
PACIFYING RUSSIA: INTERNATIONAL AID AND NATO EXPANSION

— ASTRID WENDLANDT —

NATO is undergoing profound historical changes that will significantly alter the security profile of Europe for decades to come. By extending membership to three members of the former Soviet bloc, Poland, the Czech Republic and Hungary, NATO is erasing the psychological line of the Iron Curtain from the map of Europe. However, it leaves open the possibility of other security lines emerging. One of the main concerns sparked by the development of this new security horizon in Europe is how Russia will adapt to it. If Russia finds that the door to the West is closed and feels cut off from this new security system, it may have to look for other alternatives. Such alternatives might include seeking closer relationships with Middle Eastern countries, such as Iran and Iraq, or building a more assertive position in the space of the former Soviet Union.

The diplomatic challenge that NATO expansion faces today is twofold and its elements are, in essence, almost contradictory. The first is to make sure that Russia does not feel threatened or isolated by enlargement, while the second is to ensure that Russia will not be able to undermine or obstruct the organization's independence and decisionmaking. The West has established parallel tracks to achieve these two ends. First, it has welcomed Russia into some of its supranational economic and security structures, giving it a permanent seat at the G-7 (now G-8) discussion table and making it a member of Partnership for Peace.¹ Second, it has provided Russia with substantial amounts of economic aid.² By helping Russia become a democratic market economy, the West is increasing its chances of having Russia as an ally rather than a "loose cannon in world politics," armed with the potential of undermining NATO's security system.³ Russia's present economic weakness accounts for its willingness to accept the West's strategy. The serious social and economic

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hardships it has been enduring under market reforms have made it overly dependent on economic aid provided by the West. In 1995, 50 percent of Russia's budget deficit was financed by the International Monetary Fund (IMF).⁴

The focus of this piece will be to demonstrate how the West has managed to accomplish the diplomatic *tour de force* of enlarging NATO while not alienating Russia, in part thanks to the international aid given to Russia. While there are other factors contributing to Russia's acquiescence to NATO enlargement, such as its incorporation into international structures, this essay singles out and assesses the role that international assistance has played in steering Russian foreign policy to accept NATO enlargement, despite its expressed opposition to it. It will highlight that accepting NATO expansion represented for Russia a trade-off between serving its interests abroad and surviving economically at home. Russia assented to the alliance's expansion into its traditional sphere of influence as a way of securing the West's continued financial support for its economic reforms.

The argument in this essay is structured on a causality basis. It will first describe the bilateral and multilateral aid agreements between Russia and the donor countries and measure the extent to which Russia has become dependent on them. Then it will attempt to define the West's strategy in providing this aid, and the links that may or may not exist between this strategy and NATO enlargement. This will demonstrate the degree to which Russia's dependence on international aid has been instrumental in pushing it to sign the 1997 Founding Act, a treaty that officially marked Russia's inertia in the face of NATO expansion. Later, this causal relationship will be exposed to other variables that could potentially challenge it. These include Russia's bargaining power inside and outside the CIS. The purpose of this will be to demonstrate how non-Western sources of political or economic support may help Russia weaken its dependence on aid from the G-7 countries and thus allow it to make more assertive foreign policy decisions.

The International Aid Factor

In the past five years, G-7 countries and international aid organizations, notably the IMF and the World Bank, have played a significant role in helping Russia manage its economic difficulties during market reforms. Since 1991, \$96 billion⁵ in aid has been committed to Russia, of which \$46.5 billion has already been disbursed.⁶ The amount committed is equivalent to almost 1.5 percent of the U.S. Gross Domestic Product (GDP) and approximately 18 percent of Russia's GDP.⁷ That assistance includes technical assistance, humanitarian aid, export credits, public investment and most importantly budget support. Thirty percent of the total amount of aid Russia has received since 1991 has been financial assistance channeled directly into its budget to cushion the fiscal deficit, support currency reserves and sustain a strict monetary policy to keep inflation down.⁸ Analysts largely credit this international aid with enabling Russia to lower its inflation rate from the high of 2,600 percent in 1992 to about 12 percent in 1997.⁹

The IMF is currently Russia's largest creditor. Since 1992, it has transferred almost \$14 billion into the Russian budget and is on track to disburse a total of \$20 billion by 1999. The IMF's Moscow office is the Fund's second largest bureau after its headquarters in Washington. Aside from its budget support, the IMF has played an important role in shaping Russia's domestic economic policies. Every month, a team of IMF experts travels to Moscow to monitor the progress of Russia's reforms and its budget performance. Each time Russia's budget revenues fall below the IMF's established threshold, or Russia's policies are not in line with those approved by the IMF, the Fund withholds the disbursement of the loan tranches. As a result of these delays, social tensions rise from months of overdue wage and pension payments due tens of millions of state workers and pensioners. The Russian State Statistics Committee estimated that the total debt to workers has risen this year to 55.3 trillion rubles (just under \$10 billion), and is growing at about 5 percent monthly.¹⁰

The IMF has also kept a close eye on the evolution of Russia's everyday domestic affairs. One recent example occurred in 1997 when the Duma, Russia's lower House of Parliament, passed a law that restricted the practice of religions other than Orthodox Christianity, Islam, Judaism and Buddhism. The IMF immediately placed pressure on Russian President Boris Yeltsin to reject that law.

