

ABSTRACT

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DEMOCRACY PROMOTION: THE RUSSIAN
DEMOCRATIZATION PROJECT

Susan Hobbs Nelson, Ph.D., 2006

Directed By: Associate Professor, Bartłomiej Kaminski,
Department of Government and Politics

At the outset of the Clinton Administration, relations with Russia and assisting its transition to a market democracy sat at the top of the U.S. foreign policy agenda.

Analysis of democracy promotion in Russia in the 1990s reveals three distinct levels of activity. First, through legislation and public statements, the U.S. foreign policy elite set the goals to assist the new independent states of the former Soviet Union in developing the rule of law with an independent judiciary, market economy, plural representative political institutions including free and fair elections, and civil society with independent media. Second, accomplishing these goals fell to the key foreign affairs agencies—the State Department, U.S. Agency for International Development, and the U.S. Information Agency—to translate them into actionable democracy promotion programs. Finally, through federal acquisition regulations and institutional procedures, those agencies conducted competitions and awarded grants to U.S. non-governmental organizations to design and implement programs in country to build market democracies in the former Soviet space. Analysis of this three-tiered process suggested that democracy promotion programs in the 1990s were designed and implemented in isolation from one another.

By the end of the decade, Russia clearly had not made the progress in economic and political reform, which U.S. officials initially expected. Russia's internal dynamics,

over which the U.S. had no control, hindered external assistance efforts. Because building democracy is such a complex and long-term internal process, external actors could not create democracy where the ground was not fertile. In order for democratic institutions to take root, the Russian population needed to be open to democratic values like transparency, accountability, tolerance, and political participation. Democracy programs needed to be customized, taking into account the relationships among political and economic institutions, rule of law, and civil society on the ground. Targeting elements of a market democracy individually created gaps and relegated some important programs, particularly targeting the rule of law, to lower priorities. Greater attention to connecting people through educational exchanges and sharing information through Internet access would have helped prepare the ground for democracy.

THE BUREAUCRATIC POLITICS OF DEMOCRACY PROMOTION:
THE RUSSIAN DEMOCRATIZATION PROJECT

by

Susan Hobbs Nelson

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Advisory Committee:

Associate Professor Bartłomiej Kaminski, Chair

Professor Marcus Franda

Professor John Lampe

Associate Professor Miranda Schreurs

Professor Vladimir Tismaneanu

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Preface

In the short space of two years beginning in 1989, the United States government shifted sharply from its policy of containment toward Soviet communism during the Cold War to democracy promotion in the New Independent States of the former Soviet Union, first and foremost in Russia. No blueprints existed then to chart the path to market democracy for the former communist states of Eastern Europe or to assist the U.S. in supporting reform there. Building on common understanding of the attributes of a democracy, the U.S. Congress acted swiftly and assuredly to pass the Support for East European Democracy (SEED) Act of 1989, setting into law U.S. policies to support the creation of plural democratic and market institutions and strengthen the rule of law and civil society. When the Soviet Union collapsed in 1991, the Bush administration, which initially had been cautious in supporting East European revolution, took the lead to respond this time by presenting to the Congress, the Freedom for Russia and Emerging Eurasian Democracies and Open Markets Support Act of 1992 (FREEDOM Support Act), designed to support democratic reform in the countries of the former Soviet Union. Its purpose was to: 1) meet urgent humanitarian needs; 2) establish democratic and free society; 3) create and develop free markets based on principle of private ownership; and 4) create conditions for trade and investment. To meet these objectives, the U.S. government sought programs in Russia to create and strengthen: 1) the Rule of Law with an independent judiciary; 2) market institutions; 3) political institutions, including free and fair elections; and 4) civil society with an independent media. Over half of FSA funding was devoted to the Russian Federation because of its size and dominant influence in the region, its progress in the early 1990s in pursuing political and economic reform,

and U.S. concerns over its large nuclear arsenal. This study analyzes the bureaucratic politics of the U.S. decision-making process to design, construct, and implement democracy promotion policies in Russia.¹ My working definition of democracy is broad. Democracy is a system of governance whereby the people exercise the fundamental right to choose who governs them through free and fair elections; the economy is market-based; civil society provides space for individuals to pursue their interests and includes independent media to inform citizens; and the rule of law establishes written laws that are widely accepted by the people. Democracy promotion is the active policy of the United States in its relations with other countries to foster the development of market democracies outside the U.S.

Democracy Promotion on Three Levels

In *Essence of Decision: Explaining the Cuban Missile Crisis*, Graham Allison and Philip Zelikow (1999) analyzed on three levels the decision making process in the U.S. government surrounding the Cuban Missile Crisis: first, the perspective of the United States as a monolithic rational actor, second, the impact of the various federal agencies or branches of the military and their rules for engagement, and finally, the influence of individual behavior. U.S. democracy promotion in Russia, which involved a complex set of decision and policy actions on three levels, lends itself to similar examination at first from the official U.S. foreign policy leadership then from the perspective of the federal agencies and organizations translating the visions from the top into actionable programs and finally the third level where individuals on the ground in Russia implemented U.S. democracy programs. Each level of actor used its particular tools to advance the goals of

¹ In the context of this paper, “Russia” refers to the Russian Federation.

the democracy promotion agenda. Lacking, however, was sufficient coordination among the levels on definitions and methods and an appreciation for the complex inter-relationships of the goals they were pursuing. (See Table 1.)

Table 1: Three Levels of Democracy Promotion

PLAYERS	RULE OF LAW	MARKET ECONOMY	DEMOCRATIC POLITICAL INSTITUTIONS	CIVIL SOCIETY
Level 1: US Foreign Policy Elite				
Bush Administration (41)	Secretary of State Baker	Secretary of State Baker	Secretary of State Baker	Secretary of State Baker
Clinton Administration	President Bill Clinton	POTUS Clinton	POTUS Clinton	POTUS Clinton
US Congress	SEED Act of 1989	SEED	SEED	SEED
	FSA of 1992	FSA	FSA	FSA
Level 2: Foreign Affairs Bureaucracy				
State Department	State Dept/INL			
USAID	USAID	USAID	USAID	USAID
USIA		USIA		USIA
Commerce		Commerce Dept.		
Justice	Justice/OPDAT			
OPIC		OPIC		
Treasury		Treasury		
Level 3: Private Sector Implementers				
	ABA/CEELI	HIID (USAID)	IFES/Central and Subject Electoral Commissions (USAID)	ACIE/FSAFLEX
	Judges Association	Russian Govt (USAID)	NDI/Political Parties (USAID)	ACIE/Undergrad Exchanges
	US lawyers pro bono volunteer	TUSRIF (USAID)	IRI/Political Parties (USAID)	ACIE/MuskieFSA Fellows
	Russian law enforcement	Business for Russia (USIA)	IFES/EISD (USAID)	ACIE/TEA Teacher Exch.
	HIID	BDC (Commerce)	ACIE/RLP (USAID)	ACIE/PiE Ed Reform
	IIE/ABA/CEELIE Collegium of lawyers	BISNIS/BISTA (Commerce)		IIE/Muskie FSA Fellows
	ARD/Checchi	SABIT (Commerce)		IIE/Undergrad
		ABC (USAID)		IREX/FSA Grad
		TUSRIF/Delta Capital		IREX/Institutional Partners
		Community Connections		IREX/Contemporary Issues
		PMTI		IREX/Internet Access
				IREX/Moscow Ed Info Ctr
				Internews (media)
				RAPIC (media)

Level 1 sets the objectives to achieve the goal of promoting democracy.

Level 2 translates those goals into actionable programs through competitive bids among NGOs.

Level 3 implements democracy promotion programs on the ground in Russia.

Presidents and secretaries and deputy secretaries of state articulated the goals of democracy promotion, explaining in official public statements and congressional testimony why democracy promotion programs were in the interest of the United States—for purposes of U.S. national security and economic prosperity. The official record reflected accurately the attributes of democracy as established in the scholarly literature—the importance of the rule of law enforced by an independent judiciary, free market institutions, pluralist political institutions including free and fair elections, political parties, and a representative legislature, and civil society with an independent media. The FREEDOM Support Act “Findings” (Public Law 102-511, Sec. 101) called the collapse of the Soviet Union “an historic opportunity for a transition to a peaceful and stable international order and the integration of the new independent states into the community of democratic nations.” From the perspective of the top foreign policy leadership, promoting democracy in Russia was in the U.S. national interest. In the early years of the transition, those leaders emphasized support primarily for Russia’s privatization efforts to build a free market and free and fair elections.

Federal agencies like the State Department, U.S. Information Agency (USIA), and U.S. Agency for International Development (USAID) translated those broad visions and goals into actionable programs within the framework of their organizational rules and regulations through traditional instruments like Requests for Proposals (RFPs) and cooperative agreements. The FREEDOM Support Act established within the State Department a new office to coordinate assistance activities across U.S. federal agencies

and to interface with the U.S. private sector. These three main players came to democracy promotion with varying levels of experience. The new State Department Office of the Coordinator for Assistance to the NIS did not have sufficient legitimacy to exercise its coordination responsibility over the broad range of federal assistance programs until the middle of the 1990s. To the contrary, USIA was able to rely on its standard operating procedures and well-established methodology from the start of the transition as it expanded its popular exchange programs. Called the U.S. Information Service (USIS) in country, USIS officers had been posted to Embassy Moscow for many years, tasked to spread America's message of freedom to Soviet society. Like State, USAID had to create institutions to deal with its new responsibilities of democracy promotion in the more developed, post-communist Second World, with different demands than its traditional Third World development programs. USAID had to open missions where none had existed before. It did not have on staff the necessary talent combining development knowledge with area expertise. As a result, USAID floundered at first, but took significant efforts to create and adjust a strategic plan for assistance to Russia throughout the decade. Through RFPs, USIA and USAID provided grants to or entered into cooperative agreements with U.S. non-governmental organizations and educational institutions to implement technical assistance programs in Russia to support market reform and privatization of the economy, trade and investment initiatives, rule of law, free and fair elections, political party development, professional training, and academic and cultural exchanges.

The Coordinator's Office reported annually to the Congress on the general accomplishments of the democracy assistance programs according to the federal agency

responsible for their implementation. In other words, the report relayed, for example, the programs USIA funded, USAID's accomplishments during the year, and what the Commerce Department supported. This, however, was only part of the picture of democracy promotion. These reports did not clearly reflect the work of the U.S. NGOs actually conducting the programs in country, so missed the details of the third level of democracy promotion actors. The results of U.S. government efforts to promote democracy rested in the hands of the individuals who took action on the ground, implementing programs to accomplish the broad goals set at the highest levels and framed by the federal agencies. The behavior of individual program officers, working within Russia's internal political dynamics, determined what was accomplished on the ground in Russia. It was at this grassroots level where U.S. NGO program managers performed much of the valuable work of assistance programs as they connected thousands of individual American and Russian citizens in profound and lasting ways.²

By the end of the 1990s, the U.S. government, along with many others in the international community, had spent billions of dollars to support Russia's transition to a market democracy. While significantly more open and pluralistic than the Soviet Union, Russia made only modest progress toward democracy by passing new laws, instituting relatively free and fair elections, and creating numerous NGOs. Its stilted economic reforms, however, did not lead to rising prosperity for the majority of Russian citizens. Suffering from the pains of ill-conceived economic reforms, the Russian people had become disillusioned with the promises of future gains and were not deeply committed to democratic and market reform by the end of the decade. Even more recently, Russia

² Throughout this study, the term "Russians" refers to citizens of the Russian Federation.

has slipped further from these moderate gains toward a more centralized and state-controlled system. As a result, many in the U.S. have been quick to criticize the ineffectiveness of U.S. efforts to promote democracy in Russia, claiming that the West had failed. The review of how U.S. assistance programs to Russia were designed and implemented at the three levels provides a more positive, longer-term perspective of U.S. accomplishments in Russia during the 1990s under the FREEDOM Support Act.

The transition to democracy is a long-term evolutionary process, which, in the case of Russia, requires changing people's deeply engrained political culture. It is too early to conclude that Russian democracy or U.S. assistance to promote Russian democracy failed. Clearly, the wildly euphoric early expectations of U.S. foreign policy leaders that Russia would make a natural and smooth transition to democracy were not realized. On the surface it appears that Russia is becoming more centralized and less democratic, but below that level, at the grassroots, U.S. and Russian citizens are collaborating and interacting on an individual and ongoing basis. From those interactions, networks are growing among people and between organizations. My research suggests that the results of long-term democracy promotion programs have yet to payoff. Specifically, those are the programs involving educational and cultural exchanges and professional training that build relationships between Russians and Americans from high school students to established professionals. These programs received very little attention or recognition under FSA until the end of the decade. By then, tens of thousands of Russians had studied in the United States and returned home to begin or resume their careers. They represent a critical and still growing mass of Russians who have experienced democracy and open society first hand and signify hope

for Russia's democratic future. They may be the catalysts for developing the broad based support that Russia needs to become more democratic.

The U.S. government approached democracy promotion only by focusing separately on specific democratic attributes, but the process of building democracy involves a complex inter-related set of variables. The emerging democracy promotion field offers little guidance to practitioners in the way of a holistic approach to building a democratic market society. Much data sits on the shelves of U.S. government program officers or in U.S. government archives waiting to be gleaned for a more comprehensive approach to democracy promotion. There needs to be a better understanding of how the various democracy promotion goals interact, not always in unison or in expected ways.

This study traces a decade of U.S. democracy promotion beginning in Eastern Europe in 1989 then focusing on Russia from 1992 through the end of the decade. Informed by the writings of democracy theorists of the last quarter-century, this study analyzes U.S. government policy makers' and program managers' understanding of the democracy building process and assesses how those programs were designed and implemented against the theoretical understanding of democracy and democracy promotion in the scholarly community.

The benchmarks of democracy

Chapter One provides a review of the scholarly analysis of democracy, the process of democratization, and the embryonic field of democracy promotion. It sets forth the basic attributes of a democracy as background for the analysis of U.S. government programs.

Democracy requires:

- The fundamental commitment of the people to principles of tolerance, respect for the individual, accountability and responsibility;
- Rule of law and independent judiciary;
- Market economy;
- Representative government selected through free and fair elections; and
- Civil society with an independent media.

The designs of assistance

Chapter Two analyzes the designs of U.S. democracy promotion programs from the many pieces of legislation leading up to the passage of the Support for East European Democracy (SEED) Act of 1989 and the foundation it created for the FREEDOM Support Act of 1992. Prior to 1989, the communist threat had served as a major unifying goal for U.S. policy makers in the executive branch and Congress. With the disintegration of communism in Eastern Europe in the late 1980s and the demise of the Soviet Union in 1991, the U.S. government was divided on how vigorously it should respond to the changed international environment. The immediate post-Cold War era was a period of confusion and profound uncertainty for U.S. policy makers. The Congress resolved to act quickly and vigorously to pass the SEED legislation while the executive branch cautiously watched the reactions of the Soviet leadership to the fall of communist regimes across Eastern Europe. Upon the collapse of the Soviet Union and at the height of an election year, the executive branch was emboldened to respond and drafted the FREEDOM Support legislation, placing its emphasis squarely on advancing economic and political reform in Russia. Chapter Two concludes with an analysis of

how closely the democracy promotion elements of those two key pieces of legislation match the benchmarks for democracy as established in the scholarly literature.

The context of assistance

Democracy promotion is not carried out in isolation. It is impacted by events on the international scene as well as the internal dynamics of both the target country and the donor country. Chapter Three provides the background against which the U.S. conducted its democracy promotion programs. The first part of the chapter addresses the mixed state of Russia's democratic reform in the chaotic 1990s—its weak rule of law with a judiciary under the influence of the Kremlin; partial economic reforms and complete economic collapse near the end of the decade, regularized and generally free and fair elections; weak political party system; and growing civil society and independent media. Under the leadership of President Boris Yeltsin, Russia was unpredictable due to his flamboyant nature and compromised health. The second half of the chapter assesses U.S.-Russia relations at the executive level throughout the decade, specifically the very close, if sometimes volatile, relationship between Presidents Boris Yeltsin and Bill Clinton. This review shows how democracy promotion as a top foreign policy goal was relegated to the backburner as conflict erupted around the world.

The structure of assistance

Chapter Four analyzes the structure of U.S. democracy assistance—institutionally and fiscally—tracking the budget, implementation, and reporting processes in the context of the organizational cultures of the State Department, USAID, and USIA. U.S. democracy assistance under FSA in the 1990s falls into three distinct stages beginning with the priority to meet urgent humanitarian needs (1992-1993) then to create

a market economy (1994-1995) and finally to develop democratic political institutions, the rule of law and civil society (1996-2000). The first stage, focused on humanitarian aid, was short-lived as the feared famine and chaos of the transition did not materialize. Just as Soviet citizens had survived the shortages of the Soviet economy, Russian citizens managed to survive its collapse. Within FSA funding to Russia, the vast amount was devoted to building a market economy, though that shifted in 1996 as the program priority became the development of democracy and civil society.

Implementing democracy programs

The next two chapters focus on those shifting program priorities, Chapter Five to efforts to strengthen the rule of law and build a market economy and Chapter Six to projects aimed at developing democratic political institutions and civil society. These chapters draw on the annual reports to Congress prepared by the State Department's Office of the Coordinator for Assistance to the NIS, reports by the U.S. NGOs implementing the assistance programs on the ground, evaluations by the General Accountability Office (GAO), and personal interviews with U.S. NGO program managers in Russia and in Washington. This review shows where U.S. efforts corresponded with scholarly findings and where they fell short.

Lessons learned

Finally, Chapter Seven draws the lessons learned for democracy promotion as a U.S. foreign policy goal from the three levels of analysis—first, the public statements of top foreign policy leaders as explained in Chapters Two and Three; second, the interpretation of those broad goals into assistance programs through the organizational mechanisms of the foreign affairs agencies as developed in Chapter Four; and third, the

implementation of those assistance programs by individual program managers of U.S. NGOs working with U.S. officials on the ground, as presented in Chapters Five and Six. The most significant lesson, framing all other lessons, is that external donors can only have a marginal impact on promoting democracy without the support of the host population. In other words, democracy will only happen in Russia when the Russian people want it and the elite permit some opening for it, no matter what the U.S. and other international donors desire for the Federation. Regardless of the type of democracy promotion activity pursued, external donors will be impacted by internal political dynamics over which they have no control. That said, however, my research suggests that assistance programs targeting the grassroots level, can introduce democratic values, practices, and societies to Russian citizens who can later become change agents in their societies. Exchange programs with follow-on support to exchange alumni promise to build broad-based support for democracy. They help to cultivate societies at the grassroots level to be ready to take advantage of and work in concert with political openings at the top. The emphasis of such democracy promotion assistance speaks to Joe Nye's analysis of America's "soft power."

This concluding chapter also explores the implications of these lessons learned for future U.S. efforts in democracy promotion. The U.S. government approach to democracy promotion has been stove-piped with individual agencies targeting individual democratic attributes without much coordination among them. Some fundamental attributes received much too little attention – specifically programs supporting rule of law and the social safety net. The necessary attributes of democracy—rule of law, market economy, civil society, representative political institutions, independent media, and

independent judiciary are dependent on and affected by one another. Democracy promotion requires a detailed strategic plan reflecting those relationships and connections. In the U.S. government, even the country specific strategic plans are stovepiped—USAID has its own, State has its own. Further research on democracy promotion for the practitioner should focus on the inter-relationships among the various attributes of democracy and recommendations for policy coordination to meet them.

Dedication

This study is dedicated to the memory of my father, Leonard C. Hobbs, a World War II veteran and small business owner, and in honor of my mother, Evelyn H. Hobbs, a career civil servant of 33 years with the U.S. Department of Agriculture. As model democratic citizens supporting the nation and their local community, they demonstrated daily their commitment to service. I offer this research as tribute to their generosity and in gratitude for a life of love.

Acknowledgements

I am grateful to all who have supported me in substance and spirit over the many years I have conducted this study. I am indebted especially to those who were willing to share candidly their insights and reflections on the task of promoting democracy in Russia. Across the board, I found that those inside and outside government who devoted a portion of their life to this work approached it with energy, creativity, resolve and deep commitment. This is especially true of the program officers of the U.S. non-governmental organizations implementing democracy assistance programs—the American Councils for International Education/American Council of Teachers of Russia (ACIE/ACTR) under the leadership of Dr. Dan Davidson, International Research and Exchanges Board (IREX), Institute of International Education (IIE), International Foundation for Electoral Systems (IFES), International Republican Institute (IRI) and National Democratic Institute (NDI).

I wish to express my great appreciation to the University of Maryland's Department of Government and Politics (GVPT) for granting me the time to complete this study, allowing the lessons learned from promoting democracy in Russia in the 1990s to become more apparent and hopefully more useful for future research. I am honored and most grateful for the guidance of my distinguished dissertation committee—my adviser and chair Bartłomiej Kaminski, Marcus Franda, Miranda Schreurs, Vladimir Tismaneanu, and John Lampe of the Department of History. I especially appreciate the

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Chapter 1: Visions of Democracy

At the beginning of the 21st century, democracy appears to offer the most equitable system of governance that human society has developed for political and social organization.³ Its strength is rooted in the rule of law, the mechanism by which participation in the system is regulated and conflict is mediated in the context of a clear set of rules that apply to all citizens. Clear rules enforced by a judiciary independent of political power lead to trust, the foundation of democratic society. People trust the democratic government to protect their civil liberties—the right of expression and assembly—and the right to a free press, private property, and to vote. Through the constitution, the liberal democracy protects the rights of the individual and establishes a set of checks and balances that keeps power fairly distributed. People give their consent to the democratic state in return for public health, safety and the freedom to pursue their interests.

