

The Retreat from Reform in Russia

By Jeffrey B. Gayner

What we have witnessed in Russia, particularly during the past six months, has been the gradual erosion of the political and economic reforms that characterized the Russia that arose with the demise of the Soviet Union. If current trends continue, the question must arise in the not too distant future of whether the recent historical record may play in reverse and, if so, how far will the reversal go and with what consequences? We have seen varieties of so-called reform Communist parties return to power via elections now in Lithuania, Poland, and Hungary. If this happens in Russia as well, the consequences could be catastrophic. Russia differs from these countries. However moderate or reform-oriented we can characterize the leftist parties in Poland, Lithuania, and Hungary as being, potential alternative political leaders in Russia and the parties they represent have very clearly repudiated not only economic reforms, but also cooperative foreign policies with the West. Thus, they are fully capable of reigniting the Cold War with the West with all of its attendant costs and consequences.

Since the current process of change is taking place only incrementally in Russia, it is not noticed so much on a day-to-day basis; at no point do you have a dramatic confrontation like last October when an armed uprising sought to topple the government of President Yeltsin. Instead, there has been a slow deterioration of democracy and reform characterized by electoral abstinence, the release of coup plotters in the amnesty, or unraveling of economic reform with the continued failure to provide a legal foundation for private enterprise and the wide-ranging increases in taxes. These problems, coupled with bureaucratic corruption and the rising role of the Russian mafia, have brought economic growth and investment to a halt.

National elections were held in December and again in March at the local level; but apathy was the real winner in these elections, and the two houses of parliament elected have yet to interest themselves in legislation. Instead, as with its predecessor, the Supreme Soviet, the parliament has concentrated on the political struggle, as reflected in the amnesty not only of those involved in the October 1993 coup attempt, but also of those responsible for attempting to topple the regime of Mikhail Gorbachev in August 1991. The rhetoric of economic reform continues, at least in the ears of President Clinton and IMF head Michel Camdessus during their visits; but reformers nearly unanimously withdrew or were kicked out of the government. Reform without reformers is not a plausible scenario.

And on the world stage, Russia has interjected herself in an often ominous but as yet uncertain manner. At least with the Yeltsin government they seem more determined to boldly assert their existence as a great power than to develop a coherent agenda as to what that means concerning specific policies. On the other hand, those with specific policies, like ultra-nationalist Vladimir Zhirinovskiy and the Communist Party leader Gennady Zyuganov, would recreate empires of differing varieties.

The retreat from reform emerges in three general areas: democratic processes, economic reversals, and changes in the character of Russian international policy.

Jeffrey B. Gayner is a Senior Fellow at The Heritage Foundation. From November 1992 to April 1994 he was Director of The Heritage Foundation's Moscow Office.

He spoke at The Heritage Foundation on June 9, 1994.

ISSN 0272-1155 © 1994 by The Heritage Foundation.

Democratic Debacle

After less than three years in which democratic procedures have first been introduced in the Russian body politic, the experiment is becoming a debacle. President Yeltsin, courageously if haphazardly, pursued both political and economic reform policies since he rose to power with the collapse of the Soviet Union. Appropriate to a newly emerged democratic state, Yeltsin continually obtained his greatest source of political strength from democratic processes he had largely instigated, starting with his own election as President of the Russian Federation in June 1991 against the hand-picked candidate of then-President Mikhail Gorbachev. He was able to re-affirm popular support for his policies in the referendum of April 1993 when he prevailed on all four propositions put before the voters, even including support for his controversial market-oriented economic policies. But a six-month stand-off with the Supreme Soviet thwarted reform initiatives, and by the time the new elections were held last December, democratic exhaustion had set in. Then a combination of apathy and the rise of various strains of opposition forces, from ultra-nationalist to Communist to representatives of the *nomenklatura*, appealed effectively to most voters. This set in motion the deterioration of reform that now dominates Russia.

Four important characteristics emerge in examining what one may begin to call the democratic debacle in Russia.

First is the popular dissatisfaction with the results of previous elections and the rise of political apathy. Having previously voted for Yeltsin, and then later for his policies, people newly accustomed to democracy expected changes promised by him to transpire. When little evidence existed of the positive changes resulting from ostensibly reform policies, the people either did not vote or voted "nyet." The fall in popular participation in elections has been dramatic, with 20 million fewer voters going to the polls in December 1993 than in June 1991, and the fall-off continued just as dramatically in regional elections in March. In St. Petersburg they even held polls open an additional day to get voter turnout above the 25 percent threshold of eligible voters needed to validate the elections. In many individual districts, the threshold was not achieved, thus many seats on councils and other governing bodies throughout Russia will be vacant. In Moscow council voting in December, "none of the above" triumphed in many of the districts.

