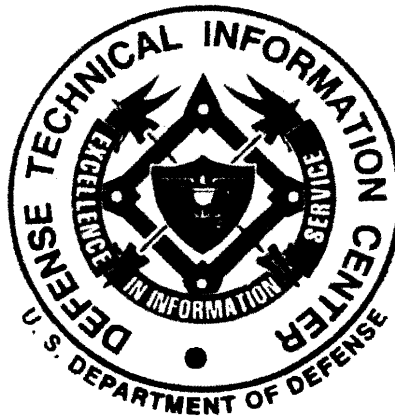


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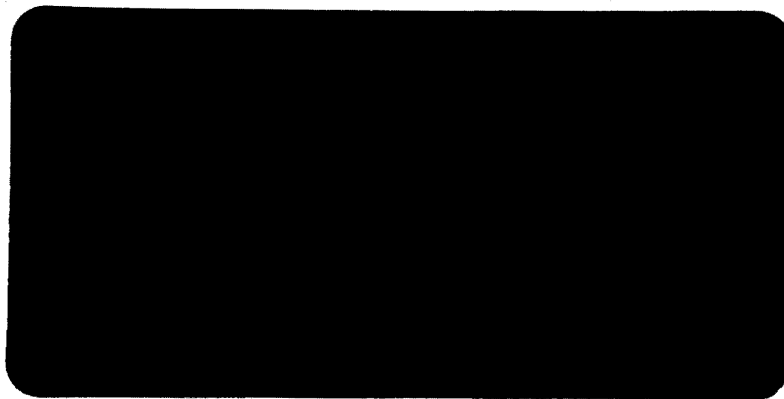
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Final Report

***Scenarios for an
Ambitious Russian
Foreign Policy
1996-2006***

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15 April 1997

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EXECUTIVE SUMMARY

On 10-11 October 1996, Andrew Marshall, Director of the Office for Net Assessment, Office of the Secretary of Defense (OSD/NA) hosted a seminar in McLean, Virginia. The event was one of a series of efforts by OSD/NA to promote a greater understanding of potential Russian futures. The purpose of the seminar was to explore possible scenarios for an ambitious Russian foreign policy over the next ten years. Participants included representatives from OSD/NA and the academic and business communities.

Dr. David Epstein (OSD/NA) opened the two-day event with a discussion of the rationale for the structure of the seminar and OSD/NA's general, on-going efforts to better understand potential Russian futures. The principal task of the seminar, according to Dr. Epstein, was to identify three to four possible scenarios in which Russia pursues an ambitious or aggressive foreign policy. He tasked the group to consider Russian capabilities and to examine possible forms of Russian resurgence and its consequences.

Five papers were presented at the seminar. (These papers can be found in the appendix of this volume.) During the first day, participants discussed potential obstacles and enablers of a more assertive Russian foreign policy. Paper topics on the first day included: *The Fiscal Capacity of the Russian State*; *The Future of Russian Military Power*; *External Provocations and Reactions*; and *Goals of an Ambitious Russian Foreign Policy for the Next Decade*.

Mark Nagel of Harvard University presented *The Fiscal Capacity of the Russian State*. Nagel asserted that Russia's level of economic growth will determine whether Russia is capable of supporting the necessary components of an ambitious foreign policy. These components include: military strength, infrastructure, the ability to provide aid to other states, *et cetera*. Nagel's examination of the institutional structure and fiscal capabilities of the Russian state addressed two aspects of Russia's development from 1991 to 1996: relations between the federal and regional governments, and the ability of the state to raise revenue. Nagel concluded that "the threat of the state's collapse has receded." He was optimistic about the state's efforts to slash expenditures, finance the deficit through non-inflationary measures and to refine and "improve" the tax laws and their administration. Nagel asserted that Russia is poised for economic growth. However, the constitution's failure to define the limits of the federal government's power over the regions, coupled with the federal government's continued preference for ruling Russia as a unitary state,

mean that Russia is far from becoming a genuine federation. Despite current institutional weakness, Nagel contended that its increasing capability to raise revenue will allow Russia to pursue some forms of an ambitious foreign policy should it so choose.

Sherman Garnett of the Carnegie Endowment for International Peace presented *The Future of Russian Military Power*. Garnett examined the vestiges of Soviet power and the current state of the Russian military to determine the extent to which Russia will be capable of military power projection. Garnett stated that if Russia decides to pursue military reform to support a new ambitious policy, funding beyond its current defense budget will be necessary. The Russian military must overcome many obstacles before it can re-emerge as the centerpiece of Russian foreign policy. These obstacles include: funding housing; maintaining the nuclear arsenal; and budgeting for military involvement in the periphery. In addition, scarce resources will have to be used to reinvigorate the defense industrial base if Russia intends to re-establish its conventional military capabilities. Unless serious reform is undertaken or the government decides to ignore economic reality and give greater resources to the military, both of which Garnett deemed unlikely, the military will become increasingly reliant on its nuclear weapons for power projection.

If Russia pursues an ambitious policy backed by military force, Garnett asserted, it may create a situation that favors the vocal minority that is promoting "an even more expansive future for a wide range of nuclear weapons including tactical systems and new small yield systems." This may result in the wide-spread proliferation of Russian military technology as Russia attempts to reinvigorate its defense industrial base through arms sales and, more ominously, technology transfers. An ambitious military policy could result in a radical change in Russian nuclear doctrine, creating an approach that envisions the use of nuclear weapons in a broad set of circumstances. This shift would be evidenced by the "creation of new sub-strategic systems and the redeployment of tactical nuclear weapons". Garnett concluded that if Russia pursues an ambitious foreign policy that requires it "be able to sustain a presence in the global calculation of military power," nuclear weapons are its only means to accomplish this goal since the Russian military will not be able to project conventional forces beyond the boundaries of the former Soviet Union.

Ronald Suny of the University of Chicago presented *External Provocations and Reactions*. Suny stated that the formation of an ambitious Russian foreign policy will be confused until state institutions have been strengthened and a coherent national identity formed. Suny identified four possible scenarios: fragmentation of the state; resurrection of the Russian

Empire; greater integration between CIS countries; and the pursuit of Russian regional hegemony. He asserted that Russia is now, and is likely to remain, a regional power that will concentrate on consolidating state authority over its own territory, defining its borders, and policing its neighborhood to prevent rivals from establishing influence in its sphere of interest. Therefore, hegemony is the most likely scenario. According to Suny, all scenarios for future Russian foreign policy depend on three conditions: the capacity of the Russian state, economy, and military to act; the disposition of the Russian ruling elite to act; and external provocations and opportunities. Given the current level of Russian weakness, an ambitious or aggressive foreign policy is less likely than a more considered policy of negotiation with selective economic, diplomatic, and military muscle-flexing.

Suny noted that the confusion in Russian foreign policy stems from two fundamental weaknesses: the structural weakness of the state itself, and the fragility of Russian national identity. However, current Russian weakness can be overcome by improvements in the economy, success in internal state-building, and the settlement of key ideological issues, such as the nature of the Russian state. Because the ultimate form and shape of the Russian state and nation remain unresolved, the door is wide open for reconfiguring the future Russian state to include other former Soviet states or parts of states. If a significant shift of power from the current non-nationalist elite to a leadership more driven by nationalism and the idea of Russia as a Great Power takes place, there will be serious consequences, particularly in the NIS.

Anatol Lieven of the US Institute of Peace presented *Goals of an Ambitious Russian Foreign Policy for the Next Decade*. Lieven outlined Russia's foreign policy goals and focused on what an ambitious Russian foreign policy would look like, absent serious constraints, in several different world regions: the former Soviet Union, Europe, the Middle East, and the Far East. He concluded that while Russia may perceive many interests, it will only be able to affect change in one area, the "near abroad", where he noted that Russian meddling could have serious consequences. Lieven identified Russia's number one foreign policy goal as the closer reintegration of the CIS countries into one economic and security space under Russian leadership. Additional goals include: placing conditions on NATO expansion into eastern Europe that will allow Moscow to claim it has won a modest diplomatic victory and that its security interests have been adequately defended; gaining markets for Russian exports; regaining influence on the world stage that allows the government to claim that it has regained "great power" status; and, exploiting

American difficulties around the world in such a way as to make the US more respectful of Russia.

To achieve its goals in the "near abroad", Russia can take several approaches. For example, tactics in the Baltic states might include "dry" forms of destabilization, especially economic, such as provoking a banking crisis (there are allegations, but no proof, that Russia was behind the 1995 banking crises in Lithuania and Latvia). Belarus, which Russia has been able to incorporate at any time but has refused primarily for economic reasons, may be integrated in retaliation to NATO expansion. Russian officials have threatened that if Ukraine were to seek NATO membership, mass unrest in eastern Ukraine would be ignited by its ethnically-Russian majority. (Lieven dismissed this threat as not credible because Russia cannot ignite and extinguish ethnic unrest at will.) A more subtle way to apply pressure would be for Russian state and private companies to take over shares in Ukrainian firms in return for forgiveness of Ukraine's massive oil and gas debt. Lieven believes that this form of "quiet infiltration" is likely to be a key aspect of Russian attempts to influence Ukraine. In efforts to bring the three Transcaucasian republics into closer orbit -- with the aim of establishing military bases, guaranteeing a settlement to the Karabakh and Abkhaz conflicts in such a way as to foster dependence on Russia, and ensuring pipelines pass through Russian territory instead of Turkey -- Lieven suggested that Russia could pursue a very "wet" policy which could involve the assassination of President Alyev of Azerbaijan and/or President Shevardnadze of Georgia and "fishing in the troubled waters that would follow". Lieven believes that Russia is significantly less interested in Central Asia, and the only threat Russia can realistically make is to "activate" the Russian population in northern Kazakhstan to exert pressure on President Nazarbayev. Russia already has direct agreements with some of the Central Asian states which achieve some of its goals there, including placing border guards on external borders, reestablishing military cooperation, and gaining dual citizenship agreements. Lieven did not foresee anything but "dry" policies vis à vis these countries, including discreetly forcing Kazak dependence on Russia as an oil export route.

In his conclusion, Lieven stated that while Russia has pursued relatively covert means of achieving its objectives, it could "lose its wits" and embark on dangerous and provocative policies if the West were to push ahead with NATO expansion in the Baltics or Ukraine. Such policies could include trying to inflame ethnic strife in the Baltics and Ukraine by "wet" operations, including assassinations and bombings; stationing tactical nuclear

weapons in Kaliningrad and elsewhere; retargeting missiles at the West; and arming anti-American movements and regimes elsewhere in the world.

The focus of the second day of the seminar was the identification of possible paths toward conflict and Russian interventionism. Charles Fairbanks of the Johns Hopkins School of Advanced International Studies presented *Some Scenarios of Ambitious Russian Foreign Policy*. Fairbanks discussed a wide range of options available to Russia, including: appealing to widely recognized principles (much as the British did at the turn of the century); attempting to manipulate former super-power status; recreating status by accepting limits; splitting foreign alliances; returning to active use of nuclear threats; pursuing activism in the "near abroad"; and exacting concessions through recalcitrant behavior within the western alliance. Fairbanks warned that, despite constraints, there are many non-military, yet ambitious options for Russia to pursue. These options may be easy for Westerners to overlook if we do not put ourselves in the position of intelligent and serious Russian patriots.

Fairbanks identified five scenarios: Russian-Chinese alliance; integration of the CIS into one state; Bosnia-Transdniestar type conflict; informal empire; and, countering NATO expansion. In the first scenario, Russian-Chinese alliance, Fairbanks discussed the required pre-conditions for such an alliance: Russian willingness to transfer military technology to China; Russian acceptance of China as the senior partner in the alliance; and Chinese willingness to accept unfavorable border settlements with Russia. A Russian-Chinese alliance could have profound effects on regional economic and military development. He noted that there are many areas around the world that would be affected by such an alliance including: Taiwan, the South Sea Islands, the Korean peninsula, Turkey, and the "near abroad". NATO expansion could also be affected.

The second scenario, integration of the CIS into one state, would have to be pursued with both long- and short-term strategies. The short-term strategy must begin with the weakest targets (Tajikistan, Belarus, Transdniestar, Abkhazia, South Ossetia, Turkmenistan, Georgia, Azerbaijan, Kyrgyzstan, Kazakhstan, and Moldova) while developing a long-term strategy to render the hard cases (Uzbekistan, Ukraine, and Armenia) more malleable. Fairbanks noted that Russia has many assets with which to conduct an ambitious foreign policy in the "near abroad". These include:

- Knowledge of the area;
- Excellent intelligence assets;

- Professional military forces;
- Instabilities (including ethnic tensions, personal rivalries, regional rivalries) in the "near abroad" states which Russia can exacerbate;
- Many political opposition groups from these countries are based in Moscow and therefore are more easily influenced;
- Some states have not yet formed an ethnic/territorial identity and reaction to annexation would be limited:
- Russia still provides substantial subsidies and can withdraw or increase them at will;
- Serious support outside of Russia for reconstitution of the USSR;
- Many NIS officials not committed to national independence; and,
- The West cares more about Russia than its neighbors and often makes agreements without considering other countries' interests.

This scenario changes the post-Cold War settlement significantly without engaging vital US interests. The worst developments which would engage the US (e.g., reincorporation of Ukraine) come after a series of US/western concessions on "lesser" issues and will, therefore be difficult to reverse.

The third scenario, Bosnia-Transdnier, stipulates the creation of an ethnic Russian state. Ethnic tensions, competition over privatized resources, and disintegration of the state in the presence of strong, interested parties that do not want to intervene openly all contribute to the development of this scenario. It begins with ethnic cleansing in the "near abroad" by and of ethnic Russians. Like Bosnia, the situation is muddy and since no one in the West wants to intervene, Russian intervention is accepted. Fairbanks noted that Russia does not have to be better armed or organized to carry out this policy since its army is superior to those of its neighbors.

The fourth scenario, informal empire, involves the emergence of Moscow as an intellectual and cultural center for opposition groups from the NIS. Russia will be able to influence these groups by providing them with resources and access to Russian press and government officials. In addition, Russia can promote its interests throughout the NIS by funding Russian language instruction and the Russian press. Russia can also pursue policies of maintaining NIS economic dependence on Russia by rewarding those countries/companies that work with Russia and punishing those that systematically work against Russia with blockades, blackmail against western investment, *et cetera*.

The final scenario is Russia countering NATO expansion. NATO has expanded to include Poland, Hungary and the Czech Republic. To prevent further expansion, Russia pursues a "peace campaign" in eastern Europe. It also pushes for an alternative, defensive grouping for the CIS. Should NATO expansion continue, Russia would call for nuclear readiness, and could announce its release from 1987-1992 agreements on arms control. Should expansion continue further, Russia could perform an atmospheric nuclear test and even warn that there may be nuclear strikes against Europe.

After reviewing and discussing each of the papers, participants were asked to identify salient scenarios by stretching their imaginations, not by extrapolating from current realities. The participants crafted four scenarios: *The Transcaucasian Quagmire*; *The Central Asian Quagmire*; *Dangerous Liaisons*; and *Leader of Rogue States*. A description of each scenario follows along with its potential consequences.

TRANSCAUCASIAN QUAGMIRE

Summary: Russia successfully supports the succession of a pro-Russian regime after the death of President Alyiev of Azerbaijan. The regime, extremely unpopular particularly after making concessions to Russia, is overthrown by an uprising covertly backed by Turkey and the US. The new regime foments Azeri irredentism in southern Azerbaijan/northern Iran. These forces pursue terrorist acts against Russian military bases in Azerbaijan. In retaliation and in order discredit the regime, Russia and Iran covertly back the Armenians in Karabakh, reinitiating conflict. Because the Karabakh war is unresolved, there is a risk of the conflict spreading into Nakhichevan (the non-contiguous part of Azerbaijan) where Turkey has a statutory right of intervention. Hostility in the region grows and Turkey sends "volunteer" troops to Azerbaijan and into the Karabakh area. Russia's military alliance with Armenia, which includes bases in Armenia, results in automatic Russian involvement should the conflict spread. Now, instead of proxy forces fighting, the Turks and Russians are on the verge of direct conflict. Russia pushes for western/international condemnation of Turkey, and as a result Turkey is forced by western pressure to back down. Russia guarantees a non-nationalist, pro-Moscow Azeri government and forces Azerbaijan to accept a Russian-brokered peace.

Consequences:

- Because Turkey is condemned by the West, Turkey's place in NATO is jeopardized, leaving the alliance in turmoil.

- As a result of the crisis, Russia is left in stable political and economic domination of the Transcaucasus. The Russian-brokered peace leads to the reestablishment of Russian military bases in Azerbaijan, Russian control of a dominant share of Azeri oil fields, and the assurance that the main oil pipeline from Azerbaijan will run through Russia.
- Georgia accepts a full military alliance with Russia, taking the Azeri conflict as an example of what happens to states in the region that disregard Russia's will.
- As a result of their success in this crisis, the Russian-Iranian relationship strengthens, affecting oil flows and the strategic balance in the Gulf. In addition, Russian and Iranian economic influence replace Turkish/US influence, and Iran is able to suppress Azeri secessionists in northern Iran.

CENTRAL ASIAN QUAGMIRE

Summary: Oil pipelines from Kazakstan going west through Georgia and south through Afghanistan to Pakistan and on to India have been operational for several years. In addition, a southern pipeline through Iran into Turkey is actively under construction. There is growing nationalistic and Islamic sentiment in Central Asia, particularly in Kazakstan. The region is drifting away from Russian political and economic control. In fact, Japan and South Korea have become economically ensconced in the region. Tartarstan and Bashkortostan, autonomous republics within the Russian Federation, are pushing for more independence from Moscow. Russia regards the rise of Islamic-nationalism, both within and outside its borders, with increasing concern. Popular unrest within the Russian Federation and the region as a whole is growing. Terrorism is on the rise, resulting in increasingly nationalistic Russian responses. Nationalists in the Russian government covertly provoke acts of terrorism in northern Kazakstan in order to justify increased meddling in the region. Russia invades. Uzbek forces move into Kazakstan to drive back the Russian Army. Russia pushes them all the way back to Tashkent with the aim of creating a pro-Russian puppet regime. The Uzbek army retreats to the mountains and receives covert aid from many of its neighbors. While Russia has won control of oil and gas in the region, it is faced with the continued problem of armed opposition in the region.

Consequences:

- Ethnic tensions throughout the region and within Russia are exacerbated, further destabilizing the area. Russian alienation from the Muslim world is complete.
- Economic chaos follows despite Russian "domination" of the region. Japanese and Korean companies are affected by the fighting, leading Japan and Korea to pressure the warring parties. US energy companies are also adversely affected.
- Russia is involved in another protracted conflict that it cannot hope to resolve -- similar to the war with Afghanistan. While Russia is able to defeat internal Islamic threats to its security, a long, low-level campaign across much of Central Asia must be waged to preserve Russian hegemony. Because of Afghanistan, Pakistan, Iran, and Turkey's interests and involvement in the region, the threat of a surrogate war between Russia and these Islamic states escalates as many of these and other outside Muslim countries would covertly support anti-Russian forces.
- Tensions increase between the US and Russia. US concern continues to build over Russian control of Kazak oil export pipelines and its effect on US companies.
- Russian control over Kazak oil export pipelines could also result in Chinese involvement since China, which plans to further involve itself in Central Asian energy and transport networks, pressures Russia for additional energy resources.

DANGEROUS LIAISONS

Summary: Driven by both economic and political interests, Russia strengthens its ties with the CIS (primarily Belarus, Kazakhstan, Turkmenistan, and Armenia) and renews its ties with India and Iran. As these ties are strengthening, China becomes the focus of considerable Russian diplomatic attention. A strategic reevaluation takes place in both Russia and China (driven perhaps by an internal Chinese crisis). Both countries conclude that their great power aspirations are constrained by the US and realize that they cannot reach their objectives on their own. Russia and China begin to cooperate in a variety of areas. The emerging alliances, while initially independent, become quite powerful given the resources, economic power, and geographical areas covered by member states. While these groupings may not initially form with an anti-US agenda, their interests lead them in this direction.

Consequences:

- Control of substantial energy resources by the alliance(s) will result in their ability to exert substantial economic, and possibly political, pressure on US allies (Japan, South Korea, Turkey, Europe, and the southern Gulf). The alliance will also have substantial reach into important sea lanes.
- China will acquire missile technology, space technologies and other sensitive systems through trade with and technology transfers from Russia that were previously denied.
- China and Russia together can achieve a Reconnaissance Strike Complex like that of the US, which neither could accomplish individually.
- Russia will be able to maintain and invigorate much of its Military Industrial Complex through sales to China and other alliance members. Russian and Chinese arms sales will result in military upgrading/synergy for Russian, Chinese, Iranian, and Indian forces.
- Proliferation of missile and/or WMD technologies to Iran and other alliance members will likely increase.
- Chinese economic growth resulting in an increasing demand for energy resources will come at a time when the alliance can readily provide these resources. The result could be significant Chinese economic growth and development.

LEADER OF THE ROGUE STATES

Summary: Russia makes a conscious, rational decision that cooperation with the West will no longer be a constraint on its policy options or behavior, most likely in the wake of an external provocation such as NATO enlargement. It therefore feels free to revise the post-1991 status quo (border/political regime) within the former Soviet Union and adopt a unilateralist approach to its problems. The major focus of revising the status quo will be the creation of "natural borders" which includes the re-incorporation of Belarus, Ukraine, Kazakhstan and the Baltics. The unilateralist approach taken by Russia will result in limited ability by the rest of the world to influence its behavior. Russia takes a "no holds barred" approach to reviving its military-industrial complex. The outcome is a period of instability,

ethnic conflict, and military tension from the Baltic to the Black Sea that profoundly alters priorities, planning, and budgetary horizons for NATO and US forces.

Consequences:

- The goal of creating "natural" borders will result in determined Russian economic pressure as well as attempts to exploit internal ethnic tensions within the NIS. These Russian attempts could spiral into something akin to Fairbank's "Transdnister" scenario and could result in overt, uncontrollable conflict.
- Even a partial unfolding of this scenario will greatly alter long-term Western views of risks, threats, and defense priorities. Western and central European fears of Russian aggressiveness will increase leading to the perception that a more robust NATO is necessary to match and "contain" Russia which will ultimately lead to a military build-up.
- Russia's nationalist decision to revive its defense industry base will result in the arms markets in Iran, Iraq, and Libya becoming key to reviving the Russian military industrial complex. The likely result is an end to compliance with sanctions regimes against pariah states and the redevelopment of old military ties on a for-profit basis. As a result, Russian compliance with *most* of the current arms control regimes (with the likely exception of MTCR, where *de facto* observance remains in Russian interests) will be over.

**Mark Nagel
Harvard University
"The Fiscal Capacity of the Russian State"**

Mark Nagel identified the three most relevant factors to future Russian foreign policy: Russian capabilities; the international environment; and Russian goals and strategies. His paper (see appendix) focuses on Russian capabilities. The State's capacity to raise revenue is a prerequisite for an aggressive foreign policy. To address Russia's fiscal capacity, Nagel examined the relationship between the federal government and regional governments. He characterized the Federation as a "troubled system" yet expressed optimism regarding its ability to respond to the current fiscal crisis. He noted that the federal government is now "slashing" expenditures and financing its budgetary deficit through non-inflationary means. In 1993-4, however, the Russian government used inflationary bank credits to finance budgetary shortfalls. The current policy uses non-inflationary treasury bills and securities. This commitment indicates that Russia is laying the foundations for future economic growth and is therefore on the road to recovery. Growth is a prerequisite for increased revenue.

Russia, through a variety of means, has the capacity to raise more revenue. With an increase in revenue, domestic institutions, including those with a large role to play in the development and implementation of foreign policy, will be more able to achieve their objectives. As the Russian economy grows, pro-Western and pro-trade interest groups will also develop. However, the Constitution is currently deeply flawed. The courts are still underdeveloped and the President's power is ill defined, particularly with regard to the domestic economy. Because of the weakness of the legal system, the President rules by decree. The questionable authority of the decrees leaves room for challenges from other branches of government. Because of these inherent weaknesses, the need to clarify the role of government persists. Nagel expressed optimism that federalism will soon be strengthened.

Currently the majority of regional governors are appointed by the President. However, in the coming months 52 gubernatorial elections have the potential to change the political landscape. Nagel predicted that the elections will produce governors who will be more assertive and aggressive about serving local needs. The governors will challenge the federal government more frequently because they are no longer beholden to the center for their positions. Efforts by the center to impose its position on regional issues will not

necessarily meet with success, and will most likely force a definition of the division of power.

DISCUSSION

Discussion began with one participant questioning the conclusions drawn by Nagel. He stated that the Russian ruling structure has no alternative but to drastically cut spending -- even in areas it does not want to. The federal government has a hold over the regions because it has money the regions want and need. This dependency will not change with the election of regional governors. Nagel responded that the Russian elite is not homogenous. It consists of a variety of regionally based government and industrial interests as well as the federal elite, all of whom have different agendas. These different interests coupled with a weak central system that is unable to define a national agenda and national interests, will result in inconsistencies in Russian foreign and economic policy. Nagel asserted that despite these centrifugal forces, the economic ministries are committed to reform and are pursuing macro-stability.

Responding to some participants who asserted that the Russian economy is not recovering, but rather is in a new decline, Nagel outlined some of the possible areas for increased revenue. Most of the current decline in tax revenue is self inflicted and stems from political decisions. For example, allowing companies to delay tax payment has caused the current arrears crisis. However, strong steps are currently being taken against tax debtors. A new interdepartmental service comprised of the State Tax Service, the Finance Ministry and the Bankruptcy Commission has been created. Nagel expressed optimism that the new commission will solve many of the arrears problems. Seventy-two percent of arrears is caused by only five hundred companies, so the commission should have a high success rate. In addition, if Chernomyrdin's support for the commission is as strong as his rhetoric, the political will to follow through exists.

One participant expressed pessimism that the Russian state will be able to recover these "lost" funds. He suggested that, in the next round of elections, tax exemption will most likely be promised again. He also cited the potential for corruption of the "interagency" commission. The weakness of such government institutions to bribery results in decisions being made, but not implemented. Nagel responded that stabilization will lead to growth. Growth, coupled with administrative reforms, will increase revenue substantially.

Returning to an earlier comment, one participant stated that Yeltsin's continuing need to maintain interest group support to stay in power and the corruption that follows amplifies the problem of multiple elites. Another participant concurred, citing Chechnya as an example of stumbling into a crisis resulting from the weakness of central decision making. He laid much of the blame on Yeltsin who has deliberately diffused power. While reforming the whole state structure and developing major policy under a different president may be possible, raising revenue in support of policies is a much more formidable task.

Another participant commented that the shape of the state will define its interests and noted this as one of the unresolved issues in the paper. She stated that the consequence of having increasingly diverse regions and groupings is that each will have different views of development priorities. Some regions, for example, will want greater control and more locally generated and controlled revenue while others will continue to call for subsidies from the center. There are also power differences among regional elites and other emerging groups. For example, she asserted that the government reaction to Gazprom, a very politically and economically powerful energy company, not paying taxes would be very different from the reaction to another state enterprise not paying its taxes.

Competition between interest groups will not necessarily be "peaceful". The tensions between interest groups could prevent, rather than support, the congealing of institutions. The participant also noted that some groupings are regionally based while others are not. More often than not, their interests clash. The questions to answer are how serious are these clashes and are there paths to resolution. Perhaps the state will be able to improve tax collection, but that does not equate with bridging legislative gaps between the regions. There are myriad bilateral relationships with the center.

The regions are unequal in their relations with the center. Yakutia Sakha, for example, receives thirty percent of the revenue from diamonds mined in its territory. This revenue facilitates the creation of a greater number of powerful regional actors that will play a role in foreign policy. These regional disparities and varying power balances between actors will become important over time. For example, it is not difficult to see that some regions have foreign policy demands that are different from national demands. The example of Yakutia Sakha is a case in point. Yakutia Sakha has pursued international agreements with African governments, particularly regarding African investment, to promote the region. In essence, Yakutia Sakha is creating its own foreign policy. The result is that, with the emergence of many powerful groups, the state becomes the arbiter, not the creator of foreign policy.

One participant asserted that the West is still trying to determine what entity has replaced the system of Soviet authority. Soviet institutions remain power structures because of the failure of other institutions to develop. The foreign policy intentions and capabilities of these institutions is therefore as important as official government policy. Funding levels determine which institutions have power, and in the Russian context, money is a route to power. He noted that the official armed forces do not have money and are no longer a capable military force. He characterized these people as highly skilled, alienated, and desperate -- in essence a wild card.

Another participant commented that the West must understand that Russia is a weak state. Nagel's paper suggests that while Russia may be fiscally heading in a good direction, militarily Russia's power is declining rapidly. He noted that historically the minimum role of the state is to collect taxes and defend the frontiers, and expressed doubt that the Russian government is capable of either. Presidential decrees are but one example of the weakness of Russian institutions. If this style of governance continues, the long term result will be a "jerry-built" Federation. However, he warned against Cassandraism noting that all predictions of confusion, ethnic strife, and violence after the dissolution of the Soviet Union proved incorrect. Perhaps what we are seeing now is a case of balanced interests sharing power. The question becomes a matter of whether these interests want to maintain a weak state.

One participant noted that asymmetrical federalism is not necessarily bad. As a footnote, another participant noted that American states have different relationships with the federal government despite their constitutional equality. The model of federalism must be asymmetric, asserted one participant, as it has to be based on "the common good". A fourth participant asserted that ultimately, the test of stability is the ability to resolve conflicts in a non-violent manner.

Another participant asserted that there is a mutually supporting dependence between the center and the regions. He noted that often the type and amount of subsidies determines the relationship of regions to the Federal government. Only twenty regions are net contributors to the center. This revenue is distributed by the center to other regions. It follows that poor oblasts support the center because they are dependent upon it. Richer regions, therefore, have less motivation to support the center. One participant noted that dependence flows in the other direction as well -- the center is also dependent on the regions. For

example, if Dagestan left the Russian state, Russia would be weaker even though Dagestan receives 80% of its revenue from Moscow. The center is dependent on the regions for internal stability. Another participant asserted that there is not always a direct relationship between federal transfer payments and the level of dependence or loyalty. Not only poor regions support the center. Wealthy regions are also dependent on the center for a variety of "perks". For example, Chernomyrdin's home oblast receives many tax exemptions, and therefore staunchly supports the center. Yakutia Sakha, now that it has obtained its demands on diamond revenues, also strongly supports the federal government. Another participant noted that between 60-70% of the regions receive some form of federal transfer.

Nagel interjected that it is important to remember that the regions do not play a role in the collection of Federal taxes. To the objections of some participants that many federal institutions have become dependent on local support, Nagel asserted that Chubais's proposed reform of the administrative tax structure will reduce the federal government's dependence on governors. Another participant commented that while administrative modification can virtually abolish these problems, changes also remake the power structure and will therefore be opposed by many in the regional elite. Another participant supported this argument noting that some actors have significant bargaining tools. Nagel reiterated that it is a question of semantics. The regions are clamoring for more transfers, not asserting that the federal revenue is theirs. This first participant disagreed, stating that there are "have" and "have not" problems. How these problems are addressed could alter the Russian state forever. In any event, he sees little chance that the traditional Russian state will re-emerge.

Another participant disagreed with the notion that tax collection is set apart from other political issues. The center's inability to provide needed revenues for development could result in regional loyalties being drawn elsewhere. For example, China's economic power may be greater than Moscow's political power. The lure of Chinese markets could draw the Far East away. The common Russian feeling of being deprived/victimized results in the pursuit of self interest. The recent sale of Su-27s to China is a case in point. Irkutsk and the Far East alone are benefiting from the sale and were able to co-opt the center into an agreement that may not have been in the national interest. There is no strong, central governance, only individual unit/sectoral interests. The result is the inability to define national interests, particularly in the security area.

Changing the direction of the discussion, one participant pointed out that all of the preceding discussion rested on the assumption of the incapable state (which is premised on the notion of a weak state and a weak economic base). He asserted that the way in which the West will think about Russia for the rest of the decade depends on the degree to which Russia is an incapable state. Of course, there are risks associated with a state being too weak. However, the group should also speculate about what could make Russia a stronger state. According to this participant there are several areas that need to be addressed, including:

- Institutionalization - while the current trends may be positive, many still are not convinced that institutions are strengthening. In particular, the Constitution and subsequent weakness of the presidency, as well as military impotence, must be addressed if a strong Russia is to emerge.
- Corruption - while there has been progress in decreasing corruption, significant steps still must be taken including eliminating organized crime.
- Unity question - the Federation must move from the ad hoc modus vivendi currently holding the country together to an accepted form of union. Capable states do not use modus vivendi, they have a contract.
- Mobilization of state and society - the weakness of the civil society must be redressed and the Russian people must be engaged in the political process. Tax evasion and conscription evasion are only two examples of the state's inability to engage its people.

Another participant commented that, in the long term (10-20 years), economic capability is not restricted to fiscal capability. The group must address the broader issue of economic capability in terms of the potential volume of economic resources. In other words, what type and level of growth is possible? There are many intermediate phases prior to reaching a true market economy. A full transition to a market economy is not required for the emergence of a strong state that can command resources without paying for them. Another important factor to consider is the manner and priority of resource allocation. Russia will continue to pay the price for past military development for many years to come in the form of problems such as environmental damage, and economically unfeasible cities and industries.

Even with an increased volume of resources, is it possible to envision a state that chooses to ignore welfare demands? Participants agreed that the Russian population is a needy, not a dynamic, population and will continue to demand significant social services. In addition, there are significant demands for investment in infrastructure, health, environment, energy and many other areas. Even a capable state may not be able to meet these demands. Some

participants asserted that the Russian government will not be able to direct more than minimum resources to military power even if the economy grows because of these demands. One participant noted that there is already some recognition by government officials of the requirement to address social needs, and this is why the government has pursued foreign borrowing. He likened this future Russia to the post-Crimean war period (when Russia was an imperial power). During this period there was an increasing realization of Russia's dependence on French loans and German capital. He reminded the group that the relative size of the pie is still small. Some economists project that in terms of per capita GDP in 2010 Russia will be 31st in the world if it experiences good growth and 43rd if it experiences bad growth. He concluded that only a clever strategy can make the most of the available resources.

Mobilization of resources is key for the implementation of such a strategy, countered one participant, yet he did not think this would be likely. The goal of the Soviet system was to build a militarily capable state. While the Soviets successfully achieved this goal, it came at a significant cost in efficiency. Industry was extremely poorly integrated. Today the fabric of inter-industry connections has deteriorated even more. Supply chains have been broken. The state has fostered breaking these chains in two ways: 1.) by not ordering, and 2.) by ordering and not paying. Russia does not have a functioning market economy in which industrial integration can take place. This participant did not foresee military industry being reconstituted nor Russia reemerging as a military power. As a result, he concluded that Russia will not have the military means (except for nuclear weapons) to pursue and enforce an aggressive foreign policy. Even if the government were to forgo the capitalist system and re-institute a command economy in the military sector, industry has deteriorated to such a degree that it most likely could not respond. For example, the Russian micro electronic capability is now non-existent. Another participant concurred, stating that he is convinced that there is no way Russia can support an aggressive foreign policy in a market economy.

Another participant expressed concern over the recurring theme that a capable state is required for an ambitious foreign policy. This is simply not the case. He noted that there are capable actors within the state with foreign policy goals. In addition, NATO expansion will unite many currently disparate groups. Another participant reiterated that a weak Russia can be as dangerous as a strong Russia.

On the issue of whether social spending can be diverted to military spending, Nagel commented that sustained growth may happen as soon as next year. While growth will not be large, it is nonetheless growth. Nagel said that an ambitious foreign policy is not necessarily militarily based, and noted that Russia is moving towards democracy. The electoral system has become more entrenched with the latest election, so there is a constraint on what elected leaders may do. It is important to remember that the general population is the consumer of social spending and that a reduction of this spending could result in changes in voting. Nagel said that the economic ministries will continue to restrain the growth of the budget deficit, and that the regional governments will fight for their constituencies. Little funding will be allocated for military spending, even if economic growth takes hold.

Sherman Garnett

**The Carnegie Endowment for International Peace
"The Future of Russian Military Power"**

In his presentation, Sherman Garnett analyzed Russia's potential projection capability. He began by stating that the military as an institution is in crisis. Not only has it lost much of its *esprit de corps* but, more importantly, the Russian military has lost much of its traditional capability. An improvement of Russian military capabilities would require either a massive political change in favor of reform, a defiance of reality by returning to a partial command economy, or a focus on building alliances. Garnett asserted that, because a change in political priorities is unlikely and a defiance of reality is virtually impossible, military reform that would produce a capable Russian force is unlikely in the near-term. The most likely scenario in the next ten years is a reliance on both alliances and arms sales.