Interestingly, the IMF has also chosen at times to turn a blind eye toward misconduct by the Russian government. Although Russia had violated IMF rules by allowing tax loopholes for companies headed by political cronies, the IMF continued with its loans in view of the December 1993 parliamentary elections and the June 1996 presidential elections.¹¹ The IMF also did not respond to the fact that part of the \$6 billion it had loaned Russia between 1995 and 1996 helped to subsidize the war in Chechnya.¹²

What is the relationship between these loans and NATO enlargement? The relationship, in fact, is straightforward. Thanks to its loans and, in particular, its support during President Yeltsin's re-election campaign, the IMF ensured that Russia's reformers, with whom NATO had started building cooperative relationships, would stay in power. The threat of Communist Party leader Gennady Zyuganov's ascension to power, with his clear anti-Western agenda, was a risk that NATO countries, most of which are IMF donors, were not willing to take. Security in Europe does have a price, and the price of alliance is the cost of making sure that Russia remains on the path of democratic reform.

On a bilateral level, the West's motivations for providing economic assistance to Russia are much less clear-cut, as each donor country has different interests in helping Russia. Germany, followed by the United States, has been the biggest bilateral aid donor to Russia, particularly in the financial and mil-

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itary sectors. In the financial sphere alone, Germany has committed to Russia \$2.7 billion and the United States \$1.03 billion.¹³ While Germany has been the main provider of economic assistance for Russia's demilitarization, most of this aid should be viewed through the prism of Germany's re-unification process. Germany has committed \$4 billion to remove Soviet military arsenals

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from former East Germany and finance the construction of houses in Russia to secure the repatriation of Soviet troops.¹⁴ Had Russian troops still been stationed in East Germany, it would have been difficult for Germany to justify the incorporation of its eastern half into NATO, an organization committed to containing Russian expansion for the past four decades.

The United States has, for its part, funded most of Russia's inland demilitarization—in particular, the dismantling of its nuclear arsenal in accordance with the Strategic Arms Limitation Treaty (SALT) and Strategic Arms Reduction Treaty (START). Considering its cash-strapped budget, Russia has negotiated wisely in having foreign capital finance the cost of its military reduction. The Cooperative Threat Reduction (CTR) Assistance Program has provided Russia with \$753.8 million, of which the U.S. Department of Defense has committed \$581.8 million.¹⁵

CTR Assistance has ranged from helping Russia convert its military-industrial complex into civil production, to removing nuclear missiles from their deployment sites and dismantling them.

However, despite these large sums of aid, Russia's nuclear striking power still exceeds that of the United States.¹⁶ As many NATO missiles are stationed in the United States rather than in Europe, Russia remains the largest nuclear power on the European continent and looks as though it may remain so for some time.¹⁷ Taking into consideration the crippled state of its conventional forces, as demonstrated by the humiliating defeat in Chechnya, Russia has recently decided to cut down on these forces and increase its reliance on nuclear deterrence.¹⁸ According to Victor Mikhailov, Russia's former minister of atomic energy, "as long as Russia possesses nuclear arms, no direct military action can be undertaken by NATO-integrated Europe against Russia."¹⁹

One might argue that Russia's decision to increase its reliance on nuclear weapons coincides quite clearly with NATO expansion to the East. The Russian Duma has still not ratified the START II agreements,²⁰ and according to an article published recently in the Russian daily *Sevodnya*, such a stalemate "suits the Kremlin just fine."²¹ The article states that the Duma, dominated by Communist and nationalist parties, the "Red and Brown" movement, has served as a backdrop for the Russian government to hide its nationalistic and protective preferences from the West. The article recalls attempts by Foreign

Minster Yevgeny Primakov and Defense Minister Igor Sergeev to lobby for START II in the Duma, which were so awkward that, in the end, they achieved the opposite result.

Russian commentators have gone so far as to say that the next wave of NATO enlargement, which will bring it closer to Russia's borders, may precipitate a new Cold War.²² That is precisely what NATO countries want to avoid at all costs, and where international assistance may be used as a lever. It remains quite evident that had Russia not been in control of such a threatening nuclear arsenal, it would have probably received much less attention and economic aid from the West. The same may be said of Ukraine, the third largest recipient of U.S. aid in 1997 after Israel and Egypt, which inherited a substantial portion of the Soviet nuclear arsenal after the break-up of the empire.²³

Russia's financial sector has also become increasingly dependent on foreign economic aid. Many banking analysts today suggest that should foreign money stop coming in, Russia's pyramidal banking and financial structures would be seriously threatened. In the past five years, Russia's banks and industries, not to mention its budget, have been so short on available cash that foreign capital has been one of the principal sources of liquidity. For example, every time the IMF announces delays in its disbursements, Moscow's stock market plunges by a few points, as investors lose confidence in the future of their investment and in that of the institutions themselves. Foreign capital and loans, such as those from the IMF, are perceived by investors—foreign and Russian alike—as the only solid collateral for their investments in light of the underlying instability of Russia's financial institutions and, most notably, the insolvency of the Russian state.

