

July 17, 1995

THE PURPOSES OF RUSSIAN AID: SUPPORTING DEMOCRATIC CAPITALISM

INTRODUCTION

The Senate soon will vote on legislation authorizing \$673 million in aid to Russia and the Newly Independent States (NIS) in FY 1996 and another \$619 million in FY 1997.¹

In making this vote, the Senate will face some difficult choices. Foreign aid is more unpopular than ever, and aid to Russia, Ukraine, and other post-Soviet states is coming under heavy scrutiny. Moreover, U.S.-Russian cooperation is ebbing. Moscow's refusal to stop the sale of nuclear reactors to Iran has made it difficult to justify aid to Russia. So, too, has Russia's heavy-handed intervention in Chechnya.

Given these circumstances, Russian aid should be re-examined and applied to areas that not only make a difference, but also fit into an overall strategic plan. Properly applied, the transfer of market and democratic "know-how" can promote U.S. interests in the Newly Independent States of the former Soviet Union, increasing Russia's chances for a smooth transition to democracy and a free market. Therefore, Congress should continue aid to support the growth of democratic capitalism in Russia. This aid should be used to help democratic reformers, who face growing challenges from extremists. The most important programs in achieving this goal are those that develop market institutions, foster economic reform and privatization, and enhance the rule of law and democratic politics.

1 Foreign Aid Reduction Act of 1995, Sect. 311; Committee on Foreign Relations, U.S. Senate Report 104-99, p. 42. The House already has voted to provide \$595 million to Russia, Ukraine, and other Newly Independent States, which is \$193 million less than the amount requested by the Clinton Administration for FY 1996.

In addition, U.S. assistance in dismantling the former Soviet nuclear arsenal (the Nunn-Lugar program) should continue. Americans see reducing the Russian strategic threat as a worthwhile investment in U.S. security. However, this program should not be a sacred cow. The U.S. General Accounting Office and independent writers have reported serious flaws in this program, such as the use of U.S. taxpayers' funds for Russia's nuclear modernization and defense conversion.² These flaws must be remedied. Congress should refocus the Nunn-Lugar program on its original purpose—dismantling the Russian nuclear, chemical, and biological arsenal.

While fostering democratic capitalism in Russia serves U.S. national interests, many of the aid programs administered by the U.S. Agency for International Development (AID) do not. They often are poorly conceived and executed. For the last thirty years, AID and its traditional contractors have not worked in Eastern and Central Europe. Instead, they have operated in the Third World.³ As a result, AID officials and contractors lack the area and linguistic expertise needed to support the great post-communist transformation in Europe and the NIS. AID needs to upgrade its regional skills in the NIS, focus more of its efforts on developing democratic capitalism, and ensure that more aid funds go to Russian reformers, and not to American bureaucrats and experts.

As the Senate considers aid to Russia and the NIS, it should add conditions to this aid and refocus the program to make it more effective and relevant to the particular needs of its recipients. Specifically, the Senate should:

- ✓ **Demand that the Administration suspend negotiations to reschedule the Russian and Soviet debt to Western creditors if the proposed sale of nuclear reactors to Iran is completed.** The reactor sale is on hold pending negotiations between Vice President Al Gore and Russian Premier Viktor Chernomyrdin. By amending the foreign aid authorization bill, the Senate could block the Clinton Administration's agreement to reschedule Russia's debt if the sale to Iran goes through.
- ✓ **Condition U.S. support for IMF credits to the Russian government on a cease-fire in Chechnya.** If Russia wants to be treated as a civilized member of the Western alliance, it must end the war in Chechnya. By amending the foreign aid authorization bill, the Senate could condition IMF or World Bank appropriations on the Russian government's compliance with a cease-fire and negotiations to settle the conflict in Chechnya.
- ✓ **Create an independent board to manage aid to Russia and the NIS.** This board could set clear goals for U.S. aid to Russia and uphold democratic development as one of its top priorities. The Senate could help create this board by amending the foreign aid authorization bill.

2 J. Michael Waller, "GAO: Russia Uses Nunn Lugar Aid to Develop New Weapons," *Foreign Aid Advisory* No. 6, May 23, 1995; J. Michael Waller, "Time to De-Fund Russia's Military Modernization," *The Wall Street Journal Europe*, June 2-3, 1995, p. 32.

