hard-liners also have managed to prevent many desperately needed economic reforms from being implemented. They are responsible for the Central Bank's explosion of credit to bankrupt state enterprises; this has produced hyperinflation, thereby undermining the government's attempt to establish a stable currency. They have also greatly impeded the privatization of the state sector, decollectivization of the state-owned farms, and other basic elements needed in a market economy. As a result, the Russian economy is in shambles, with a coalition of old-style communists, reform communists, representatives of state-owned industry (such as the parliamentary faction, Civic Union), and advocates for a new Russian empire blaming Yeltsin and his policies for the country's perilous economic condition.

## CHALLENGES TO YELTSIN'S PRO-WESTERN FOREIGN POLICY

The impact of the hard-liners is not confined to domestic policy. They have continuously assailed the pro-Western course of the Yeltsin administration, and its chief proponent, Foreign Minister Andrei Kozyrev.<sup>3</sup> In a speech reminiscent of his Soviet KGB predecessors, Russian Minister of Security Viktor Barannikov revealed the hard-liners' hostile attitude toward the West by warning of the "subversive activities of Western secret services" who were attempting to "transform Russia into a raw materials appendage of the developed countries" and "gain control over the Russian nuclear arsenal."<sup>4</sup>

The hardliners' influence on Russian foreign policy is growing, pushing it away from cooperation with the West and towards a more aggressive stance. They have publicly lamented "lost arms sales" of up to \$15 billion to Serbia, Iraq, and Libya, and have pressed for a more ambitious effort to market weapons abroad. Russian foreign military sales are increasing. Examples: the sales of MiG-29 fighters to Malaysia, multiple rocket launcher systems and fighter and ground-attack planes to the Republic of Korea, and SA-10 ground-to-air missiles to the United Arab Emirates. Recently, two *Kilo* class attack submarines were sold to Iran, and China has become a major customer for Russian arms and nuclear technology.<sup>5</sup>

Russian hard-liners in the Parliament, led by its Speaker, Ruslan Khasbulatov, and communist deputies Vladimir Anpilov and Sergei Baburin, have blocked Yeltsin's efforts to reach an accommodation with Japan over the Kurile Islands. They have labelled any compromise with Japan a "sell-off" of Russian territory. As a result, Yeltsin's planned visit to Japan in October 1992 was canceled. In addition to a settlement of this long-standing dispute, Yeltsin had hoped for a Russian-Japanese Peace Treaty. In return he had wanted a multi-billion aid package to develop the Russian Far East.

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<sup>2</sup> *RFE-RL Daily Report*, No. 244, December 21, 1992, p. 1.

<sup>3</sup> Andrei Kozyrev, the first foreign minister of democratic Russia, has been under attack by the hard-liners for months. As Yeltsin conceded to the Parliament the right to confirm people for the four chief cabinet posts (Prime Minister, Defense, Foreign Minister, and Security (KGB) Minister), and the head of the Security Council, Kozyrev might not survive confirmation in the Parliament.

<sup>4</sup> *RFE-RL Daily Report*, No. 240, December 15, 1992, p. 1.

<sup>5</sup> *RFE-RL Daily Report*, No. 234, December 7, 1992, p. 3.

The hard-liners' power in the Russian Parliament has affected Russia's foreign policy. The Parliament issued in December 1992 a highly provocative call to the parliaments of the other republics to reconstitute a confederation, maintaining that the "peoples of the republics desire unity." This is part of an effort to resuscitate the old U.S.S.R., whose demise was lamented by communists and chauvinists within and outside the Russian Parliament.<sup>6</sup> Furthermore, in an effort to deny Yeltsin the ability to conduct foreign policy, the Parliament called for a re-examination of the START I treaty. Some hardline deputies declared the recently signed START II Treaty null and void.

Finally, in response to pressures of the hardliners, Yeltsin, during his December 1992 trip to China, announced that Russia is pursuing a Eurasian, as opposed to European or Atlantic foreign policy, and "has a lot to learn" from the "Chinese model." The implications of this statement are unclear, and may not be serious. But it also may be not only an indication of a partial retreat from the Western orientation pursued by Kozyrev, Gaidar, and other reformers, but the adoption of a more authoritarian approach favored by the hard-liners toward a "controlled" transition to a market economy, along the lines of China.