When addressing the issue of Russia's dependence on aid and loans, one must consider the interests driving those who negotiate their terms. It becomes apparent that the motivation of Russian officials is not based solely on Russia's great economic needs. In its last annual report, the European Bank for Reconstruction and Development gave Russian public officials some of the highest ratings for corruption, well above those of Latin American nations or the sub-Saharan African countries.²⁴ Due in part to the low salaries Russian bureaucrats receive and the poor ethical character of Russia's bureaucratic establishment, some observers suggest that taking a slice *au passage* of the foreign aid channeled directly into Russia's budget has increasingly become common practice. According to a former chief economist of the World Bank in Moscow, the main problem plaguing Russia's finances is neither its poor tax collection nor the stagnation of its industrial output, but rather the corruption of its officials.²⁵

Since 1991, the World Bank has committed \$7.9 billion in loans to Russia, of

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which \$3.58 billion has been disbursed.²⁶ However, while Russia may be the Bank's third largest borrower after China and India, it is not its best client when measured in terms of project performance.²⁷ Obviously, many factors account for such underperformance, and the World Bank is not the only institution that has acknowledged having problems implementing its projects effectively in Russia. The U.S. Agency for International Development (USAID) has also experienced similar problems.²⁸

In March 1997, Anatoly Chubais, Russia's first deputy prime minister, publicly asked where the \$500,000 World Bank loan, which had been earmarked for restructuring Russia's coal industry, had gone.²⁹ The World Bank remained

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silent for weeks on the affair and, in the end, simply buried the case by declaring that the money had been found without giving the media any further explanations.³⁰ Often the cause for such losses is that foreign aid money goes through a long list of intermediaries before it ends up in the hands of the targeted recipients. Since the Russian government has still not established a genuine federal treasury system, most government financial transactions have to be carried out by large private banks, whose presidents are often political allies of the government.

Gregory Yavlinsky, a well-known liberal democrat and influential political figure in Russia, recently gave a very insightful description of Russian banks.³¹ "Normally, a bank is supposed to take money from the people and invest it in the industry. In Russia, banks take money from the budget (where IMF and World Bank money arrives) and place it in Swiss bank accounts." He called the government a "criminal oligarchy in control of politics and the economy." According to Yavlinsky, about \$80 billion has left Russia since 1992. Other sources have placed that figure at between \$60 and \$150 billion.³² Considering that Russia's GDP was falling until 1997, it is difficult to understand how all the money flying out of the country is solely the fruit of successful Russian businesses.

Thus, Russia's great thirst for capital does not come exclusively from its cash-strapped economy, but stems also from its officials, who are eager to receive these loans, despite the protracted inefficiency of some aid projects and the long-term financial burden they place on Russia's government. Some day their children and grandchildren will eventually have to service all these loans. One interesting question that needs to be asked is: Why does the West continue to pour its taxpayers' money into Russia if it knows that some of it will end up being misused? To answer that question, one must look at the West's motives in providing assistance to Russia. The G-7 countries will continue to send money to Russia because it serves overriding diplomatic and

security priorities. Western donor countries want to make sure that Russia will remain an ally with whom they can engage in cooperative discussions, especially on security grounds, and are willing to provide the necessary funds to sustain such dialogue. Whether aid serves its primary purpose—to alleviate the hardship of reform—is secondary. For this matter, Gregory Yavlinsky has accused the West of being two-faced. He says that the West publicly applauds Russia for its market-oriented and democratic reforms but, behind closed doors, it knows these reforms are not advancing as well as they should.³³

The Founding Act

In light of Russia's increased reliance on international assistance, whether for economic or opportunistic purposes, its motivation in signing the Founding Act in May 1997 becomes clearer. With this agreement, Russian policy-makers secured the inflow of foreign assistance to Russia, but as a trade-off gave up their adamant opposition to NATO enlargement. In the end, Russia was not in a position to oppose, or even try to undermine, NATO enlargement since NATO member countries could strike back by cutting off the inflow of aid and foreign investment capital to Russia. In short, Russia could not bite the hand that was feeding it.

The Founding Act institutionalized Russia's passivity in the face of NATO expansion and achieved the two main diplomatic aims singled out by the West: first, making Russia NATO's *de facto* ally by further engaging it in NATO's bilateral cooperation structures, such as Partnership for Peace; and second, ensuring that Russia will not be able to undermine NATO's decision-making process.

One of the treaty's main organizational outcomes was the NATO-Russia Permanent Joint Council. The council was designed to encourage regular meetings between both parties and take joint action when necessary "on a case-by-case basis."³⁴ It envisions many areas of possible cooperation between NATO and Russia, such as preventing the proliferation of weapons of mass destruction and exchanging information on security and defense policies. The Founding Act, however, clearly limits Russia's ability to influence NATO's decision-making. Although the act grants Russia the right to be consulted on actions taken by the alliance, it does not give Russia any veto power over its decisions. As U.S. Secretary of State Madeleine Albright explained to the U.S. Senate Foreign Relations Committee in October 1997, "the Founding Act gives Russia no opportunity to dilute, delay or block NATO decisions...NATO allies will always meet to agree on every item of their agenda before meeting with Russia."³⁵ In other words, Russia will be invited to place its stamp of approval or disapproval on NATO decisions and operations, but it will not have the power to change or veto them. The Founding Act also "does not limit NATO's authority to deploy troops or nuclear weapons in order to meet its commitments to new and old members," Albright said. Yet, the act clearly says that NATO has "no intention, no plan and no reason" to do so. Nevertheless, "the reluctance of the United States to bind itself formally on this score has created

uneasiness in Moscow."³⁶ In the eyes of Gregory Yavlinsky, "it's like saying, we are going to put tanks in your garden. But do not worry, they are not going to attack you."³⁷ Yavlinsky labeled the signing of the Founding Act a "political disaster" for Russia, which highlighted the extent to which his country lost an occasion to influence world affairs.

