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The U.S. Approach to the FSU: The Next Twelve Months

The rapid disintegration of the Soviet Union has sometimes forced us by necessity to decide in the space of a few days what we would prefer to ponder for a few weeks. There is no reason to assume that the coming months will move any more slowly. For that reason it is important to agree on some basic and simple principles to guide us over this tumultuous year.

To some extent we have already begun this process simply by making decisions on recognition, technical assistance, and support for FSU republics' membership in the IFIs. But we need to explicitly articulate our principles, examine them, and ensure that all the actions of various agencies conform with them as we move through 1992.

There are several key questions. First, what is the likely course of events in coming months? Second, what is most important to us, that is, what are our priorities? In light of our priorities, what can we and our allies do to influence developments in ways that serve our interests?

## Prospects for the Near Term

Given the volatility of the current situation in the FSU the best anyone can do is be clear on what the important issues are, and to list assumptions about the course of future developments. "Predictions" are simply not possible. At a minimum it is important to be clear on the following issues:

The Future of the Commonwealth. It is unlikely that the Commonwealth will survive, and even if it does, it is unlikely to have much impact on domestic or foreign developments in the FSU. More probable is a hodgepodge of ad hoc agreements and understandings on economic, political, and military matters.

Economic Conditions. The only question is how bad the economic situation will become, how that will affect the political situation in the area, and how long it will take for the new governments to pull together a coherent approach to their economic crisis. Russia will lead in the economic transformation, but more through brute force than coherence. The result will be regionally-based, primitive, markets (mostly around the large cities) operating in an environment loosely-regulated by the 12 state governments.

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Political Situation. Democracy has very shallow roots in Russia, and even less hold in many of the other states of the FSU. We should assume that rhetoric will outpace reality in support of democratic principles, human rights, free speech, the right to free assembly. We should keep this in mind as we balance our desire to hold the new states to certain standards, while at the same time moving to establish political and economic relationships with them to advance our core interests.

To the extent democratic institutions begin to grow, it will most likely be in "islands" around some of the major cities — Petersburg, Alma Alta and Moscow, for example — or in some of the smaller states — Armenia and Kyrgyzstan. These islands, which will roughly correspond to the regionally-based markets, should be high priorities for our assistance.

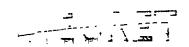
Foreign Policy. It is likely that the states of the FSU will begin to pursue separate foreign policies. The general thrust of those policies will most likely be pro-western (although the Asian republics could be an exception), but the execution will tend to be haphazard, reflecting the inexperience, limited resources, and sometimes inept governing practices of the new states.

Military matters no longer dominate the foreign policy agenda. There remain substantial military forces in many of the new states but there is a vastly diminished military threat from this area compared to what we faced in the postwar period. The danger lies, rather, in threats to our interest from economic and political instabilities, and from the potential fall-out of the disintegration of the former Soviet military machine, specifically a return to authoritarianism in the states that matter most for our core national security interests -- Russia and Ukraine.

The Military Wild Card. The military played a pivotal role in the transfer of political power from Gorbachev to Yeltsin and the other "commonwealth" leaders. While there are as yet no clear signs of an effort by the military to exploit its new-found political influence -- and the disintegration of the military creates uncertainty about its capability to pursue a coherent course -- the potential is there and should be carefully monitored.

It is possible, for example, that we will find over time that Shaposhnikov will seek to maneuver Yeltsin into a de facto, albeit totally unofficial, power-sharing arrangement.

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issues, could take a decidedly conservative turn.

If this were to occur, then Russian foreign policy, in particular Russian policy on military and arms control

## US Policy Priorities

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Our overriding interest in stable, friendly, prosperous and democratic states in the FSU translates into three high priority goals for the future:

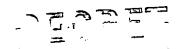
- -- The emergence of strong democratic governments and institutions in the FSU, especially in Russia and Ukraine -- goals we have effectively emphasized in Secretary Baker's five principles. This corresponds to our most deeply-held values, and serves as a foundation for the stable, friendly, relations we hope to foster among FSU states, and between them and other states.
- -- The rapid transformation to market economies, which is the only effective path to future prosperity for the region, and ultimately the best insurance policy in support of democracy.
- -- An orderly, but rapid, demilitarization of the former Soviet Union, focused on Russia and Ukraine. This reduces the potential for a resurgent threat from the region, and also supports the required economic transformation.

