

Looking Behind Potemkin's Wall: How American Policy Has Failed Russia

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*Nixon Center Working Paper
October 2000*

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Introduction

After nine years of independence, Russia's record on establishing democracy and a market-based economy is mixed. While overwhelming responsibility for the country's plight surely rests with the Russian government, many outside observers have raised hard questions about the role of American policy in Russia's continuing troubles. The dramatic decline in favorable views of the U.S. among the Russian people—and Russia's increasingly assertive foreign policy—have also drawn close scrutiny.

Having followed U.S. policy toward Russia closely through virtually the entire period of Russian independence as Senior Professional Staff Member for Eastern Europe and the Newly Independent States on the House International Relations Committee's majority staff, Mark Gage brings an important perspective to these issues. This paper draws on his extensive experience with Russian affairs and the processes of legislative oversight to provide a concise and forceful critique of the Clinton Administration's policy toward Russia. It is a valuable contribution to America's national debate on this vital topic.

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LOOKING BEHIND POTESKIN'S WALL: HOW AMERICAN POLICY HAS FAILED RUSSIA

The state of affairs in Russia today gives us serious concern for the future. The state of affairs in Russia today is not good.

Corruption has spread throughout Russian government and society, undermining social stability and Russians' confidence in their country's very survival. Tens of billions if not hundreds of billions of dollars worth of Russian funds and resources have been (and continue to be) spirited out of Russia into foreign banks. Millions of Russians have lost their jobs, their salaries and their health care, sinking down into extreme poverty. The Russian economy, propped up by the rise in oil prices and a devalued currency after 1998, now enjoys a rebound that in no way reflects the continuing economic morass in that country. "Crony capitalism without much capitalism"¹ is the reality in Russia today, a fake capitalism that presents a false front of economic reform.

The prospects for real democracy in Russia are truly in jeopardy. Much of the power of the government has long since been centralized in the presidency under the "Yeltsin Constitution." That presidency is now occupied by a career KGB officer as a result of government manipulation of the Russian mass media and electoral process earlier this year.

Russian proliferation of technology related to weapons of mass destruction exacerbates new challenges to American interests in the Persian Gulf and in the straits off Taiwan. Russia supports anti-American dictatorships in Iraq, Cuba, Serbia and Belarus. Its levels of espionage against the United States reportedly rival those of the former Soviet Union, and, increasingly, its anti-American policy flares up into openly confrontational actions such as the covertly planned deployment of Russian troops into Kosovo in June 1999.

Perhaps most striking is the loss of the general admiration of the United States that prevailed among the Russian public at the end of the Cold War. That admiration has long since been drowned in a growing resentment and distrust of America.

Many of the troubles in Russia today can certainly be ascribed to the difficult transition from communism, but the policy implemented by the United States over the past seven years has, to a quite significant degree, contributed to this very

¹ Fritz W. Ermarth, "A Scandal, Then A Charade," *The New York Times*, September 12, 1999.

unwelcome situation. Some commentators have, in fact, speculated that Russia has been 'lost' under the policy administered by President Clinton and his top officials.²

The Administration demurs that Russia was never theirs to lose, but, indeed, tremendous opportunities that existed in 1992-1993 to support true democracy and real market reform in Russia and to build a new relationship between our two countries appear to have been lost.

Here is how American policy helped bring about that failure.

TELL US ABOUT OUR SUCCESS

In an analysis of the Administration's Russia policy, National Journal reporter Paul Starobin wrote: "The Clinton Administration sees what it wants to see in Russia rather than what is really there."³ That characterization correctly identified one of the basic flaws in American policy toward Russia over the past seven years. It was, however, a far more generous characterization of the possible motives behind the Administration's perception of developments in Russia and portrayal of those developments than that suggested by E. Wayne Merry, a former US diplomat who had been involved in implementing that policy.

Merry served as head of the political section at the US Embassy in Moscow in the first years of the Clinton Administration. Writing of the Clinton Administration's policy regarding Russia, Merry stated that: "Washington has increasingly politicized its own internal analyses of Russian reform so as not to rock the [Gore-Chernomyrdin Commission's] boat." Merry also explained that Gore's "commission" with the Prime Minister of Russia, established at the start of the Clinton Administration, was an operation most concerned with claiming it had produced "deliverables," that is, accomplishments which could be credited to Gore's personal role in implementing policy regarding Russia.⁴

The tendency to put a positive spin on the results of its policy toward Russia was discernible from the start of the Clinton Administration. Dimitri Simes, then with the Carnegie Endowment for International Peace, noted in December 1993 that the Clinton Administration was anxious "to showcase Russia as its greatest foreign

²See, for example, Robert Bartley, "How Gore Lost Russia," *The Wall Street Journal*, August 21, 2000; Michael Dobbs and Paul Blustein, "Lost Illusions about Russia," *The Washington Post*, September 12, 1999; and John Lloyd, "Who Lost Russia: The Russian Devolution," *The New York Times Magazine*, August 15, 1999.

³ Paul Starobin, "Moscow Mirage," *National Journal*, April 17, 1999.