3 For an in-depth critique of AID and its approach to international development, see Bryan T. Johnson and Thomas P. Sheehy, *The Index of Economic Freedom* (Washington, D.C.: The Heritage Foundation, 1995).

- ✓ **Reprogram \$225 million to develop democracy in Russia and the NIS by abolishing the Commodities Import Program (CIP) and the Russian Officer Resettlement Program.** The \$90 million CIP is a giveaway for U.S. businesses selling oil and gas technology to Russian industry. It should be eliminated and the funds used to further democracy in Russia, as should the \$135 million earmarked for housing displaced Russian military officers.
- ✓ **Make democratic development a top priority.** By amending the authorization bill, the Senate could demand that the Russian aid program focus exclusively on the development of democracy, the rule of law, and free markets. Many of AID's programs are unfocused, ineffective, and all too often intended to advance pet liberal causes, not democratic capitalism.
- ✓ **Target grants directly to democratic institutions in Russia and the NIS.** Russians receive very little American help in fighting against human rights violations, media censorship, or racism. Most of the funds go to Americans purporting to help Russians, but Russian democrats can do far more with this money than American "experts."

RUSSIAN DEMOCRATIC CAPITALISM UNDER SIEGE

Russian democracy and free markets are in deep crisis. Ten years after the beginning of Mikhail Gorbachev's *perestroika*, members of the former Communist Party elite still control the levers of power in Moscow as well as in the provinces. They are also in charge of Russia's vast properties and natural resources. Chaotic privatization has given many former Communist Party officials personal ownership of factories and other assets over which they used to exercise only administrative control.⁴

The influence of old Soviet bureaucracy extends to foreign trade, the privatization process, and the issuing of business licenses. Russians often say that government bureaucrats, not entrepreneurs, are the richest people in the land. This elite may have given up its Marxist slogans, but it remains deeply committed to state intervention, government regulation, and the unbridled exercise of power. More often than not, Russian nationalism is touted in place of Marxist internationalism as a cover for the same old thing—personal greed.

Ordinary Russians are deeply and understandably disenchanted with the direction reforms have taken. The majority of the population has lost interest in the political process, as evidenced by the low turnout of less than 25 percent in the most recent local and regional elections.

Support for political extremists on both the left and right is growing. Moreover, an increasing number of voters have cast their ballots for Russian Communist Party (RCP) candidates in recent elections. Running on an anti-government, anti-establishment, and

4 Leonid Radzikhovskiy, "Nomenklatura obmeniala 'Kapital' na kapital" ("The *Nomenklatura* Has Exchanged *Das Kapital* for Capital"), *Izvestiya*, March 7, 1995, p. 5.

anti-corruption platform, the communists are a favorite for the December 1995 elections to the Duma, the lower house of Parliament.

The Military Wild Card. The Russian armed forces also are disenchanted with the reform process. They oppose a Western-style democracy for Russia and yearn for a ruler with a “strong hand.” Military troops voted heavily for ultra-nationalist Vladimir Zhirinovskiy in December 1993. The armed forces today are polarized between the majority of the officer corps, who believe that the military is grossly mismanaged, and a small group of generals around Defense Minister Pavel Grachev who use their positions for personal enrichment. The Russian Army feels defeated and nostalgic for the Soviet period, when it enjoyed high status and large budgets.

This situation has been made worse by the war in Chechnya, in which tens of thousands of Russian soldiers have participated in killing citizens of their own country. In the 1980s, veterans of the Afghan war contributed to the swelling ranks of Russian organized crime. They also flooded the extremist nationalist movements. This could well be repeated after Chechnya, further destabilizing Russia’s feeble democracy.⁵

Authoritarian Renaissance. Democracy is under siege as well. The Yeltsin administration has done little to promote the rule of law in Russia. It rammed through the 1993 Constitution, establishing an “imperial” presidency with little but an advisory role for Parliament.⁶ Such democratic reformers as former Acting Prime Minister Yegor Gaidar, Finance Minister Boris Fedorov, Vice Prime Minister Gennadii Burbulis, Human Rights Commissioner Sergei Kovalev, Ethnic Policy Advisor Galina Starovoitova, and many others have been pushed out of the government.⁷ The most influential group in the Kremlin today includes Yeltsin’s Chief of Bodyguards, General Alexander Korzhakov, and First Deputy Prime Minister Oleg Soskovets, who is in charge of the military-industrial complex. Even Yeltsin’s Chief of Staff, Sergei Filatov, has complained that presidential aides are forced to communicate by writing notes to each other because their phones and rooms are wiretapped.⁸

The political role and power of Russia’s historically strong spy agencies are growing. In September 1994, the Foreign Intelligence Service, headed by KGB veteran General Evgenii Primakov, published its own policy statement advocating strengthened Russian domination of the whole area of the former Soviet Union, the so-called near abroad. According to Primakov’s agency, Russia must re-consolidate all the Newly Independent States under its tutelage regardless of the West’s opposition.