Garnett identified nuclear weapons as one of the vestiges of Soviet power. As time goes on, he said, the Russian nuclear arsenal will, relative to the rest of the Russian military, become predominant. This predominance will result from one of two situations. The first situation is one in which the conventional Russian military arsenal becomes so decrepit that the only meaningful component of the military becomes the nuclear arsenal. This, of course, would leave nuclear weapons as the sole option for both defense and power projection. The second possible situation envisions the rehabilitation of tactical nuclear weapons. Russia will also attempt to maintain leverage in space and other areas of strength. In either case, the percentage of nuclear forces in the Russian will increase. However, Garnett asserted that without support from conventional forces, the power projection capabilities of Russia will be hollow. In order for Russia to exert true military power, its nuclear arsenal must be backed by a strong army that can seize and occupy ground.

Garnett also noted problems in Russian conventional forces brought on by the fact that Russian society is in crisis. Russia possesses the resources to field a powerful military, and Russian officers are among the most loyal and disciplined in the world. Lately, however, the Russian government has been unable to meet wage payments. A continued inability to pay back wages, coupled with other hardships (i.e. housing shortages), has contributed to the breakdown of *esprit de corps*.

Lack of central authority, driven in part by a failure to pay military wages, will have serious consequences for the military. Garnett noted that small units within the military have begun to operate independent of their chain of command. This type of sub-structural organization leads to destabilization. Most notably, Garnett cited incidents in which the Russian army has made deals with smugglers at the borders in order to earn pay. Where the Russian government is unable to feed its army, criminals have moved in to fill the void. The elite special forces which continue to be well-supplied, have avoided this fate altogether, further fragmenting the army. Fragmentation along regional lines can also weaken the Russian military. In cases where there have been shortfalls in payments, local Russian commanders have struck bargains with regional authorities for such items as food, fuel, and other necessities. Russian officers have also sold military equipment and supplies in order to raise money. It is unclear to whom these commanders will ultimately demonstrate loyalty, national or regional leaders. Garnett also noted that the military leadership is failing to lobby effectively for its interests, whereas the former KGB and ministry of internal affairs are receiving the lion's share of funding. These two institutions still enjoy a great deal of power and influence, but the military does not.

Because Russian military power has decreased dramatically, the military's largest role will be in the periphery. Russia's goal is to maintain influence in a region that is increasingly open to outside opportunities. The states of Central Asia and the Russian Far East are realizing new opportunities in the world economy, opportunities which undermine Russia's ability to exert influence over the region. Russia must rely on arms sales, technological assistance, and outright threats to retain political sway. It is likely that as the former Soviet republics become more connected to the world economy, particularly in east Asia and the Persian Gulf where the US has many interests, Russian attempts to maintain influence in the region will result in increasing tension between Russia and the US as their interests come into conflict.

Garnett stated that a power vacuum has been formed as a result of Russia's collapse. China is expanding to fill this void. Many feel that Russian hegemony in Central Asia has less to do with Russian power than China's acquiescence. Garnett asserted, however, that the complete modernization of the Chinese military may depend on the acquisition of new military technology. Indeed, the Chinese military would benefit greatly from strategic technology transfers from Russia. Based on the historical animosity between Russia and China, the emergence of this sort of transfer as an established policy is highly unlikely. However, with the breakdown of Russian central authority, arms sales, like the recent sale

of SU-27s to China, may become more common as officials desperately attempt to raise revenue. Either way, Russia ultimately will have to deal with the emergence of a strong China.

DISCUSSION

The discussion started with one participant revisiting the relationship between the regeneration of fiscal strength and the potential regeneration of military strength. While it is true that military regeneration cannot take place without some strengthening of Russia's fiscal capability, military regeneration will not automatically occur alongside economic growth. Choices will be necessary to accomplish this goal. The military and its supporting industrial complex are degenerating and will become more and more decrepit if strategic choices are not made. One participant stated that the current military structure is a Soviet holdover and cannot be maintained.

Garnett responded that there are individuals within both the Russian government and military who understand that the size of the military must be reduced. It is a question of whether they have the power to make the necessary changes. For example, both Andrei Kokoshin, 1st Deputy Minister of Defense, and Kargonov (WHO IS HE?) have written reports supporting the acquisition of Precision Guided Munitions (PGMs) and the transformation of the Russian Army to a smaller, more mobile and lethal force following the US model. To survive as a capable force, Garnett asserted, the Russian Army will have to reduce its size to under twenty divisions. However, these policies will not be implemented because the resources required are not available. In addition, it will be politically and economically difficult to affect a reduction in force size as the economy cannot bear the "dumping" of 750,000 men into the labor market. Even Defense Minister Rodionov does not think such a reduction is feasible.

One participant agreed that a serious force could be very small, commenting that all Russia really needs is one good, professional infantry division. Another participant questioned whether it would be possible to reorder priorities and allow some forces to "fade away". Several participants agreed that it was quite likely that some forces would be allowed to "die". One commented that given the callousness of the Russian bureaucracy, this could happen. Another noted that those interested in economic reform would consciously let military die. He continued that the implication is that the West should be careful in assuming Western interests would be better served if the "good guys"

(Chubais/Chernomyrdin) rise to the top. These leaders are striving to bring about a transformation of the Russian state. Their goal is to make Russia a powerful state again, both economically, and eventually, militarily.

One participant questioned whether it is possible to create this kind of effective, small force in Russian society. For example the Presidential Guard and MVD are supposedly elite forces. The capabilities and effectiveness of these forces are unknown. Small elite forces are what Former Defense Minister Pavel Grachev recommended to Gudiav (WHO IS HE?). However, in many cases a small force will not be enough. Another participant commented that no matter how good or well equipped these elite forces are, they cannot fight a war. Warfighting requires the capability to use coherent tactical, operational, and strategic levels of capability, and small elite forces do not have this capability. The professional military, unlike internal armed forces, understands how and when to use violence.

One necessary area of reform is command authority. In recent years, the military has become fragmented. One participant expressed concern regarding the lack of central authority in the short- to mid-term. Another participant noted that dozens of top officials are also the heads of joint ventures (often selling military resources). Yeltsin has, by design, facilitated fragmentation of the military as part of his attempt to divide and balance potential adversaries. He accomplished this in part by using the military for ambiguous missions and missions for which it was not prepared. All of the participants agreed that the Russian military must be reformed, but differed on which approach was best.

Other participants asserted that the impetus for reform must come from above. If elected President, Lebed, for example, would be committed to military reform. Lebed understands the need for small forces and appropriate financing for reform. Should Lebed set his sights on reforming forces over a considerable period of time (and if there is peace during this period), he will be successful. Even if realistic reforms are pursued, the resulting army will still not be able to project beyond the boundaries of the FSU.

If the will exists to reform the armed forces, from where will the funding come? One participant suggested that the first step will be the recognition that Russia does not need a navy. Secondly, there will have to be production and R&D changes to support the upgraded systems. This will be a costly adjustment. Also it must be recognized that during this period of reform Russia would not be able to respond meaningfully to any

serious threat. Another participant asserted that Lebed would probably cut interior forces and give more funding to the Army.

Several obstacles to military reform exist:

- Soviet division of labor - in Soviet times civilians were not involved in military decisions, as a result, few civilians now know about or understand the requirements of the military and as a result there is a mismatch of means and ends. Russia has always had a strong military, but the civilian elite do not understand how it works;
- preference for wishful thinking - most political leaders do not want to discuss the military, let alone support military reform. There is no strategic vision; and,
- dislike of the military in society.

One participant commented that the organization and integration required for a small force is no less than it is for a large force. He commented that the requirement for a logistics network, spare parts, and raw materials are similar to the requirements of a larger force. Another participant agreed that sometimes smaller is more expensive. He noted that Kokoshin has struggled with this issue in his writings.

One participant asserted that Russia is already pursuing an ambitious foreign policy the goal of which is to reemerge as a powerful state. The policy is two-pronged. First the economy must be reformed and then the military. Economic reform has been taken seriously, but no serious decisions have been made with regard to the military. One participant drew a parallel between economic reform and military reform, noting that military reform, like economic reform, could take the form of shock therapy or gradualism. Another noted that economic reform has a legitimacy that military reform simply does not. Another participant asserted that the "shock" has already taken place in the military and the military sector. Virtually all military funding has been cut off. The challenge to the Russian planner is to rebuild supporting industries in an appropriate, strategic way.

Shock therapy resulted in the deregulation of the military and supporting industry. As with industrial reform, a plan is required for successful military reform. The optimal time for military reform is now, asserted one participant. The market has drawn some inefficient companies out of business and scores of others, both efficient and inefficient, are on the verge of bankruptcy. If military production has fallen to the lowest possible level, then it will be "easy" to redirect funding priorities to the remaining *efficient* firms. However, if

too much time is wasted, assets and resources will depreciate.¹ Another drawback to waiting is that there will be an increase in economic and fiscal growth which will result in funding flowing back, by default, to *all* of the remaining factories. If this happens, Russia will end up acquiring systems it does not want or need, and will continue to support an inefficient industrial base. Another participant noted that the political situation will not get better and it will not become easier to make the decision to pursue reform.

The ambivalence of the current security environment also complicates the reform decision making process: no one has outlined the threat for which Russia is preparing. The group agreed that there is little "poignancy of threat" and it is difficult for Russian political leaders to make a convincing and resonating argument about the threats to Russia. A complicating factor is that the Russian people do not want to accept Russia's lessened position in the world. One participant quoted a Russian civilian moderate who recently said that the only way for Chernomyrdin to pass START II is to argue how Russia will maintain its triad.

The nuclear question will in part be decided by how Russia identifies its threats. If the Russians decide their near-term threat is NATO expansion, then Russian public opinion may galvanize around "absorbing" Belarus and making it nuclear once more. If the real threat is the near abroad, nuclear weapons are of limited utility. If the real, long-term threat is China, the broader threat will require not only maintenance of nuclear weapons, but upgrades as well, particularly since nuclear weapons are much less costly than conventional forces.

One participant asserted that the most likely mission for the Russian military will be "meddling" in the near abroad. She expressed concern about the capacity for miscalculation and adventurism driven by local military desires for additional investment and reform. Another agreed that the capacity for miscalculations is extreme, noting that the frontier has dominated Russian history, but now, unlike the "old days" when technology was exclusive to the Russian troops, the frontier will "bite back". One participant, agreeing that there is a capacity for mischief through manipulating regional threats, noted that small actions taken by local military leaders could have substantial strategic consequences.

¹ The participant noted that there may be a limit to the loss of skills. He noted that recently one factory hired 500 graduates of the technical schools and is hiring back its own former workers and workers from other factories. The foreman informed him that the workers had not lost their skills.

The real danger exists on those frontiers where local commanders have been drawn in to defend existing positions. Their reactions are driven by local situations, not by a grand, ambitious plan. For example, in 1994 when the North Caucasus military division was asked about direct intervention in Chechnya its leaders argued against intervention. (One participant stipulated that intervention may have been driven by Grachev and his political needs in Moscow.) Several participants expressed the view that while local forces may be drawn into conflicts, they would not willingly initiate conflict. One participant, alluding to the similarities between the Chechnya intervention and the Afghan invasion, commented that, "The Russians are slow learners." Another added that the General Staff did not write about historical campaigns in the Caucasus, so the Russians are not learning from their historical mistakes. As Lebed recently said regarding Chechnya, "We [Russia] stepped on same rake twice."

The group turned to Chechnya as an example of the decline of Russian military power. The failures in Chechnya stem from multiple sources. The failure is not as simple as a pay or discipline problem, although even the elite forces used in Chechnya are neither well trained nor regularly paid. There is a consensus within the military regarding its role, but they have been unable to gather political momentum. The military did not want the mission in Chechnya and argued that it is designed for dealing with external threats, not internal security issues. In addition, the military also has to deal with public opinion for the first time in its history. Issues like the hazing problem only magnify the public's ire and contribute to draft evasion. Also for the first time in modern Russian history, the public is beginning to realize that peripheral wars impose major resource demands, which makes the war even less popular.

Russian national interests are now limited to the Near Abroad. Russian leaders must come to grips with this reality. Participants agreed that a more ambitious foreign policy may result in decisions of what will no longer be pursued. For example, several participants asserted that Russia no longer needs a navy. As one participant commented, the navy was already rusting during the summer of 1992 in Kronshtadt and Kaliningrad. The Navy is a luxury the Russians can no longer afford.

One participant asserted that the savings from eliminating the Navy will not be substantial as, except for personnel costs, not much is being invested (only 3% of the defense budget) in the Navy. However, the Navy constituency, particularly in Murmansk and Vladivostok,

complicates the issue. These cities are military towns, and are powerful political communities that include large numbers of Navy retirees.

To clarify some confusion on the part of the other participants, one participant gave a brief description of the Soviet Navy. The Baltic Fleet has never really been a fleet, as it was used for coastal defense. The Black Sea Fleet was the home port for the ships sent to the Mediterranean. The Northern Fleet received most of the assets during the Soviet period and was an actual fleet. This is still the case. The Pacific Fleet continues to be important today because of the nuclear/strategic questions. This is particularly the case if China is perceived as the primary threat. In addition, START II resulted in a diversion of funds to navy systems. The Russian Navy is drawing a substantial portion of R&D money to maintain Sea Launched Ballistic Missiles (SLBMs), for example. While it is likely that the surface units may disappear, particularly in the Black Sea and the Baltic Fleet, Anti-Submarine Warfare (to defend the SLBM force) and SSNs (the Typhoon follow-on) are still being funded.

Challenging the group to look further into the future, one participant emphasized what it would take for the Russian military to start from scratch. There is a huge inheritance of equipment from the Red Army, what fraction of this equipment will be usable? What if the Russians pursue the "Salvation Army" strategy and attempt to salvage what they can? Of 20,000 tanks how many can be saved?

After the implementation of the CFE agreement, the Russians moved 20,000-30,000 tanks east of the Urals. Much of the equipment that survives has been integrated into units in the Far East, allowing those forces to upgrade. The remaining tanks were parked in Uzbekistan. The real problem will be in five to seven years from now when these tanks and other equipment start to fall apart. The Russians must start production to maintain even a small force. In addition, since they are not training with the equipment they do have, their capability to use existing forces is rapidly fading. One participant noted that even the active forces are cannibalizing equipment to maintain capability.

MOTIVES AND INSTITUTIONS

Participants examined how changes in Russian motives and institutions could change Russian foreign policy and make it more ambitious. Participants agreed that the new political system in Russia has changed the way goals are identified as the system is now much more complex and contains many actors with different motives. In particular, the participants revisited the importance of regional and non-state actors.

Participants agreed that non-state players, like Gazprom, Lukoil, and other business entities are unofficially shaping foreign policy through their influence and their business transactions. However, there is no place in the political framework for official discussion and participation by these multinationals in the policy dialogue. These groups are pro-capitalist, pro-trade, and would like Russia to join the Western world. Members of these groups, characterized by one participant as the "men with seven business cards", do not have the time or the desire to consult with the President's council before they make international deals. The motive of these groups is profit, not Russian national interests. Unless institutional development solidifies, Russian national interests will not be the driver of Russian foreign policy.

Another participant pointed to the fact that while there are governmental motives and actors, the actors have not yet been able to institutionalize their policies. Certainly the foreign policy of Russia will be different than the foreign policy of USSR -- Russian foreign policy will be much more complex because of capitalism. As institutions solidify in the new political system, their voices will become more powerful and policy more regulated. Therefore, the manner in which actors become institutionalized will have great future bearing on how foreign policy is created. Currently there is no coherence in the system, but eventually this will change.

One major problem Russia faces is the perception many Russians have of Russia's world status. Most Russians, participants agreed, are in for a shock when they discover the difference between their world view and Russia's capability. One participant reiterated that the Russians need to come to terms with Russia's reduced status, particularly with regard to how they view Russian capabilities vis à vis other nations. It is only when Russians understand their true capabilities that they will address their strategic interests rationally. He noted that Russians are not thinking realistically about China. There are two, often simultaneous, positions taken toward China. One position is xenophobic, anti-Chinese

hysteria based on the traditional Sino-Soviet rivalry. The other asserts that there is no difference between Russian and Chinese interests.

One participant asserted that the Russians are ignoring their security concerns and pointed to the fact that it is only through the Gore-Chernomyrdin Commission that the Russian government has had to deal with not only economics issues but also with military issues. Another participant disagreed stating that the Russians are thinking about their security interests and their military. Their thinking is ambitious as it aims at transforming Russia into a westernized country, however, only 50% of the ambitious policy gets implemented -- the economic portion. The problem, another participant stated, is that Russia could easily get derailed by small problems like Chechnya. Another expressed concern about bifurcation of the Russian vision. She noted that economic conflicts and issues often lead to military conflicts.

The group went on to discuss what the civilian intellectuals are saying about the military. One participant pointed to Pavel Felgengauer, a journalist who represents quite well the views of the General Staff. Another asked who the patrons of civilian military thought will be. He ruled out Chubais and other "reformers" as they are only interested in economic reform. He also ruled out the military as they have no money to sponsor such work. One participant commented that both Rodionov and Primakov understand that even if they develop a realistic strategy there will be no funding to implement it. Another participant strongly disagreed with the idea that there is no funding for civilian defense analysts. He pointed to Yuri Baturin, the Former National Security Advisor, who currently chairs the National Defense Council. On 13 June the Council delivered part of the government military strategy to the Duma. He noted that Yeltsin supports the strategy, although admittedly the President probably does not understand it. Another participant retorted that these types of government documents have no force. They are issued by weak institutions and a weak presidency.

Ronald Suny
University of Chicago
"External Provocation and Reactions: Conditions and Context for an
Ambitious Russian Foreign Policy in the Decade 1995-2006"

Ronald Suny opened his presentation by stating that Russia is, in general, a weak state both internally and externally. However, in relation to its neighbors, it is a strong state.

Suny identified two problems in the formulation of Russian foreign policy: fragility of institutions and the lack of a coherent national identity. He asserted that the greatest challenge to Russian leadership is the creation of a viable myth of legitimacy. In the wake of national restructuring and revolutionary change, the Russian leadership needs, more than ever, to consolidate the loyalty of the populace. The challenge to Russia is to learn to live with what it has become, not what it was.

Despite the myriad of challenges facing Russia, Suny did not believe that internal fragmentation is likely. The multi-ethnic composition of Russia, punctuated by general animosity towards Muslims and other non-Russians, leads many to conclude that conflict is inevitable. However, Suny cautioned that ethnic difference does not necessarily lead to conflict. Moreover, not all ethnic conflicts lead to genocide. Chechnya, he said, is not an ethnic war, but rather a political war. In addition, Suny noted that all of the dire predictions of Russia splintering along ethnic lines made in the wake of the dissolution of the Soviet Union have proven false. Suny, therefore, concluded that despite ethnic diversity, Russia will remain relatively stable.

In contrast, Suny said that conflict could occur over the ambiguous nature of Russian borders. In order to clarify his point, Suny described two types of boundaries separating one state from another: frontiers and borders. Frontiers, he argued, are porous, undefined areas where people pass back and forth freely. Borders are clearly defined, marked boundaries over which a nation possesses control. Over time, frontiers are converted into borders. In the case of Russia, the firm, absolute borders of the Soviet era have disappeared leaving what were once unimportant, internal boundaries as a new amorphous frontier. Suny contended that this is not a viable situation. He asserted that if Russia is ever again to be considered a strong state, it must control its borders.

Suny outlined four possible offensive strategies which Russia may pursue. The first strategy, though he said that it was unlikely to occur, involves the continuation of the

unstable status quo, which leads ultimately to the fragmentation of the state. The second strategy is to resurrect the Russian Empire. Though Suny admitted that this occurrence is possible, he reasoned that the extreme costs associated with this possibility make it highly unlikely. The third strategy, integration, results in the creation of a new treaty of union between CIS member countries. Again, Suny stated that this scenario was unlikely to occur.

Instead, Suny asserted that Russia is most likely to recognize its lack of global power. It will continue to flex considerable muscle in relation to its neighbors, but, on a global scale, it will have to accept its new status. Thus, Russia will pursue a course of regional hegemony in contrast to regional empire. Suny stated that two circumstances support Russia's ability to assert regional hegemony. Cultural affinity, particularly on Russia's western frontier, creates the potential for continued Russian influence. In addition, tradition may lead countries in the Transcaucasus, Kazakhstan and other states around the region to continue to defer to Russia. Suny mentioned, however, that China is a wild card in Russia's ambition to be a regional power. China will not remain idle while Russia tries to re-consolidate its regional power. In addition, the potential for NATO expansion into Eastern Europe threatens to limit Russian influence around its borders.

Ultimately, the unfolding of the future in Russia can be seen as a struggle between the modern and the anti-modern. The modern is described as liberal, democratic ideals such as capitalism, representative democracy, pluralism, global integration, and ethnic tolerance and is associated with the West. The anti-modern stands in contrast to this, representing state control, isolation, authoritarianism, and fundamentalism. In order to understand the future of Russia, Suny contended, one must first understand where it stands in the struggle between modernism and anti-modernism.

Suny's outlook was optimistic. He stated that Russia, aside from a small "lunatic fringe", has made the critical turn and is on an unmistakable path toward modernism. Admittedly, three opposition groups (the communists, the nationalists, and the statists) can be described as anti-modern. Yet Suny argued that these opposition groups are powerless to affect policy unless they become more modern. Recognizing this reality, Russia's "new" communists have begun the task of modernizing. If the Communists are successful in modernization, he said, they will be a force with which to contend. More likely, however, they will fail in this endeavor just as Gorbachev did in the late 1980s.

DISCUSSION

What is interesting in Suny's approach, asserted one participant, is the gray area between the modern and anti-modern tendencies and what is likely to lead to one outcome over the other. Relating these differences to what makes hegemony seem inadequate is also interesting, especially since hegemony is both more reasonable and less costly than imperialism. When asked whether it can be assumed that a failed attempt at hegemony leads to imperialism, Suny responded that hegemony is a policy of retreat. Russia is in a post-colonial situation. Its borders are not yet solid, so all problems "bleed" into Russia, particularly as it has "clients" on the other side of the border. The weakness of hegemony is that it can easily slip into imperialism. It is not a big step to move from muscle flexing to imperialism. For example, the stronger state wants to exercise influence to prevent or stop conflict, so it supports one elite over another. The chosen elite starts to fail, so the strong state must buoy its supporters, and the regime becomes a puppet state. The French and the British had similar colonial experiences. As one participant noted, hegemony takes a delicate touch.

It is reasonable that Russia identifies the kinds of conflict that occur in its southern tier as destabilizing and seeks to resolve them, stated one participant. The concept of *ДЕРЖАВА* (derzhava), the idea that great powers should keep the peace, is a common one in Russia. Another participant commented that it is also reasonable for the West to expect and accept Russian hegemony in the region if it does not impede US interests. It can even be argued that Russian hegemony is in the US interest as it creates a safe buffer zone between the Middle East/Central Asia and the West, particularly if one accepts the modern versus anti-modern argument. The participant rejected the use of the term "hegemonic" on the grounds that Russia influencing and leading this region is not necessarily negative as the term implies. He offered the term "benevolent primacy" in lieu of "hegemony". The ideal type of primacy comes without imposed limited sovereignty. It results in mutual participation in policy formation and does not limit opportunities with other states. The West should support this kind of relationship between Russia and the FSU.

Regardless of the semantics, one participant commented, Russians who use the term *ДЕРЖАВА* are suggesting that the inequalities currently manifested in the region be institutionalized. In addition, another participant suggested that for many "new Russians", the new entrepreneurial class, capitalism is intrinsically aggressive and should be pursued

in an aggressive manner. Advantages must be solidified, particularly in the near abroad. This is a very influential way of thinking in Russia and will result in Russia pushing a policy of subordination, not integration. If this is how Russia defines its national interests, one participant asserted, outside actors will have limited ability to shape Russian policy. Another participant vehemently disagreed, stating that because Russia has decided to be a part of the modern world, it is constrained in many ways by international expectations. Russia wants to be a nation, not an empire. If we agree that both the "good" and the "bad" elements in Russia have made the turn to modernism, then Russia is a part of the world community and this membership limits the options from which it will choose.

Some participants were not convinced that all Russians have turned towards modernism. For example, one participant noted that Zhuganov, the leading nationalist politician, has returned to 19th century Slavism. Others disagreed stating that Zhuganov's Slavism is not anti-modern. Rather, the platform is anti-American, based on the rejection of US hegemony and values. In short, the ultra-nationalists will not accept Russian subordination by the West. Others added that even the Communists have turned to modernism by accepting elections and rejecting revolutionary means of returning to power. Suny asserted that Russia has made the turn towards modernity. While that transformation is in no way complete, the turn is in and of itself significant.

Returning to the issue of the near abroad, Suny commented that Russian borders have become frontiers which Russians want to reestablish as borders. This issue is in part a problem of national identity. The nature of the borders is a source of real tension between Russia and its neighbors. There are some countries in the region that would be content with limited sovereignty, but others, like Ukraine, view themselves as independent and do not appreciate Russian interference. Participants agreed that there is a clear distinction between integration and subordination. For example, Russia recently implemented an additional twenty percent VAT on goods from Ukraine. This type of policy is designed to *subordinate* Ukraine, not *integrate* the region. Another participant commented that Russia "does not have enough arrows in its quiver" to force Ukrainian capitulation, but can significantly damage its neighbor. Most participants agreed that integration will result in the weak states gravitating towards Russia and the stronger states, like Uzbekistan and Ukraine, being pushed away. In fact, one participant commented, Ukraine is quickly leaving Russia's sphere.

Russia in fact runs the risk of alienating Russian populations living in the near abroad. For example, in Baku there is a dislike of Russia by ethnic Russians who should otherwise be pro-Russia. One participant commented that the states surrounding Russia are either controlled or hostile, just like the situation faced by Germany before World War I. Another participant noted that the Russians have been very careful about ethnic issues and have made efforts not to spark conflict for fear of consequences within their own borders. Seconding this idea, another participant noted that the West tends to confuse self-determination and national self-determination. Self-determination relates to a country in which the people have various forms of voting rights, national self-determination is the destructive form of nation building that excludes all other nationalities from the political process. In polls taken across the CIS, similarities in opinion have been primarily based on area, not race/ethnicity. Returning to the Russian desire to reintegrate Ukraine, another participant noted that eastern Ukrainians, mainly Russian by nationality, are too busy dividing resources among themselves to pursue nationalistic objectives. Ukrainians of Russian descent poll the same way as ethnic Ukrainians. In the absence of some great injury, he asserted, the Russian oblasts in eastern Ukraine will not unite against the Ukrainian west. One participant, critical of Russian policy towards Ukraine, asserted that if the Russians were less antagonistic towards Ukraine, integration -- at least in the economic sphere -- would be facilitated. He quoted the old adage, "You get more flies with honey."

One participant suggested changing the focus from Russia's relationship with the near abroad to the near abroad's reaction to Russia. She stated that there is a feeling of self pity in the near abroad. In questions of foreign policy the leaders of the near abroad look to Russia and the United States for policy influence. However, US policy has become bifurcated, resulting in confused signals. US Embassy officials in the near abroad have become convinced of the need to assist these countries, but the US State Department is pursuing pro-Russian policies. Another participant noted that the outside world's considerable railroad and pipeline investments in the region by 2010-2015 will make it more difficult for Russia to exert influence over its neighbors.

Another participant identified Russian national identity as an important issue. Due to its often anti-American sentiment, Americans often do not like to discuss the topic. However, how Russians define themselves in the world will become increasingly important. A recent paper written by Sergei Kortunov, a key advisor to Baturin, entitled "What Kind of Russia does the World Need?" expresses this sentiment. Kortunov's biggest fear is American

hegemony in the world. Kortunov even uses the Zhuganov word "mondialism" to describe US aspirations and actions. The participant characterized the paper as a *cri de coeur*.

The paper raises the question of how Russian leaders think about the world. There are very real implications if many Russian leaders truly believe that the US is not merely an influence in the world, but rather wants to cut Russia down to size and use it to defend the world from the south. One participant commented that the op-eds in US papers show that Russians are not completely unjustified in this viewpoint. Another participant asserted that the anguish in the paper is cultural anguish, not political, but that elites are nonetheless searching for a political solution. Another participant commented that the importance of the piece is that it identifies a set of Russian perspectives which ties together how people view the outside world. The real issue is whether, over the next decade, this view will remain just a mood or whether it will set the context for antagonism.

Another participant took the border analogy and applied it to economics. Just as the actual border between the Russia and the NIS is now a frontier, so too is the border between the former Soviet economy and the world. The Russians do not know where their economy "fits in" with the rest of the world. Russians visualize themselves as an industrial power, but now their role has been diminished to a provider of natural resources.

One participant raised the common reluctance by Russians to accept the monetary costs of policy implementation and questioned whether this will affect policy in the near abroad. Another responded that the shock of discovering that there is such a thing as cost resulted in a preoccupation with costs. As the novelty of cost wears off and the state grows stronger it will cease to be an issue. For example, Russians refused greater integration with Belarus because it would cost 1% of Russia's GDP. Trade-offs between opposing interests will determine the motive of Russian foreign policy.

**Anatol Lieven
United States Institute of Peace
"Goals of an Ambitious Russian Foreign Policy for the Next Decade"**

Anatol Lieven began the presentation of his paper (see appendix) by pointing to the extreme weakness of the Russian state today and the severe limits on its ambitions. He identified the remaining components of Russian power/leverage as Russia's permanent seat on the UN Security Council, its arms sales capabilities, and nuclear technology. Lieven noted that it is difficult to define what an ambitious Russian foreign policy will be as Russian policy will be mostly reactive, not planned. These vestiges of power will not enable Russia to initiate events, he asserted. Instead, Russia's main capability will be reacting to events and attempting to take advantage of them. Lieven pointed to two possible Russian foreign policy impulses, the rational and the irrational.

Lieven identified the irrational path as the pursuit of a grand anti-American coalition. The goal of the irrational path is to soothe the injured national psyche by "sticking it to America". However appealing this idea may be to some Russians, Lieven felt that this type of policy is unlikely as it is generally not in Russia's interest, and more importantly, not in the interests of the economic elites who now rule Russia. He noted that Russia has no desire to replace American hegemony in Asia with Chinese hegemony, for example. Another major weakness of such a strategy is that Russia would only be able to attract weak states to an anti-American coalition because Russia has little to offer in an alliance. While he did not think it likely that Russia would pursue the irrational course, he did not rule it out, particularly if Russian leaders are driven by resentment over Western encroachment into areas of Russian national interest, such as NATO expansion. The dividing line between rational and irrational approaches is a fine one, as a rational approach could be the threat of irrational action, and Russia might then find itself trapped by its own rhetoric.

The second possible path for Russian foreign policy is the rational path. Lieven outlined two forms of the rational path, dignified and efficient. The dignified path is characterized by Russia portraying itself as a great power with a positive role to play in international affairs, negotiations, and organizations. Russia wants to be viewed as a world leader, and if it cannot really be a world leader, Lieven suggested an analogy with France under de Gaulle and his successors. To a certain extent, Russia is already pursuing components of the dignified strategy. An example of this approach is Russia's involvement in Bosnia

where it wanted to be seen as playing a leading role far more than it wanted to support the Serbs.

Lieven contrasted this role to the role of spoiler that Russia is currently playing in the Middle East. The efficient approach takes advantage of world developments to demand concessions, for example offering cooperation in the Middle East in return for greater sensitivity on NATO expansion. The question is can Russia really offer anything worthwhile for such an exchange.

The third path is the active pursuit of arms sales. Lieven noted that the majority of current sales have been pursued by individual industries, not by the state. Should Russia achieve a coherent, ambitious foreign policy, a coordinated arm sales policy would be a part of this.

Lieven identified several areas of Russian national interests. (These goals are outlined in detail in his paper.) A key Russian goal in Europe is to regain an independent and equal relationship in Western security structures. While it is extremely unlikely in the next ten years, Russian leaders hope that both NATO and US interest in Europe will fade, allowing Russia to become a European partner. In terms of the CIS, one ultimate Russian goal is to have Russian border guards protecting the CIS borders. Russia wants to exclude foreign military alliances within the space of the FSU. Russia also continues to push for dual citizenship for the Russian Diaspora. In addition, the idea of FSU coming together in an economic trade zone led by Russia is also appealing. This idea is worrisome to Ukraine given the likely nature of Russian leadership. Lieven pointed out that Russians have different cultural/psychological attitudes about different parts of the FSU. For example, the Slavic nations of Ukraine and Belarus are particularly important. These differences will result in different reaction.

Lieven also discussed the differences between soft and hard power and Russia's ability to use both. In the outside world Russia has limited capabilities to project hard power, but its soft power options are also limited. It is ironic that in the FSU, an area in which it is in Russia's interest to use soft influence, Russia's ability to do so is limited. As a result, hard power may be used to influence neighbors because other options are not available. Lieven also discussed dry (economic pressure) versus wet (secret service action) actions. An example of a dry approach is the current additional VAT being levied against Ukrainian goods. An example of the wet approach is Russian policy in the Caucasus during the period 1990-1993 when Russia sold arms, used subversive tactics and possibly even

undertook assassinations. He asserted that for Russia to adopt a wet approach is not a sign of ambition, rather it is a sign of failure.

Lieven also touched upon the difference between hegemony and imperialism, saying that very few Russians are "imperialists" in the sense of wanting to create direct Russian rule over Central Asia for example. He also noted that there is a potential for a split in goals between ethnic and imperial/hegemonic goals. In other words, Russia may become inward-looking and attempt to redefine itself as an ethnic state. This is unlikely as Russia has too many interests in the near abroad. However, a shock may lead to a search for ethnic borders. Lieven noted that this quest would be a retreat, not a reflection of ambition. Such a change could be very destructive because Russia may be redefined internally, much like Bosnia, through ethnic purges and violence. In addition, because ethnic borders do not correspond with the Russian state, conflicts along the borders, particularly with Kazakhstan, would be likely.

DISCUSSION

One participant asserted that it will take a major stimulus, such as NATO expansion, to push Russians into an anti-Western mood. It will also take such a mood to push Russia into an aggressive use of hard influence against its neighbors. If Russia feels threatened by what it views as Western expansion, it will move to consolidate its relationships with the FSU. Because Russia does not have many levers of power, it will use the levers it has available, and those levers are hard. For example, while Russia cannot absorb Ukraine, it can create mischief and even chaos. An example is Russia's ability to prevent the Transdniester region of Moldova from uniting with Romania after the fall of the USSR. Another example is the Baltics. There were multiple Russian attempts in 1992-93 to stir ethnic hatred through covert provocations. One participant noted that if Russia attempts to bring Ukraine to its knees, it would have to be a state policy. Given Western concerns over Ukraine, Russia will have to be subtle. Even if a state policy is pursued, the only possibility is to foment unrest among the Russian population in Crimea. Ukraine will be very sensitive to these types of provocations. One participant noted that Ukrainians claimed that the strike this summer in Donetsk threatened sovereignty. He asserted that new developments would be necessary for Russia to adapt such a policy.

This discussion prompted one participant to ask whether there will be different outcomes in different parts of the post-Soviet space. Most participants agreed that there is a Russian

consensus to promote integration in the post-Soviet space. However, participants also agreed that a major obstacle to integration is Russian weakness. Russia is not willing or able to play a role similar to the role played by Germany in Eastern Europe -- banker. Russia is not willing to make sacrifices for the near abroad. There will be a certain degree of reintegration, but it will be like nothing in the past. Participants agreed that integration will be mottled and agreements will be guided bilaterally. Some integration will be purely economic, some will involve collective security, and some will be both. Throughout the region there will be patterns of differential integration, and some of this integration will exclude Russia. Russia's inclusion will depend on the degree to which it respects and supports institution building in these states.

While in Russia succession will soon be resolved, and democracy and the election process is taking solid root, in other states succession is still an open ended question. Five years from now the "hard shell" of sovereignty will still be fragile in the rest of the FSU, and succession is the biggest hurdle. The question in the Transcaucasus is will the progress of these states survive the deaths of Shevardnadze, the President of Georgia, and Aliyev, the President of Azerbaijan. In a succession struggle, these countries may not be able to keep down internal unrest, which will leave the country open to manipulation and influence. Participants felt that in the case of an disorderly succession struggle, it is highly likely that Russia will intervene.