## AN ACTION PLAN FOR RUSSIA AND THE NIS

Mr. Clinton, given the paramount importance of the success of the political and economic reforms in Russia and the other countries of the former Soviet Union, you need to develop an action plan to help stem the tide of hard-liner reaction in Russia. Thus, you should:

**Action 1: Appoint an ambassador to Russia who is knowledgeable about the problems confronting the reformers and who has sufficient political weight to command an open channel of communication with you.**

The importance of Russia requires that the position of ambassador be filled as soon as possible with an individual who combines expertise with political standing. Because your Administration will be focused on domestic policy, the new ambassador should be an individual of political stature whose voice will not get lost in the bureaucracy and who can be assured of direct communication with you.

**Action 2: Designate a high-level official to coordinate U.S. government policy toward Russia and the other Newly Independent States.**

Such an official should have an in-depth understanding of macroeconomic policy, expertise in reforms leading to transition to the market, and vast experience in policy formulation and implementation. The new policy coordinator also should be someone who supported Boris Yeltsin—and not Mikhail Gorbachev—during the final months of the Soviet Union.

**Action 3: Link U.S. assistance to continued progress on economic reforms in Russia, including**

- ✓ **Ending hyperinflation.** Since assuming chairmanship of the Russian Central Bank last July, Viktor Gerashchenko, the former Soviet Central Bank chief and ally of the hard-liners, has produced an explosion of easy credit under the pretext of "saving employment" and "ensuring an increase in production." This effort to save the bankrupt state-owned industries has produced hyperin-

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<sup>6</sup> *RFE-RL Daily Report*, No. 240, December 15, 1992, p. 1.

flation. The value of the ruble declined by 500 percent in 1992; inflation is now at least 30 percent a month. The result is economic chaos, which has prevented the establishment of a market economy.

Although Yeltsin did not appoint Gerashchenko, and does not control the Central Bank (the Parliament does), you must insist that ending hyperinflation and establishing a stable currency be an immediate priority for the Russian government.

- ✓ **Achieving full convertibility of the ruble.** Full convertibility of the ruble would enhance foreign trade and investment by Western companies in Russia and other republics. If inflation subsides and the ruble is allowed to be traded freely at the Moscow International Currency Exchange and elsewhere,<sup>7</sup> the ruble will become an increasingly convertible currency even without a Western-subsidized currency stabilization fund.
- ✓ **Continued progress in privatization and scaling back the size of the military-industrial complex.** A market economy cannot be created without private property, and virtually all of the industrial, commercial, and agricultural property in Russia remains in the hands of the state. Privatization has begun, but its accomplishments remain very limited, even in areas such as the privatization of farms and stores which could be turned over to the private sector very quickly.

Mr. Clinton, you must press the Russian government to speed up this process of privatization, especially at the local level which has proven to be most resistant to change.

Some 70 percent of Russia's work force reportedly is employed in the military-industrial complex. When the industrial managers talk about a "drop in production," they do not mention that fewer tanks, rockets, steel, and explosives are being produced. Instead of continuing to absorb the lion's share of resources, the military-industrial complex should be forced to undergo a rapid conversion to the market and start producing consumer goods that the Russian population needs and wants. Russian subsidies to these industries should be discontinued, and no Western assistance should be diverted to support these Soviet industrial dinosaurs.

#### **Action 4: Ensure that U.S. and multilateral assistance promotes the creation of a free market economy.**

Whenever possible, aid should be given primarily to private institutions. However, government-to-government aid should be permissible if it promotes the building of market institutions. Aid should help build such market institutions as stock exchanges, bank-clearing systems,<sup>8</sup> courts, and arbitration forums. It also should spur government privatization programs.

#### **Action 5: Press for greater coordination among the Western aid programs, including a functional division of responsibilities.**

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<sup>7</sup> There are persistent rumors in Moscow that Chernomyrdin is going to ban currency auctions and free-floating ruble exchange rate and will go back to several exchange rates arbitrarily set by the Central Bank, thus increasing government intervention and control of the economy.