The second, somewhat perverse characteristic of the democratic process has been the ability of Communists and those with vested interests in the status quo to increasingly prevail in elections. Ironically the Communists, who enthusiastically voted in meaningless elections for seventy years, maintained their peculiar habits when voting began to matter; thus, the Communists continued to vote and therefore have made up an increasingly large percentage of the vote in a rapidly shrinking electorate. They also used their former front group methods of operating by working through other parties with non-Communist names, such as the Agrarian Party and Women of Russia to augment their strength. This has led to what *Segodnya* (Today) columnist Vladimir Todres calls the "Red revenge" in the elections.

The other understandable but distressing characteristic of politics in Russia has been the rise to power of administrators with name recognition and special-interest credentials. Aleksei Golovkov, the local coordinator for the reform-oriented Russia's Choice lamented this fact in the upper house, or Federation Council, elections. These elections were entirely determined by district balloting where he said that "the United Communists and the United Democrats are pygmies in comparison with the 'Administration party.'" Fully 130 of 171 senatorial seats elected in balloting by regions were won by presidents and premiers of national autonomous districts, governors, heads of soviets, and other important figures in the Russian provinces. With almost the single exception of Boris Nemtsov, governor of Nizhny Novgorod, they made their careers in the Communist Party; yet at the same time they remain outside the new Communist Party struc-

ture and instead represent “clan interests” such as agriculture, the defense industry, or trade organizations.

Third, the triumph of President Yeltsin in the adoption of the new constitution has become a Pyrrhic victory. While the document provides a source of political stability that Yeltsin has consolidated in his recent post-election campaign for a Treaty on Social Accord signed on April 29, 1994, the new constitution has largely been irrelevant in terms of its impact on either political or economic reform. The enormous powers the new constitution vests in the presidency represent a potential threat to democratic government in Russia in the future. This is one reason why Vladimir Zhirinovskiy, who wants to establish a dictatorship, supported the ratification of the constitution.

The enormous powers the constitution vested in Yeltsin have not been used to force reforms on a reluctant Congress; instead, their only occasional use has often thwarted previous reforms, as noted in their economic impact which is discussed later. Far from using his new powers, President Yeltsin abdicated powers he had to his Prime Minister, Victor Chernomyrdin, who could never have been characterized as a stalwart of reform.

This leads to the fourth and greatest irony of the democratic debacle in Russia: the rise to power of those with the least public support or, indeed, no support at all in the elections. During the elections, the most prominent characteristic was the collapse of the center in Russian politics. The three reform-oriented parties got about 30 percent of the vote, the ultra-nationalist party got 23 percent and the Communists and their agrarian and women allies got 28 percent. Only one centrist party of sorts, the Democratic Party, even got into the parliament with just 5.5 percent of the vote. The Civic Union Party, the political party closest to the views of Victor Chernomyrdin, did not even get representation in the parliament. Yet the Prime Minister has proceeded to adopt policies of the parties that had no political support. Moreover, he forced out of the government representatives of Russia’s Choice, the party coalition which won more seats in the parliament than any other. Instead major ministries were given to representatives of the Party of Russian Unity and Accord, which won only 6.8 percent of the vote. Chernomyrdin himself, of course, did not stand for election, but instead mostly stood aside from the elections. Yet, ironically, he turned out to be the biggest winner without getting any votes. Maybe he can claim to represent the silent majority that did not vote for any of the parties that got elected.

Economic Retreat

Regardless of what the basis of political support for Prime Minister Chernomyrdin might be, no doubt exists that he has clearly run the government since the exodus of key reform leaders Yegor Gaidar and Boris Fyodorov in late January. The initial declaration of independence for a Chernomyrdin economic policy came with his explicit statement: “I will say that market romanticism has ended.” He specifically said he would change policy on fighting inflation: “From mainly monetarist measures, we will go over to other measures that have been used in many countries.” He would not say what those measures are, but when an associate of his was asked at the Davos meeting in Switzerland what those non-monetarist measures were he said “That shall remain a secret.” And they have remained a secret.