In terms of inter-regional cooperation without Russia, bilateral and multilateral ties that compensate for Russia are still in the nascent stages. Most state relationships in reality remain personal relationships, as diplomatic institutions have not yet developed. One participant commented that in five to ten years the intelligence capabilities of these states will not be any greater than they are now, so misperceptions of each others' actions/reactions will be common. Communications and transportation infrastructure currently favor Russia. However, in five years there will be slightly improved railroads, roads, sea lanes, pipeline infrastructure, particularly in the direction of Turkey. One participant noted that the Chechen and Abkhaz wars have resulted in the breaking of trade and communications links with Russia. These links are being rebuilt with Turkey. The direction of oil and gas pipelines in the region is a strategic Russian interest. While Russia can no longer exploit these resources as it did during Soviet times, it can attempt to structure deals that favor Russia.

The participants then discussed military relations in the region. Since all states in the region are weak, alliances will be necessary. In many cases military alliances with Russia are attractive. The Kazakh military should be able to function under Russian command and control as it has based its military organization on the Russian model. However, Uzbekistan is using the Pakistani model and is distinct from Russian military. One participant asserted that the Uzbek military will be able to shield Uzbekistan's leadership against an uprising, but that is about all. He also noted that all of the countries in the near abroad are dependent on Russia for spare parts and equipment at least in the near to mid-term.

In the case of Russian intervention, none of the states in the region will have a military force that can protect against Russia. As one participant commented, Russia looks strong compared to countries like Armenia. Another commented that Russia does not have the energy to deal with this area. A third noted that Russia will be powerful depending on the mission. If it is another mission like Chechnya, for example, the Russian Army will probably perform in much the same way -- in other words, very poorly. He stated that every country's capacity to mobilize is different. He also noted that a nation's ability to maintain an informal, armed resistance against an occupying power has very little to do with its ability to mobilize for war.

Another participant commented on the brotherhood that exists between officers in the former Red Army. In particular he pointed to Ukraine where he described a "marriage" between the officer corps of Ukraine and Russia. Uzbekistan created stakes for Russians within its military so the officers would stay (the goal is not to oppose Russia). This is true in many of the post Soviet republics.

How Russia views its position in the Near Abroad will be highly dependent on its strategic position in the world. Russia will be less aggressive and less likely to use hard power in the region if it does not feel threatened. In a post-NATO expansion environment, Russia will feel the compulsion to establish a Russian security zone with its long term allies Armenia, Georgia, Kazakhstan, and Belarus. The West may even accept such alliances as legitimate.

Participants agreed that as China becomes more powerful in the coming years, it could make approaches to Russia that may be well received in a post-NATO expansion environment. Russia would play a junior partner role in such an alliance, but the

cooperation could lead to Chinese military advancements that will have profound implications for the security balance in Asia, particularly if the Taiwan issue is resolved and Korea is unified. However, such a change in Russia's policy depends on China. For example, if the borderlands become insecure and China deals pre-emptively with its frontiers, Russia may change the relationship to a strategic rivalry.

One participant described the Chinese perspective. The Chinese believe that their version of Marxism worked and the Russians are contemptible because they let themselves be "conquered" by the Americans. The Chinese believe that in 2020, five major powers will emerge. China will be one of them. Russia will only be fifth. China is focusing on comprehensive national power, a peaceful environment, and economic growth. Now is not the time for China to challenge Russia in Central Asia. They consider themselves the "stealth candidate for superpowerdom". The Chinese believe that there will be a balance of power struggle in 2020. They fear that Americans will cooperate with Russia in the military sphere. This cooperation, coupled with Japan, could "out-balance" China. The participant noted that the Chinese have used forces twelve times in the modern past, and the pattern is a surprise attack. It will take a very subtle diplomacy on Russia's part to recognize if they've pushed China too far...

Charles Fairbanks
Central Asian Institute, SAIS
"Some Scenarios of Ambitious Foreign Policy"

Fairbanks began his presentation by stating that there are many non-military, yet ambitious options for Russia to pursue. These options may be easy for Westerners to overlook if we do not put ourselves in the position of an intelligent and serious Russian patriot. There are many serious constraints such as corruption and, a problem often overlooked, the selfishness of the Russian elite. Selfishness of the elite, Fairbanks asserted, is a bigger problem than economic weakness, lack of military power, or diplomatic isolation. Fairbanks starts, therefore, from the assumption that the Russian state is weak but wants ambitious foreign policy. The current mood and rhetoric of the Russian foreign policy establishment is dissatisfied. In its rhetoric, Russia is a revisionist power like Germany and Italy after World War I. Like Lieven, Fairbanks examined a range of strategies from soft to hard.

Appeal to Widely Recognized Principles: Appealing to widely held principles was a strategy taken by Britain in the 19th Century with great success. However, Fairbanks considered it an unlikely choice for Russia.

Attempt to Manipulate Status A nation that is included among the "great powers" can use that status to gain otherwise unattainable advantages. Fairbanks downplayed the possibility of Russia manipulating its former status as a "great power". While some manipulation is possible, such as getting into Council of Europe, or obtaining G-7 status, this possibility is limited. He noted that the US would not be carrying out NATO expansion if it thought Russia was powerful.

Recreate Status by Accepting Limits: Fairbanks thinks it is best for Russia to accept its limits. He pointed to the historical example of Gustav Stresemann, the German Minister of Foreign Affairs during the inter-war period. At the time, Germany was resisting the Versailles settlement, a post war agreement that extracted considerable reparations and put Germany at a distinct disadvantage. Stresemann adopted the guise of being a moderate, international world citizen, while in reality he was a revisionist. Stresemann's diplomacy resulted in the Locarno Treaty of 1924 which gave Germany equality in the international system and preserved the revisionist option on Germany's eastern borders. Germany's position with its neighbors after World War I reminds Fairbanks of Russia's position vis à vis NATO. He postulated that perhaps the Russians will accept NATO expansion in return

for some grand agreement, such as a Russian-NATO guarantee of the Western post-Soviet borders, leaving open the possibility of a revisionist settlement in the south. This said, Fairbanks did not think the Russians can achieve this. Russia is not powerful enough to make such an agreement attractive to the US, nor is it organized enough to implement such a policy.

Split Foreign Alliances: The Soviet strategy of promoting the "Common European House" during the 1980s was such an attempt. Fairbanks characterized a similar attempt to split NATO as risky, and asserted that only a fear of Russia could now split NATO. However, Russia has successfully split China from the anti-Russian block -- a great diplomatic achievement. This suggests that the Far East will be the most promising field for Russian diplomacy in the future.

Pursue Alliances: There are many types of alliances that can help Russia to "get out of the hole" like France did after 1870 and Britain did after 1900. With which nation could Russia ally itself today? Neither India nor Iran is powerful enough in itself. China, which could emerge on its own as a strong power, is a good candidate. In recent years Russia and China have shared better relations with each other, and worse relations with the US. Russia and China share common interests in Central Asia. A Sino-Russian alliance would produce a real change in the world system.

China and Russia share complementary weaknesses and strengths. For example, China has abundant financial resources, Russia does not. Russia has high technology, particularly in defense related areas, China does not. So, a combination of the two countries could be a powerful force. For such an alliance to work certain conditions must be met. For example, China must be a serious partner, and Russia must allow significant technology transfer in *all* areas. This will be difficult for Russia to do since it is knowingly building up a potential rival. Some preconditions for such an alliance would be limiting Chinese settlements and trade in the Russian Far East. Russia would need to settle the remaining border disputes, overcoming local resistance, and China would need to withdraw its "confidence building" proposals. In addition, border issues could be resolved. For China to pursue this kind of policy it would have to be under internal pressure which made its relationship with the US sour significantly. A Sino-Russian alliance would pose many problems for the US. First and foremost it represents a return to the bipolar environment, but this time with two simultaneous, widely separated military threats.

Currently Russia is not really seeking alliances, except in the Middle East. Fairbanks speculated that this failure to conclude successful alliances may be because Russia is used to unequal relationships.

Return to the Active Use of Nuclear Threats. The Soviet Union has a long tradition of using nuclear threats. Nuclear threats were made during the Suez Crisis, the Berlin Crisis, and the Cuban Missile Crisis. As late as the 1980s Yuri Andropov returned to this policy. Fairbanks postulated that NATO expansion could trigger this kind of response.

After identifying the above strategies, Fairbanks described three possible, broad scenarios: reconstitution of USSR borders, Bosnia/Transdnier, and Gloire à bon marché. Each scenario is sketched below.

Reconstitution of USSR Borders: Activism in the near abroad, perhaps taking the form of an attempt to reconstitute the USSR borders, minus the Baltic Republics, is one option for an ambitious Russia. Russia, after all, has considerable assets in the near abroad. This scenario is similar in scope to Suny's empire scenario in which Russia seeks to subordinate and control the CIS states. The first steps of such a policy are relatively easy, and Russia will start with the easy cases, like Tajikistan, first. In fact, the West only appears to care about the last steps of such a policy -- Ukraine. In order to take Uzbekistan, Kazakhstan, Armenia, and Ukraine, Russia must have a long term strategy. Most long term efforts may require active Russian promotion of internal instability and the use proxy forces. An example is Russian activity during the Abkhaz secession in Georgia. It is possible to envision changes in the 1991 settlement without the US becoming engaged, because they occur gradually, are "deniable" and use local forces.

Bosnia/Transdnier Scenario: In this scenario, Russia is weak and disorganized. It decides to pursue the Serb strategy and bring all ethnic Slavs together into one country. Russia foments dissent between ethnic groups and then arms Slavs in regions of contention. With atrocities on both sides, a complex ethnic war, and no easy US options, the West might eventually legalize Russian gains, as in Bosnia. This scenario will begin with northern Kazakhstan because of the large numbers of ethnic Russians living near the border with Russia.

Gloire à Bon Marché: The final scenario presented by Fairbanks was dubbed “Gloire à Bon Marché,” or glory on the cheap. In this scenario Russia exploits its status with the West and increases its leverage by showing independence so it must be bribed to come along. A parallel was drawn with French behavior with NATO during the 1960s and 1970s. Like France, Russia can maintain an informal empire based on old contacts, its intervention capability, and maintaining bases abroad. Russia promotes Moscow as the cultural and democratic center of the region. This could make CIS countries orbit around Moscow like African countries orbit around Paris. Opposition movements from various countries will come to Moscow which will allow Russia to influence succession. According to Fairbanks this is the best option, but one that is too “soft” for today’s Russian revisionists.

After some discussion, the participants broke into three groups to develop scenarios. The scenarios grew in part from Fairbanks’ suggestions and in part from their discussions over the preceding two days. Four scenarios were developed: The Transcaucasian Quagmire; The Central Asian Quagmire; Dangerous Liaisons; and, Leader of Rogue States. A detailed description of each scenario and the potential consequences for each follows.

SCENARIO I: TRANSCAUCASIAN QUAGMIRE

Various overlapping energy and national interests set the stage for international crisis in Azerbaijan. Russia, Turkey, and the West all have interest in Azerbaijan's oil fields and the development and direction of export pipelines. In addition, Turkey, the US, Russia, and Iran are involved in trade, communications, and investment in Azerbaijan.

Upon the death of Azeri President Alyiev, Russia successfully supports the succession of an unpopular, pro-Russian regime in order to secure regional hegemony, the exclusion of Turkish and US influence from the region, and an end to the separatism which is expanding throughout the North Caucasus. Iran supports Russia as a means to restrict both Turkish/US influence and Azeri irredentism in southern Azerbaijan/northern Iran. Once in power, the new puppet regime makes concessions to Russia on, among other things, military bases, peacekeeping, and the pipeline route. Popular unrest rises in Azerbaijan.

Because of Turkey's desire for influence in the region, and propelled by its ethnic identification with Azerbaijan and its interest in energy resources, Turkey renounces the pro-Russian puppet regime. Initially backed by the US (covertly), Turkey clandestinely supports the succession of a nationalist (or national-Islamic), pro-Turkish, anti-Russian, anti-Iranian regime. This Turkish-backed regime supports a growing Azeri dissident movement in northern Iran which, aided covertly by Turkey and the US, launches a new offensive on Karabakh, attacking Russian military bases inside Azerbaijan.

This action and the growth of Azeri separatism in northern Iran prompts Iranian intervention to overthrow the nationalist government in Baku. Russia supports Iran and seeks to block the pipeline via Georgia and re-activate its client government. Both Russia and Iran take steps to discredit/destroy the Baku-based government. Steps include:

- Support of Armenian counterattacks in Karabakh;
- Sponsorship of both political and ethnic internal dissent in Azerbaijan; and,
- Direct intervention to protect Russian bases and "restore order."

With the Karabakh War still unresolved, there is risk of the conflict spreading to Nixçivan, in the non-contiguous part of Azerbaijan, where Turkey has a statutory right of intervention. Further threatening the situation, Russia has a military alliance with Armenia,

including forward-deployed troops, which stipulates automatic Russian involvement in response to any attack in the region.

As the crisis escalates, Turkey intervenes to save *its* clients and the Georgia pipeline. Justifying its actions as necessary to protect Nixçivan, Turkey sends soldiers as "volunteers" to Azerbaijan to support the puppet government and moves troops into Nixçivan. To counter these actions, Russia attempts to undermine the Azeri government by fomenting internal dissent/dissatisfaction and restarting the Karabakh War. Moscow then threatens to intervene directly to "restore order." Finally, Russia solicits and receives western condemnation of Turkish actions. Turkey is left isolated and is forced to back down.

In the end, Russia guarantees a non-nationalist, pro-Moscow Azeri government and forces Azerbaijan to accept a Russian-brokered peace. This leads to the re-establishment of Russian military bases in Azerbaijan, Russian control of a dominant share of Azeri oil fields, and the assurance that the main oil pipeline from Azerbaijan will run via Russia. In addition, Russian and Iranian economic influence predominate over Turkish/US influence, and Iran is able to quell Azeri secessionists in northern Iran. Georgia accepts a full military alliance with Russia, taking the Azeri conflict as an example of what happens to states in the region that disregard Russia's will.

SCENARIO II: CENTRAL ASIAN QUAGMIRE

By 2005, the Taliban in Afghanistan has consolidated its hold on power. In fact, Islamic-nationalist regimes have come to power not only in Afghanistan but also Uzbekistan, Turkey, and Tajikistan. Increased ethnic tension in Kazakhstan, growing repression in Uzbekistan, and greater assertiveness of ethnic groups around the region have created tension throughout Central Asia. Russia regards the rise of Islamic-nationalism, both within and outside of its borders, with increasing concern. Oil pipelines now connect much of Central Asia. In addition to the operational oil pipelines from Kazakhstan which run west through Georgia and south through Afghanistan and Pakistan to India, a southern pipeline to Turkey via Iran is under construction. Japan and Korea have established a major economic presence in Central Asia and are competing economically with Russia within the CIS. The US and Iran have moved toward less antagonistic relations, and Uzbekistan and Pakistan have begun a cooperative relationship.

Driven by a desire to receive more profit from their natural resources, the autonomous republics of Bashkortostan and Tatarstan seek increased economic sovereignty. These nations wish to develop new export pipelines, possibly through United Central Asia or Pakistan, which would be mostly, if not completely, independent of Russian controls. Meanwhile, popular unrest is increasing. Islamic nationalism is growing in Kazakhstan and in the Russian Volga region, causing ethnic Russians in the area to feel increasingly isolated. Terrorism has cropped up in Tatarstan where a recent pipeline explosion resulted in moderate casualties. All of this has resulted in a rise in Russian irredentism and nationalism, further increasing ethnic tensions.

Russia's primary concern is economic. It fears the loss to foreign competition (especially Asian) of both the oil revenue generated by the southern pipeline and its economic hegemony in the region. In fact, many Russian leaders blame internal unrest on the ability of outside states to economically pull regions away from the center.

To combat this dissolution, Russia repeatedly attempts to incorporate northern Kazakhstan into Russia. As a means to justify such an action, Russia clandestinely supports the "spontaneous" outbreak of violence in Kazakhstan. This event occurs when "Kazakh" seminary students seize a Russian school, killing many students. Consequently, local Russians arm for self-protection and call for Russian intervention on their behalf. With this mandate, Russian troops arrive to rescue and protect ethnic Russians, and punish the

Kazakh "terrorists." This results in the de facto expansion of Russian territory to include northern Kazakhstan.

Taking advantage of this situation, Uzbekistan moves troops to "defend" southern Kazakhstan without consulting the Kazakh government. The newly reformed Russian army engages and defeats the Uzbek forces, pushing them back into Uzbekistan. Unrelenting, the Russian army takes Tashkent, and creates a pro-Russian puppet regime. The Uzbek army retreats into the mountains where it receives support from its Islamic brothers in Afghanistan, Pakistan, and Iran.

Because of Afghanistan, Pakistan, Iran, and Turkey's interests and involvement in the region, the threat of a surrogate war between Russia and these Islamic states escalates. In such a war, Russia could shutdown the southern pipeline, adversely affecting US energy companies in the region and presaging US involvement. Japanese and Korean companies would also suffer from the fighting, leading Japan and Korea to pressure the warring parties. Even China, which plans to further involve itself in Central Asian energy and transport networks, enters into the diplomatic fray.

Economic chaos follows despite Russian "domination" of the region. While Russia is able to defeat internal Islamic threats to its security, a long, low-level campaign across much of Central Asia must be waged to preserve Russian hegemony. Russian alienation from the Muslim world is complete. US concern continues to build over Russian control of Kazakh oil and export pipelines. These factors result in active but covert outside Muslim and US support for anti-Russian forces.

SCENARIO III: "DANGEROUS LIAISONS"

The "Dangerous Liaisons" scenario posits a Russia attempting to maintain its global role through a series of alliances. These alliances could include: Russia-China-Iran, Russia-India, and Russia-CIS (with Belarus, Kazakhstan, Turkmenistan, and Armenia as the core group). The alliances are not initiated by a radical break with the West, rather, they rise as natural follow-ons to first independent economic, and then political, agreements. It is only as the alliances solidify that they become overtly anti-US. These alliances could emerge separately or they could emerge as a group. The key players, Russia and China, share a deep felt desire to become major powers unfettered by concerns for US interests and US-inspired "rules of the road."

Many conditions support the emergence of general alliances and, eventually, of an anti-US coalition. Substantial oil and gas resources in Russia, Turkmenistan, Kazakhstan, and Iran could easily prompt the emergence of closer ties and contribute to the influence of such an alliance. Internal problems in Saudi Arabia would further enhance the leverage of the alliance. Such an "energy alliance" could exert considerable pressure on Turkey, Japan, Korea, and Europe. At the same time, the significant increases in Chinese economic growth projected for this period will increase Chinese energy demands when these alliances are gaining strength. This could lead to even more Chinese economic growth and development.

While the driver for this scenario is Russian-Chinese relations, all participating countries share anti-US and "anti-mondialist" tendencies. This group of states also has important complementarities. For example, Russia has important military technical assets and natural resources. China's economic growth and political aspirations make it an eager consumer of these assets and resources. Strong Russian-Iranian, Russian-CIS, and, to a lesser extent, Russian-Chinese political and military ties are already in existence. Events that could propel these cooperative ties in an anti-Western include:

- Deepening Russian-Chinese cooperation, well beyond arms sales and summit statements, including a full flowering of commercial ties. For this to take place, Russia must overcome its anti-Chinese fears and consider partnership with China as essential to re-acquiring great power status.
- Discontent among key US allies such as Japan, Korea and Turkey fueled by perceptions of US "unilateralism" coupled with a general weakening of US military presence results in declining support for US-Japanese, US-Korean and US-European ties.

- Russian strategic reassessment leads to the conclusion that the West really does not want a strong Russia. This belief is reinforced by NATO's expansion and economic steps that "shut the door" on Russia. The rise of Lebed or other "statist" leaders who seek to achieve Russian great power status results.
- China concludes that its strategic future requires a partnership with Russia. For this to take place, a Tianamen-like incident (i.e. a suppression of Hong Kong) that elicits a strong Western boycott and sanctions, must occur. If Russia then chooses not to join these sanctioning measures, the path is open for strengthened Sino-Russian relations. Chinese leaders decide that internal order and future influence require turning their back on the West and focusing their ties with Russia.

The emergence of a group of alliances or an anti-US coalition has many ramifications. Most importantly, military technology transfer from Russia to China would benefit both countries. The transfers would increase China's military capability while the sales would help fund Russian defense spending. Iranian capabilities are also likely to be upgraded by sales from both. Russia continues to control significant natural resources, and it is both likely and possible that Russia will use these resources as political leverage. The new alliances can exert considerable pressure on US relations with Japan, Korea, Europe (especially Turkey), and the Southern Gulf. Significantly, Russia and China now have considerable influence in the Gulf, and economic leverage over Turkey and East Asia. Through their allies Russia and China also have access to the Sea Lanes of the Indian Ocean.

SCENARIO IV: LEADER OF ROGUE STATES

Because the balance between centrist pragmatists and tough minded nationalists in the Russian political spectrum is a delicate one, external provocations could easily tip the balance away from those who believe that Western cooperation, with its implication of multi-lateralism and bi-lateralism, should be a built-in constraint on Russian policy. This would leave Russia as a unconstrained actor, making it a good candidate for becoming the de facto leader of other rogue states. This tendency towards unilateralism could result in a "Fortress Russia" -- especially if an alliance with China is untenable. The two² most probable external provocations -- an ambitious NATO enlargement and a major reverse in the "near abroad" -- could persuade even the pro-Western camp that major changes in the 1991 status quo were unavoidable. Worse, over the period in question, it is likely that these provocations will arise.

In its own right NATO enlargement (with too much ambiguity about/encouragement of Baltic inclusion in a second stage) has five potential effects: 1) it tips the Russian political balance, bringing economic as well as strategic nationalists, such as Sergey Glazyer, to power who "slam the door" on international financial institutions; 2) it creates a determination to show that "there are costs" to ignoring Russia and the conviction that Russia has "gained nothing" from its "partnership" with the West; for this and strategic reasons 3) it accelerates, even at a cost to Russia, the reincorporation of Belarus into common defense arrangements (the initial stages are likely to include the deployment of infrastructure for Theater Nuclear Forces and major conventional (ground/air) deployment). Reconstituting a defense space with Belarus will cause anxiety in Poland and Visegrad. This step would be complemented by 4) increased pressure on the Baltics, including stirring up ethnic tensions, and 5) encircling/pressuring Ukraine to induce it to revise/abandon its independent defense policy.

These last two steps will be pursued with greater vigor if Russia suffers a major reverse in the "near abroad" itself. This will be particularly true if this reverse adds to disintegrative pressures in Russia. For example, loss (or strains) of a war in post-Soviet space (e.g., Caucasus or Central Asia) could trigger disintegrative pressure in the Russian Federation. Another possibility is if, for their own compelling reasons, post-Soviet states are driven to

² A third external provocation -- the emergence of an ambitious Turkish policy -- was identified but not discussed.

use force against Russian minorities/forces/sub-state actors, provoking a “decisive” Russian response. The Russian Federation is a multinational state with unprecedented borders which many Russians deem “artificial.” A reverse in the near abroad will produce a strategic decision by a desperate Russia to establish ethnically rational, coherent and viable, or *natural*, borders for a truly *Russian* Federation. This ethnically Russian federation would include northern Kazakhstan, Belarus, Ukraine and the eastern Russian oblasts in Latvia and Estonia. The incorporation of northern Kazakhstan, Belarus, and Ukraine will be the primary focus of this decision.

Russia’s goal of reconstituting a “common defense space” in the former Soviet Union, of course requires the severing of former Soviet republics’ independent relationships with NATO, the WEU, and other international organizations. To this end, Russia will work to compel these states to abandon their sovereignty. Russia will aggressively use economic cards against Ukraine, the Baltic states, and Caucasian states. However, such pressure on Ukraine and the Baltics will lead to greater resistance, conflict, and chaos than Russia can manage. Russian efforts to deal with these challenges will only embroil it further and will cause it to apply more forceful measures. Instability and conflict between Russia and Ukraine, and Russia and the Baltics, resulting from determined external Russian pressure and from Russian efforts to foment/exploit internal ethnic conflicts have the potential to spiral into what participants termed “Bosnia scenarios” in Latvia, Estonia, and possibly in Crimea. These ethnic conflicts would be *instigated* by Russia, but would lead *inadvertently* to overt and uncontrollable conflict.

The emergence of the scenario described above will escalate Western and Central European fears of Russian aggressiveness and unpredictability, leading to calls for a shift from NATO “light” to NATO “heavy” enlargement and the re-establishment of “containment” of an *apparently* aggressive and unpredictable Russia. These problems will be magnified if more than one “provocation” arises before 2006 and if “prudent” Western reactions and countermeasures seem aggressive to Russia and provoke further countermeasures -- both of which are quite likely. Further Russian countermeasures and “decisive steps” could lead to:

- a shift to direct Russian-Baltic conflict;
- possible direct Russian-Turkish conflict (e.g., Naxçıvan); and,
- inescapable pressure to create a new “containment” structure, well east of NATO’s 1996 borders.

NATO reaction will also be justified by Russia's nationalistic decision to revive its defense industry base and "economic security." Because Russian leaders consider arms markets in Iran, Iraq, Libya to be the key to reviving military industrial complex, Russia takes a "no holds barred" approach to reviving its military-industrial complex. This approach includes ending compliance with sanctions regimes against pariah states and redeveloping old military ties on a for-profit basis. As a result, Russian compliance with *most* of the current arms control regimes (with the likely exception of MTCR, where *de facto* observance remains in Russian interests) is over. In addition, it is likely that Russia will revive its relationship with Iraq. In 1996, Russia was already at the mid-point of developing its alternative strategy of positive engagement (and limited collaboration) with Saddam Hussein.

The Fiscal Capacity of the Russian State

Mark S. Nagel^{*}

If the present or future Russian government embarks on a more assertive foreign policy, the government must be able to raise sufficient revenue to support its foreign initiatives. Any discussion of potential changes in Russian foreign policy should therefore begin by considering the domestic context of foreign policy. Toward this end, this paper examines the institutional structure and fiscal capabilities of the Russian state. During 1992-1993, the first two years following the dissolution of the Soviet Union, the Russian central government confronted urgent problems -- such as rising unemployment, soaring inflation, regional separatism, and a collapse of government revenue -- that threatened the state's existence. As Russia prepares for 1997, the government continues to face demanding political and economic problems, but the threat of the state's collapse has receded.

This paper addresses two aspects of the Russian state's development during 1991-1996: relations between the federal government and regional governments, and the state's capacity to raise revenue. The paper argues that, Chechnya aside, the dissolution of the federation is no longer a serious concern. Nonetheless, federal-regional relations are far from settled. The institutional boundaries of federal-regional relations remain poorly defined, and the election of new governors in fifty-two regions by the end of 1996 could initiate more assertive regional policies toward the center. With respect to fiscal issues, the government's prospects for stabilizing the economy depend upon its ability to obtain non-inflationary financing for the

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budget deficit. The government has experienced relatively poor yields of tax collection during the first six months of 1996, but it has restrained the deficit and reduced inflation by cutting expenditures, obtaining non-inflationary domestic and foreign financing for the deficit, and launching numerous initiatives to increase the productivity of tax collections.

The first section of the paper discusses institutional and political development and the second section examines the state's fiscal capabilities. The paper's third section identifies unresolved issues and potential paths to the future.

I. Institutional and Political Development

The first two years of the post-Soviet reforms witnessed intense political conflict between the federal government and regional governments and, within the federal government, between the President and the Supreme Soviet. Russia established a new constitutional order following the failed insurrection of October 1993. The Russian state has retreated from the brink of collapse, but fundamental institutional questions regarding the authority of federal bodies and the framework of federal-regional relations remain unanswered.

A. 1992-1993: The Vacuum

The Russian Federation inherited a highly centralized fiscal system in which the federal government oversaw the formation of the federal budget and the budgets of regional governments.¹ Under this system, the federal government established revenue-sharing arrangements to divide taxes between the federal budget and each regional budget.² During the first year of the post-Soviet reforms, regional governments sought greater autonomy from the federal government. In particular, the emerging struggle between the federal government and regional governments principally concerned property, money, taxes, and budgets.³ In the beginning of 1992, approximately twenty regional governments unilaterally established single

channel tax collection regimes through which the regional governments collected all tax revenue and then transferred a portion to the center.⁴ The federal government's threats to suspend all federal expenditures to the regions and to deny them export and import licenses, central bank credit, material supply, and cash persuaded all regions, except Chechnya, to resume regular revenue payments to the federal budget.⁵

To avert the threat of secession and strengthen the bonds of the federation, the federal government negotiated a Federation Treaty with the regions, which all but two of the regions signed in March 1992.⁶ The Treaty stated that the federal government had responsibility for federal property, the federal budget, and federal taxes,⁷ and the federal government and regional governments would jointly establish principles of local self-government and develop general principles of taxation.⁸ Because the Federation Treaty only identified general spheres of responsibility without defining the content of federal and regional authority, the Treaty failed to resolve the property and fiscal questions that were at the center of federal-regional disputes.

In 1992, the absence of legal mechanisms for resolving disputes between the federal government and regional governments illustrated the weakness of the Russian state. In 1993, the struggle for power between the President and Supreme Soviet conclusively demonstrated the inadequacies of the post-Soviet institutions. President Yeltsin and the government encountered strong resistance to economic reform from the Supreme Soviet, which represented Russia's supreme political authority under the 1978 Constitution.⁹ To clarify the lines of institutional authority, the President and the Supreme Soviet produced competing drafts of a new Constitution during the spring of 1993.¹⁰ After constitutional reform deadlocked and the Supreme Soviet formed a "shadow" government, President Yeltsin disbanded the Supreme Soviet in September.¹¹ To take advantage of the disarray in the center, representatives of sixty-two

regional governments attempted to transfer power from the federal government to a Council of the Subjects of the Federation.¹² The parliamentary forces initiated an armed insurrection on October 3, which President Yeltsin successfully defeated on October 4.¹³ The President's use of violence against the Supreme Soviet, in addition to threats of financial and other sanctions against the regions,¹⁴ pacified the regions' assertiveness towards the center and persuaded all of the regions, except Chechnya, to transmit tax payments to the federal budget.¹⁵

B. 1993-1996: The Struggle for Order

In the aftermath of the defeated uprising, President Yeltsin pressed forward with sweeping reforms of Russia's political institutions. On December 12, 1993, voters approved the new Constitution in a national referendum.¹⁶ Reflecting President Yeltsin's defeat of the old Supreme Soviet, the new Constitution vests the President with substantial powers, but it does not adequately define the scope of authority of the President or the Federal Assembly and it does not create a clear framework of relations between the federal government and regional governments. These ambiguities may limit the Constitution's ability to instill order in Russian politics.

The Constitution provides the President with significant powers, the most important of which concern foreign policy, national security, and governmental appointments.¹⁷ The Constitution empowers the President to issue decrees and orders that are binding throughout the territory of the Russian Federation,¹⁸ but it does not explicitly authorize the President to issue decrees regarding the economy.¹⁹ In the absence of more specific provisions regarding economic regulation, Article 80 represents the sole authority for the President to intervene in the economy. The President "shall adopt measures to . . . ensure coordinated functioning and interaction of the bodies of state power,"²⁰ and, in accordance with the Constitution and the federal laws, the President "shall determine the guidelines of the internal and foreign policies of the state."²¹

Because Articles 83-87 enumerate the President's powers in foreign affairs in detail, the authorization in Article 80 to determine the guidelines of foreign policy cannot be interpreted as an unlimited grant of power in foreign affairs. Likewise, the authorization in Article 80 to determine the guidelines of domestic policy cannot mean that the President possesses unlimited power to regulate the economy.

The Constitution is also ambiguous regarding the boundaries of the Federal Assembly's powers. For example, Articles 102²² and 103²³ mention the issues "referred"²⁴ to the authority of the Council of the Federation and the State Duma, but the Constitution does not delegate any substantive power to legislate. The Constitution also does not define the scope of the State Duma's authority to issue laws. The Constitution states that the Duma adopts federal laws,²⁵ and laws adopted by the Duma on certain subjects, such as the federal budget, federal taxes, and financial and customs regulation, must receive the consideration of the Federation Council.²⁶ These provisions acknowledge the existence of the Duma's legislative power, but they do not vest these powers in the Duma nor do they identify the limits of the Duma's legislative authority. If the Duma's powers are largely unenumerated, it is extremely difficult, if not impossible, to determine whether the Duma's legislative acts represent constitutional exercises of authority.

Although the Constitution does not clearly define the authority of the branches of the federal government, it does indicate the relative importance of each branch's legal acts. The most important legal document, the Constitution, is followed in importance by federal laws, acts of the President, and, finally, acts of the government.²⁷ The President may in fact rule Russia by decree with little regard for the Federal Assembly, but this form of the executive presidency is inconsistent with the Constitution. If constitutionally valid presidential and legislative legal acts ever conflict, the legislative act must prevail. The key question, therefore, is determining

whether particular presidential and legislative acts represent constitutional exercises of authority. Because the Constitution does not clearly enumerate the powers of either branch, this ambiguity leaves open the possibility of disputes between the President and the Federal Assembly over the scope of their respective powers.

The Constitution does not establish a clear framework for regulating relations between the federal government and regional governments. The jurisdiction of the federal government includes the management of federal property, the creation of a single market, financial and customs regulation, and the federal budget and federal taxes.²⁸ The joint jurisdiction of the federal government and regional governments includes the use of natural resources, the delimitation of state property, establishing common principles of taxation, and establishing common principles for organizing regional and local governments.²⁹

Although the Constitution appears to protect regional autonomy, the Constitution actually delegates substantial authority to the federal government to define its relations with the regions and to determine the structure of regional governments. Article 72 states that the federal government and regional governments will jointly establish common principles of taxation, but Article 75 empowers the federal government unilaterally to issue laws regarding general principles of taxation and a system for paying taxes to the federal budget.³⁰ Furthermore, federal laws in the spheres of federal jurisdiction and joint federal-regional jurisdiction have supreme authority over regional legal acts.³¹ As a result, areas of "joint" jurisdiction are in fact areas of federal dominance. And although Article 72 provides for the joint establishment of principles regarding the structure of regional and local governments, Article 77 requires the regions to form their governments in conformity with the Constitution and federal law.³²

Carrying his victory over the federal Supreme Soviet into the regions, President Yeltsin issued several decrees in October 1993 to restructure regional legislatures.³³ The decrees required new elections to revamped regional legislatures.³⁴ The new regional legislatures have the authority to pass regional budgets and set regional tax policy.³⁵

Pursuant to Article 77 of the Constitution,³⁶ as well as Articles 5 and 80.³⁷ President Yeltsin issued a decree in 1994 to increase his control over the "heads," or governors, of regional governments.³⁸ Although the Constitution states that all of Russia's regions possess equal status in their relations with the Federation,³⁹ Decree of the President No. 1969 does not apply to the presidents of Russia's republics.⁴⁰ According to the decree, regional governors are part of the "single system of executive power" in the Russian Federation,⁴¹ and regional governors are subordinate to the President in the spheres of federal jurisdiction and joint federal-regional jurisdiction.⁴² The decree states that the President appoints regional governors and may relieve them of their duties, unless the governors assume their duties through regional elections.⁴³ The President determines when regional elections will be held,⁴⁴ and the elections of fifty-two regional governors are set to occur between September and December 1996.⁴⁵ In anticipation of the elections, President Yeltsin recently signed a decree empowering himself to dismiss regional governors whether or not they are elected.⁴⁶

Since the passage of the Constitution, many regional governments have signed bilateral "treaties" with the federal government. In 1994, the Republic of Tatarstan, which had been the most assertive region with the exception of Chechnya, signed the first treaty.⁴⁷ Tatarstan's powers include the authority to form a republican budget, levy republican taxes, and manage republican property,⁴⁸ and the federal government's powers include the authority to develop a single market, establish financial and customs regulations, and form the federal budget and levy

federal taxes.⁴⁹ Aside from listing the areas of each government's authority, the treaty does not contain any further content regarding the implementation of these powers by the respective governments. In fact, the treaty states that some areas of intergovernmental relations must be governed by separate agreements,⁵⁰ and the parties may form additional agreements or commissions to implement the treaty's provisions.⁵¹ In August 1994, the Republic of Bashkortostan signed its treaty with the federal government, and the provisions of the Bashkortostan treaty substantially resemble the provisions in Tatarstan's treaty.⁵² The separate budget agreement between Bashkortostan and the federation ratified Bashkortostan's single-channel tax system.⁵³ In 1993-1994, Bashkortostan transferred ten percent of all taxes collected in the republic to the federal budget, but the republican budget assumed responsibility for expenditure items that had previously been funded by the federal budget.⁵⁴ Beginning in 1995, Bashkortostan abandoned its single-channel tax system,⁵⁵ and, at present, no regions are using such a system.⁵⁶

Over twenty regions have signed treaties with the federal government.⁵⁷ President Yeltsin signed at least twelve treaties between April and June 1996, just before the presidential election.⁵⁸ As with the first wave of treaties in 1994, the most recent treaties do not resolve substantive questions in intergovernmental relations. The typical provision regarding budgetary rights, for example, states that the regional government may independently establish regional taxes and collections in accordance with federal and regional laws.⁵⁹ The typical provision goes on to say that the amount of revenue from federal taxes allocated to the regional budget will be determined by a separate agreement or federal law.⁶⁰ At least five regions are currently in the process of concluding treaties,⁶¹ and a representative of one regional government reportedly said that there is a "long line" of regions seeking to negotiate treaties.⁶²

During the first two years of Russia's post-Soviet reforms, the Russian state faced threats to its existence from extremists within the center and from its subnational units. The new constitutional system promised to bring order both to politics in the center and between the center and the regions. However, the new Constitution's failure to define the limits of presidential and parliamentary power leaves open the possibility of renewed disputes regarding each branch's authority. Likewise, the Constitution's failure to define the limits of the federal government's power over the regions, coupled with the federal government's continued preference for ruling Russia as a unitary state, means that Russia is far from becoming a genuine federation.