Democracy provides freedom with broad space for a diversity of voices and interests and speaks to the soul of the individual promising a stake in and hope for the future. The free market, regulated through the rule of law, is essential to democracy, encouraging innovation that can lead to economic growth and prosperity. It creates an environment conducive to risk taking while offering the protection of law. Democratic political culture embodies openness, transparency, inclusiveness, and accountability, values that need to be exercised at all levels of society from interactions among individuals to within and among organizations and among national governments. At the

³ By “democracy,” I mean a liberal democracy, a representative government regulated by a constitution that protects the rights of the individual and minorities.

core of the widespread appeal of democracy is the protection of the rights of the individual and checks on executive power. Democracy protects the right to speak truth to power.

Many political scientists and government officials have expressed their own version of Winston Churchill's often cited quote that "democracy is the worst form of government, except all those other forms that have been tried." Democracy is an attractive choice because it provides an orderly mechanism for people with diverse interests to compete peaceably through elections and the market for political and economic benefits and to have a say in how they are governed. Democracy as it is practiced today is the result of gradual and fitful evolution over the very long-term.

The Fitful Evolution of Democracy

For all its positive attributes, democracy emerged only rarely up to the 20th century because it is such a complex system of relationships among the state, the market and civil society. As a form of government and ideology, democracy has experienced waves of popularity and development, obscured at various points in history by the predominance of other forms of government from empires and monarchies with colonies to oppressive collective arrangements. In the 20th century, democracy's popularity was clearly on the rise.

A lengthy evolution and rare occurrence

The attributes of democracy evolved piecemeal over 2000 years in conjunction with the development of markets and trade. Democracy first appeared in Athens in the 5th century B.C. in the form of the direct participation of men in the governance of city-

states. Athens introduced the concept of rule of law, which primarily meant binding the power of the state to make its use less arbitrary, and supported the idea of equality before the law (Belton 8). The Roman Empire demonstrated a form of democracy more representative and less direct than Athens. Rule of law spread during the Roman Empire through the application of Roman law across the vast territories of the empire. During the Middle Ages, the idea of representative government faded under feudalism that tied lord and vassal together on the basis of land ownership and servitude, though the spread of Christianity planted the idea that all men are equal in the sight of God. Medieval economic relationships were limited to transactions between individuals.

The feudal period gave way to the Renaissance beginning in the 14th century, with the rise of the Italian city-states and the spread of economic competition and international trade. After the dismal period of the Dark Ages, people sought to recapture the glories of Ancient Greece and Rome. By the early 16th century, the French monarchy pursued an economic system of mercantilism based on the balance of trade with high exports and low imports. In the mercantilist system, the power of the state rested with its wealth as determined by the amount of gold and silver the state held. Trade was seen as zero sum based on a finite amount of capital over which states competed. Governments became deeply involved in the economy during the mercantilist period, closely regulating the flow of imports and exports and establishing monopolies. An outgrowth of this system was an accounting system to monitor those flows. The merchant class grew, benefiting from the monopolies, cheap labor, and protectionist policies that limited foreign competition. Governments, in turn, benefited from the wealth of the merchants. From this growing international trade emerged the beginnings of the market – a banking

system, contract law, shipping law and guarantees of transactions (Sachs and Pistor, 4). Nation states became stronger as governments shifted from exporting raw materials and invested in domestic production of finished goods to export. The intense competition over perceived limited capital led to many wars during this period. The British economic system at the time was less mercantilist, restrained by the growth in the power of the parliament and the establishment of common law. The concept of limiting the power of the state was introduced in England in the Magna Carta and expressed in the English Petition of Grievances of 1610 (Belton 8). The mercantilist period lasted until the French Revolution in the 18th century, when Adam Smith criticized the system as unsustainable. In *The Wealth of Nations*, Adam Smith introduced his economic theory supporting the invisible hand of the market, suggesting that free trade is mutually beneficial and not zero sum, so governments should not interfere in the economy and instead should allow markets to self-correct. Smith believed that people acting in their own self-interest was good for the interest of all.

The Age of Enlightenment in the 18th century shifted the focus of authority from the king to the individual. The idea of equality before the law re-emerged. Government officials and clergy were to be tried under the same laws and methods as ordinary people (Belton 9). John Locke, a key figure in the Enlightenment, believed in a law based society, the sanctity of the individual and the search for truth through reason, not through mere acceptance of the word of authority. Individuals possessed natural rights that preceded the ruler. Jean Jacques Rousseau asserted that men needed to come together to make laws that the government then was charged to enforce for the good of all. In this way, the state brought law and order to the natural brutish state of man that Thomas

Hobbes had described the century before. Looking back on the chaos and religious wars of earlier centuries, the philosophers of the Enlightenment period proclaimed that the rights of the individual were based on a rational universe. These beliefs were powerful influences on the American and French Revolutions in the last 18th century.

Having thrown off British rule and won its independence, the United States Constitutional Convention drafted the Constitution, which was ratified in 1787, introducing the separation of powers among the three branches of government—the executive, the legislative and the judiciary. Following the election of George Washington as the first President of the United States, James Madison drafted the Bill of Rights in 1789, providing for rights of the individual of freedom of speech, religion, assembly, private property, due process, civil trial by jury, among others. Participation in the democracy, however, was still limited only to men and the practice of slavery continued in the United States for another 100 years until its abolition in the 19th century. The secret ballot was introduced in the United States by the end of the 19th century. The Industrial Revolution brought scientific discoveries and increased power for the United States and Germany, challenging Britain's premier position in the global economy. Philosophers like Karl Marx and Frederick Engels focused on the division of labor into classes and the alienation of the worker in the capitalist system that served to embolden workers unions and led to the rise of socialism (Chilcote 79-83). The 19th century also brought the dissolution of empires with the rapid rise and fall of the Napoleonic Empire and the end of the Germanic or Holy Roman Empire early in the century, and the collapse of the Austro-Hungarian and Ottoman empires by the end of World War I early in the 20th century. In the latter part of the 19th century, rising economic competition compelled

major powers to seek colonies to provide raw materials to feed into the growing industrialization of their economies.

Democracy on the rise

While men had experimented with forms of democratic governance for over 2000 years, at the outset of the 20th century there still were no liberal democracies “elected on the principal of universal adult suffrage.” That changed dramatically, however, by the end of that volatile century when there were 120 electoral democracies in the world (Freedom House 1999b, 2). The rise of democracy over the 29th century was not a smooth linear trend upward, however, with a significant setback in the interwar period of 1922-1942. Samuel Huntington (1991, 17) pegged 1926 as the end of the first long wave of democratization, which grew out of the American and French Revolutions. By that point, there were 33 democracies, many of which had emerged around the time of the First World War. Ironically, following that war, which was fought to make the world “safe for democracy,” many of the newer democracies reverted to more authoritarian forms of government. There were many challenges and alternatives to the democratic model. Following the fall of the Russian Empire in 1917, the Soviet Union turned shortly thereafter to communism. Italy turned to Fascism in 1922 and Germany to Nazism in 1933. With the global economic decline of 1929 and decade of depression to follow, people around the world looked to centralized governments, as more efficient means of economic organization. During the bleak interwar period, the number of democracies in the world declined to 12. In 1939, Germany moved to take over nations in its neighborhood in Central, Southeastern and Western Europe and in Scandinavia, triggering a response by the United States and drawing it into the war. With the defeat of

Germany and Japan in 1945, the United States and its Allies occupied and established democratic systems in those countries.

In the post World War II period, up to the early 1960s, the number of democracies rose to 36 with the rise of national sovereignty and free market development. The main threat to democracy at this time came from communism, which spread under the influence of the Soviet Union throughout Eastern Europe and around the world. The international system was split into two competing ideologies—democracy and communism—for 40 years. Democracy suffered a second reversal in the 1960s as military coups overthrew civilian governments in Latin America and Africa in the 1960s, leading many to question the appropriateness of democracy for developing countries (Huntington 1991, 19). The democratic trend revived, however, with the overthrow of dictatorship in Portugal and the end of the Portuguese empire in 1974. The number of democracies rose again with the addition of 30 more in the third wave. During the 1980s and 1990s, democracy spread to Southern Europe, Latin America, Asia and Africa, coinciding with the disintegrating influence and ultimate collapse of the Soviet Union (Huntington 1991, 24). The international system, which for nearly fifty years had been dominated by the competition between the U.S. and the USSR, became less and less bipolar. With the collapse of the Soviet Union, communism was discredited and many people living under former communist systems chose deliberately to pursue democracy in its place. The international system became unipolar under the leadership of the United States and, therefore, supportive of the emergence of democracy. Calling this the “Democratic Century,” Freedom House (1999a) found that at the end of the 20th century

58.2 percent of the world's population lived in electoral democracies, of which 85 countries or 38 percent of global population were liberal democracies.

What does this acceleration of democracy over the last century mean for international relations, especially for the established democracies? The response of the United States, particularly since the 1990s, has been to promote deliberately the development of democratic systems through its foreign policy and specially designed aid programs. To assess the effectiveness of this response, it is necessary first to identify the requirements for a democracy to take hold and consolidate.

Necessary Conditions for Democracy

Democracy involves a complex set of political, economic and social institutions, some of which are critical to its existence. Those elements without which democracy cannot survive are: 1) the consent of the people; 2) the rule of law; 3) the free market; 4) competitive elections that are free and fair; and 5) space for civil society. The role of the individual as an active participant in these institutions is key to democracy.

Indigenous support

First and foremost, democracy must have the support of the people to survive. Fundamentally, democracy relies on the deliberate choice of the people to be willing to participate actively in the democratic process, e.g., to run for elected office, to vote, or to protest. Robert Dahl's (1989) definition of democracy as a "polyarchy" or government by the many puts the citizen at the center of democracy. In a democracy, "citizenship is extended to a relatively high proportion of adults, and the rights of citizenship include the opportunity to oppose and vote out the highest officials in government" (Dahl 1989, 221). In this system, the criteria for democracy are:

- "effective participation" so individuals have ample opportunity to make known their policy preferences;
- "voting equality at a decisive stage" so every citizen feels assured his/her vote carries equal weight to that of all other citizens;
- "enlightened understanding" so every citizen has equal opportunity to gather information in a timely manner on the decision at hand;

- “control of the agenda” whereby citizens determine what issues are to be pursued in the democratic process; and
- sovereignty of the people, meaning that the people have the final say (Dahl 1989, 109-114).

Support for democracy can be inspired from a visionary and charismatic leader or can result from a pact or agreement among elites. External actors, however, cannot impose democracy on an unwilling population, but they can pursue programs in country that can help build broad-based support for democracy. The key is that the initiative for reform must be indigenous at some level. Indigenous support for democracy can be the people’s willingness to pursue democratic reform that can lead to the development of a democratic political culture over time.

A democratic political culture

As individuals interact in political and civil society and free market of a democracy, they develop a democratic political culture. A state’s political culture is the overall behavior of its citizens and their interactions based on their beliefs, memories, and past experiences. Political culture can be defined as “the persistence of certain mental forms that tend to direct, inspire, and orient individual responses to significant and often divisive issues, including the attitudes toward the state, bureaucracy, change, minorities, and so forth” (Tismaneanu and Turner 1995, 7). Political culture also has been described as “a set of norms that encourages the formation of individual and collective preferences, and the submission of those preferences to the political arena for satisfaction, within the context of support for a set of institutional arrangements for political decision making

that is responsive to those preferences” (Gibson 1995, 56). Political culture is directly related to the survival of democracy through its linkages to the political structures.

The rule of law gives rise to a democratic political culture because it provides individuals the security to trust the state. The values inherent in a democratic political culture are:

- respect for transparency, accountability, and openness;
- acceptance of plurality;
- tolerance; and
- willingness to participate actively in the political process.

In an overlapping space between civil society and the state is “political society,” where individuals act out their political interests. Expressed in this political society is a country’s political culture which reflects the people’s deepest feelings about the trustworthiness of fellow citizens and the legitimacy of and respect for their rights and interests; their own ability to influence government; the legitimacy of their political institutions; and how conflict should be resolved (Parrott 1997, 21). A democracy must have a political culture that is civic, meaning citizen based, with norms of high interpersonal trust, readiness to compromise over conflict rather than resort to violence, and acceptance of democratic institutions as legitimate. Importantly, a society’s political culture is capable of changing in response to historical events and generational turnover. In order words, no community is pre-determined to be forever unsuitable to democracy. Democracy remains a possibility for all states.

Gabriel Almond and Sidney Verba (1989), leaders in the field of civic culture, stress the importance of the public's attitudes regarding its ability to influence the political system and impact political decisions, and the overall level of trustworthiness of society. There is a symbiotic relationship between the formal political institutions and the ultimate consolidation of democracy. They are self-reinforcing as they build trust in society. People are more willing to support democracy when they trust that the political institutions will protect their interests. "The legacy of mistrust must first be overcome in order for a previously atomized society to establish the basic level of tolerance and civil responsibility required to sustain even the most basic levels of freedom" (Dawisha 1997, 52). This is particularly true of societies that are transitioning from previously authoritarian systems. The rules by which people choose to live are unique to their culture and history, but over time this political culture can change, especially as citizens re-examine their past.

Many debate whether democratic institutions can survive in a political culture that is not fully democratic or alternatively if those institutions can spur the development over time of a political culture that becomes increasingly more democratic. Some believe that the selection of specific political institutions is not as important as the underlying political culture. Unless a country's political culture is already accepting of democracy, prospects for the consolidation of democracy are much more challenging and uncertain (Lipset 1993, 136).

The rule of law

Conventional wisdom holds and U.S. government policy statements assert that a democracy must be based on the rule of law, backed by an independent judiciary, but

such statements often lack a clear definition of what constitutes rule of law. Tom Carothers (2004, 122) defines the rule of law “as a system in which the laws are public knowledge, are clear in meaning, and apply equally to everyone. They enshrine and uphold the political and civil liberties that have gained status as universal human rights over the last half-century.”

Karen Kleinfeld Belton (2005) draws a distinction between two different current definitions of the rule of law that she believes have become conflated in the general public. The first, and the one she supports, is a definition based on the end-goals of the rule of law. Specifically, the rule of law means: 1) the state abides by law; 2) there is equality before the law; 3) there is law and order in society; 4) justice is exercised efficiently and impartially; and 5) human rights are upheld. The rule of law exists when these five separate goals hold. Achieving these goals often requires reform across many institutions at the same time—the courts, the police, and the judiciary. Success in one alone, however, does not bring rule of law and each goal has separate constituencies which may support reform in one area but not another. Achieving these five goals together is needed to bring rule of law to society. According to Belton (7), these goals are historically and culturally determined. Such clarity allows designers of programs to strengthen rule of law better address and counteract opposition to reform. U.S. democracy promotion programs to support rule of law should address each of these five goals.

The first goal of limiting the power of the state requires an independent judiciary and court system. The idea of the bound state must be codified in law and, in transitioning countries, requires court reform and independent law enforcement, where

the military and police are allied to the people, not the regime. The second goal of equality before the law requires the protection of minorities and the strength and independence of the court system to enforce the law and not give in to corruption and bribes. The third goal of law and order requires that people trust the state to be just, rather than taking justice into their own hands. A society based on law and order attracts foreign investment, ensures the well-being of the poor who cannot afford to protect themselves, and contributes to global security (Belton 11). The fourth goal of efficiency and predictability eliminates the tactic of delaying court proceedings or subverting justice. Belton (12) credits Friedrich Hayek (1994) for emphasizing the importance of predictability that the rule of law provides, especially for the market economy. Predictability gives people control over their affairs and allows them to make decisions. “A predictable, efficient legal system allows businesses to plan, enables law-abiding citizens and businesses to stay on the correct side of the law, and provides some level of deterrence against criminal acts. It enables a free market by providing for efficient adjudication of contract disputes” (Belton 13). A particular concern in this goal is that the laws should not change too frequently, a tendency in transitioning states. When laws change often, the uncertainty undermines the efficiency of the legal system and takes away the predictability of the rule of law. The final goal of protection of human rights means providing for the security of the people, which has been at the core of many outside approaches to transitioning states. Some believe that the content of the laws is particularly important; others feel that the procedure of laws is primary. The human rights goal clearly falls into the former category. Belton suggests that laws are the weakest tool to promote human rights. Cultural acceptance of human rights as a norm is

necessary for such protection. In established rule of law systems, these five goals complement one another, but in transitioning societies, they are in tension and progress at different rates. Advances in one area can undermine work toward another goal.

Belton's second definition, and the one she claims is most often used by democracy promoters/practitioners, focuses on the institutions of the rule of law, specifically: 1) the laws which are publicly known and accepted; 2) a judiciary that is trained and knowledgeable about the law and independent of political power; and 3) an enforcement mechanism that can enforce laws, executive judicial judgments, and keep the peace and security in society. The forms these institutions take can vary widely among countries. These institutions are often the targets of specific reforms and putting these institutions in place is used as a tool to get to the desired end state of the rule of law. Belton argues that institutions alone cannot create the rule of law. They require a larger supporting structure including the legislature, a system of legal education, and prisons, intelligence services, and border guards (Belton 16). Reforming institutions is a means to an end, not an end in itself, but it has become so in democracy promotion efforts. Reforming institutions is not enough to bring about a market democracy, which requires cultural and social change, too—the way people think about society. This is a much more difficult and longer-term process than re-writing laws or training police, for example. Measuring the number of new laws or the number of police trained does not indicate whether establishing the rule of law in a society has advanced. The rule of law is not just about legal institutions; it is about a cultural and political model. For this reason, each rule of law system needs to fit its cultural and political context.

The foundation of the rule of law is the constitution, which contains the basic rules and principles of governance, determining the rights of the individual and how power will be shared. The rule of law brings order to democracy through a complex system of checks and balances among various sources of power, for example, among branches of the central government and the relationship between central and regional government.

Adherence to the rule of law guarantees that everyone plays by the same rules, which are transparent and fair, and that the state does not play favorites in handing out its benefits. The rule of law establishes checks on the arbitrary abuse of power by government, giving citizens the protection they desire and the freedom they need to pursue their interests both economically and politically. Rule of law requires that state institutions like the police force and the military are trustworthy, and that the judiciary is independent and not beholden to the state.

The democratic system is self-governed by rules acceptable to the wide majority of citizens. In a democracy each of the three separate, but inter-related sectors of the market, the state, and civil society respects the existence of and cooperates with the other two working within the rule of law. Each sector is made up of institutions such as private enterprises in the market, elections and political parties in the political state, and independent media and non-governmental organizations in civil society, each with its own set of laws specific to its realm. In the free market, the rule of law guarantees contract enforcement and property rights. In the political society, rule of law establishes the rules for electoral competition. In civil society, rule of law protects freedom of expression, which can hold the state accountable for its actions. The rule of law is a

powerful source of persuasion to convince people to participate in the democratic system when it gives them protection to pursue their interests safe from the arbitrary actions of the state.

Conventional approaches to rule of law promotion can be described, on the one hand, as “top down” and on the other as “bottom up” (Spense, 16). The “top down” approach means putting in place the institutional structures and laws based on best practices from around the world. The “bottom up” approach focuses on the development of those who underpin the legal system—the lawyers and judges—by training them in western practice and building up respect for the law so they will demand that the government undertake reform. The passage of the Russian Criminal Procedure Code in 2001, which is discussed in Chapter Five, was the result of an approach somewhere between the conventional extremes.

The rule of law is fundamental to democracy because it provides the basis and trust on which to develop market and pluralistic political institutions and civil society. Clear written rules, widely accepted by the citizenry and impartially enforced, provide a predictable and level playing field on which individuals can make choices. Rule of law is the counterweight to corruption.

A market economy

The free market has been a driving force behind the historical development of democracy as it is accompanied by a rise in literacy and education level among the citizens, and the growth of a middle class that is not dependent on the state, and the expansion of a vibrant civil society. (Huntington 1991). The market creates and enriches a middle class of citizens who demand participation in their governance and expect the

state to provide certain conditions conducive to market transactions. These factors lead to a citizenry that is more willing to be pro-active and hold government accountable (Diamond 2003).

The market serves the needs of the people and the democratic state. It can provide a mechanism to empower people outside the realm of the state's influence. Because the middle class has its own interests to protect, it wants to have a say in setting the rules that impact it. The middle class is important to the state for the revenues it provides through taxes, which then allow the state to invest in public infrastructure and defense for the people. People expect the democratic state to provide for a certain quality of life including education, health care, defense, communications, and other features of modern society. The market provides the means for the state to make these provisions. Because a democracy requires stable economic growth in order to consolidate, the state needs to manage the market economy effectively and be accountable to competing interests (Sachs, 4).

