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Core Course IV

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Winning the Peace: US Political and Economic Aid to Russia

The implosion of the former Soviet Union in 1991 signaled the end of the Cold War. Having spent trillions of dollars to win that war, the United States now has the opportunity to win the peace as well. If we as a nation move quickly to support the new Russian Revolution, we can reap the benefits of a democratic, economically sound ally in global stability and progress. These benefits include security from the threat of nuclear war, a partner in preventing nuclear proliferation and a potentially vast new market for global trade. We have the resources to lead the world community to these ends. We must also provide the leadership. In the words of President Clinton:

"We need to respond forcefully to one of the greatest security challenges of our time, to help the people of the former Soviet bloc demilitarize their societies and build free political and economic institutions. We have a chance to engage the Russian people in the West for the first time in their history."<sup>1</sup>

The economic, political and social problems in Russia are both enormous and extremely complex. If US assistance is to be effective, it must be applied with careful consideration for the Russian social fabric as well as the exigencies of the situation. In that context, there are four major and immediate concerns for the US in supporting the Russian government and its people: the economy, nuclear proliferation, democracy building and the

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environment. These issues, with the exception of nuclear proliferation (which applies only to four of the former Soviet states) are common to all the states of the former Soviet Union. But as the successor state to the former Soviet government and a major nuclear power, it is Russia that certainly should be, not the totality, but the focus of western aid and assistance. Success in Russia will provide the model and stimulus for the remaining states of the former Soviet Union.

### **The Economy**

As a matter of priority, the US must move to support and expedite the transition of the Russian economic system from a command economy to a market economy. The wrenching effects of rapid "shock-therapy" process for transition to a market economy -- hyper-inflation and rampant unemployment -- must be dealt with in the near term. Stabilization of the ruble is essential. As Malcomb Forbes has aptly stated: "You can't have a real economy without real money."<sup>2</sup> Direct and perhaps massive efforts to shore up the ruble and establish it as a convertible currency are essential to economic transition. With a stable currency the free market can begin to function.

The second step should be to assist in building a Russian business infrastructure to interface with the international community. The Bilateral Investment Treaty negotiated at the US-

Russia business summit in June 1992 provides a seminal foundation. Agreements reached on competitive equality, repatriation of profits, and investment guarantees in international US-Russian trade and commerce can be incorporated into Russian domestic codes to support privatization of the internal economy. This is essential to free markets in a country that hasn't yet established the infrastructure in its legal system to support international business -- or even domestic competition.

A third step should be to provide technical assistance to shore up domestic industries which are vital in the interest of political stability and economic recovery. Two clear examples are the agriculture and oil industries. It has been estimated that in the agriculture industry as much as twenty percent of each year's grain crop and up to seventy percent of some fruits and vegetables are lost in transit to market either by spoilage or spillage.<sup>3</sup> In the oil industry, it is estimated that over 92,000 barrels of oil a day are spilled.<sup>4</sup> This is an Exxon Valdez sized spill every six hours and represents an enormous loss of revenue. These problems are systemic and to a large degree wrapped up in the cultural fabric of communist inefficiency -- but there are minds enough in this country and among our western allies and Japan to help solve them. Applying initial efforts to agriculture and oil industries could avert potential famine in the country and, in the case of oil, assist in generating desperately needed hard currency.

Fourthly, assistance should be provided to expedite the conversion of defense industries to consumer goods production. The twenty percent drop in Russian gross national product and fifty percent reduction in industrial production in 1992 stemmed in large measure from the massive eighty percent reduction in military procurements.<sup>5</sup>

Finally, the US and Western Allies should make good on the \$24 billion in loans and guarantees initially earmarked for Russia in 1992 by agencies including the International Monetary Fund and World Bank. Of the \$24 billion, only about \$8 billion was actually delivered, down from \$21 billion in 1991.<sup>6</sup> The infusion of aid is essential to underwrite the sorts of economic stimuli detailed above.

### **Nuclear Proliferation**

The issue of proliferation of nuclear warheads and material is no less immediate than underpinning the Russian government with a stable economy. It should be pursued promptly and vigorously. As thousands of nuclear warheads are disassembled or removed from delivery vehicles under the START treaties, it is far from inconceivable that accountability may be lost either intentionally or by accident. According to a recent magazine article it takes approximately fifteen kilograms of highly enriched uranium (HEU) to produce a simple nuclear bomb. It is estimated that between

300,000 and 500,000 kilograms of HEU will be released from Russian weapons by the year 2000.<sup>7</sup> The prospect of a former Russian nuclear weapon in the hands of Libya, Iraq or Iran -- or any of the world's abundant supply of terrorist organizations -- is sobering indeed. The US has offered \$400 million to support dismantling, moving and storing nuclear weapons. The magnitude of the process and the long lead time required for building secure storage facilities provides impetus for rapid US involvement in both technical and monetary assistance.