II. Fiscal Capabilities

The Russian government is stabilizing the economy. The crucial turning point in the government's macroeconomic policy came in 1995 when the Ministry of Finance began financing the budget deficit entirely from non-inflationary sources.⁶³ Annual inflation in 1995 was 231.0 percent, but the year-on-year inflation rate at the end of June 1996 had fallen to 116.2 percent.⁶⁴ Average monthly inflation for the first six months of 1996 was 2.4 percent, compared with 10.1 percent for the first six months of 1995.⁶⁵

This section of the paper discusses the fiscal capabilities of the Russian state. Subsection A presents data on budget trends. Subsection B analyzes the causes of the falloff in tax collections during 1996 and the government's response. Subsection C addresses financing sources of the deficit. And Subsection D discusses the development of fiscal federalism in Russia.

A. Budget Trends

Russian budget results during 1993-1996 contain several striking developments. As Table 1 demonstrates, consolidated budget revenue remained relatively steady during 1993-1995.

but revenue collections have plummeted in the first six months of 1996. The government raised 28.2 percent of GDP in consolidated revenues in 1994 and 26.1 percent of GDP in 1995, but consolidated revenues during the first six months of 1996 were only 21.0 percent of GDP. Thus, consolidated revenues during the first half of 1996 fell by 19.5 percent compared to 1995, and 25.5 percent compared to 1994.

Expenditures have also dropped substantially in the past few years. Consolidated expenditures were 37.3 percent of GDP in 1994, but only 29.4 percent of GDP in 1995. Because consolidated revenues in 1995 were only 2.1 percent of GDP less than in 1994, most of the fall in expenditures in 1995 is explained by the dramatic reduction in the budget deficit. In the first half of 1996, consolidated expenditures have not fallen as much as consolidated revenues due to a slight increase in the budget deficit.

Table 1. Budget Results, 1993-1996 (percent of GDP)⁶⁶

	<u>1993</u>	<u>1994</u>	<u>1995</u>	<u>1996</u> <u>(6 mos.)</u>
Revenues	24.4	28.2	26.1	21.0
Federal	10.1	12.9	13.7	10.3
Regional	14.3	15.3	12.4	10.7
Expenditures	34.0	37.3	29.4	26.3
Federal	19.9	23.2	16.6	14.2
Regional	16.1	14.1	12.8	12.1
Net Federal Transfers to Regions	2.6	3.4	1.8	1.4
Federal Deficit (-)	-9.8	-10.4	-2.9	-3.8

A comparison of the 1996 federal budget with the actual results for the first six months of the year further demonstrates the significant magnitude of the revenue shortfall. Table 2

indicates that actual federal revenues in the first half of 1996 were only 68.5 percent of the planned level.

**Table 2. The 1996 Federal Budget:
Plan vs. Execution (percent of GDP)⁶⁷**

	1996 (plan)	1996 (6 mos.)	Plan Fulfillment (percent)
Revenues	15.1	10.3	68.5
Expenditures	18.9	14.2	74.9
Net Federal Transfers to Regions	2.4	1.4	58.5
Deficit (-)	-3.9	-3.8	99.9

Table 2 reveals that the federal government had planned to increase the budget deficit slightly in 1996, and the government has met its target despite the revenue shortfall. Therefore, the federal government has been able to cushion the blow to its expenditures in 1996 both by running a higher deficit than in 1995 and, as Table 2 indicates, by diverting funds away from regional governments.

B. Revenue Collection

The dramatic shortfall in revenue during the first six months of 1996 raises the question whether the Russian state is strong enough to finance its activities. Understanding the causes of the revenue shortfall will help provide an answer to this question. The decline in revenue has two primary causes: arrears to the budget and tax evasion. Of the two causes, arrears by taxpayers account for the largest portion of the government's uncollected taxes.⁶⁸

Some enterprises create arrears to the budget because they do not have the resources to pay their taxes.⁶⁹ The 500 largest debtors to the budget consist of "industrial giants" that

together owe seventy-two percent of the budget arrears.⁷⁰ Debts from the fuel and energy complex represent fifty-one percent of arrears to the budget, and most of these defaulting taxpayers are located in the Urals and Western Siberia.⁷¹

Other enterprises are not paying their taxes because they have received legal tax exemptions from the government.⁷² These officially deferred arrears represent approximately fifty percent of all debts to the budget.⁷³ In January 1996, President Yeltsin issued a decree that permits enterprises to defer payment on arrears accumulated prior to January 1, 1996, so long as the enterprises remain current in their tax payments during 1996.⁷⁴ The purpose of the decree was to assist enterprises experiencing temporary financial difficulties.⁷⁵ Following the issuance of the decree, however, arrears to the budget increased 38.5 percent in the first quarter of 1996.⁷⁶

Tax evasion is a serious problem in Russia. According to Prime Minister Chernomyrdin, approximately twenty-five percent of GDP escapes taxation.⁷⁷ Problems of evasion are particularly serious in the services and trade sectors, in which up to forty percent of the value of output is not taxed.⁷⁸ According to a department head in the Tax Police, large firms employ economists to find legal loopholes in tax legislation and to develop special schemes for evading taxes.⁷⁹ Firms hide taxable transactions from their books by dealing in cash, they transfer funds to offshore bank accounts, or they might simply provide false information to the tax service.⁸⁰

Weaknesses in tax administration impair the government's ability to crack down on tax debtors and evaders. In 1995, audits of taxpayers raised revenues equivalent to sixteen percent of total budgetary revenue.⁸¹ In 1994, the State Tax Service audited forty-one percent of all taxpayers registered with the service, but in 1995 the tax service audited only thirty-six percent.⁸² Auditing rates vary significantly across Russia. In 1995, the tax service checked 22% of all taxpayers' documents regarding the profit tax, but in Leningrad and Sverdlovsk oblasts the local

tax service checked only 11.2% of taxpayers, and in Murmansk oblast the service checked only 9.3%.⁸³

The government has acted quickly to respond to the fall in revenue. President Yeltsin ordered the government to form a commission to improve Russia's tax laws,⁸⁴ and the government created a special "headquarters" for coordinating legislation aimed at raising revenue collections.⁸⁵ The government prohibited taxpayers from making nonmonetary tax payments, and it also instructed the Ministry of Finance to cease issuing tax exemptions beginning in 1997.⁸⁶ The government also instructed the Ministry of Finance to grant tax deferments in 1996 only in two circumstances -- when an enterprise suffers "considerable material losses" from non-economic causes and when an enterprise experiences a delay in financing from the federal budget.⁸⁷ President Yeltsin recently outlined the main guidelines for continued tax reform, which include reducing the number of taxes, developing tax federalism, reducing privileges and exemptions, and preparing new laws on accounting procedures,⁸⁸ and the government is also preparing a draft law to improve the government's internal mechanisms for controlling its finances.⁸⁹

To increase pressure on the country's largest tax debtors, the government created an inter-departmental commission consisting of the State Tax Service, the Ministry of Economics, the Federal Tax Police, and the Federal Administration for Insolvency (Bankruptcy). Under these arrangements, the Ministry of Finance and the State Tax Service negotiate with tax debtors on settling their arrears to the budget.⁹⁰ To encourage payment of arrears, the Ministry of Finance and the State Tax Service may extend the tax debtor's payment schedule or delay the imposition of penalties.⁹¹ If the Ministry of Finance and the State Tax Service do not arrive at a satisfactory arrangement with the tax debtor, the Administration for Insolvency Matters may initiate court

action to liquidate the debtor's assets.⁹² According to Prime Minister Chernomyrdin, the pressure on the largest tax debtors has increased payments to the budget, and he also said that the government should be ready to force large debtors into bankruptcy.⁹³

In addition to engaging tax debtors through negotiations, the government has lashed out against tax debtors' bank accounts. A presidential decree requires banks automatically to transfer funds from tax debtors' bank accounts to a designated settlement account used solely to pay taxes.⁹⁴ The decree requires banks and other credit organizations to provide information about clients' transactions in response to requests by the tax service.⁹⁵ Banks and credit organizations must notify the tax service when an enterprise opens a new account, and banks and credit organizations may not execute transactions on new accounts until the tax service has registered the account.⁹⁶

Several recent developments indicate that the government's efforts to raise revenue may be succeeding. The government has adopted several acts to increase tax collections from the production of alcohol,⁹⁷ and Prime Minister Chernomyrdin stated that the measures are working.⁹⁸ To restrain the growth of expenditures, the government is planning to suspend costly presidential decrees and government decisions issued during the election campaign.⁹⁹ In the past few months, the government has halted the growth in arrears to the budget,¹⁰⁰ and tax collections have improved. In June, revenue collections reached eighty-nine percent of planned levels, and in July the government collected ninety-seven percent of planned revenues.¹⁰¹

C. Deficit Financing

Throughout the reform period, the Russian Government has used deficit financing to boost expenditures above revenue levels. The government's use of deficit financing directly increases its capacity to allocate resources to public programs, such as national defense. As the

inflationary experience in 1992-1994 demonstrates, and as the Russian government now understands, the need for non-inflationary financing constrains the government's ability to run deficits.

In late 1994, the government replaced inflationary Central Bank financing of the deficit with the sales of non-inflationary government securities.¹⁰² Table 3 indicates that sales of government securities rose from 1.5 percent of GDP in 1995 to 2.1 percent in the first half of 1996.

Table 3. Deficit Financing, 1995-1996 (percent of GDP)¹⁰³

	<u>1995</u>	<u>1996</u>
Central Bank		
credits	0.2	0.0
cancellation of debts	-0.3	0.0
Government securities (net)	1.5	2.1
Foreign credits	1.5	1.8
Others	0.0	0.0
Total	2.9	3.8

The government also relies on foreign sources to finance the deficit. Foreign financing rose from 1.5 percent of GDP in 1995 to 1.8 percent in the first six months of 1996. In 1996, the government plans to receive \$4 billion from the International Monetary Fund, and it can also draw on credit lines of \$3.1 billion from France and Germany.¹⁰⁴

Although the Russian government has managed to increase sales of government securities, bond sales in 1996 have been less than the target in the 1996 budget. Table 4 indicates that, as a result, the government has relied more heavily than planned on external financing sources. The government continues to develop the domestic securities market. To reduce bond yields, which represent the cost of borrowing, the government plans to increase demand for securities by increasing the openness of the market for foreigners.¹⁰⁵ The government has also

increased the maturity of its internal debt by issuing one-year bonds, and it plans to continue issuing more longer-term debt.

**Table 4. Deficit Financing in 1996:
Plan vs. Execution (percent of GDP)¹⁰⁶**

	1996 (plan)	1996 (6 mos.)	Plan Fulfillment (percent)
Sources			
Internal	2.4	2.1	85.9
External	1.4	1.8	124.0
Total	3.9	3.8	99.9

D. Fiscal Federalism

Under basic principles of fiscal federalism, each level of government should be responsible for the expenditures that it can provide most efficiently, and each level of government should have sufficient autonomy to raise revenue for its expenditure needs. The central government should also provide financial assistance to regional governments according to clear and transparent criteria. At the beginning of the post-Soviet period, Russia's centralized fiscal institutions were inconsistent with these basic principles.

During 1992-1993, two problems were most acute. First, under the revenue-sharing system, the federal government defined tax bases and tax rates and also determined how to divide tax revenues between the federal budget and regional budgets.¹⁰⁷ Regional governments had significant expenditure responsibilities, such as providing the vast majority of public assistance in the social sphere, but the revenue-sharing system deprived them of the autonomy to raise revenue independently. Without independent means to raise revenue, regional governments were forced to lobby the federal government for greater shares of revenue.

The second problem concerned transfers from the federal budget. As under the Soviet system, the federal government allocated transfers to regional budgets in order to cover gaps between tax revenue and current expenditures. The Ministry of Finance lacked objective criteria for distributing transfers, and, as a consequence, the Ministry of Finance engaged in ad hoc bargaining with each region. During 1992-1993, as a reflection of both the federal government's relatively weak bargaining position as well as its lack of technical capabilities to allocate transfers objectively, transfers to regional governments rose as a percent of GDP. In light of the federal government's reliance on inflationary financing sources to fund the budget deficit, the hemorrhage of resources to the regions acquired macroeconomic significance.

Two presidential decrees in December 1993 initiated a crucial turning point in the development of fiscal federalism in Russia.¹⁰⁸ Prior to the issuance of the decrees, the Ministry of Finance established differentiated sharing rates of VAT revenues for individual regions, and regional governments successfully lobbied for higher shares of the VAT during 1992-1993. To end the bargaining over VAT sharing rates, one of the decrees established uniform sharing rates of the VAT: each region would receive twenty-five percent of the VAT collected within its territory.¹⁰⁹ To provide regions with greater tax autonomy, President Yeltsin permitted regional governments to establish surcharges on the profit tax levied within their territory.¹¹⁰ President Yeltsin also instructed the government to create a fund of financial support for the regions and to devise uniform rules for distributing transfers from the fund.¹¹¹ The 1994 budget law established the fund and adopted the government's transfer formula,¹¹² and the government has continued to allocate transfers based on the formula in 1995 and 1996.

Intergovernmental fiscal relations have been relatively stable since 1994, but the Russian government has not adequately resolved the problems regarding regional tax autonomy and

federal transfers. Table 5 indicates that regional governments received over eighty percent of their revenues from revenue sources regulated by the federal government in 1992-1993, but in 1994-1995 the regions slightly decreased their dependence on regulated revenues.

Table 5. Sources of Regional Revenue, 1992-1995 (percent)¹¹³

	<u>1992</u>	<u>1993</u>	<u>1994</u>	<u>1995</u>
Own revenues	16.7	16.5	27.0	29.3
Deductions from regulated revenues	83.3	83.5	73.0	70.7
Total	100.0	100.0	100.0	100.0

Nonetheless, revenue sources regulated by the federal government continue to provide the regions with the vast majority of their budgetary resources.

The creation of the fund for regional support and the development of the transfer formula represent significant steps toward rationalizing intergovernmental fiscal relations, but the process is not yet complete. The transfer formula contains two elements. The first part of the formula distributes transfers according to variation in regions' per capita tax capacity,¹¹⁴ which is an accepted measure of a region's need for assistance. The second part of the formula distributes transfers to regions that continue to have deficits even after calculations under the first part of the formula.¹¹⁵ This second prong, therefore, represents a concession to political realities and a retreat from objective criteria. Table 6 shows the different means that the federal government uses to provide budgetary assistance to regional governments. The line item in the table for "transfers" -- which corresponds to *transferty* in Russian -- represents federal assistance distributed according to the transfer formula. In both 1995 and the first half of 1996, these formula-governed transfers constituted less than half of all federal budgetary assistance to the regions.

Table 6. Federal Budget Assistance to Regional Governments, 1995-1996¹¹⁶

	1995		1996 (6 mos.)	
	Percent of GDP	Percent of Transfers	Percent of GDP	Percent of Transfers
Grants	0.1	3.2	0.1	5.3
Subventions	0.1	6.8	0.1	4.6
Transfers	0.9	48.9	0.7	47.5
Transfers on account of VAT	0.3	17.5	0.3	24.4
Means transferred by mutual accounts	0.4	23.6	0.3	18.2
Total financial aid to regions	1.8	100.0	1.4	100.0

Thus, despite the introduction of a relatively objective transfer formula, the federal government continues to allocate significant amounts of resources to the regions according to subjective criteria. As a result, the federal government can still use budgetary assistance as an instrument for achieving its regional policies, and transfers continue to be a target for regional lobbying.

III. Unresolved Issues and Paths to the Future

The first two sections of the paper discussed institutional and fiscal developments in Russia during the past five years. Given these developments, is it possible to speculate about what may lie ahead? At present, peering into Russia's future is especially difficult because so much depends on President Yeltsin's heartbeat. The fact that removing one individual from Russian politics could create so much uncertainty about the future testifies to the instability of Russian institutions. This section of the paper is not designed to make predictions. Instead, this section identifies unresolved institutional and fiscal issues and discusses the different paths that Russia could follow.

A. The Economy and Budget

The deep downturn in the Russian economy may have reached bottom. Monthly inflation continues to decline, and the government remains committed to a tight monetary and fiscal policy. GDP in the first seven months of 1996 fell five percent compared to the first seven

months of 1995.¹¹⁷ but the Ministry of Economy forecasts that 1997 GDP will stabilize at the same level as in 1996,¹¹⁸ and more optimistic western observers believe that GDP in 1997 may actually grow by three percent.¹¹⁹ The precise timing of when GDP will begin to grow is uncertain, but the economy seems poised to begin the long road to recovery.

Economic growth would increase political stability in Russia. Economic growth would dissipate the popular discontent behind radical Communist or far right movements. Economic growth would develop a prosperous middle class with vested interests in the market economy and property rights. Even during the 1996 presidential election, the Communists understood that Russia's powerful -- if not numerous -- capitalists would resist attempts to reconstruct the Soviet state. Economic growth builds constituencies in favor of restraints on government. A prosperous middle class is unlikely to support foreign policies that contradict its economic interests.

Economic growth would also help relieve pressure on the Russian budget. If government revenues remain constant as a percent of GDP, revenues would rise in real terms if the economy is growing. Thus, without imposing additional tax burdens on the economy, the government would have additional funds for increasing spending on public programs, such as national defense. If expenditures do not rise as quickly as GDP, the government could use additional revenues to reduce the budget deficit. However, the government may place a higher priority on satisfying the significant demands for budget resources than on reducing the deficit.

The fall in revenue during the first six months of 1996 called into question the ability of the Russian state to maintain its own existence. Although it is too early to determine conclusively whether the crisis has passed, the government's flurry of activity in response to the crisis increased revenue collections in June and July. The government must move beyond the

immediate crisis and implement more comprehensive reforms of the tax system and tax administration. Toward this end, the government has completed four sections of the new tax code, and the Federation Council is now examining the first section.¹²⁰

The government's reliance on deficit financing constrains its ability to pursue economic or foreign policies that would undermine investors' confidence. The government has been able to develop the market for government securities because it has persuaded investors that it is committed to economic stabilization and that it will honor its debts.¹²¹ If the government pursues economic or foreign policies that reduce investors' willingness to purchase government bonds, the government will have to find other sources of non-inflationary financing, reduce expenditures, or pay for the deficit with inflationary financing. Because of the government's strong commitment to stabilization and its plans to develop further the government securities market, it is likely that maintaining investors' confidence is a high priority.

B. Institutions and Intergovernmental Relations

Fundamental constitutional questions regarding the authority of federal bodies and the relations between the federal government and regional governments remain unresolved. At present, Russian institutions follow legal forms and use legal instruments to achieve their objectives, but Russian institutions suffer from defects that undermine the rule of law. Russia must therefore still decide whether it will develop a political system based on the rule of law.

Because the Constitution does not clearly define the powers of federal and regional bodies, the legal system lacks rules for determining what is law in certain areas of Russian political life.¹²² The plain language of the Constitution does not vest unlimited authority in the President, but, nonetheless, President Yeltsin and his administration rule Russia by decree. Given the lack of plain constitutional language defining the limits of the President's power, such

as in the domestic sphere, the Federal Assembly or regional governments might challenge the President's authority in certain circumstances.

If the authority of a government institution becomes subject to challenge, the Russian political system could resolve the dispute through various potential mechanisms: conciliation, sanctions, court action, or violence. The use of conciliation procedures to resolve political or legal disputes could signify that the Russian political system favors political bargaining over more traditional rule of law approaches. For example, a presidential decree in 1995 created a commission under the President to ensure intergovernmental cooperation in implementing regional legal reform and to remove "possible dissensions" between federal and regional bodies as well as between regional governors and regional legislatures.¹²³ As an alternative to conciliation, the Russian government could use economic and administrative sanctions to resolve disputes with regional governments. For example, if a regional government fails to transmit tax revenue to the federal budget, the federal government may suspend federal financing within the region's territory, discontinue transfer payments to the regional budget, suspend centralized product supplies, and regulate credit and cash from the Central Bank.¹²⁴ Thus, the government can adjudicate the dispute and implement sanctions on its own without obtaining a court judgment that the regional government has violated the law. Although courts do not currently play a prominent role in resolving disputes, some Russian laws create a basis for increasing the prominence of judicial adjudication. For example, the Law on Local Self-Government provides that courts may strike down the acts of local self-governments.¹²⁵ and the Law also explicitly allows private individuals to sue local governments for violating certain rights.¹²⁶ And, finally, the example of Chechnya demonstrates that, at the extreme, violence still plays a role in dispute resolution in Russia. However, the unpopularity of the war and the federal government's failure

to achieve a complete military and political victory may dissuade future Russian leaders from resorting to force to settle internal conflicts.

Are the defects in Russian political institutions likely to make a difference in politics? The violence of October 1993 continues to cast a shadow on Russian politics, and Russian political actors recall that the conflict between the President and the Supreme Soviet included challenges to each institution's constitutional authority. Memories of 1993 might therefore inhibit opposition leaders from directly challenging the President's authority. Likewise, the federal government's willingness to use economic sanctions against delinquent regions, and its demonstrated use of force in Chechnya, have probably convinced regional leaders that their conduct of intergovernmental politics must remain within circumscribed limits.

Even if serious constitutional disputes arise, there now exists a possibility that the dispute could be resolved by the Constitutional Court, instead of by force. The current Constitutional Court only began functioning in February 1995,¹²⁷ but it is already providing interpretations of provisions in the Constitution¹²⁸ and it is even reviewing the constitutionality of acts by regional governments.¹²⁹

With respect to intergovernmental relations, Russia has not yet decided whether it will become a federation in more than name only. Although the Constitution seems to guarantee the autonomy of regional governments, it also provides the federal government with ample authority to exert its dominance over the regions. For example, President Yeltsin's decrees assert that regional governors are subordinate to the federal President, and regional governments remain dependent on the federal government for the vast majority of their budget revenues.

The elections of fifty-two regional governors by the end of 1996 could have a significant impact on intergovernmental relations. According to a document written by advisors to President

Yeltsin, the elections of regional governors -- who are now appointed -- could stimulate the governors' desire for independence from the President.¹³⁰ The President's advisors note that the newly elected governors, as members of the Federation Council, will possess the power to impeach the President.¹³¹ The document outlines four instruments for increasing President Yeltsin's "control" over regional governors: federal laws and presidential decrees, the budget, administrative benefits, and direct ties to regional actors other than the governors.¹³²

Three broad scenarios in federal-regional relations are possible: secession, acquiescence, and political struggle. The only region currently seeking to secede is Chechnya, and even Chechnya's exit from the federation may have to wait a few years. Other regions that seemed likely candidates for a secessionist course, such as Tatarstan, Bashkortostan, and Sakha, have determined that their interests are better served by remaining part of Russia, and they have used their relatively extreme positions to bargain for preferential treatment from the federal government. In a hypothetical world, Russia's regions could acquiesce in the federal government's plans to rule Russia as a unitary state, but this outcome is not likely in the real world. Regional governments possess real political power -- especially in the provision of social benefits -- and the elections of governors will increase regional leaders' local power base and give them incentives to satisfy constituents. Therefore, regional leaders are likely to seek more autonomy from the federal government. Elected regional governors would likely resist any effort by President Yeltsin to dismiss them, and regional governments will also continue to demand more budgetary resources, and perhaps fiscal autonomy, from the federal government.

IV. Conclusion

In the last five years, the Russian state has been buffeted by an armed insurrection, threats of regional secession, the menace of hyperinflation, and the collapse of government revenue. Nonetheless, the state still stands. The lines of institutional authority within the federal government and between the federal government and the regions are not fully defined. Disputes are likely to arise over these institutional ambiguities, but the memories of October 1993 should deter Russia's mainstream political actors from instigating extreme political crises. Despite the fall in revenues in the first part of 1996, the government has maintained stability by slashing expenditures and continuing to finance the deficit from non-inflationary sources. The government is also making an impressive effort to refine its tax laws and improve tax administration. The Russian state suffers from substantial institutional weaknesses, but it is not threatened with collapse, and the government's vigorous efforts to bolster the state are yielding positive results.

¹ See KONST. RF art. 158 (1978) (stating that the state budget includes the republican budget and the budgets of regional governments) (repealed 1993); *id.* art. 160 (stating that the laws of the Russian Federation determine the division of taxes and expenditures between the budgets of the republican budget and regional budgets) (repealed 1993).

² See Christine I. Wallich, *Intergovernmental Fiscal Relations: Setting the Stage*, in *RUSSIA AND THE CHALLENGE OF FISCAL FEDERALISM* 19, 32 (Christine I. Wallich ed., 1994).

³ See INSTITUTE OF ECONOMIC PROBLEMS IN THE TRANSITIONAL PERIOD, *RUSSIAN ECONOMY IN 1992: TRENDS AND PROSPECTS* 18 (1993).

⁴ See Jennie I. Litvack, *Regional Demands and Fiscal Federalism*, in *RUSSIA AND THE CHALLENGE OF FISCAL FEDERALISM*, *supra* note 2, at 218, 219.

⁵ See *id.* at 220.

⁶ The Federation Treaty contains three sections. See *Dogovor O Razgranichenii Predmetov Vedeniya i Polnomochii Mezhdru Federal'nyimi Organami Gosudarstvennoi Vlasti Rossiiskoi Federatsii i Organami Vlasti Suverennikh Respublik v Sostave Rossiiskoi Federatsii* [Treaty on the Delimitation of Subjects of Jurisdiction and Authority Between the Federal Bodies of State Power of the Russian Federation and the Bodies of Power of the Sovereign Republics in the Russian Federation] [hereinafter *Federation Treaty I*]; *Dogovor O Razgranichenii Predmetov Vedeniya i Polnomochii Mezhdru Federal'nyimi Organami Gosudarstvennoi Vlasti Rossiiskoi Federatsii i Organami Vlasti Krayev, Oblastei, Gorodov Moskvyy i Sankt-Peterburga Rossiiskoi Federatsii* [Treaty on the Delimitation of Subjects of Jurisdiction and Authority Between the Federal Bodies of State Power of the Russian Federation and the Bodies of Power of the Krai, Oblasts, and Cities of Moscow and St. Petersburg of the Russian Federation] [hereinafter *Federation Treaty II*]; *Dogovor O Razgranichenii Predmetov Vedeniya i Polnomochii Mezhdru Federal'nyimi Organami Gosudarstvennoi Vlasti Rossiiskoi Federatsii i Organami Vlasti Avtonomnoi Oblasti, Avtonomnykh Okrugov v Sostave Rossiiskoi Federatsii* [Treaty on the Delimitation of Subjects of Jurisdiction and Authority Between the Federal Bodies of State Power of the Russian Federation and the Bodies of Power of the

Autonomous Oblast and Autonomous Okrugs in the Russian Federation] [hereinafter Federation Treaty III]. Chechnya and Tatarstan did not sign the Federation Treaty.

⁷ See Federation Treaty I, *supra* note 6, art. I(1)(d) & (z); Federation Treaty II, *supra* note 6, art. I(1)(e) & (z); Federation Treaty III, *supra* note 6, art. I(1)(e) & (z).

⁸ See Federation Treaty I, *supra* note 6, art. II(1)(z) & (m); Federation Treaty II, *supra* note 6, art. II(1)(v) & (g); Federation Treaty III, *supra* note 6, art. II(1)(v) & (g).

⁹ See KONST. RF art. 104 (1978) (stating that the Congress of People's Deputies is the highest organ of state power) (repealed 1993); *id.* art. 107 (stating that the Supreme Soviet is the constantly functioning organ of the Congress of People's Deputies) (repealed 1993).

¹⁰ See ECONOMIST INTELLIGENCE UNIT, COUNTRY PROFILE: RUSSIA, 1994-95, at 6 (1995).

¹¹ See David Lane and Cameron Ross, *From Soviet Government to Presidential Rule*, in *RUSSIA IN TRANSITION: POLITICS, PRIVATISATION AND INEQUALITY* 3, 15 (David Lane ed., 1995).

¹² See INSTITUTE FOR THE ECONOMY IN TRANSITION, RUSSIAN ECONOMY IN 1993: TRENDS AND PROSPECTS 21 (1994).

¹³ See Lane & Ross, *supra* note 11, at 16-17.

¹⁴ Following the suppression of the coup, President Yeltsin issued a decree that empowered the government to impose financial and other sanctions against regional governments that withheld tax revenues from the federal government. The government could suspend all federal expenditures to a region, deny quotas for foreign economic activity, suspend the delivery of centralized products, and reduce centralized credits to compensate for the withheld taxes. See Decree of the President of the Russian Federation No. 1774 of Oct. 27, 1993, § 1, "On Measures to Observe the Legislation of the Russian Federation on the Budget System," available in LEXIS, INTLAW Library, RFLAW File.

¹⁵ See INSTITUTE FOR THE ECONOMY IN TRANSITION, *supra* note 12, at 21.

¹⁶ See Lane & Ross, *supra* note 11, at 18.

¹⁷ See KONST. RF arts. 83-87 (1993).

¹⁸ See *id.* art. 90, §§ 1-2.

¹⁹ See *id.*

²⁰ *Id.* art. 80, § 2.

²¹ *Id.* § 3.

²² See *id.* art. 102, § 2.

²³ See *id.* art. 103, § 2.

²⁴ The Russian word in Articles 102 and 103 is "otnyesennym."

²⁵ See KONST. RF art. 105 (1993).

²⁶ See *id.* art. 106.

²⁷ The Russian Constitution has "supreme juridical force," and laws and other legal acts may not contradict it. *Id.* art. 15, § 1. The President's decrees and orders may not contradict the Constitution or federal laws. See *id.* art. 90, § 3. The decisions and orders of the government, "if they contradict the Constitution of the Russian Federation, federal laws and decrees of the President of the Russian Federation, may be canceled by the President of the Russian Federation." *Id.* art. 115, § 3.

²⁸ See *id.* art. 71.

²⁹ See *id.* art. 72.

³⁰ See *id.* art. 75 ("The system of taxes paid to the federal budget and general principles of taxation and collections in the Russian Federation shall be established by federal law."). To the extent that Article 75 refers to federal "laws," but not decrees of the President, the President may lack the constitutional authority to regulate the fiscal system.

³¹ See *id.* art. 76, § 5.

³² See *id.* art. 77, § 1. Article 77 refers to federal laws regarding the structure of regional governments, but Article 77 does not empower the federal government to issue such laws. The only explicit delegation of authority regarding the creation of regional governments remains the provision for joint authority in Article 72. This ambiguity could call into question the constitutionality of federal laws regarding the structure of regional governments. Moreover, to the extent that Article 77 refers to federal "laws," decrees of the President, in the absence of a delegation of authority from the Federal Assembly, may entirely lack a constitutional basis for regulating the structure of regional governments.

³³ See Decree of the President No. 1723 of Oct. 22, 1993 (as amended Dec. 22, 1993), "On the Basic Principles of Organization of State Power in the Subjects of the Russian Federation," available in LEXIS, INTLAW Library, RFLAW File [hereinafter Decree of the President No. 1723]; Decree of the President No. 1760 of Oct. 26, 1993 (as

amended Dec. 22, 1993). "On the Reform of Local Self-Government in the Russian Federation." *available in* LEXIS, INTLAW Library, RFLAW File. The Duma also passed a law regulating the structure of local governments. See Federal Law No. 154-FZ of Aug. 28, 1995 (as amended Apr. 22, 1996), "On the General Principles of the Organization of Local Self-Government in the Russian Federation." *available in* LEXIS, INTLAW Library, RFLAW File.

³⁴ See, e.g., Decree of the President No. 1723, *supra* note 33, § 3.

³⁵ See Regulations for the Basic Principles of Organization and Functioning of Organs of State Power in the Territories, Regions, Cities of Federal Importance and Autonomous Formations of the Russian Federation for the Period of the Stage-by-Stage Constitutional Reform, § 5, *approved by* Decree of the President No. 1723, *supra* note 33.

³⁶ See *supra* note 32 and accompanying text.

³⁷ Article 5 states that the federal structure of the Russian Federation is based on "the unity of the system of state power." *Id.* art. 5, § 3. Article 80 empowers the President to "ensure the coordinated functioning and interaction of the bodies of state power." *Id.* art. 80, § 2.

³⁸ See Decree of the President of the Russian Federation No. 1969 of Oct. 3, 1994, "On Measures to Consolidate the Unified System of the Executive Power in the Russian Federation." *available in* LEXIS, INTLAW Library, RFLAW File [hereinafter Decree of the President No. 1969].

³⁹ Article 5 of the Constitution states that "[i]n relations with federal bodies of state authority all the subjects of the Russian Federation shall be equal among themselves." KONST. RF art. 5, § 4 (1993).

⁴⁰ See Decree of the President No. 1969, *supra* note 38, § 2.

⁴¹ Regulations for the Head of the Administration of the Territory, Region, Federal City, Autonomous Formation of the Russian Federation, § 3.1, *approved by* Decree of the President No. 1969, *supra* note 38.

⁴² See *id.* § 3.2.

⁴³ See *id.* § 1.2.

⁴⁴ See Decree of the President No. 1969, *supra* note 38, § 2.

⁴⁵ See Stepan Kiselev, Sostoitsya Li Osennii Perevorot? [Will There be a Fall Coup?], IZVESTIYA, July 31, 1996, at 2. The elections of regional governors are discussed in section III of the paper.

⁴⁶ See *id.* Just as a legislature may amend prior laws, President Yeltsin has the power to amend prior presidential decrees, such as Decree of the President No. 1969. The real constitutional question is whether the President possesses any power to regulate the structure of regional governments. See *supra* note 32.

⁴⁷ See Dogovor Rossiiskoi Federatsii i Respubliki Tatarstan "O Razgranichenii Predmetov Vedeniya i Vzaimnom Delegirovanii Polnomochii Mezhdru Organami Gosudarstvennoi Vlasti Rossiiskoi Federatsii i Organami Gosudarstvennoi Vlasti Respubliki Tatarstan" [Treaty of the Russian Federation and the Republic of Tatarstan "On the Delimitation of Subjects of Authority and the Mutual Delegation of Authority Between the Bodies of State Power of the Russian Federation and the Bodies of State Power of the Republic of Tatarstan"], Feb. 15, 1994 (mimeograph).

⁴⁸ See *id.* art. II.

⁴⁹ See *id.* art. IV.

⁵⁰ See *id.* art. II.

⁵¹ See *id.* art. VII.

⁵² See Dogovor Rossiiskoi Federatsii i Respubliki Bashkortostan "O Razgranichenii Predmetov Vedeniya i Vzaimnom Delegirovanii Polnomochii Mezhdru Organami Gosudarstvennoi Vlasti Rossiiskoi Federatsii i Organami Gosudarstvennoi Vlasti Respubliki Bashkortostan" [Treaty of the Russian Federation and the Republic of Bashkortostan "On the Delimitation of Subjects of Authority and the Mutual Delegation of Authority Between the Bodies of State Power of the Russian Federation and the Bodies of State Power of the Republic of Bashkortostan"], Aug. 3, 1994 (mimeograph).