⁴ E. Wayne Merry, "Reinventing Russia: Al Gore's Misguided Quest," *The Wall Street Journal*, September 8, 1999. Unfortunately, as Merry states, those "deliverables" did not really reflect the true state of US-Russian relations or the real situation in Russia.

policy success.”⁵ Merry’s statements, made almost six years later, confirmed that earlier insight: “During 1993-94...there was an unmistakable shift in the Clinton Administration priorities from “tell us what is happening” to “tell us that our policy is a success.”⁶

Ironically, this predisposition to insist that a policy must be seen as a success regardless of the reality has, in the past, been far more a habit of Russian officials than American officials. Russian history is replete with incidents in which officials have claimed to have achieved ‘deliverables’ based on their policies. Under the former Soviet regime, the five-year plans were always “fulfilled” or “over-fulfilled.” In the earlier, Tsarist period, according to popular Russian history, Tsarina Catherine the Great’s court favorite Prince Potemkin took to building false fronts along the routes of her travel. Such “Potemkin villages” looked from a distance to be prosperous. The Prince’s intention was to lead the Tsarina to believe that all was well and that the Empire was prosperous and happy under her rule, and to curry the Tsarina’s favor.

As if taking a page from Russian history, top officials of the Clinton Administration, including the President and Vice President themselves, quickly fell into the habit of putting a false face on a policy that was not succeeding, then professing to believe the very falsehood that they themselves had created despite rising evidence to the contrary, evidence often delivered to them directly. Indeed, by March 1995, then-Russian Foreign Minister Andrei Kozyrev warned that the “honeymoon” in US-Russian relations was over, but more than year later, the Administration continued to portray its handling of policy towards Russia to the American public as nothing less than a success story. That portrayal of success came at a time when President Clinton was seeking re-election and was indeed helpful to him in that context. Behind the Potemkin facade presented to American voters, however, the seeds planted by a failing United States policy toward Russia had already begun to blossom into the serious problems that are readily visible today.

IGNORING THE REAL BORIS YELTSIN

In February 1993, Richard Armitage, the US Coordinator of Assistance to Russia and a holdover from the Bush Administration, publicly warned that Yeltsin lacked a “grand vision.”⁷ Armitage was quickly moved out of his post by the new Administration for his injudicious remark, but the truth behind his comment was

⁵Dimitri Simes, “America’s Misdirected,” *The Washington Post*, December 15, 1993

⁶Merry, “Reinventing Russia: Al Gore’s Misguided Quest,” *The Wall Street Journal*, September 8, 1999.

⁷Associated Press report, “Yeltsin’s Ouster Predicted,” *The Washington Post*, February 21, 1993.

soon apparent. By the end of 1994, it was becoming more and more obvious that Yeltsin had no intention of employing the power he had accumulated through his October 1993 overthrow of the parliament either to actively support democratic, reformist parties or to push forward real reforms. Subsequently, in his January 1996 resignation letter, Chairman Sergei Kovalev of Yeltsin's Human Rights Commission would state publicly what the Clinton Administration had apparently decided much earlier that it could not:

"You began your democratic career as a forceful and energetic crusader against official deceit...but you are ending it as the obedient executor of the will of the power-seekers in your entourage....having rejected democratic values and principles, you haven't stopped using the word "democracy" so that naive people may well believe that "democrats" remain in power in the Kremlin....if democracy is fated to someday exist in Russia...it will exist not because of you, but in spite of you."⁸

Regrettably, Yeltsin's desire to monopolize power in Russia by overpowering opposition and pitting potential opponents against each other was just part of a growing problem, as was his failure to personally push for comprehensive political and economic reforms. But those failings, when combined with large-scale corruption on the part of Yeltsin and top government officials, were to prove truly detrimental to the objectives America professed to hold for the future of Russia and its people. Indeed, armed with a constitution that centralized great powers in the presidency and faced with a parliament wary of exercising any real oversight over government revenues for some time following Yeltsin's use of force,⁹ government officials from the highest levels down engaged in corruption on a grand scale. Corrupt enrichment of officials typically involved deals between officials and private "banks" to manipulate government funds deposited in those banks or to manipulate export controls on oil and other commodities and tax revenues on imported goods. In one notable instance, Yeltsin himself decreed that a "National Sports Foundation" run by a friend be provided with tax exemptions on imported alcohol and tobacco products estimated to be worth an estimated \$9 billion or more. By late 1995, with the introduction of the obviously corrupt "Loans for Shares" privatization, the high-level government corruption was simply too obvious to miss.¹⁰

⁸Sergei Kovalev, "The Case Against Yeltsin," *The Washington Post*, January 29, 1996.

⁹See David Satter, "What Went Wrong in Russia," as printed in "Draft Papers for the Jamestown Foundation Conference, "Russia: What Went Wrong, Which Way Now?," Washington, D.C., June 9-10, 1999.

¹⁰In return for pledging blocks of shares in huge Russian enterprises possessing great quantities of Russia's natural wealth as collateral on relatively small loans made by Russian banks to the Russian government (loans that most likely were made with government funds deposited in those very banks), Yeltsin's 1996 reelection campaign bought the support of the Russian "tycoons" who owned those banks. Inevitably, the loans were not repaid and the bidding process used by the banks to sell the collateral resulted in those same banks purchasing the enterprises' shares for a

MISJUDGING THE KREMLIN'S INTEREST IN ECONOMIC REFORMS

In the early 1990s, the characterization of certain Russian officials as reformers might have been appropriate,¹¹ but, over time, given the actions of key Russian officials, it became an exaggeration and then a delusion at best. If not earlier, at the very latest the “Loans for Shares” privatization of 1995-96 should have sounded alarm bells among US policymakers as to the true nature of reform as administered by the Kremlin.¹²