This led the former Finance Minister and leading reformer Boris Fyodorov to bluntly state: “I don’t know what ‘non-monetarist methods’ of fighting inflation means.” While lauding the initial restraints on credits by the Chernomyrdin government that kept down inflation, Fyodorov noted that general indecision grips the government, stating that “the government failed to produce a clear-cut strategy thus stretching the period of indecision to three months since the cabinet reshuffle.”

The ministers in the government have been similarly sharp in their criticism of the reformers who were forced out. The Deputy Prime Minister for Agriculture, who has the largest credit-issuing agenda in the government, criticized Fyodorov in a most revealing comment; Alexander Zaveryukha, an Agrarian Party member of the government, said that "Comrade Fyodorov didn't have enough knowledge of Russia, and the main thing he was afraid of the Russian people...he didn't know Russia—I draw the conclusion that he didn't love Russia." Thus, the problem with reform was that Comrade Fyodorov suffered from a love gap.

Surprisingly, inflation has seemingly remained under control in recent months, and remained at about 8 percent through May. This has led Chernomyrdin and his colleagues to vigorously pat themselves on the back and give the back of their hands to the predecessor Gaidar group that created all the momentum and policies that led to the plunge of inflation rates. At the time the reformers left office, inflation came down to a monthly rate of 9.9 percent in February, in contrast to an average of 20 percent per month throughout 1993. Cumulatively, inflation ran at 1,000 percent in 1993, only half of the 2000 percent of the previous year.

Quite simply, Chernomyrdin had little choice of policies when he took over economic policy. In the end, he and the Central Bank have used monetary policy to control inflation. Their incentive to constrain inflation was the allure of the \$1.5 billion in IMF pledges of support for Russia if inflation and government deficit spending were brought under control. That money clearly was coveted as the means to sustain major government subsidy programs, many of which, especially for agriculture, were included in the initial budget adopted by the parliament.

The budget of the parliament, worthy in its detail of the best juggling-act deficit planners in the U.S. Congress, came in with the appropriate 60 trillion ruble deficit. (about \$35 billion) or the IMF-required 9 percent of GDP. But by mid-May, after the IMF \$1.5 billion check had already been cashed, the Parliament felt compelled to raise defense spending by an additional 17 trillion *rubles* (about \$10 billion) after being told that any increase less than that would "lead the army to disintegrate." Meanwhile, despite an almost endless series of tax increases, or because of them, revenue figures continue to be revised downward. During the first quarter of 1994, tax collection came up short by 3.4 trillion *rubles* or 15 percent below budget.

While one can anticipate a renewal of inflationary problems, another economic initiative in the last six months has already been a clear disaster. This pertains to the taxation policies that have been ostensibly designed to bring in more government revenue and thus close the deficit and fulfill one of the IMF goals. While one might again blame the indirect influence of IMF policies for the general goal, the specific taxes and their range and complexity are a uniquely Russian nightmare.

Recent problems began with Yeltsin decree number 2270 of December 22, 1993, which gave cities and regions the right to levy their own taxes. While one might generally laud this move towards federalism, what it in effect meant was that local governments could add to existing central government taxes and the only constraint was a ceiling set on the combined taxes.

In the case of profit taxes, the decree of December 1993 meant that the federal profit tax would stand at 13 percent and local governments could add another 25 percent for a combined profit tax of 38 percent. Just to add a further complication, banks and insurance companies had a different ceiling of 42 percent.

To demonstrate the bewildering array of taxes that now come to devastate the economic landscape of contemporary Russia, it may be easiest to simply list a few of them.

Among the federal taxes are the following:

Value-Added Tax. The value-added tax was increased from 20 percent to 23 percent earlier this year; and, in one of the most contentious rulings, it was decided that the tax would apply to foreign investments and foreign loans. In other words, if you wanted to invest \$100 million in Russia, you would initially have to pay 23 percent or \$23 million for the right to do this. This interpretation remains under review, as foreign companies contend that it would virtually destroy the prospect of investment in Russia. Indeed, in the first three months of this year, total foreign investment in Russia amounted to only \$180 million. Overall foreign investment in Russia in 1994 is expected to fall by one-third from 1993 levels of \$1.5 billion; this is a trivial amount even compared to the other countries of Eastern Europe where \$3.2 billion was invested in 1993.

Payroll Tax. This amounts to 39 percent of one's income; on top of this, the Moscow government added another one percent with the revenue going to support education.