5 James H. Brusstar and Ellen Jones, “Pessimistic, Polarized and Politicized. Attitudes Within the Russian Officer Corps,” *Strategic Forum* No. 15 (January 1994), p. 1.

6 Ariel Cohen, “Russian Constitutional Drafts: How Democratic Are They?” Heritage Foundation *Background* No. 949, June 30, 1993.

7 Fedor Shelov-Kovedayev, former First Deputy Foreign Minister; Sergei Aleksashenko, former Deputy Finance Minister; Pyotr Filippov, who served as Director of the Presidential Information-Analytical Center; Andrey Illarionov, previously an economic advisor to the Prime Minister, and others have been dealt with similarly.

8 Personal interviews with Russian government officials, March-April 1995.

On April 6, 1995, President Yeltsin signed the State Duma law reorganizing the secret police, then called the Federal Counterintelligence Service and known by its Russian acronym, FSK (*Federalnaya Sluzhba Kontrrazvedki*). This agency, the successor to the Second Chief Directorate of the KGB, is now called the Federal Security Service (*Federalnaya Sluzhba Bezopasnosti*, or FSB). It has been granted wide powers to conduct investigations and perform surveillance in total secrecy. The scope of its activities was broadened to cover a wide range of internal security threats ranging from organized crime to political extremism to corruption.

Threats to Free Media. The Yeltsin administration is tightening its control over the electronic media, especially the national television stations. The provincial media also are under heavy pressure from the local chiefs of administration, who have been pressured by Yeltsin to “toe the line.” In late 1993, former *Pravda* journalist Boris Mironov was appointed chairman of the State Committee on Press. Before he was fired in the fall of 1994, Mironov funneled huge subsidies to hard-line ultra-nationalist newspapers. “If to be a Russian nationalist means to be a fascist, then I am a fascist,” he said.⁹

Vlad Listyev, Director General of the largest Russian TV network and a popular talk show host, was gunned down in the entrance to his apartment building on March 1, 1995. On October 17, 1994, investigative reporter Dmitrii Kholodov of *Moskovskii Komsomoletz* was murdered by an exploding briefcase. Kholodov was investigating corruption in the military at the time. Others have been slain while investigating organized crime. Journalists in the regions have been tortured and killed. The print media are coming under increasing pressure, as the Moscow government owns printing presses and manipulates the prices of newsprint as well as subsidies to newspapers.

The Russian government continues to play a dubious role in the media scene. It refuses to privatize television stations and printing plants. The official newspaper *Rossiyskaya Gazeta* publishes anonymous attacks on Yeltsin’s opponents, such as media tycoon Vladimir Gusinsky, who has been accused of launching a “putsch” against Yeltsin. Formerly allied with democratic presidential candidate Grigory Yavlinsky and Moscow mayor Yurii Luzhkov, Gusinsky is a political foe of a powerful group in Yeltsin’s entourage. The State Duma thus far has failed to eliminate the right of the government to establish media outlets, while it has expanded the list of circumstances under which the government is empowered to shut them down.¹⁰

Criminalization of Politics. Rising crime also is endangering democracy in Russia. The recent gangland-style murder of three Duma deputies may have been the work of professional hired killers. So far, no arrests have been made. Moreover, a senior Russian Interior Ministry expert warns against the growing influence of Russian mafiosi “among law enforcement organs and other organs of power.”¹¹ Whole areas of Russia are becoming the domain of organized crime. But the Yeltsin administration is notoriously ineffective in fighting crime and corruption. Despite draconian decrees, known criminal figures

9 Julia Wishnevsky, “Overview of the Media in Russia, 1994,” unpublished manuscript.

10 *Ibid.*

11 Colonel Viacheslav Razinkin, Chief Directorate for Organized Crime, Ministry of Internal Affairs, “Avtoritety bezzakoniya” (“Authorities of Lawlessness”), *Literaturnaya Gazeta*, March 8, 1995, p. 13.

remain unpunished and free to penetrate the Russian body politic. At the same time, the hard-liners are exploiting the public's fear of lawlessness to advance their own political goals.