By signing the Founding Act, Russian leaders such as First Deputy Prime Minister Anatoly Chubais and Foreign Minister Yevgeny Primakov swallowed

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their opposition to NATO enlargement. "I continue to be opposed to NATO enlargement. It may create new dividing lines. No one has invited Russia to join NATO, and NATO would cease to exist if Russia were included and all the NATO countries had to assure Russia's security," said Primakov in a recent interview.³⁸ Russia is also concerned about the three new member countries turning NATO against it, as it knows they still have fresh and strong anti-Russian feelings.³⁹ The Founding Act clearly states that "it will not relegate any new NATO member to second class status."⁴⁰

Nevertheless, despite its opposition to NATO enlargement, Russia has cleverly sought to incorporate itself in most relevant European security structures, such as the Organization for Security and Cooperation in Europe (OSCE), hoping, no doubt, that its chances of influencing decisions would be more salient inside rather than outside these organizations. One may also

speculate that Russia will try to promote the OSCE as the main security organization in Europe, as a way of counteracting NATO's growing authority.

Russia's adoption of the Founding Act may be seen as the product of nearly six years of intense diplomatic groundwork between Moscow and NATO representatives and several milestones should be noted. In December 1991, Russia became a founding member of the North Atlantic Cooperation Council, which became the Euro-Atlantic Partnership Council (EAPC) in 1997.⁴¹ On June 22, 1994, Russia signed the Partnership for Peace Framework document, under which it agreed to pursue "Broad, enhanced dialogue and cooperation" with NATO in a number of fields, including peacekeeping, ecological security, science and humanitarian affairs. However, it must be stressed that Russia only formally adopted the individual Partnership for Peace program in May 1995, after 24 countries had already done so. It was one of the last countries to join. Its membership was followed by that of Belarus, with whom it nourishes a close economic and political alliance.⁴²

One of the main events leading Russia to build closer cooperation with NATO was undoubtedly its involvement in peacekeeping operations in Bosnia, where today some 1,500 Russian officers are operating under U.S. com-

mand. However, Russia's participation there did not come from an invitation by NATO, but rather at Moscow's own request.⁴³ Russia started to deploy its troops in Bosnia in January 1996, several months after the 1995 Dayton Peace Agreement on Bosnia-Herzegovina was reached. As with the Dayton Accords negotiation process, the development of operations in Bosnia "taught Russian diplomats that Moscow risked being relegated to a marginal status."⁴⁴ In NATO's framework of consultations, "Russia was to be included only occasionally as a sign of courtesy but would otherwise have no real role or standing in any significant decision-making process."⁴⁵ From an American perspective, it is hoped that having Russian troops working side by side with NATO forces in the peace-keeping efforts in Bosnia may work towards diminishing Russia's feeling of isolation from the new European security system and smoothing its opposition to an expanded NATO. Whether this occurs remains to be seen, as Russian leaders continue to object to NATO's current expansion and are particularly concerned with NATO's next wave of enlargement.

What Comes After the Founding Act?

One of the most pressing issues for Russian foreign policymakers today is the question of which country will be next to join NATO, since it has formally encouraged several countries from the CIS to apply for membership. NATO stated at the summit in Madrid of July 8-9, 1997 that "the Alliance expects to extend further invitations in the coming years." The text indirectly mentions five countries: Slovenia, Romania and the three Baltic states (Estonia, Latvia and Lithuania). It is one thing for NATO to include the Czech Republic, Hungary and Poland, countries over which Russia has had only limited influence since the demise of the Soviet empire, but it is another to include CIS countries, where the core of Russia's security interests now lie. Alexander Bovin, Russia's former ambassador to Israel, placed Russia's foreign policy priorities in the following order. He stated that the CIS was "Russia's first sphere of interest," the Central European countries, its second and the nuclear powers, its third.⁴⁶

Despite its fears about NATO's next wave of expansion to the CIS countries, Russia signed the Founding Act, under which it agreed that it will "not delay, limit or dilute NATO's opening for the accession of new members."⁴⁷ To what extent Russia will respect that clause is unclear, since Russian foreign policy makers are strongly opposed to having CIS countries or the Baltic states fall under the nuclear and conventional umbrella of NATO. From a geostrategic perspective, expanding the alliance to the Baltics could potentially place NATO weapons right on Russia's own frontiers and, most importantly, just a few hundred miles away from its "second capital," St. Petersburg. If NATO invites the Baltic countries to join, "then I will review our entire relationship with NATO," stated Primakov.⁴⁸ Yet, despite Russia's worries, the United States continues to tell the Baltics that "the alliance's door is open," and continues to provide them with funding and training for NATO compatibility programs.⁴⁹

Reflecting Russia's determination is Moscow's insistence on not placing any arms limitations on Kaliningrad, one of Russia's main military districts, a position which is in violation of the Conventional Armed Forces of Europe Treaty.⁵⁰ The treaty imposes numerical limits for conventional weapons on NATO and former Warsaw Pact countries.⁵¹ Kaliningrad is strategically located between Poland and Lithuania. By keeping that Russian enclave well armed, Russia is ensuring that it will have the potential to intimidate the Baltic countries, which it knows to have very limited defensive power. In fact, one could argue that of all the countries neighboring Russia, the Baltics are probably those most in need of NATO protection. In basing significant armed forces in Kaliningrad, Russia may actually end up encouraging what it wants to avoid, which is having NATO expand its protective reach to these three countries.

What is Russia's Bargaining Power?