⁵³ See V.R. Khafizova, Byudzhety Respubliki Bashkortostan v Novykh Usloviyakh [The Budget of the Republic of Bashkortostan in the New Conditions], FINANSY, 1996 No. 8, at 15, 15. Khafizova is an economist in the Ministry of Finance of the Republic of Bashkortostan.

⁵⁴ See *id.*

⁵⁵ See *id.*

⁵⁶ See Telephone Interview with Albert Igudin, Section Director, Scientific and Finance Institute, Moscow (Sept. 28, 1996).

⁵⁷ A representative of the Committee for Affairs of the Federation and Regional Politics of the Federation Council, the upper house of the Federal Assembly, did not have a complete list of agreements that the federal government had

signed with regional governments. See Electronic Mail from Maria Blyumina, Manager, Moscow Office of the Russian Research Center, Harvard, to Mark Nagel (Sept. 20, 1996) (on file with the author).

⁵⁸ The treaties of the pre-election generation are almost identical to each other: they follow a similar structure, they contain similar provisions, and in many places they use exactly the same language. See, e.g., *Dogovor O Razgranichenii Predmetov Vedeniya i Polnomochii Mezhdru Organami Gosudarstvennoi Vlasti Rossiiskoi Federatsii i Organami Gosudarstvennoi Vlasti Sakhalinskoi Oblasti* [Treaty on the Delimitation of Subjects of Jurisdiction and Authority Between the Bodies of State Power of the Russian Federation and the Bodies of State Power of Sakhalin Oblast], May 29, 1996 (mimeograph) [hereinafter Sakhalin Oblast Treaty]; *Dogovor O Razgranichenii Predmetov Vedeniya i Polnomochii Mezhdru Organami Gosudarstvennoi Vlasti Rossiiskoi Federatsii i Organami Gosudarstvennoi Vlasti Goroda Federal'nogo Znacheniya Sankt-Peterburga* [Treaty on the Delimitation of Subjects of Jurisdiction and Authority Between the Bodies of State Power of the Russian Federation and the Bodies of State Power of the City of Federal Significance St. Petersburg], June 13, 1996 (mimeograph) [hereinafter St. Petersburg Treaty].

⁵⁹ See, e.g., Sakhalin Oblast Treaty, *supra* note 58, art. 13; St. Petersburg Treaty, *supra* note 58, art. 13.

⁶⁰ See, e.g., Sakhalin Oblast Treaty, *supra* note 58, art. 13; St. Petersburg Treaty, *supra* note 58, art. 13.

⁶¹ See Electronic Mail from Maria Blyumina, Manager, Moscow Office of the Russian Research Center, Harvard, to Mark Nagel (Sept. 19, 1996) (on file with the author); Electronic Mail from Maria Blyumina, Manager, Moscow Office of the Russian Research Center, Harvard, to Mark Nagel (Sept. 25, 1996) (on file with the author) [hereinafter Blyumina Letter, Sept. 25, 1996].

⁶² See Blyumina Letter, Sept. 25, 1996, *supra* note 61.

⁶³ See ECONOMIST INTELLIGENCE UNIT, *supra* note 10, at 32.

⁶⁴ See Tekushchaya Ekonomicheskaya Situatsiya [Current Economic Situation], DENGII KREDIT, 1996 No. 6, at 3, 3.

⁶⁵ See Tekushchaya Ekonomicheskaya Situatsiya [Current Economic Situation], DENGII KREDIT, 1996 No. 8, at 3, 3.

⁶⁶ Sources: GOSKOMSTAT ROSSII, ROSSIISKII STATISTICHESKII EZHEGODNIK 1995 [RUSSIAN STATISTICAL YEARBOOK 1995], at 9 (1995) (1993 GDP); Mesyachnyi Otchet Ob Ispolnenii Byudzheta v Rossiiskoi Federatsii na 1 Yanvarya 1994 Goda [Monthly Report on Budget Execution in the Russian Federation as of January 1, 1994] (mimeograph, Ministry of Finance of the Russian Federation) (1993 budget data); Otchet Ob Ispolnenii Byudzheta v Rossiiskoi Federatsii na 1 Yanvarya 1996 Goda [Report on Budget Execution in the Russian Federation as of January 1, 1996] (mimeograph, Ministry of Finance of the Russian Federation) (1995 budget data) [hereinafter Ministry of Finance Budget Execution 1995]; Otchet Ob Ispolnenii Byudzheta v Rossiiskoi Federatsii na 1 Iyuly 1996 Goda [Report on Budget Execution in the Russian Federation as of July 1, 1996] (mimeograph, Ministry of Finance of the Russian Federation) (half-year 1996 budget data) [hereinafter Ministry of Finance Budget Execution, Q1-Q2 1996]; Tekushchaya Ekonomicheskaya Situatsiya [Current Economic Situation], DENGII KREDIT, 1996 No. 6, at 3, 4 (1995 GDP and forecast of half-year 1996 GDP) [hereinafter DENGII KREDIT, 1996 No. 6]; WORKING CENTRE FOR ECONOMIC REFORM, RUSSIAN ECONOMIC TRENDS 11, 18, 21 (1996 No. 1) [hereinafter RUSSIAN ECONOMIC TRENDS] (1994 budget data as a percent of GDP).

⁶⁷ The federal government's 1996 budget contains revenue and expenditure figures in rubles and deficit projections in both rubles and as a percent of GDP. See Federal Law No. 228-FZ of Dec. 31, 1995 (as amended June 20, 1996), art. 1, "On the Federal Budget of 1996," available in LEXIS, INTLAW Library, RFLAW File. The figures for the first half of 1996 are from Table 1. See *supra* note 66.

⁶⁸ See V.V. Gusev, Glavnaya Zadacha -- Mobilizatsiya Dokhodov v Byudzhethnuyu Sistemu [The Most Important Task -- Mobilizing Revenues in the Budget System], FINANSY, 1996 No. 3, at 24, 25; see also ECONOMIST INTELLIGENCE UNIT, COUNTRY REPORT: RUSSIA, 3RD QUARTER 1996, at 19 (1996) (stating that criminal tax evasion represents only 20% of uncollected taxes).

⁶⁹ See Vladimir Kadannikov, *Stringent Budget and Credit Policy Had High Social Cost*, ROSSIISKAYA GAZETA, July 27, 1996, at 9, reprinted in FBIS-SOV, July 30, 1996, at 21, 22.

⁷⁰ Aleksandr Bekker, *Major Debtors Have Finagled a Special Treatment for Themselves*, SEGODNYA, Aug. 1, 1996, at 2, reprinted in FBIS-SOV, Aug. 5, 1996, at 29, 29.

⁷¹ See Yevgeniya Pismennaya, *Government Has Again Set About Resolving the Problem of Nonpayments*, FINANSOVYE IZVESTIYA, July 30, 1992, at 1, reprinted in FBIS-SOV, Aug. 2, 1996, at 29, 29.

⁷² There is an important difference between arrears from debtors and arrears from exemptions. If an enterprise misses payments because of economic difficulties, the government can try to force the enterprise to pay the debt. If an enterprise does not pay its taxes because it has received a legal exemption, the enterprise owes the government nothing.

⁷³ See RUSSIAN ECONOMIC TRENDS, *supra* note 66, at 19.

⁷⁴ See Decree of the President of the Russian Federation No. 65 of Jan. 19, 1996 (as amended Apr. 22, 1996), § 1, "On the Granting to Enterprises and Organizations of a Deferment in the Payment of the Debts on the Taxes, Penalties and Fines for the Violation of the Tax Legislation, the Debts Formed Before January 1, 1996," available in LEXIS, INTLAW Library, RFLAW File.

⁷⁵ See RUSSIAN ECONOMIC TRENDS, *supra* note 66, at 19.

⁷⁶ See *id.*

⁷⁷ See Viktor Chernomyrdin: K Vstreche S Nalogovym Inspektorom Nado Gotovitsya. Kak K Pervomu Svidaniyu [Viktor Chernomyrdin: At the Meeting with the Tax Inspector It is Necessary to Prepare for the First Visit], ROSSIISKAYA GAZETA, Aug. 24, 1996, at 5, 5 [hereinafter Chernomyrdin].

⁷⁸ See *id.*

⁷⁹ See B.S. Dobrushkin, Borbye S Nalogovymi Narusheniyami -- Prochnuyu Pravovuyu Osnovu [The Battle with Tax Violations -- A Durable Legal Foundation], FINANSY, 1996 No. 1, at 21, 22.

⁸⁰ See *id.* at 22-23. Examples of evasion schemes illustrate the problems faced by the tax service. Fifteen separate addresses had been established at one location in Moscow, and the records of the tax service revealed that between 200 and 1,000 firms had registered at each address. The firms maintained their actual offices at other locations, which were unknown to the tax service. See *id.* at 23. Firms also may provide inaccurate information about management. For example, tax auditors investigated a firm's registered managers. The registered general director had died one year before the firm was founded, and the registered head accountant turned out to be an unsuspecting "painter-plasterer" who had lost his passport. *Id.*

⁸¹ See Gusev, *supra* note 68, at 25.

⁸² See *id.*

⁸³ See *id.*

⁸⁴ See Decree of the President of the Russian Federation No. 570 of Apr. 21, 1996, § 2, "On the Commission of the Government of the Russian Federation for Improving the Tax Legislation," available in LEXIS, INTLAW Library, RFLAW File.

⁸⁵ See Chernomyrdin, *supra* note 77, at 5.

⁸⁶ See Decision of the Government No. 481 of Apr. 1, 1996, §§ 1-2, "On the Regulation of the Settlements in Carrying out the Tax and Other Payments of the Taxpayer Enterprises and Organizations to the Federal Budget, Including the Redemption of the Debts Thereon," available in LEXIS, INTLAW Library, RFLAW File.

⁸⁷ See Order of the Government of the Russian Federation No. 666-R of Apr. 23, 1996, § 1, "On Measures to Execute the Revenue Part of the Federal Budget and to Reduce the Arrears in the Payments to the Federal Budget," available in LEXIS, INTLAW Library, RFLAW File. To the extent that this government act modifies Decree of the President No. 65, Order No. 666-R may be unconstitutional. See *supra* nn. 27 & 74.

⁸⁸ See Decree of the President of the Russian Federation No. 685 of May 8, 1996, §§ 1 & 5, "On the Main Directions of the Tax Reform in the Russian Federation and the Measures for Strengthening the Tax and Payment Discipline," available in LEXIS, INTLAW Library, RFLAW File. Decree of the President No. 685 also instructed the State Tax Service to cease collecting fines on arrears to the budget beginning May 20, 1996. See *id.* § 11.

⁸⁹ See Decree of the President of the Russian Federation No. 1095 of July 25, 1996, § 5, "On Measures to Assure Government Fiscal Control in the Russian Federation," available in LEXIS, INTLAW Library, RFLAW File.

⁹⁰ See Procedure for Settling the Organizations' Debts to the Budget and Extra-Budgetary Funds, § 2, approved by Order of the State Tax Service of the Russian Federation, the Ministry of Economics of the Russian Federation, the Federal Tax Police of the Russian Federation, the Federal Administration for Insolvency (Bankruptcy) Matters Nos. VA-3-10/42, 285, 184, 35 of May 31, 1996, available in LEXIS, INTLAW Library, RFLAW File.

⁹¹ See *id.* § 4.

⁹² See *id.* § 8. The Procedures state that the laws on insolvency and bankruptcy govern the litigation. See *id.*

⁹³ See Chernomyrdin, *supra* note 77, at 6. The Deputy Director of the Federal Administration for Insolvency (Bankruptcy) Matters said that he is reluctant to threaten an enterprise with bankruptcy if the new management is not responsible for the tax arrears. See Bekker, *supra* note 70, at 30. Nonetheless, direct pressure on individual tax debtors has successfully raised 10 trillion rubles for the budget. See *id.*

⁹⁴ See Decree of the President of the Russian Federation No. 1212 of Aug. 18, 1996, §§ 1 & 3, "On Measures to Improve the Collection of Taxes and Other Mandatory Payments and Streamlining Cash and Noncash Money Turnover," available in LEXIS, INTLAW Library, RFLAW File.

⁹⁵ See *id.* § 7.

⁹⁶ See *id.*

⁹⁷ See, e.g., Decision of the Government of the Russian Federation No. 946 of Aug. 9, 1996, "On the Creation of Standing Tax Posts in the Organizations Manufacturing Ethyl Spirit From all Kinds of Raw Material," available in LEXIS, INTLAW Library, RFLAW File; Decision of the Government of the Russian Federation No. 938 of Aug. 3, 1996, "On the Introduction of Special Marking for Alcoholic Products Produced on the Territory of the Russian Federation," available in LEXIS, INTLAW Library, RFLAW File.

⁹⁸ See Chernomyrdin, *supra* note 77, at 5.

⁹⁹ See Elmar Murtazayev & Dmitriy Volkov, *The Kremlin Places Electoral Pledges Under Austerity Regime*, SEGODNYA, Aug. 6, 1996, at 1, reprinted in FBIS-SOV, Aug. 7, 1996, at 29, 30.

¹⁰⁰ See Mytari Trubyat Bol'shoi Sbor [The Dues Collectors Announce a Large Collection], ROSSIISKAYA GAZETA, Aug. 24, 1996, at 6, 6.

¹⁰¹ See *Tax in the Hand is Worth Two in the Bush*, KOMSOMOLSKAYA PRAVDA, Aug. 6, 1996, at 1, reprinted in FBIS-SOV, Aug. 6, 1996, at 24, 24.

¹⁰² See *Yasin Plans to Save 10-20 Trillion Rubles: Of All Budget Expenditures, Payments to T-Bill Holders are Most Protected Budget Item*, NEZAVISIMAYA GAZETA, Aug. 9, 1996, at 1, reprinted in FBIS-SOV, Aug. 12, 1996, at 31, 32.

¹⁰³ Sources: Ministry of Finance Budget Execution 1995, *supra* note 66; Ministry of Finance Budget Execution, Q1-Q2 1996, *supra* note 66; DENGII KREDIT, 1996 No. 6, *supra* note 66.

¹⁰⁴ See RUSSIAN ECONOMIC TRENDS, *supra* note 66, at 13.

¹⁰⁵ See ECONOMIST INTELLIGENCE UNIT, *supra* note 68, at 21.

¹⁰⁶ Sources: Federal Law No. 228-FZ of Dec. 31, 1995, *supra* note 67, art. 1; Ministry of Finance Budget Execution, Q1-Q2 1996, *supra* note 66.

¹⁰⁷ See Wallich, *supra* note 2, at 46-47.

¹⁰⁸ See Ukaz Prezidenta Rossiiskoi Federatsii No. 2268 [Decree of the President of the Russian Federation No. 2268], Dec. 22, 1993, "O Formirovaniy Respublikanskogo Byudzheta Rossiiskoi Federatsii i Vzaimootnosheniyakh S Byudzheta Sub"ektov Rossiiskoi Federatsii v 1994 Godu" ["On the Formation of the Republican Budget of the Russian Federation and the Relationship with the Budgets of the Subjects of the Russian Federation in 1994"], ROSSIISKAYA GAZETA, Jan. 6, 1994, at 4, 4 [hereinafter Decree of the President No. 2268]; Ukaz Prezidenta Rossiiskoi Federatsii No. 2270 [Decree of the President of the Russian Federation No. 2270], Dec. 22, 1993, "O Nekotorykh Izmeneniyakh v Nalogooblozhenii i vo Vzaimootnosheniyakh Byudzheta Razlichnykh Urovnei" [On Several Changes in Taxation and in the Interrelations of the Budgets of Different Levels], ROSSIISKAYA GAZETA, Dec. 29, 1993, at 7, 7 [hereinafter Decree of the President No. 2270].

¹⁰⁹ See Decree of the President No. 2268, *supra* note 108, § 6.

¹¹⁰ See Decree of the President No. 2270, *supra* note 108, § 2.

¹¹¹ See Decree of the President No. 2268, *supra* note 108, § 8. In 1994, the government financed the fund by allocating 22% of total collections of the VAT. See Federal Law No. 9-FZ of July 1, 1994 (as amended Dec. 23, 1994), arts. 22 & 23, "On the Federal Budget for 1994," available in LEXIS, INTLAW Library, RFLAW File. The government defined the size of the fund as a percent of VAT revenues in order to create an absolute limit on the amount of federal revenue that could be allocated to transfers. In 1996, the government is financing the fund by allocating 15% of all federal revenues except the personal income tax and customs duties. See Federal Law No. 228-FZ of Dec. 31, 1995, *supra* note 67, art. 25.

¹¹² See Federal Law No. 9-FZ of July 1, 1994, *supra* note 111, arts. 22 & 23.

¹¹³ Source: A.G. Igudin, *Normativno-Dolevoi Metod Mezhyudzhethnykh Otnoshenii: Pervye Itogi i Perspektivy* [The Normative-Share Method of Interbudgetary Relations: The First Results and Perspectives], FINANSY, 1996 No. 8, at 9, 11. Igudin's published table reports that deductions from regulated revenues represented 93.3% of regional revenue in 1992 and 84.5% in 1993. These figures produce totals greater than 100%. To make sense of the data, I adjusted the 1992 figure to 83.3% and the 1993 figure to 83.5%.

¹¹⁴ See Ministry of Finance of the Russian Federation, *Metodika Raschyeta Summy Finansovoi Pomoshchi (Transfera) Iz Respublikanskogo Byudzheta Rossiiskoi Federatsii Byudzhetu Regiona Na II-IV Kvartaly 1994 g.* [The Method of Calculating the Sums of Financial Assistance (Transfers) from the Republican Budget of the Russian Federation to the Regional Budget for Q2-Q4 1994] 2 (1994) (mimeograph).

¹¹⁵ See *id.*

¹¹⁶ Sources: Ministry of Finance Budget Execution 1995, *supra* note 66; Ministry of Finance Budget Execution, Q1-Q2 1996, *supra* note 66; DENGII KREDIT, 1996 No. 6, *supra* note 66.

¹¹⁷ See *Ekonomika Strany v Yanvare-Iyule 1996 Goda* [The Economy of the Country in January-July 1996], ROSSIISKAYA GAZETA, Aug. 24, 1996, at 5, 5.

¹¹⁸ See A. Yevgenyev, *Prediction: Depression as a Precondition of Growth*, ROSSIISKAYA GAZETA, Aug. 10, 1996, at 9, reprinted in FBIS-SOV, Aug. 14, 1996, at 39, 39.

¹¹⁹ See ECONOMIST INTELLIGENCE UNIT, *supra* note 68, at 9.

¹²⁰ See V Kollegii Ministerstva Finansov Rossiiskoi Federatsii [At the Collegium of the Ministry of Finance of the Russian Federation], FINANSY, 1996 No. 8, at 60, 61.

¹²¹ See Reshenie Rasshirennoi Kollegii Minfina RF ot 19-20.02.96 g. No. 8/1 [Decision of the Broadened Collegium of the Ministry of Finance RF from Feb. 19-20, 1996, No. 8/1], FINANSY, 1996 No. 4, at 58, 58 (attributing the growth of the market for government securities to investors' increased trust in the state).

¹²² See H.L.A. HART, THE CONCEPT OF LAW 92 (1961) (stating that one of the primary characteristics of a legal system is the unification of rules that had previously been disconnected).

¹²³ Decree of the President of the Russian Federation No. 1007 of Oct. 5, 1995, § 3, "On Measures to Ensure the Cooperation of the Federal Organs of State Power and the Organs of State Power of the Subjects of the Russian Federation in the Implementation of the Constitution and Law Reform in the Subjects of the Russian Federation," available in LEXIS, INTLAW Library, RFLAW File.

¹²⁴ See Federal Law No. 228-FZ of Dec. 31, 1995, *supra* note 67, art. 31.

¹²⁵ See Federal Law No. 154-FZ of Aug. 28, 1995, *supra* note 33, art. 44, § 2.

¹²⁶ See *id.* art. 46.

¹²⁷ See L.V. Lazarev, *Konstitutsionno-Pravovyi Osnovy Organizatsii i Deyatel'nosti Konstitutsionnogo Suda Rossiiskoi Federatsii* [Constitutional-Legal Foundations of the Organization and Activity of the Constitutional Court of the Russian Federation], GOSUDARSTVO I PRAVO, 1996 No. 6, at 3, 3.

¹²⁸ See, e.g., Vest. Konst. Suda RF, 1996, No. 1, case re: Interpretation of Article 136 of the Constitution of the Russian Federation.

¹²⁹ See, e.g., Vest. Konst. Suda RF, 1996, No. 1, case re: Verification of the Constitutionality of a Series of Provisions of the Charter (Basic Law) of Altai Krai.

¹³⁰ See *Federal'naya Vlast' i Vybory Gubernatorov: Odin iz Variantov Strategii i Taktiki Kremlya* [Federal Power and the Elections of Governors: One of the Kremlin's Variants of Strategy and Tactics], NEZAVISIMAYA GAZETA, July 31, 1996, at 2, 2.

¹³¹ See *id.*

¹³² See *id.*

The Future of Russian Military Power¹

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The Soviet Union was a superpower by virtue of its enormous military. While Soviet military power had its limits, it guaranteed the USSR a place at the table on any serious international question. By contrast, Russia faces a long period of military weakness that will doubtless affect international calculations of its power. This weakness limits not only the Russian military's current capabilities but shape its future options as well. Further, this weakness could well be a source of troubles, quite unlike those we have come to expect from Tsarist or Soviet traditions of military power.

The Extent of the Crisis

The signs of Russian military weakness are everywhere. The Russian military is smaller than its Soviet predecessor, though it is by no means simply a scaled back version of the formidable Soviet military machine. In 1988, the Soviet Union had over 5,000,000 men under arms, more than 200 heavy divisions, 50,000 main battle tanks and 8,000 aircraft. This military was deployed far forward in Eastern Europe. Today, Russia has approximately 1,340,000 men under arms, almost half of which are officers. It has approximately 80 divisions, 20,000 main battle tanks and 2,500-3,000 aircraft.²

But numbers do not tell the story. A Germany Foreign Ministry analysis of the operational readiness of this force shows that it is leaner, but not meaner. It estimated that only 30 of Russia's ground divisions (and 12 of 26 brigades) were operational. Russian military sources place the number of such divisions even lower, perhaps no more than eight out 80 divisions.³ The Air Force is burdened by a shortage of spare parts. The ground forces suffer from obsolete equipment, with General Lebed claiming the amount of obsolete or worn-out equipment is as high as 90 percent.⁴ The navy has suffered a

¹ The opening sections of this paper are adapted from the military section of a larger article, "Wedge Bear in Great Tightness" prepared for The Scientific Applications International Corporation's Seminar, Toward 2000: Challenges and Opportunities for U.S. National Security, chaired by Dr. Lewis A. Dunn.

² The numbers in this section are taken from Stephen M. Meyer, "The Devolution of Russian Military Power," *Current History*, October 1995, pp. 322-324; and interviews with Russian defense officials, journalists and US and western analysts. I am especially grateful to Russ Travers, of the Defense Intelligence Agency, for two presentations on trends within the Russian military he gave at the Carnegie Endowment in 1995.

³ Interviews in Moscow with military officials and journalists covering the Ministry of Defense, June and September 1996.

⁴ Andrew Wilson, "Russian Military Haunted by Past Glories," *Jane's International Defense Review*, May 1996, p. 26.

precipitous declines in its surface fleet, with most of the scarce resources focusing on keeping a few modern ships afloat.

Russian nuclear forces are better off, occupying the highest priority in the defense budget. Yet only a modest portion of the total force of 8,000-10,000 warheads is operationally ready. Budgetary pressures and the still unratified START II force agonizing decisions on the current triad, particularly over whether Russian can afford to shift so much of its warheads to the as yet unfunded sea-based systems the START II Treaty would require. Even if Russia decides to scrap the treaty and build its future force around existing, land-based systems, it faces significant budgetary constraints to do so.

The production base to support these forces, like the Russian economy as a whole, has also suffered severe constriction. Soviet factories produced 3,500 tanks and 700 fighters in 1988. In 1994, Russian factories produced around 20 tanks and 13 fighters.⁵ In 1995, the military bought no new fighter aircraft at all, with senior officials admitting that "[t]he manufacturers of this type of military hardware will execute foreign orders only."⁶ The bulk of 1995 tank production went for export. The Russian military's inability to sustain military production transforms the military into a lobby for foreign sales of arms and dual use technology, though the foreign market is hardly able to sustain Russia's research, development and production in the key industrial sectors the Ministry of Defense wants to preserve.

In light of this problem in sustaining the defense industrial base, the most important problem facing the military may well be the looming obsolescence of major ground, air and naval systems. Without a dramatic reversal, the bulk of the military's tanks, combat helicopters, nuclear submarines and combat aircraft will reach the end of their anticipated service by the end of this decade and throughout the first decade of the 21st century. Even radically reduced Russian force postures cannot get around this obstacle, though smaller forces would considerably lessen the amount of money that would needed to be spent on R&D and eventual production to sustain these forces.

There are widespread shortfalls in basic material support for military personnel. Perhaps as many as 100,000 officers lack adequate housing. Military pay lags far beyond that available in comparable civilian jobs. Many facilities lack the infrastructure to care for the families of servicemen. Infectious disease has increased dramatically. Widespread draft dodging has left the military with a conscript pool of low professional qualities and widespread health problems. Corruption is rampant throughout the army. The military is short of food and fuel. It has resorted to emergency food supplies to feed its soldiers.⁷ In 1995, the army used up 35 per cent of its food and fuel war-stocks.⁸

⁵Meyer, pp. 322-324; *OMRI Daily Digest*, February 16, 1996; the numbers on aircraft were obtained in an interview with a senior US analyst of the Russian military. Andrew Wilson (p. 26) cites a British MOD report that estimated 1994 tank production at 40.

⁶*ITAR-TASS*, May 25, 1995.

⁷*ITAR-TASS*, April 9, 1996.

Soldiers in Chechnya this winter wore sneakers and winter hats donated by Minatop Bank.⁹ Analysts fear that these conditions are laying the groundwork for profound social cleavages within the army.¹⁰

The Pressures Shaping Future Russian Military Forces

These are the facts of the military crisis. In such circumstances, it will not be reform that shapes future Russian force structure. President Yeltsin admitted, in February 1996, that "military reform made virtually no headway in Russia last year...."¹¹ The Russian military understands the need to create new conventional forces and a smaller professional army. It has received Yeltsin's endorsements for both. These goals win near-unanimous support in the Russian military and defense policy community.¹² What is lacking is the money to pursue them. General Grachev used to complain that he was not the Minister of Defense but rather "the Minister of Finance for the Army."¹³ Reform is expensive, and the immediate demands of the military crisis absorb the bulk of the military leadership's time, energy and treasure.

Three, perhaps four, basic pressures are likely to be the driver of future Russian force structure, not military reform. These pressures include the following:

⁹Andrew Wilson, p. 26.

¹⁰*OMRI Daily Digest*, March 4, 1996.

¹⁰Col Yu Deryugin, "Trevozhnye tendentsii v rossiyskoy armii," *Nezavisimaya gazeta*, August 24, 1994.

¹¹*ITAR-TASS*, February 29, 1996.

¹²President Yeltsin's Address to the Suvorov Military School, 23 February 1994, *ITAR-TASS*, 23 February 1994 and *FBIS Daily Report: Central Eurasia*, 24 February 1994 states explicitly that Russia requires "mobile forces, capable of rapid deployment, re-deployment and carrying out combat operations in any areas and regions where a threat to Russia's military security may arise" Yeltsin also endorsed the move to a professional military by the year 2000 (*ITAR-TASS*, July 18, 1996). The ideal transition for the new Russian military was foreseen in a report of the Russian Foreign and Defense Policy Council in August 1992, a body in which Andrey Kokoshin and other important civilian politicians and defense analysts are members. It urged the Army to adopt a "mobile defense" strategy, requiring "the existence of numerically small forces kept in a permanent state of readiness, capable of quickly and efficiently influencing local conflicts; a mobile reserve or rapid deployment force which could be transported within the quickest possible time to any area along Russia's periphery; strategic reserves to be set up in war" In equipping this force, priority should be given to "high precision aero-mobile long range means of destruction" The report also endorsed a move to "voluntary military service" ["Strategiya dlya Rossii," *Nezavisimaya gazeta*, 19 August 1992, pp. 4-5. See sections 2.4.2, 2.4.5 & 2.4.6.].

¹³*Komersant-Daily*, September 27, 1996.

1. Funding housing and other material support for the officer corps, enlisted personnel and their families. Social peace within the military demands that the leadership address the basic requirements of housing, food and social support for the troops. However, the cost of basic housing, food, social services and other support will siphon off funds for training, operation and maintenance and new military infrastructure. Even with further force reductions, this part of the military budget will continue to grow, as the cost of housing, food and other basic commodities within Russia continues to rise.

2. Maintenance of Russia's nuclear arsenal. Given the collapse of its conventional capabilities, the Russian military will increasingly rely on nuclear weapons to compensate for its military weakness. There is both a political and military constituency for such a move. Both understand these weapons provide Russia's sole claim to superpower status. A small but persistent minority, including the Minister for Atomic Energy, see an even more expansive future for a wide range of nuclear weapons, including tactical systems and new small yield systems. However, an increasingly reliance on nuclear weapons is likely to meet the needs of only the political constituency, not the military one. Russia's nuclear arsenal will guarantee it a certain measure of political respect and access to the table where international issues are discussed, but it can hardly meet the new security challenges along Russia's periphery. Here small wars and regional conflicts will take place with little respect shown to Russia's a nuclear arsenal, even a radically reconfigured one.

3. Paying for the military's involvement on the periphery. The Russian military is operationally active in Tajikistan, Moldova, Abkhazia and other parts of Georgia and, of course Chechnya. These conflicts have turned out to be very far from minor excursions. They impose major demands on scarce resources. They represent a special military challenge all their own, one in which the opposition forces of small and irregular units thrive in harsh terrain. Though these small and irregular military units may appear to Russian officers amateurish, ill-equipped or ill-trained in the use of the modern equipment they have, they are perfectly suited to the emerging military environment in which they act. And they are increasingly well armed, at least in part from the former Soviet depots themselves. Almost as a confirmation of the strong gravitational pull of these conflicts, General Rodionov, in his first press conference as Minister of Defense, admitted that he would have to deal "above all with the hot spots where people are dying," despite his recognition that wide-ranging reform is urgent.¹⁴ In both the imperial and Soviet military traditions, these small wars have had a profound effect on doctrine, force structure, the attitudes and orientation of the officer corps and other issues basic to the shape and purpose of the military forces.

4. Responding to the collapse of the military industrial sphere. Given the extreme tightness of the military budget, there will almost certainly be an attempt by the military industrial complex to obtain large subsidies and special protections from foreign competition. Though in the long run the development of a successful technology sector,

¹⁴ITAR-TASS, July 17, 1996.

producing dual use items for the civilian market, could sustain a defense industrial base, in the near term both the desperate situation of some industries and the life long inclinations of the managers of these facilities create incentives for subsidies and special protection. If the current crisis continues, an attempted end run on the treasury from at least some components of this sector is inevitable. If such a run occurs, it is doubtful, given the history of the distribution of state assets to date, that it would follow some carefully planned strategy of preserving critical technologies or the most vulnerable industries. It would likely be distributed the way much of state property has already been distributed, willy-nilly, with those best positioned on the inside, regardless of the defense product or service they offer, receiving the lion's share.

The Balance Sheet

It is time to draw up a balance sheet on Russian military power in the decade to come. This balance sheet must include traditional preoccupations of military analysts, such as the possibility for the projection of that power, but perhaps for the first time since the 1917 Revolution itself, it must also include a variety of non-traditional concerns. These non-traditional concerns include the uncontrolled leakage of military technology and know-how and even the potential for crises that might arise because that power is too weak.

In the next decade, save in the area of nuclear weapons, the Russian military will not be able to sustain a presence in the global calculation of military power. Its capacity to project power well beyond its borders will continue to erode. Without a profound political counterrevolution, the Russian military will still be struggling to keep its basic force posture in tact, not integrating new information technology and precision guided munitions into its ground forces or fielding a new generation of stealth aircraft. A dramatic turn around is necessary simply to begin either of these crucial technological steps forward. There will doubtless be continued innovation in the nuclear forces, but the surface navy will continue its decline to a coastal defense force, leading to the elimination of, or at best token deployments for, the Baltic and Black Sea Fleets.

The Russian military of a decade hence will be more nuclear. It is unlikely that political and military support for nuclear forces will extend much beyond maintaining and modernizing the forces currently in the inventory. This support envisions these forces in largely the same roles nuclear weapons have always had, deterrence and politico-military influence. However, it is important to watch for signs of ascendancy of those favoring a radical change in nuclear arsenals, including the creation of new sub-strategic systems and the redeployment of tactical nuclear weapons. Such a shift in Russian strategic thinking would add a new and destabilizing element into East-West relations and Russia's involvement in the small wars along its periphery.

The Russian military will continue to have a decisive advantage in force structure and technology over the regular and irregular forces of the weak states on its periphery. The Russian military is already deployed throughout this region. A variety of multilateral

and bilateral agreements create the legal and practical bases for continued Russian military involvement on the periphery. The Russian Government's political commitments to deep integration and to support of the status quo with respect to its allies and partners make this region a likely field for the projection of Russian military power. Though this projection is unlikely to raise many Western eyebrows in places like Tajikistan or Georgia, it is a different matter if internal troubles in Belarus or in Crimea bring Russian forces there. The entire periphery, in fact, is an area of largely unregulated activity, both for the indigenous regimes and outsiders. One cannot exclude the possibility of regional conflict arising from accident or miscalculation, as Russian forces deploy to sustain a tottering regime or contain a regional conflict and an outside power does the same. Though such a scenario seems unlikely, western planning should not exclude the possibility of just such a miscalculation by Russians and Turks in the Caucasus or Russians and Chinese in Central Asia.

However, Russia's power projection capacity, even on the former Soviet periphery, is hardly unlimited. Russian military capacity will dwarf that of any of the new weak states, but that capacity cannot be simply applied to a given contingency without concern for other requirements of the military as a whole and other theaters. Russian military power is still too constrained to imagine it can be projected into any possible crisis on the periphery, let alone two or more such crises simultaneously. The war in Chechnya has demonstrated real constraints on Russia's capacity. Deployments in Tajikistan could hardly withstand a Taliban-inspired flare-up of hostilities there. Here and elsewhere, terrain and other factors give the advantage to indigenous forces. A small amount of force in these conflicts goes a long way. Russia's advantages are real but not so overwhelming as to put within the Russian military's grasp the capacity to suppress these conflicts and the threat of future violence by the application of overwhelming force. Even on the periphery, there will continue to be a disparity between Russian desires and ambitions and the capabilities to pursue them.

A revolution is also underway in the Eurasian military environment. The hole left by the collapse of the US-Soviet rivalry-- indeed, the Soviet Union itself-- has given the small and medium-sized states of the region room to maneuver. What was formally a closed area at the center of Eurasia is now open to the outside world. Large scale transportation, communications and economic forces are at work that could reconnect these regions, including Russia itself, to areas of vital US interest in East Asia, the Persian Gulf and Central Europe. The interplay between the new states of the former USSR and the outer rim of Eurasia is just beginning. Some of the states of the outer rim are seeking advanced conventional capabilities or weapons of mass destruction. The dangers of this new environment are not yet understood, but at least one is likely to be Russia's inability to maintain the commitments it now has to any number of regimes in the former USSR or to meet unforeseen contingencies here and elsewhere. Russia's military weakness is a strategic factor of enormous importance in this new strategic environment.

The most likely impact of Russian military power in the next decade is the proliferation of its equipment and know-how to the new states of the former USSR, the rimlands of Eurasia and throughout the globe. It is difficult to see how the current weak Russian government can stem what now appears to be the strong momentum toward arms sales and technology transfer generated by individual firms and sectors of the old military industrial complex. Deals such as the recent transfer of SU-27 production technology to China are being struck with little regard for Russian strategic interests. No governmental process helps to determine what the balance of interests might be between the short term need to sustain cash-starved pieces of the military industrial sector and Russia's long term strategic needs. Therefore, we in the West should be under no illusions that, in such an environment, Western interests or broader concerns about global stability will be taken into account.