Organized crime is reaching the highest echelons of power. In the summer of 1994, a Moscow mafia don, Otari Kvantrishvili, was killed by a sniper's bullet. Kvantrishvili headed a powerful political party, Sportsmen of Russia, which was better organized and financed than some legitimate parties represented in the Duma. A prominent criminal, Vladimir Podatev from Khabarovsk, nicknamed "the Poodle," is launching a national political career by becoming a member of the Presidential Public Chamber Human Rights Commission. Podatev is also the leader of a local political movement called Unity, a first step toward attaining office in a national election.¹²

The Fascist Threat. Extremist Russian nationalism, often identified as neo-Nazism or fascism, is another threat to Russian democracy.¹³ The nationalists comprise a broad spectrum, from Vladimir Zhirinovskiy's Liberal Democratic Party, which is well-represented in the Duma, to the National Republican Party of Nicholas Lysenko, who was elected to the Duma by a St. Petersburg district. Zhirinovskiy's delegates comprise 22 percent of the State Duma. Altogether, the nationalists are expected to get over 30 percent of the vote in the December 1995 elections.

Nationalists also find political support from Gennadii Ziuganov's communists and Vladimir Barkashov's Russian National Unity movement. The nationalists are united in their hatred of the United States and the West. Some are anti-Semitic, while others passionately hate dark-skinned "Caucasians"—Azeris, Armenians, Georgians, and Central Asians.¹⁴

Russian fascists are involved in extensive paramilitary training programs, conducted with the full knowledge and complacent inaction of the authorities. One of their most important leaders, judo black belt Vladimir Barkashov, claims to have 10,000 well-trained fighters under his command. The Russian security services put this number at 2,000. Other organizations, such as Zhirinovskiy's Falcons, the Werewolf Legion, the National Republicans, and *Pamyat*, have from several dozen to several hundred stormtroopers each.

Unfortunately, some officials in Russia's law enforcement agencies, including KGB spin-offs, the police, and even the prosecutor's office, often sympathize with and support political extremists. Defectors from Barkashov's organization warn that a deliberate attempt by the neo-Nazis to penetrate the military and security services is under way.¹⁵

12 "Kto tam, riadom s prezidentom?" ("Who is There, Close to the President?"), *Izvestiya*, January 6, 1995, p. 5.

13 For a complete treatment of the subject, see Walter Laqueur, *Black Hundred: The Rise of the Extreme Right in Russia* (New York: Harper Collins, 1993), especially Parts 3 and 4.

14 Jews are vilified in the nationalist press as purveyors of evil and sinister international schemers. "Caucasians" are referred to simply as "black infection," "dirt," and "black asses." Central Asians are called "slanty eyed," "yellow peril," and other racial epithets.

15 Personal interviews in Moscow, July 1994.

Russian law enforcement and security services are incompetent in fighting ultra-nationalists as they are in combating organized crime. For example, the police failed to keep Alexei Vedenkin, a prominent Russian fascist, in pre-trial detention after he pledged on national television to kill Duma Defense Committee Chairman Sergei Yushenkov and Yeltsin Human Rights Commissioner Sergei A. Kovalev. After two weeks in jail, he was released by a Moscow judge on a technicality.¹⁶ Meanwhile, Vedenkin's Russian National Movement has bought up a large packet of shares in the Siren Three consortium, which will control plane ticket reservations all over Russia and the former Soviet Union.¹⁷

WHY AID RUSSIA AND THE NIS?

Despite the rocky road to reform, Russia has not reverted to its old-style totalitarian ways. Nor is it an ultra-nationalist dictatorship. Despite the chaos of its transition, there are reasons for hope. Privatization has allowed many Russians to acquire or start small businesses. Others have become owners of Soviet-era factories. More Russians are employed today in the private sector than at any time since 1917. The reforms in Ukraine are about to take hold. The nascent capital markets and commodity exchanges are breeding rough-and-tumble capitalists—the kind that build personal fortunes. The entrepreneurial class is more involved in politics than ever. Pressure to formalize the legal infrastructure needed to conduct business is growing.