Through the freedom to make their own decisions in an open society, individuals have the opportunity to reap economic benefits for personal benefit through the free market. Seymour Martin Lipset (1994, 31) was the first to establish empirically the relationship between level of development and democracy, observing that developed, rich countries tended to be democracies.⁴ In other words, the wealthier a country the more likely it is to be a democracy. Many have questioned the direction of this relationship. Does democracy lead to economic development or does economic development lead to democracy? Adam Przeworski concluded in *Democracy and Development* (2000) that

⁴ Lipset builds on modernization theory that suggests less developed nations can benefit from the experiences and lessons of the developed, i.e., democratic, world in terms of sustainable development.

there was no general pattern of development, which instead is determined by a country's past. His research in the mid-1980s found that countries with about \$6,000 per capita income or higher did not suffer a reversal in democracy. In other words, the higher the per capita (above \$6,000) the more likely democracy would be sustained. In more recent work, Przeworski (2004) has suggested that democracies become more durable as they become more developed, but not that development necessary leads to democracy. He contends that democracies and dictatorships both can exist at certain levels of development, but that the duration of dictatorship is shortened as countries develop because such regimes experience instability.

In its study on *Freedom in the World 2000-2001*, Freedom House found a significant link between political freedom and economic development in those countries deemed "Free" in its survey.⁵ The study showed that the economies of "Free" countries grew at an average annual rate of 2.56 percent over a nine-year period, a rate 70 percent higher than the growth rate of the countries it deemed "Not Free." The study concluded that "economic growth is accelerated in an environment where the rule of law is respected, property rights are enforced, citizenry is actively engaged in the political process, and investigative media serve to expose, and thus reduce corruption" (Freedom House 2000). The study also noted that some impoverished countries also extended political rights and civil liberties to its people.

Dan Usher (1981, viii) believes that the free market is the primary condition for democracy because it assigns national income impersonally. The politics and economics

⁵ Freedom House, a non-profit organization that tracks political freedom and human rights, regularly surveys the global state of those attributes. It rates countries as "Free," "Partially Free," and "Not Free" depending on their political and human rights record.

of a democratic system cannot be separated and the government must have the support of the people for its economic policies and institutions before democracy can be consolidated (Haggard and Kaufman 1995, 16). The democratic state needs equitable economic growth for its long-term survivability.

In a democracy, society, not the state, must take the lead in assigning national income through the market or the “system of equity,” which must be acceptable to both the legislature and the people (Usher, 1981). The legislature must not be involved substantially in the distribution of national income, which must be removed from the pressure of the vote. Economic policies should be examined and pursued depending on their impact on the system of equity. Experience shows that the free market best fulfills this mission. Capitalism with its private ownership and control of the means of production provides the only system of equity suitable to democracy. Through its openness and freedom, it provides incentive for innovation that leads to economic prosperity across the board and benefits all. A democracy cannot exist without a capitalist economic system.

Joan Nelson (1994, 6) recommends certain steps to introduce market reforms and set the stage for structural reforms later. These include pursuing first, macroeconomic stabilization to control inflation or correct a balance of payments deficit; second, removing state controls of the old regime involving trade, prices, and labor mobility; and third, setting up market mechanics like financial institutions, property rights and commercial law, and regulations to protect the public. The greatest obstacle to the consolidation of market reforms is the necessary shift in people’s attitudes to accept the new rules as legitimate. People have to believe that these new rules are good for them

and that others will cooperate in their implementation. Building that legitimacy takes time.

The state creates economic rules acceptable for the democracy, such as property rights, and guarantees their enforcement through the well-established rule of law. Property rights must be structured to give people a stake in the modern free market system. Mancur Olson made the compelling argument that democracy and elections are not enough to secure property rights, which must be protected within the rule of law. “The only societies where individual rights to property and contract are confidently expected to last across generations are the securely democratic societies” (Wolf 2004b, 13-14). The state also needs to redress the gap between rich and poor, for example, through a progressive income tax and by providing a certain safety net for those at the lowest income level. The state, especially an advanced democracy, must be alert always to the degree of its involvement in the economy for fear of undermining its own democracy. The larger the bureaucracy becomes the more it is involved in the assignment of national income and the greater threat it is to the democracy (Usher 1981). It is a balancing act then for the state to keep capitalism in check by protecting those who cannot compete in the market, while at the same time, not becoming too involved in regulation of the market and distribution of income.

While market reforms are necessary to build democracy, the social costs of such reforms can be devastating for individuals. This was especially true at the collapse of communism, when under the old system, people had certain expectations that the state would care for them in retirement at least at a minimal level for housing, food and transportation. When the Soviet Union disappeared, so did those guarantees. Joan

Nelson (1997, 248) noted that it took relatively few people to institute reforms for macroeconomic stabilization and price liberalization, but that the fallout from those changes was vast. Social sector reforms impacting health care and pensions are much more difficult to institute. The impact of the collapse of communism on the “middle class” of the Soviet system, i.e., the professionals such as teachers, was particularly difficult. Nelson emphasizes that in the process of transition, sufficient attention needs to be given to social sector reforms because they are at the heart of the individual’s security and well-being. As leaders design such reforms, those reforms need to be subjected to public debate and discussion (Nelson 1997, 263). This may take longer than simply implementing changes, but is healthier in the long run for democratic consolidation.

Markets allow people to exchange what they have for what they want and the government provides the legal system to regulate those transactions. States alone have the monopoly of violence to enforce those rules. Without the infrastructure and rule of law, outsiders will not invest in economies and states will not be able to attract the foreign investment they need to grow their economies. “As countries grow richer, they are better able to afford higher standards of education, health and public services. As citizens become better informed and more prosperous, they insist on higher standards in public life. . . . A positive cycle of reinforcement goes from the economy, to polity and society, and back again” (Wolf 2004b, 6). There is mutual dependence among the state, the market, and society.

Values matter in the transition to a liberal democracy, especially the honesty of those in positions of authority like judges and policemen. The armed forces must abide by civilian control that has been elected by the people. A democracy depends on the

social contract in which the market sells its goods to the highest bidder, but does not have access to the legitimate use of force. The state, which controls the use of force, cannot sell its protection to the highest bidder. Herein lay the social contract between the state and the market within a liberal democracy. The market allows the state to control the use of violence and the state allows the market to sell its goods to the highest bidder. This complex relationship between the state and market in the liberal democracy is difficult to spread to other cultures.

For Wolf (2004b, 15) the process of economic globalization offers a way to spread liberal democracy around the world. He claims that the same forces, like “regulatory competition,” that led to the advanced democracies are still at work today (ibid., 15). With this force of economic globalization and competition has been at the same time the “unprecedented spread of democracy” (Wolf 2004b, 15). Regulatory competition alone will not lead to global prosperity, and needs to be accompanied by constitutional democracy, government elected by the people and rooted in the rule of law. Governments need to provide good policy in the form of “transparent, market-oriented instruments, modest taxes and liberal markets, . . . [which] work by raising prosperity and so increasing the size of the well-informed and demanding middle classes; by reducing opportunities for corruption; and by increasing exposure to the demands of foreigners, who cannot be readily coerced by the state” (Wolf 2004b, 16). International organizations like the World Bank or the World Trade Organization have a special ability to enhance the good governance of states by incorporating desired behaviors and values of transparency in contractual agreements. International organizations, therefore, can hold states accountable for their behavior.

It is incumbent on the world's richest states to assist those that are suffering from extreme poverty and to intervene when governments fail to provide for their own citizens. It is to the benefit of the established democracies to live in a world of stable states, and this means helping states perform better for their people. The market is not to blame for the vast inequality of resources in the world between the haves and the have-nots (i.e., between the democracies and the non-democracies); it is the fault of politicians who have manipulated the markets to their own greed and dishonesty. Government can use profits from the market to enrich a few privileged people or to share the wealth among many. Martin Wolf (2004a) advocates getting the politics right and letting the markets work. Liberal democracies have achieved this balance of good politics and effective markets. Research has shown that democracies do not have famines and that democratic government is a prerequisite for sustainable development. In fact, the poor need the freedom of democracy to give voice to their economic plight and demand change (Amartya Sen 1999). By promoting democracy, the established democracies can also improve the quality of life for people in dysfunctional states.

Democratic political institutions

The democratic political system must be plural and representative, achieved through regular competitive elections that are free and fair. A liberal democracy is the combination of competitive elections with "freedom, rule of law, and good government" (Diamond 2003, 5). Through the constitution, the people choose the form of their government, for example, selecting a presidential or parliamentary system. Political parties, where people of like views come together to influence the political process, may be few or many.

In a democracy, the political state must abide by the rule of law, in which:

- governmental policy decisions are made by elected officials;
- elected officials are chosen and replaced in routine free and fair elections;
- the right to vote for elected officials is extended broadly to adults;
- most adults have the right to run for office;
- citizens enjoy freedom of expression, including the right to criticize government;
- citizens have access to information not controlled by the government; and
- citizens have the right to join autonomous associations, including political parties, which can try to influence government through elections. (Dahl, 233)

Competitive elections are a vital, some say the critical, component of democracy because they give citizens choices—among alternative platforms of values according to political parties and even whether to participate in the competitive process or not.

Political parties in a democracy are the vehicles through which citizens express and make known their preferences to political leaders. Elections, however, must be embedded institutionally within the rule of law to guarantee that they are free and fair, that parties have access to the media, and that the count can be trusted. Democracy is about citizens' ability to influence their government. Regular, free, fair and competitive elections can be a minimal test of a democracy (Diamond 2003, 4).

In analyzing the post-communist transition, Dawisha (1997) described two major types of electoral systems: majoritarian where the candidate with the largest number of votes wins and proportional representation (PR) for multimember bodies where seats are allocated according to the percentage of votes received. Parties in the majoritarian

system tend to move to the center to capture as wide a constituency as possible, whereas parties in the PR system are more likely to be diverse and more extreme. There can be a mixed system using the PR method to elect the representative body and a majoritarian method to elect the executive. This draws on the strengths of both systems: enhanced governability of the majoritarian model and broader representation of the PR model. Closely related is the structure of the government, whether it is presidential or parliamentary. Juan Linz suggested that the parliamentary structure is more flexible and aims at consensus building. Presidentialism, on the other hand, focuses on an individual and away from the party system. “Presidential systems foster the creation of a two-party or two-bloc system . . . [which tends to] reduce their distinctiveness and internal cohesion” (Dawisha 1997, 56). Presidentialism tends to over-represent the majority. Linz suggested that in a new democracy the winner-take-all presidential system can be weak and unstable. Power highly concentrated in the presidency means the country could tip either way—toward democracy or toward authoritarianism—depending upon the character of the individual holding the position.

Political parties are a necessary part of democracy because they channel citizens’ interests to the state; they are one way citizens can influence political decisions. “If politics represents a society’s dialogue with itself—one in which problems are thematized, solutions debated and eventually, decisions adopted—then political parties might be regarded as major partners in this ongoing conversation” (Urban 1997, 175). Elections play an important role in driving political party formation and providing channels through which citizens may express their interests. In this way, political society and civil society can overlap and are closely related.

Civil society

Civil society is that space, separate from the free market and the state, where individuals can pursue their interests by associating and operating within a network of issue-focused, voluntary organizations. Such organizations may be trade unions, political parties, religious groups, cultural groups, voluntary associations, interest groups, non-governmental, and non-state organizations. Civil society is unofficial, autonomous, and self-regulating, and is built on trust among individuals. There is no single formula for civil society where people create institutions that fit their needs. Civil society, therefore, is flexible and adaptive.

The network of interactions among the many organizations in civil society builds trust that binds society together. The very foundation of civil society is the respect for the integrity of the individual and his/her freedom to choose associations. Individuals utilize this space to express their preferences to the state and the economy and the state allows individuals the freedom to create the institutions they need (Diamond 1994).

As the free market grows, so does civil society. One of the most important features of civil society is the emergence of a middle class, which can serve as the career civil service for the democratic state. Ideally, “economic liberalization may lead toward a civil society sustained by the growth of socioeconomic groups with a vested interest in further democratic change, predictable commercial laws, and vigorous civil association” (Parrott 1997, 26). Some have suggested that a civic tradition is a better indicator of future growth than past growth as it requires the mutual trust and respect for rule of law beneficial to commercial transactions (Putnam 1993, 182). Trust within society leads to

greater cooperation among people that can be mutually beneficial when coupled with accurate information and reliable enforcement.

Through civil society, individuals can organize to bring their interests to bear on the political process and can express any number of identities as they participate in the variety of cultural, professional, and social groups, without any one identity consuming or dominating the others. Civil society serves democracy well by helping to educate and inform the citizenry about political participation. It is the arena for debate on economic and political policies. Such debate makes civil society a possible training ground for participants in the democratic state. Through such interactions, the individual can learn tolerance, compromise, trust, and respect for the rule of law—all values central to democracy.

In a democracy, the relationship between civil society and the state is tense. The rule of law, which is impersonal and procedural, protects individuals from the arbitrary abuse of power by the state. For its restraint, the state expects that civil society will be self-limiting and not challenge its authority to govern (Cohen and Arato 1992, 17-18). The self-limiting character of civil society suggests that individuals, too, must hold themselves in check; that they can pursue their self-interest in the context of the rules established for the common good (Putnam 1993). In a democracy, both the state and civil society respect and feel protected by the law.

Civil society, with its free press and open communications, serves to hold the state in check and to make it accountable. The role of independent media is vitally important in providing objective information broadly to all groups and in return reflecting the interests of citizens and deepening the level of trust in society because everyone is

working from the same information, without the privilege of insider knowledge. It is also through the independent media that the voices of civil society make themselves heard to the government, which can then be influential in shaping the public's attitudes toward democracy. "A society is civil only if its constituent groups demonstrate a substantial measure of self-restraint rooted in a recognition of the legitimacy of the interests of other groups—a recognition often reinforced by the existence of overlapping group memberships—and a commitment to forgo violence as a means of deciding social conflicts" (Parrott 1997, 22-23). Tolerance is the name of the democratic game. "An active civil society can hold in check nationalist passions and animosities, as long as the institutional framework is based on consensus and legitimacy. In post-communist societies, the objective of civic-oriented groups and parties is to create a sense of identification with the democratic process" (Tismaneanu 1998, 4). Civil society allows individuals to influence, not just escape, the state bureaucracy.

The importance of civil society for democracy is the equality of its members and the broad networks of horizontal relationships based on reciprocity and cooperation. Civil society is not structured hierarchically. "Citizens interact as equals, not as patrons and clients nor as governors and petitioners" (Putnam 1993, 88). In civil society, organizations are equal and are part of a consensual agreement that supports the democratic state. "Civil associations contribute to the effectiveness and stability of democratic government, it is argued, both because of the 'internal' effects on individual members and because of their 'external' effects on the wider polity. Internally, associations instill in their members habits of cooperation, solidarity, and public-spiritedness. . . . Externally . . . 'interest articulation' and 'interest aggregation' are

enhanced by a dense network of secondary associations” (Putnam 1993, 89-90). Civil society organizations, however, are not inherently cooperative and tolerant and must be deliberately designed to foster these values. At the heart of the civic community must be individuals who take seriously their role as citizens, are politically active, and are committed to the idea of political equality of all citizens.

Some scholars suggest that the power of civil society lies in its ability to teach democratic skills and deepen democratic values. Dissent can be expressed in civil society within the framework of the democracy and individuals learn how to participate in the political process within civic institutions. This is an important arena, therefore, for civic education and can play a role in the consolidation of democracy. “Where associationism flourishes, where citizens attend to community affairs and vote for issues, not patrons, there too we find leaders who believe in democracy, not social and political hierarchy” (Putnam 1993, 102). In the civic community, people learn to trust one another through their interactions in social networks. Because the level of trust is denser, they also are more likely to compromise. Putnam suggests, “The fact that vertical networks are less helpful than horizontal networks in solving dilemmas of collective action may be one reason why capitalism turned out to be more efficient than feudalism in the eighteenth century, and why democracy has proven more effective than autocracy in the twentieth century” (Putnam 1993, 175). Such norms are in large part determined by history. “Social context and history profoundly condition the effectiveness of institutions” (Putnam 1993, 182). Creating new formal political institutions gradually has an impact on informal norms, but the extent to which those norms shift depends strongly on

historical experience. The more civic a society, the more democratic and prosperous it likely will be.

Civil society in itself, however, is not sufficient to lead to democracy. Contrary to Putnam's emphasis on the value of civil society, other scholars warn that there is nothing inherently good about such freedom. Civil society is a neutral space in which people create the organizations they wish. As such, there is plenty of room for anti-democratic or corrupt forces. The key to ensuring that civil society is conducive to democracy is transparency of procedures which should reflect democratic values. In other words, the institutions of civil society need to conduct themselves internally in ways consistent with democratic values of fairness, accountability, openness, and respect for the rule of law. These are all elements that lead to the development of a democratic political culture.

Democracy is a complex mechanism of many interacting pieces—the rule of law establishing clear written laws that are enforced through an independent judiciary, representative government chosen through free and fair elections with universal suffrage of adults, the free market, and civil society with non-governmental organizations and independent media. A democracy must have the support of the people who demonstrate a democratic political culture valuing transparency, accountability, and respect for the individual and for the rule of law. The established democracies have developed these attributes gradually over a long period of time. The collapse of communism at the end of the 20th century presented unprecedented challenges to the potential creation of market democracies across 27 new states of the former Soviet sphere.

Paths to Sustainable Democracy

A consolidated democracy requires a strong state able to enforce its decisions, and strong social structures to hold the strong state in check. While most can agree on the elements of an established democracy, there is a wide variety of opinion about how to get there. Clearly, it is not a linear process of following certain steps. There is much room for variance, missteps, and reversals on the way to democratic consolidation. Some transitions to democracy have been initiated from the top, some from revolution from below, others through invasion and occupation. Great Britain's democracy came from evolutionary enlightenment and the development of civil society; the United States and France's through violent revolution in the late 18th century; post- World War II Germany and Japan's by imposition from conquest and, the countries of Central Europe and some of states of the former Soviet Union from grassroots initiatives. Each of these paths, however, must lead ultimately to the necessary conditions described above including, the implementation of the rule of law with an independent judiciary that regulates activities and interactions among people and institutions and the creation of the free market to establish a middle class independent of the state. Elections and political parties play a vital role in the development of a democratic political system. Conventional wisdom among leading theorists suggests that democracy, in order to be consolidated, needs representative political and free market institutions and a robust civil society. Because these necessary and sufficient relationships are so complex, many transitioning countries get stuck in a "gray zone," as Tom Carothers (2004) calls it, between authoritarianism

and democracy. Putting these pieces of democracy in place is not a smooth or easy process and there is no roadmap to show the way.

One key question about the transition to democracy is to what extent new democracies can benefit immediately from the two hundred years' experience of the established democracies or whether they must go through their own evolutionary and often conflicted processes of democratization. In other words, can they leap-frog to democracy, drawing on the institutions that established democracies have designed over time? Or is the evolutionary development of democracy necessary for its consolidation? The answer depends on specifics of the country in transition. The experience in Central Europe in the last 15 years suggests that those countries with a willing population and some past experience with democracy can draw on institutional designs available and implement them effectively in a fairly short time frame.

Some scholars suggest that there is a basic set of preconditions that are more conducive to democracy taking hold in a society. Those conditions include:

- a certain level of economic development and wealth that gives the people independence from the ruling political power;
- some past experience with democracy, so it is not an entirely foreign concept; and
- proximity to other states that are democratic, in other words, how democratic the neighborhood is.

The relationship among democratic political institutions, the free market, and civil society is complex. Many have asked whether one set of institutions should precede the other for a better chance of democratic consolidation.

Free market first

Dan Usher (1981) and Martin Wolf (2004b) emphasize free market institutions as the prerequisite for democracy. Fareed Zakaria (1997) agrees that in the long run it is better to focus first on economic growth and leave opening up competitive politics for later. The result of combining Western democracy with constitutional liberalism over the past fifty years has created liberal democracy, the democracy that everyone seeks to create. However, too often, early political openness through elections can lead to an “illiberal democracy,” which displays only the façade of democracy while a small powerful group continues to control the economic resources to their own personal benefit and to the detriment of the rest of society. More important than quickly opening the political process to elections is the more time consuming task of crafting an imaginative constitution that protects the rights of the individual and checks executive power (Zakaria 1997). The sequence of reforms, therefore, impacts the extent of democracy achieved in the end.

Political reforms first

Many, like Larry Diamond (2003), put much more emphasis on the importance of political reforms, focusing first on the quality of governance and the need to remove dictators and their cronies from the political scene because they have a vested interest in maintaining the status quo, i.e., their power. Free and fair elections can be a key first step. The process continues with the granting shortly thereafter of civil liberties and political rights and creation of state institutions under rule of law and of civil society institutions that mediate between state and society. Regular elections also serve to keep officials in check. As democracies consolidate, the growth of an independent judiciary

becomes an important guarantee in which people can rely for protection against the arbitrary abuse of power by the state. With emphasis on good governance, economic development will follow because the business climate will have improved and become attractive to investors.

Civic tradition first

Robert Putnam (1993), stressing the impact of a country's past experiences on its ability to develop a democratic system, suggests that the most important element for "making democracy work" is the civic tradition, including values such as cooperation, fairness, trust, and tolerance which he terms "social capital." For Putnam, the individual's active participation in civil society builds interpersonal trust and a civic community, which influences the political and economic institutions that are created. A strong civil society leads to a strong economy and a strong state built on interpersonal trust and connections (Putnam 1993, 176).