Unfortunately, officials of the Clinton Administration continued to claim that they had a relationship with real reformers in the Yeltsin government while ignoring repeated warnings from those who truly supported reforms in Russia that the Yeltsin government was not interested in implementing such reforms, except in ways that served the Kremlin's domestic political interests. Grigory Yavlinsky, leader of the “Yabloko” reform party, warned that the talk of reforms by Yeltsin government officials was merely rhetoric.¹³ Former Russian Finance Minister Boris Fyodorov warned that IMF loans were only supporting an empty program of reforms.¹⁴ Mikhail Delyagin, former economics adviser to President Yeltsin, has stated that huge portions of reform-oriented World Bank loans to the Russian government went instead to pay high salaries and “overhead,”¹⁵ and Yuri Boldyrev, Deputy Chairman of the Parliament's Audit Chamber — and Yeltsin's former chief corruption fighter until his firing by Yeltsin in 1993 after uncovering evidence of massive corruption in the Russian government and military — said the same: “A huge quantity of foreign loans went toward the creation of various foundations and centers under the Russian government and President” which then spent the funds on “consulting services.”¹⁶

fraction of their value.

¹¹That title would, for example, have been properly awarded to former acting Prime Minister Yegor Gaidar. However, the real intentions with regard to reforms of Anatoly Chubais, the top Russian official most often held up by the Clinton Administration as a paragon of reform during much of Yeltsin's time in the presidency, have come under increasing scrutiny over the years. Chubais, now the head of the Russian power monopoly Unified Electrical Systems (UES), is currently engaged in a privatization of that massive enterprise that has been attacked by investors as nothing less than corrupt.

¹²See, for example, Elisabeth Rubinien, “Yeltsin Sidesteps Free Market Idea as Remedy for Russia's Economy,” *The Wall Street Journal*, February 25, 1994.

¹³By January 1997, Yavlinsky was stating: “Far from creating a market economy and a political democracy, Russia has formed and consolidated a semi-criminal oligarchy.” “The Financial Times,” January 31, 1997.

¹⁴Boris Fyodorov, “Moscow Without Mirrors,” *The New York Times*, April 1, 1994.

¹⁵Igor Semenenko, “Aide: World Bank Billions Misspent,” *The Moscow Times*, August 19, 1999.

¹⁶Jamestown Foundation Monitor, August 2, 1999.

IGNORING CORRUPTION AT THE HIGHEST LEVELS

The Clinton Administration did not challenge the corruption at the highest levels of the Yeltsin government, although that corruption involved the theft of an untold fortune in Russian government funds and natural resources that in turn helped impoverish millions of Russians, and threatened to poison the United States-supported transition from communism to democratic government and a free market economy in the mind of the Russian public.

It was not that American officials could not see evidence of this corruption. As has been pointed out in testimony by former members of the US intelligence community, by 1994 US officials did not need to see classified reports to recognize that the highest levels of the Russian government were corrupt. All they needed to do was read Russian press reports or even western news reports, many of which laid out numerous facts about such corruption.¹⁷

Reportedly, the US intelligence community did indeed supply to top Administration officials reports on alleged corruption in the Russian government over the years as well.¹⁸ Strangely, a disinclination to look very deeply into that issue apparently prevailed within the Clinton Administration: "the Administration established impossibly high standards of proof to make it easier for the White House and State Department to dismiss their [CIA] reports."¹⁹ News reports in fact allege a dismissive attitude on the part of Vice President Gore's office, if not the Vice President himself, towards reports of corruption in 1995 involving his counterpart in the U.S.-Russian Commission on Economic and Technical Cooperation (the Gore-Chernomyrdin Commission), former Russian Prime Minister Viktor Chernomyrdin²⁰

Beyond press reports and classified analyses, Administration officials might well have learned of corruption linked to the Kremlin itself through an FBI investigation that was underway here in the United States by 1995. That investigation involved "Golden ADA," a Russian enterprise set up in San Francisco

¹⁷See testimony of Fritz Ermarth in "U.S. Policy Toward Russia, Part I: Warnings and Dissent," U.S. House of Representatives International Relations Committee Hearing, October 6, 1999, and testimony of Richard Palmer in "U.S. Policy Toward Russia, Part II: Corruption in the Russian Government," U.S. House of Representatives International Relations Committee Hearing, October 7, 1999.

¹⁸"At the end of 1996...U.S. intelligence agencies undertook a detailed study of corruption in Russia....[later] distributed around the government at the assistant secretary level. The study concluded that corruption was virtually endemic to Russia, reaching the highest levels of President Yeltsin's administration." Michael Dobbs and Paul Blustein, "Lost Illusions About Russia." *The Washington Post*, September 12, 1999.

¹⁹James Risen, "Gore Rejected CIA Evidence of Russian Corruption," *The New York Times*, November 23, 1998.

²⁰*Ibid.*

and suspected by investigators of laundering huge amounts of gold and other precious commodities and valuables out of the “Kremlin Vaults” in Russia.²¹

According to an extensive review of the investigation by reporters working for US News & World Report, the Justice Department briefed Vice President Gore’s office and the Clinton Administration National Security Council staff in late 1995 on the FBI’s investigation and Golden ADA’s possible links to Kremlin officials. Despite the sudden demise of that investigation soon after those briefings, it would appear that the staffs of the highest Clinton Administration officials had once again been confronted with disturbing allegations that high-level Kremlin officials might not only have condoned the corruption but very likely profited from it as well.²²

1994-95 was a key turning point in the evolution of high-level corruption in Russia, but, strangely, the United States did little to challenge it. Instead, the United States opened wide the faucets of financial support for the Yeltsin government.