### **Democracy Building**

Democracy building in Russia is essential to the long term stability and economic health of the country. The former (and vestigial) communist system was built on an ideology that replaced both personal values and common sense in running the country. Economic, scientific and environmental decisions were made on the basis of politics instead of informed self interest, with concomitant disastrous consequences in the long term. In contrast, a democratic system would provide the firmest foundation for an efficient market economy as well as for political stability and human rights. Additionally, history has demonstrated that democratic states are unlikely to go to war with one another, and a secure, democratic Russia would be an ally and partner in global stability and collective security.

It is essential to move quickly to consolidate and build on the movement toward democracy now taking place in Russia. At risk is a resurgence of the former hard-liners in the Communist Party in response to the hardships of economic transition. The issue of democracy building is complicated, however, by the totality of the very system it needs to replace. In Russia, the incomplete and incorrect understanding of democracy stems not from mere lack of experience with the process; it stems from a culture devoid of the elemental philosophy of democracy. In the two instances that fledgling democratic movements began in Russia -- 1905 and in the brief Kerensky government of 1917 -- one was brutally suppressed and the other was expropriated by the Communists. It is illustrative that in the forty-five volumes of Lenin's works, there are no references to Thomas Jefferson, Patrick Henry, John Adams or James Madison. George Washington is mentioned only in the context of Lenin as the George Washington of Russia.<sup>8</sup> This is a challenge for energetic idealists such as the American Peace Corps workers who are already in Russia, and is fertile ground for President Clinton's proposed national service program.

### **The Environment**

Russia is an environmental disaster on a scale so enormous that the damage permeates almost every aspect of society. Any comprehensive aid program must address this disaster and its effects. An ecological map of the country shows devastation

everywhere, including widespread radioactive contamination, air pollution at levels ten times the Russian specified limit, dead and dying rivers and the Aral Sea turning to dust and sand.<sup>9</sup> The ecological disaster is not merely an eyesore; it is reflected in increasing cancer and respiratory disease deaths and widespread destruction or spoilation of natural resources including timber, farmland, oil reserves and water. Pollution and clear-cutting are destroying over five million acres of Siberian forest a year, and in an environmentalist nightmare, there is a pool of spilled oil in Siberia that is six feet deep, four miles wide and seven miles long.<sup>10</sup>

Clean up of this disaster is clearly not possible in the short term. But technical assistance in reducing the rate of environmental destruction is both possible and necessary. A priority should be assistance in safe nuclear power production. Over sixty percent of Russia's electricity is produced by nuclear power -- ostensibly in plants built and operated like the infamous Chernobyl plant. This is a problem of international concern. Additionally, military to military contacts could assist in programs to safely dispose of spent naval reactors. Previously they were simply dumped into the sea with unknown and unmeasurable long-term effects.



## Winning the Peace

The magnitude of the problems facing Russia today is beyond solution by monetary assistance alone. Indeed, extrapolation of the estimated \$6,000 per capita invested by Germany to incorporate East Germany quickly translates to trillions of dollars in the case of Russia. That level of funding is clearly beyond any consortium of US and Western Allies, even including Japan. But if the US formulates a tailored program of primarily technical assistance and targets available monetary resources at relative and potential strengths of the economy, Russia can survive political and economic transition to a viable democratic society.

We must, however, move quickly. Political stability in Russia is tenuous, with the hard-line former Communists of the parliament pushing increasingly against reforms. The current power struggle in Russia between conservatives and President Boris Yeltsin has serious implications for continued economic reform and for the possibility of political disintegration of Russia.<sup>11</sup> The US must engage Russia politically to be in a position to provide continuing assistance to political and economic reform regardless of the government in power. Even in the face of overwhelming concern for the US domestic economy, the Clinton administration can ill afford to ignore the situation in Russia.

It is clearly vital for the US to pursue a vigorous program of assistance to Russia. Again quoting President Clinton: "We owe it to the people who defeated communism, the people who defeated the coup. And we owe it to ourselves.... Having won the Cold War, we must not now lose the peace."<sup>12</sup> The true peace dividend afforded by the end of the Cold War may be the dollars invested in winning the peace in Russia.

## NOTES

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