In light of NATO's next wave of expansion, which aside from the Baltic states also includes Ukraine as a potential candidate, it is important to address three issues: 1) what is Russia's bargaining power inside the CIS; 2) what is its influence over these countries' foreign policy decisions; and 3) to what extent can Russia prevent them from joining the Alliance. Once these issues are resolved, it is then possible to take a step out of the CIS, also referred to as Russia's "near abroad," and examine what its relationships with other potential allies, such as the Middle Eastern countries. The main goal of this approach is to assess Russia's bargaining power vis-à-vis the West and to determine whether or not it has the potential to free the hands of its foreign-policy makers from the constraints of economic assistance.

In addition to military threats, Russia holds potential economic leverage over the CIS. Russia's former Atomic Energy Minister Victor Mikhailov said recently that "if Russia sees its interests ignored or NATO expansion proves spearheaded against Russia....then one effective measure could be reducing or cutting off raw material supplies to newly admitted NATO member states."⁵² To what extent such threats hold any deterrent power must be addressed.

The relationship between Russia and the CIS is complex and may be understood from two vantage points. On one hand, the CIS countries excluding Belarus, are to varying degrees trying to assert their political and economic independence from Moscow, having fresh in their memory the decades of oppression and contrition they endured under Soviet rule. On the other hand, they know that they have to maintain close ties with Moscow, for their economies remain closely linked to that of Russia. This is a legacy of the centrally planned economy, which dispersed stages of production throughout the entire Soviet Union. Members of the CIS realize they have to treat Russia like an important business partner, and know they have to be careful not to push Russia too far on foreign policy grounds. However, Russia has not done all it could to hold these countries together under its sphere of influence, mainly because it has failed to develop the CIS as a regional security organization and an institution designed to promote economic integration. To the contrary,

the CIS has become a loose association of states, progressively going their separate ways, both economically and politically. As a result, Russia's leadership position in holding the CIS together has been significantly diminished. At a CIS summit in the Moldovan capital of Chisinau in October 1997, Ukrainian President Leonid Kuchma declared that "Russia had done little or nothing to promote the CIS as an institution."⁵³ At that same meeting, Georgian President Eduard Shevardnadze added, "Tbilisi may have to look for other partners, if Moscow keeps ignoring Georgia's interest and prerogatives as an independent country." He indicated that unless the Russian government changed its Soviet-style approach to Georgia, he would look for other partners in the West, partners who have shown greater respect for his country and its interests than Russia.⁵⁴

Moscow has, to some degree, several bargaining chips over the CIS from an industrial, economic and political perspective, as it remains their largest neighbor and supplier of raw materials.⁵⁵ But if these countries are able to forge close relations with the West and succeed in attracting enough foreign capital to rebuild their economies, then Russian threats of cutting off raw materials might lose their clout. Furthermore, one could argue that Moscow lost the opportunity of blocking NATO expansion to these countries by failing to take the initiatives that would have led the CIS down a strong, integrated path. It is possible that had Moscow shown more enthusiasm in forging genuine partnerships with these countries, NATO would have then appeared a much less attractive option. However, the one thing Moscow could not give these countries, which the West could, is investment capital to rebuild their economies. Like Russia, many of these countries have had recourse to international aid to strengthen their economies. Whether Western assistance has given them more confidence in detaching themselves from Russia is an important question, but it will not be addressed since the answer would undoubtedly differ across the eleven other members of the CIS. For their part, Western industrialized countries know they can play on the Soviet legacy of enmity between Russia and these countries, and use to Russia's detriment the CIS's resistance towards integration. They also know that they may be able to turn such legacies to their advantage in their present race against Russia for the lucrative oil and gas development projects in the Caucasus and the Caspian Basin.

Russia may have already taken a late start in that race. In mid-October 1997, the presidents of Georgia, Ukraine, Azerbaijan and Moldova joined together to form an economic alliance bearing the acronym GUAM. "This alli-

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ance was formed on the basis of a shared pro-Western orientation, a general mistrust of Russia, and a desire to profit jointly from the export of part of Azerbaijan's Caspian oil via Georgia and Ukraine to Europe."⁵⁶ These four countries have supported the creation of multiple routes for shipping oil to European and East Asian markets, which include, among other options, the creation of a pipeline from Baku in Azerbaijan through Georgia to Ceyhan in Turkey, a NATO member. This project means ending decades of reliance on Russian pipelines to export oil and further undercuts Russia's ability to influence these countries' strategic and economic decisions.

The United States, since the summer of 1997, has identified both Central Asia and the Transcaucasus as spheres of American national interest, and this policy can only but further undermine Russia's position there.⁵⁷ U.S. Vice-President Al Gore stated that "the United States strongly supports a policy of rapid energy development and multiple transport routes for the Caspian region, with a particular interest in an East-West transportation corridor linking the states of Central Asia and the Caucasus to Europe and to East Asia."⁵⁸ Thanks to Partnership for Peace, of which the GUAM countries are members, NATO, led by the United States, has increased its presence in that region by conducting regular joint military exercises and providing training assistance to the reforming military forces of many Central Asian countries. In light of the significant investments that U.S. and other Western oil companies are making in that region, such contacts may be important if any of the ethnic conflicts in the region ever threatens to resume. President Boris Yeltsin deplored the increase of U.S. influence in the Caucasus: "Our interest is weakening, but the Americans, on the contrary are beginning to penetrate that zone."⁵⁹ In the eyes of Yuri Maslyukov, head of the Duma's Economic Policy Committee, "the next few years will see the culmination of the fight for the Caucasus and Caspian oil."⁶⁰ He added that the West's policy in regard to the territory of the former Soviet Union will be "to prevent any kind of integration within the CIS, to weaken Russia's position in the region and disrupt its union with Belarus."⁶¹

Whether or not such a policy was intended, the fact remains that Russia has not been able to successfully integrate the CIS nor make it an indisputable sphere of influence. Furthermore, Russia has not succeeded in preventing these countries from forging close economic and security alliances with the United States and NATO members. As a result, one may deduce that by not securing the CIS's support, Russia has lost an important bargaining chip that could have potentially allowed it to loosen its present subservience to Western economic aid.