Synthesis in institutions

Margaret Levi (1997) agrees that trust matters, but contrary to Putnam who focuses on the importance of interpersonal trust, she believes trust comes from institutions, which mediate between individuals and the state. She has combined the focus on the role of institutions with the rational choice of individuals by looking at the tradeoffs made between the state and the people. In other words, the incentive structure of institutions impacts how individuals will respond to the actions of the state. Are the rewards promised by the state sufficient to elicit the consent of the individual? In her view, the important feature is not trust between people but between individuals and institutions. That trust is strongest in the democratic state where people create and work

through institutions to influence the state. The institutions that people trust are those that are organized democratically themselves and thus seen as fair (Hanson et al. 2004).

Karen Dawisha (1997, 44) combines many of these elements, suggesting that the consolidation of democracy requires:

- the “two-turnover test” where the group that obtains power in the first free and fair election loses the next election and turns over power peacefully and willingly to the election winners who in turn lose the next election and turn power over to those winners;
- weak public support for parties who seek to thwart the advancement of democracy;
- strong public commitment to values and norms of democracy; and
- elite consensus about instituting democratic values and norms.

Citizens also must accept the rules of the democracy game, which must be institutionalized, as legitimate and be willing to self-regulate their interests and actions for the good of democracy.

Challenges in the transition to democracy

One of the critical factors in the sequencing of reforms is timing and acute awareness on the part of new leaders to the attitudes of the public. The newly democratizing state, for example, must reduce socioeconomic inequalities, develop appropriate institutions to earn the support of the people, and encourage the emergence of a civic culture.

For elected officials, democracy is a tricky balancing act as they are held accountable by and to the citizenry to whom they must be responsive, and yet they need to be free enough to resist the pressure of special interests in society. The early stages of a transition from an authoritarian regime are particularly challenging. At the outset, executives may need more authority to make difficult economic decisions, but as democracy strengthens, executive authority needs to be replaced by impersonal institutionalized authority. Maintaining exclusive executive powers that are too strong can undermine the consolidation of democracy. Representative institutions must be designed as arenas in which to work out compromises, rather than relying on executive decree to continue to make decisions. One of the problems with executive authority is that in new democracies, the independent judiciary is not developed sufficiently to provide adequate oversight for accountability. The leaders of the emerging democracies of the 1990s were under a different time constraint to construct a fully functioning democracy than were their predecessors—the established democracies. The gradual evolution of democracy over time, as was the experience of the established democracies, was not an option at the collapse of communism.

In Eastern Europe, new leaders could not wait for economic forces to create conditions favorable for democracy. Publics had real and heightened expectations that they would attain civil liberties and economic prosperity concurrently and in the short-term. In the face of these demands, new democratic leaders had to accelerate the evolutionary process of democracy by creating intentionally the political and economic institutions of a functioning democracy, thereby sustaining their political legitimacy in the eyes of their publics. In other words, new democratic leaders had to demonstrate

economic gains in the short-term to help ensure the survival of democracy in the long-term. New democracies are potentially weak as they try to maintain the delicate balance between accountability and special interests. Early in the transitions, expectations are high for the immediate benefits of democracy at a time when the necessary political culture to support democracy likely has not yet developed.

As authoritarian regimes come under pressure to reform, leaders of the established democracies are faced with the decision of how to respond. They can decide that the internal politics of another country are not their concern; they can watch from the sidelines and let the non-governmental sector work through its channels or they can look for ways to work with authoritarian regimes to encourage peaceful change. What is the responsibility and role of the established democracies in the process of democratization?

Democracy Promotion as Foreign Policy

Increasingly over the last fifty years, the established democracies, particularly the United States, have pursued the spread of democracy as a foreign policy objective. The unspoken assumption is that other states would do well to be “just like us,” i.e., a market democracy, because this would lessen the uncertainty in foreign relations. It sounds deceptively straight forward, but the difficulty in meshing the necessary political and economic institutions to create a market democracy is extremely difficult. It is particularly challenging, for example, to create the rule of law from a culture of non-competition and corruption.

The first major effort at U.S. democracy promotion was the reconstruction of Germany and Japan after their defeat by the U.S. and the Allies in World War II. This reconstruction was carried out under the European Recovery Program or Marshall Plan in

which the U.S. took the lead as the primary driver and funder for rebuilding Europe. Ronald Reagan made worldwide democratization a foreign policy objective in his June 8, 1982, “Evil Empire” speech before the British House of Commons from which emerged the National Endowment for Democracy (NED). Upon the disintegration of communist regimes across Eastern Europe at the end of that decade, the U.S. response was to support reform toward openness in the region. As the countries of Eastern Europe reclaimed their sovereignty and the former Soviet republics declared their independence, U.S. efforts toward these countries became more deliberate to encourage the establishment of democratic institutions, a market economy, and the growth of civil society. Since the 1990s, U.S. government officials have pursued democracy promotion through high-level dialogue among state leaders, international trade agreements as a condition for loans and aid, and at a grassroots level through people-to-people exchanges.

Understanding democracy promotion

Selecting appropriate methodologies and emphases for democracy promotion is as complex as understanding the linkages among the various components of democracy itself. There was in 1989 and remains today no blueprint for democracy promotion policies to indicate which types of programs should be used under what circumstances. Over the course of the 1990s, however, understanding of democracy promotion as a foreign policy objective and the use of foreign policy tools like academic and cultural exchanges has evolved. In the attempt to understand the process better, analysis of democracy promotion efforts pulls from the fields of foreign aid, diplomacy, and international relations and has become part of the development assistance field (Carothers 2004, 3). The key finding and point of consensus for those who study this issue is that

external actors, i.e., democracy promoters, can only do so much. That frames the field of democracy promotion, tempers expectations of what can be achieved, and reconfirms the first condition of democracy that unless the people want it, democracy will not take hold. External actors who wish to promote democracy, however, can help set up the institutions of a free market, representative electoral system and civil society, and can seek to foster support for democracy where it exists in the population and introduce it where it does not yet exist. External actors know what they want to accomplish, i.e., the establishment of liberal democracy, but how to do it is not so clear.

The democratic peace theory

U.S. government officials across administrations and political parties have cited as a key rationale for supporting the development of democracy the democratic peace theory, which purports that democracies, in general, are more peaceable than non-democracies. The idea behind the democratic peace theory is that democracies are more prone to negotiation and less prone to violence. Political scientists have taken different approaches to this argument, drawing on the work of Immanuel Kant who focused in the Enlightenment period on man's use of reason and the choice of the individual to conduct himself morally. From this idea of universal moral laws, R.J. Rummel's (2001) on-going research concludes that democracies do not (or virtually never) make war on each other. Michael Doyle in the 1980s refined the theory to say that liberal democracies do not make war on each other. Others have suggested that manipulating the set of what is considered a democracy can reduce the democratic peace theory to such an extent that it becomes meaningless. Regardless of the theoretical distinctions, however, U.S. government officials have used the democratic peace theory to justify democracy

promotion in support of U.S. national interests and security. In their view, the more democracies there are in the world, the safer is the United States. As a result, democracy promotion has been a component and, since the end of the Cold War, a cornerstone of U.S. foreign policy.

Lessons from the Marshall Plan

The first major attempt of the U.S. government at democracy promotion was implementation of the Marshall Plan at the end of World War II with the reconstruction of the economies of defeated Germany and Japan and the establishment of a democratic political system in both countries. With the European economy shattered, the U.S. economy suffered from loss of trade and there were growing fears of Soviet expansionism at the end of the war. U.S. officials determined, therefore, that assistance to Europe was in the U.S. national economic and security interest.

Secretary of State General George C. Marshall charged the State Department's policy planning staff to design a plan to assist the reconstruction of Europe. What became known as the Marshall Plan required the European nations to devise an integrated plan, including the reconstruction of the German economy (Woods 1997, 15). As a result, Congress passed legislation, The Economic Cooperation Act of 1948, which set forth the European Recovery Program (ERP) as a four year economic aid program, implemented strictly through national governments. The goals of that first democracy assistance program were:

- to create a strong production effort;
- to expand foreign trade;

- to create and maintain internal financial stability; and
- to develop European economic cooperation (Wexler 1983, 5)

These goals were aimed at the overriding objective that within four years the European economy should be sufficiently strong not to need any special outside help, and that this could be accomplished only through deep cooperation among the Europeans themselves, not by relying on assistance from the outside. Over the course of the four years, U.S. funds would diminish to be phased out completely by the end of the term. In turn, the European countries needed to furnish “proof” that they were making economic progress. Specifically, those countries would need to stabilize their currencies and balance their budgets to control inflation, as well as disassemble trade barriers among themselves toward developing a customs union. Finally, the ERP required that Europe create an organization to carry out these steps (Woods 1997, 17). In the immediate aftermath of the war, the Allies established international financial institutions, including the World Bank and the International Monetary Fund, to provide such assistance in the future. Since then, countries have come together as well in regional organizations such as NATO, the OECD, and the EU to support development.

While the Europeans were anxious to comply with the terms of the ERP, the U.S. Congress was not convinced that this support was critical to U.S. national interests. The Truman administration explained its urgency in terms of the threat of spreading communism within Europe and relied on private U.S. citizens in the business community to help make the case that a strong Europe served U.S. purposes. Interestingly, at the

passage of the legislation in April 1948, Americans tended to view and approve ERP as an act of humanitarianism, not in response to the communist threat (Woods 1997, 19).

By ERP's end in December 1951, the program had been a success for American foreign policy. It offered several lessons for reconstruction of a market economy that would be replayed in U.S. efforts in Eastern Europe in 1989 such as the focus on currency stabilization, the need for balanced budgets, and creation of regional organizations to assist economic policy. The Marshall Plan had little to offer in terms of creating democratic political institutions and culture from scratch. The overarching lesson of the Marshall Plan is that the United States by itself could not transform a devastated region into a market democracy. Under ERP, the U.S. relied on cooperation with and among the recipient countries. By the end of the Cold War, the U.S. could turn to the other established democracies to coordinate the offering of assistance through partnerships between governments and non-governmental entities in the U.S., Western Europe, Japan, and again the recipients.

Beware the double standard

One of the greatest challenges to democracy promotion is the risk of hypocrisy. For example, as the U.S. promotes free and fair elections, it needs to be prepared to accept the outcome of those elections, assuming they are, indeed, free and fair, even if its preferred candidate does not win. The United States often is accused of saying one thing, but doing another, i.e., of holding some newly emerging democratic governments to very high standards of democracy while letting others get away with unacceptable, i.e., undemocratic, behavior. This selective application of democracy promotion as a foreign policy tool and the appearance of a double standard risks discrediting the goal of

democracy as a universal standard. It can be difficult for government officials to balance competing strategic interests. For example, it is in the interest of the United States to promote the establishment and consolidation of democracy in the context of bilateral relations because democratic states tend to be more reliable partners, but it is also in the U.S. interest to secure access to energy resources or foreign territory to support military operations. Such latter priorities often are pursued with less regard for the type of regime, e.g., democratic or authoritarian, that controls access to the energy resources or needed territory. In other words, the U.S. sometimes has not pressured authoritarian governments, which hold strategic value for the U.S., on standards of democracy and treatment of their own people. The U.S. has been accused precisely of this double standard in its relations with Russia, not protesting strongly enough the Russian government's violent actions against its citizens in the republic of Chechnya, as will be discussed in Chapter Three. The U.S. has been accused of being soft on Russia at first for fear of undermining reformist President Boris Yeltsin and later for strategic purposes of access to energy and for Russia's cooperation in the global war on terrorism.

Good governance

Larry Diamond (2003) is a strong supporter of democracy promotion and, based on his governance first theory, believes that the first goal must be to remove authoritarian leaders from the scene and expose the people to as much information about their choices as possible. Diamond asserts that the U.S. must take the lead to “build a culture of democracy—the understanding of its rules, possibilities, obligations, and limits, the norms of tolerance, civility, participation and mutual respect” (Diamond 2003, 13).

Cultural change will happen through “economic development, increasing education, and

exposure to the global environment” (ibid., 13). In order to build this democratic culture, donors should provide support directly to civil society actors, not to authoritarian leaders who then can postpone needed reform. The policies of individual leaders make a difference because they can constrain development through bad decisions.

The world’s democracies must pursue a coherent, coordinated strategy to build an incentive structure for democracy, tie explicitly all foreign aid to good governance, and put authoritarian leaders on alert that they cannot continue to do as they please. Good governance means developing democratic political institutions, respect for human rights, a free press, independent judiciary, and civil society. Countries that pursue these objectives deserve to receive foreign aid. Diamond recommends pursuing a strategy that supports democracy and good governance as the basis for development. He concedes that “there is no one formula for getting to democracy or for structuring it institutionally so that it works reasonably well. Different countries need different sequences, strategies, and structures” (Diamond 2003, 16). Some countries will transition quickly, others much more slowly with setbacks along the way.

Martin Wolf (2004a) agrees and urges donors who wish to promote democracy to pay sufficient attention to what is happening inside the countries to which they are lending. Too many projects are funded with little regard to their quality and too often loans can keep government leaders from making needed policy changes. Some lessons for democracy promotion are that “policy changes could make a huge difference to economic performance. Such changes could be put into effect by relatively small teams of intelligent, motivated and well-disciplined individuals. And most important of all, those changes could not be imposed from the outside” (Wolf 2004a).

Developing a strategy

Some analysts have complained that the U.S. government has been lured into democracy promotion “fads,” jumping from programs centered alternately on elections, civil society, rule of law, decentralization, and anticorruption, without pursuing a coherent strategy to democracy promotion. Tom Carothers (2004) has written extensively about democracy promotion over the past decade, finding much to criticize about its practice in the U.S. government, but offering little to government officials on how to move forward. For example, he claims that the practitioners of democracy promotion have been too wedded to the “transition paradigm,” which holds that countries moving away from authoritarianism are considered to be heading toward democracy. The path to democracy then proceeds in a series of sequences from the opening of political liberalization, to the breakthrough with the collapse of the old regime and the emergence of a new democratic system, and finally to the consolidation of democracy with the acceptance of the new democratic rules of the game, regularized elections, and a robust civil society—a very linear process. In the transition paradigm, elections are considered the determining factor to bring further democratic progress. In the transition paradigm, according to Carothers, the particulars of a country, such as its history, economic development and culture, are not considered major factors in the transition to democracy. Carothers discredited the transition paradigm and posited his view that many countries, following the collapse of an authoritarian regime, get stuck on the way to some other system, not necessarily on the path to democracy. Carothers recommends, therefore, that those in the business of democracy promotion need to examine separately each country in transition, crafting individual strategies that often require state-building,

putting in place first the foundations of a functioning state and economy. While I do not disagree with Carothers' final conclusion, I take issue with his assertion that democracy promotion practitioners were wedded to the transition paradigm. While that paradigm may have accurately described the assessment of the foreign policy establishment at the outset of the transition, it did not hold long as practitioners began adjusting expectations and timeframes as the genuine challenges to democracy building became apparent. This will be discussed in more detail in the next chapter.

Customized assistance

After more than a decade of democracy promotion efforts in the former Soviet space, all agree that building democracy is challenging and extremely complex work. “Trying to help another society fundamentally change and improve its political life, whether through aid programs, diplomatic carrots and sticks, or any other approach, is tremendously difficult. The principles of democracy are quite clear. The processes for achieving them are not . . . There are no recipes or formulas that can be neatly applied by well-intentioned outside actors looking to help” (Carothers 2004, 262). Democracy programs need to be designed in the context of the local reality and what the people on the receiving end say they need. For this reason, democracy promotion programs have to be flexible and customized to fit the specific needs of a country. To promote democracy, outside actors need to create expectations and raise the bar for assistance to policies and practices of good governance, to educate and inform the public to hold government accountable to standards of good governance, and to assist prosperity.

Promoting democracy requires a delicate and often uncertain balance between supporting individual reformers on the one hand and the process of reform on the other.

Being too closely wedded to an individual who falters can jeopardize the whole democratization effort, which must be institutionalized in the rule of law to be successful and lasting. Yet, such institutionalization cannot take place without the commitment of individuals who are willing to take personal risks. Democracy promoters need to support both individuals and processes. There is nothing easy about creating, consolidating, and maintaining democracy.

The established democracies need to work in concert to think creatively about these competing demands, especially in a globalizing world that is changing dramatically how states may relate to one another. This is a moment of looking to the future. The relatively stable bipolar world, which lasted the fifty years of the Cold War, has given way to a much more complex international scene and global challenges that require nations to work together. Rapidly advancing technology allows that connectivity as never before, across governments and more importantly, across peoples. Larry Diamond (2003) has suggested that “we are on the cusp of a grand historical tipping point, when a visionary and resourceful strategy could—if it garnered the necessary cooperation and effort *among* the powerful democracies—essentially eliminate authoritarian rule over the next generation or two” (Diamond 2003, 1). Noting that the most powerful nations, the United States and the members of the European Union, are liberal democracies, Diamond added, “There is no model of governance with any broad normative appeal or legitimacy in the world other than democracy [and] there is a growing international legal and moral momentum toward the recognition of democracy as a basic human right of all people” (Diamond 2003).

The U.S. government has chosen democracy promotion as a powerful foreign policy objective drawing on many tools across agencies to implement programs with the intention of developing the critical attributes of democracy around the world. The remaining chapters of this study focus specifically on U.S. efforts to design and implement democracy promotion programs in Russia during the 1990s and the U.S. government apparatus to support those goals.

Chapter 2: The Birth of the Democratic Project (1989-1992)

Confusion, uncertainty, bewilderment, disbelief and euphoria—this mix of emotions accurately described the state of U.S. foreign policy in 1989 as the bipolar world that the U.S. national security establishment knew for 40 years disintegrated.⁶ The U.S. government was fundamentally unprepared and divided on how it should respond to the demise of communism. As events unfolded swiftly in Eastern Europe, President George H.W. Bush kept an anxious eye on Moscow, while the U.S. Congress pushed vigorously to support the demands for freedom in Eastern Europe. As it became clear that communism, indeed, was collapsing across the Soviet sphere, voices within the U.S. government united in calls to assist the transitions from communism to market democracy.

To explain the ultimate design of the U.S. assistance programs to the post-communist countries, this chapter scrutinizes the most significant debates within the U.S. government as it crafted the Support for East European Democracy (SEED) Act of 1989 and subsequently the FREEDOM Support Act of 1992. This analysis illuminates the goals and policies of the United States government in response to the disintegration of the communist threat and sets the stage for analysis in subsequent chapters on the effectiveness of the design and lessons learned about democracy promotion.

The First Hints of Change

Shortly after General Secretary of the Communist Party Mikhail S. Gorbachev came to power in the Soviet Union in 1985, Soviet watchers in the U.S. government

⁶ The United States had been singularly focused on containing communism, and, while not diminishing the pervasive threat of nuclear war during that time, the global environment had been relatively stable.

noticed at first a subtle, then marked shift in the approach of the Soviet leadership toward its citizens as it pursued new policies of *glasnost* (openness) and *perestroika* (reconstruction) to improve the standard of living in the USSR. *Glasnost* introduced political reforms, giving Soviet citizens expanded opportunities to express their opinions and to participate in the political process through multi-candidate elections. *Perestroika* allowed people greater involvement in the economy, which under Soviet plans had been centrally controlled by the communist party. By the end of the decade, Gorbachev had renounced the Brezhnev Doctrine, which had declared Soviet supremacy over the countries of Eastern Europe, and made clear that he did not intend to rescue the communist regimes of Eastern Europe. Citizens across the region rose up in protest and communist governments fell like dominoes beginning with Poland in spring 1989.

It is difficult to recapture the mixed sense of excitement and hopefulness among U.S. officials at the prospect that the Soviet threat might be diminishing and their fear and apprehension that the new openness might be just another Soviet ploy of deception. Decision makers in the U.S. government were faced with the challenge of interpreting, trusting, and deciding how to react to these dramatic changes after decades of pursuing the relatively clear policy of containment of communism. During the 40 years of the Cold War, there had been thaws and earlier periods of *détente* in the U.S.-Soviet relationship followed by returning tensions so it was hard to tell at the outset how genuine or lasting was this shift under Gorbachev.

In the United States, the legislative and executive branches responded differently to events in Eastern Europe. Broad, bipartisan support in the U.S. Congress called for assisting the East Europeans in their struggle for freedom as congressmen responded to

their constituents at home who had close connections with these countries. Many in the Congress wanted to offer financial assistance to the people of Eastern Europe. On the other hand, the executive branch, President Bush in particular, was extremely cautious, fearing a more hard-line Soviet reaction to events in Eastern Europe that could incite violence across the region.⁷ The executive branch stayed focused on the Soviet leadership and the personal relationship that Presidents Gorbachev and Bush had developed.

A Cautious Executive

The White House was most concerned about how the Soviet leadership would respond to events in Eastern Europe where their Soviet comrades were losing power one after another. In the past, unrest in Eastern Europe had been greeted with strong military crackdowns by Moscow and the arrival of Soviet troops, as had happened in Hungary in 1956 and Czechoslovakia in 1968. The Bush administration took a “wait and see” attitude toward these changes in the Soviet sphere. The President wanted to express support for reformers in Eastern Europe without alienating the Soviet leadership. Meanwhile, only six weeks before parliamentary elections, the Polish communist government allowed the trade union, Solidarity, to participate in those elections, turning the administration’s attention to Poland.

⁷ The foreign policy leadership of the Bush Administration in 1989 was a tight, small group of professionals with the intimate involvement of President Bush, his national security advisor Brent Scowcroft, Secretary of State James A. Baker, III, and by the end of the term, Deputy Secretary Lawrence Eagleburger.