CHOOSING YELTSIN AND A FINANCIAL HOUSE OF CARDS

In January 1994, then Ambassador at Large Strobe Talbott²³ said: “We have stated from the very beginning that we are supporting not a political leader, but a process.”²⁴ In March 1995, Secretary of State Warren Christopher stated that President Clinton understood that “if the relationship we have with the Russian government is to be an enduring one, it must, in the final analysis, be a relationship with the Russian people.”²⁵ Strobe Talbott said again in 1996 that “it is not our role to choose Russia’s leaders.”²⁶

Despite those statements, the Administration took concrete actions that indirectly but concretely supported Yeltsin’s re-election, as some observers correctly surmised at the time. Those observers also correctly surmised what the

²¹David E. Kaplan and Christian Caryl, “The Looting of Russia: An FBI Agent and an Honest Moscow Cop Stop the Plundering of the National Treasury,” *U.S. News & World Report*, August 3, 1998.

²²According to investigating FBI agent Joe Davidson, at that time “we were worried about political interference.” Soon after that briefing, an unexpected raid was mounted against the firm by the Internal Revenue Service, throwing the criminal investigation into disarray, according to the story. Kaplan and Caryl, *ibid*.

²³Talbott served as the de facto Assistant Secretary of State for Russia and the other former Soviet Republics in the position of Ambassador at Large for the New Independent States during much of Clinton’s first term. He has since served as Deputy Secretary of State, but has been the preeminent architect of the Administration’s policy toward Russia throughout Clinton’s two terms.

²⁴John M. Goshko, “Talbot Offers Reassurance on Democracy in Russia,” *The Washington Post*, January 25, 1994.

²⁵Secretary of State Warren Christopher, Opening Remarks at Briefing in Geneva, Switzerland, March 22, 1995, as reprinted in *U.S. Department of State Dispatch*, April 3, 1995.

²⁶Strobe Talbott, “Terms of Engagement,” *The New York Times*, February 4, 1996.

Administration's motive might be for the actions it took that, despite its assurances, strongly influenced the Russian election: "A repudiation of Yeltsin by the Russian people would leave Clinton vulnerable to charges that he has mismanaged the United States' most important foreign policy account."²⁷

Yeltsin himself felt it important to squash such allegations of American support for his re-election campaign: "We did not have any tie-ins, any mutual obligations to each other, especially material or financial."²⁸ That statement really didn't reflect what was happening, however. The United States indeed helped Yeltsin's re-election by supporting huge loans and broad financial relief and aid for his government while looking the other way as Yeltsin took steps to rapidly bring money into his government's budget, and, through that budget, into his political campaign.

-- The United States placed tremendous pressure on the International Monetary Fund to provide huge loans to the Yeltsin government in 1996 in spite of the IMF's concerns that necessary reforms were not being implemented.

-- In early 1996, the United States led the way in persuading official creditors of the Russian government to provide it with the largest-ever debt rescheduling agreement ever granted by the so-called Paris Club, reducing annual debt obligations by billions of dollars at the very time Yeltsin was seeking re-election.²⁹

-- By rescheduling Russia's debts, the United States paved the way for Russia to improve its credit rating and gain access to more foreign capital.

-- US officials did little, if anything, when the Yeltsin government ratcheted-up the corruption of the Russian privatization process by implementing the "Loans for Shares" bidding process in 1995-96, a process meant to obtain short-term loans for the government budget while simultaneously garnering the support of the Russian "tycoons" for Yeltsin's campaign.

²⁷ John M. Broder and Carol J. Williams, "Clinton, Yeltsin Will Seek to Shore Up Political Flanks," *Los Angeles Times*, April 17, 1996.

²⁸ Warren P. Strobel, "Clinton, Yeltsin Stay Cautious in One-Day Summit," *The Washington Times*, April 22, 1996.

²⁹ "The rescheduling and restructuring of the Russian Government's Paris Club debt in April 1996 was indeed the largest-ever such debt rescheduling arrangement in the history of the Paris Club, cutting Russia's debt servicing obligations in 1996 from \$8.5 billion to \$2 billion by giving it twenty-five years to repay..."; House of Representatives International Relations Committee report on the "Russian-American Trust and Cooperation Act of 2000," June 12, 2000, p. 6.

-- US officials also looked the other way in 1995 when the Yeltsin government set up a speculative market in short-term Russian government bonds paying double and triple-figure rates of interest ("GKOs") to attract foreign and domestic loans.³⁰

With the financial support thus made available to his government, Yeltsin was able to mount a free-spending and ultimately successful re-election campaign, but the total abrogation of budgetary responsibility that surrounded that campaign in 1996 would lead to even greater corruption and create a fiscal house of cards. As 1996 came to an end, Russia stood on the thin ice of an unsupportable federal budget. The Clinton Administration portrayed the Yeltsin government as moving forward with reforms, but that government's commitment to reforms remained questionable and now it was more dependent than ever on continuing infusions of IMF loans. Such loans only bought time while the Russian budget lurched toward eventual collapse.