Transport Tax. One percent of the total payroll of businesses.

Import and Customs Duties. New increases in proposed customs duties were announced to go into effect March 15, 1994, but the doubling of average tariffs to 15 percent and new tariffs on food items such as 20 percent on sugar were put on hold until July 1. They were suspended for three months following outraged opposition by large Russian cities that feared vital imported food supplies would rise substantially in price.

The new import fees would hit particularly hard at the fledgling auto import business where overall taxes had averaged 93 percent of the value of cars. With new rates in effect, for example, a Peugeot with a retail price of \$15,300 would sell for \$37,000 in Russia when all taxes were paid.

In one of the more bizarre justifications of the new increases, the Deputy Prime Minister who also holds the position of Economic Minister, Alexander Shokhin, referred to the new tariffs as "a difficult compromise between the interests of the consumer and the interest of the producer. They are not ideal, but they will force Western firms to invest in the Russian economy because they will have to produce here." In other words, it allegedly will be too expensive to export goods to Russia.

Taxing "Russia." Even the use of the name of Russia in the title of your company or product is subject to a central government tax. But just to make this tax especially unfathomable, there are three different means of calculating it: Some companies must pay 0.4 percent of turnover, certain other categories of businesses pay only .04 percent of turnover and yet others must pay 100 times the minimum monthly wage.

Local governments and cities have their own tax systems which further complicate economic operations in Russia. In Moscow, where most businesses attempt to operate, there are 51 separate taxes. Besides the 25 percent corporate profits tax noted above, one finds other interesting taxes such as:

Housing Tax. This 1.5 percent tax passed by the Moscow government is a tax based on revenue of a company. Realizing that profits taxes do not generate income because almost no one makes a profit, new taxes seek to raise revenue even from companies losing money.

Assets tax. This tax consists of an additional 1.5 percent tax on existing assets; it similarly seeks to gain revenue regardless of profitability by taxing your fixed assets (similar to our property taxes).

Now if a businessman gets terminally distressed with all of the taxes and regulations in Russia and decides to pack up and go home, he then discovers the final parting insults of the tax system.

On January 24, 1994, the State Customs Committee imposed a 60 percent duty on the import and export of personal belongings such as clothing, furniture, and appliances. The duty is for "goods not intended for industrial or commercial activities" and applies to everything valued at over \$2,000, but you lose the exemption if you ship items out by rail or truck.

Finally, a December rule was issued that you must also list all books you are taking out of the country by name, publisher, and date of publication and submit this list prior to departure to get clearance.

Beyond the all-pervasive tax system, anyone attempting to set up and operate a business in Russia must also overcome a huge regulatory apparatus riddled with corruption; and once a business is actually established, the mafia moves in for 15 percent to 20 percent of receipts. As the editor of the business magazine *Delovye Lyudi*, Alexander Leviko, stated: "If a new business owner survives Russia's bureaucrats and racketeers, he still has to deal with unstable laws, unfriendly banks and excruciating taxes." Thus, the President of the Union of Small Businesses praised the fortitude of anyone who succeeds, calling the Russian businessman the smartest in the world: "He surmounts obstacles, contrives to outsmart the state, and he manages to evade taxes, and moreover, can hide his money abroad; in order to start his own business he will exhibit a truly amazing ingenuity."

In short, business can only succeed in Russia if one follows the bitter remarks of a Russian poet 200 years ago who said: "In Russia only legislators read the laws, and only lunatics obey them."¹

Privatization and Economic Policy

The one reform program that has progressed unabated through all the economic and political turmoil has been the privatization program. But even this remarkable program is now threatened by the magnitude of taxation coupled with the lack of a legal framework for private enterprise. In the largest transfer of government property into private hands in the history of the world, the Russian government completed stage one of privatization by the July 1, 1994, deadline set when the Supreme Soviet approved the program in 1992. Under the able leadership of the one prominent reformer left in the Yeltsin cabinet, Deputy Prime Minister Anatoly Chubais diligently pursued the implementation of this controversial program as a means of beginning the fundamental transformation of the entire Russian economy. More than 100,000 state companies were transferred to the private sector, including 15,000 major factories that produced two-thirds of all Russian industrial output. Widespread ownership was achieved through the distribution of 144 million vouchers to all Russian citizens; eventually 600 voucher investment funds emerged with 40 million shareholders.

