

Russia and Its Neighbors: *Faltering Progress?*

Where are Russia and the other states of the former Soviet Union headed? Is their progress toward democracy faltering? What are the prospects for future internal trends and external policies? A central theme seems to be that Russia likely will muddle through, making progress in some areas but mired in trouble in others. Whether current negative trends will worsen is yet to be seen, but major progress anytime soon seems unlikely. Moscow is struggling with domestic problems and determining its role in a changing international environment to which it is ill suited.

While Russia is primarily responsible for its domestic problems, world powers will influence Russia's future course. The major powers must keep their priorities in mind in the years ahead, as alarmist reactions to likely reform setbacks could cause further negative Russian developments that the West may not want. Western antagonism could make reversals more severe and pose dangers to former Soviet Union countries. Yet, the West must continue pointing out that democratization and market economics are Russia's best hope for internal recovery and integration in the Western community.

Conceivably, Russia could pursue clear-cut choices: either radical market reforms or a brand of totalitarianism. However, Russia is unlikely to return to communism. It is also unlikely that Russia and others in the Commonwealth of Independent States will significantly progress toward democracies and market economies. Its policies toward the West will be guided by pragmatic state interests, but its influence will be diminished.

Key Trends

Slow Progress toward a Market Economy

Since 1917, Russia has had an economic system that would not be recognized as legitimate by the West. The Soviets had a centralized command and distribution system that served government's needs first and society's second. After four generations, most Russians expect the state to play a leading role in economic issues. They also expect any economic system to serve the needs of the state and all citizens—not just a few as it has done over the last 8 years.

After the Soviet Union's demise, Russia's leadership attempted economic "shock therapy." But President Boris Yeltsin and his acting Prime

The Crisis of 1998

Major Causes:

- Failure to cut government spending and invest in industrial development
- Large budget deficits
- \$100–\$200 billion stolen from state revenues and foreign aid and invested overseas
- Large backlog of state wages
- Constant rolling over of debt by selling short-term treasury bills (GKO) at higher and higher rates of interest, creating a pyramid scheme

What Happened:

- Foreign investments sharply reduced because of Asian crisis
- Oil prices fell—a major source of Russian income
- GKO pyramid scheme collapsed (Russian banks had 20% of their assets in GKO)
- Bank crisis led to frozen accounts and closures
- Central Bank's reserves dropped
- Ruble was allowed to float
- Currency market ceased to exist
- Prices climbed

Minister Yegor Gaidar constantly made concessions counter to these reform plans because of political opposition, social dislocations, and struggles with the legislative branch. When the legislature forced President Yeltsin to accept Viktor Chernomyrdin as Prime Minister in December 1992, Yeltsin had to accept a slower and less focused economic reform policy.

Corruption has significantly affected Russia's transition to a market economy from the beginning. After state-owned companies, such as transportation, oil, and telecommunication enterprises, were sold at extremely low prices, government officials were accused of fixing auctions in exchange for bribes. Additionally, wealthy individuals were able to occupy senior government positions and establish policies that were beneficial to themselves.

A small percentage of the population (called the "new Russians") accumulated considerable wealth by taking advantage of the economic transition and corrupt activities. Living standards for the majority of Russians declined. Payment of wages has been delayed for months at a time, wiping out many Russians' life savings. Russia's gross domestic product dropped an average of 9 percent annually from 1990 to 1997, giving little hope that the economic situation

would improve soon. The economic crisis that occurred in 1998 marked the end to any hopes for a rapid transition to a market economy. The political and social turmoil resulted in a new government under Prime Minister Yevgeny Primakov.

Its economic policies reflected governmental concerns about social problems. Likewise, the major presidential candidates in 2000 likely will express support for strong state involvement in economic decisions affecting Russia's social welfare. They will not rule out a private economic sector, but thus far, they have indicated its reduced role. Future economic reform will be slower, more measured, and subject to political whims.

A Nascent Democracy in Turmoil

Russia has elections and a legislature to partly check its powerful executive branch. But it is not a fully developed democracy. Democratic reform is proceeding slowly. Economic events will influence politics. How long the present turmoil will last is uncertain, but it will likely cause a series of changes in executive branch leadership.

Changes in personalities will also bring changes in policies—although they are unlikely to be radical in nature. Most Russians do not support returning to either radical market reforms or Soviet-style economic planning. They do seem to support significant state involvement in economic and social issues and elimination of the corrupt oligarchy.

Russia's political turmoil will be punctuated by periods of strong sentiments for both communism and nationalism. However, these paths will likely be rejected. Russia likely will take a more middle-of-the road approach. It will slow economic reform, as well as retrench, while continuing to concentrate excessive power in the executive branch.

Future Russian politics will be afflicted with constant conflicts among many political personalities as various political parties seek power.

What Do Russians Want?

Most Russians want a better functioning government even at the cost of some personal liberties. They believe that the government has responsibility for providing a social safety net. They also saw the economic reform in the 1990s as an attempt by the politically powerful to gain great advantages at the rest of the country's expense. The United States is viewed as the cause of the Yeltsin administration's confused and unregulated economic policies. Consequently, the United States has lost the trust that Russians placed in Washington at the end of the Cold War.

Disillusionment with the unchecked free markets of the 1990s and rampant corruption and crime have added to the average Russian's belief that some aspects of the political clock must be set back. A strong hand is often called for in all classes of society. However, the strong hand is defined in public opinion polls as good management, not Stalinism. When surveyed on specific concerns, Russians list the government's failure to pay salaries, pensions, and stipends on time, and the lack of money for food and medicine.