Envisioning a new world

In response to the unfolding events in Eastern Europe and Gorbachev's ongoing reforms in the Soviet Union, President Bush undertook a series of five speeches in the United States over the course of a few short weeks in spring 1989 to put forth his vision for a "New World Order." The first speech on April 17, 1989, coincided with the successful completion of the Polish Roundtable Agreement between the communist government and Solidarity, led by Lech Walesa.⁸ In this speech, the President offered initial economic assistance to Poland in the form of trade, investment and debt relief, but not large sums of money. At that time, the United States was running a large budget deficit with tight resources, which the President felt constrained what he could offer Poland.⁹

President Bush addressed U.S.-Soviet relations in his second speech, "Beyond Containment," pledging that the U.S. would forge a new relationship on the condition that the Soviet Union fundamentally changed its economic and political system.¹⁰ The third speech focused on the future of Europe and fully supported the continent's goal of unity. President Bush took this opportunity to remind Europeans, that while Gorbachev was riding a high wave of popularity, the Soviet Union still had a long road of reforms before the Cold War could be considered over and the USSR no longer a threat.¹¹ In his

⁸ This speech was set in Hamtramck, Michigan known for its East European, especially Polish, population.

⁹ The Office of Management and Budget had proclaimed, under President Bush's guidance, that no new monies could be requested for such assistance and that funding for new initiatives had to be taken from other already existing programs. In the President's view, the U.S. did not have the funds at that time to offer much more than his initial package.

¹⁰ Drafted by the NSC's then Soviet expert, Condoleezza Rice, the speech delivered at Texas A&M University's commencement exercises on May 12, 1989, stated that the U.S. would respond positively to Soviet moves for conventional forces reduction, pursuit of self-determination of the East European countries, cooperation with the U.S. on regional conflicts, particularly in Central and South America, and pursuit of political pluralism and the protection of human rights.

¹¹ The President delivered this speech on May 21, 1989, at Boston University's commencement exercise.

fourth speech, the President addressed security issues in the post-Cold War period, stating “We are witnessing the end of an idea—the final chapter of the communist experiment But the eclipse of communism is only one-half of the story of our time. The other is the ascendancy of the democratic idea. . . . There is an opportunity before us to shape a new world. . . . [We want to see] a growing community of democracies anchoring international peace and security, and a dynamic free market system generating prosperity and progress on a global scale. . . .” (Hutchings 1997, 43).¹²

The President’s capstone speech on May 31, 1989, in Mainz, West Germany, summarized the U.S. strategy for the post-Cold War era. It began with the call for the U.S. to be “partners in leadership” with Germany, followed by the goal of a “Europe whole and free” which was to be the new mission of NATO. Overall, the U.S. grand strategy sought a fundamental shift in how the East and West viewed one another away from the adversarial relationship of the past to one of a united, undivided Europe and a new transatlantic relationship. This was the call for the Berlin Wall to come down to end symbolically the division of Europe. Political and economic liberalization in Eastern Europe became the number one goal, while maintaining the role of the United States in Europe as vital to European security and U.S. national interests to balance Soviet power (Hutchings 1997, 47). The U.S. approach toward the countries of Eastern Europe was

¹² Delivered on May 24, 1989, at the Coast Guard Academy’s commencement exercise, this speech was the object of some debate between Bush’s speechwriters and the NSC. The first draft by the speechwriters was reportedly too filled with Cold War rhetoric for the President’s intentions, so was quickly rewritten by National Security Adviser Scowcroft who put military strategy in the context of maintaining deterrence at lower force levels. (Bush and Scowcroft, p. 55) Scowcroft explained that they “were shifting policy from the old and narrow focus on strategic arms control to a wider dialogue designed to reduce the threat of war and bring real peace—including progress in Eastern Europe, CFE (Conventional Forces in Europe), and regional issues” (Bush and Scowcroft, 55-56).

bound up in the conviction to re-unite Europe, bringing in East Germany and the other former satellite countries of the USSR.

The Bush administration based the “new world order” on the American values of democracy, free market, and the rule of law. The development of this concept deliberately “combin[ed] the realist’s appreciation of the permanence of the power factor in world affairs with the liberal internationalist’s recognition that democracies make better partners than dictatorships in building a secure order.” This new order had at its core the Western democracies with an expanding circle of new democracies in which the “major powers calibrated and coordinated their actions with due consideration for the interests of all” (Hutchings 1997, 146). It required strong international institutions like the United Nations and the Conference on Security and Cooperation in Europe (CSCE) through which to coordinate international actions. In this series of speeches, the executive branch made clear it recognized the profound changes underway, but its actions or lack thereof were still well grounded in Cold War thinking.

Competing foreign policy objectives

While the Administration tried to respond somewhat positively to events in Eastern Europe, it also focused clearly on Moscow’s reactions to those events. As President Bush set forth his grand strategy for the U.S. to end the Cold War, Secretary of State Baker added specificity to the cautious and realistic approach of the U.S. in forging a new relationship with the East.¹³ For the Bush Administration, the primary goal in

¹³ In a May 4, 1989, address at the Center for Strategic and International Studies, Secretary Baker described the administration’s hesitancy to trust completely the actions of the Soviet leadership. “The General Secretary [Mikhail S. Gorbachev] pledged that Soviet troops would leave Afghanistan on February 15, and they did. He signed the INF [Intermediate-Range Nuclear Forces] Treaty, and SS-20s are being destroyed. Last December, he announced unilateral troop cuts in Europe, and now we’ve seen Soviet tanks leaving

dealing with the Soviet Union in early 1989 continued to be the U.S. national interest of protecting U.S. citizens and territory against an adversary—the USSR. There was a real sense in the administration of being pulled in two directions, wanting to help the East Europeans and fearing that Soviet “new thinking” was not genuine. However, since Solidarity’s success in the Polish parliamentary elections on June 4 did not trigger a Soviet crackdown, the administration looked more seriously at how to provide assistance. While the President’s sights were on Moscow, other parts of the executive branch were involved intimately in events on the ground in Eastern Europe.

John Davis, who was the U.S. Ambassador to Poland in 1989, recalled in a personal interview the stream of visiting congressional and official delegations to Warsaw during that summer and fall when he received nearly all of the House of Representatives, 30-40 leading senators, and 14 cabinet members. Ambassador Davis was a driving force for assistance to Poland, stressing in cables to Washington and to the visiting officials that Poland was doing everything the U.S. wanted and deserved substantial support. Ambassador Davis was deeply disappointed by the President’s meager offer of assistance. By June 1989, after Solidarity had won parliamentary elections and a free press was gaining strength, Ambassador Davis urged Washington to design an effective assistance package including provisions for debt reduction. As Solidarity assumed control of the government in August 1989, Ambassador Davis felt that the U.S. had to do something meaningful and soon. “We had spent \$4 billion on the Cold War, which was won for us by the Poles for free. They needed our help.”¹⁴ He

Hungary.” Yet, a few moments later, Secretary Baker stated, “We must all, I think, face the fact that the Soviets continue to pose a significant military threat to Western interests” (U.S. Department of State 1989a).

¹⁴ Interview with Ambassador Davis on May 5, 1999.

wanted to secure substantial assistance for Poland early on, sensing that the rest of Eastern Europe soon would be joining the assistance queue.

Shunning the traditional U.S. Agency for International Development (USAID) approach to development assistance, Ambassador Davis looked for innovative and quick ways to make funds available to Poland. As a result, Embassy Warsaw was the birthplace of the “Enterprise Fund” concept. As originally conceived, the enterprise fund would support entrepreneurship and the private sector in Poland by funding small and medium-sized businesses, technical training, MBA programs, and a variety of projects that would help build up the private sector.

Critical to the enterprise fund concept was flexibility and the ability to get funds quickly into the hands of the entrepreneurs. Initially, the designers hoped to be able to have the funds appropriated directly to a private board of directors that would manage the enterprise fund, thereby circumventing the volumes of governmental, specifically USAID, regulations that would delay implementation of the program, possibly by years. Because events were unfolding so rapidly in Eastern Europe, the idea behind the fund was to get the money quickly into the hands of those who were doing the ground work of building Poland’s private sector without micromanagement on the part of the U.S. government. This meant that the U.S. government would have to be willing to take the risk of allowing considerable freedom to the entrepreneurs to design their individual projects as they deemed most beneficial to Poland’s needs on the ground. This was indeed an innovative approach for U.S. foreign assistance. According to Ambassador Davis, original designs of the enterprise fund portrayed it as an aid program without USAID, fearing that the agency’s bureaucratic regulations would bog down the effort to

move the money quickly. The enterprise fund was a new semi-private arrangement where a private board of directors would manage U.S. government assistance.

Ambassador Davis, stressing the importance of the private sector in the transition to a market democracy, thought such a program would appeal to Republicans on the Hill.

The enterprise fund was designed to be a gamble. Ambassador Davis explained that the board of directors would accept 50 promising looking proposals of business plans and private sector investment, and even if only one or two of them turned out to be a big success, that would make a huge difference in Poland's transitional environment. He noted that it was impossible to tell in advance which of the 50 proposals may be the successes, but accepting such a risky proposition made sense because the transitions underway in Eastern Europe were unprecedented. There were no road maps or theories to guide U.S. assistance in fostering the transition from a centralized command economy into a market democracy.

Ambassador Davis shared this vision of the enterprise fund, developed with his embassy staff, with Senator Paul Simon (D-IL) during the Senator's visit to Poland in July 1989. The Senator was enthusiastic about the concept and instrumental in pushing it forward. Together, late at night in the Ambassador's residence, the two of them drafted what would become the SEED legislation.

The concept of the enterprise fund, initiated in the Executive Branch, was popular with Congress and ultimately became an institutionalized part of the U.S. assistance packages to the post-communist world, but not without some changes. The first tranches of enterprise fund money indeed were transferred directly to the Fund's board of directors, but not without objections from USAID. The agency worked hard to convince

the Congress and the Board of Directors that circumventing the traditional aid mechanisms meant deleting the protections and guarantees inherent in USAID run programs. The original idea of taking a risk with enterprise funds was squelched and enterprise funding, as all other SEED funding, would be appropriated through USAID. With USAID involvement, the board of directors had to report on its activities and progress every six months for USAID review and approval in Washington. Ambassador Davis explained that, technically, when posted abroad in an Embassy, the Ambassador has authority over USAID personnel, but, often in practice, the USAID personnel on the ground tend to stand back, and leave controversial matters to be resolved between the Ambassador and USAID/Washington.

According to Ambassador Davis, Poland's Enterprise Fund was successful because, as the first one, it enjoyed the most robust funding, and because Poland had a cooperative environment with a legal structure and a competent pool of promising entrepreneurs. He explained that the Poles had the political will to make the difficult choices and tough out the years of declining living standards before the turnaround. The Polish-American community and its several noteworthy members of Congress, including Congressman Daniel Rostenkowski (D-IL) and Senator Barbara Mikulski (D-MD), provided critical support for the SEED initiative. Throughout the Soviet period, the Polish-American community, supporting the Polish people and not the communist leadership, had been successful in obtaining P.L. 480 funds for Poland from the 1950s through the 1970s.¹⁵ From the mid-1950s, close contact between Polish-Americans and

¹⁵ P.L. 480 was legislation passed on July 10, 1954, as the "Agricultural Trade Development Assistance Act" with the purpose of fighting hunger and malnutrition and providing sustainable economic growth and development. Renamed the "Food for Peace" program by President John F. Kennedy, USAID ran the program (USAID 2004).

Polish citizens fostered considerable travel and emigration. Solidarity's win in June 1989 was a huge psychological boost for the Polish-American community and its congressional members, in particular, who wanted to make sure the Polish experiment in democracy succeeded. Solidarity's victory was the catalyst in the decision for the U.S. to offer assistance to Poland and then to Hungary.

The President traveled to Eastern Europe in July as a signal of new policy support for reform there and to lay out for the new leaders of the region his vision for the future, as he had done at home in the five speeches in the spring. His trip targeted first Poland then Hungary, both of which were moving fastest away from the Soviet sphere of influence. The administration hoped that Poland would serve as the model for other bloc countries. Pressure was mounting in the region for the U.S. to provide more tangible forms of assistance, and hopes were high that the President would reveal such in his trip. Severe budget deficits in the U.S., however, continued to constrain what he could offer. National Security Adviser Brent Scowcroft lamented, "The days were over when the United States could pick up the check for everything: a new Marshall Plan was not possible. Our resources had shrunk . . ." (Bush and Scowcroft 1998, 113).

In seeking to help Eastern Europe, the Bush administration felt that desired results would be accomplished best by focusing on the economy. In July 1989, the President established the Polish-American Enterprise Fund, which ultimately would serve as a model for several other post-communist states, to provide start-up loans and technical assistance for new small- and medium-sized private businesses in Poland, a sector likely

not to be targeted by the World Bank.¹⁶ In Poland, the President announced plans to reschedule the Polish debt of \$39 billion, to request the World Bank make available \$325 million in new loans, and to provide “\$100 million in U.S. funds “to capitalize and invigorate the Polish private sector” (Bush and Scowcroft 1997, 114). In Hungary, he offered less: a \$25 million Enterprise Fund, \$5 million for a regional environmental center, and various U.S.-Hungary exchange programs. The White House had a real dilemma. It realized this package did not send a strong enough message of U.S. support for reforms in Eastern Europe where the administration wanted to be seen as a catalyst for democratic change, but the funding constraints and concerns about Soviet reaction remained.

Pushing for more internal Soviet reform

Secretary of State Jim Baker realized increasingly that the policy of containment toward the East was becoming an ill fit as the threat posed to the U.S. by the Soviet Union clearly was diminishing. He felt that the U.S. could have an impact on Soviet foreign and defense policy most by pursuing mutual advantages in arms control and regional conflicts.¹⁷ He warned against U.S. policy makers assuming that Soviet new thinking, if left to its own trajectory, automatically would fit with U.S. interests.

Recognizing the important opportunity that Gorbachev and his new policies offered to the United States, Secretary Baker took the approach to put perestroika to the test. As such, he searched for common interests between the two superpowers, focusing on the

¹⁶ Bob Hutchings (1997, 63) described the small-medium sizes private business as the sector where U.S. assistance “could make the most difference.”

¹⁷ Secretary Baker acknowledged the early calls of recognized U.S. scholars like Edward Hewett who stressed, “however strong Western feelings may be about the possible outcomes of this reform effort, Western policymakers should see that their ‘influence’ on this process can be no more than modest” (U.S. Department of State 1989b, 2).

reunification of Europe, regional conflicts in the Third World, nuclear and chemical weapons proliferation, and transnational issues like the environment, narcotics, and terrorism.¹⁸

Most importantly, the Secretary presented his thinking on assisting reform in the East. “We and our allies in Western Europe can offer help at three stages. In the short term we can offer aid, especially food that can help to alleviate the immediate crisis.¹⁹ Over the medium term, working through the IMF [International Monetary Fund] and other multilateral financial institutions, we can put together packages that combine monetary stabilization, structural reform, and effective debt management. Over the long term, we can encourage and stimulate the creation of a private sector and conditions to attract private capital for the reconstruction of these economies.” While these steps were indeed pursued in essentially this sequence, the time frame was startlingly collapsed. This approach, laying out actions for the short-, medium-, and long-terms, inferred the passage of some period of time. The rapidity of events in Eastern Europe in 1989, however, suggested that the momentum of change in the communist countries would not fit such a gradual sequence of assistance.²⁰

¹⁸ The U.S. would seek agreement with the USSR on Conventional Armed Forces in Europe, which would require a drastic reduction of Soviet forces in Eastern Europe. He gave special attention to German reunification. “We have made clear our view that a Europe can never be whole or free if the so-called Brezhnev doctrine justifying Soviet military intervention against its Warsaw Pact allies continues to be a principle of Soviet foreign policy” (U.S. Department of State 1989b, 3).

¹⁹ Leading up to its collapse in 1991, the Soviet Union faced increasingly severe shortages in its economy, particularly in foodstuffs. Anders Aslund (1991) cited official Soviet data that “the general availability of basic foodstuffs (in both volume and kind) fell from 90 percent of demand in 1983 to 22 percent in 1989 to 11 percent in the middle of 1990.

²⁰ Of particular interest in this speech is the Secretary’s emphasis on the U.S. alone supporting reform in Eastern Europe. He wanted to be seen speaking as well for the allies of the United States. Likewise, the administration expected to rely on the international financial institutions to play a significant role in assistance efforts. (U.S. Department of State 1989b, 3).

Secretary Baker spoke especially of the need for democratization within the Soviet Union. “We believe the emphasis on the rule of law in the writings of the reformers is a positive step. We are encouraging the Soviets to make permanent in their legal code and practice the protection of individual rights to which they subscribed in the Helsinki accord. . . . We are prepared to provide technical assistance in certain areas of Soviet economic reform. The Soviets are entering uncharted waters, experimenting with markets, competitive enterprises, and realistic pricing, all of which we take for granted” (U.S. Department of State 1989b, 3.) The administration was on the right track in focusing first on rule of law and market reform. It was saying the right things, but not yet taking sufficient action in the view of the Congress.

Congressional Designs to Promote Market Democracy

While the executive branch was focused on its “new world” speeches and modest support to Poland, the U.S. Congress pursued ways to support the emerging new leaders and the increasingly vocal peoples of the communist countries of Eastern Europe. Support for encouraging the democratic reform efforts in Eastern Europe was widespread as congressmen added their sponsorship to numerous bills introduced from spring to fall 1989. Several similar bills were offered simultaneously, calling ultimately for a need to consolidate them into a coordinated package. By the end of the 101st Congress, both houses had dealt with almost thirty bills targeting assistance to the East European countries. Drafts of proposed legislation and expert testimonies set forth various suggestions of what the U.S. should do in its relations with Eastern Europe and the Soviet Union. In the first initiative, Congressman Lee Hamilton (D-IN) introduced the “Democracy in Eastern Europe Act of 1989” (H.R. 2550) to provide assistance to Poland

and Hungary, the first of the 30 bills toward such efforts that led to the passage on November 28, 1989, of the Support for East European Democracy Act of 1989.²¹ Unlike the administration, the idea of a Marshall Plan was not out of the question for the Congress (Schuerch 1994, 339).

Seeking expert advice

Chairman of the Subcommittee on European Affairs of the Senate's Committee on Foreign Relations Joe Biden (D-DE) called on expert witnesses to testify about U.S. policy toward Eastern Europe. On July 26, 1989, Senators Robb (D-VA) and Murkowski (R-AK) heard testimony from Charles Gati of Union College, Karen Dawisha of the University of Maryland, Angela Stent of Georgetown University, former U.S. Ambassador to Czechoslovakia, William Luers, and Jan Nowack of the Polish-American Congress. One by one the experts shared their assessment of current events in the region and recommendations on how the U.S. should respond. Charles Gati explained that the United States must proceed on the basis of the assumption that the radical changes underway in the Soviet Union, Poland and Hungary are for real. The U.S. "clearly has a major opportunity to make at least a marginal contribution to the success of reform and democratization," but that those changes are reversible or, could be arrested along the

²¹ H.R. 2550 authorized assistance programs for Poland and Hungary including science and technology exchanges, medical assistance, and democratic institution building. It explicitly called for the President to encourage privately administered educational and cultural exchanges between the United States and both Poland and Hungary, working through such organizations as the International Research and Exchanges Board, the Fulbright Educational Exchange Program, the National Academy of Sciences, and the U.S. Information Agency's exchange programs. This bill explained the intent of Congress that "the President should work with Western allies on a proposal for comprehensive economic programs for Poland and Hungary." H.R. 2550 was passed in the House on June 20, and referred on July 11, 1989 to the Senate Committee on Foreign Relations. Much of this language would appear ultimately in the SEED legislation. Sponsors of other similar bills included Tom Lantos (D-CA), Joseph Biden (D-DE), Richard Gephardt (D-MO) and Dante Fascell (D-FL).

way.²² Reminding the subcommittee that Western policy toward economic development in the past had been based on pursuing economic and political development simultaneously or on economic development to pave the way for “a political institution of openness and democracy,” Ambassador Luers suggested that the situation in Eastern Europe demanded the opposite. He felt that “political change is almost a prerequisite for sensible economics. Those countries have to change dramatically before they can deal with their economic situation in ways that we cannot even conceive of today.” He recommended that the U.S. have direct discussions with the Soviet Union to be sure that events proceeded peacefully in Eastern Europe.²³

Karen Dawisha offered the most specific set of policy recommendations to: 1) encourage the East European regimes to be accountable to their citizens for their actions, 2) adhere to the rule of law and constitutional authority, and 3) allow greater pluralism and respect basic human rights as contained in Basket III of the Helsinki Final Act, utilizing the International Court of Justice in The Hague as arbiter. On the security side, the U.S. should seek military balance at lower levels, encouraging the Soviets to pull their troops out of Eastern Europe and assuring them NATO would not build up or try to draw in those countries. She encouraged the U.S. to talk directly with the USSR about its

²² In his written statement, Professor Gati emphasized the importance of how U.S. policy would be implemented in the region, especially through the selection of U.S. ambassadors and staff who serve at post. “Our ambassadors and indeed our embassies play a vital role in American foreign policy. Who is on the scene still makes a crucial difference.” He concluded on a note of “caution and encouragement: Four long decades of mismanagement (and worse) in Eastern Europe will not go away in a few months or even a year or two. We must be patient as well as persistent. Those who tend to be impatient about or are unduly skeptical of the promise of democratic change in Poland and Hungary should remember that our own democracy took many decades to evolve” (U.S. Congress. Senate. 1989a, 47).