Outside the CIS, Russia has tried to build closer ties with China and Europe, but it appears that it has been most successful with certain Middle Eastern countries. Since the dissolution of the Soviet empire, Russia has continued to nourish close diplomatic ties with Iran and Iraq, two countries on which the United States has imposed severe economic sanctions. Russia's privileged economic and political relationship with these two countries and its sales of nuclear technology to them, may give it some leverage against the West. The

United States has tried in vain to stop Russia from executing these transactions. But considering the astonishingly low salaries Russian scientists receive from the state, when they do receive them, one understands better the Russian authorities' inability to prevent their military institutes and factories from selling sensitive technology and nuclear material to these states.⁶² President Boris Yeltsin has publicly denied these facts, but his foreign minister has come to acknowledge them: "I cannot state that there are no experts in Iran from former republics of the Soviet Union who may be working in certain laboratories."⁶³

The Clinton administration has asked President Yeltsin to prevent Russian scientists from helping with aerodynamic design and engine development that could enable Iran's missiles to travel 800 miles, thereby enabling Iran to strike as far west as Germany. But such efforts may prove fruitless. As Vladimir Orlov, an analyst from the Moscow Center for Policy Studies, puts it, the Russians "don't care who the end-users are, they just want to sell them. They don't realize that these materials could be used against their country in the end."⁶⁴ Although President Yeltsin has attempted to convince President Clinton of his country's efforts to contain the proliferation of weapons of mass destruction to these countries, the United States acknowledges that not much has been done and the U.S. Congress has already called for sanctions against Moscow if the sales continue.⁶⁵

However, Russia may be able to escape these sanctions if Congress gives it some credit for its efforts in trying to end the standoff over U.N. weapons inspectors in Iraq in December 1997. Russian Foreign Minister Yevgeny Primakov, a Middle Eastern scholar by profession who has had long-standing relations with Iraq's President Saddam Hussein, has reaped the benefits of such a privileged relationship by trying to convince Iraq to relax its position. According to Richard Pipes, Professor Emeritus of History at Harvard University, "Primakov is in an excellent position to exert large amounts of pressure on Iraqi President Saddam Hussein because Russia is the only source of foreign support for Iraq."⁶⁶

But Russia's motivation in ending the standoff between the United States and Iraq is clear. It hopes to see an end to the tough economic embargo introduced against Iraq after it invaded Kuwait in 1990, mainly because such relaxation would enable Iraq to repay its huge Soviet-era debt of \$25 billion to Moscow and perhaps begin buying Russian arms and engineering products again.⁶⁷ If Iraq paid back its debts, the Russian government could potentially ease its dependence on foreign aid. But such an outcome remains unlikely, as the United States would surely press more demands before lifting sanctions

If Russia in fact defies and frustrates U.S. policy towards Iraq, the United States, in reply, may retaliate by preventing the IMF from granting Russia future loans.

on Iraq.⁶⁸ Russia's close relationship with Iran and Iraq and the short-lived diplomatic advantages it may bring appear unlikely to translate into rapid economic benefits. According to Michael McFaul, Hoover fellow and professor of political science at Stanford University, if Russia in fact defies and frustrates U.S. policy towards Iraq, the United States, in reply, may retaliate by preventing the IMF from granting Russia future loans. "If Russia appeared in any way to be on the side of Iraq if war did occur, there would be little support for a Russian bailout (in the event of a melting of Russia's financial markets)."⁶⁹

The Iraqi example shows how few cards Russian foreign policymakers have for negotiating with the West. This example also applies to Russia's attempt to oppose NATO expansion. It appears that Russia's foreign policy and dependence on economic aid will persist in the future as Russia proves unable to forge solid partnerships inside or outside the CIS that would provide it the necessary political and economic bargaining chips to free itself from such ties.

It is interesting to note that Russia's dependence on economic aid also goes beyond its physical borders. Russia's space operations and the MIR station are under such financial constraints that American assistance has become crucial. Russia understands that it would not want to risk its space achievements, which were a great source of pride during the Cold War decades, for poorly calculated ambitions against the West. "Americans have warned Russia that by appearing to help Iran with nuclear technology, Moscow could risk hundreds of millions of dollars of investments in its space program, which might include a joint U.S.-Russian mission to Mars."⁷⁰ Yury Koptev, who directs Russia's space agency, said he was afraid that "the National Aeronautics and Space Administration would throw its support for Russia 'out of the window' if Washington becomes irritated over Iran."⁷¹