Political pluralism also is growing. There are at least ten large political parties or movements in Russia.¹⁸ In addition, dozens of political parties will compete in the December 1995 elections. The independent media are providing blunt and courageous coverage of Chechnya, despite government attempts to manipulate them. While some Russians yearn for a “strong hand,” 70 percent want democratic elections and a free press.¹⁹ Moreover, support for reforms is highest where it matters most—among urban educated citizens under the age of 35.

Nor has Russia embarked upon a Bolshevik-style retaking of the former Russian empire as it did under Lenin and Stalin. The Russian military is bogged down in Chechnya and Central Asia. Despite calls from nationalists to rebuild the USSR, ineptitude and corruption in the army and the lack of popular will to pay the price do not bode well for Rus-

16 Aleksei Chelnokov, “Kto on, brigadenfuhrrer Vedenkin?” (“Who is Brigadenfuhrrer Vedenkin?”), *Izvestiya*, March 2, 1995, p. 1.

17 Sergei Leskov, “‘Lefortovetz’ Vedenkin mozhet vziat pod kontrol’ sistemu prodazhi aviabiletov v Rossii” (“Prisoner of Lefortovo Jail Vedenkin Can Take Over Plane Ticket Sales System of Russia”), *Izvestiya*, March 21, 1995, p. 5. Serena-3, the next generation Russian plane ticket reservation system, is being built by IBM, AT&T, and American Airlines. According to the article, Vedenkin's credentials included letters from Alexander Vengerovsky, Deputy Chairman of the Duma from Zhirinovskiy's party, and from Alexander Rutskoyn's Renaissance Foundation.

18 Democratic Choice of Russia, Yabloko, the Democratic Party of Russia, Women of Russia, Communists, Agrarians, and Zhirinovskiy's Liberal Democrats are all represented in the Duma. Factions without party structures, such as 12th of December, New Regional Policy and Stability are also represented in the legislature. Chernomyrdin's Our Home Russia is being organized for the next parliamentary elections. And at least one more nationalist party or bloc will gain representation in the Duma after December 1995.

19 According to a 1995 poll; Mark Urnov, Chief, Analytical Directorate of the President of the Russian Federation, personal interview, Moscow, May 1995.

sian revanchists. After Chechnya, the Russian leadership probably will think twice before ordering tanks into any other rebellious area. Prime Minister Chernomyrdin's repeated attempts to distance himself from the fiasco in the Caucasus, and the Duma's relentless attacks on President Yeltsin over Chechnya, indicate that Russia's elites are seeking new ways to settle political crises.

Almost eighty years ago the West abandoned Russia to the Bolsheviks. Today, it is in America's interest to encourage Russia to follow a new direction and make its domestic and international behavior more benign. At the same time, the U.S. should support the independence and viability of the other post-Soviet states as a balance against a possible Russian resurgence. Reformers in Moscow, Kiev, and other parts of the NIS have asked repeatedly not only for technical assistance to build democratic and market institutions, but also for support of non-governmental alternatives to state services and functions. Properly implemented, U.S. assistance should be fulfilling these needs.

The crisis of Russian democracy is deep, but there is hope. U.S. assistance to democrats in Russia and parts of the NIS possibly could help end this crisis. Without U.S. aid, however, it will only get worse.

AID'S INEFFECTIVE PROGRAMS: TOO MUCH BIG BIRD, TOO LITTLE DEMOCRACY

Saying that aid can make a difference in Russia is one thing. Saying that current aid programs are doing the job is another. Many current U.S. aid programs to Russia and the NIS are not doing the job. They are often ineffective and should be reorganized.²⁰ As the Senate Foreign Relations Committee has noted:

[M]uch of AID's technical assistance effort in the New Independent States and Central and Eastern Europe has produced little positive result. Closed procurement practices and AID's own lack of experience in the region has too often led to the awarding of contracts to organizations who themselves have little regional or area competence. In many instances, AID has relied on its network of contractors which have experience in the poorest developing nations. The result has often been wasteful expenditures on contractor field office infrastructure, poor recruitment of participants and expensive, and misdirected short-term training in the United States which has had negative impact on NIS professionals participating in the program.²¹

Certainly the problem has not been lack of money. Congress has appropriated almost \$3.7 billion in aid to Russia since the assistance program began in 1992. Out of these funds, AID obligated \$2.5 billion, but only \$1.2 billion has been spent.²² In addition, only \$126 million was obligated and \$49 million spent on "democratic pluralism initia-

²⁰ Ariel Cohen, "Aid to Russia: Yes, But Needs Reform," Heritage Foundation *Committee Brief* No. 1, February 6, 1995.