Russian President Boris Yeltsin, Kyrgyzstan President Askar Akayev, Belarus President Alexander Lukashenko, and Kazakhstan President Nursultan Nazarbayev discussing the strengthening of their customs union and revival of their economies



AP/Wide World Photos

This will be a prolonged fight. Over the last 8 years, Russia failed to establish a political system based on a few clearly defined political parties. No personality has sufficient political support to replace Boris Yeltsin readily after his final term in office.

The struggle will be characterized by both personal ambitions and radical differences over government's role in society. Russia has too many political parties which lack discipline. For example, several political parties and movements advocate market reforms. However, they have not always worked for a common objective, sometimes because of differences over issues, but also because of the leaders' personal ambitions. To a lesser degree, lack of cohesiveness plagues various Communist groups. Russia's nationalist parties often act as if their sole objective is to foment resentment and turmoil among the population.

Political leaders freely switch parties and allegiances based on perceived personal advantage. This results in the inability to pass legislation. Rather than cooperate, politicians position themselves for presidential elections.

Regional Leaders versus the Central Government

Power-sharing issues between the central government and Russian republics and subregions have resulted in resentment between them.

In the last 8 years, the central government has established separate relations with each regional government. This was based either on Moscow's need to centralize control, or on the need to recognize a subregion's economic strength. As a result, there is little trust in the central government outside Moscow.

With the economic crisis in 1998, several subregions began to exert their independence. Among other things, they refused to send taxes to the central government—one of the actions that led to the Soviet Union's fall in 1991.

The presidential ambitions of several governors also are a factor in the ongoing struggle with the central government. By standing up to President Yeltsin or the prime minister, regional leaders can develop a reputation for strong leadership. It is also likely to get them policy concessions.

A major power shift to the regions—much less fragmentation—is not expected, except in the northern Caucasus region. Regional leaders likely will use their local power to run for the presidency in hopes of becoming the new Russian leader.

Declining Military

In 1997, after firing Defense Minister Igor Rodionov and appointing General Igor Sergeev to replace him, President Yeltsin was able to jump-start military reform. Russia has 14 ministries and agencies with military forces, but the Ministry of Defense is the focus of reform.

Yuri Luzhkov

Yuri Luzhkov, Mayor of Moscow, is a front runner to replace Boris Yeltsin as President in 2000. He has a reputation for getting things done through hands-on supervision. He was involved almost daily in the reconstruction of the Cathedral of Christ the Savior and the expansive underground mall at Manesh Square. He is also credited with securing foreign contributions for reconstruction and getting rid of street gangs.



AP/Wide World Photos

Opponents claim, however, that Luzhkov has a large ego and has wasted money on building monuments to himself. They are also concerned about his reported ties to mafia groups, economic policies that keep unnecessary factories open, and pandering to the nationalists. Moscow has fared better than other areas. However, opponents argue it is not because of the mayor's managerial skills, but because the city has received disproportionate investments. October 1998 polls indicated that

about 20 percent of Russians would vote for Luzhkov for president; 35 percent trust him, and 34 percent do not trust him. His voter support over the last 18 months has doubled, while trust and distrust factors remained about the same.

Alexander Lebed

Retired two-star General Alexander Lebed, Governor of Krasnyarsk, will be one of the leading contenders for Russian president in 2000, if he runs. For the last several years he has been his own best advocate, portraying himself as a strong, incorruptible, but fair leader who will rid the Russian Government of its corruption and society of the criminals that plague it.

Many in Russia worry about Lebed, however, because of his history of holding himself above accountability and grabbing for power. They point to his very public battles over policy with President Yeltsin and Minister of Defense Grachev when Lebed was on active duty as Commander of the Russian Group of Forces in the TransDniester. At one point during the public argument, Lebed threatened to lead his military forces in an advance on Moscow to topple the government.

Memories of Lebed's 4-month term as Secretary of the Security Council also cause worries. During that time, Lebed repeatedly called for President Yeltsin to step down and for himself to take Yeltsin's place—even though the Russian Constitution clearly says the prime minister would replace the president. There is also concern about the charges made against him when he was dismissed as secretary of the Council. He was charged with violating the military chain of command, and meeting directly with the commanders of the Airborne Forces, and with attempting to secretly place 60,000 troops directly under his command.

Public opinion polls over the last 18 months show that 15 percent of the population consistently support Lebed for president. They also indicate that about 25 percent of the population trusts him, while about 45 percent does not.



AP/Wide World Photos

The reforms seek to reduce the armed forces in order to cut state expenditures. Yeltsin is determined to keep military spending to less than 3.5 percent of the gross domestic product. While major command changes have been directed to achieve these reductions, they are still being debated.

Initially, the Ministry of Defense stated this would result in its forces being cut to 1.2 million personnel. However, some ministry officials now speculate that the armed forces could fall below 1 million.

Originally, President Yeltsin called for reducing forces in two phases and providing them with "21st century" equipment by 2010. Late in 1998, the Minister of Defense stated that it would be 2025 before the force could be fully upgraded. In reality, it could be longer. Even so, Russia will remain a dominant Eurasian military power.