Conclusion

The discussion on NATO's present and future expansion has served to demonstrate the extent to which it is tied to other world policy issues and how Russia's influence over these issues has become relatively limited since the crumbling of its empire in December 1991. This is also a clear sign that the post-World War II bipolar structure of world politics has ended. Although Russia wants to be treated as a global player, it does not yet have the necessary economic power to counterbalance the United States, as it is now increasingly dependent on American capital for its own subsistence. This in turn demonstrates how economic power has supplanted nuclear deterrence as the determining factor in the game of East-West relations; and aid may be considered a lever in that game. As John Montgomery wrote in 1967, "foreign aid...is a strategic reflection of a world outlook."⁷² Russia's requests for international aid reflect its lost status as a global power. Russia may still hold the world's largest nuclear arsenal, but it hasn't been able to use its nuclear strength to compensate for its present economic weakness.⁷³

Russia's transition to a democratic market economy has occurred in paral-

lel to another kind of transition—that is, a transition from a bipolar structure of world politics into a multipolar one, dominated by economic groups and political alliances such as the EU, MERCOSUR, ASEAN and NATO, spear-headed by the United States. NATO, as well, has been undergoing serious changes. Initially created as a war deterrent organization, it is now becoming a conflict resolution and peacekeeping organization, as its recent involvement in Bosnia and other regions shows. Its members, and perhaps also non-member countries, will undoubtedly increase their reliance on international organizations to solve local problems. And Russia knows that unless it becomes a full member of some of these organizations, it will have little say in the conduct of global affairs. The main question that remains is how Russia will succeed in becoming a full member of these organizations. This will undoubtedly affect how Russia will be able to influence decisions within them, especially if its economy remains dependent on the aid it is receiving from some of their members. Russia's dependence will persist as long as its economy remains weak, and it appears as though it may continue to be so for some time. Russia's economy has shrunk to less than half its size under the Soviet regime and First Deputy Prime Minister Anatoly Chubais is still asking Russia's main creditor countries for additional short- and long-term credits. When will these calls end? Surely the Russians themselves don't know.

Notes

1. Partnership for Peace (PfP) was introduced by NATO at the Brussels Summit in January 1994. It is focused on defense-related cooperation among its member states and NATO, aims to enhance compatibility between NATO forces and PfP members and to promote stability and security throughout Europe.
2. It should be noted that the West has used aid as a strategic lever in many countries before Russia. The first example that comes to mind is the United States' prominent role in providing aid to Asian and Latin American countries.
3. Alexei Pushkov, "Don't Isolate Us, a Russian View of NATO Expansion," *The National Interest* (Spring 1997): 58.
4. Joerg Eigendorf, "IMF's Russian Conundrum: Should It Watch the Numbers—or the Hungry?" *The Moscow Times*, March 11, 1997.
5. All monetary amounts in this paper are in United States Dollars.
6. The G-7 Secretariat in Moscow, Support Implementation Group, Donor Assistance Database (DAD).
7. Based on projected GDP figures for 1997; Sergei Lukianov, "1997 Budget: Spend More, Tax More," *The Moscow Times*, September 24, 1996.
8. This amounts to \$29.64 billion.
9. Eigendorf (March 11, 1997).
10. Fred Weir, *The Hindustan Times* from Johnson, David [davidjohnson@erols.com] (November 26, 1997). E-mail to Astrid Wendlandt [awendlan@emerald.tufts.edu] November 27, 1997.
11. *The Moscow Times*, March 11, 1997.
12. Ibid.
13. Germany has committed a total of \$18.8 billion to Russia. The United States has committed \$7.17 billion. Source: G-7 SIG, DAD, Moscow.
14. Ibid.

15. The Nunn-Lugar (CTR) Program Assistance to Russia. Online. Available: [<http://www.stimson.org/rd-table/ctr-gen.htm>], December 1997.
16. In total, the United States has slightly more strategic nuclear warheads than Russia, 7,947 versus 7,235 in Russia as of January 1996. But Russia's nuclear warheads carry significantly higher explosive yield than those of the United States and more importantly, Russia holds a total of 3,565 intercontinental ballistic missiles, whereas the United States has only 2,075. [SIPRI Yearbook 1996. Stockholm International Peace Research Institute (Oxford University Press, 1996), 612-615.
17. The CTR program has also provided aid to Belarus, Kazakhstan and Ukraine, and was instrumental in making them become non-nuclear states in accordance with the Lisbon Protocol signed in May 1992. CTR helped transport 3,300 strategic warheads from these countries to Russia. Ukraine, where many Russian missiles were stationed, has received \$440 million for its denuclearization since 1992. Speech by Nadia Schadow, Program Officer, U.S. Department of Defense, at the Ukrainian Center, Harvard University (October 27, 1997).
18. Bill Gertz, "Russia to Slash Ground Forces, rely on Nukes," *The Washington Times*, October 17, 1997.
19. Viktor Mikhailov, "NATO's Expansion and Russia's Security," *Vek*, September 20, 1997. Translation by RIA Novosti.
20. This agreement has been awaiting the Duma's approval since 1992.
21. *Sevodnya* October 17, 1997, in Johnson, David [davidjohnson@erols.com]. E-mail to Astrid Wendlandt [awendlan@emerald.tufts.edu] October 17, 1997.
22. Alexei Pushkov. "Don't Isolate Us, a Russian view of NATO expansion," *The National Interest* (Spring 1997): 62.
23. According to Nadia Schadow, Ukraine used its nuclear arsenal to negotiate aid from the West which it used to rebuild its economy.
24. *Radio Free Europe/Radio Liberty*, November 3, 1997.
25. Based on interviews with a former chief economist of the World Bank, who requested anonymity.
26. G-7 SIG, DAD, Moscow.
27. Astrid Wendlandt, "World Bank Steps Up Project Loans," *The Moscow Times*, September 3, 1996.
28. One civil servant, who has worked for USAID in the CIS for 6 years, shared with the author some of the problems she faced trying to implement projects. One of the main problems she encountered was not only corruption, but also USAID itself and its lack of flexibility.
29. Viktor Melnikov, "Anatoly Chubais Got Interested in Where \$500 million Have Gone," *Commerzant Daily*, March 27, 1997.
30. Based on interviews between the author and World Bank officials in Spring 1997.
31. Gregory Yavlinsky is head of the Yabloko party in Russia and is a deputy in the Duma. He ran against incumbent Boris Yeltsin in the presidential elections of June 1996 and received 7.34 percent of the votes in the first round. These comments are excerpts of his speech at the Harvard Kennedy School of Government, September 22, 1997.
32. Julie Tolkacheva, "Domestic Demand Spurs Russia's Industrial Output," *Reuters*, November 24, 1997.
33. Speech by Gregory Yavlinsky at the John F. Kennedy School of Government, Harvard University, September 22, 1997.
34. Section III of The Founding Act on Mutual Relations, Cooperation and Security between NATO and the Russian Federation. Source: Madrid Summit, 8-9 July 1997, press release.
35. Statement by U.S. Secretary of State Madeleine K. Albright before the Senate Foreign Relations Committee, Washington D.C. (October 7, 1997).