²¹ Committee on Foreign Relations, Report 104-99, p. 45.

²² "Obligation and Expenditure Report as of December 31, 1994. USAID Programs in the New Independent States of the Former Soviet Union," p. 1.

tives" in the whole of the NIS (see Appendix).²³ Funds for building democracy in the NIS comprised only about 5 percent of AID's total budget; by contrast, management costs make up about 5 percent to 10 percent. Clearly, promoting democracy is AID's budgetary stepchild.

While some AID programs are successful, many are expensive, lack a coherent overall strategy, and are ill-conceived and poorly executed. For example, not a single U.S. law school or law office received AID funds to execute an AID-sponsored program in the NIS. Yet establishing the rule of law is one of the most important prerequisites of democracy. AID's rule of law program has been severely criticized by legal professionals both in Russia and the U.S.²⁴ They argue that too few lawyers, lawmakers, judges, and prosecutors have been involved to make a significant impact. The program does not sponsor the long-term education of Russian lawyers in U.S. law schools. Nor has AID succeeded in placing a significant number of American legal advisors in Russian ministries, the Duma, or the Supreme and Constitutional Courts. American jurists have had precious little impact on Russian legislation and regulations.

Instead of providing adequate support for rule of law programs, what has AID been doing? Funding Big Bird in Russia. Despite the fact that Russia already produces superb children's films and television programs, AID has granted \$2 million to the Children's Television Workshop, a money-making venture affiliated with the Corporation for Public Broadcasting, to produce a Russian version of the American TV program *Sesame Street*. Why does a group like CTW, which is worth millions, need taxpayer money to set up shop in Russia? And what does giving exposure to the Russian-speaking equivalent of Big Bird and Oscar the Grouch have to do with developing democracy and the rule of law?

SUPPORTING DEMOCRATIC CAPITALISM IN RUSSIA

Properly focused and administered, aid to Russia and the NIS serves American interests. AID could help prevent Russia from becoming a crime-ridden "mafiaocracy," a source of nuclear, chemical, and biological weapons proliferation, and a destabilizing factor in the global financial and commodities markets. Many Russian democrats wish for the same things.

In order to assist the transformation to democratic capitalism in Russia, Ukraine, and other former Soviet republics, the Senate should:

- ✓ **Demand that the Administration suspend negotiations to reschedule the Russian and Soviet debt to Western creditors if the proposed sale of nuclear reactors to Iran is completed.** The nuclear sale was the topic of discussions between Presidents Clinton and Yeltsin at their May summit in Moscow. The two agreed to refer the matter to the Gore-Chernomyrdin commission for further negotiation. During those negotiations, Vice President Gore should make it clear that the U.S. and Russia cannot have a normal and friendly relationship if the sale goes through.

²³ *Ibid.*, p. 66a; funding as of December 31, 1994.

²⁴ Personal interviews, July 1994-April 1995.

In the meantime, Russia wants a sweeping rescheduling of half its \$130 billion debt to the West by the end of this year. At the same time, Yeltsin asked the G-7 leaders at the Halifax summit in June to accept Russia into the Paris Club as a creditor to Third World countries for their Soviet-era debts. This is an opportunity for the U.S. Senate to demand Russia's cancellation of the Iranian nuclear deal. By amending the foreign aid authorization bill, the Senate could demand that Russia's debt not be rescheduled if the deal goes through. The U.S. could relax access to its nuclear and commercial satellite launch markets for Russian companies as compensation for canceling the Iranian transaction.

- ✓ **Condition U.S. support for IMF credits to the Russian government on cease-fire in Chechnya.** The U.S. cannot and should not challenge the territorial integrity of the Russian Federation. Like any other state, Russia has the right to ensure its sovereignty. However, this right does not justify the extreme means employed against the people of Chechnya. Other measures short of war should have been taken. For example, a Federal Treaty model, which is working in the case of Moscow's relations with Tatarstan, was not seriously tried in Chechnya.