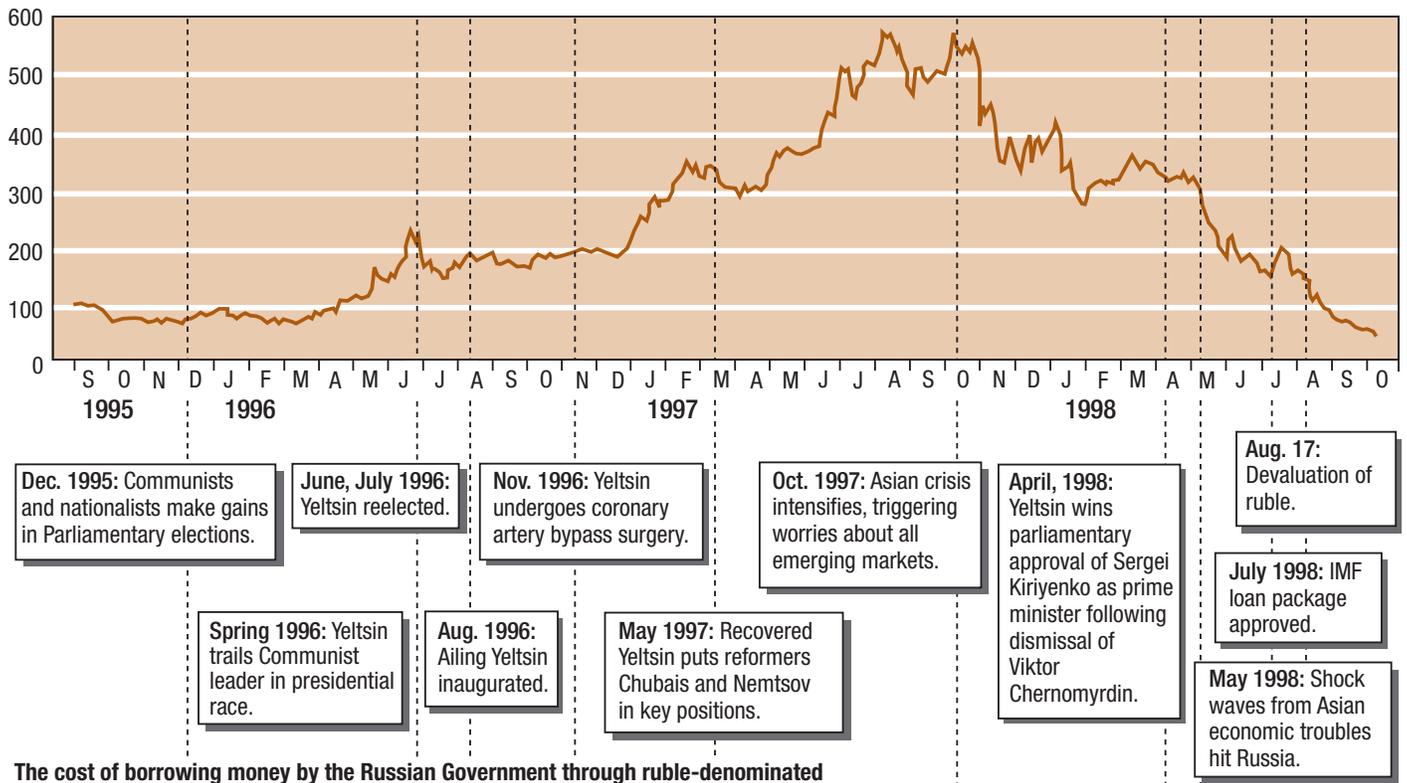
Weak Foreign Policy

Policymakers will be preoccupied with economic and related social problems and simply surviving as a nation. Any international role Russia does play will be intended to improve its domestic problems. Its foreign policy will also seek to prevent the other major powers from taking advantage of its weakness. These objectives will be difficult to achieve if the other major powers believe that Russia has become permanently marginalized.

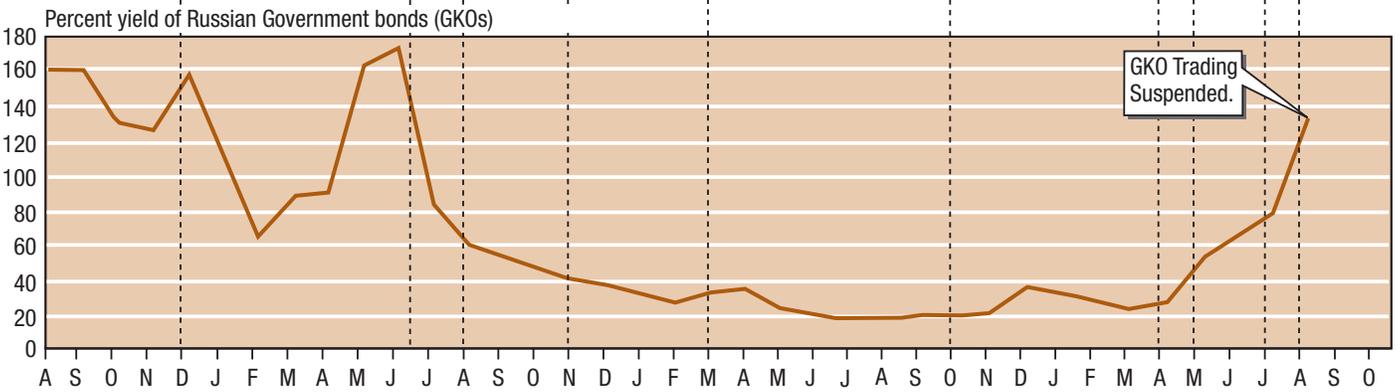
Russia's foreign policy will seek to advance state and regional interests. Russia's foreign policy will be focused mainly on dealing with centrifugal forces in the former Soviet Union, especially in the Caucasus and Central Asia. All the former Soviet republics are trying to establish economic, political, and security connections with the major Western powers. While they seemingly recognize the need to maintain close ties with Russia, history has shown them that they must establish relations with the other major powers as a hedge against future Russian ambitions.