Contrary to expectations, the West can hardly be delighted with Russian military weakness. It fosters greater suspicion, not strategic cooperation. Weakness contributes to a more rigid conception of foreign policy goals. Russia's great power status, its nuclear arsenal, its military commitments on the periphery become litmus tests for the leadership and the opposition, not matters for analysis and policy debate. A stronger, more confident Russia could afford to consider whether the borders of the former Soviet Union must in all cases be its strategic borders. It could explore concessions, even on such a difficult issue as NATO expansion, precisely because such concessions would not call into question its status as a great and equal power to the West. It is by no means clear that a stronger Russia would do these things, but it is absolutely clear that a weak Russia cannot. There should be no nostalgia for Soviet military power. However, as we look to the future Eurasian military environment, to the rise of China, to the running room now given to powers like Iraq, Iran, Pakistan and India, and to the still unforeseen connections between Inner and Outer Asia, there should be a profound desire to see Russia stand on its feet and gather the governmental, economic and military coherence it must have to play a stabilizing role in the Eurasia to come.

**External Provocations and Reactions:
Conditions and Context for an Ambitious Russian Foreign Policy
in the Decade 1996-2006**

– a paper prepared for the SAIC conference
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As the twentieth century comes to a close, the Russian state is both profoundly weak internally – economically, demographically, and militarily – and comparatively strong externally, at least in comparison with the even weaker states that had formerly been part of the Soviet Union. Still a nuclear power, with huge though declining energy resources on which many of its neighbors depend, Russia paradoxically has been unable to win decisively a frontier war in Chechnya against its own citizens but has managed to intervene in ethnic and regional struggles in Transdneistria, Tajikistan, Abkhazia, South Osetia, and throw its weight around in the Armenian-Azerbaijani conflict over Karabakh. With exaggerated expectations of its status as a "Great Power," often smarting from perceived (and actual) slights and humiliations at the hands of its Western partners, the Russian government, prodded by the Duma opposition, shifted further and further away from its brief policy of retreat in the first post-Soviet year to an inconsistent but often more ambitious foreign policy, particularly toward the CIS.¹ But whatever their ambitions, Russian leaders remain severely constrained by the country's actual capabilities. Internal political and economic weakness has held back Russian foreign policy actors, even though it has not prevented floods of nationalist rhetoric.

¹ Elaborating on Henry Morgenthau's idea that "a policy of prestige" aims at impressing others with "the power one's own nation actually possesses, or with the power it believes, or wants other nations to believe, it possesses, Stephen Sestanovich concludes that "Russia's 'obsession' with prestige is at bottom an admission of weakness." ["Geotherapy: Russia's Neuroses, and Ours," *The National Interest* (Fall 1996), p. 11.] My gratitude to Steve for a very suggestive critical reading of an earlier draft of this paper.

The confusion in Russian foreign policy stems from two fundamental weaknesses: the structural weakness of the state itself and the fragility of Russian self-identity, its myth of legitimation. After a millennium of growth and expansion, from the confines of Muscovy to a continental empire by the early twentieth century, Russia experienced a series of territorial reversals in the last hundred years. The new Russian republic that emerged from the USSR was a truncated state, without much of its imperial gains along the Baltic and Black Seas or "southern Siberia" (which was now Kazakhstan), though it retained the enclave that had formerly been East Prussia (Kaliningrad oblast'). Smaller than it had been in centuries, Russia was also internally more decentralized and fragmented than it had been since the days of udel'naia Rus' (Appanage Russia, 13th-15th centuries). Russian political discourse had always valued the ideas of a large, undivided state, centralized rather than federal or sharing power with the regions, and the Soviet experience that led to fragmentation of the state further devalued the idea of federalism. Yet rather than choosing to work towards a nation-state of the ethnic Russian people (Russkii narod) or a reconstituted imperial state, given the weakness of the center in the early post-Soviet years, the Yeltsin team made a pragmatic choice and opted for the middle road, a federation of all the peoples of Russia (Rossiiskaia Federatsiia). The center, whose power was cannibalized by powerful economic enterprises that refused to pay taxes and by internal corruption, transferred or bargained away much decision-making power to the eighty-nine regions and republics of the federation. A tug-of-war between Moscow and the regions went on for years, though only one republic, Chechnya, ended up in brutal physical conflict with the center. In tough negotiations the Russians managed to construct an asymmetrical federal state with different degrees of local autonomy and privileges in various regions and republics, but this jerrybuilt structure has yet to prove its durability, its ability to manage the occasional outbursts of ethnic conflict, and to deflect the potential for separatism.

A close look at the complex ways in which the Russian and non-Russian populations are interwoven suggests that there is only a remote possibility that the Russian Federation will dissolve in the foreseeable future. While it might disturb Russian nationalists that ethnic republics and autonomous districts make up 53 percent of the country's territory, they may be comforted by the fact that non-Russians still are under 20 percent of the total population of the Federation. Though their political clout is considerable given the federal structure of the country, the ethnic republics make up roughly 15 percent of the population. Nearly 12 million Russians live in the designated national republics, autonomous districts, and the one national region, alongside 17.7 million non-Russians. In six of the non-Russian republics -- Aga, Alania (North Osetia), Chechnya, Chuvashia, Komi-Permyakia, and Tuva -- the titular people constitute a majority in their national homeland, but in five other republics -- Dagestan, Kabardino-Balkaria, Kalmykia, Mari El, and Tatarstan -- non-Russians in combination form a majority, and in the other ten republics Russians and other Slavs dominate demographically. In Sakha-Yakutia Russians make up 50 percent of the population with the Yakuts at 33 percent; in Bashkortostan Russians are the largest ethnic group (39 percent), with Tatars (28 percent) second, and Bashkirs third (22 percent); and Russians, Ukrainians, and Belarusians together constitute the majority of the population in Adygeya, Altay, Buryatia, Karachay-Cherkessia, Karelia, Khakassia, Mordovia, and Udmurtia, ranging from over 50 to 79 percent. Where Russians are a minority, in eleven of the twenty-one national republics, they are hardly an endangered one. Observers understandably question whether Russia is evolving into a true federal state or will revert to a more unitary solution, whether it will be content in the future to deal with effective autonomies within the Federation. Like so much of current Russian politics, the shape of the future Russian state is being determined in deals and bargains made between powerful actors, sometimes with quite short-range and mercenary goals in mind. Russia's state structure, like that of other former Soviet republics, is still

gelatinous, and what the center will allow the regions and republics and what they in turn can keep from the center remains the great unknown.

Decentralization is not equivalent to instability, however, and may be leading to new and permanent forms of power-sharing in a state that has very often suffered from the inefficiencies of hypercentralization. Rather than from regionalism, Russia's political instability comes primarily from the top and lies within the central ruling elites, with their competing loyalties to powerful economic interests (natural resources, finance, etc.) and leaders (Yeltsin, Chernomyrdin, Lebed, Chubais, at the moment). This in-fighting, which seems built into the current political arrangements and at the moment appears to be balancing one faction off against another to prevent any single leader from emerging unchallenged, contributes in several ways to the possibility of a more ambitious foreign policy (always keeping in mind that the capacity for such a policy is severely limited). Certainly the death or retirement of Yeltsin and his replacement by a more nationalist leader, like Lebed or Zyuganov, would make such a policy more likely, especially in the context of a widely-shared perception that Russia has been humiliated and has the right to reassert its status as a Great Power. But all Russian leaders face the problem of the necessary generation of a shared national consensus on what kind of state, what kind of "nation," is Russia.

Almost five years after the end of the Soviet Union, Russia has not consolidated its own identity, has not settled on what kind of state it will become or what form the nation within it will take. The discussion about the future shape of the Russian state since the fall of the USSR has involved doubts about its legitimacy and survivability, speculation about its contraction or expansion, and disagreements about its internal cohesion. For Russia it is not clear where its effective borders are: at the state borders of the Russian Federation or at the borders of other states of the CIS, like Armenia, Georgia, Tajikistan, and Kyrgyzstan, where their armies still patrol. Prominent officials and public figures, both close to and alienated from the government, make frequent statements that

"Russia is something larger than the Russian Federation in its present borders" (Evgenii Ambartsumov) or how the Near Abroad is Russia's "sphere of vital interests" (Andrei Kozyrev, Andranik Migranyan) or that Russia has the right to defend "geopolitical positions that took centuries to conquer." Yeltsin himself has called for the international community "to grant Russia special powers as guarantor of peace and stability in this region." And at the end of 1994 and early in 1995 Yeltsin and Kozyrev publicly declared their support for the reintegration of the countries of the former Soviet Union, first economically, but also militarily and possibly politically integrated. The Communist-led opposition in the Duma took the boldest step (as it turned out, a misstep) when on March 15, 1996, it adopted resolutions that declared the 1991 dissolution of the Soviet Union illegal and castigated those who had agreed to that act of having "flagrantly violated the wish of Russia's people to preserve the USSR." The Communists were forced to retreat in the next few weeks. Though there is widespread feeling in Russia (and some other states) that the breakup of the Soviet Union was a disaster, a degree of realism and acceptance has tempered all but a few into accepting its disappearance.

As Russia claims a hegemonic role in the former Soviet space and seeks to construct some kind of identity as a nation (rather than an empire), it confuses its own sense of nationhood by integrating with (and then pulling back from) Belarus, raising the question of integration of the whole former Soviet Union more generally, and making special arrangements both with other CIS states, as with Central Asia, and within the Federation itself. The ultimate form and shape of the Russian state and nation remain unresolved, and the door is wide open for reconfiguring the future Russian state to include other former Soviet republics or parts of republics. A broad, but vague, consensus has developed in Russian political elites that *integratsiia* is something positive, indeed essential, for Russia's future as a Great Power. The discussion wobbles around what integration means and how far it is to be carried out -- and by what means. This uncertainty about the future shape of Russia holds the possibility for nationalist

adventurers to exploit patriotic anxieties and press for a more aggressive stance toward the former Soviet space (an imperial policy); or the opportunity for statesmen to limit Russian aims to a more benign but assertive program of hegemony; or, finally, reconstruction of Russia to integrate diverse units with different degrees of autonomy and sovereignty (e.g., Chechnya or Belarus) within a newly-conceived kind of asymmetrical federal state.

"Nation," that is the idea of a political community imagined to have common origin, experience, and culture, has become the most fundamental form of legitimation for states in the world, and all fledgling states seek to represent themselves as nations having legitimate claims to territory and sovereignty. In the rubble left after the collapse of the Soviet Union nationalists in several republics -- most tragically, Zviad Gamsakhurdia in Georgia -- attempted through chauvinistic rhetoric and violent practice to realize the utopian goal that every nation have its own state, and every state have but one nation within it. But that congruence between state and nation, as the struggles over Georgia and former Yugoslavia demonstrate, cannot be achieved peacefully. Real world states have extraordinarily heterogeneous populations, made up of different ethnicities, religious groups, social classes, regional allegiances, urban-rural distinctions, all shifting in the modern and post-modern environment of rapid mobility, transnational migration, international economics, and overlapping and changing identities. That permanent instability in world politics creates an environment in which nationalist entrepreneurs, in Russia or elsewhere, might see the need to consolidate their sense of the nation in a particularly aggressive or exclusivist direction, and that may very well involve exploiting opportunities for expansion. Just as political scientists have argued that democratic political forms and market economies contribute to less aggressive foreign policies, so it can be argued that inclusive civic nationalisms contribute to lowering inter-state tensions and aggressive foreign policies, while more exclusivist ethnic nationalisms that seek homogeneity within the state or inclusion of the entire ethnicity within the

boundaries of a single state open a dangerous avenue to ethnic cleansing, interstate war, and even genocide.

All scenarios for future Russian foreign policy depend on three conditions: the capacity of the Russian state, economy, and military to act; the disposition of the Russian ruling elite to act; and the available context, the threats and opportunities, offered. Given the current level of Russian weakness, an ambitious or aggressive foreign policy is less likely than a more considered policy of negotiation along with selective economic, diplomatic, and military muscle-flexing. But current Russian restraint could end with improvements in the economy, success in internal state-building, and settlement of key ideological issues, such as the nature of the Russian nation. The most significant change within Russia would be a shift of power from the current non-nationalist elite to a leadership more driven by nationalism and the idea of Russia as *derzhava* (a Great Power). The very flabbiness of the Russian national idea at the moment may play into the hands of ethnic entrepreneurs or chauvinist opportunists who will attempt to reconstruct the Russian national self-image around a statist, ethnonationalist, expansionist ideal.

Four Russian Strategies for the Near Future.

1. The Hybrid Status Quo.

Current Russian policy is an odd mixture of reluctant imperialism, aggressive mischief, retreat and acceptance of losses, and various forms of hegemonic practice. As the Russian state muddles along internally, with elites coexisting without defeating and destroying each other, Russia's foreign policy is likely to continue to reflect the pluralism of the center and appear contradictory, as it is. But this hybrid situation is highly unstable and actually reflects the unstable and contest for power and influence in Moscow. Ultimately Russian interests will require a program of economic, state, and military stabilization and development that will eliminate the conflicting elite activities at the very heart of government and create institutions through which interests can be expressed

and negotiated. Then the relevant question will be: which group will be in charge?

2. Empire.

Imperialism is the practice of empire-building and maintenance. An empire in the classic sense is a state in which a center or core dominates a periphery to the disadvantage of the periphery. The center must be distinct in some way from the periphery -- by ethnicity, geographic separation, administrative difference -- and their relationship is imperial to the degree that it is one of inequality, subordination and superordination. For an empire to succeed or continue it must maintain the unity and strength of the center relative to the effective or potential resistance of the periphery. Failing that, it will fall apart, as did the Soviet Union at the beginning of the 1990s. By this definition the Soviet Union was an empire, and Russia today is imperial in its relationship to Chechnya, though increasingly not imperial in its relationship to the other constituent parts of the Russian Federation. It is at the moment imperial towards Tajikistan, though not towards other states of the former Soviet Union.²

The first precondition for expansion and radical integration by extreme pressure and military force is the coming to power of a neo-imperialist political elite within Russia or the emergence of a powerful opposition able to influence a weak government to carry out an ambitious, aggressive form of empire-building. The second precondition is the opportunity presented by chronic or acute state

² Clearly the line between imperialism and hegemonism as defined in this paper is not precise and requires interpretation. In so far as Russian intervention in the Tajik civil war is seen as based on the consent of influential actors and the shoring up of legitimate contestants, that intervention is a form of hegemonism, but if it is read as the promotion of locally-unpopular clients and leads to a very prolonged occupation of the country and the naked exercise of force to maintain a Russian client government in power, then it is imperialist. My own reading is that Russia felt threatened by the Tajik conflict and took the opportunity to use its power to establish one preferred elite over another. The fact that Russia altered the internal situation in Tajikistan and continues to shore up the regime makes this intervention imperialist.

weakness, division, conflict, or instability on the part of one or several of the post-Soviet states. When non-Russian states, like Georgia or Tajikistan, prove unable to resolve their internal conflicts themselves, they invite intervention in one form or another. If a Russian nationalism that involves radical integration of the former Soviet space coincides in time with instability in the Near Abroad, the likelihood of Russian neo-imperialism will grow enormously.

3. Hegemony.

Hegemonism is a form of "light dominance" in which a Great Power exercises its power largely through political and economic means, often quite roughly and unfairly and to its own advantage, but restrains its use of military force to occasions in which there is some consent to that use by the other state. Russian pressure toward Georgia and Azerbaijan to join the Commonwealth of Independent States and even to base troops on their soil fall under hegemonism, but if these actions can slide easily into imperialism if they lead further to long-term occupation of those republics and to the promotion of client regimes against the "will of the people."

An enlightened Russian elite may realize that Russia can realize its security goals without the creation of a new empire, indeed that a new empire would not only be difficult to construct but overly costly to maintain. In such a case Russian leaders might posit that what Russia most needs in the Near Abroad is stability and the reduction of threats to its own security so that it can develop its domestic political, social, and economic infrastructures. In fact, the newly independent states present very little military threat to Russia, and what difficulties they do pose – the export of migrants, drug trafficking, criminal networks, economic drains, the bleeding of ethnic conflicts over borders into Russia – can be dealt with far more effectively through a policy of hegemonism than through imperialism.

4. Integration toward a Multinational State.

One possibility that has not been explored in the literature is the peaceful reintegration of much of the former Soviet space (with the notable exclusion of

the Baltic republics) into a tighter association, something like that envisioned in the last draft of Gorbachev's ill-fated Union Treaty of 1991. Given the weakness of the nationalisms, economies, and geopolitical futures of many of the new republics, there may be a pull back toward integration with Russia, as there has been in Belarus, some republics of Central Asia, and even among some groups in Transcaucasia. Such a possibility would depend on the worsening of the situation in the non-Russian republics and the stabilization and development of a Russia that would be more attractive than the current Russia. Integration of this type would follow the pattern of European integration, with periodic backsliding, reluctance to part with the attributes of sovereignty, and a step-by-step acceptance of the benefits of a larger economic and political sphere. A new union of "sovereign" republics may be the only way to save vulnerable states like Kyrgyzstan and Armenia, and if combined with real political equality among the members, autonomy in local affairs, and a vigorous Russian-supported program for economic development and further democratization, it may prove to be the most beneficial solution for all concerned. But like an imperial outcome, reintegration remains a remote possibility for the near future.

The Near West

Because of its proximity to Europe and the greater interest shown to this region by Western powers, the Near West is a region in which Russian foreign policy has been more restrained than in the less-accessible Southern Tier. The three areas of potential conflict in the west are the Russian-speaking areas of Western Ukraine, Crimea, and the Baltic, including Kaliningrad. Of these the most potentially dangerous is Crimea, for already in other parts of Ukraine and the Baltic local Russian-speakers have over time identified more and more with the independent republics in which they live and in many cases have made an effort to learn the local language. But Crimeans remain alienated from Ukraine (though this has lessened somewhat in recent years), and as a compact population with a clear local identity, who as recently as forty-five years ago were part of Russia, they may use future opportunities to provoke Russia into

intervention. For the moment, however, the interests of Ukraine and Russia, given their current economic and strategic weaknesses, have contributed to a program of negotiation rather than confrontation over this extremely sensitive issue.

From the moment of Soviet collapse, analysts expected major problems between Russians in the Near Abroad and the titular nationalities of several western republics -- Estonia, Latvia, Moldova, and Ukraine, in particular -- that could serve as excuses for intervention by the Russian state. In fact, several developments have prevented such potential conflicts from arising. First, the expectation of possible conflict has led to both sides playing down the rhetoric of threat. In Estonia, for example, where an ethnic nationalism discriminated against local Russians, who were labeled "occupiers," the government retreated on some of its more discriminatory measures (under pressure from the OSCE), and outside Russians did not attempt to stir up Russians in Estonia against the Estonian state. Much of the Russian or "internationalist" opposition to the independence of Moldova was rooted in a fear of a Rumanizing state that would restrict Slavic (or Gagauz) culture or, worse, merge with Rumania. Now that Moldova has given up the idea of joining Rumania, those fears have dissipated and Slavic opposition in Transdneistria to Moldova has weakened. Second, Ukraine and Lithuania have adopted programs of civic nationhood, rather than exclusive ethnonationalism, in recognition of the heterogeneity of their populations.³ Third, Russian-speaking peoples outside of the Russian Federation have not identified themselves with the new Russian state. Besides expressing a nostalgia for the old Soviet Union, Russian-speakers have constituted themselves as an interest group, generally loyal to the new states but prepared to emigrate if conditions should worsen. Over time it is likely that Russian-speakers will assimilate into the population of the European republics,

³ This is not a significant problem in Lithuania where the Lithuanians make up 80 percent of the population, a figure only slightly behind that of Russians in the Russian Federation.

learning Estonian, Latvian, and Ukrainian, intermarrying and, thus, diminish the problem of the Russian-speaking minority in the post-Soviet Near West.

A serious source of tension in the Near West is the question of NATO expansion. A broad consensus exists in Russian political circles that an extension of the western alliance, with Russia excluded, would be detrimental to Russian security. Russia's inability to stop the growth of American and West European power in its former sphere of influence in East Central Europe is a festering reminder of its own impotence in Europe. For Russians a decision on NATO expansion that does not consider Russian interests and sensibilities would be a signal that the West is willing to establish a new security environment that reproduces the Cold War isolation of Russia. Those among the Russian elites that argue that partnership, even cooperation, with the West is dangerous, would be given powerful ammunition. The West would be foolish indeed if it exploited Russia's current weakness and isolation to isolate it further. The way in which this debate is resolved, what arrangements are made to accommodate Russia's security concerns, will either produce means for further cooperation or create conditions for a smoldering resentment on the part of Russian politicians.

The Southern Tier: Central Asia and Caucasasia

Having retreated from East Central Europe, Russia is primarily concerned with the countries of the CIS. Given the West's interest in Russia's Near West, Russia looks toward the Southern Tier, where it has a much freer hand. Within the post-Soviet states regional and ethnic divisions have become more visible and politically salient than they were in Soviet times. In Tajikistan conflicts between regional elites led to civil war, political breakdown, mass killing, and Russian military intervention. Exploiting the international fear of Muslim fundamentalism (which was not really a factor in the Tajik conflict) and the dangers of Afghan cross-border incursions, Russia was able with impunity to intervene and back the former Communist leaders of the Leninabad-Kulob faction against the opposition. Factionalism based on kinship, village ties, the ulus (horde) one belonged to, or what patron-leader you followed deeply marks

politics in the whole southern tier of the former Soviet Union. The fragility of states in the region, internal ethnic and regional conflicts (the Karabakh conflict, the Abkhaz and Osetin secessions in Georgia), as well as economic dependence and potential threats from abroad (Afghanistan for Tajikistan, Turkey for Armenia) has elevated the importance of Russia in the region.

Given Russia's historic and geopolitical position in Central Asia, and the disinterest of other Great Powers to commit resources to this distant territory, Russia remains (and is likely to remain) the principal political and military power in the region. Even though over time Russia's importance in trade, which is fully one-half of Central Asia's foreign trade in the mid-1990s, will be rivaled by China, India, Iran, Turkey, and Japan, the Central Asian elites, with their experiential ties to Russia, continue to turn periodically to Russia when local problems seem to overwhelm them. Not only in Tajikistan, where Russia remains the major arbiter of the civil-regional conflict, maintaining a military presence in the capital and on the border with Afghanistan, but in Kyrgyzstan, where the weakness of the Kyrgyz economy and the regional-clan fractures in Kyrgyz society, as well as the genially Russophilic attitude of a large part of the Kyrgyz elite, facilitate the continuation of a Russian military presence on the Kyrgyz-Chinese frontier, Russia presence has led to greater stability, if not to assurance of unfettered future independence.

In the first post-Soviet years several Islamic countries developed elaborate plans to extend their influence into Central Asia and Caucasia. Saudi Arabia concentrated on promoting the Islamic religion, while Turkey used the idea of Turkish fraternity with the Turkic-speaking peoples to pledge ambitious programs of economic development and military assistance. Russians and Armenians, in particular, feared the expansion of Turkish influence, but over time the fears turned out to be exaggerated. Pan-Turkism was not only a figment of Armenian and Russian imagination but a figment of Turkish imagination as well. Russia has successfully blocked much of the cultural and religious, not to mention political, influence of the major Islamic powers in the Southern Tier.

Turkish governments have been preoccupied with the serious internal problems with the Kurds and other minorities, and the new Islamicist government has made little effort to revive the frustrated Pan-Turkic aspirations of the Ozal regime. Though ritual statements about solidarity with the Azerbaijani struggle with Armenia may be heard in Ankara, Turkey has not involved itself directly in the war, except to maintain a blockade against Armenia, and has been willing to discuss better relations with the independent Armenian government. Iran, with its large Azerbaijani and smaller Turkmen minorities, has been wary about nationalism abroad that could stir its constituent peoples. As they grow increasingly moderate and pragmatic, the rulers of Iran defer to Russia as the major force in Central Asia, even in Persian-speaking Tajikistan and Shi'i Muslim Azerbaijan, and look to Moscow to maintain stability in the region. Dismayed by the war in the Caucasus, Tehran tried several times to mediate the conflict and remains the one Islamic power with which Armenia is able to deal. China also worries about instability in the vast lands north of its borders. Once the border adjustments were made in the Far East and signed into a treaty in 1991, China has not made any further demands on Russia or Central Asia, fearful that the Uigur unrest in Xinjiang might be stimulated from Kazakhstan.

As a binational state almost evenly divided between Slavic peoples and traditionally Islamic peoples, Kazakhstan offers the greatest potential in the region for danger in the future. Of Kazakhstan's 17,000,000 people, Kazakhs make up 43 percent and Russians 38 percent, with the rest divided among Ukrainians (7 percent), Uigurs, Germans, Koreans, Tatars, and Uzbeks. Nazarbaev's policies of civic nationalism and "authoritarian democracy" (presidential domination) have been successful in containing inter-ethnic tensions, though some Russians complain about preferential treatment given Kazakhs in government and promotion of the Kazakh language. The ethnic division is matched by regional division, and northern Kazakhstan is heavily Russian, and even in towns in the south, like Almaty or Jambul, Russian is a common language of communication. Some regions have as high as 65 percent

(East Kazakhstan) and 62 percent (North Kazakhstan) Russians, while the region of the capital has 57 percent and Karaganda 53 percent.⁴ But in Kazakhstan, unlike the Near West, Russians remain distant from the local people and regard the Muslims as inferior. Here assimilation is unlikely and emigration remains the principal option for Russian-speakers. In the worse case scenario, local pro-Russian nationalism and separatism may arise that leads to repression by the Kazakh state, which itself may move from its civic to a more ethnic nationalism. This in turn could very well lead to intervention from Russia to protect its co-nationals. In the future the Kazakh-Russian border could supplant the Caucasian as Russia's most volatile.

It does not take a lot of imagination to project a scenario in which a vigorous nationalist government in Russia responds to provocative events, either initiated by Kazakh nationalists or the Russian population in Kazakhstan, and intervenes militarily in northern Kazakhstan. Any attempt by Almaty (or Akmola after the planned transfer of the capital) to restrict Russian cultural or local political expression in the northern regions could initiate a cycle of responses, increasingly violent, that would stimulate a Russian military move. Many Russians, including quite influential and powerful politicians, have primitive, essentialist ideas about Muslims and speak of the dangers of the Islamic menace, both in the Southern Tier and in an imagined "Muslim crescent" that stretches within Russia from the North Caucasus up the Volga. But for the moment all sides – Russia, the Muslims, and Russian-speakers in the Muslim areas – are aware of the potential breakdown of the current symbiosis and assiduously work to avoid new Karabakhs or Abkhazias. It is often forgotten, though it should stare us in the face, that the anticipated conflicts between Russians and Muslims, which had widely been predicted in 1990-1991, have not

⁴ Philip S. Gillette, "Ethnic Balance and Imbalance in Kazakhstan's Regions," *Central Asia Monitor*, no. 3 (1993), Table 2, p. 21; cited in Rajan Menon, "In the Shadow of the Bear: Security in Post-Soviet Central Asia," *International Security* XX, 1 (Summer 1995), p. 173, n. 70.

taken place. And the fabled Muslim unity against Slavdom also remains alive only in the minds of theorists of civilizational clash.

If one can argue that most outside powers prefer a Russian hegemonic presence in Central Asia to either a new empire or greater instability in the region, the threats to Russia may stem more from conflicts within and between the newly-independent states. In an insightful review of the security problems of Central Asia, Rajan Menon pays particular attention to the imbalance between Uzbekistan and the other states in the region.⁵ With twice the population of Kyrgystan, Tajikistan, and Turkmenistan combined, Uzbekistan also enjoys GNP greater than those three states. But the Soviet-set borders of Uzbekistan do not conform with the boundaries of the ethnic Uzbek, Tajik, or Kyrgyz populations. There are nearly a million Tajiks in Uzbekistan, while Uzbeks make up 24 percent of Tajikistan's population. Tajiks are disproportionately represented in the urban population of Uzbekistan's most important cities, Bukhara and Samarkand. Uzbekistan is feared as a regional hegemon in Central Asia, and indeed intervened in the Tajik conflict with Russia's backing, which left the Tajik regime beholden to the Uzbeks. Conflicts between Uzbeks and Kyrgyz in the Osh region and elsewhere along the Uzbek-Kyrgyz frontier are yet another source of possible irredentist movements that could destabilize the region and more deeply involve the Russians.

Whither Russia?

The question in the Near Abroad is not whether there will be Russian dominance or not but how much dominance and what kind. No matter how weak it is at the moment, Russia thinks of itself and acts as a Great Power, and Great Powers do not operate under the same rules and constraints as lesser powers. As a Great Power Russia will desire at least a hegemonic position in the post-Soviet space, particularly where it believes it is most threatened by local and

⁵Rajan Menon, "In the Shadow of the Bear: Security in Post-Soviet Central Asia," *International Security* XX, 1 (Summer 1995), pp. 149-181.

regional instabilities, as in Tajikistan, Nagorno-Karabagh, Osetia, Abkhazia, and Transdneistria. As a Great Power it will demand a role in protecting those it considers its co-nationals (the so-called russkoiazychnye) in the Near Abroad, though the salience of that diaspora will decline in time, particularly in the Near West. Like the United States in the Western Hemisphere, Russia will want to police its own neighborhood within limits and have the capacity to guard frontiers that impinge on its security. For Russia the Near Abroad remains a sphere of interest and influence.

Even if Russia wanted to reconstruct an empire, it is not capable of doing so soon. Chechnya is the clearest demonstration of the heavy costs of empire, and Russian leaders are unlikely to repeat that mistake. Chechnya should not be read as a symptom of some kind of visceral, eternal Russian expansionism but rather an indication of the serious disease of state weakness and the narrowing of political decision-making into the tight circle around Yeltsin. A considerable and influential part of the Russian public opposes such imperial actions, even on the territory of the Russian Republic, let alone in the Near Abroad or East Central Europe. But because it cannot exercise the global power or even European power that the USSR enjoyed, the new Russian state is likely to be heavily engaged in the Near Abroad. Its prestige as a Great Power depends on its ability to deal with problems in its own neighborhood, and how it deals with those problems will affect its standing in the world.

Though individual Russians or political parties may speak of the reconstitution of the Soviet Union or a new imperial mission or the creation of a special Eurasian sphere dominated by Russia, the most likely scenario for Russia's future role with the Near Abroad is neither imperial nor completely disinterested (i.e., dealing with these states as it would with any other sovereign polity of equal rank). Rather, given Russia's preponderant economic and military power in the region, and the absence of effective competing powers, Russia's likely policy will be to establish political and economic hegemony over the region. This entails the recognition of formal independence of the non-Russian states,

the autonomy of their governments in internal affairs, but a coordinated foreign policy that recognizes Russian security concerns. Russia's clout will come from the presence of Russian troops in many of these republics, the clear recognition that no other power may intervene in the region without Russian invitation, and Russian subsidizing of the weaker economies, particularly through the transfer of energy resources. This policy of hegemony, rather than imperialism -- which would entail interference in the internal order of the non-Russian states, changing governments by force, and uninvited military intervention -- has distinct advantages for Russia. It allows the international community to acquiesce in a forward Russian policy without the embarrassment of supporting a neo-imperial arrangement. And it is far less costly for Russia than maintaining, as it did in Soviet times, the heavy subsidies to the poorer states, particularly in the Southern Tier. However, as the intervention into Tajikistan demonstrates, an imperial policy does not depend on Russian proclivities alone but also on the situation created in neighboring states, the opportunities and dangers presented to Russia. And there is always the danger that even the best-intentioned hegemon can in a fit of absent-mindedness slip into imperialism.

Russia is now (and is likely to remain for the next decade or so) a regional power, as the United States was in the first half of the nineteenth century, consolidating state authority over its own territory, defining its borders, policing its neighborhood to prevent any rivals from establishing influence in its sphere of interest. Its intentions still fall within the category of hegemonism as long as they are realized not through force but consent and with the preservation of degrees of state autonomy and relations of equality. As tempting as imperialist intervention might be south of the Caucasus, in Central Asia, eastern Ukraine or Crimea, in fact a weakened Russia has much more to gain from restraining itself to hegemonism. The West, particularly the United States, will then have to learn to live with it.

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Goals of an Ambitious Russian Foreign Policy for the Next Decade.

by Anatol Lieven,

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When one speaks today of "Russia wanting this", or "Moscow planning that", it must be understood that the language is even more figurative than is usual in such cases. All the evidence of the past few years suggests that the Russian government has been very divided and incoherent, not to say chaotic, when it comes to the planning and execution of external policies. A broad consensus now exists among the Russian elites about the ultimate goals of Russian policy - notably the closer integration of the CIS under Russian leadership. But there is no consensus whatsoever about what precise policies to adopt in several areas, and above all how to pay for them.

This brings me to a point which must always be kept in mind: in the long run, to pursue an ambitious foreign policy in the sense of restoring its status and influence as a great power, Russia will have to strengthen herself as an economy and state. Greater coherence in government policy might well become possible under a new Presidency; strengthening the Russian state as a whole is an infinitely more formidable proposition.

This paper assumes that Russian leaders and policymakers, including the main contenders to succeed President Yeltsin, understand this, and that the goals they set will therefore be to a greater or lesser degree rational limited by an

awareness of Russia's weakness. It is also possible however that they may become so infuriated by what they see as the West's expansion into the area of their vital interests - for example, if NATO takes in the Baltic States - that they will adopt irrational means of retaliation, which will both in the short and long terms hurt their own interests as well as contributing to international instability.

In this context, it is instructive to look at Russia's capacity for projection of "hard" and "soft" power, to use Joseph Nye's formulation. In the world beyond the former Soviet Union, Russia's ability to expand her power in "hard" ways has now virtually vanished - for example, she no longer possesses a serious blue water navy. Instead, Russian policy has turned towards the goal of expanding other, "softer" forms of influence and persuasion. But these too are highly limited, because of the weakness of Russia's economic weakness and her continued lack of integration into the emerging global economy.

Russia's main forms of influence in the outside world now rest on her continued position as an exporter of relatively sophisticated armaments, nuclear technology, space technology and services, and to a much lesser degree engineering equipment and skills; on her membership of the Security Council of the United Nations, which gives her a major opportunity to make her opinions heard; and on her remaining status as a nuclear superpower, which still causes other powers to show a certain respect or wariness.

The principal forms of Soviet projection of influence in the wider world - ideological and military - have however collapsed, and cannot be replaced. This is especially striking for example in Latin America, where the former Soviet role has simply vanished.

Within the former Soviet Union and the Commonwealth of Independent States (CIS) Russia's capacity for "hard" forms of influence are of course very much greater - though also a good deal less than seemed the case two years ago. In particular, the Chechen War has cruelly revealed the present weakness of the Russian armed forces.

Citing this and "the contemporary international situation", a recent public report entitled "Will a Union Revive by the Year 2005?", drawn up by the Council on Foreign and Defence Policy under Sergei Karaganov, a semi-official group of policymakers and economic figures stated bluntly that "for the next decade at least, methods of military coercion are practically excluded". Russia's ability to use other levers of influence, like the "Russian" diaspora or Russian energy supplies, are also more limited than may appear at first sight.

Russian external policy for the foreseeable future will have five moderately ambitious priorities, the first of which however is seen as defensive in character. These goals are likely to remain essentially unchanged for the following decade, unless the international scene changes in ways that cannot at present be predicted.

- 1) To place conditions on NATO expansion into Eastern Europe that will allow Moscow to claim that she has won a modest diplomatic victory and that Russia's security interests have been defended; and to block absolutely NATO expansion into the former Soviet Union, beginning with the Baltic States.
- 2) To strengthen Russian hegemony (or "leadership") within the Commonwealth of Independent States, either by general or bilateral agreements, and to increase the economic and military "integration" of the

former Soviet area. In particular, to draw Ukraine more closely to Russia and prevent her from wholly entering the Western orbit.

3) To gain new international and CIS markets for Russian goods and capital.

4) To regain for Russia some importance and room for manoeuvre on the world stage, and allow the government to claim that she is once again acting as a "great power", and providing "leadership" for certain international trends and groups of nations.

5) To exploit American difficulties elsewhere in the world in such a way as to make the USA more respectful of Russia and responsive to Russian concerns and desires, especially within the former Soviet Union. However, to do this in such a way that it will not lead to a major breakdown of relations with Washington, and major US diplomatic or economic retaliation. So Russia's goal is simultaneously to be a nuisance to the USA and to be useful to her, or to show that she could be useful to her if treated properly.