The seeds of the 1998 financial collapse in Russia had indeed been sown, but, as the Russian fiscal crisis grew, the Administration continued to depict Russia as making economic progress. President Clinton himself stated at the 1997 summit of the "G-7 plus 1" in Denver that Russia was clearly on the right road economically. The Administration also did nothing to disabuse investors of the idea that their increasingly speculative investments in Russian bonds and stocks would be 'bailed-out,' if that became necessary. Investors reacted accordingly: "A lot of money has gone into the Russian market from people buying Russian Treasury bills knowing that the economic fundamentals aren't very strong, but taking comfort that when the chips are down the IMF and [G-7] aren't going to let that country fail."³¹

In June 1998, when the house of cards in Russia began to shake severely, the Administration indeed arranged another large, IMF-led 'bail-out,' but it proved insufficient. The house of cards fell in August, exactly two years after Yeltsin's re-election, leaving private creditors to suffer default on their Russian loans. Only through subsequent IMF loan disbursements to Russia, used to meet payment obligations on previous IMF loans, and through work to bring about another rescheduling of the Russian government's debt to the Paris Club of governments, was the Clinton Administration able to fend off the complete collapse of the Russian government itself.³²

³⁰By the time of the 1998 Russian economic collapse, the GKO market had become a pyramid game, soaking up larger and larger portions of the strained Russian federal budget.

³¹Desmond Lachman of Salomon Smith Barney, quoted in Paul Blustein and Helen Dewar, "Debate Intensifies on IMF Funding Bill," *The Washington Post*, June 4, 1998.

³²The IMF's charter prevents it from rescheduling previously-disbursed loans on which the borrower is behind in payment. Without fresh IMF loans, even if the disbursements from those loans were simply transferred between accounts at the IMF itself, Russia would have gone into complete default and, very likely, complete collapse.

PEACE WITHOUT PRIORITIES

In a February 1995 speech, Strobe Talbott stated that it would be a mistake to approach each “disagreement” with Russia as a sort of “High Noon.”³³ The following year, he stated that: “Suspensions of each other’s motives could prove self-justifying....We saw enough of this kind of vicious cycle during the Cold War.”³⁴ Talbott’s statements certainly made sense if they counseled against rash reactions to Russian actions that were objectionable to the US. In reality, however, they stemmed from another key flaw in the Administration’s policy toward Russia: a predisposition to rarely, if ever, take strong action to reinforce American concerns and interests.

Time and again, the tendency on the part of Administration officials to react to troublesome Russian actions or policies with just mild criticisms was obvious.

-- Clinton said he offered “friendly suggestions” to Yeltsin in 1995 on ending the brutal Russian attacks on civilians in Chechnya and Gore spoke of having made “helpful suggestions.” Statements by Clinton that the US wanted the violence in Chechnya to end were couched in the idea that the US simply did not want to see Russia mired in a military quagmire.³⁵

-- During the second (current) Chechen war, the Administration pointed out that it had criticized Russian actions in international fora, but the substance of its approach was no different from that it employed during the first Chechen conflict, as epitomized by Secretary of State Madeleine Albright’s statement that President Vladimir Putin was “in denial” over Chechnya.³⁶

-- Confronted with evidence of corruption at the highest levels of the Russian government, again, the Administration’s criticisms hardly seem to merit the description.³⁷ Indeed, that is still the case. In 1999, Clinton simply “warned”

³³Deputy Secretary of State Strobe Talbott, Remarks before the Arms Control Association, Washington, D.C., February 23, 1995, as reprinted in *U.S. Department of State Dispatch*, March 6, 1995.

³⁴See Jacob Heilbrunn, “Just Say Nyet,” *The New Republic*, March 22, 1999.

³⁵Clinton in fact refused to cancel a scheduled summit with Yeltsin in Moscow in May 1995 to protest the atrocities in Chechnya, and, during that summit, was treated to a declaration by Yeltsin that military operations in Chechnya had been suspended at the very moment that Russian military attacks were being reported by the media. See “Reliability, Moscow-Style,” *The Economist*, May 13, 1995.

³⁶Toni Marshall, “Albright Believes Putin is in Denial Over Chechnya,” *The Washington Times*, February 9, 2000.

³⁷“Stung by accusations that the Administration ignored such warnings [of corruption], the White House has compiled a list of statements by Clinton and other senior U.S. officials since 1995 drawing attention to the corruption issue. For the most part, however, officials tended to describe

then-Prime Minister Vladimir Putin that corruption could hurt Russia.

-- Confronted with reports of Russian proliferation of weapons-related technology to states such as Iran, the Administration preferred to see such proliferation as commerce conducted by financially-strapped Russian entities rather than the result of Russian government policy. Only after being pressed by the Congress did it apply sanctions and then only on individual entities rather than on the Russian government as a whole.

-- Administration officials rarely appear willing to address Russian financial support for the dictatorship of Aleksandr Lukashenka in Belarus, the regime of Slobodan Milosevic in Serbia, and the communist regime of Fidel Castro in Cuba. Likewise, the growing sales of Russian arms and reported proliferation of advanced technology to China are greeted mostly by silence from the Administration.

This predisposition to avoid confrontation with Russian officials over their policies, combined with an ever-present desire on the part of the Administration to portray its policy towards Russia in a positive light to the American audience, caused officials to ignore a pattern of Russian actions that led to one conclusion: Russia's foreign policy was increasingly intent on undermining US interests. Administration officials such as Talbott seemed unwilling to recognize that pattern and unwilling to stiffen policy toward Russia so as to reinforce American interests.

Talbott, who had been critical of President Ronald Reagan's ultimately-successful "Peace through Strength" policy toward Russia in his reporting for "Time" magazine in the 1980s, had replaced that approach with a new policy for the 1990s, a policy of peace without priorities.

IGNORING CRITICS, INSIDE AND OUT

From its first months in office, the Clinton Administration willfully disregarded critiques of its policy toward Russia and repressed policy dissent within the ranks of the Foreign Service.