²³ Ambassador Luers stressed the challenge to the U.S. in dealing with these changes and the necessity of approaching the region differently than in the past. In this regard, his strongest recommendation was to abandon the policy of differentiation between Eastern Europe and the Soviet Union. He urged U.S. policy makers to talk directly with the Soviet Union “on the subject of what we should do together to make sure that what happens in Eastern Europe, happens peacefully and for the good of those people” (U.S. Congress. Senate. 1989a, 49-52).

role in Eastern Europe. On the economic side, U.S. policies should target those sectors pursuing privatization, make arrangements to include them in European economic mechanisms and foster creation of an international bank for East European development. Finally, she stressed the importance of the free flow of information and peoples, urging the U.S. to pursue expanded contacts between U.S. and East European citizens. “In particular, educational exchanges will help to shape the attitudes of future elites, and are crucial for overcoming the psychological consequences of 40 years of mistrust” (U.S. Congress. Senate. 1989a, 3-5).²⁴ Many of these recommendations appeared in the final legislation on East European assistance.

Jan Nowak expressed his dismay and that of the Polish-American Congress as well as the East Europeans themselves about the lack of U.S. assistance. He asked the Congress to think about the “right balance between the military and non-military means of achieving our main goal, the reduction of the Soviet military threat.” He urged the Senate to redistribute funds to Poland and East Central Europe from high-technology military weapons programs (U.S. Congress. Senate. 1989a, 59). The bottom line for these non-governmental witnesses was that the U.S. needed to support actively the reform underway in Eastern Europe and to address this support directly with the Soviet leadership.

²⁴ Professor Dawisha explicitly incorporated the role of international organizations in her remarks, suggesting that the U.S. coordinate its approach to Eastern Europe with the Conference on Security and Cooperation in Europe (now the OSCE), the European Economic Community (now the European Union) and the European Free Trade Association (EFTA). The U.S. also should encourage the East European countries to join the IMF, World Bank and General Agreement on Trade and Tariffs (GATT). Likewise, Angela Stent emphasized the need for West European involvement and initiative in helping the East European countries.

The U.S. Congress took up this task in mid-September-October 1989 with a series of legislative initiatives in both houses. Senator Paul Simon (D-IL), who had pushed first for recognition and assistance to Poland, introduced S.1582 “to amend the Foreign Assistance Act of 1961 to provide for certain forms of assistance to Poland to ensure the success of freedom and democracy in Poland,” by replacing this decade-old language regarding assistance only to Poland with the new SEED language that added Hungary. This legislation included debt re-scheduling, food aid, stabilization funds, the administration’s enterprise fund initiative to develop the private sector, technical assistance, and exchanges.²⁵ At the same time, Senator Alan Cranston (D-CA) introduced S.1641 “to promote political democracy and economic pluralism in Poland and Hungary by assisting those nations during a critical period of transition and abetting the development in those nations of private business sectors, labor market reforms, and democratic institutions; to establish through those steps, the framework for a composite program of support for East European democracy; and for other purposes.”²⁶

House proposals for East European assistance

Congressman Tom Lantos (D-CA) introduced H.R. 3307, “Support for East European Democracy Act,” calling for the Congress to take advantage of the new opportunities as the Iron Curtain was lifted in Eastern Europe. He criticized the Bush administration for not doing enough to respond to those opportunities. “Yet at this

²⁵ Senators Claiborne Pell (D-RI), Alan Cranston (D-CA), Thomas Harkin (D-IA), Harry Reid (D-NV), Charles Robb (D-VA), Howard Metzenbaum (D-OH), Alfonse D’Amato (R-NY), Donald Riegle (D-MI), Joseph Biden (D-DE), Bob Graham (D-FL), Paul Sarbanes (D-MD) and Frank Lautenberg (D-NJ) co-sponsored S.1582 with Senator Simon (U.S. Congress 1989b, 25960.)

²⁶ On September 19, 1989, Senators Cranston (D-CA), Simon (D-IL), Mikulski (D-MD), Sarbanes (D-MD), Robb (D-VA), Graham (D-FL), Lautenberg (D-NJ), Pell (D-RI), and Biden (D-DE) introduced this bill, which added the SEED Act to part 1 of the Foreign Assistance Act of 1961, as amended. The bill was referred then to the Committee on Foreign Relations. Its language was very close to what was passed ultimately as the SEED Act.

critical hinge of history, Mr. Speaker, the administration sounds an uncertain trumpet. As the whole non-Communist world rejoices in the triumph of freedom and democracy over the forces of repression and totalitarianism, the administration shows an excess of caution, vacillation, temporizing and timidity, instead of seizing this historic opportunity.” He urged the Congress to do better, to not let “this fleeting moment of opportunity pass us by,” and he made clear that the U.S. could not do this alone but needed to lead a multilateral approach to assisting reform in Eastern Europe.²⁷

These many attempts at legislation came together under the guidance of House Majority Leader Richard A. Gephardt (D-MO) who organized an *ad hoc* group of House leadership and committee representatives to create a three year plan for assisting Poland and Hungary. From the work of this group came the “Support for East European Democracy Act of 1989” (the SEED Act, H.R. 3402), totaling \$930 million over three years and sponsored by Representative Dante Fascell (D-FL). The many pieces of legislation that preceded H.R. 3402 allowed many different members of Congress to think about and express their views on changes in the Soviet sphere and how the U.S. should respond. Across the board, members agreed that this was an historic opportunity and the U.S. had a limited window in which to respond. Many feared that if the U.S. delayed its response and support to the region the window of opportunity to assist reform would close.

²⁷ On September 20, 1989, Congressmen Tom Lantos (D-CA), Stephen Solarz (D-NY), Meldon Levine (D-CA) and Gary Ackerman (D-NY), referred H.R. 3307 jointly to the Committees on Foreign Affairs, Armed Services, Agriculture, Banking, Finance and Urban Affairs, Education and Labor, Energy and Commerce, Public Works and Transportation, Science, Space, and Technology, and Ways and Means because the activities contained in the legislation were so wide-ranging, calling on the services of numerous federal agencies including the U.S. Agency for International Development, Environmental Protection Agency; Departments of Treasury, Labor, Defense, and State, U.S. Information Agency, Peace Corps, and others. This bill included provisions from the earlier bills: H.R. 2550, S.1582, and S.1641 and authorized \$1.3 billion in assistance to Poland and Hungary over three years (U.S. Congress. House. 1989a, E3143).

H.R. 3402 was the key piece of legislation to come out of the House of Representatives on assistance to the region, allowing for the implementation of a wide variety of programs in Eastern Europe with most oriented toward economic approaches to democracy building. It offered to the U.S. public an outline of specific goals for the U.S. to accomplish in its relationship with Poland and Hungary, as the primary models for the changes taking place in the communist world. The legislation's objectives were: (1) to contribute to the development of democratic institutions and political pluralism, (2) to promote the development of a free market economic system, and (3) not to contribute any substantial benefit to Communist or other political parties or organizations which are not committed to respect for the democratic process, or to the defense or security forces of any member country of the Warsaw Pact.²⁸

The legislation listed actions the U.S. should take to accomplish these goals including:

- 1) taking the lead in supporting loans to the countries from the international financial institutions;
- 2) carrying out specific economic functions for currency stabilization, debt reduction, agricultural assistance, technical assistance, Most Favored Nation status, etc.; and
- 3) engaging in exchange activities, cultural centers, sister institutions, and scholarships.

²⁸ The Warsaw Pact was the military alliance among the countries of East European and the Soviet Union, created in the post-World War Two period in defense against the North Atlantic Treaty Organization (NATO).

The Polish-American Enterprise Fund and the Hungarian-American Enterprise Fund were some of the more innovative programs in SEED with the aim to promote the development of the private sector in those countries. U.S. government appropriations for these Funds were to be used for such activities as creating indigenous credit unions and modernizing telecommunications systems. The legislation called on USAID to implement a technical training program for Poland and Hungary to enable them to develop market economies, using the Enterprise Funds as needed. Many of the efforts spelled out in the legislation addressed trade measures, e.g., making available the services of the Overseas Private Investment Corporation (OPIC) to support projects in Poland and Hungary strengthening the private sector and reducing state involvement in the economy; and it authorized the Export-Import Bank to extend financial services to Poland and Hungary.²⁹

Finally, the legislation required the President to designate a SEED program coordinator within the Department of State and to report annually to Congress on the SEED program. So far, this broad framework for U.S. assistance programs to the post-communist world, with its emphasis on economic programs, tracks closely with the attributes of democracy as discussed in scholarly writings on the process of democratization.

²⁹ The Overseas Private Investment Corporation (OPIC) is a development agency of the U.S. government devoted to economic development in new and emerging markets. Its mission is to help U.S. businesses invest overseas and to support U.S. foreign policy in doing so. (See <http://www.opic.gov>.) The Export-Import Bank of the United States (Ex-Im Bank) is the official export credit agency of the United States to assist in financing the export of U.S. goods and services to international markets. It enables U.S. companies to take advantage of export opportunities, generating sales and strengthening the U.S. economy through maintenance and creation of U.S. jobs. (See <http://www.exim.gov>).

An invigorated Senate

Back in the Senate, Joe Biden (D-DE) urged his colleagues to move swiftly in approving S. 1582. He called for bipartisan cooperation and emphasized the sizeable difference between the Administration's funding level for assistance over a three year period and those of various congressional bills for the same period of time.³⁰ S. 1582 "outline[d] objectives and broad strategies, while allowing the executive branch to develop and implement specific plans of action and then to render, within a reasonable period, a comprehensive report on what it ha[d] and [would] be doing." The sense of the Senate in its debate was that if Poland and Hungary successfully reformed their political and economic systems, their experience would "change all of Eastern Europe" (U.S. Congress, Senate. 1989b, 25965-7). The clear goal of the legislation was to develop the private sector in those countries and to assist the people of the region in securing their freedom. The Senate was focused on the welfare of the people of Poland and Hungary as they made their break from Moscow and their Soviet dominated past. Senator Cranston (D-CA), having led a delegation to Eastern Europe in August 1989, identified the benefits of assistance in terms of U.S. national security and the peace dividend that would derive from successful reform in the region. "If democratic experiments in Poland and Hungary succeed, and military force levels and Warsaw Pact and NATO forces can be safely reduced, great savings, incredibly large savings, will ultimately ensue for the American taxpayer" (U.S. Congress. Senate. 1989b, 25972).

³⁰ The Administration had requested funding for \$463 million compared to the \$640 million authorized in H.R. 3402; S.1582 was initially at \$1.5 billion and amended to \$799 million; and the Dole Bill was at \$484.5 million.

The Senate, which was energized and enthusiastic about the turn of events in Poland and Hungary, wanted to respond positively to them. Senator Cranston (D-CA) explained, “The President’s rhetoric has been in support of democracy but the reality of his program is that he does not come up with adequate funding for his very modest proposals. Therefore, we had to act in Congress.” He criticized President Bush for failing to lead or to be bold in supporting the sweep of democracy in Eastern Europe. Throughout the Senate discussions of S. 1582, members referred repeatedly to their deep commitment to democracy and freedom, and expressed their frustration with the executive branch for its lack of action. Senator Patrick Leahy (D-VT) of the Senate Foreign Operations Subcommittee complained that the administration was reluctant to commit funds to peace, and was frustrated that the President had not responded to his plan to provide emergency food aid to Poland more than a month earlier. The sense of discussion throughout the day was one of urgency in taking immediate advantage of this window of opportunity to promote democracy and freedom.³¹ Senator Edward Kennedy (D-MA) spoke pointedly, “The old order is changing. The Iron Curtain is rising and the cold war is thawing. The forces of freedom and democracy are gaining in every part of the Warsaw Pact. . . . Too much is at stake for us to fall short because our aim was not high enough.” Further he asked, “How can an administration that wants to spend \$300 billion in defense against the threat of the Soviet Union and the Warsaw Pact reject the idea of spending \$1 billion in support of democracy in Eastern Europe?” (U.S. Congress. Senate. 1989b, 25979-80). Interestingly, Senator Rudolph Boschwitz (R-MN) declared,

³¹ These were the voices of an impassioned Senate, speaking just 72 hours after Hungarian Speaker of the Parliament, Matyas Szuros, declared the independent and democratic Hungarian Republic. They recalled that two world wars had started in this region; that the US had spent trillions of dollars during the Cold War protecting against the Soviet threat. They did not want to risk losing the opportunity to diminish that threat and promote democracy and freedom.

“Clearly, the factor contributing to the success . . . for democracy in Poland, will be the ability of the Polish economy to make a transition from stagnation of the Communist system to free markets. It is an interesting historic fact that democracy’s political rights have never existed without the coexistence of economic rights” (U.S. Congress. Senate, 1989b, 26001.) For many in the Senate, U.S. efforts to assist the development of democracy should be focused primarily on economic issues.

The Support for East European Democracy (SEED) Act of 1989

After several days of debate over a period of weeks, the Senate inserted the text of Senator Simon’s S.1582 into Congressman Fascell’s H.R. 3402 and proceeded with consideration of assistance to Poland and Hungary in that context.³² The resulting legislation provided more detailed explanations about what types of programs should be implemented to support the development of democratic and market institutions in Eastern Europe.

The intent of the Congress was “to provide cost-effective assistance to those countries of Eastern Europe that have taken substantive steps toward institutionalizing political democracy and economic pluralism” (U.S. Congress. House. 1989b, 2). In other words, countries that pursued democratic and market reform would be rewarded for their efforts through assistance from the United States. As indicators to assess the standards for conditionality, the legislation spelled out the benchmarks for the development of democracy and pluralism in the objectives of SEED assistance which appeared initially in the Senate amendment to H.R. 3402 (November 16, 1989) and were

³² H.R. 3402 was taken up in the Senate on November 14, 1989, with some proposed amendments. The conference report issued on November 17, 1989, was accepted on that day by the House and on the following day by the Senate.

contained in the final legislation: “The President should ensure that the assistance provided to East European countries pursuant to this Act is designed—

- (1) to contribute to the development of democratic institutions and political pluralism characterized by—
 - (A) the establishment of fully democratic and representative political systems based on free and fair elections,
 - (B) effective recognition of fundamental liberties and individual freedoms, including freedom of speech, religion, and association,
 - (C) termination of all laws and regulations which impede the operation of a free press and the formation of political parties,
 - (D) creation of an independent judiciary, and
 - (E) establishment of non-partisan military, security, and police forces;
- (2) to promote the development of a free market economic system characterized by—
 - (A) privatization of economic entities,
 - (B) establishment of full rights to acquire and hold private property, including land and the benefits of contractual relations,
 - (C) simplification of regulatory controls regarding the establishment and operation of businesses,
 - (D) dismantlement of all wage and price controls,
 - (E) removal of trade restrictions, including on both imports and exports,
 - (F) liberalization of investment and capital, including the repatriation of profits by foreign investors,
 - (G) tax policies which provide incentives for economic activity and investment,
 - (H) establishment of rights to own and operate private banks and other financial service firms, as well as unrestricted access to private sources of credit, and
 - (I) access to a market for stocks, bonds, and other instruments through which individuals may invest in the private sector; and

- (3) not to contribute any substantial benefit—
 (A) to Communist or other political parties or organizations which are not committed to respect for the democratic process, or
 (B) to the defense or security forces of any member country of the Warsaw Pact” (U.S. Congress. House. 1989b, 3).

Many congressional efforts in fall 1989 came together in the solidly bipartisan bill, the “Support for East European Democracy Act of 1989,” known as the SEED Act. The Senate passed and the President signed the SEED Act (Public Law 101-179) on November 28, 1989, with appropriations providing \$659 million in loans, grants, and credit; making available the services of the Export-Import Bank and the Overseas Private Investment Corporation for businesses in Poland and Hungary. Its objectives were to:

- assist in the development and strengthening of democratic institutions;
- assist in the transformation of centrally planned economies to market-based systems; and
- assist in improving the basic quality of life of these nations while they undergo economic restructuring and political reform.

The bill “requires the United States to implement, beginning in FY 1990, a program to support East European democracy by providing assistance to Eastern European countries which have taken substantive steps toward institutionalizing political democracy and economic pluralism” (U.S. Congress. House. 1989b). The SEED Act established the basis for U.S. efforts to promote democracy in the wake of collapsing communist regimes across Eastern Europe. This legislation became the model for

assistance programs to follow in the region and it accurately identified and targeted the same benchmarks described in the scholarly community.

The need to expand assistance

In the short time that the U.S. Congress focused on legislation to support reform in Poland and Hungary, communist regimes continued to unravel across the region. On November 9, 1989, the German Democratic Republic (GDR) opened the Berlin Wall that had separated east from west since 1961 to allow its citizens to travel to West Germany. This was the symbolic end of the division of Europe. Shortly thereafter Bulgaria replaced its communist leadership and the Velvet Revolution began in Czechoslovakia. Citizens in the Baltic states, which had been annexed by the Soviet Union in 1945, also began to demonstrate against their communist governments.

The communist leadership of the GDR relinquished its role on December 1, 1989 and on December 3, Presidents Bush and Soviet President Gorbachev met to discuss the end of the Cold War. While the revolutions in Eastern Europe had been peaceful throughout summer and fall of 1989, the overthrow of the communist government of Nicolae Ceausescu in Romania in December was violent, ending with the execution of General Secretary Ceausescu and his wife on December 25. By the end of the month, the Velvet Revolution had succeeded in Czechoslovakia with the election of Vaclav Havel as president. With the collapse of the East European communist regimes throughout the region, the U.S. Congress worked during the first six months of 1990 to expand the original SEED legislation to include assistance to the other countries of the region.

The U.S. Congress had viewed assistance to Poland, the most populous and the first of the East European countries to overthrow communism, and Hungary as the model

for later aid to the other East European countries in transition. The need was clear for a SEED II to be provided to the rest of Eastern Europe. The Bush Administration realized it needed to take a much more active role working with the Congress to design assistance programs.

Early lessons from SEED I

Senator Claiborne Pell (D-RI) introduced S.2040 as the “Support for East European Democracy Act of 1990” or “SEED II” to expand the size and scope of the original legislation to include Czechoslovakia, the German Democratic Republic, Romania, Bulgaria, and Yugoslavia and to extend on a limited basis those SEED programs appropriate to assist the establishment of democratic institutions and a market economy in the Soviet Union.³³ The short experience to date with the original SEED legislation had demonstrated that the programs could not keep up with the pace of change in these countries. This new legislation, therefore, allowed the Executive Branch “unusual administrative flexibility” to respond to the rapidly changing circumstances in the region. The original SEED legislation had been much more specific about what kinds of programs would be conducted where. The main objectives of the original legislation, as stated above, remained in place. Importantly, S.2040 acknowledged the creation of the European Bank for Reconstruction and Development (EBRD) as a critical source of financing for economic development in the SEED countries and called for the U.S. to

³³ Senator Pell (D-RI) cosponsored this bill on January 30, 1990, with Senators Biden (D-DE), Cranston (D-CA), Dodd (D-CT), Kerry (D-MA), Simon (D-IL), and Moynihan (D-NY), one day after President Bush had submitted his FY 1990 budget request with \$300 million targeted for Eastern Europe. Senator Pell instead requested \$511 million as an “effective response to the revolutionary developments in Eastern Europe” (U.S. Congress. Senate. 1990b). Later that spring, Senate Jesse Helms (R-NC) submitted an amendment to S.2040 to prevent any aid to the Soviet Union because it had not moved forward aggressively with economic reform and continued to devote large amounts to military spending. He stated that the President also did not want to send aid to the Soviet Union (U.S. Congress. Senate, 1990d, S6258).

participate fully in its leadership and funding.³⁴ It stipulated that the U.S. also would urge IMF membership for these countries. The new legislation allowed the President to confer most-favored-nation (MFN) trade status on SEED countries “that have institutionalized free emigration and taken substantial steps to establish free political and economic institutions” (U.S. Congress. Senate. 1990, Sec. 308). The intent was to stimulate normal trade relations between the U.S. and the East European countries, including a relaxation of restrictions on exports of high technology. The refrain became “trade, not aid.” These countries needed a strong private sector that was better developed through foreign investment rather than foreign aid.

On the political side, S.2040 allowed for urgent material and technical assistance for the democratic election process to political parties, citizens committees, independent media and other organizations involved in the elections in Eastern Europe. In addition, the legislation provided sustained support for the transition to democracy through the National Endowment for Democracy and its grantees. These funds would support:

- (1) institutes for democracy;
- (2) training centers for legislators, judges, and their secretariats;
- (3) regional centers for educating citizens about the workings of democracy;
- (4) long-term support for nascent political parties and citizens committees committed to democratic practice, except that no funds shall be spent to support existing Communist parties; and
- (5) centers to provide advice and assistance to newly created print and electronic media organizations regarding the proper role of a free press in a democratic society (U.S. Congress. Senate. 1990a, Sec. 502)³⁵

³⁴ The European Bank for Reconstruction and Development opened in April 1991 to provide loans to the Central and East European countries to assist their transition from a centrally planned to market economy and to promote private activity in those economies. Its first loan was to Poland, a founding member, in June 1991. Countries of the region joined the EBRD, which then developed economic strategy plans with them to implement market reform.