Russia is greatly concerned about the growing radical Islamic threat in southern Russia, Central Asia, and the Caucasus. What was a vague, undefined threat 8 years ago is developing into a serious threat to Russia and its southern neighbors. Chechnya's leaders have acknowledged their loss of political control over major portions of their republic. While the Chechnyan president was a leader in the war with Russia 3 years ago, he stated in October 1998 that the Afghan mujahideen veterans supported by Middle Eastern Arab states were a

Russian Stock Market, Weekly Closes



The cost of borrowing money by the Russian Government through ruble-denominated government bonds rose sharply as investors lost confidence.



Sources: Internet Securities; *The Washington Post*, November 8, 1998.

500,000 Men?

Serious questions have already been raised as to whether the ceiling of 3.5 percent of the GDP for defense spending itself is adequate for the military reforms currently envisioned. In December 1997, at a conference attended by then Deputy Minister of Defense Andrei Kokoshin, Colonel Viktor Tkachev of the military's Financial Academy said that even if Russia experienced economic growth, 3.5 percent would provide only for the proper maintenance of armed forces of 700,000. Tkachev stated that, without growth, only 500,000 to 550,000 soldiers could be fully maintained to the standard of the armies of West European countries.

greater threat than Russia to Chechnya. Kazakhstan, Kyrgyzstan, and other former Soviet states with Muslim populations have constantly warned that they are facing low-level, radical Islamic insurgency threats supported by the Middle East and South Asia. Russia is likely to be preoccupied by these challenges to its south.

Russia will try to maintain good relations with all major powers. At the very least, Russia needs their good will if it is to have any chance of overcoming its economic problems. It will also try to persuade the other powers to resist what it

Yeltsin's Original Concept for Armed Forces Reform

Phase I (1997–2000)

Main Focus: Reduce the overall force structure to 1.2 million men. Savings are intended to improve readiness, technical standards, and living conditions.

Command Changes:

- Give military district commanders operational control of forces in their districts
- Abolish the position of Commander-in-Chief of Ground Forces
- Establish a unified "strategic missile force," to include:
 - Strategic Missile Forces
 - Military Space Forces
 - Missile and Space Defense Force
- Combine air forces and air defense forces
- Retain a navy with four fleets and a flotilla, but downsize these forces.

Research and Development Policy: Stop acquisition of old equipment and develop breakthrough technologies.

Phase II (2000–05)

Transition to Three Services: According to the General Staff, the armed forces would be based on "spheres of combat"—ground, air/space, and sea. This likely reflects the General Staff's plan to align service support with operational commands.

Research and Development Policy: Begin delivery of state-of-the-art weapons and equipment by 2005.

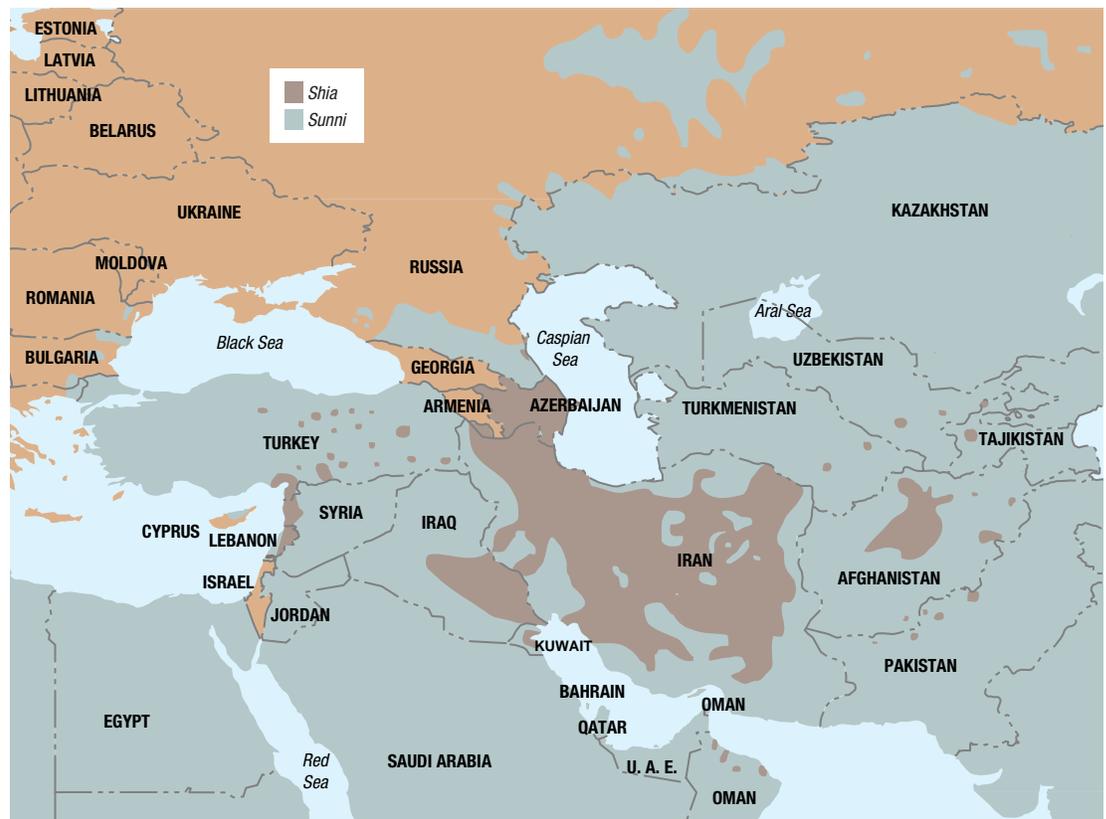
sees as American hegemony, and advocate multipolarity as a safer world. Russia must play a relatively weak international hand, but its diplomacy in the Kosovo crisis shows that it still has clout.

