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RECORD ID: 9901112
RECEIVED: 17 FEB 99 17

TO: NSC STAFF

FROM: LUGAR, RICHARD G

DOC DATE: 06 FEB 99
SOURCE REF:

KEYWORDS: RUSSIA

CONGRESSIONAL

PERSONS:

SUBJECT: TEXT OF SPEECH RE FATIGUE & RESILIENCE IN RUSSIAN-AMER RELATIONS

ACTION: FOR RECORD PURPOSES

DUE DATE: 23 FEB 99 STATUS: C

STAFF OFFICER: NONE

LOGREF:

FILES: PA

NSCP:

CODES:

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**Charter Day Address:
"Fatigue and Resilience in Russian-American Relations"**

Senator Richard G. Lugar

**College of William and Mary
Williamsburg, Virginia
February 6, 1999**



Lieutenant Governor Hager, President Sullivan, Distinguished Guests, Ladies and Gentlemen. The honor you bestow upon me through your invitation to address you on Charter Day is made all that more memorable by the conferral on me of the Honorary Doctors of Law Degree. I join with all those who have been honored here this morning in expressing our joy and our thanks to the College, its officers and faculty, and its students.

This is truly an annual day of joy and thanksgiving and also a day for new perspective and vision.

With the collapse of the Soviet Union just over eight years ago, a new era in world history began. The danger of a major war in Europe was substantially diminished, and the prospect of massive nuclear exchange dramatically receded. Yet, nearly eight years later, with Bosnia and now Kosovo in flames and India and Pakistan having successfully tested nuclear devices, we witness a world that is unstable, turbulent, unpredictable, and, in some respects, more violent than the one we described at the beginning of this decade. The hopes of the early 1990's for an enduring peace have given way to the reality of enduring disorder and conflict.

Earlier this week, the Director of Central Intelligence, George Tenet, gave his annual presentation to the Congress on current and projected national security threats. He said that, while U.S. citizens and interests are threatened in many areas and across a wide spectrum of issues, "what is noteworthy is the manner in which so many issues are now intertwined and so many dangers mutually reinforcing." His point was that traditional problems such as turmoil in the Balkans or the renewed volatility of the Asian Subcontinent now fester amidst new dangers, especially those flowing from the increasing availability of sophisticated technology and the ease and speed with which it can be applied by those hostile to the United States.

The Director of Central Intelligence concluded:

"In a very real sense, we live at a moment when the past and the future are colliding. In other words, today we must still deal with terrorists, insurgents, and others who have hundreds of years of history fueling their causes — but chances are they will be using laptop computers, sophisticated encryption, and weaponry their predecessors could not even have imagined."

In short, neither our economic prosperity nor a host of domestic concerns gives us leave to ignore the rest of the world. And no where is this more true than with respect to our relationship with the Russian Federation, the one country in the world today that possesses the capability to annihilate the United States with nuclear, chemical, and biological weapons.

I recently returned from my latest trip to Russia. I was struck this time at how much Russia had changed over the past eight years, including Russian attitudes toward the United States. This changed political, economic and military context has profoundly affected our ability to develop and sustain a cooperative relationship today.

Equally important, those changed attitudes on the Russian side toward the relationship have been matched by similarly strident changes in outlook on the American side.

Let me sum up my view this way: The U.S.-Russian relationship has, in the last eight years, gone from a strategic partnership, to a pragmatic one, to a relationship of benign neglect, to one that is lurching toward malign neglect.

One cannot help but notice a dramatic shrinkage in areas of accepted cooperation between the two countries. On the Russian side, the utility of cooperation with the United States seems limited today to five areas, and then often only in a rhetorical sense:

- the struggle against international crime, terrorism, and narcotics trafficking;
- the resolution of selected international crises, such as the Middle East and Bosnia;
- nuclear dismantlement;
- space research; and
- non-proliferation of nuclear weapons and other weapons of mass destruction.

At the same time, many areas of previous cooperation have become contentious and drifted into a grey zone where elements of cooperation coexist with elements of conflict and even low-level animosity. This contentious grey zone has been widening of late and today includes at least six major issue-areas:

- the START II treaty;
- NATO expansion;
- the workings of the Joint Permanent Council established by the NATO-Russia Founding Act;
- the future of the ABM treaty;
- Caspian Sea oil and major transportation and pipeline routes; and
- arms sales and ballistic-missile related technology transfers to so-called "rogue" and other states.