These are all of them rational aims; turning to irrational ones, in the wider world, beyond the borders of the former Soviet Union, an irrationally ambitious Russian foreign policy would be one which became so infuriated by American policies and attitudes, that it dedicated itself openly and determinedly to attempt the destruction of American global supremacy, irrespective of Russia's own real interests. This is something of which many Russians - even supposedly pro-Western ones - dream in their more nationalist moments; it is generally however immediately suppressed again by considerations of national interest, self-interest and caution.

The long term disadvantages of a destruction of American hegemony are especially obvious in the Far East. Russia's only real chance of directly

threatening US power is to do her utmost to support the Chinese, especially with help in modernising China's armed forces. There are some in Moscow, particularly in the military and the military industrial complex, who would indeed like to see such a policy, though as much in order to boost arms sales and prop up Russian industries as for geopolitical reasons.

So far, however, despite rhetorical co-operation with the Chinese against "American hegemony", most Russian policy-makers seem to be taking a much more cautious view. They realise, in the words of a senior Russian diplomat, that in the long run, the relations between a future Chinese superpower and a weak Russia might well resemble "the relations between a stomach and its food", if only because China potentially can claim back the whole of the Russian Far East on the basis of the need to reverse the "unequal treaty" of Peking of 1860; whereas the USA, whatever its perceived bad treatment of Russia, at least has no claims on Russian soil.

The results of a policy of trying to put together an alliance of anti-American "rogue states" - touted by the wilder fringes of Russian politics, and played with even by serious politicians - looks just as bad for Russia if successful in the long term, and utterly pointless in the short one. An alliance between Libya, Iran, Iraq and North Korea would recall the cruel phrase about a previous attempt at "third world" co-operation: "ten drowning men holding onto one another". In particular, although both have problems with the USA, the chances of getting the Indians and Chinese to co-operate on a stable basis in world politics are very small indeed.

Russia's foreign policy has been divided by the Russians themselves into the "far abroad", where Russian opportunities and ambitions are now very limited, and the "near abroad", or former Soviet Union, where they are much more substantial. The division of responsibility for these spheres within the Russian administration has now been formally recognised with the appointment of Aman Tuleyev as Minister for the CIS - though how much real power he will be given to make or even co-ordinate policy remains to be seen.

Taking the "far abroad", or wider world, region by region, Russia's goals are likely to be the following (It may be noted that they entirely exclude both Africa and Latin America, areas where Moscow now has virtually no influence or capacity for action):

Europe:

In Europe, an ambitious Russian policy will essentially consist of limiting the expansion of the influence of Western countries eastwards into Moscow's former empire, of retaining the image at least of a Russia which is part of Europe and regularly consulted on European security; and of trying to drive a wedge between the West Europeans and the Americans, both to this end and on the general principle of creating a greater space for Russian diplomatic manoeuvre.

It seemed for a while during the Bosnia crisis that things were indeed moving in this direction. Russia may certainly hope to exploit some future crisis in US-European relations, but she would have to do so with some delicacy and restraint or the Europeans would simply fly straight back into the arms of Washington. If of course the USA were to retreat from Europe altogether, then a

Russian strategic partnership with a weak European Union would become a very real possibility, but this looks very unlikely in the foreseeable future.

Russia is however already benefiting from the greater caution of the major West European states over NATO expansion, with both Chancellor Kohl and President Chirac now privately urging a more cautious approach, especially as regards the Baltic States. Britain too has always been relatively lukewarm on this score, and these are sentiments on which Moscow will seek continuously to play.

In the unlikely event that the Russians were to be angered out of their wits - for example by NATO expansion to the Baltic States - then they might redeploy nuclear weapons against the West or against American military targets in Europe (something which Russian policymakers have openly threatened). The hope would be to reactivate the West European anti-nuclear and anti-American movements of the 1980s; bring down the German Christian Democratic government; drive a wedge between the West and East Europeans and the West Europeans and the Americans; and force NATO into a humiliating and possibly fatal retreat.

This however would not be a rationally ambitious strategy; it would be a game played *va banque*, out of sheer desperation. If the West Europeans' nerve held - as it did during the Soviet threats against Pershing deployment in the late 1970s and early 1980s - Moscow would be back to the position of 1982, but in a vastly worse position than in that year: totally isolated and with nothing to show for all the sacrifices of the past decade. Nonetheless, Russian leaders will go on threatening this, and thus run the risk of becoming trapped by their own

rhetoric, and adding very severely to the "banana skins" lying in the path of US-Russian relations, to quote Ambassador Matlock's phrase.

With a true European Union coming to seem increasingly a pipe-dream, Russian hopes of establishing a separate and significant security relationship with the Europeans, outside NATO, are also fading. The OSCE, though useful, has also been clearly sidelined by the West. The Russians will undoubtedly go on trying however, and their best point d'appui as in the past will be France, because the Germans have their own ambitions and loyalties in Eastern Europe, and the British are tied to the American alliance because of their fear of a united Europe.

The problems about any attempt to resurrect the old Franco-Russian entente, as flirted with by de Gaulle, are however twofold: France is too weak, and Russia is too weak. France, realising her own weakness, is a great deal less Gaullist and independent-minded in foreign policy than she was under de Gaulle; she is utterly tied to Germany; and she regards Russia both as too feeble and too unreliable to be a really useful partner. Nonetheless, this is a wedge which Russia will probably try to push at in future.

The strongest Russian links with European countries outside the former CIS are in the Balkans. Serbia remains relatively isolated and without influence of her own, but Bulgaria and Greece provide useful footholds for Russian influence, especially of course because Greece is actually within the EU and NATO. Cultural and religious factors aside, the sympathy of these countries for Russia is and has always been based overwhelmingly on one factor: fear of Turkey. Hence the agreement in principle of the Greeks and Bulgars to a new route for oil from Azerbaijan and Kazakhstan, to be transported by sea from the Russian

port of Novorossiisk to Bulgaria, then by land to the Greek port of Alexandropol. This economically absurd route has the chief purpose of by-passing Turkey and restricting Turkish influence in the Caucasus and Central Asia (see below). Russia could hope that future Turko-Greek tension, or even hostilities, might badly damage US prestige and influence in the area and boost that of Russia, perhaps even to the extent of creating a new Russian-led military defensive military alliance - though Russia would have to be very careful about this, because her own forces in the region are now clearly inferior to Turkey's.

Moreover, a Greece which was furious with the USA and grateful to Russia might be persuaded to use her influence or even her veto within NATO to prevent the alliance from expanding eastwards. There have been private approaches to the Greeks over this. At present there seems little hope of it, but it is something the Russians will go on working for.

The Middle East

This volatile region is the area of greatest strategic concern for the United States. It can be predicted that future crises will occur, and that it will be Russia's goal to exploit them so as to expand her influence. This is especially so if, as can be predicted, the former Middle Eastern expert and intelligence officer Yevgeny Primakov remains Foreign Minister.

The ideal Russian scenario - but not one she can create herself - would be one in which Turkey were to swing in a radically anti-Western direction. This would gravely weaken the US in the region, make Russian help much more important to the US, block any possibility of oil exports from Azerbaijan and Central Asia running through Turkey, and, as mentioned, strengthen Russia in the Balkans.

For the moment, this looks like wishful thinking; but if such a crisis were to occur, Moscow would certainly seek to exploit it to the hilt.

Failing this, given Russia's economic and military weakness, her capacity for direct involvement, or support of anti-American regimes in the Middle East, is highly limited. On the other hand, the bitter resentment even of moderate Arabs over America's identification with Israel means that any major power perceived as anti-American will always have a residual influence and usefulness to the Arabs as a counterweight.

Russian goals in the Middle East are essentially threefold:

- 1) to recover some diplomatic prestige, above all by re-inserting herself into the Israeli-Palestinian peace process as a mediating force, and trying at least symbolically and partially to replace Washington with Moscow as a place where peace summits are held. The chances of this at present look very slight, but the collapse of one or more pro-American regimes in the Middle East, or a prolonged American failure to halt violence between Israel and the Palestinians, could well improve Russia's chances.
- 2) To boost Russian exports, above all of weaponry and nuclear equipment, since this is about all that Russia currently has to export to this region, but also - and these goals are not of course compatible -
- 3) to use these sales and US difficulties in the region generally as a means of putting pressure on the USA to make concessions elsewhere, especially in the context of NATO expansion.

The Far East:

An exception to the rule of Russia's lack of capacity for direct involvement might be in neighbouring North Korea, should it eventually disintegrate in a dangerous way. If UN forces were to be introduced into North Korea to supervise a transition, Russia would certainly demand to play a part, and might be encouraged to do so by the Chinese as a counterweight to the US.

Even here, however, Russia's border with North Korea is so short, and the economic resources of the Russian Far East so impoverished, that Russia's capacity to play a major hand in North Korea's reconstruction will be severely hampered.

For Russia to pursue rational but truly ambitious goals in the Far East, she would have to begin with an act of renunciation of which only an exceptionally morally courageous and farsighted Russian leader would be capable (Lebed?): she would have to return the Kuriles to Japan. This could have two results: the regeneration of the Russian Far East with the help of Japanese capital (though *only*, of course, if the Russian state could create the domestic conditions for successful foreign investment), and possibly, with Japanese help, Russia's insertion of herself into the various cracks of the East Asian security configuration.

If Russia could improve her links with Japan and other East Asian states which fear China but are not prepared for a US-led policy of neo-containment, then she might be able to attempt the role of an "honest broker" in reducing tensions in the Far East, especially if Chinese-American hostility over Taiwan were to grow, and if the Japanese population were to swing in a more anti-American direction, especially concerning the presence of US troops. So far, however,

Russian thinking about diplomatic strategies for the Far East has been very weak and incoherent.

The "Near Abroad": Former Soviet Union.

It goes without saying that this is the area where Russians see their truly vital interests are lying, and where their goals are most ambitious. Simply put, the ultimate goal is the integration of the CIS as one economic and security space under Russian leadership and the exclusion as far as possible of the influence of other great powers and alliances. In the case of the Baltic States, the goal is less ambitious and essentially negative: to keep them out of the West's military sphere and open to the possibility of future Russian dominant influence.

A key Russian problem, illustrated by the Baltic States, is that while ideally she should aim at "soft", non-provocative ways of exerting influence over her neighbours, which would not increase local resentment of Russia and involve clashes with the influence of other powers, her economic weakness makes this very difficult. As a result, she tends to be pushed both into the use of hard methods and into retaining a "zero-sum" analysis of the meaning of influence, whereby Russia has to gain hegemonic and institutionalised influence for fear that otherwise, she will be left with no influence at all - which is what has happened in the Baltic States and Central Europe. Paradoxically, for this reason a stronger, more self-confident Russia might actually pursue less crudely bullying and "ambitious" tactics in her relations with her neighbours.

A coherent version of Russian goals, and some of the methods of pursuing them, have been set out in a recent document entitled "Will a Union Revive by the Year 2005?", drawn up by the Council on Foreign and Defence Policy under

Sergei Karaganov, a semi-official group of policymakers and economic figures.

The Council hopes to,

"shift the centre of gravity of activities in the space of the former USSR away from the highest level - the establishment of superstructures, the signing of treaties and the like - to support for specific projects of interaction in the cultural, social and above all economic spheres: the exchange of debt for ownership, the creation of financial-industrial groups, the facilitation of financial transactions, the establishment of joint banks and so forth."

This desire to create open markets both as a means to Russian economic hegemony and as a genuine policy of encouraging the revival of the Russian and other economies is accompanied by desire for military co-operation.

However,

"It is one thing to organise specific co-operation in several areas (air defence, ABM defence, border service, officer training, logistics etc) but it is another to create a full alliance which will both be costly for Russia and will be perceived by many neighbours as a threat. This could thus not increase but rather decrease Russia's defensive strength...Under present conditions [for example] a military alliance with Belarus may be used by adherents of a very rapid expansion of NATO and so on...For this reason it is desirable to build alliance relations "from the bottom up" under conditions of maximum transparency and in dialogue with neighbouring countries..."

The framers of this document appear strongly aware of the limits of Russian power and of Russians' willingness to pay for this programme. Even so, it may be said to be more ambitious than reality is likely to allow.

The Baltic States.

Russian goals in the Baltic are the following:

- To keep the Baltic States from joining NATO, but if possible without having to make direct military threats and risk a disastrous confrontation;
- To get them if possible to accept international security guarantees of which Russia will be a co-signatory;
- To get them to moderate their anti-Russian rhetoric, and drop for example proposals for the demilitarisation of Kaliningrad;
- To preserve strong economic ties to Russia; and to keep the door open for citizenship for Russian immigrants in Latvia and Estonia, in the hope that one day really strong Russian voting blocs there will insist on close ties to Russia.

However, the "harder" forms of such a strategy are virtually ruled out both by the internal cohesion and tough national identities of these states and by the close interest the West takes in them. It would also be made very difficult by their peaceful and law-abiding internal political order. The whole point about really ruthless provokatsii, or "wet operations", is that they have to be plausibly deniable, in view of the already prevailing atmosphere of violence and disorder - as in Georgia between 1990 and 1993.

There may however be room for what one might call "drier" forms of destabilisation, above all economic, and it is conceivable (though no real evidence exists) that the Russian government may have encouraged last year's banking crises in Latvia and Lithuania.

Russian diplomats have also threatened a blockade, either of oil or of all Russian goods passing through the republics. The Estonians and Latvians

however are far too tough and determined to be intimidated by these means; and moreover, are so small that quite limited amounts of Western aid would be sufficient to salvage them.

In the longer term, of course, Russia does have, or thinks she has, one trump card in Latvia and Estonia at least, and that is the local Russian populations. This is indeed a card that Moscow has played on with all the states of the former union, and it forms the core of private threats about what Russia would do to Ukraine if she tried to join NATO. However, in my view both Russians and Westerners greatly exaggerate the potential importance and danger of this threat. Both tend to speak as if Moscow could turn Russian unrest in the other republics on and off like a tap. This not the case, simply because these Russian diasporas almost all lack both the capacity for spontaneous political organisation and the underlying sense of Russian nationality that would make such mobilisation possible.

Moreover, the new Baltic citizenship laws, if fairly administered, will give the children at least of the present generation of Russian-speaking immigrants the chance to become citizens. Now that the attempt to secure full civil rights for the Baltic Russians has failed, this is Moscow's new hope, and the Balts' nightmare: that in the course of time, most Russian-speakers will become citizens and voters. Given their numbers, this could mean that they will exert strong pressure on the Baltic governments to establish friendlier ties with Russia. As their own confidence and sense of identity grows, they might also press for Latvia and Estonia to become bilingual states on the lines of Finland or Belgium. If on the other hand the Balts were to resort to illegal administrative chicanery to block Russians from becoming citizens, Moscow would certainly raise this again in

international fora in order to try to block the Balts from becoming members of NATO or the EU.

However, at the moment the number of Russians who are applying for Latvian and Estonian citizenship is slight, and this issue may not become actual for at least a decade. Furthermore, while it is likely with time that the Baltic Russians will develop stronger social institutions and movements of their own, it is by no means sure that they will identify with Moscow. At present, the pulls are all in the other direction, towards Western Europe.

If really infuriated, Russia could try to encourage a movement for autonomy or secession in the Russian-populated north-eastern region of Narva. This would be a very risky move which would bring strong Western retaliation, and might involve the Russian army in military operations against the Estonians, something which would cause an immense crisis and might lead to a military humiliation on the lines of Chechnya. However, in a more limited way the Russians could turn against the Estonians a card they themselves have raised, that of the return of territory taken from Russia by Estonia in 1920 and Estonia by Soviet Russia in 1944, and for special rights for the tiny Estonian Setu minority in Russia. The Russians could suggest mutual concessions, thereby putting the Estonians in a difficult position - though only if the Russians of Narva could also be persuaded to launch a major agitation of their own.

Belarus.

Belarus looks like a major Russian asset but may become a major headache and possible debacle, for two reasons: the character of President Lukashenko and his government, and the unwillingness or inability of the Russian

administration to provide the economic support necessary both to prop up the faltering Lukashenko regime and to tie Belarus really firmly to Russia.

Ambitious Russian scenarios for a complete integration of military structures and economic space look entirely plausible in principle, but for reasons of cost they are only likely to be fully adopted if NATO expands without taking account of Russian concerns. Quite frankly, however, Belarus has already been Russia's for the taking and Russia, for her own financial and economic reasons, has not taken her.

The real question for Russia then is whether it will be possible to pursue a strategy of hegemony and above all military integration in Belarus without having to pay for it on a large scale. In the long run, this seems unlikely. On the other hand, if NATO expanded up to Belarus's borders, and Belarus seemed to be slipping into chaos, then the Russian establishment would be faced with a real moment of decision, which could have far-reaching consequences: either to mobilise the necessary funds, which would mean serious internal reforms of the Russian state itself; or to admit to themselves that with regard to a state as close to Russia in every way as Belarus, Russia no longer has the capacity to project dominant influence beyond her borders.

This would be a very hard admission for the Russians to make, and how they would decide under these circumstances might depend greatly on Western policy and especially the nature of NATO expansion. For example, if the Russians thought that the result of a loss of military control over Belarus would be unstoppable pressure from Baltic countries for the demilitarisation of Kaliningrad, or moves for Ukraine to join NATO, they might well feel they had no choice but to stand their ground, whatever the cost.

Ukraine and the Russian Diaspora:

With regard to Ukraine, Russia's ambition is gradually to draw that state back into closer dependence on Russia, and to try to retain existing Russian positions within Ukraine - notably the naval base of Sevastopol and the strongly pro-Russian sentiments of the majority of the population of Crimea. However, assuming that present strategies continue, the aim will be to do this cautiously, trying to avoid the risk of provoking a nationalist Ukrainian backlash and a sharp official turn towards the West.

The Ukrainian economy is a disaster even by Russian standards. This gives Russia room for the expansion of economic influence; it also contributes greatly to the grumbling discontent with Kiev of the Russians and Russian-speakers in the industrial cities of Eastern Ukraine.

In private, Russian officials make bloodcurdling threats that if Ukraine were to seek NATO membership, mass discontent in this region would be activated and Ukraine split in two, or her government brought to her knees. This could conceivably happen of its own accord if the Ukrainian economy permanently fails to improve; it would obviously provide Russia with her greatest chance to expand her influence, while also raising terrible risks of instability and civil war, which might rebound badly against Russia.

However, while the Russian elites in Ukraine feel no great allegiance to Ukraine as such, they also feel no particular loyalty to Moscow. They have almost completely open entry into the Ukrainian government, and indeed into the Ukrainian nation, given the closeness of the Ukrainian and Russian languages

and cultures (something which in the past worked for russification and today, in a piece of poetic justice, is working for Ukrainianisation).

Only in Crimea, and especially Sevastopol, is Russian political consciousness strong enough to suggest the possibility of a strong pro-Russia movement in the next few years - but then, such a movement did exist, and collapsed under the weight of its internal divisions, the foolishness of its leaders, and the apathy of the Crimean Russian population. It would probably take several years to revivify. However, in the case of Sevastopol, if Moscow cannot reach a compromise with Ukraine over the basing of the Black Sea Fleet, then she may try to mobilise the town's population to put additional pressure on the Ukrainians. However, Moscow would have to be very careful in using this weapon, because if it is true that she cannot turn such movements on like a tap, it is also true that she cannot turn them off like a tap. Once started, they have a tendency to run off on their own.

The Council on Foreign Policy declares with regard to Ukraine that, "relations with Ukraine are the main priority in Russian policy towards the CIS. We should aim to become allies in the future."

Three Russian ambitions centre on Ukraine:

- that of turning at least the "Slavic core" of the CIS into a real international group or confederation of states;
- that of retaining the western borderlands of the Soviet Union as an area of Russian influence, excluding NATO;
- and retaining the image of Russia as natural leader of all the Eastern Slavs, eldest child of Kievan Rus.

Since everyone in Russia excludes military action against Ukraine (unless the Ukrainians for example were to try to expel the Russians from Sevastopol by force), most strategies, like that of the Council, are based on the premise that Russia, as by far the biggest economy in the CIS and the provider of oil and gas to several other members (notably Ukraine), is in a strong position to expand her economic influence and use this as a lever to encourage integration. In particular, the report calls for Russian state and private companies to take over shares in Ukrainian ones in return for forgiveness of Ukraine's massive oil and gas debt.

This prospect of a quiet property takeover by Russians is something that has Ukrainian nationalists very worried - perhaps unnecessarily, because the weak Russian state for the foreseeable future will not even be able to make its capitalists pay their taxes or stop sending their capital to the West. The idea that they will patriotically pump billions into rusting Ukrainian steel mills so as to increase Russian hegemony does indeed look "ambitious". Nonetheless, this form of quiet infiltration is likely to be a key aspect of Russian attempts to influence Ukraine in the years to come.

The Transcaucasus:

In the Transcaucasus, Russian ambitions are dominated by the desire to hinder the expansion of Turkish influence (American too, but largely because it is seen as backing the Turks). In order to do this, the Russians want to:

- Ensure a permanent presence for Russian troops in all three republics, with bases in Georgia, either bases or a long-term peacekeeping presence in

Azerbaijan, and Russian border troops on Azerbaijan's borders with Iran and Turkey (they are already stationed on Georgia's and Armenia's borders).

- Solve the Karabakh and Abkhaz conflicts, but only in such a way that the resulting settlement will be guaranteed by Russia, will not (especially in the case of Abkhazia) mean the elimination of a Russian ally and potential tool, and will not compromise the alliance with Armenia, Russia's firmest and oldest ally in the region..
- Have the pipelines carrying Azerbaijan's oil and gas to international markets pass through Russian territory, not that of Georgia and Turkey.

Russia for the moment is simply neither strong enough to gain all these ends, nor internally cohesive enough to choose between them, because of the powerful Russian lobbies lined up on opposing sides. Given the absurdity of the Russian route for the oil, and the stake of the Russian company Lukoil in its export, it seems likely however that in the end Russia will give way over the pipeline route, while trying to extract concessions in return.

Previous opportunities for Russian pressure and manipulation are for the moment largely absent: The Armenian-Azeri War is suspended, and will not be resumed by either side in the next few years; this also seems true of the Abkhaz-Georgian War; the Georgian and Azerbaijani states have become much stronger, although their stability still depends critically on the lives of Presidents Shevardnadze and Aliiev. Russian opportunities may become much greater when these men die.

A really ruthless, or "wet" Russian policy would therefore be to assassinate these men and fish in the troubled waters that would follow - though with no

certainty of course that the eventually emerging political configuration in these countries would be any more favourable to Russia.

An ambitious, but restrained and "dry" Russian plan for the Transcaucasus by contrast would be a mirror image of Turkey's proposed "grand settlement" of the Karabakh dispute, with one major difference: the pipeline running through Armenia to Turkey, thereby linking the Azeris and Armenians in a common major interest; the Azeris recognising Karabakh independence and the Armenians giving back the rest of captured Azeri territory plus the town of Shusha; and Russian peacekeeping troops garrisoning Shusha and the Lachin corridor. In return for this, the Russians would doubtless also insist on Azerbaijan giving bases and a role for Russian border guards, though President Aliiev has sworn never to allow the latter.

Alternatively, if this scheme seemed too ambitious, the Russians could agree to the pipeline going through Georgia and Turkey in return for bases in Georgia and Azerbaijan, and American concessions in the field of NATO expansion and Baltic security. However, it seems doubtful if Moscow could really get all the necessary parties to agree to such a settlement.

Central Asia.

At present, despite the war in Tajikistan, Central Asia is Russia's area of least concern, because outside geopolitical influence there is most limited. Both the nature of the Central Asian regimes, ethnographics (in Kazakhstan) and geography give Russia a strong hand. This is in part because of the US policy against Iran, which has left Russia as the only export route for Kazakh oil and gas. On the other hand, there is some evidence that in Uzbekistan at least

political Islam is making major gains, something which is of grave concern to the Russians.

Russia wants to keep Central Asia as an economic and military sphere of influence, and to exclude both foreign powers and hostile political developments, whether islamic or nationalist. To some extent, these goals have already been achieved and need only to be preserved. Russian demographic and cultural fear of the Central Asians is such that there is no real desire in Russia for a truly close confederation.

However, in addition Russia has the goal of placing her border guards on the external borders of Uzbekistan and Turkmenistan, by the kind of agreements she already has with the other three Central Asian states; to re-establish even looser military co-operation with the Uzbeks, Kazakhs and Turkemans, and to gain dual citizenship agreements from all the Central Asian states, of the kind already signed with Turkmenistan. So far, three out of the four Central Asian states have been successfully resisting one or more of these Russian goals; and it seems likely that their fulfilment might only take place if internal dissent made these states weaker - something which would threaten Russia with much greater dangers.

The power but also the dilemmas of Russia in Central Asia are most evident with regard to Kazakhstan. Russia has of course played with the threat of "activating" the Russian population there in order to put pressure on Nazarbayev, but in practice she would only wish to carry it out as a very last resort - for example if Kazakhstan were to build a new pipeline out through the Caspian and the Transcaucasus to Turkey, and appeared in other ways to be drifting fast from Russia's influence.

Russian policymakers know that they stand to gain far more from Kazakhstan by her present policy of relatively discreet pressure, chiefly by means of Russia's geographical control of Kazakhstan's export pipelines (greatly exacerbated by the USA's refusal to let Kazakhstan export via Iran). However, the Russian card in Kazakhstan is a wasting asset, because the Russian birthrate is so much lower than the Kazakh one that the Russian proportion of the population is steadily sinking. If Moscow wants to gain the Russians of Kazakhstan some kind of guaranteed status (for example through the introduction of a federal system) she will have to act in the next ten years or so, whatever the risks.

Summary:

Unless she can strengthen her economy and state, Russia's capacity to pursue truly ambitious goals will remain very limited. If however the next Russian administration at least proves more united and better led from the top, its capacity to decide on coherent objectives and plans will be greatly improved, even if it will still have great difficulty in achieving them.

In the wider world beyond the CIS, or "far abroad", Russia's possibilities of initiating developments will be slight, but she will certainly try to take advantage of events to strengthen her image and put pressure on the USA to make concessions elsewhere.

Within the CIS, Russia will go on aiming for closer integration under Russian leadership, while taking great care not to provoke major hostilities involving Russian troops. However, any new, strongly anti-Russian regimes that emerge will be undermined by covert means, and if possible destroyed.

These are all rational and limited strategies, in tune with Russia's extremely limited capabilities. If however the USA were to prove wholly unresponsive, and were to push ahead with NATO expansion to the Baltic in the face of Russia's objections, then the Russians might lose their wits and embark on really dangerous and provocative policies.

These could include trying to inflame ethnic strife in the Baltic States and Ukraine by "wet" operations (selective assassinations and bombings); stationing tactical nuclear weapons in Kaliningrad and elsewhere; retargeting either tactical or strategic missiles at the West, and arming anti-American movements and regimes elsewhere in the world. However, the Russians would be very unwilling to do this, and it would not be an "ambitious" policy: it would be a reactive and maddened one, and fortunately seems on balance unlikely.

SOME SCENARIOS OF AMBITIOUS RUSSIAN POLICY

by

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Introduction: What Are We Trying to Imagine?

Do we mean by an "ambitious" Russian foreign policy one that is very damaging to the United States and its allies? Or one that boldly sets out to achieve Russia's most important interests? Much of American foreign policy debate tends to identify these two courses without ever justifying that identification. Logically, there can be four alternatives:

--Russian foreign policy which is advantageous both to the United States and to Russia. The Soviet withdrawal from commitments to radical Marxist-Leninist regimes in the "Third World" is an example.

--Russian foreign policy that is advantageous to Russia, but not to the United States. The two clearest current examples are the retrieval of Russia's leading position in international weapons sales and the restoration of friendly relations with China.

--Russian foreign policy that benefits the United States, but not Russia. In my opinion, the hasty abandonment of the Soviet position in Germany and East Central Europe, without obtaining binding guarantees against NATO expansion or commitments to a new European security architecture including Russia, was a grave mistake for Russia.

--Russian foreign policy that damages both the United States and Russia. In this category I would put the behavior (whether it be instinct, strategy, domestic politics or byproduct of the disintegration of the state) reasserting Russian influence in the Caucasus and in Tajikistan by encouraging local instabilities, thus isolating Russia and fanning fires that burn back onto Russian territory. To pressure Georgia, Russian military intelligence and security police facilitated the introduction of Shamil Basayev's Chechen militia into Abkhazia. They were

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surprised to see them return to Chechnya victorious, confident, battle-hardened and better armed. Thus the Russian government set in motion the events that culminated in the Chechen capture of Grozny, the most humiliating defeat for Russian arms in hundreds of years.

Because this study is prepared for the Department of Defense, I have given more emphasis to scenarios that damage the United States, whether or not they damage Russia as well. But it is important to keep the other two categories in mind, because real reflection on Russian interests does play a role in Russian policy. If we ignore these categories of ambitious policy, we will miss possible scenarios and ignore opportunities to lead Russia on the right path.

Some Strategies for Ambitious Exploitation of a Weak Base

Russia has some interest in a foreign policy of national reassertion, but there are many constraints (specified in another paper) on Russia's ability to carry one out. Other countries, however, have been in this situation. In the following section I will briefly cite some strategies used by weak powers to get around confining constraints and carry out ambitious designs. They will provide ideas for scenarios. I myself will develop only a few.

1. Manipulation of Status. From 1860 to 1922 Italy, "the weakest of all the great Powers," used the status as a great power to enter alliances and seek spoils that would have otherwise been beyond her powers.

2. Appeal to Widely Recognized Principles. Used by the Papal States in the Middle Ages, and by the Non-Aligned Movement states, Scandinavian states and Canada recently. Napoleon III used liberal principles of nationalism to make France the most active power and

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break up the 1815 settlement.

3. Splitting Tactics. Talleyrand achieved equal status for defeated and exhausted France by using the issues of Saxony and Poland to split Russia and Prussia from Britain and Austria.

4. Taking Hostages. One of the ways that Hitler built up German power was through the vulnerability of the weak French allies in Eastern Europe.

5. Rhetoric and Threats were likewise used by Hitler and Mussolini to inflate their power. See Scenario 5.

6. High-Technology Weapons. Most countries that have added nuclear weapons did so to create the *appearance* of power, therefore status. See Scenario 5.

7. Rearmament and Arms-Control Breakout, because they begin from a low base, are a multiplier of apparent power.

8. Expansion in a power vacuum, by invasion, creation of informal empires, or of alliance systems. France restored her power-position after 1870 partly by creating a new colonial empire. Japan, a weak power, could expand freely in chaotic China, 1931-41. See Scenarios 2 and 3.

9. Gloire à Bon Marché is my name for an array of techniques used by De Gaulle and other French Presidents since 1958 to inflate France's feeble power position. The elements of this highly successful policy have included: a) flirting with the other superpower; b) using alliance or confederation status to veto things desired by other countries (British EEC membership 1961-63, EEC currency crisis 1965), so that you must be bribed for assent; c) Showy demonstrations of independence without altering basic relationships (withdrawal from

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NATO military 1967, Iraq): d) holding firm to the central cooperative relationship (Franco-German) to neutralize the worst possible enemy; e) Using French officials in international bodies (EU, WEU) to give France a disproportionate influence in common institutions; f) holding onto imperial territory wherever possible (French Oceania, Mayotte, Djibouti for many years); g) Cutting off uncooperative former colonies ruthlessly (Guinea in 1958); h) Maintaining an informal empire in the remaining colonies by subsidies (e.g. the Franc CFA), military assistance in times of need externally (Chad) or internally against coups, thus influencing which governments are in power; i) maintaining economic relationships in the informal empire, thereby creating dependencies on large numbers of French expatriates; j) cultivating relationships between French and African politicians formed under the Fourth Republic; k) allowing opposition movements to thrive in Paris, thus providing French-influenced alternative leadership if necessary; l) maintaining France as a cultural center of attraction; m) stationing substantial intervention forces at convenient points in the empire; n) emphasizing the independent deterrent as a symbol of great power status. For a version of the "informal empire" part of this technique, see Scenario 4.

10. Intervention in Civil Wars. The only two possibilities outside the Near Abroad are in Iran and China.

11. Multiplying Authority by Alliances or less formal relationships like alliances. The most frequent means by which powers have worked their way out of a weak position. Alliances with weaker states alone require the least sacrifice, but they have the drawback, in Russia's case, that they resemble the "camp of peace and socialism," which was regarded as so unequal and

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appears to have failed so ignominiously. It would seem that Russia was returning to the Soviet Union's foreign policy, but with less success. Alliances that include stronger states require more sacrifice, but are more effective and confer more status, which is now so important to Russia. Two possibilities have presented themselves since 1991:

a) Alliance with the United States is a strange idea, but it can be argued that it would, on balance, have served the interests of both powers in 1992. From the Russian standpoint, Russia was essentially giving up the Soviet Union's international positions anyway at this point, and such a relationship would make it appear that it was getting something substantial in return. Such an alliance was the best way of conserving Russia's status. It would have calmed the worries of Russian minorities in the Near Abroad. Most of all, it would have kept at a distance the prospect of Russia's international isolation, which now seems to be taking place as a result of NATO expansion and nostalgic Russian ambitions toward the Near Abroad. From the standpoint of the United States, such a relationship would have slowed the inevitable Russian evolution away from the attitudes of 1992. The disproportion of power, and Russia's need or desire to jettison many Soviet commitments, would have ensured that the United States and its allies reaped most of the concrete benefits, especially in regional conflicts. NATO expansion might have been quickly consummated under its cover.

After 1992, the unexpected results of privatization and the market, the return of old Soviet habits and ambitions, internal instability, and the Western policy of NATO expansion have combined to make this kind of alliance, which would have been fragile and risky in any case, out of the question. But if we posit a Russia that is more successful than we expect over the

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next decade without becoming much more authoritarian, and a United States that continues its slow disengagement from difficult situations and then is faced suddenly with a serious threat, it might be otherwise at the end of a decade.

b) **Alliance with China.** These two countries share worsening relations with the United States and improving relations with each other. They are both powerful, and some sort of formalization of their friendship would have, particularly if it were joined by other dissatisfied states and movements, the appearance of changing the mono-polar international system. They share common interests, at least at first glance, in the states of Central Asia not being fully independent and confident. Most important, they have, in many respects, weaknesses as international actors that can be filled by the other power. Table 1 shows this relationship. The combination of China and Russia would be more powerful than the sum of each added together.

The effectiveness of a China-Russia combination goes beyond this approximate complementarity of needs and resources; it is necessary to consider geopolitics. Present-day Russian nationalists often remind of Mussolini because their revisionist words are essentially rhetorical. Mussolini too after arriving in power in the early twenties used bellicose rhetoric, but engaged in no expansion. This was not because Mussolini was not a threat, but because Italy was too weak in the international system of the twenties. This comfortable situation was utterly transformed by the rise of Japanese militarism after 1931 and of Hitler in 1933. The defenders of the status quo, Britain and France, were too weak to confront these three threats at once. The British and French reaction was properly to concentrate their efforts on the greatest danger,

Nazi Germany.¹ It was to Hitler and the Japanese junior officers that Mussolini owed his ability to translate his ambitious dreams into gains on the ground: Ethiopia, Albania and a friendly regime in Spain. Mussolini was a jackal who prowled in vain until a real wolf appeared.

The analogy is quite imperfect because Chinese foreign policy aims show no signs of being as radical as those of Germany or Japan in the thirties. In spite of Chinese postwar Chinese claims that Mongolia, many *oblasts* of Russia and Kazakhstan, Nepal, Mainland Southeast Asia, Korea and the Ryukyu Islands are rightfully part of China, China is not a revisionist power even in the complex terms that Russia is. But it shows *how alliances multiply national power*. An alliance with China could be used by Russia to obtain broader foreign policy aims by its aggregate power, or Russia could extract concessions in return for distancing herself from the alliance or for restraining Chinese conduct.

A Russo-Chinese alliance would be made more dangerous to the United States by the inclusion of weaker powers. Possibilities (not all at the same time) include Iran, India, Iraq, and North Korea. The most promising of these is Iran, where there is also a complementarity of needs and resources (except financially) and a solid relationship of cooperation in the "Near Abroad."