In Europe, Russia will likely complain about exclusion from continental affairs. It is also likely to protest NATO and EU eastward expansion, but it can do little to stop them. In the Middle East, Persian Gulf, and South Asia, Russia will not have much influence. However, it may attempt to create difficulty for the United States and sell arms to clients within the region. In Asia, Russia's cooperation with China and Japan will be limited. It will fear the possibility that these countries could advance their interests at Russia's expense.

Growing Instability in the CIS

Russia is not the only state in the former Soviet Union facing domestic challenges. The economic situation throughout the former Soviet Union is negative. Practically no progress has been made on market reforms, and the standard of living has generally declined.

Sunni and Shia Muslims Along Russia's Southern Borders



Sources: Internet Securities; *The Washington Post*, November 8, 1998.

The countries within the Commonwealth of Independent States (CIS) will likely retain their independence, because their situation makes them highly undesirable for takeover. The only countries that might theoretically threaten them are Russia and Ukraine. Even if it were economically advantageous, Russian and Ukrainian military weaknesses will likely prevent this step in the foreseeable future.

Three factors could result in challenges to some countries, as well as complicate international affairs. The first factor is the possible reunification of Belarus, Ukraine, and Russia. Major portions of Belarus and Ukraine desire close and formal ties with Russia. If Belarus or Ukraine reunited in some manner with Russia, the West would be alarmed. Moscow would be seen as returning to an expansionist foreign policy. In either case, Russian military forces could be deployed closer to U.S. allies.

Although this outcome is remote, conservative groups will always seek the reunification of Russia, Belarus, and Ukraine. However, Belarus and Ukraine are in worse shape than Russia economically. They would be an extraordinary burden on Russia's already floundering economy. Russia has been unresponsive to eastern Ukrainian demands to break away and reunify with Russia in some way. If this was seriously considered, Ukraine could deteriorate into political chaos. The majority of the country would probably support reunification with Russia, while the rest would remain under radical Ukrainian nationalist control. Instability would spread east and west. Moreover, NATO and Russia would return to a state of conflict and distrust, at least temporarily.

The second factor is the value of oil and gas reserves in the greater Caspian Sea region. It has the potential to cause conflict among countries in the region—and beyond. The region is already experiencing instability. While this is mostly attributed to ethnic unrest, it is also the result of disagreements over future pipeline routes. Those countries with pipelines transiting their territories will have a valuable source of income. Consequently, all countries in the region want their competitors to appear unattractive. Fomenting political instability, banditry, and warfare on the territory of competing states is therefore seen as advantageous. Numerous Russian press reports have also accused several Middle East countries

with large oil reserves of supporting such activity. Some countries in the region have accused Russia of interfering in their domestic matters.

The third factor that could challenge the sovereignty of some CIS countries is instability in the Caucasus or Central Asia. It could spread to southern Russia or Kazakhstan, most likely in the form of armed incursions by radical Muslim groups supported by countries outside the region. Any serious threats of this nature could evoke a Russian military response, even though Russia is militarily weak and such a response would hurt its economic recovery. Russia would not limit fighting to its own territory.

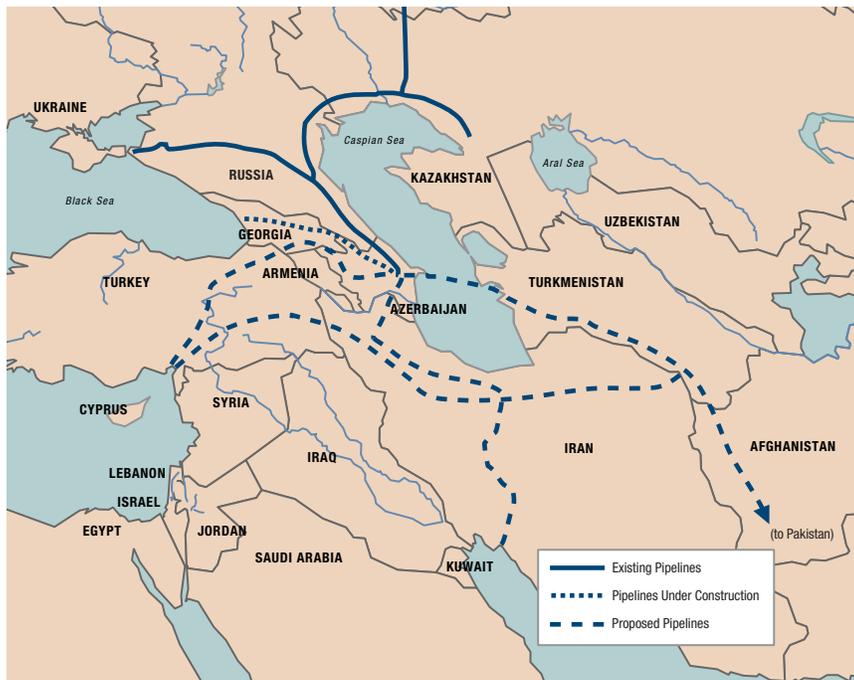
Most countries in the region have experienced political chaos similar to Russia, which has weakened their sovereignty. Most countries in the Caucasus and Central Asia have limited political parties and changed election laws to favor incumbents and control the media. The results range from political dissidence to outright warfare. Ethnic and political conflicts run rampant. This situation is unlikely to change over the next several years. Georgia's civil war with Abkhazia remains in stalemate, and conflict in South Ossetia could flare up at anytime. Likewise, war between Azerbaijan and its enclave of Nagorno-Karabakh could reignite, bringing Armenia into the fray. In most Central Asian states, political protests and resulting imprisonment are part of daily life.