<sup>8</sup> Today all transactions between Russian and other NIS private and state banks have to be cleared through a division of the Russian State Bank in Moscow. The clearing operations are not computerized, which causes six- to eight-week delays in clearing of transactions. Taking into account astronomical inflation rates, such a system impedes trade in and with Russia.



While some coordination of Western aid programs already exists, there is extensive duplication of effort and a misuse of scarce resources. The Western donor countries and multilateral institutions should divide up the areas of concentration for assistance, which would allow a more directed use of aid. For example, the U.S. and Russia could share experience on converting military-industrial assets to peaceful production, the French and the Italians could assist consumer goods industries, while the British might concentrate on education.

**Action 6: Link continued assistance to Russia to its observation of arms control agreements signed by the U.S.S.R. and Russia.**

Hard-liners, unhappy with Yeltsin government's ongoing reductions in the enormous offensive military capability inherited from the Soviet Union, are attempting to block further reductions in offensive nuclear capability as called for in the START II agreement. They also are attempting to keep weapons production going. Appropriations for Russian military hardware for 1993 are projected to rise by 10 percent. Not only must you press for adherence to the nuclear and other negotiated reductions; you also must make clear that the U.S. will find it difficult to assist Russia if that country does not cease wasting its resources on unneeded military expenditures.

**Action 7: Insist that Ukraine give up the nuclear weapons on its territory and become a non-nuclear state.**

The Ukrainian government has sent mixed signals regarding the fate of the nuclear weapons on its territory, at one time agreeing to their removal and later indicating that some should remain under Ukrainian control. President-elect Clinton, you must make clear to Ukraine's leaders that their relations with the U.S. and the West will depend upon Ukraine becoming a non-nuclear state, and the removal and destruction of all nuclear weapons on its territory. In addition, Ukraine's adherence to both START I and START II, and its complete cooperation regarding the withdrawal and destruction of strategic nuclear weapons on its territory, should be a condition for receiving U.S. assistance.

**Action 8: Press for continued Russian troop withdrawals from Eastern Europe and the Baltics and observation of agreed-upon deadlines.**

Russia continues to bring home the vast number of former Soviet troops stationed outside of Russia. Hardline pressure on Yeltsin to use these forces as agents of Russian influence has resulted in interruptions of the negotiated timetable of withdrawals from such places as Lithuania. Mr. Clinton, you must make clear that, although the U.S. is sympathetic to the need to proceed methodically in these withdrawals, Russia must stick to its negotiated timetables. You should insist that Russia reach new agreements with every country in which its troops remain stationed, such as Estonia, where no agreement has yet been concluded.

**Action 9: Insist that minority rights be respected throughout the region, including the Russian minorities in the non-Russian Republics.**

Violations of minority rights are one of most likely causes of conflict between the newly independent states of the former Soviet Union. Russian minorities in such non-Russian republics as Lithuania and Estonia are the targets of persecution which hardliners use against Yeltsin. Because of the dangers posed by inter-ethnic conflict, you should make the respect for minority rights in each of the former Soviet Republics a precondition for good relations with the U.S.

**Action 10: Insist that the sovereignty of the Newly Independent States be respected by each of the states in the region.**

You should let all players in the area know that armed aggression and the destabilization of neighbors will not be tolerated. The area is saturated with weapons of the former Red Army, including weapons of mass destruction. The U.S. should offer to mediate conflicts while avoiding any concrete military commitments. Fostering good relations between Russia and Ukraine is especially important, given their antagonistic relations and large arsenals.

Several local wars are already underway in the former Soviet Union:

- ✓ In Moldova, between Russians, Ukrainians, and Moldovans;
- ✓ In Georgia, between Georgians and Abkhazian separatists;
- ✓ In Georgia, between Georgians and South Ossetians;
- ✓ In Azerbaijan, between Azerbaijanis and Armenians over the Karabakh region;
- ✓ In the Northern Caucasus, between the Ingush and North Ossetians;
- ✓ In Tajikistan, between communists and an Islamic-democratic coalition (where an estimated 60,000 deaths have occurred since April 1992).