³⁵ The National Endowment for Democracy (NED) is a nonprofit, nongovernmental, bipartisan, grant-making organization created in 1983 to help strengthen democratic institutions around the world. Congress provides an annual appropriation for its work to encourage democratic political development in three major areas—pluralism; democratic governance; and education, culture, and communications. (National

Senator Cranston (D-CA) explained that, “The United States has an urgent need—a compelling national interest—to promote the process of peaceful change underway today in Eastern Europe. U.S. spending priorities must reflect this need. . . . While we must maintain a stable conventional and nuclear deterrent, new global realities oblige us to shift our priorities. . . . to nurture the seeds of democracy” (U.S. Congress. Senate. 1990b). He proposed to his Senate colleagues to finance S.2040 from the Department of Defense budget and added, “Our goal must be the development of democratic societies with market-oriented economies in a stable environment. Our policy, therefore, must be both broad and flexible we must reject a piecemeal approach that would stumble forward on a case by case basis . . . and must be flexible enough to respond quickly to needs and events as they arise” (U.S. Congress. Senate. 1990b).

Senator Cranston clearly set forth the priorities and conditions for U.S. assistance:

- to support those countries working to hold fair elections through electoral and educational assistance when they are planning upcoming elections—such funds to be channeled through experienced organizations like the National Endowment for Democracy (NED), which was already on the ground and operating in Eastern Europe;

Endowment for Democracy. 1998). S.2040, Section 502 also called on the experience and expertise of the Association of Former Members of Congress which “could potentially, under current circumstances, play a highly constructive role in advising governments and organizations in Eastern Europe on electoral and legislative procedures of constitutional democracy.” Section 604 set forth that the Secretaries of State and Commerce shall assess the personnel and material needs of U.S. embassies, consulates and trade centers in the SEED countries in terms of meeting the requirements of the legislated programs. Finally, Section 707 called for a report on circumstances and needs in the Soviet Union and whether they warranted U.S. assistance under SEED.

- to work with U.S. allies in a comprehensive multilateral effort to assist economic reform in these countries; and
- to assess security and trade issues in the region in light of the collapse of the Warsaw Pact.³⁶

On February 7, 1990, Senator Dole proposed his version in S.2094, “The Eastern European Democracy and Free Market Act of 1990.” It extended U.S. assistance to the countries of Eastern Europe and Yugoslavia, but with no mention of the Soviet Union, in order that they may join the international community as democratic, self-reliant, and economically secure countries. The legislation’s primary purpose was to promote democracy by fostering political pluralism and establishing the rule of law allowing individual liberty and respect for private property and to encourage free market systems with sound environmental policies.³⁷ It, too, provided the President flexibility to pursue assistance programs as deemed appropriate to events in the region.

The objective of promoting democracy centered on:

- “(A) the ability of all citizens to organize and associate freely and independently of government;
- (B) the ability of all citizens to speak and travel freely;
- (C) the right to choose freely one’s government, to hold that government accountable, and to participate in political life;
- (D) the full observance of internationally recognized human rights; and
- (E) the growth of indigenous nongovernmental organizations which are committed to democratic values and active in the promotion of pluralism” (U.S. Congress. Senate. 1990c).

³⁶ S.2040 never made it out of the Committee on Foreign Relations for consideration on the House floor. Senator Pell’s legislation was only the first of another series of bills throughout the winter and spring of 1990 seeking to expand U.S. assistance to Eastern Europe.

³⁷ U.S. assistance under S. 2094 would be conditional on these countries’ seeking political pluralism through free and fair elections; economic reform toward a market economy; respect for human rights including the right to emigrate; and willingness to build a friendly relationship with the United States.

This legislation was a bit more specific than earlier versions about what kind of democratic support to promote, i.e., democratically elected legislatures and local governments, independent judiciaries and unions, indigenous non-governmental institutions and professional associations, and independent and pluralistic media. The goals and tools to be used for promoting market economy mirror much of what had come earlier in the original SEED legislation – pursuit of macroeconomic stabilization, creation of financial institutions, extension of MFN and offers of technical training.³⁸

Getting the economics right

On February 8, 1990, the House Committee on the Budget, chaired by the Honorable Leon Panetta (D-CA), convened an important hearing on “Foreign Assistance to Eastern Europe,” drawing on the expert testimonies of Dr. Edward A. Hewett of the Brookings Institution, Ambassador Rozanne Ridgway of the Atlantic Council of the United States, and Professor Jeffrey Sachs of Harvard University. Even though this was held on the House side, many of its points of discussion were later evident in various pieces of Senate legislation submitted over the next few months. This hearing elicited the expert analysis of some of the most influential political and economic scholars of the time. Emerging from this discussion was the clear idea that these countries were suffering from an antiquated infrastructure and capital stock and lacking a strong pluralistic and economic tradition, neither of which could be created painlessly or quickly.

³⁸ The level of funds proposed under S. 2094 matched the Bush Administration request of \$300 million. It restated the necessity for effective coordination of assistance programs within the U.S. government and among its allies. As did S.2040, S.2094 stalled in the Senate Committee on Foreign Relations.

Ed Hewett stressed that the whole region needed restructuring and that reforms to accomplish this would result in high unemployment, requiring the creation of a safety net and retraining for workers. He told the committee not to expect stability in the region, but to be prepared for the high turnover rate of governments, a process that would act as a safety valve for discontented workers. He put forth an optimistic scenario whereby real economic reforms would be enacted, followed by tight fiscal policies, that ultimately would attract foreign capital and growth; countered by the pessimistic scenario where politics drowns out economic reforms, detracts foreign capital, and nationalist demagogues arise pushing out economic concerns. Hewett called for the U.S. to put as much effort into supporting economic reform in Eastern Europe as it had in opposing those countries when they were under communist domination.³⁹

Dr. Hewett was well-respected in government and intellectual circles as a voice of reason and clarity. In his presentation to the Budget Committee, he stated, as he did often during the early post-communist period, that the west knows how to run a market economy, but not how to create one, especially to replace institutions antithetical to market ones. For those countries pursuing such reforms, however, he stressed the need

³⁹ Hewett was concerned in early 1990 that the U.S. assistance effort already was languishing, and urged that the U.S. government “create a body staffed by individuals whose sole responsibility is to conceive of and implement a policy toward Eastern Europe and work with our allies to see that that policy is as effective as possible. This might be an organization within the executive branch . . . more likely would be an organization that would be bipartisan, between the executive branch, Congress, and the private sector. It would have a small staff of professionals, guided possibly by an advisory group composed of prominent Americans” (U.S. Congress. House. 1990a, 5). The task of this group would be to devise a U.S. assistance strategy, including sending American Ph.D. candidates in economics to Eastern Europe to teach basic introductory courses, to build an economic profession where none existed. In his written statement for the record, Dr. Hewett elaborated that “we need a separate, identifiable institution to focus on coordinating our policy towards Eastern Europe. Without in any way taking away from the efforts of Deputy Secretary Eagleburger and the many people working with him on East European aid, it just is not enough. We need someone with the full-time responsibility to conceive of a coherent approach to this region, and with the authority to implement such a policy. . . . at this extraordinary turning point in history it is woefully inadequate to rely on *ad hoc* committees chaired and staffed primarily by people with a multitude of other duties” (U.S. Congress. House. 1990a, 60).

for leaders to put in place unemployment benefits and retraining opportunities. He noted that a Marshall Plan would be counterproductive, that the U.S. was not contributing the magnitude of resources it had in the post-World War II period, and that Western Europe was sufficiently strong to handle the financial risk of assisting its East European neighbors. He warned against the Soviet disengagement from Eastern Europe and the impact this would have on their economies, given their reliance on Soviet energy and the volume of trade within the former communist bloc. He urged the Budget Committee to think about other potential demands on U.S. resources that Baltic independence or a confederated Soviet Union, with potentially several independent republics, would present. He concluded that the main goal of U.S. assistance should be to help develop in Eastern Europe markets that could attract private capital and foreign investment, noting there were some measures the U.S. could take quickly in this regard like extending most-favored-nation trade status and eliminating quotas which restrict trade. Hewett urged that U.S. assistance provide emergency food supplies, direct investment in infrastructure, and training and exchanges opportunities. He stressed that Eastern Europe had an educated labor force that needed to be retrained.

Ambassador Ridgway presented a different emphasis “look[ing] beyond traditional programs” to cultural and educational exchanges to take up a real opportunity to increase the U.S. presence in Eastern Europe. She noted “one of our best exports is our people” (U.S. Congress. House. 1990a, 20). She estimated that the U.S. would have to be engaged actively with a serious presence in these countries for a decade and a half. She called for more people to be on the ground running exchange programs. She reminded the Committee that the U.S. knew from its own historical experience that

building a democracy required working from the ground up and that, over a period of two hundred years' participation, U.S. citizens had learned to accept compromise and make accommodation because in a democracy one does not always win. Those skills needed to be learned in Eastern Europe where leaders and publics had to build a political process that could provide "good candidates running sound campaigns that produce results that are credible for a population" (U.S. Congress. House. 1990a, 21). She agreed with Ed Hewett that the Marshall Plan approach was not appropriate to Eastern Europe where she saw the challenges as so much more complicated. Under the Marshall Plan, the U.S. had rebuilt economies that had previous experience with the market where there was a tradition of investment, banking, and industrial management. None of that existed in Eastern Europe in the immediate post-communist period. She defined the situation in Eastern Europe as a unique and complex challenge for the U.S. "If you ask me which comes first, [democratic political] institution building or the economy, you would like them to proceed together, but believe me, I think the political institutions have got to be strong and ready for the shock of tough economic programs" (U.S. Congress. House. 1990a, 31).

The final testimony came from Jeffrey Sachs who made clear his belief that the U.S. simply was providing neither sufficient resources nor leadership in the assistance effort to Eastern Europe. For him, supporting reforms in the region was clearly in the self-interest of the United States, and the key to success of those reforms was free trade. He urged the U.S. to provide more money, emergency food aid, technical assistance of auditors and accountants, debt relief, and an easing of export restrictions. In his view, the U.S. must help create the economic structure in those countries that would allow U.S.

businesses to invest. He stated that the U.S. must participate in the newly created East European Development Bank and the west must let those countries out of “debtors’ prison.” He anticipated three to four years of a difficult transition process, at the end of which there should be working market economies, though they would still be heavily oriented toward the state sector and the process of privatizing state assets would continue for a long time into the future. He focused particularly on the issue of debt as the most profound barrier to future growth in the region. When Congressman Frenzel (R-MN) asserted that Europe should take the lead in assisting East European reform and the U.S. play a supporting role, Sachs strongly objected saying that the U.S. must take the lead because it is in the country’s self-interest. “. . . by being by far the richest country in the world and having enormous self-interest in simply commercially if nothing else in having our businesses operate there, we will just lose out if we give up all markets of the world to everyone else and say we are too tired to really play much of a role” (U.S. Congress. House. 1990a, 50). He called it “stunning” that the U.S. could not come up with \$1 billion, one-tenth of one percent of GNP, to assist these countries in their reform efforts. He added that the European Community is “not yet a foreign policy instrument, and the United States is the only country that really has global experience in financial restructuring in the last 30 years of taking leadership roles in the financing side” (U.S. Congress. House. 1990a, 51). Many of these expert recommendations appeared in the proposed legislation for an expanded SEED program.

On March 22, 1990, Senator Joseph Lieberman (D-CT) introduced S.2325 as the “Eastern European Economic Reconstruction Act,” which sought to establish an “Eastern European Economic Strategic Planning Commission” to devise a long-term plan for U.S.

assistance to Eastern Europe, utilizing both the public and private sectors in the U.S. The Commission was to be composed of 14 members, a combination of public servants and private citizens some appointed by the President, others by the Congress, and representing business, academia, and local government. The purpose of the Commission was to assess existing U.S. government programs that could benefit the countries of Eastern Europe and the particular needs of each of the countries. It would design U.S. assistance programs in the context of international financial institutions' and other countries' activities. The legislation also proposed to create "The Eastern European Foundation," to provide support for small- and medium-sized businesses in the region through grants and technical assistance and to help build market economies there. The Foundation would be run by a Board of Directors composed of nine private citizens. In addition, S.2325 sought to establish an East-West Center for Economic Transition attached to the Organization for Economic Cooperation and Development (OECD), to coordinate assistance efforts of the organization to Eastern Europe. The legislation stipulated that payments from the Soviet Union to the U.S. for the lend-lease debt were to be contributed to the OECD Center and used for a scholarship fund for graduate and post-doctoral students from Eastern Europe and the Soviet Union for study of democracy and free market.⁴⁰ It called for the Enterprise Funds established under the original SEED legislation to focus especially on the development of small- and medium-sized business in Poland and Hungary.⁴¹

⁴⁰ The U.S.-Soviet World War II Lend-Lease Agreement of 1942 stipulated that the U.S. would provide military material and equipment for the USSR to pursue its war against Hitler; the USSR in return would not provide that material to a third country without the consent of the U.S. president. Soviet payments to the U.S. ceased during the Cold War, but resumed under Gorbachev.

⁴¹ S.2325, as the earlier bills, remained within the Senate Foreign Relations Committee.

As with the original SEED legislation, the House of Representatives simultaneously pursued its own versions of expanded assistance and discussions on the state of reform in the countries of Eastern Europe. Since much discussion had focused on the detrimental impact of debt on prospects for East European reform, Representative James Leach (R-IA) introduced on March 28, 1990, H.R. 4410, the “Democracy Defense Initiative Act” to amend the SEED Act of 1989 to authorize the reduction of official debt owed to the U.S. Government by any East European country meeting certain reform criteria. Those criteria were the same used in other pieces of legislation concerning these countries, namely: 1) political pluralism and economic reform; 2) respect for human rights; and 3) a willingness to build a friendly relationship with the U.S. The bill recognized that the “external debt of the region has been increasing at an accelerated pace through 1989 [and that] the United States interest in institutionalizing democracy and building market-oriented economies in the region is jeopardized by the financial instability associated with high indebtedness and low economic growth” (U.S. Congress. House. 1990b. Section 2. Findings) It called on the U.S. to take a leadership position among western creditors to “negotiate, on a case-by-case basis, reductions of official debt and official debt service owed to such governments by eligible Eastern European countries, provided an international financial agreement . . . is in effect . . .” (U.S. Congress. House. 1990b., Section 6 (c) Debt Reduction).⁴²

Representative Fascell (D-FL) sponsored H.R. 4445, “Emerging Democracies Act of 1990,” a multi-faceted bill to authorize assistance for emerging democracies in Eastern Europe and Central America, to enact foreign assistance authorization legislation, and to

⁴² H.R. 4410 was referred jointly to the House Committee on Banking, Finance and Urban Affairs and the House Committee on Foreign Affairs where no action was taken on it.

authorize appropriations for the Peace Corps, State Department, and U.S. Information Agency. It amended the original SEED legislation to extend SEED benefits to all East European countries meeting specified conditions, exactly those cited above, and added the objective of the United States “to facilitate the reintegration of the East European countries into the community of democratic nations and to end the artificial division of Europe,” by providing assistance to governments and private individuals, and to foster U.S. commercial activity there (U.S. Congress. House. 1990c, Sec. 2). Many of its directives were assigned to the U.S. Agency for International Development to support private sector development, target capital projects, and to establish a “Free Enterprise Corps” to provide technical assistance to private enterprises in Eastern Europe. It amended specific provisions of the original SEED legislation for the Organization for Private Investment Corporation and other trade programs; declared that the U.S. Information Agency Director should establish a program to provide fellowships to U.S. citizens for assisting Eastern European countries in acquiring skills of a democratic political system and market economy; called for USAID to provide scholarships for East European students to study at American institutions of higher education in Europe; urged the President to assign more Foreign Service members to Eastern Europe; and notably, permitted authorized funds to be appropriated by the annual Foreign Operations, Export Financing, and Related Programs Appropriations Act.⁴³

In the end, the Congress did not pass separate legislation to extend assistance to the rest of Central and Eastern Europe and added them through the authorization process of the original SEED legislation.

⁴³ Introduced on April 3, 1990, the bill was referred the same day to the House Committee on Foreign Affairs, where it was combined with H.R. 4610, also sponsored by Representative Fascell, as the “International Affairs Authorization Act of 1990.”

Executive Catch-Up

While the Congress was working in winter 1990 through many discussions and pieces of legislation on how to assist and encourage continued reform in Eastern Europe, the Executive Branch was better defining for the American public its understanding of democracy in the region. On February 10, 1990, Secretary of State James Baker appeared in Moscow before the International Affairs Committee of the Supreme Soviet in Moscow, which, through multi-candidate lists, had been genuinely elected for the first time by the Soviet people.

Secretary Baker presented to the Supreme Soviet his understanding of its role as an elected representative body; “. . . a working legislation embodies the basic values of democracy: sanctity of the individual; respect for those with different beliefs; the supremacy of the rule of law as reason’s triumph over arbitrary rule in political life; and the right of the people to determine their fate through their freely elected representatives. The free exchange of ideas in an open, public legislated debate tempers political passions and encourages the solution of society’s problems through dialogue, not through force. In this way, and through its critical oversight function, a legislature holds the government accountable to the people” (*U.S. Department of State Dispatch*, September 3, 1990, pp. 20-21). This passage made clear the expectations of the Bush Administration for future developments in the Soviet Union under Mikhail Gorbachev.

Baker explained that in the U.S. the Congress held him, as Secretary of State, accountable to the American people. He repeated strongly that he and President Bush wanted *perestroika* to succeed in the Soviet Union. He again described U.S. relations with the Soviet Union as a search for points of “mutual advantage” through dialogue,

rather than the confrontation of the past. The U.S. wanted to work with the USSR on several points:

- Ending the unnatural division of Europe and creating in its place a Europe that is whole and free. Baker said he would like to see the Supreme Soviet support the U.S. suggestion that delegations from the Conference on Security and Cooperation in Europe (CSCE) be sent to observe the elections in Eastern Europe to ensure legitimately elected governments there.
- Seeking political, not military, settlements to regional conflicts around the world. Baker condemned continued Soviet assistance to Cuba and Nicaragua, and noted the scrutiny with which the U.S. Congress oversees U.S. foreign assistance spending.
- Controlling nuclear, chemical, and biological weapons through ongoing work on START, CFE, and other arms control treaties.
- Sharing U.S. experience in rule of law, especially on the protection of individual rights and institutionalizing pluralist political institutions.
- Moving toward a market-based economy.
- Finally, he urged that the U.S. and USSR to put behind them the legacy of confrontation and build a new relationship based on cooperation.

Talking to the American public

For the Bush administration, 1990 was a very uncertain period. Gorbachev was removing Soviet troops from the region as democratic governments emerged across Eastern Europe, but there was no guarantee this trend would continue or that the transition would be stable. In a press conference on March 3, 1990, President Bush identified the enemy as “uncertainty, unpredictability” (Bush 1990a). To counter this uncertainty, the President continued to support the presence of U.S. troops in Europe and strive for a unified Germany in NATO. When asked whether he would favor reduction of foreign assistance to such traditional recipients as Egypt and Israel, in favor of Eastern Europe and others, President Bush noted that he wanted flexibility in providing foreign aid. He spoke out against “earmarking” in congressional budgets, the practice whereby Congress identifies a certain amount of funding to be spent for a specific purpose, rather

than allowing the implementing agencies to make such determinations. The President wanted the executive branch agencies to be free to direct funds where needed in response to trends moving in a democratic direction in a particular country. He wanted the executive branch to have the capability to move quickly on its own to provide assistance in a timely manner.

Beyond containment

By winter 1990, the Bush Administration realized that it could no longer distance itself from the wave of democratization sweeping Eastern Europe. The Communist Party of the Soviet Union (CPSU) agreed in February 1990 to give up its monopoly on power and to withdraw Soviet troops from Czechoslovakia. Talks on reunification between the Federal Republic of Germany and the German Democratic Republic began in winter 1990. In March, Lithuania declared its independence from the USSR, but the Soviet Union did not accept it. Gorbachev was elected president of the Soviet Union on March 15. Events across the region were fluid and change happened quickly. While the President remained attentive to Gorbachev, Secretary Baker laid out the administration's thinking on support for democracy. In a speech to the World Affairs Council in Dallas, Texas on March 30, 1990, he identified the promotion and consolidation of democracy as the new mission of the United States and eloquently expressed his view on the value and power of democracy. The birth of new democracies around the world presented U.S. foreign policy the opportunity to pursue its values and interests simultaneously. He shared the following five observations about democracy.

- Democracy combines individual rights with individual responsibilities. The individual is the essence of democracy under the motto, "Trust the people."