And finally, there are a number of issue-areas wherein there is clear-cut disagreement, if not open competition, between the two countries:

- the possibility of a second round of NATO expansion;
- the real and potential use of force against Iraq;
- sales of Russian nuclear reactors and the transfer of ballistic missile-related technology to Iran; and
- the growing Western presence in the post-Soviet space, in particular the Trans-Caucasus.

We have gone from a rather romantic period in our relationship to a much more spiteful and sour one, bordering on mutual alienation.

In many American circles, the opportunity costs of trying to do business with Russia are deemed to be too great, given the country's problems of organized crime, nuclear leakage, a laissez-faire market for arms buyers, a dubious judicial system and underdeveloped property and contract rights. There is a growing attitude in the United States that Russia's elites are not up to the challenge of managing their own country's affairs.

On the Russian side, there is often stated resentment about NATO enlargement. There is deep concern about America's growing economic and political influence in the oil-rich former Soviet republics on Russia's southern frontier and protests that Russia is being shunted aside in spheres where it has long-standing, vital interests.

More generally in Russia, there is backlash against America's overwhelming economic and military superiority. There is a sense that Russia should seek to be a moderating and balancing force to correct situations where American power is growing. It is not that most Russians want to confront America, but rather that there are many who want to "tweak" it and to disparage a perceived American "arrogance of power."

Mercifully, areas remain wherein cooperation is so evidently vital to both countries' interests that fits of pique and nationalist passions are laid aside. Russia and America need each other if the world is to cope with various

manifestations of international anarchy and terrorism. And there is a web of economic and financial ties between Russia and the United States. We remain the largest foreign investor in Russia, although our portfolio is not as large as before August 17, 1998.

The fact that Russia does not stand shoulder-to-shoulder with the United States all of the time does not mean that it stands against the U.S. all of the time. This is not the return of the Cold War. Rather, it is the essence of the post-Cold War. And that is why our relationship and our policies toward one another will always be characterized by ambiguities. Put differently, in managing our relationship there will be areas of collaboration and areas of discord. Those distinctions will be determined by differences in geography, history, and economic standing, and not by ideology, as during the Cold War.

Those on both sides who want to treat the other as though it is still an implacable enemy will be blind to the potential benefits of cooperative efforts in some areas. By the same token, those on each side who would treat the other as a mirror-imaged, strategic partner will be blind to the dangers inherent in each country's unique circumstances.

Russia's regional interests will sometimes coincide, sometimes conflict, with those of the United States. Each country will inevitably be engaged in the other's backyard, and we need to acknowledge and discuss candidly that fact. The only way to manage both areas of coincident and conflicting interests is by building bridges where possible and setting finite limits where necessary. But the prerequisite to both is defining truly vital national interests.

For many years, Russia will remain a troubled state. But it is also becoming a distracted power, owing to its fiscal pressures, military weakness, and the magnitude of its political and economic reforms. The security agenda for the United States has been transformed in ways that raise questions about Russia's immediate relevance to its concerns, especially if Russia is deemed materially incapable of playing a constructive role. It would seem crucial that Russia participate in efforts to address the proliferation of weapons of mass destruction, narcotics trafficking and other forms of terrorism. But its current weakened condition (leaving aside the question of political will) reduces its capability to be a major player on these issues. Yet on issues involving weapons of mass destruction, it must be engaged if only because it is one of the primary sources of potential and real problems!

A relationship between the world's two greatest nuclear powers that is driven by mutual diplomatic, economic and financial coercion is a far cry from the ambitious partnership that many envisioned eight years ago. Moreover - it will not work for very long.

Russia's greatest threat to the United States today is its weakness. Russia is no longer evolving in the direction of a "normal" state. Countervailing trends have emerged pushing the country in the direction of authoritarianism. These trends take the form of a popular yearning for strong authority, a new nationalism built on the concept of a strong state, and a perceived outside threat in the form of a United States that supposedly wishes Russia harm.

The government is not functioning; the federal structure is disintegrating; and authoritarian tendencies are even taking on neo-fascist overtones with an increase in anti-Semitism.

In reaction to such tendencies, elements of the Clinton Administration have suggested a degree of retrenchment characterized by non-interference. The "engagers" in the Administration are clearly on the defensive and reluctant to assume the risks associated with further engagement with Russia at this time.

Overall in the relationship, there is little willingness to accommodate each other's concerns. This contrasts vividly with U.S. and Chinese rhetorical efforts over the last year to try to accommodate one another in a host of contentious areas, but doing so in the interest of constructing a cooperative relationship.