Major hostilities may erupt between local Russians and the Balts, or between local Russians and Ukrainians in Ukraine. In the long term, conflicts are possible between ethnic Russians and the Kazakhs in Northern Kazakhstan, between Russians and Tatars, and between Uzbeks and Tajiks for domination of the disputed areas of Uzbekistan. The NIS are capable of producing 25-30 new conflicts on the scale of the one in Bosnia, in some cases involving the possible use of weapons of mass destruction.

**Action 11: Oppose the spread of Iranian and other Moslem fundamentalist influence in Central Asia.**

The U.S. should support the efforts of pro-Western powers, such as Turkey, to assist in building democratic institutions and market economies in these areas. An example of such assistance is Turkey's help in converting Central Asian alphabets from Cyrillic to Latin script. Turkey also trains former Soviet specialists to function in market economies. Because of linguistic proximity, Turkish businesses could aid their Central Asian counterparts to build viable market institutions.

**Action 12: Prevent the unauthorized sale or transfer by the NIS of nuclear weapons, materials, know-how, and technology, as well as other weapons of mass destruction.**

The breakup of the Soviet Union, and the dire economic conditions of many of the republics, have broken down control over the former Soviet Union's vast nuclear arsenal and industry. Thus, there is the possibility that nuclear technologies, materials, and even weapons may be stolen and sold to anti-Western countries. Mr. Clinton, you should ensure that the West has a coordinated strategy to monitor these capabilities and is prepared to prevent them from being transferred to other countries. For example, you should encourage and provide funding for a U.S.-Russian "alliance for science" employing former Soviet military scientists, and support a cooperative intelligence effort to track atomic scientists and prevent them from working for hos-



tile states and terrorist organizations. You could also support a program to safely and quickly decommission nuclear warheads scheduled for elimination.<sup>9</sup>

**Action 13: Foster good relations with both Russia and Ukraine and promote Russian-Ukrainian reconciliation.**

Ukraine is the second largest nuclear power in Europe, and is eager to participate more fully in European security arrangements. However, its economic reforms have proceeded slowly because the government of President Leonid Kravchuk remains dominated by former communists.

The U.S. should support the reform process in Ukraine, while making sure that Russian-Ukrainian differences over the Black Sea fleet, the status of the Crimea and the port of Sebastopol, and the nuclear weapons stationed in Ukraine are resolved peacefully. Some Russian nationalists have called for Yeltsin to undertake stronger anti-Ukrainian measures, including border revisions. Conflict between Russia and Ukraine would have serious consequences. Avoiding such a conflict should be a top foreign policy priority of your Administration.

## CONCLUSION

The efforts of Boris Yeltsin and pro-Western reformers to remake Russia into a democratic, free market country integrated into the West is a risky gamble. The Russian President has made powerful enemies whose interests are threatened by his reform program and who have made known their desire to remove him and the democratic forces from power. This would be disastrous not only for Russia and the other countries of the former Soviet Union, but for the West as well. If the hardliners continue to block the reforms needed to reverse Russia's economic dive, the result could be a worsening economic situation and the spread of unrest. Chaos in Russia, or in any of the nuclear-armed countries in the region, would have unpredictable consequences for control of the massive arsenal left over from the Soviet regime's bid for military superiority. Were an authoritarian regime to assume power in Moscow, the result would likely be the resumption of a more anti-Western stance, perhaps even the reestablishment of a hostile relationship. Western security, only recently freed from the Soviet military threat, could once again be endangered.

President-elect Clinton, you will have an important role to play in helping the Russian reformers to win their gamble. To do so, the U.S. must play an active role in helping Russia find its way out of seventy years of Soviet rule. No greater priority exists on your foreign policy agenda.

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and Eurasian Studies

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<sup>9</sup> Jay P. Kosminsky, "U.S.-Russian Cooperation Can Reduce Nuclear Risks of Soviet Breakup," Heritage Foundation *Backgrounder* No. 882, February 19, 1992.