These are extremely ambitious goals about transformations over which we have limited influence, and to which we can apply almost minuscule resources (in comparison with the magnitude of the problem). But the task is more feasible than it might at first glance seem to be because our western allies share our priorities as -- in general -- do many of the states of the FSU. Certainly the FSU states agree among themselves that demilitarization is a vital component of their economic strategies. Moreover, most of the leaders seem committed to some form of democracy and to moving to markets as soon as possible, not because we want them to, but because they see these fundamental priorities as serving their interests.

The U.S. Approach to the Transformation of the FSU

Our influence over the states of the FSU rests essentially on five interrelated elements: diplomatic channels, technical assistance, humanitarian assistance, macro-economic assistance, and our defense strategy. For the three goals articulated above,

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we have used, and will have to rely on, these five elements to devise a strategy that addresses our interests.

Support for Democratic institutions

Our support for democratic institutions will primarily be pursued through the first three of these five elements.

-- Through diplomatic channels we have signaled our support for some governments and doubts about others in the rapidity with which we have established diplomatic relations, and our support for applications to international institutions. We will continue to do so through the content of our bilateral relationships over the course of the next year.

We should not, of course, set higher standards for these new entrants in the global system than we have for existing states with which we carry on normal relationships. And while we should not ignore the influence we have now in this formative period, we should accelerate the pace of establishing diplomatic relationships with all of the twelve by mid-February.

A critical component of our diplomatic effort will be our willingness to assert leadership on some issues, and accept it in others, in order to coordinate efforts with our allies to maximize the impact of our efforts in pursuit of common goals. On democratization and human rights, for example, CSCE should play a leading role; indeed we should make this the primary task for CSCE's mission in the FSU.

Our relations with Russia, Ukraine, and to a lesser degree, Kazakhstan, Armenia and Byelarus will be key. But we should also devote special attention to the Asian republics and to Turkey's potentially pivotal role in bringing western values to those republics. The threat of moslem fundamentalism, while still not critical in that region, is quite real and we should work now to address it.

As a first step, we should establish diplomatic relations with all of the moslem republics and begin to engage them on our political and economic agenda. Above all, we should be careful not to send the message — whether through slowness in establishing relations, or withholding membership in western institutions —

that we do not wish to admit them as members of the western community of nations.

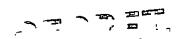
In general, we should lay out for all of the new states positive opportunities for building relationships with us rather than focussing solely on the hurdles for normal relations.

- Through humanitarian assistance we can help meet a fraction of the basic human needs of the peoples of the FSU, in the process buying time for the sometimes fragile new governments to address the many pressing issues they now face. We started this effort over a year ago and have made more progress in delivering actual assistance and in galvanizing the support of the western community than in any other area. The food and medical shortages in the new states will not disappear this year or next, and we must be prepared to maintain a consistent level of western support to provide a comfort margin for the new governments.
- Through technical assistance we can support efforts to build up democratic, governing institutions in the executive, legislative, and judicial branches of these new state, municipal and local governments. The only way we can make a difference here is to target our limited resources on those groups and governments (local and state) which are most promising, and therefore which will make the best use of our support.

There will be more requests for our limited assistance than we can fulfill. We should thus focus the great majority of our funds on those republics central to our security interests -- Russia (which should receive the majority of funds), Ukraine (which should also receive a healthy share) and to a lesser extent, Armenia, Kyrgyzstan, Byelarus and Kazakhstan. While we will want to establish a presence in each new state, whether through a diplomatic mission, Peace Corps, or our technical assistance projects, we must resist the temptation to dilute the effect of our overall efforts. Ideally, we should select a few key cities in each of the priority republics and focus most of our attention on them. The landmass is too vast, and the challenges too complex to do otherwise.

We face another, critical challenge in conceptualizing and delivering assistance -- it is needed now by the new democratic governments, not a year or two in the

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future. Our overriding, central objective in assistance should be to begin to deliver it quickly in the next few months and efficiently in order to buttress the new governments and demonstrate that they can deliver for their constituencies. Should we rely on the normal bureaucratic pace of the Executive branch, actual funds and people will arrive months or even years hence. We must therefore impose demands upon our own bureaucracy to produce a sense of urgency and a commitment to make this effort the highest

Although not as direct, MACYO-GCONOMIC ASSISTANCE can also contribute to support for democracy. If these new states fail in their economic programs for lack of outside resources, then democracy will also surely fail. Likewise, a carefully-crafted approach on our part to defense issues may both enable and encourage the states of the FSU to accelerate the pace of demilitarization, which in turn will support the democratic institutions we seek to foster.