1 Prime Minister Chernomyrdin acknowledged the nightmare of taxation and regulation in a speech to meeting of Western business executives in Moscow on June 26, 1994. At that time he said the government would introduce a five-year tax holiday for businesses and stabilize taxation legislation, allow duty-free imports of production components and allow retention of hard-currency earnings. Unfortunately, the plan may come as too little and too late for foreign businesses which have heard such promises before and then confronted an increasingly complex and costly environment to operate in Russia. Moreover, even if developed the plan will then go to the parliament where its fate is doubtful. Thus, doubts concerning prospective Western investments in Russia will also continue.

Unfortunately, the formal transfer of ownership under privatization has primarily been achieved by turning companies over to the previous workers and managers. If this had been done in the context of other fundamental reforms then it could have been the beginning of productive companies. Some marginal gains have been achieved as pride of ownership and profit incentives have worked their way into former state enterprises. However, only with more innovation and investment coupled with access to markets and more efficient production techniques can the newly privatized companies begin to thrive. But thus far tax policies prevent the accumulation and reinvestment of earnings; and the entire environment of hostility to business prevents the effective utilization of either domestic or foreign capital. Indeed Russia remains a net exporter of capital in the world. The net estimated outflow of about one billion dollars of funds from Russia each month about equals the anticipated amount of total private investment expected in Russia the current year. Only with the massive flow of capital into the newly created privatized enterprises will they succeed in jump starting the Russian economy. But at present this potential engine of development remains stalled by the taxation and regulatory environment that has stymied economic growth in general.

Russia's Role in the World

The third area where a retreat from reform is evident concerns the character of Russian foreign policy. The rise of nationalism within the Russian body politic has led to a broad debate to redefine Russian national interests in international affairs. However, Russians seem to have nearly as much trouble of clearly redefining their role in the world as does the Clinton Administration in defining the American role in the world. But a general feeling exists in Russia that the country remains a great power and deserves to be treated as such.

This issue has come to the forefront in the ongoing debate over the "Partnership for Peace" proposal and whole developing relationship between Russia and NATO. Over and over again, various Russian leaders have reiterated the point that President Yeltsin made when he spoke of "a special agreement with NATO, corresponding to the position and role of Russia in world and European affairs, to our country's military might and nuclear status."²

Instead of Russia joining the other emerging democracies in Central Europe in their rush to join NATO and the European Community, Russia is now increasingly concerned with carving out its own exceptional place as a kind of "neutral" in a world divided now between the West and those countries seeking to become part of the West. Much of this is derived from the effective exploitation of a sense of wounded national pride in Russia concerning events that have transpired in recent years. In particular, Vladimir Zhirinovskiy's campaign effectively exploited the understandable empathy Russians in Russia had for the plight of Russians left outside of Russia when the Soviet Union dissolved into 15 separate states with ethnic Russians in the majority in only one of them. Overall, it has been estimated that 25 million ethnic Russians resided out-

2 In late June 1994, Russia formally joined the Partnership for Peace and also signed an agreement with the European Union to accelerate Moscow's economic and political integration into Europe. Alluding to the continuing economic hurdles that Russia faced in Western Europe, President Yeltsin appropriately noted that the accord "will enable Russian entrepreneurs to claw their way into Western markets for the first time." Key Russian exports such as steel, textiles, and minerals will continue to face stiff trade barriers. Russia had a similar ambivalent attitude toward her new arrangements with NATO. While willing now to join with other former Warsaw Pact allies in joint maneuvers with NATO and regular cooperation, Russia continued its adamant opposition to its former allies joining into more formal security relations with the West. At a meeting in Istanbul, Russia opposed entry of Central European states into the West European Union, the security element of the European Union.

side the Russian Federation and about 10 percent have already migrated to Russia, with an anticipated 6 million to 8 million likely to move to Russia in the next four years.

Along with ethnic Russians returning to Russia has been the return of Russian military personnel, but most disconcerting has been the imperial attitude of many of the leaders of the Russian military forces who aspire to cling to existing military bases or even reestablish empire. The commander of the Russian border guards in Tajikistan said at a news conference on March 31, 1994, that the Russian presence was a "confirmation of Russia's strategic interests in the area." Moreover, he asserted that "Russian troops will stay here forever."

Similarly the Deputy Commander of the Russian forces in Georgia, Vasily Belchenko, said: "Russia cannot exist without the Black Sea... We intend to follow the American doctrine: to establish bases as far as possible from one's borders, but without threatening anyone."