In September 1993, one American commentator suggested the following with regard to Yeltsin's earlier decision to give Clinton just one hour's warning before dissolving the Russian Parliament: "Having his hand forced in this way should persuade Clinton to work on creating more maneuvering room for America in the tangled Russian political thicket."³⁸ The Administration was indeed at that time

corruption as a blemish on an otherwise successful record..."; Michael Dobbs and Paul Blustein, "Lost Illusions about Russia," *The Washington Post*, September 12, 1999.

³⁸ Jim Hoagland, "Yeltsin's Surprise," *The Washington Post*, September 23, 1993.

being advised behind the scenes by key personnel in the State Department to reconsider the assumptions underlying its policy. As early as the fall of 1993, the State Department's Office of Policy Planning reportedly recommended that US officials engage on a regular basis with a much broader range of Russian politicians, going beyond the focus on the Yeltsin government, and that a broader campaign of public diplomacy, designed to communicate American intentions to the average Russian, be implemented.³⁹

Nonetheless, President Clinton told a news conference in December 1993 that he did not see any need to change his policy toward Russia, a policy focused on support for Yeltsin.⁴⁰

In 1994, Merry, the head of the political section at the US Embassy in Moscow, criticized the Administration's policy toward Russia, going to the extent of filing a "dissent" cable directly with the highest State Department officials. Yet, once again, Administration officials refused to reconsider their policy. In fact, as Russia continued to deteriorate under the crushing weight of corruption and economic decline, officials inexplicably tried to cut off reports from the US Embassy in Moscow that would show that the policy was ill-founded. Thomas Graham, Merry's successor at the Embassy in Moscow from 1994 to 1997, has confirmed that Embassy staff complained of the Administration's desire *not* to receive reporting from the Embassy concerning corruption in the Russian government, since such reporting might undermine the assumptions underlying its policy toward Russia.⁴¹

Having rejected criticism of its policy, both inside and outside of the Executive Branch, for more than seven years, the Administration today continues to dismiss its critics. Setbacks in the relationship and adverse developments within Russia are simply waved off as the result of the complexity of Russia itself, and critics are sometimes met with an Administration challenge that they oppose "engagement" with Russia.⁴²

³⁹Michael Dobbs and Paul Blustein, "Lost Illusions About Russia," *The Washington Post*, September 12, 1999.

⁴⁰Daniel Williams and R. Jeffrey Smith, "Ruling Out Policy Review, Clinton Affirms Support for Russian Reform," *The Washington Post*, December 16, 1993.

⁴¹See Robert Kaiser, "Pumping Up the Problem: Has Investing in the Yeltsin Machine Put America's Relationship with Russia at Risk?," *The Washington Post*, August 15, 1999.

⁴²By shifting the discussion to one of "engagement" with Russia, Administration representatives successfully create two artificial camps: 'internationalists' and 'isolationists.' Critics inherently become isolationists. The real question, however, involves the competence of the Administration in managing that engagement with Russia over the past seven years. By creating false distinctions, officials never answer the question, and it becomes possible for the Administration to imply, if not argue outright, that no one among its ranks is responsible for the situation we see today in Russia.

NAILING ARMS AGREEMENTS TO POTEMKIN'S WALL

President Clinton's Administration correctly saw one issue as a priority of US policy: the challenge presented by a Russia that, while no longer a superpower, still possessed a huge arsenal of weapons of mass destruction that could threaten America's security. It expanded programs begun under former President George Bush to financially assist the Russian government in meeting its arms reduction requirements under the START-I Treaty (via the Defense Department's "Nunn-Lugar" program) and to better account for and control its weapons arsenal and related infrastructure (via various non-proliferation and cooperative programs).

Unfortunately, other aspects of the policy toward Russia threatened to undermine those non-proliferation efforts in fundamental ways. Specifically, Clinton's unwillingness to substantively address the massive corruption at the highest levels of the Russian government or to recognize Yeltsin as unwilling to move forward with key reforms contributed greatly to creating an economically and socially unstable Russia and to the growth of the anti-Americanism we have seen in Russia in recent years. In short, while focusing on arms reductions and the search for 'stability' in the arms control relationship between the two nuclear powers, the Administration seemed unappreciative of the risk that the stability of Russia itself could not be preserved by simply pumping billions of dollars of loans into a government that abetted the theft and flight out of Russia of even greater sums of monies.

How would it serve the United States' national security if it had helped create a Russia that, while still possessing a huge nuclear arsenal, continued to teeter on the edge of a spiral of corruption rivaling that afflicting several African states; a Russia whose democratic processes continued to be manipulated by a clique centered around the presidency; a Russia whose foreign policy was increasingly anti-American and whose proliferation or sale of advanced weapons and military technology to countries like China and Iran would likely create new or more powerful nuclear states?

It is unknown whether the President or his top officials ever entertained these questions. Yet arms agreements negotiated without proper consideration of internal Russian developments and Russian proliferation of technology for weapons of mass destruction may eventually be found seriously deficient in meeting American security interests.

LOOKING BEYOND POTEMKIN'S WALL

A Russia policy that for seven years has been based on key misjudgments and an inexplicable unwillingness to heed warnings, dissent, criticism or advice now presents us with a number of serious problems.