36. Alexei Pushkov, "Don't Isolate Us, a Russian View of NATO Expansion," *The National Interest* (Spring 1997): 60.
37. Excerpts from his speech at the Harvard Kennedy School of Government, September 22, 1997.
38. "Interview: Primakov on Peace: 'I Don't Envy Madeleine,'" *Newsweek*, September 29, 1997.
39. Pushkov, 58.
40. Madrid Summit, 8-9 July 1997, press release.
41. The EAPC was inaugurated on May 30, 1997, as the overarching framework for political and security-related consultations and for enhanced cooperation under PfP.
42. Russia has formed a close alliance with Belarus, which includes a full customs union, joint-political structures and movement toward a single currency.
43. Madrid Summit, 8-9 July 1997, press release.
44. Pushkov, 61.
45. Ibid.
46. Ygor Valentinov, "Kiev is More Important Than Paris," *Argumenty i Fakty*, No 42 (October 1997). Translation by RIA Novosti.
47. Madrid Summit, 8-9 July 1997, press release.
48. *Newsweek* (September 29, 1997).
49. Fred Coleman, "The Kaliningrad Scenario: Expanding NATO to the Baltics," *The World Policy Journal* (Fall 1997).
50. The Arms Control Association. Online. Available: [<http://www.armscontrol.org/jun-jul/cfeig.htm>], December 1997.
51. The Founding Act also refers to Russia's "reduction of conventional armed forces, the withdrawal of Russian forces from Central and Eastern Europe and the revision of Russia's military doctrine."
52. Mikhailov, September 20, 1997.
53. Paul Goble, "How the CIS May End," *Radio Free Europe/Radio Liberty*, October 15, 1997.
54. Ibid.
55. Since the humiliating war in Chechnya and the military disaster in Afghanistan, Russia's conventional military credibility has been seriously weakened in the eyes of the CIS. But nuclear power remains, since most strategic missiles, which were deployed in Belarus, Ukraine and Kazakhstan, have been returned to Russia since 1992.
56. Liz Fuller, "Introducing the Other GUAM," *Radio Free Europe/Radio Liberty*, December 1, 1997.
57. Ibid.
58. "U.S. Backs Multiple Pipeline For Caspian Oil," *Reuters* (November 17, 1997).
59. Charles Clover and Bruce Clark, "Oil Politics Troubles Central Asian Waters," *The Financial Times*, September 23, 1997.
60. "The Military Security of Russia," *Pravda*, November 17, 1997.
61. Ibid.
62. The Russian government owes the defense industry some 19 trillion rubles (\$3.2 billion) and the plants in turn owe their workers the equivalent of close to a billion dollars in back wages; Johnson, David [davidjohnson@erold.com]. E-mail to Astrid Wendlandt [awendlandt@emerald.tufts.edu]. October 22, 1997.
63. *Newsweek*, September 29, 1997.
64. David L. Marcus and David Filipov, "Nuclear Bid by Iran Unites Russia, U.S.," *The Boston Globe*, October 23, 1997.
65. James Morrison, "Targeting Russia," *The Washington Times*, November 4, 1997.
66. Julie Moffet, "Russia: Diplomats Seek to Reassert Moscow's International Standing," *Radio Free Europe/Radio Liberty*, November 21, 1997.
67. *The Hindustan Times* from Johnson, David [davidjohnson@erold.com] (November 19, 1997). E-mail to Astrid Wendlandt [awendlandt@emerald.tufts.edu]. November 19, 1997.

68. Iran also holds significant debts towards Russia.
69. Michael McFaul, "The Perils of Turning East," *The Moscow Times*, February 10, 1998.
70. Marcus and Filipov, October 23, 1997.
71. Ibid.
72. John D. Montgomery, *Foreign Aid in International Politics* (New-Jersey: Prentice-Hall, 1967), 18.
73. It should also be noted that as long as Russia's economy remains fragile, the possibility of an extensive arms race resuming is weak.