The fall of the Kiriyenko government and the August 17, 1998, devaluation of the ruble represents, in many

respects, a failure of U.S. policy. The Clinton Administration has lost its Russian "partner." The "reformers" had been touted as the "Dream Team." And helping Boris Yeltsin stay in power had been a Clinton Administration priority. For the U.S., Yeltsin was to be the bulwark against a return of Communism, if not Communists.

Boris Yeltsin today is perceived by many in Russia and the U.S. as a spent force. But U.S. policy has yet to accommodate itself to Yeltsin's situation.

The crisis in August 1998 and the loss of "partners" on the Russian side have left the Administration in a policy quandary. It does not want to leave Russia in the lurch, to "disengage," even were that possible. But it has misgivings about the Primakov government and his choice of ministers as well as policies. Thus, the Administration seems inclined to take a "policy time-out" with respect to Russia while it sorts out some middle ground between further engagement and fitful disengagement.

Of equal significance for the longer term, there has been some erosion in Washington in the general belief that, as a nuclear power, Russia was too big and too powerful to be allowed to fail. That belief was what moved the United States and the IMF originally to provide funds to Russia, even though the economic criteria to justify and undergird such assistance did not and does not exist. Indeed, we may have reached the point where IMF policy makers today are greater adherents to the "nuclear" rationale for assistance and debt restructuring than American policymakers.

Even though the Russian government bears dominant responsibility for the failure of economic reform in Russia, the Clinton Administration deserves part of the blame for its skewed priorities and misguided advice. To the extent that Russian leaders were inclined to eschew shock therapy, the Administration reinforced those inclinations. Administration officials had a disproportionate say in the many billions of dollars that were provided to Russia via the IMF without an adequate quid pro quo. In some cases, the IMF itself squandered funds, but the main problem was American pressure on the IMF to transfer money to Russia even when it was obvious that the Russian government would not come close to meeting IMF conditions.

This past willingness to allow political criteria to override economic criteria in justifying further IMF and bilateral assistance is no longer possible. This helps to explain the greater pessimism and defensiveness on the part of the Administration, if only to protect itself against a Congressional or public backlash.

However, just as the Russians cannot long afford "reform fatigue," so United States policy officials cannot afford "Russia fatigue." On the Russian side, the erosion of economic power is continuing. There is no alternative economic model to that of the reformers, and no political will to develop one. The demoralization of public officials and the public in general continues.

There is simply no predictability in the near term -- either economic or political --- because no capable or confident political authority exists in Russia today. In essence, there is currently no political investment in Russia, either by Russians or Americans. Given that such political investment is the prerequisite to renewed economic investment, there is no solid ground for reform.

The Russian political elite today is in a period of self-denial as well as self-delusion in believing that it has two to six years to institute some basic reforms. It may not even have until the end of this year. But major changes prior to 2000 - such as early presidential elections -- might just destabilize the situation further!

Put plainly, "reform fatigue" in Russia is just another term for "meltdown."

Precisely because Russia is in a period of financial meltdown and its political authority is weak and/or paralyzed, both Russian and American political figures need to understand that the United States cannot be permitted the luxury of a policy "time-out." "Russia fatigue" in U.S. policymaking circles is contrary to the American national interest!

Earlier this week, the Director of Central Intelligence told the Senate:

"Last year I reported to you my view that Russia's future direction — whether it develops as a stable democracy, reverts to autocratic and expansionist impulses of the past, or degenerates into instability — remained an open question. My concerns about Russia's direction are greater today than they were a year ago — largely because Russia's deteriorating economy elevates the "uncertainty quotient" in a number of key areas."

Russia in 1999 is still undergoing a titanic struggle, and the United States has a huge stake in how that struggle turns out. Our goal, like that of many Russians, is to see Russia become a normal, modern state -- democratic, law-abiding under the terms of its own constitution, market-oriented and prosperous, at peace with itself and the world.

We understand that the new Russia faces a particularly difficult set of challenges. Russia wants to be strong and secure. But how should it define its strength and security? As Strobe Talbott, the current Deputy Secretary of State, recently reminded us, this is an issue not just of what Russia wants to do, but of what Russia wants to be. It is a matter of how Russia will define statehood for itself.

Strategic nuclear arms reductions, de-nuclearization, and other issues involving weapons of mass destruction have dominated the U.S.-Russian agenda and will continue to do so. But we need to raise the sights of the relationship to a series of issues where there are potential common interests, especially those that might flow from shared interests in regional stability, support for moderate Islamic regimes, the spread of advanced military weaponry along Russia's Eurasian borders and tactical missile defense. And a U.S.-Russian dialogue on the future of Asia has been "missing-in-action."