The question of threat is the main one to consider, especially as Russia continues to maintain troop presences in nearly all fifteen states that emerged from the Soviet Union. The Russians have deployed new forces in former parts of the Soviet Union with 1,000 in Abkhazia, 500 in Ossetia (Georgia), 6,000 in Tajikistan and 1,800 in Moldova, as well as about 1,200 sent to Yugoslavia. Somewhat ominously the Russians are training two fully equipped rifle divisions (of 10,000-12,000 men) as alleged "peacekeepers."

Thus far, the forces have largely been deployed with the assent of the local regimes, although the representative character of some of the regimes may be questionable. The fundamental issue concerns the role that intimidation may be playing in Russian policies designed to recreate if not a neo-Soviet empire, at least a sphere of influence with Russia the leading if not dominant power.

Despite odd and sometimes contradictory statements emerging from the Yeltsin Administration at times, I remain convinced that those in charge of foreign policy still seek harmonious and good working relations with the West. But in all of their actions, they remain conscious of potential political exploitation by nationalists and Communists in Russia of anything they say or do. Thus, Russia moves only cautiously, if at all, in its cooperative endeavors with the West.

What should be the role of the West in response to Russian foreign policy actions?

1. Sustain the withdrawal of the Russian forces. Despite some movement of Russian troops into new areas, the major movement of forces has been homeward, with 135,000 troops leaving the Baltic states since 1991, and the timetable on withdrawal of forces from Germany expected to be completed this August. Pressure must be maintained on getting the remaining 12,000 troops out of Latvia and 2,600 out of Estonia by previously agreed deadlines, also this August.

2. Neither sanction nor underwrite Russian forces in the "near abroad." To its credit, even the United Nations did not fall for the Russian ploy of having their forces in neighboring countries being declared "peacekeepers" under U.N. auspices and, more important, financed out of the U.N. pocketbook. Russia can make mutual agreements with neighboring countries but cannot expect others to cover their costs.

3. Encourage non-proliferation cooperation and denuclearization. The U.S. and Russia have a vital common interest in preventing the proliferation of nuclear weapons and also in decommissioning their own stockpiles. More sustained and extensive cooperation in this area reflects the view Russians understandably have of their great power status. Moreover, bilateral relations in this area can be an important source of ongoing contact to deal with rogue potential nuclear powers like North Korea, Iran, or Iraq.

4. Enhance cooperation on military conversion. One of the attractive suggestions put forth by the Russians concerning their special Partnership for Peace arrangement concerned more U.S. support for their military conversion programs. This program has lagged, and it remains very much in our mutual interest to accelerate it even if greater costs are entailed on the U.S. side.

5. Greatly improve market access to the U.S. This has been a consistent legitimate concern of Russia and has military implications as reflected by the recent controversial accord on providing expanded Russian sales of uranium in the United States. Also, if we want Russian arms sales abroad to diminish, alternative developing industries need better access to Western markets.

6. Cooperate in policing the CIS. The former Soviet Union is an ethnic cauldron that Stalin stirred vigorously for decades, so it is not surprising that it has boiled over when the lid came off. Only through much greater U.S. and Western engagement throughout all of the countries of the CIS can we respond to the now-regular Russian rhetorical question of who will be the policeman of the CIS? The CSCE could play a vital role in cooperation with Russian forces deployed in unstable areas of the CIS.

7. Diversify policy in the region. U.S. policy has remained too Russo-centric, and thus we have failed to fully realize the importance and legitimate interests of other CIS states, particularly Ukraine and Kazakhstan. The U.S. needs to take a much higher profile in relations with all fourteen new states that emerged from the Soviet Union. Through greater engagement, the U.S. can play a more productive role in fostering cooperation between them and Russia when ethnic or military assets allocations or other questions arise.

Russian foreign policy, however puzzling and frustrating it has become in recent months, remains a welcome change from previous regimes in Russia; thus, the Yeltsin Administration will quite likely exhibit more cooperative policies than may emerge from any successor government in the Kremlin. So it is necessary to move as vigorously as possible on numerous fronts in developing relations with Russia on foreign policy and military issues. Nonetheless, the United States cannot have its policies in the area become hostage to the perceived reactions of opponents of Boris Yeltsin. The United States needs a broader regional policy, of which Russia will remain the most important element.