Historically, Russia has provided regional stability. However, Russia's capacity to dominate militarily is declining precipitously. The Russian armed forces are in disarray and will require two to three decades to recover. The decline in Russian military power is creating a vacuum in Central Asia and the Caucasus. This is encouraging military involvement and intrigue by countries beyond the former Soviet Union. The situation will worsen if, as planned, Moscow removes its Border Service from the old Soviet boundaries sometime after 2005.

Radical Muslim involvement—all the way into Kazakhstan—has occurred over the last 7 years. Afghan mujahideen veterans currently control portions of Chechnya, conducting terrorist acts that even the Chechnya Government cannot prevent. The strength of the mujahideen and other radical Muslim movements will likely increase and spread in the Caucasus, including Russia's Caucasus region.

Since the demise of the Soviet Union, Afghan warlords and the Pakistani-trained Taliban have pressured portions of Central Asia's southern borders. Most Central Asian leaders

Caspian Sea Pipelines



have complained about the growing radical Muslim threat, which they have termed “Wahabees.” In the early 1990s, these complaints were seemingly groundless fears. Now, a growing number of terrorist acts support these claims. While Central Asian governments have prevented democratic development to the degree advocated by the United States, they are a more stable alternative to Muslim insurgents and soldiers of fortune.

There are two reasons for instability in the Caucasus and Central Asia. First, current governments in these regions have failed to win the support of groups within their borders. Second, they lack the ability to impose order through threat or deeds. The Soviet Union played the latter role for most of its history, but Moscow has been unable to do so since the Belovesh Forest declaration of December 1991. Economic constraints, political intrigue, and lack of military reform have resulted in conventional forces that will have little influence on events beyond Russian borders.

Nuclear and Conventional Force Reductions

The same economic constraints that have affected Russia’s conventional forces will also prevent it from maintaining strategic nuclear parity

with the United States. Consequently, Russia may seek international agreements over the next 10 years that will restrict the strategic forces of all major nuclear powers. These initiatives could be combined with proposals for the United States to share future ballistic missile defense systems.

Economic realities make it clear that Russian leaders have to choose between investing in nuclear or conventional forces. Moscow understands that nuclear forces are only for deterrence, despite statements that it will rely on nuclear weapons until conventional military reform is complete. Further, Moscow understands that START II would require extensive modernization in nuclear weaponry and command and control systems. Russian security specialists still seek parity with the United States even though it is not militarily required. To resolve these seemingly conflicting positions, Russia could press for nuclear weapons reductions that go below proposed START III levels, but include all major nuclear powers.

At the same time, Russia’s ongoing conventional force reduction will cause it to be increasingly concerned about the size of NATO and Chinese forces. Because Russia cannot modernize its conventional forces until well into the 21st century, it seeks to achieve a military balance through negotiations, partnership activities, and other arrangements.

U.S. Interests

The United States has critical interests in political and economic reform throughout the former Soviet Union, but recent events have negatively affected those interests. Prospects for market and democratic reforms have diminished. Massive economic dislocations and political turmoil, especially in Russia, give the United States cause for worry about possible political chaos in the region.

Controlling Russia’s Nuclear Arsenal

Since the nuclear arms race began, the United States has sought to limit or reduce the number of strategic nuclear weapons aimed at it. To this end, the United States has pursued bilateral arms reduction agreements with Moscow. Further warhead reductions to the START III levels can be accomplished quickly, once the Duma votes to ratify START II.



AP/Wide World Photos

Former Russian Prime Minister Yevgeny Primakov and U.S. Secretary of State Madeleine Albright, during her visit to Moscow in January 1999

Since the Soviet Union's demise, a new threat has arisen: Russia cannot guarantee full control over its nuclear weapons, fissile material, or nuclear scientists. Over the last 8 years, the United States and Russia have sought to ameliorate this problem, but the turmoil facing Russia in the future will exacerbate it. Over the next decade, the United States has an interest in ensuring control over Russia's weapons, fissile material, and scientific expertise.

Securing Russian Cooperation on International Issues

The United States has a major interest in Moscow's playing a responsible role in international affairs. This will not change, even as Russia experiences political turmoil. The United States needs Moscow to play a constructive role on such international security issues as dealing with rogue states, stopping the spread of weapons of mass destruction, stemming the spread of terrorism, and fighting organized crime.

Some believe that Russia would play a "spoiler" role, if given the chance. It would use its veto on the UN Security Council or other means to impede U.S. international policies. While this is possible on selected issues, it would be wrong to accept such a general assumption across the

board. Russia wants to be seen as a major world power, but realizes that it does not have the same influence that it had during the Cold War. Russia and the United States have many similar concerns regarding international problems. However, Russia does not want to be seen as publicly agreeing with U.S. decisions after they have been announced. Treatment of Russia as a partner early in the decisionmaking process could result in greater cooperation, even though its participation in international affairs may be minor.