Last spring, the U.S. supported \$6.6 billion in International Monetary Fund credits to Russia. In view of Moscow's intransigence in Chechnya, the Congress should condition any future U.S. support for IMF financial assistance on a cease-fire and negotiations to settle the conflict. The U.S. should demand that all hostilities be stopped, especially those affecting innocent civilians, and that negotiations be successfully concluded, either bilaterally or through the Organization for Security and Cooperation in Europe. Until such time, the Senate should consider amending the foreign aid authorization bill to demand that the U.S. suspend its financial assistance to Russia through such multilateral organizations as the IMF, the European Bank for Reconstruction and Development, and the World Bank. This position would strengthen the hand of Russians who are calling for an end to the hostilities in Chechnya and for a negotiated solution.

- ✓ **Create an independent board to manage aid to Russia and the NIS.** AID has poorly managed U.S. aid programs for the NIS. An independent board, nominated jointly by Congress and the President, should take over the management of these programs and refocus them on building democratic capitalism in the NIS. (A modified board for all assistance projects was suggested by Senator Jesse Helms (R-NC), but was voted down in committee.) This board could include representatives from the State and Commerce Departments as well as area experts and representatives of the U.S. corporations involved in the NIS.

There is precedent for creating such a board. The presidentially appointed Board of International Broadcasting (BIB) for forty years successfully administered Radio Free Europe/Radio Liberty. Members of this nonpartisan board included such prominent Americans as Malcolm Forbes, Jr., James Buckley, Frank Shakespeare, and Lane Kirkland.

- ✓ **Reprogram \$225 million to develop democracy in Russia and the NIS by abolishing the Commodities Import Program (CIP) and the Russian Officer Resettlement Program.** Under the CIP, \$90 million worth of U.S.-made oil and gas equipment is to be given to Russia's most profitable industry, the hydrocarbon energy sec-

tor. The program should be abolished. The CIP is supposed to improve the Russian balance of payments and to assist in repaying Russia's debt to Western creditors by allowing Russia, with U.S. support, to drill for and sell more oil in the world market. AID bureaucrats hope that more productive American equipment will boost the Russian state-run energy sector. However, all the CIP would do is prop up the inefficient state-owned Russian energy industry. Experience in Russia shows that Western equipment alone is not a panacea. Capital investment, such as CIP-funded equipment, will not alleviate the problems of systemic mismanagement that plague the Russian oil and gas industry. Only privatization and massive Western investment will resolve the problem once and for all. The funds saved from abolishing CIP should be reprogrammed into democracy-building programs.

So, too, should funds from the program to build housing for Russian military officers. Under orders from President Yeltsin, the Russian army participated in the slaughter of civilians in Chechnya. The funding for Russian officer resettlement was cut by the House Foreign Operations Subcommittee this spring. The Senate restored this funding in conference, but reduced it from the \$155 million requested by the Clinton Administration to \$135 million. This money would be spent better on democracy-building programs.

- ✓ **Make democratic development a top priority.** Thus far, AID's Democratic Initiatives Program is unfocused and suffers from hidden agendas. For example, AID will spend \$500,000 on a program administered by Winrock International to enhance the "development and operation of a united group of women's NGOs in Russia, Ukraine and the U.S. to facilitate interaction, cooperation and collaboration in the building of a democratic society in the former Soviet Union."²⁵ Russia needs to build democratic institutions and the rule of law. It does not need American liberals telling Russians how to organize feminist groups.

Far more important would be programs that train Russians to run election campaigns and organize grass-roots groups and referenda. This aid should be given to such democratic parties as Russia's Choice, Yabloko, and the Economic Freedom Party. Public organizations involved in significant reform of legislative and judicial bodies or in public education, such as the Foundation for Parliamentary Development and the newly established Anti-Fascist Foundation, also deserve support.

U.S.-funded programs need to employ qualified Russian reformers, who understand their politics and culture far better than AID contractors with little experience in Russia. Most AID democracy development programs have been awarded to traditional contractors who know more about AID's lengthy and complex contracting process than they do about Russia, Ukraine, and other NIS countries. Russians and Americans living in Moscow complain that these contractors spend large amounts of AID money to "educate" themselves about the problems. Why hand out perks to friends of AID bureaucrats when Russian democrats could do the job for less money?