A Russia that in 1993 might have been disposed to become something of a global partner of the United States is now increasingly intent on thwarting American interests. The Russian military, where much of that anti-American feeling is focused, may be poised to play a greater role in Russian politics. The end of government corruption is not in sight. The brutal Russian military campaign in Chechnya, where tens of thousands have died, may well have an adverse effect on the stability of nearby Central Asia.⁴³

Indeed, we should not take for granted the future stability of Russia itself. The ethnic European background of most of Russia's citizens and the high levels of popular education do not in themselves guarantee that Russia will escape the fate of third world countries blessed with natural wealth but cursed by massive corruption. It remains to be seen whether Russia might slip into an endless cycle of corruption and deterioration such as that afflicting countries in Africa and elsewhere. In fact, as far back as January 1995, there was some speculation about this kind of outcome, and not simply by those outside the Administration. The Clinton Administration's outgoing Director of Central Intelligence, R. James Woolsey, alluded to this in a warning: "Authoritarianism and democracy are not the only two possible futures for Russia. A disorganized situation...in which the organizational structure of the government is in some confusion and disarray is also a possibility."⁴⁴

PUTIN'S "MANAGED DEMOCRACY"

To best appreciate the failures of the Administration's policy toward Russia and the kind of Russia we may well face in coming years we need to look beyond the negative trends in Russia's economy and in its foreign policy and consider the state of democracy in Russia today, nine years after America was presented with the opportunity to help create true democratic government in that country.

Grigory Yavlinsky, leader of the "Yabloko" reform party, warned President Clinton during his visit to Moscow in May 1995 that the holding of elections as scheduled in Russia was not enough to ensure an open political system. Such elections instead had to also be "just and democratic."⁴⁵ Five years later, by the time of the presidential election of March 2000, elections for the presidency were,

⁴³The sight of Slavic, Christian, Russian forces carpet-bombing and massacring Muslim, Chechen civilians may already be strengthening recruitment by fundamentalist Muslim movements in rebellion against the secular leadership elites in the Central Asian states.

⁴⁴Bill Gertz, "Russia's Future is Explosive, Outgoing CIA Chief Warns," *The Washington Times*, January 11, 1995.

⁴⁵Carol J. Williams, "Clinton Courts Leaders of Russian Opposition," *Los Angeles Times*, May 12, 1995.

however, neither just and democratic nor even held as scheduled. Instead, the accelerated timing of the 2000 election caused by Yeltsin's surprise resignation on December 31, 1999, the manipulation of the media that accompanied the election, and the large-scale vote fraud that very likely occurred during the election⁴⁶ combined to produce a velvet coup of sorts that served to keep those close to Yeltsin in power. After the election, Yeltsin received a grant of immunity from prosecution from his hand-picked successor, Vladimir Putin.

Beyond the alleged vote fraud and beyond the manipulation of the media and of the timing of the presidential election, there are troubling allegations that the second military operation against the separatist region of Chechnya, begun in October 1999, was planned well in advance to build a patriotic environment from which Putin's campaign would benefit. Russian human rights activist Yelena Bonner has stated her opinion that the war in Chechnya indeed was staged to help launch Putin into the presidency.⁴⁷ Former Russian Prime Minister Sergei Stepashin has stated that planning for that military operation was carried out months in advance of the bombings of civilian Russian apartment buildings that were used as much of the pretext for the attack on Chechnya.⁴⁸ Disturbing allegations that the bombings were not the work of Chechen separatists but rather of yet-identified parties, including, possibly, the Russian security service itself, have not been vigorously examined.

But the concern over the manner of Putin's election is matched only by the concern over his actions since he entered the Russian presidency. As Michael McFaul of the Carnegie Endowment for International Peace warned in March: "Not since the August 1991 coup attempt has the future of Russian democracy been more uncertain than it is today....President Vladimir Putin has demonstrated real ambivalence toward democracy."⁴⁹ Indeed, as newly-elected President Putin has gone about the business of curtailing the powers of Russia's regional leaders and appointing other career KGB officers to key posts in his administration, worrisome allegations have been raised by some democratic activists about activities by the Russian security agencies under Putin. In one instance, Yabloko leader Yavlinsky claimed in June 2000 that security agencies were tapping phones and attempting

⁴⁶According to a journalistic investigation published in the "Moscow Times," Putin's campaign benefitted from vote fraud that may have falsified millions of votes across Russia. According to that report, for example, the Russian Central Election Commission is unable to account for an increase of more than 1.3 million in registered voters in Russia in the three months prior to the election. See Yevgenia Borisova and Gary Peach, "And the Winner Is?," *The Moscow Times*, September 9, 2000.

⁴⁷Agence France Presse, "Sakharov Widow Says Chechen War Staged to Bring Putin to Power," January 27, 2000.

⁴⁸Patrick Cockburn, "Russia Planned Chechen War Before Bombings," *The Independent (UK)*, January 29, 2000.

⁴⁹Michael McFaul, "Indifferent to Democracy," *The Washington Post*, March 3, 2000.

to co-opt members of his party into spying on its activities.⁵⁰

We should listen carefully to the recent warnings of two Russian journalists as to how Putin intends to govern Russia. Yevgenia Albats, an independent Russian journalist, summed up the situation in this way: "For several months now, the government of President Vladimir Putin has been designing a new domestic policy that goes under the name of 'managed democracy.' Basically, what this means is that democratic institutions are to be preserved in form but are to have their essence altered in such a way that they will in effect be representatives of the state — loyal, obedient and indebted to those who have chosen them."⁵¹ Masha Gessen, chief correspondent at "Itogi," the Russian partner of the American magazine "Newsweek," said: "He has developed an unmistakable political style characterized by secrecy, misinformation, centralization of power, and ruthless attacks on opponents large and small."⁵²

WHAT WILL POTEKINISM ULTIMATELY DELIVER?