Ensuring Internal Stability and Economic Development

Russia believes it has the right to be involved in the affairs of countries around it. This attitude is prevalent not only among Russia's security specialists but also among the population. Recent polls show that 80 percent of Russians believe the CIS should be strengthened. Further, increasing economic and political instability in Russia may result in demands for reunifying parts of the former Soviet Union. Such chauvinism would worry most of Russia's neighbors and cause them to seek outside protection. This could further increase regional instability.

Ukrainian stability is of particular importance to America and its allies. In eastern Ukraine, the majority Russian population strongly desires reunification with Russia. The majority in western Ukraine seeks to remain independent. Any clash between these two groups in Ukraine would negatively affect U.S. interests.

The need for stability in the non-Slavic regions of the former Soviet Union is partially based on economics. The United States and its allies have economic interests in developing Caspian Sea oil. Political instability in the Caucasus and Central Asia could disrupt oil production or distribution. The region would also be a U.S. security concern if it became a home for radical Islamic terrorists—a development that may be in its nascent stage.

Consequences for U.S. Policy

The United States has sought to promote market and democratic reforms, control nuclear weapons and fissile materials, gain Russian acceptance of Western policies in Europe, and promote a U.S.-Russian partnership. Some success



Soldiers from the U.S. 10th Mountain Division with counterparts from Uzbekistan, Kyrgyzstan, Kazakhstan, Georgia, Russia, Turkey, and Azerbaijan during Exercise CENTRAZBAT 98 in Osh, Kyrgyzstan

has been achieved in the latter three areas. However, the promotion of market democracy has suffered frustrating setbacks. The key U.S. policy challenge will be working with Russia over an extended period during which reforms come slowly, if at all. This challenge includes designing effective policies that advance U.S. goals despite these constraints.

Domestic Crises and Fail-Safe Nuclear Controls

Continued economic and political crises could significantly degrade Russia's ability to maintain fail-safe control over nuclear weapons, fissile material, and scientists. This is a problem requiring a Russian solution. The United States is already pursuing several programs to address the problems, including negotiating lower war-head levels, purchasing nuclear material, funding weapons destruction, and funding the retraining or reemployment of nuclear scientists and engineers.

Russia's dire future makes even more U.S. support for these efforts imperative. In order to prevent a possible threat, the West may need to assume much greater costs.

Russia's International Role

Russia's internal focus will significantly reduce its effectiveness in international affairs but

will not eliminate its participation. Russian leadership will be unable to devote the time and economic power, much less the military resources, needed to be accepted by the other major participants in international affairs.

Nevertheless, Russia wants to be seen as a world power whose participation is necessary to many international decisions. This presents the United States with opportunities. If Washington consults with Moscow on issues considered to be important to the latter's interests, Russia will likely cooperate.

Conversely, if Moscow believes it has been excluded from decisions deemed important to its interests, it may attempt to complicate Western activities. This would include vetoes in the UN Security Council and diplomatic campaigns against objectionable U.S. policies. Beyond that, Moscow's influence will be limited.

The possibility exists that extreme nationalists and Communists could try to pit Russia against the West, particularly the United States. They might pander to xenophobic tendencies that were instilled in the Russian people in tsarist and soviet times. However, such efforts will likely have limited results. Over the last 8 years, the Russian people have developed a growing distrust of the United States, but they do not hate it. They also seemingly welcome the end of the Cold War and its international divisions.

Another factor could affect Russia's involvement in international affairs: the personal ambitions, greed, and corruption of Russian Government and business leaders. This factor has been allowed to flourish over the last 8 years. These so-called oligarchs could hurt international affairs, especially regarding Caspian Sea oil. These "new Russians" have moved in and out of government. As government officials, they have habitually favored their personal interests. If this continues, Russia's international conduct may surprise the United States. Russia may pursue policies that support private goals and not the obvious interests of the Russian state.

Stability of the Caucasus and Central Asia

Russia's economic, political, and military degradation have already negatively affected the stability of the Caucasus and Central Asia. Russia's failure to defeat the Chechen rebels in 1994-95 has led to the Islamic insurrection in neighboring Dagestan, which receives monetary



AP/Wide World Photos

Aslan Maskhadov, President of Chechnya, who fought against Russia, but who now is more worried about the threat from forces outside the former Soviet Union

and equipment support from other countries. These foreign supported insurgencies will likely continue for decades. This will occur at the same time that Russia will be reducing its forces and trying to reequip its army with advanced technology.

Extremist Islamic forces, inside and outside the region, are filling the region's security vacuum as quickly as it develops. Mujahideen forces already control most of Chechnya. Other countries outside the region, including Saudi Arabia and Afghanistan, are trying to overthrow the existing regional governing powers. They are instigating ethnic unrest and reportedly funding assassinations. The other three powers that border the region—China, Turkey, and Iran—are either too weak militarily or not inclined to fill the void.

This security vacuum forces the United States to confront several policy questions. Should the United States be concerned with stability in the region? Should NATO be concerned with regional stability, since most of the countries

belong to the Partnership for Peace program? If not, who should ensure stability—Russia, Ukraine, Turkey, Iran, an international organization, or a coalition?