25 "Obligation and Expenditure Report," p. 43.

To focus aid programs on building democracy in the NIS, Congress should establish priorities for democratic assistance. Funds should go to Russian and American organizations that:

- ◆ **Train** Russians and other NIS citizens to run and manage elections and electoral campaigns;
 - ◆ **Foster** the use of public opinion research;
 - ◆ **Help** organize democratic grass-roots organizations;
 - ◆ **Educate** Russians in fundraising techniques;
 - ◆ **Develop** political parties;
 - ◆ **Develop** Western-style academic programs in law, business, and market economics;
 - ◆ **Use** the existing legal system to prosecute neo-Nazis for violations of laws;
 - ◆ **Post** Western legal advisors in the legislatures, government ministries, regional administrations, the court system, and the Attorney General's office;
 - ◆ **Help** develop administrative law that allows citizens to challenge central and local governments in the courts;
 - ◆ **Work** to develop constitutional law;
 - ◆ **Draft** democratic legislation;
 - ◆ **Assist** in law enforcement, such as setting up neighborhood watches, anti-crime hotlines, and witness relocation programs; and
 - ◆ **Train** legislators, judges, and lawyers in the rule of law.
- ✓ **Target grants directly to democratic institutions in Russia.** By amending the foreign aid authorization bill, the Senate could direct more funds into democracy-building programs administered by the Eurasia Foundation and National Endowment for Democracy. The Eurasia Foundation and NED directly fund Russian grass-roots organizations, like the Memorial Society, which is fighting against human rights violations in Chechnya, and the Glasnost Foundation, which promotes the reform of Russia's secret services. These are examples of organizations that deserve Western support. Private American institutions such as The Heritage Foundation, the Kriebel Institute, and the Soros Foundation have accumulated experience in working with Russian institutions and could help identify appropriate recipients and personnel for targeted U.S. assistance.

CONCLUSION

Russian democracy is in a danger zone. While U.S. aid alone cannot save democracy in Russia, it certainly can improve its chance of surviving. Clearly, America has an interest in a democratic Russia. Assisting Russia's transition to democracy is as important as were the de-Nazification of Germany and the reforming of Japan after World War II. But the Clinton Administration has failed to rise to the challenge. Time is running out. U.S.

aid programs need to be refocused not on the traditional development goals of the foreign aid bureaucracy, but on building democracy and free markets.

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APPENDIX

AID'S DEMOCRACY PROGRAMS IN THE NIS

The AID-funded Democratic Pluralism Initiatives Project includes the following programs: Political Development, Rule of Law, Public Administration/Local Government, and Civil Society and Media.

The strategic aim of these programs is to accelerate NIS transition to democracy and a market economy. Their task is to strengthen civil society and its institutions, train market specialists and civic leaders, and encourage the transition to a more benign political culture.

Following is a brief summary of the major AID initiatives in the NIS.

- ① **Political Development Program.** A large part of the AID funding in this program goes to the two U.S. party institutes. Since 1992 the International Republican Institute and the National Democratic Institute have received over \$10 million each. These institutes fund seminars and education for political party activists, conferences, and exchanges. The International Foundation for Electoral Systems (IFES) has received over \$6 million. It is involved in training for and supervision of electoral processes. The AFL-CIO's Free Trade Union Institute has received \$3.5 million. Other organizations, from the New York-based Freedom House to Indiana University, have received grants that as a rule are less than \$1 million.
- ② **The Rule of Law.** These programs are executed by three contractors. The largest contract, worth over \$18 million, is in the hands of ARD/Checchi and Company, a traditional AID contractor. Other awards amounting to \$5.6 million have gone to the American Bar Association's Central and East European Law Initiative. The Central Asian component of the Rule of Law program, worth \$5.5 million, was awarded to yet another traditional AID contractor, Chemonics. These contractors provide a variety of services, from commenting on legislative drafts to jury trial training and the education of judges and prosecutors.
- ③ **Public Administration and Local Government.** This program is administered by the Research Triangle Institute (\$19.5 million), World Learning (\$2.2 million), and several smaller contractors. The program focuses on bringing Russian and NIS local officials and professionals to the U.S. to learn the techniques of city management.
- ④ **Civil Society and Media.** This program funds such media projects as Internews, a Moscow-based independent TV news production operation.