To the extent possible, American policy toward Russia should be to identify those far-sighted leaders of Russia who are prepared to declare who they are, where they belong, how they relate to Europe and to the outside world. At least in the beginning, the United States may have to take the lead in the dialogue, but Russia must also exhibit a willingness to make good on outstanding commitments like START II ratification, and clarify questions revolving around continued chemical and biological weapons activities, as well as ballistic missile-related technology transfers to rogue and other states.

The medium term — the next 5 to 10 years — will be difficult. We will have a clearer idea of the first third or so of this period after the elections for the Duma at the end of this year and the presidential elections in 2000 — assuming that these two elections take place as currently scheduled. But we must also recognize that U.S. and Western assistance cannot quickly change the Russian psychology away from traditionalism toward the "spirit of capitalism." Therefore, we still should remain engaged for the medium term along the following lines:

- * First, we should continue to assist Russia in preventing the proliferation as well as the unauthorized use of weapons of mass destruction, their means of delivery, and destabilizing conventional weaponry, all of which Russia possesses in abundance.

- * Second, we should actively encourage the involvement of the American private sector and non-governmental organizations in assistance to Russia.

- * Third, we should provide humanitarian aid where it is clearly needed and can be fairly distributed -- i.e., food aid, environment, health, etc.

- * Fourth, we should seek to internationalize assistance efforts on the grounds that a stable, reforming Russia is in the interest of the entire international order, not just the United States.

In addition to this, Russian-American relations need a new and dramatic high-profile program that speaks to

the current economic and social crisis in Russia and offers promise of continuing long-term benefits. The initiative should be clearly identifiable as an American program of mutual benefit to the United States and Russia.

I have been watching with amazement and appreciation the torrent of Americans from accounting firms, brokerage firms, management consultant groups, and bond rating agencies pouring into troubled Asian countries. They have become a large factor in restructuring companies and turning bankruptcies into solvent concerns. The American helpers have built upon the talents of a considerable cadre of nationals who understand market economics, profit and loss, transparent reporting and accounting, and capital formation.

After the break-up of the former Soviet Union, many of us promoted immediate adoption of privatization policies, banking, legal, and accounting reform, and strong export-import interaction with other countries outside the former Soviet-bloc. We assumed that Russia, for example, had enough trained people who understood our business philosophy and procedures in order to insure a rapid and successful transition to economic growth and a higher standard of living for a vast majority of the population. We were wrong. We misread the situation, and Russian society is likely to suffer even more until we help to change it.

I propose that the United States should help Russia produce 10,000 new Masters of Business Administration and 10,000 new Certified Public Accountants. These will be the people who will transform Russian business management and economic policy. They will produce a quantum leap in American-Russian trade and investment and undergird the potential for normal development of political and military relationships between our countries.

I have watched what a modest program for training CPA's has meant to the newly independent state of Georgia. Businesses have identified costs of production, developed pricing and marketing strategies based on making a profit and then building capital for expansion and attracting capital from home and abroad through trustworthy business statements.

Much of our MBA and CPA educational efforts would take place in Russia and would be organized by American universities. Many American institutions have had substantial experience in providing this advance-degree work in other countries and others will want to enter this calling. Some of the Russian students should come to the United States for their work, with all of the obvious opportunities to learn about us and to create networks of trade and co-operation.

I would hope that a strong and imaginative private-public board of trustees would combine their talents and expertise, and that would include generous American business donations of money and people to be supplemented by U.S. government revenues and strong diplomatic leadership in this effort. I am convinced that a bold MBA/CPA education initiative is a necessary companion to the Nunn-Lugar Cooperative Threat Reduction Program, which continues to undergird our military partnership to destroy and control weapons of mass destruction. For example, one Nunn-Lugar program is assisting Russians to gain an accounting of nuclear weapons and materials by moving data from scattered hand-written records to a computer network. I am certain that we will have greater mutual confidence in humanitarian projects such as the current food shipments to Russia when we can identify Russians who better understand our need for accountability and their need for logistic support in reaching remote peoples.

The College of William and Mary has a tradition of support and encouragement for Americans who advocate a world view and U.S. leadership to make a constructive difference in the world. The Russian-American relationship is serious business. We must take some bold steps before the relationship becomes dangerous. I am eager to move forward, and I am indebted to The College of William and Mary for this platform to enlist others who share that enthusiasm.

Thank you.

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