Regional developments will require the United States and its allies to consider security there. However, it is impossible to determine effective United States policies because of turmoil in Russia, the delicate political balance in Ukraine, and the uncertainty of Iran's attitude toward the West.

One thing is clear: the United States and Russia have an interest in preventing radical Muslim activities. Even considering Russia's weakened state, the two countries could coordinate their strategies to meet this common threat that is affecting much of the former Soviet Union. While many in Russia will be alarmed over possible U.S. (as well as

Turkish and Iranian) involvement in the former Soviet Union, prior consultation and joint planning could help alleviate concerns.

Domestic Turmoil in Russia

The last 8 years have demonstrated the West can do little to solve the domestic problems in the countries of the former Soviet Union. The region's governments must solve them.

However, the United States can avoid aggravating already existing problems. First, it can temper U.S. reactions to events that appear contrary to our interests. The region's future chaos will give rise to political leaders that may not be to American liking, but it also may remove such individuals from power. Attempts to work with the reigning political leadership regardless of orientation will probably do more to increase Western influence than will attempts to coerce new regimes. If efforts are initially rebuffed—and if the issue is important enough—stronger actions can be taken later. The United States and its allies should always consider that all states in the region are weak and that this weakness makes them defensive when confronted by stronger states.

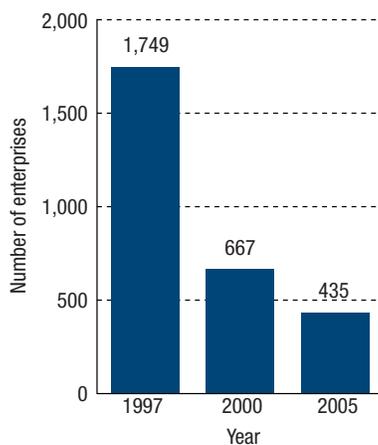
Out of frustration, Western leaders might be tempted to write off Russia as a hopeless case. However, this would be both premature and counterproductive. Russia has the natural resources to recover economically in two to three decades. The West would be better off having Russia as a constructive partner than as a resentful spoiler.

Because changes are occurring in Russia and throughout the former Soviet Union, the United States must consider changes in its policies toward the region. Arguably, less emphasis should be placed on fast-paced political and economic reform, as Russia faces social and political unrest. Dealing with the situation as it exists, not as it should be, will be key.

Russia is on the verge of an economic breakdown. It has never had the economic institutions, market safeguards, or social safety nets needed to support Russia's citizens and industry as they transition to any sort of market economy. Because the United States has an interest in stability in the former Soviet Union, it should be prepared to understand the inevitable "statist" political measures. This could mean tempering support of democratic and economic reforms and accepting a policy of "mutual interest and mutual respect" regarding Russia. This policy does not mean giving up on long-term reforms. Rather, it puts stability and slow-but-steady progress ahead of rapid reform.

In response to reasonable economic reforms, the United States could assist Russia in recovering money that was smuggled out of the country and deposited in foreign banks. A considerable amount of money left Russia in the 1990s. If Moscow recovered a portion of this money, it might be able to pursue reform measures and initiate a social security net. The United States

Proposed Reduction in Russian "Core" Defense Enterprises



would then be justified in demanding involvement in developing laws that would encourage a functioning market system—and provide a social security net.

U.S. Strategic Relations with Russia and Ukraine

U.S. and Russian strategic partnership has limited applicability beyond nuclear weapons, nonproliferation, stability in the former Soviet region and Eastern Europe, and continuation of Russian economic and political reforms. Russia is no longer a strong international force and will probably not attempt such a role. Despite the periodic ravings of nationalist or Communist extremists, Russian political leaders are unlikely to confront the United States on the international stage. With the impending political and economic change in Russia, the United States has the opportunity to redefine this partnership.

Russia is the strongest military power in the former Soviet Union. It still defines its security in terms of involvement in the affairs of other countries in the

region. The key for U.S.-Russian security relations in the future will be to make Russia a positive stabilizing force in the region. One way to do this is to devise a joint security arrangement to counter the radical Islamic threat now transpiring in the region. This should help the economic and political prospects of all regional countries.

The West's relationship with Ukraine is also important to the stability of the former Soviet

Union and of Europe as a whole. While there are periodic cries for incorporating Ukraine into NATO, this would be counter to the interests of Ukraine and the West. Seemingly, Ukraine can make important contributions to Eurasian security. It is trusted more than Russia or other powers of the region. However, it would be a mistake to advocate too big a role for Ukraine.

Ukraine is politically fragile. To survive ethnic divisions, Ukraine must continue its security policy of nonalignment. If domestic or foreign pressures place Ukraine's leadership in a position where it must decide between aligning with either Russia or the West, the country probably would either join Russia or plunge into political chaos or civil war. Russian military forces would likely deploy to Ukrainian territory to keep peace or decide the outcome. Ukraine's involvement in other regional security problems might also be contrary to its carefully crafted nonalignment policy.

In the immediate future, Ukraine will be a key contributor to the security of Europe and the former Soviet Union, but only if it continues to exist as a sovereign state. To remain sovereign, it must be nonaligned. Any attempt to force it to abandon this nonalignment policy could result in a major military crisis.

Net Assessment

The optimism of the early 1990s about U.S.-Russian relations is gone. Russia's economy is in decline and its future orientation and leadership are in doubt. Yet, common interests exist. If the United States is sensitive to Russia's vital interests and supports its economic growth, a new more modest strategic partnership may yet develop.



Russian, Polish, and U.S. soldiers in joint airborne training over Bosnia