Support for Market Reforms

priority.

We can support market reforms through all five channels, but primarily through two:

Tochnical assistance will be important in providing advice, training, materials, and models all of which will assist these new states in establishing tax, banking, budget, and other institutions critical to a viable market economy, and in attacking their most critical problems in areas such as energy, food distribution, and defense conversion.

Because our means are limited, we should focus resources on those sectors and areas in which promarket forces are already emerging, which will tend to draw us to the same priority geographic areas we focus on for democratic institution building. Other countries -- particular the members of the EC -- and other institutions -- most notably EBRD and the World Bank -f will be major sources of technical assistance, and we will want to continue to influence their priorities, consistent with the comparative advantage that we and our western partners will bring to this effort.

-- Our macroeconomic assistance which will be critical, can, for now, be managed primarily through the IMF. We

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should move as quickly as possible to bring Russia, Ukraine, and then other FSU states into the IMF. The mere process of achieving membership, and of devising a program acceptable to IMF members, will go a long way towards encouraging serious market reforms deserving of the commercial and official support the leaders of FSU states desire.

There are other measures we can take in effort to support market reforms in the FSU states. With capital investment will come new technology, and we should move quickly to reduce radically COCOM limits to the minimum possible in order to virtually eliminate the impediments to modernization of industry in these new states. In general our approach should be a form of "MFN" treatment: if the policies and behavior of the new FSU states are similar to those of the many states to which we permit exports of advanced technology, then we should recognize that fact and change our policy. (Russia and Ukraine will be the special challenges here)

In our approach to economic issues we should openly recognize and welcome the fact that the EC is a co-equal partner with interests almost identical to ours and significant resources to bring to bear on the problem. We must do all we can to avoid a shouting match over who is giving what, and focus rather on our common interest in supporting market and democratic reforms with whatever resources we can jointly muster. We will also want to look for ways to stimulate Japanese support for the economic transformation, and not just in the Russian Far East where the Japanese will tend to focus.

## Support Demilitarization

The orderly demilitarization of the states of the FSU, particularly Russia and Ukraine, is critical to the success of democratic and market reforms, and is vital if the U.S. relationship with states of the FSU is to be permanently transformed. Diplomacy and technical assistance will be the most important elements in our approach here.

Diplomatic channels should be used to encourage the Russians and Ukrainians to reduce their forces, cancel modernization programs, and transform their doctrine to reflect new realities.

Our willingness to take similar (but proportional measures) will be critical here. We should do all we can to lean forward in the pace of our arms reductions as a signal to FSU leaders and their people that America is indeed no threat to truly democratic

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successors to the Soviet Union. This may serve to reduce the political power of the military in the new states.

We can also say to Russian leaders -- without fear of contradiction -- that the willingness of the American people to support assistance to Russia will hinge in part on the pace at which it demilitarizes its system.

- Expanded military to military contacts can also help to shape the size, doctrine and political perspective of the military, especially in the non-Russian republics.
- Technical assistance may be more important here than anywhere else. We should use the \$400 million plus some of our general technical assistance funds to maximal advantage in encouraging the safe, secure disposal of nuclear weapons, and the conversion of the human and physical resources of the FSU to peaceful pursuits. The better we are at assisting FSU leaders in breaking the link between demilitarization of their system and unemployment, the more inclined they will be to pursue that path.

## The Need for Swift Action

As we continue the progress begin late last year of accelerating our efforts to supports the states of the FSU we should be aggressive, and we should be quick. There will be many apparently good reasons for being cautious, for going slowly, for waiting a little longer to see if, say, the Russian government finally commits to a credible economic package, demilitarization and defense conversion.

But the fact of the matter is that the leaders of the FSU governments -- particularly Yeltsin, Nazarbayev, Kravchuk, Ter-Petrosian and Akayev -- have made their choice; their policies are pro-market and pro-democracy; and now they look to the United States for assistance and leadership. None of these leaders, and none of their programs, will approach perfection. But the imperfections and missteps will be in the search for democracy, rather than in the effort to suppress it.

If we can generate as much enthusiasm for building democratic institutions in the FSU -- and for that matter in Eastern Europe -- as we showed in building weapons it will prove a much cheaper investment in our national security than any we have made in the last half century.

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