Important obstacles would have to be overcome to allow a Chinese-Russian alliance, beginning with the basic asymmetry in the situation of the two countries. China is seen today

¹On the nature of the Italian threat, see MacGregor Knox, *Mussolini Unleashed*. For British and French policy, see the first volume of the *Grand Strategy* series of the British Official History of the Second World War: *Rearmament Policy*, (London: Her Majesty's Stationary Office,).

from Beijing as a successful and confident country, not a needy and bitter one like Russia, a perception reinforced by the historical tradition of China alone as the center of the world rather than the center of a system of states managed by alliances. This asymmetry puts Russia more in the position of the suitor, but at the same time the sad condition of Russia makes it hard to make the further concessions to China that an alliance would require. Moreover, there is in Russian public opinion a deep fear of China, and in the Russian foreign policy elite an aversion to dependent or even equal relationships that wrecked Stalin's vital alliance with China. For these reasons, it has been powerfully argued that "...the Russians are unlikely to sell equipment or technology to the Chinese that would strengthen China to the point where it could threaten Russia's military."² In my opinion, the following conditions would need to be accepted in such an alliance.

Scenario 1: Russia-China Alliance

Alliance Conditions. Russia would need to accept China as temporarily the senior partner. Russia would have to transfer technology to China that would enable Chinese forces to compete with its own, settle the remaining border issues, and get control over the opposition of the Russian Far East. In return China would have to limit Chinese travel and settlement in the Far East administratively and by treaty, withdraw the unequal proposal for mutual troop withdrawals, carry out some unilateral withdrawals on its own, and make large hard currency

²Herbert J. Ellison and Bruce A. Acker, "The New Russia and Asia: 1991-1995," *NBR Analysis*, Vol.7, no.1 (1996), 36.

grants and loans to Russia. The scenario sketched further envisions cooperative strategy against the regional opponents of both parties.

Table 1

	RUSSIA		CHINA	
	Strengths	Weaknesses	Strengths	Weaknesses
Elite morale & unity		Lacking	Present, flawed	
Public morale		Lacking	?	?
Strong state		Lacking	Present	
Efficient armed forces		Lacking except nuclear	Present	
Financial resources		Lacking	Present	
Defense-industrial base	Present, decaying			Lacking
High technology	Present			Lacking
International connections	Present			Adequate
Entree into European diplomacy	Present			Lacking
Reformist reputation	Adequate			Lacking

Alliance Scenario: Russia-China, Chinese threats

A) Taiwan sub-scenario. As result of increasing friction between the authoritarian Chinese government and its subjects in the Special Economic Zones and in Hong

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Kong, the PRC government confiscates Taiwanese investments. The Taiwan independence party wins the next election in Taiwan, and the majority votes for independence in a referendum. The PRC begins bombing Taiwan. The United States announces that it will enforce a no-fly zone over Taiwan from its bases in Okinawa. The PRC demands that Japan end American base rights in Okinawa, a demand that has much support in Okinawa and Japan. The PRC underlines its demand with vague nuclear threats against Japan.

B) South Sea Islands sub-scenario. The PRC navy clashes with Vietnamese forces over the disputed islands. Due to support by the Taiwanese navy, the PRC is worsted. The PRC (B 1) declares that it will invade Vietnam unless Vietnam renounces its claim. Or (B 2) the PRC attacks Taiwan, and the scenario proceeds as in A.

C) Korean sub-scenario. In 2006, five years after Korean unification, American troops have been removed from Korea, but without modifying U.S. defense undertakings which now seem beside the point. The initial euphoria in the North has been dispelled, as in the former DDR, by growing awareness of the differences between the two societies and by resentment of appointees and "carpetbaggers" from the South. The cynical, criminalized atmosphere of the North after the collapse of the regime encourages smuggling across the border, making the compact, million-strong Korean minority in Manchuria more restive and disobedient. The authoritarian Chinese response to this worsens relations between a newly confident, assertive, and marginally nuclear-capable Korea and a suspicious China. A North Korean particularist movement grows up, with covert Chinese and Russian subsidies given to maintain leverage over Korea; it moves in the direction of typically Korean extremism and violence. Typically brutal

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repression by the Southern-dominated government gives China a widely respected excuse to intervene. At the request of exiled North Korean leaders, China and Russia invade Korea "to defend the rights of the people of the North."

To appreciate the problems that a Chinese-Russian alliance would pose for the United States, which might include two substantial military threats in widely separated areas *at the same time*, imagine one of the following Russian threats at the same time.

Subscenario 1 D: Stopping NATO expansion. See Scenario 5 for the international crisis, with nuclear threats, created. The advantage of the Chinese alliance for Russia is that having created a crisis, Russia can call for a global conference to resolve it in which it would be supported by China.

Sub-scenario 1 E: Russian-Turkish relations have already been strained by Turkish influence in Transcaucasia and support for Chechen-Daghestani rebels. There is no settlement of the Nagorniy Karabakh war. Azerbaijan, rearmed with oil revenues, attacks Nagorniy Karabakh and has some success. To help, Armenia invades Nakhichevan and Turkish forces enter Nakhichevan to repel them. Armenia calls on Russian aid; the Russian garrisons, shocked by the breaking of the taboo about NATO forces on CIS territory, engage Turkish forces in Nakhichevan and fire across the Russian-Turkish frontier. At this Turkey invokes NATO defense commitments. Once again, in any resolution of the crisis, alliances will matter.

Sub-scenario 1 F: Recovering the Near Abroad. Unfolds as in Scenario 2 below, but Russia, with Chinese protection, completes reintegration more quickly and brutally.

Near Abroad Scenarios. Before embarking on these scenarios, it will be helpful to enumerate

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the assets that Russia has to conduct an ambitious policy in the Near Abroad:

—Knowledge of the area.

—Excellent intelligence assets. There are so many connections between former Soviet officials at all levels in the newly independent nations that they must assume (and we must assume) that anything planned or discussed in the Near Abroad nations will reach Moscow quickly. Many of these contacts can be used for assassinations, coups d'etat, betrayals of military positions, etc. The ethnic Russian and half-Russian officers who make up the majority of the Ukrainian and Byelorussian armies, and the competent directing core of the Kazak, Georgian, Azerbaijani, Uzbek, Kyrgyz, Tajik and Turkmen armies, would not be loyal against Russia in many circumstances.

—A genuine, if demoralized and under-funded, army with a professionally trained, Russian officer corps. Only Ukraine and Belarus have such armies; the rest of the near-abroad has either militias or new armies which are just beginning their development in adverse circumstances. There are probably none of these states and entities except Armenia, Nagorno-Karabakh and Chechnya that could put up significant resistance to Russian forces of the same size.

—Most of the Near-Abroad states have instabilities that can easily be exacerbated: ethnic conflicts, personal and regional rivalries, etc.

—It is easy to use these instabilities because many political opposition movements are based in Moscow.

—Some states have unformed national identities that will not produce a unified or

patriotic reaction to annexation, especially if it is veiled.

--Russia can withdraw or increase subsidies.

--Russians abroad are sympathetic to the recreation of the U.S.S.R. In fact, there is a difficult choice involved, because active *public* support of the real Russian grievances abroad will provoke nationalist reactions. Experience has shown that many national minorities within the new states share these attitudes.

--So do many people with mixed ancestry, many members of the dominant nationalities who grew up speaking Russian, and many others who are simply weary of post-Soviet privations. *Restoration of the Union does have serious public support outside of Russia.*

--Many lower and mid-level officials, particularly from the party apparatus, are not committed to national independence and have the *nomenklatura* habit of looking for guidance from above and from Moscow.

--In the states that have non-ruling communist parties these parties tend to favor restoration of the Soviet Union. These parties could be a useful Russian instrument, especially for a Communist government.

--Finally, Western countries care more about Russia and are sometimes willing to reach agreement with Russia on matters affecting the other republics' vital interests without their approval, agreements which are then pressed on them in the name of the international community. This tactic was used by Russia in changing the CFE flank limits.

This is an impressive panoply of means of influence, and most of them have been used since

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1991. But the motives of the various Russian bureaucracies have been so mixed that the results have been very muddled. The present scenario assumes that the small group of officials now working to restore the U.S.S.R., rather than merely talking about it or pursuing personal goals, gets control, through the President, of the relevant bureaucracies and undertakes a systematic strategy to this end. What would be the optimum strategy?

Because of the contradiction between the use of Russians abroad, resulting logically in the creation of new borders, and the creation of satellite republics, I am presenting here both a "Reintegration of the CIS into One State" scenario and a "Bosnia-Transdnierster" scenario, based on reunion of ethnic Russians into one state, below. These two alternatives are based on the alternative conceptions of Russian identity called in the contemporary debate "the State idea" and "the ethnic idea." But they may be totally separate only analytically. It is possible that successful appeal to ethnic-Russian dissatisfaction in a few places might cow other states into accepting reintegration as states. It could well be argued that reintegration makes more sense in the West and the Caucasus, the reunion of ethnic Russians in Central Asia. But the attempt to combine these approaches is risky, and they will provide a clearer basis for discussion if each is presented separately. I have gone into detail only in the first.

Moreover, both these approaches involve substantial costs in terms of disorder that might feed back into Russia and in relations with the West and Islamic countries. Therefore I present a third, more moderate "Informal Empire" scenario, based on the "Gloire à Bon Marché" strategy.

2. Integration of the CIS into One State Scenario

A serious strategy must recognize that there are several tough cases, particularly

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Armenia, Uzbekistan, Ukraine, and Chechnya. Therefore there is a real tension between wide and deep reintegration. Experience has shown the CIS to be a less useful instrument of reintegration, because certain countries obstinately refuse to join its joint decisions. The already evident shift in Russian policy to smaller, tighter groupings like the Customs Union should be carried further, but without abandoning the CIS, which gives the former Soviet states some common identity.

Long-Term Strategy to Soften Intractable States The strategy proposed here begins with the *weakest targets* while developing a long-term strategy to render the hard cases more malleable. The elements of such a strategy are:

--In every case, to maintain and deepen the post-Soviet economic crisis. Prolonged deprivation and suffering is everywhere the strongest factor in nostalgia for the U.S.S.R. Appropriate means are border closures (as in Armenia currently), periodic interruptions of gas, oil, and electricity, discouraging foreign investment by privately threatening Western companies with larger deals in Russia, Moscow currency market schemes to weaken local currencies, etc.

--Likewise, work to weaken public order and increase criminality.

--Attempt to weaken the coordination and obedience of the state structure, as has occurred in Russia but far less in Ukraine or Uzbekistan. Reward ministries and provincial governments for dealing directly with their Russian counterparts. Discreet Russian investments that provide *nebudzhetnye fondy* to ministries, etc., will encourage the feudalization of the state.

--Blacken the reputation of these states in the West by "provocations" to engage in human rights violations that can then be publicized. Encourage the governments to repress political

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opposition, discreetly subsidize opposition activities and opposition presence in the West. In Western Ukraine, subsidize UNSO and Nazi activism.

—Chechnya, very resistant but already thoroughly feudal and criminalized, is a special case. The best strategy is to withdraw Russian forces and negotiate practical issues (transportation, pensions, etc.) with the Chechen leadership while keeping the various clans and factions strong. Eventually the practical interest in a normal life will shift Chechen public opinion towards the more moderate leaders.

Short-term Tactics for Easier Cases. Here I will only indicate an approximate order in which places should be brought under Russian hegemony, from easiest to most difficult, and some means that could be used with each. The precise measures used and their sequence would properly depend on opportunities.

Tajikistan, Belarus, Transdnister, Abkhazia, and South Ossetia are already largely reconciled to inclusion in a new Union. The only measures that need to be taken are greater discipline in Moscow, so that a weak government like the Tajik or Abkhaz no longer finds protectors in Moscow against the overall policy, and somewhat better treatment from Russia which rewards their closeness to Moscow. Blockades, electrical cut-offs, etc., as in Abkhazia create disincentives for reintegration.

In Afghanistan, a *politique du pire* is best for the time being. Russia should let Taliban roll up most of the Dostum, Massoud, and Hekmatyar forces in northern Afghanistan, leaving only a foothold where Rabbani and Massoud can maintain a government. This policy would ensure that the Central Asian states are exposed to a more direct threat, while their fears are

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aggravated by leaks that a "policy review," now underway in Moscow, could lead to withdrawal from Tajikistan. Russia should make it a precondition of continued commitment in Tajikistan that the threatened states join the Customs Union and some sort of "Inner Asian Defense Partnership" with Iran, if possible, and rump Afghanistan. Iran, rewarded by suitable military technology, and rump Afghanistan will be dummy partners who reassure the Central Asians. The ostensible purpose of the Inner Asian Defense Partnership is defense against Taliban, with a requirement that the Central Asian members commit 25% of their conscripts and officers to more serious joint forces in Tajikistan, which Russia will pay and equip through a common fund. Predictably, the Central Asian states will send officers and tribes who are politically out of favor. The real purpose is to slowly prepare a portion of each nation's contingent as Russian-dominated proxy forces (cf. Abkhazia, Transdnier, Azerbaijan, etc.) to overthrow the sitting Presidents if necessary. Unlike the *opolcheniya* organized from 1991 on, they should be professionally organized and trained.

Turkmenistan. This done, the "Partnership" achieved could be turned against any weak holdouts, most likely Turkmenistan. Turkmenistan's despotic and quaint regime is fragile enough to serve as an example of sterner measures. After the economic crisis has been deepened and appropriate revelations about the corruption of Niyazov's circle, tribalism would provide a way of shattering his rule. It should not be hard for the ex-KGB to organize through its contacts food riots (similar to a 1995 demonstration, possibly Russian-inspired) among the Yomut tribe, which occupies many of the areas richest in oil and gas, against the dominant Tekke. A revolt there would probably bring down Niyazov's government. The country would enter a succession

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struggle in which Russia would have greater power than anyone else to influence the result. If this effort failed, the Caspian coast could continue as a secessionist mini-state like Transdniestria. In any case, the results would be used in turn to consolidate the Inner Asian Defense Partnership: exploiting the Customs Union to reduce Turkish trade and investment, bringing the foreign policies of the republics within some EC-like coordination mechanism, etc.

Georgia. In Transcaucasia, priority should be given to reducing foreign influence. The southern "early oil" pipeline should be blown up enough times to finish the southern AIOC route, while a new northern pipeline detour around Chechnya is built. This will make Azerbaijan depend on the northern route.

Measures can then be renewed to force Georgia to ratify the military basing agreement and enter the customs union, by pressures such as cutting off the Turkmen gas supply in the winter, or by inducements such as an Abkhaz agreement or return of Georgian refugees to the Gali raion. Because the latter process would be controlled by the Russian peacekeepers, it might be possible to create an ethnic-Mingrelian area in Gali raion where neither Georgia or Abkhazia rules, but ex-Zviadist leaders linked to Russia are most influential. An armed force can be created in Gali raion similar to the proxy forces in Tajikistan. The opportunity can then be seized to raise armed groups among the Mingrelian refugees in Samegrelo and Imereti to threaten Shevardnadze, as in fall 1993. A better way of getting rid of Shevardnadze, however, would be to work him to death. In either case the object is to displace Shevardnadze and replace him with Aslan Abashidze, the leader of the Ajar Autonomous Republic, who has worked closely with the Russian garrison.

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Azerbaijan. The unresolved conflict over Nagorniy Karabakh gives Russia leverage in two ways. Currently in the air is the idea that Russia might deliver an interim settlement more favorable to Azerbaijan in return for Russian basing rights and control of the border. Russian military assistance and subsidies to Armenia, and far more to Nagorniy Karabakh, give Russia some assets to deliver such a settlement. Or Russia can use its influence in Nagorniy Karabakh and Azerbaijan to renew the war, which would be disastrous for Azerbaijan, toppling the government and creating political chaos in which Mutalibov or one of the other leaders who fled to Moscow is brought back. In the light of the difficulty of "delivering" Armenia or Nagorniy Karabakh and halting the OSCE negotiations, the war option may be more promising. In either case, the object is to have a Russian ally who will invite Russian military occupation.

Kyrgyzia. At about this point it would make sense to revisit Central Asia, where authoritarian rulers still hold sway who do not want to lose national independence. Kyrgyzia is the weakest link, with a tiny, ill-trained army, large Russian population and the latent tension between Bishkek and the Osh oblast, where Akaev has crudely violated the old convention that the region be ruled by southerners. Given the criminal atmosphere created in Osh by the drug trade, it should not be difficult to organize disturbances in which a local clan leader would take power and rule in *de facto* independence of the Akaev government with Russian support, on the Abashidze model. The rump Akaev domain, with ca. 35% Russians, will be so weak and small that it will go along. The Uzbek proxy forces raised earlier can be redeployed to southern Kyrgyzia, the Kazak to northern Kyrgyzia..

Kazakhstan. Nazarbayev's distinctive strategy has been to take the lead in reintegration

initiatives, such as the "Eurasian Union," in order to distract attention from his purging of Russians from positions of power and slowly changing the demographic balance in northern Kazakhstan. This strategy will limit Nazarbayev's options in the early stages of reintegration, but will be abruptly replaced by stern resistance at a certain point. Russia has two (mutually exclusive) possible courses to deal with it. One is to mobilize the Russians in the North and break up the state (for different but suggestive specifics, see the next scenario). The other is to allow oil revenues to arrive, exacerbating tensions between the oil-bearing regions in the West and the Almaty or Akmola areas which will receive most of the benefits. Ex-KGB and party contacts can then be used to create violent clashes, which can be joined by Kazak proxy forces based in Kyrgyzia and Turkmenistan. The aim would be to create a federal government representing the *oblast'* elites, thus ensuring fairer Russian participation on a 40% basis.

Moldova. Both the elite and the public tend to go with the drift, so an attempt to incorporate Moldova in the evolving grouping will face only international opposition.

The final stage. The defect of the strategy of leaving the hardest cases for last is that they and international observers will be thoroughly aware of what is going on.

Uzbekistan. Uzbekistan is now completely surrounded, and undermined by the long-term strategy. Assassination is probably the best way to dispose of Karimov. Under the existing Uzbek constitution, a weak temporary President succeeds for one month. The result will be a succession struggle among the six major regional "clans," which Russian contacts (aided if necessary by the Uzbek proxy forces) should be able to exacerbate into a breakdown of central authority. An Uzbekistan feudalized into 6-7 essentially self-governing regions will be much

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more tractable. If a few of these fiefdoms are anti-Russian, it won't matter much; they can be blockaded.

Ukraine. The economic crisis will have reduced support for the regime, and the support of Western Ukrainian extremism heightened Russian-Ukrainian tensions. Covert means should be used so that the Ukrainian army would intervene, in a "neutral" but pro-Russian direction, in a hopelessly stalemated political situation. The opportunity for such a crisis can arise with a fraudulent or contested election, stalemate between the President and Parliament, coal-miners' rebellion against mine closing, or a confrontation between the Ukrainian and Crimean governments. If none of this works, a Russian invasion can take place. But it will be difficult to bring Ukraine into a larger Union without creating a new Federal or Confederal formula which seems to give Ukraine a serious role. This would be the moment to propose a new constitutional structure, perhaps on the EC model, that ties together all the dependencies created.

Armenia. Armenia will be extremely isolated, and there is a long Armenian tradition of looking to Russia as a protector which may produce substantial cooperation if a light touch is used. Ter-Petrosyan does not represent this tradition particularly well. Russia must use his increasingly repressive and polarizing treatment of political opposition to make that opposition look to Moscow. It might eventually be possible to use Nagorniy-Karabakh and its army, which are much closer to Russia, on the side of the opposition.

Scenario 2 changes the post-Cold War settlement massively without engaging vital US interests. The worst developments come at the end, when they are hardest to reverse. And everything is done inside the Near Abroad countries by Near Abroad forces, maximizing the

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benefit of our "we don't want to know" attitude.

3. Bosnia-Transdnister Scenario

This scenario corresponds to the "ethnic idea" in debate on the future of Russia, the notion that Russia should not be a multinational state but unite the Slavic populations in the former Union Republics. I have called this the "Bosnia-Transdnister Scenario," but it repeats a pattern displayed in Croatian Krajina, Bosnia, Transdnister, Abkhazia, South Ossetia, Prigorodniy Raion of North Ossetia, and Nagorniy Karabakh. The ubiquity of this pattern under different cultural and political conditions suggests that it is latent in post-communist societies where there is ethnic conflict, competition over privatized resources, and disintegration of the state in the presence of strong interested powers that do not wish to intervene openly.³ It might not require Russian planning or intervention from the beginning to take place.

The essence of Russia's role in this scenario can be understood by recalling the Serbian strategy in Bosnia. International opinion and the disintegration of the Yugoslav National Army did not allow a classical invasion. The solution—which was happening spontaneously anyway—was propaganda from Belgrade to exacerbate ethnic hatreds, followed by the formation of Serb militias in Bosnia and Croatia, reinforced by semi-criminal armed extremist groups, weapons, and professional officers from Serbia proper. Because the militias had limited capabilities to

³This form of ethnic conflict was the focus of the Study Group on Post-Communist Ethnic Conflict at the Johns Hopkins Foreign Policy Institute. For some of the concepts, see Charles H. Fairbanks, Jr., "Post-Communist Antipolitics," chapter in Andreas Schedler, ed., *Explorations in Antipolitics*, (New York: St. Martin's Press, forthcoming in 1996); and "The Postcommunist Wars," *The Journal of Democracy*, Vol. 6, no. 4 (October 1995), together with various works of G. M. Tamas.

carry out regular warfare or to take prisoners, and because of ethnic hatreds and simple greed for the apartments and possessions of their neighbors, the war's main modality was the ethnic cleansing of non-Serbs from Serb plurality areas. In Abkhazia the ethnic cleansing of the plurality nationality was carried out by one of the smallest minorities.

Now transfer this pattern to northern Kazakhstan. The Russian (or Slavic) community, essentially equal in numbers to the Kazaks and used to ruling on an all-Union scale, find themselves displaced from power, treated unequally in employment, privatization and identity issues, and (as we saw above) threatened over the long run with a kind of slow ethnic cleansing.¹ The more and more authoritarian rule of Nazarbayev is denying the Russians the voice that even a minority has in a democracy. The economy is as bad as in Bosnia, creating an incentive to plunder neighbors. The Kazak army, which has been plagued by recurrent problems of indiscipline, looting and desertion, is too unformed to cope with mass disorder in the North. About 30% of the officer corps,² including almost all the professionally trained officers, are ethnic Russians with ties to local, largely Russian communities. If the army were ordered to shoot down Russian protesters in the streets, it would fragment into ethnic components which would join ethnic militias or give their arms to them, as in Bosnia and elsewhere.

The most important thing, though not the only thing, that has been lacking for such a scenario to develop has been the Russian government. The Russian political elite, though

¹ See, e.g. Ian Bremmer and Cory Welt, "The Trouble with Democracy in Kazakhstan," *The Journal of Democracy*, Summer 1995, and other works of Ian Bremmer.

² Interviews with Kazak officers, Tashkent, August 1996.

exploiting the issue of Russians abroad rhetorically, has had little interest in their real fate. The present scenario assumes an authoritarian Russian government that has embraced the "ethnic idea," perhaps after disappointments with current experiments in "state" reintegration. Russia already has the resources that we know, from earlier post-communist ethnic conflicts, are necessary to win. There are plenty of skilled officers and equipment, and ammunition; when liberated from the decaying carcass of the Russian army, and engaged in a genuinely popular struggle, both will show their qualities more effectively. Russia has already organized or aided militia wars in Transdniestria, Abkhazia, South Ossetia, Prigorodniy Raion, Nagorniy Karabakh, and Tajikistan; only in the first stage of the Chechen war was there a failure. Vicious paramilitary groups of the Arkan type, such as Barkashov's Russian National Unity, exist. Russia has the hidden connections on the ground and with the other sides that were used by Serbia to manipulate the war. *Russia does not have to be better armed or organized to carry out this type of ambitious policy.*

How would such a war unfold? It would begin with the Russian militias seizing all of the grain-growing areas in the North, the mineral-rich Karaganda and (Kazak)Altai, and probably a ribbon of territory next to the Russian border in the West. A secessionist government would be established which might be recognized by Russia and other Slavic states. Within this territory the ethnic cleansing of the Kazak minority would take place. In the rest of the country there would be ethnic cleansing of Russians, so that international sympathies are confused. But there would also be, as in other ethnic wars, many enclaves where there were concentrations of

Russian or Kazak population or effective militia organizations.⁶ The urban and rural Russian population center in Taldy-Kurgan oasis, northeast of Almaty, is a likely example. These areas would probably be lightly besieged by the other side with Grad missiles, mortars and snipers; civilians would bear the brunt of the war.

The ethnic cleansing of Russians in the South will engage Russian public opinion far more than other reintegration scenarios. The sieges, in particular, would provide ample excuse for Russian military intervention with professional military forces; on the assumption of this exercise, Russian would have at least a few divisions strong enough to brush aside the weak Kazak opposition. It would thus be easy for the Russian government to exploit the war to seize other desirable territories and assets, such as the oil-rich areas around the Caspian basin (Kazak majority or plurality, but very thinly populated.) Scenario 3 could easily turn into Scenario 2.

The outbreak of violence and ethnic cleansing will put stress on ethnic relationships in other Russian-minority areas of adjoining states. The Narva region in Estonia is an obvious target, but the ethnic relations between Russians and Ukrainians, except in Western Ukraine, have been even calmer than those between Kazaks and Russians. It is perhaps easier to imagine a Russian government that has adopted an East-Slavic definition of the "Ethnic Idea" to incorporate Ukraine, Belarus and northern Kazakhstan in some federal arrangement.

Whatever the outcome, this form of ambitious Russian policy would pose major

⁶ Soviet ethnographic maps, except for rare academic works, are very generalized and even deceptive; they fail to note, for example, majority concentrations of minorities population in cities. The distribution of population is therefore very "spotty."

dilemmas for American policy. Both the Russian and Kazak publics would demand the unconditional sympathy of outsiders and be bitter if it was withheld. There probably would be sympathy with the Kazaks elsewhere in Central Asia, and perhaps elsewhere in the Islamic world, leading to Islamic-fundamentalist volunteer forces as in Afghanistan, Bosnia and Chechnya. The numerous atrocities and populations at risk would engage Western sympathy, but attempting to translate that sympathy into policy we would face all the difficulties of Bosnia, with the addition that Russia is a great power. As in earlier Near Abroad interventions, the Russian role is deniable. The party most responsible, the Russian government, would also have the greatest power to create a settlement.

4. Informal Empire.

This scenario, based on *Gloire à bon marché*, is compatible with a democratic Russia.

a) Cut out Russian rudeness and humiliation to Near Abroad diplomats, etc. Use the remaining authoritarian potential of the Russian government (as in France) to discourage overtly imperialist bluster by nationalist newspapers and politicians. Phase out the CIS in favor of more organic ad hoc groupings; stop pressuring states to join them.

b) Shift resources to culture in order to firm up the waning orientation of Near Abroad intellectuals and *nomenklatura* to Moscow as the center of culture, wealth, and self-indulgence. This involves: I) supporting the Moscow intelligentsia, their newspapers, publishing houses, etc., and the diaspora communities from the Near Abroad; II) Subsidize Russian teaching, now collapsing, in NIS schools. III) Subsidize scholarships for education in Russia, exchange programs, publishing within Russia in the CIS languages. IV) Subsidize CIS elite vacations to

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Russian *kurorty*.

c) Instruct the official and government-influenced or bribed press to emphasize Eurasianist doctrines, the superiority of Kievan Rus' and the Novgorod republic to the later Moscow-centered state, and the nomadic and Muslim contributions to Russian statehood and culture. Highlight the success stories of the many assimilated non-Russians in Russia. Promote them to official positions, so that an Uzbek diplomat deals with an Uzbek in Moscow.

d) Discreetly develop the existing patronage of opposition political movements, separatist movements, etc., now based in Moscow. The aim is to always have alternative governments, influenced and to some extent shaped by Russia, available. This would only recreate the advantageous situation that existed around 1992, where Russia had good relations with both unstable or authoritarian regimes in the Near Abroad and their more democratic rivals.

e) Thus, when the instability or repression of many Near Abroad governments endangers them, Russia has options either to save them or to allow an alternative group to take power.

f) To create this capability, Russia needs a high capacity for covert action and military intervention in the near abroad. Russia should hold on to "islands" of Russian control and basing, like Transdnister and Tajikistan, and seize excuses (see Scenario 2) to station troops.

g) Keep the mutual economic dependencies between Russian and Near Abroad factories, to the extent possible; discourage dependencies on other countries, such as the southern pipeline route. Lobby vigorously for contracts for Russian firms.

h) Countries remaining close to Russia must be rewarded, those that work systematically against Russia punished by blockades, blackmail against Western investors, etc.

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5. Countering NATO Expansion.

Assumes that Poland, Hungary, and the Czech Republic have been admitted, but that the process is beginning for one of the Baltic states or Romania. The general tactics available to Russia include: a) trying to soften the already soft Eastern European opinion on expansion; b) in the West, try to revive the mechanisms of the Peace Campaigns; c) by this campaign and by threats, try to split the NATO countries where there is greatest anxiety about revival of the Cold War, especially Germany and Britain, away from the United States. No threats are as troubling as nuclear threats. The Soviet Union had a long record of using nuclear threats (mostly vague) at Suez, in the struggle over Berlin,⁷ in the Cuban Missile Crisis, and in Andropov's campaign against the INF deployment. Since 1991 Russia has continued the habit of using threats in its foreign policy, as in Kozyrev's pretend-bellacose Stockholm speech and the numerous leaked "studies" of responses to NATO expansion. The stages of a policy might be:

1. Begin a public campaign in Eastern Europe centering around the themes of higher military costs, foreign control ("Return to the Warsaw Pact") and the danger to trade with Russia. To underline this theme, create annoying border hold-ups, searches and confiscations whenever the topic is discussed at NATO meetings.

2. To provide an alternative, announce (preferably with other CIS countries) a plan to provide the same security by demilitarizing a wide zone ("zone of peace") covering the Baltic countries, Kaliningrad oblast', Romania, Bulgaria and a zone of the western CIS.

⁷ See the carefully documented account of Arnold Horelick and Myron Rush, *Strategic Power and Soviet Foreign Policy*.

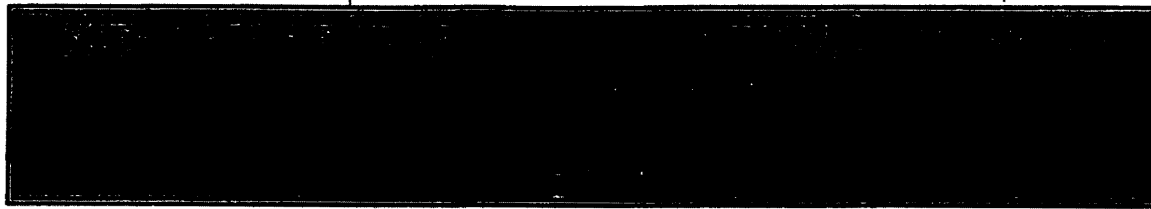
3. As the Peace Campaign intensifies, introduce themes in Russian public diplomacy of the re-division of Europe and the need for greater reliance on nuclear weapons if NATO expands further. Underline this with demonstrations of launch-on-warning systems, etc.

4. If none of this has worked, declare that on the next NATO expansion milestone Russia will consider it a violation of the spirit of the post- Cold War settlement, and will therefore be freed from all the 1987-1992 agreements on arms control and political subjects.

5. On the next milestone date, carry out this threat and conduct a small atmospheric nuclear test in the arctic to underline it.

6. If NATO is still proceeding, suggest that there "may" be nuclear strikes against the territories of the new NATO members if NATO nuclear weapons are ever brought on their territories. If NATO gives informal assurances, it looks like a victory and establishes two NATO categories. Underline this threat with announced military exercises at sea involving the launch of unarmed ballistic missiles into the sea just off the territorial waters of the Baltics and Romania.

The problem such a scenario poses for the United States is that NATO expansion poisons the political atmosphere instead of making it more predictable. More serious is the danger, actualized in the Cuban Missile Crisis, that failed threats may require newer and riskier threats, ending in a crisis that invites preemption by non-survivable Russian strategic forces.



Thursday October 10, 1996

0800-0830	Continental Breakfast	
0830-0840	Welcome/Opening Remarks	David Epstein OSD/NA
0840-1130	Discussion of Papers 1 and 2 (military/economic factors)	Sherman Garnett and Mark Nagel
1130-1230	Discussion of Motives and Institutions	
1230-1300	Lunch (continued discussion of motives and institutions)	
1300-1700	Discussion of Papers 3 and 4 (external provocations and reactions and plausible operational goals)	Ronald Suny and Anatol Lieven

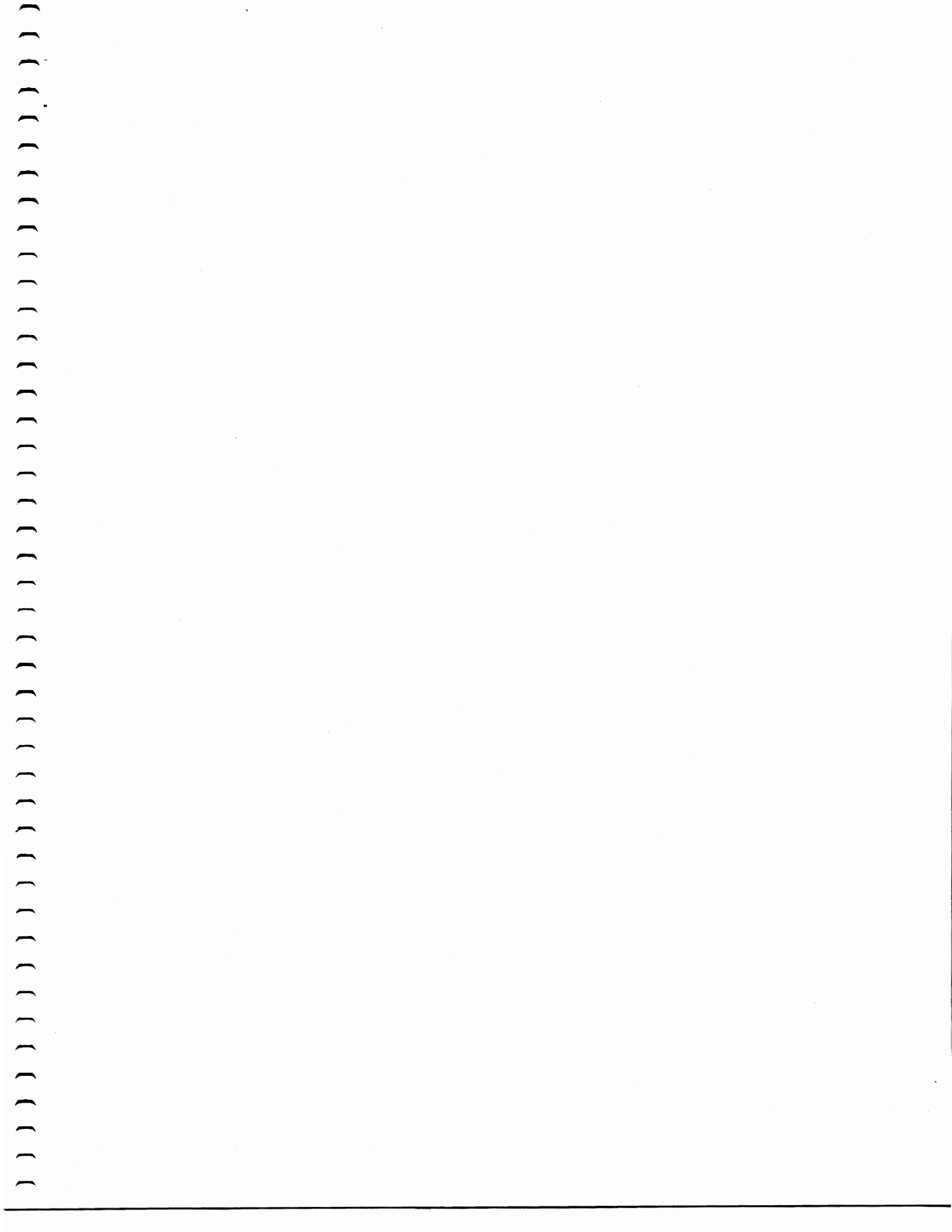
Friday October 11, 1996

0800-0830	Continental Breakfast	
0830-1030	Discussion of Paper 5 (draft scenarios)	Charles Fairbanks
1030-1200	Begin to draft scenarios	
1200-1230	Lunch	
1230-1530	Continue to draft scenarios	

Participant List: Russia Scenarios October 10-11, 1996

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