In the American public consciousness Russia no longer occupies the center stage of foreign policy it did during the Cold War, but the American people do care about how Russia will evolve, given the arsenal of nuclear weapons Russia possesses. Over the last seven years, they have been lulled into the belief that all is, if not well, at least under control when it comes to our relationship with the new Russia.

After the tumultuous developments in Russia in 1998, Clinton faced a conundrum. The claim that his approach toward issues related to US-Russian relations was a success story of his foreign policy during the 1996 campaign had been proven misleading by subsequent events. He now sought to burnish his foreign policy legacy in the eyes of the American public as he prepared to leave office.

Vice President Gore also faced a conundrum. He had played a high profile role of sorts in the implementation of Clinton's Russia policy through his leadership of the bilateral commission with Russian Prime Minister Chernomyrdin. Looking forward to winning the nomination for the presidency and the office itself in November 2000, he also looked to secure proof that his foreign policy expertise and his 'engagement' with Russia over the last seven years had benefited America.

⁵⁰David R. Sands, "Yavlinsky Says Russian Security Taps Phones, Bullies Supporters," *The Washington Times*, June 23, 2000.

⁵¹Yevgenia Albats, "Democratic Facade in Russia," *The Washington Post*, June 18, 2000.

⁵²Masha Gessen, "New Depths," *The New Republic*, September 11, 2000.

A new 'deliverable' would perhaps prove to the American public that there were indeed positive results from the Administration's Russia policy.

As the June 2000 summit between Clinton and newly elected Russian President Vladimir Putin approached, US officials began working fervently with their Russian counterparts in search of what press reports quickly labeled a "grand bargain" on arms control. Although the Administration never publicly detailed the proposal submitted to the Russians, leaks to the press provided a rough outline. The United States would agree to massive cuts in its nuclear arms under a prospective START-III Treaty (locking the US into arms parity with Russia and allowing Russia to maintain the facade of superpower status despite its economic and military decline). Russia, in turn, would agree to revise the ABM Treaty to allow US deployment of an anti-missile defense system, but not the national missile defense overwhelmingly supported by the Congress. Instead, it would be a system limited in its extent and capable of being overwhelmed by larger nuclear strikes, such as those capable of being mounted by Russia.

As it did during the 1996 campaign, when it trumpeted a somewhat misleading "missile de-targeting" agreement with Yeltsin as having improved Americans' safety and security, the Administration once again sought to show that America's vital interests were being served by its policy. In fact, to obtain this bargain, it appeared willing to brush aside rather important questions, including the advisability of continuing to lock the United States into a long-term, bipolar arms relationship with Russia that ignored the potential rise of new nuclear powers in a rapidly-changing world and the very legality of the ABM Treaty itself in light of the dissolution of the Soviet Union eight years ago.

Ultimately, Clinton did not obtain his grand bargain on arms issues with Russia. Far more regrettably, however, a truly grand opportunity for democracy and reform in Russia that had been within the grasp of the United States in 1993 had also been long since lost by his Administration, buried under an inexplicable policy that has, in turn, been obscured by a Potemkin-like wall of successful 'deliverables.' Given Vladimir Putin's background and actions to date inside Russia, economic reforms that may serve to rebuild the Russian state may now prove likely, grand bargains with the United States that maintain a weakened Russia's arms parity with the United States in a rapidly-changing world may eventually prove attainable, but true democracy may be a 'deliverable' long in arriving.

President Clinton recently said of Vladimir Putin: "The United States can do business with this man".⁵³ Former British Prime Minister Margaret Thatcher once said the same thing of former Soviet leader Mikhail Gorbachev, correctly calculating that Gorbachev intended to move Russia toward the West and away from much of

⁵³ Jim Hoagland, "Fawning Over Putin," *The Washington Post*, February 24, 2000.

its Soviet past. Putin appears instead to want to embrace much of that Soviet legacy of authoritarianism and state power. It is therefore hard to comprehend what exactly Clinton had in mind when he made that statement. We may surmise, however, that Potemkin's wall still stands.

About the Author

Mark Gage serves as Senior Professional Staff Member for Eastern Europe and the Newly Independent States with the House International Relations Committee's majority staff. As such, he has responsibility for organizing the Committee's oversight of U.S. foreign policy toward that broad region, of American assistance programs there, and of political, military, and economic developments in the countries of the region. In the 106th Congress, he organized a comprehensive set of hearings on Russia and on United States policy toward the country, convened by International Relations Committee Chairman Benjamin Gilman, which has just concluded with an appearance by Secretary of State Madeleine Albright before the Committee in September 2000. Gage has traveled extensively throughout Eastern Europe and the former Soviet states.

Prior to 1993, he served with the staff of the House Rules Committee, coordinating that Committee's work with the staffs of the Committees on Foreign Affairs, Appropriations, Armed Services, and Intelligence. Earlier, he served as Legislative Director to Congressman Gerald Solomon of New York, a member of the Foreign Affairs Committee, and as Legislative Assistant for foreign policy, national defense, and intelligence issues.

Gage received his Bachelor's degree in Russian and East European Studies from the State University of New York at Albany in 1979, has attended Georgetown University's Russian Area Studies Program, and has studied Russian language and culture at the Pushkin Institute in Moscow and Middlebury College in Vermont.