- Democracy brings political legitimacy because it infers the individual's consent to the rule of democratic governance. This consent is reaffirmed through regular, free and fair elections. Democracy is characterized by the rule of law, which protects the rights of individuals and the tolerance of diversity. Majority rule must uphold minority rights. The democratic system benefits from "renewable legitimacy" in that it has the capacity for self-correction. Baker presented his vision of the democratic peace theory that "free peoples cherishing democratic values are unlikely to go to war with one another."
- Democracy does not stand alone and needs economic progress and security to be sustainable. "War and poverty are the great opponents of democratic rules, democratic tolerance, and individual rights." Economic progress depends on the freedom of the workplace and the freedom to own property. "Only a strategy that buttresses democracy with economic reforms and greater internal security will transform the revolutions of 1989 into the democracies of the 1990s."
- American foreign policy must reflect democratic values. This is a new approach that combines idealism with realism, using the power of the United States to spread democratic values and to do good.
- Democracy promotion is a "force multiplier" that can rally international action. The U.S. could not and should not promote democracy alone. It must work in concert with its allies. This was not the time for another Marshall Plan. In the 1940s, the U.S. had the resources to "rebuild friends" and turn enemies into friends. A success of the Marshall Plan was that, in 1990, the U.S. could turn to those same friends for help in dealing with the world's problems.

Backing up earlier contentions that U.S. resources were limited, Secretary Baker suggested that training, advice, and sharing experience "count for more than money." As such, the U.S. would concentrate on support for free and fair elections; reducing arms and armies; and building the free market through private sector development. He explained, "We are tying our assistance to our values and showing how our values can be of assistance. Our support is to be measured by a single test: whether it advances democracy and economic liberty." Democracy promotion served both American values and American interests and was a valuable objective for diplomacy. Baker noted that democracy in the Soviet Union would be the best guarantee that the USSR would play a constructive role in the world. Democracy as a universal aspiration meant trust the

people, have confidence in the individual everywhere, not just in certain countries. “U.S. foreign policy must build on that confidence to build a newly democratic international society” (State Department 1990a, 22).⁴⁴

Active support for East European reform

President Bush focused on the new world of freedom in Eastern Europe in the commencement speech at the University of South Carolina on May 12, 1990. He addressed the deep scars of the Soviet legacy from 40 years under communist rule when all laws and courts were for the benefit of the state, the communist party and its leaders. In the wake of this legacy was an absence of trust in post-communist societies, especially in institutions, and among citizens as well. He asserted that the human spirit had managed to survive in Eastern Europe, and that an underground civil society had emerged to take the reins of government. He offered America’s help to them to secure their new freedoms and become part of Europe “whole and free.” The key would be the establishment of the rule of law. “We’ve got to help the emerging democracies build legal systems that secure the procedural rights that preserve freedom and, above all, a system that supports a strict equality of rights, one that guarantees that all men and women, whatever their race or ancestry, stand equal before the law” (Bush 1990b).

In this speech, he announced four new initiatives for the U.S. to support democratic development in Eastern Europe:

⁴⁴ I have detailed this speech because it so clearly shows how the executive branch was thinking about the profound changes in international relations and its understanding of democracy promotion as a foreign policy objective. While the U.S. Congress was engaged actively in drafting legislation to support reform in Eastern Europe, the Administration was trying to adjust its response in the context of Soviet security concerns. Contrary to the criticism aimed at President Bush during this period for this cautious approach to the East European revolutions, the Administration understood the need to support democracy, but was torn on how to do so.

- to continue economic assistance, the Export-Import Bank would provide Poland new credit guarantees for purchasing machinery, technology, and services from U.S. suppliers;
- to help assure free and fair elections with international observers;
- to broaden the mandate of the Conference on Security and Cooperation in Europe to monitor human rights, including free elections, political pluralism, and the rule of law; and
- to strengthen the foundation of free society through the newly created Citizens Democracy Corps.

The Citizens Democracy Corps (CDC) was designed to support democratic and free market change in Eastern Europe by mobilizing the volunteer resources of the American private sector. This was done in response to initiatives in the U.S. private sector, which had stepped forward to offer assistance to the countries in transition in Eastern Europe. As a result, the President supported the creation of this new center to promote these activities and match them with requests for assistance from Eastern Europe.⁴⁵ The Bush administration found its democracy promotion voice in winter and spring 1990. At the highest level of the foreign policy establishment, public statements identified all the appropriate attributes of democracy, including rule of law, plural political institutions, free and fair elections, market economy, and civil society. The administration knew what they wanted to see in Eastern Europe.

⁴⁵ The CDC acted as an information clearinghouse for U.S. private volunteer assistance programs for Central and Eastern Europe with an information base of technical services and equipment. It received requests from individual countries in the region for assistance in such areas as constitutional law and parliamentary procedures, English-language training, journalism, broadcasting and publishing, public health and medical support; market economics, banking, and financial services; business law, commercial practices, and agriculture; and environmental protection. The U.S. needed such an organization because the needs of Eastern Europe in 1990 were substantially different from those of Western Europe in 1947. Then, the U.S. needed to rebuild the physical infrastructure that had been destroyed by war in countries that already had the entrepreneurial expertise, economic infrastructure, and democratic institutions and practices to restart their economies and societies quickly. Those assets simply did not exist in Eastern Europe and the U.S. needed to help build them.

Juggling competing priorities

President Bush's comments on events in Eastern Europe often were couched in the context of other foreign policy priorities whether relations with the Soviet Union or with NATO. In a May 3, 1990, news conference held in the White House Briefing Room, the President attributed the denouement of the Cold War to the strong partnership between the U.S. and its European allies in NATO and affirmed that NATO would remain vital to America's role in the new emerging Europe. He suggested that NATO needed to take on new challenges, specifically undertaking the political mission to manage and stabilize the changes underway in Europe. In his view, democracy was on the move in Eastern Europe under its own momentum and the U.S. and NATO were responding to those changes. He absolutely made clear that the U.S. would remain engaged in Europe and that Europe remained a top U.S. foreign policy focus.

One of the most sensitive issues for the President to consider was the call for independence within the Baltic republics of Latvia, Lithuania, and Estonia, which had been a particular point of disagreement in U.S.-Soviet relations for decades.⁴⁶ President Bush would not take a strong stand on supporting Baltic independence, instead calling repeatedly for dialogue between Moscow and the Baltic capitals. He referred, for instance, to Lithuania as "an enormously complicated problem" (Bush 1990b). While he cared about Lithuania's freedom and self-determination, he was concerned also about the continuing and peaceful evolution of democracy throughout that part of the world and did not want to risk a Soviet crackdown. The President did not see a role for the U.S. in mediating between Moscow and Vilnius.

⁴⁶ The United States never recognized officially the Soviet annexation of these territories in 1940.

As the Congress increasingly called for shifting funds from the Defense Department budget into foreign aid for Eastern Europe, President Bush responded that he and Secretary of Defense Dick Cheney wanted to keep sufficient money in the Defense budget to respond to a changing world. President Bush suggested that he be given a discretionary fund out of the foreign aid total to accommodate “a person that is trying to take his small country and firm up its democracy” and he expressed concern that “Foreign aid doesn’t have the constituency out there that domestic programs do” (Bush 1990b).

Secretary of State Baker appeared before the Senate Foreign Relations Committee on June 12, 1990, to demonstrate that the administration was engaged with the Soviet leadership and making progress on key points in the relationship and on issues crucial to U.S. national security.⁴⁷ He stressed the need for a truly bipartisan foreign policy to respond to the dramatic changes of the previous year. He restated the administration’s support for Gorbachev’s policy of *perestroika* as a move toward more constructive Soviet foreign and defense policies, and ultimately a more democratic Soviet Union. He recounted what the administration had done with the Soviets in the first half of 1990, working toward “points of mutual advantage.” First, the administration supported the reunification of East and West Germany and its place in NATO, and was working for Soviet acceptance of this position in the context of Soviet security concerns. Second, the U.S. continued to deal with the Soviet government on arms control where the objective was “to enhance strategic stability and predictability and to preserve deterrence at lower levels of arms and with less risk of either misunderstanding or miscalculation.” The third

⁴⁷ Interestingly, on this same day, the Russian parliament declared its independence from the Soviet Union.

area concerned regional conflicts, namely in Africa and Central America, and the final point was on U.S.-Soviet trade, tied to the free emigration of Soviet Jews. This was a tricky balancing act for the President as he sought to continue his support to and friendship with Gorbachev, while at the same time supporting the process of democracy and freedom in Eastern Europe as it broke away from Soviet rule (State Department 1990e).

Attention in the U.S. government shifted dramatically with the Iraqi invasion of Kuwait on August 2, 1990, and the executive branch devoted its energies throughout the fall to building an international coalition of forces against Iraq. The Bush administration engaged closely with its Soviet counterparts on this major security issue. The disturbance in the Middle East, however, did not slow the rapid change underway in Eastern Europe. Following lengthy international negotiations, the German Democratic Republic (GDR) was incorporated into the Federal Republic of Germany (FRG) accomplishing the reunification of Germany on October 3, 1990.⁴⁸ On that day, the GDR became the first former communist state to join NATO, even though the Soviet Union had opposed it adamantly. Pressures within the Soviet Union were mounting with hardline disapproval of Gorbachev's policies and actions, acquiescing to a united Germany in NATO and to growing demands for independence in the Baltic states.⁴⁹ A united Germany in NATO

⁴⁸ Throughout spring and summer 1990, relevant parties were engaged in negotiating the Two Plus Four Agreement which would allow for German unification. The Two were the GDR and FRG and the Four were France, the UK, the U.S. and the USSR, which renounced their claims to German territories as provided at the end of World War II. Secretary Baker was a key player, negotiating personally with Gorbachev and Foreign Minister Shevardnadze during the Washington Summit in May 30-June 1, 1990, to get them to accept German reunification and its place in NATO as it chose. (Baker 1995, 251-2).

⁴⁹ Lithuania had already declared its independence and Moscow threatened economic embargo. Secretary Baker pressed for peaceful dialogue between them, (Baker 1995, p. 245).

was a particularly hard sell to the Soviet people because of the lasting pain of World War II.

Supporting Gorbachev

As people across the USSR became emboldened by Gorbachev's policy of *glasnost* to speak their minds, the planned Soviet economy suffered from falling production and strikes. President Bush announced initial assistance to the Soviet Union to meet immediate food needs and help with economic reform, the first steps to include:

- waiving the Jackson-Vanik Amendment to the Trade Act of 1974, making the Soviet Union eligible for export credit guarantees provided by the U.S. Department of Agriculture to purchase U.S. agricultural products;⁵⁰
- sending a team of experts on food distribution and marketing to the USSR to improve the food marketing system;
- extending medical assistance through U.S. public-private cooperation to provide pharmaceutical and basic medical supplies; and
- proposing a special association of the USSR with the International Monetary Fund and the World Bank giving it access to economic and financial expertise.

The President's intention with this assistance was to move the USSR toward becoming a full and prosperous member of the international community (State Department 1990b, 331).

This was a tenuous time in the Soviet Union with growing divisions between the center and the republics and between reformers and hardliners. While the Soviet leadership was willing to let the countries of Eastern Europe go their own way, it was much less tolerant of such freedom for its own autonomous republics. At the moment the Bush administration finalized coordination of a coalition attack against Iraq, Soviet

⁵⁰ The Jackson-Vanik Amendment requires that non-market economies must provide for freedom of emigration if they wish to have normal trade relations with the United States. The effect of the Jackson-Vanik amendment was to secure during the Soviet period the right to emigration for thousands of Soviet Jews, evangelical Christians, and Catholics.

troops landed in Vilnius, taking over a key television station and subsequently attacking Lithuanian citizens who had protested, killing 15 of them. The troops, however, were acting on orders of lower level commanders, not Gorbachev, leading many to worry about Gorbachev's hold on power and the stability of the large and powerful Soviet state. The Bush administration needed to send a signal to the Soviet leadership that the actions in Lithuania were reprehensible at the same time it needed to keep the USSR on board for the attack against Iraq. Again, the administration, forced to work within these constraints, was criticized for being too closely tied to Gorbachev and not forceful enough in condemning the attack on Lithuania.

Explaining U.S. foreign policy goals

With the successful execution in early 1991 of Operation Desert Storm against Iraq's invasion of Kuwait, the administration's FY 1992 foreign assistance request centered on five foreign policy challenges:

- promoting and consolidating democratic values, including free and fair elections and respect for human rights;
- promoting free market principles and strengthening U.S. competitiveness;
- promoting peace by defusing regional conflicts, pursuing arms control and non-proliferation;
- protecting against transnational problems like terrorism, narcotics, and the environment; and
- meeting urgent humanitarian needs.

Secretary Baker proposed five mechanisms the administration intended to use to promote this agenda:

- "more flexible and integrated bilateral assistance authorities," which would allow the administration to transfer funds more easily across accounts. He stressed that world events were moving quickly while resources were severely constrained by the budget deficit.

- more creative use of multilateral channels like the international financial institutions and the United Nations;
- more “responsibility-sharing” with global partners like the European Community, the Organization for European Cooperation and Development (OECD), and Japan.
- “more creative use of trade and investment policies” to promote U.S. interests; and a more active diplomacy (State Department 1991a).⁵¹

Lessons learned about democracy promotion.

This testimony in support of the FY 1992 budget request reiterated several goals and themes that had emerged in the Bush administration’s approach to support for reform in the communist world—with particular emphasis that, contrary to the post-World War II experience of the Marshall Plan, the U.S. would not go it alone this time. Other countries and international and regional institutions would play significant roles in supporting and aiding reform.⁵² Newly introduced was the idea of flexibility, a lesson learned from the short experience to date with the SEED program. The administration did not want the Congress to micromanage the exact amount of funding by activity and country, leaving the implementers of assistance programs the freedom to move funds to program accounts as opportunities arose within countries to assist reform. Events were

⁵¹ Secretary Baker appeared before the Subcommittee on Foreign Operations of the House Appropriations Committee on May 22, 1991 to set forth the Administration’s foreign assistance plans for FY 1992. He gave similar testimony on June 12, 1991, before the Subcommittee on Commerce, Justice, State, and Other Programs of the Senate Appropriations Committee, where he explained that the physical status of the U.S. Embassy in Moscow was a critical issue in US-Soviet relations. The partially constructed new American Embassy had been stalled for years in stalemate between the U.S. and USSR over security concerns that the facility had been compromised, i.e., bugged, by Soviet construction workers. A fire in the old embassy had made it unworkable and Secretary Baker made clear that before the U.S. could undertake serious support for Soviet reforms, the embassy issue had to be resolved. He pleaded for congressional support in the form of funding to complete the construction of the new building.

⁵² An example of coordinating with regional actors came soon thereafter when Secretary Baker addressed the Council of Ministers of the Conference on Security and Cooperation in Europe (CSCE) on June 19, 1991. He called for the organization’s help in fostering economic prosperity across Europe, as “an essential part of building durable democratic institutions.” He encouraged the CSCE to work closely with multilateral economic institutions like the OECD, World Bank, IMF, EBRD, and European Community. He called for all members of the CSCE to open up their markets to Central and East European and Soviet trade—forcing the Europeans to deal with sensitive trade issues of steel, textiles, and agriculture. Further, he called for each member of the CSCE to provide direct bilateral and technical assistance to promote competitive private sectors in the transitioning countries (State Department 1991b. 464).

moving too quickly in the region to tie up funds by trying to predict where they may be needed.

Secretary Baker well appreciated the difficult road of building democracy, and sought to strengthen efforts in the U.S. private sector to assist the transitions. He called on U.S. media organizations to help build independent media in Central and Eastern Europe by providing materials like newsprint, computers, satellite dishes, and fax machines, and financial assistance to sustain independent media until it could become self-sustaining; by helping build the legal structure to protect the media's independence; and by training journalists to report objective facts, not ideologies (State Department 1991b, 464).

Accelerating change in the Soviet Union

On June 12, 1991, citizens of the Russian Federation elected Boris Yeltsin as their first president. In a somewhat awkward moment for President Bush, he met on June 20, 1991, with Yeltsin as the newly and first democratically elected President of the Russian Federation, while seeking to maintain official and close working relations with still Soviet President Gorbachev. One month later, Presidents Bush and Gorbachev met for an important summit in Moscow on July 30, 1991. The goals of this summit were to normalize economic relations between the U.S. and the USSR and to overcome fifty years of mistrust and Cold War animosity between the two countries.

By the time Presidents Bush and Gorbachev met in Moscow, the Supreme Soviet had lifted restrictions on free emigration, which in turn allowed President Bush to offer most-favored-nation trade status to the USSR. He also supported "special association" status for the USSR with the International Monetary Fund and the World Bank. During

the summit, President Bush reiterated that Soviet treatment of the Baltic states remained an obstacle to improving U.S.-Soviet relations, and he urged Gorbachev to pursue peaceful negotiations with the Baltic leaders. He condemned Gorbachev for his continuing aid to Cuba, especially in the face of his request for Western assistance, and urged the Soviet leadership to reduce military spending overall. Soviet aid to Cuba was a real obstacle for the U.S. in offering aid to the USSR.

In a speech to the Moscow Institute for International Relations during the summit, President Bush identified demilitarization of the Soviet economy as the key to economic transformation, encouraging the Soviets to devote more resources to civilian output and stocking the shelves of Soviet stores. He called the recent political changes in the country unmistakable—with people free to express their opinions, new alliances forging new political parties, and the sound of many different voices speaking out across the vast territory of the USSR. He promised that the U.S. stood ready to assist “the forces of freedom” in the USSR, but emphasized that the impetus must come from within through domestic policy changes, not from an infusion of foreign aid. He pointed to the IMF and the World Bank as the next logical step in constructing a strategy for Soviet transformation to a more democratic and market system because such help would attract foreign investment. He promised further that U.S. assistance would keep pace with Soviet reform progress and called for more people-to-people exchanges of scientists, scholars, and students. Most importantly, President Bush declared, “Let this Moscow summit definitively mark the end of what all of us would agree has been an era of

mistrust, and let it mark a new beginning for our two nations: an era of progress toward a new world of peace and partnership” (State Department 1991c, 593-4).⁵³

Sending the wrong message in Kiev

During the Moscow summit, President Bush stood squarely with President Gorbachev, giving little support to the elected leaders of the 15 republics of the Soviet Union who were calling with increasing vigor for their independence from Moscow. Following the summit the President make a quick stop in Kiev, capital of the Ukrainian Soviet Socialist Republic, where he sought to explain what Americans meant by the terms “freedom, democracy, and economic liberty.” “When Americans talk of freedom, we refer to people’s ability to live without fear of government intrusion, without fear of harassment by their fellow citizens, without restricting others’ freedoms” (State Department 1991c, 597). He stated that the right to freedom belonged to all men and women and required tolerance, openness, and protections. Then he fatefully added, “Yet freedom is not the same as independence. Americans will not support those who seek independence in order to replace a far-off tyranny with a local despotism.” In this one line, the President suggested that the U.S. did not support the dissolution of the Soviet Union or Ukraine’s independence. This speech became known as the “chicken Kiev” speech (Hutchings 1997, 329). It showed that the President remaining firmly committed to Gorbachev and the Soviet Union and was reluctant to hear the calls for freedom from

⁵³ Later in the summit the President explained to a group of Russian businessmen that the U.S. did not have the answers for how to build a market out of a command economy, and insisted that they “must define [their] own brand of democratic capitalism, one that is consistent with Russian culture and values.” He added that creating the market required time and patience. During this summit, President Bush and Mikhail Gorbachev demonstrated a new stage in U.S.-Soviet relations by signing the Strategic Arms Reduction Treaty (START), a first in arms control treaties that actually reduced U.S. and Soviet nuclear strategic arsenals and put in place monitoring mechanisms for verifying reductions and building trust (State Department 1991c, 595).

the Soviet republics, as he had been slow to accept earlier calls in Eastern Europe. As the speech continued, he rightfully defined democracy as “a system of government in which people may vie openly for the hearts, and, yes, votes of the public. . . . a system of government that derives its just power from the consent of the governed, that retains its legitimacy by controlling its appetite for power.” He explained that government must understand its proper role and limits. “In modern societies, freedom and democracy rely on economic liberty,” so people can decide how they want to work. Such economic freedom requires freedom of communication and the free flow of information (State Department 1991c, 597). While this speech contained pertinent information on the meaning of democracy, its tone—giving so much support still to Gorbachev and Moscow—doomed its potential impact. He made clear that, from his perspective, Moscow was still in charge. This approach in August 1991 also showed just how far the administration was from being prepared for the quick demise of the Soviet Union that was soon to happen. Just as the President was slow to accept transformation in Eastern Europe, he was reluctant to hear that same call for change within the Soviet Union.

On August 19, 1991, a group of hardliners in the Soviet leadership carried out a coup d’etat against President Gorbachev who was held briefly under house arrest, undermining what little legitimacy he had left as President of the USSR. President Bush did not respond forcefully to this act. Official Washington held its breath and waited to see what would happen and who would emerge victorious, Gorbachev or his adversaries. Interestingly, Strobe Talbott later recalled that many in Washington attacked the President at the time for having staked too much on his relationship with Gorbachev. Under advice from Talbott, Bill Clinton, who was preparing to announce his candidacy

for President, did not join them. Talbott told Clinton that the President had been right to foster the close relationship with Gorbachev and he should have stood up for him at this difficult moment. Clinton and Talbott decided to pursue the path of “do no harm,” so Clinton did not criticize the president (Talbott 2002, 25). The coup ended days later and Gorbachev returned to Moscow politically crippled.

During the brief few days of the coup, the G-24 and the U.S. suspended all assistance to the USSR in light of these extra-constitutional actions.⁵⁴ By August 29, 1991, however, after the coup had ended and Gorbachev had been restored to power, President Bush was ready to go forward quickly with aid to the Soviet Union to be delivered where people needed it most, in the republics. Secretary Baker went to Moscow as quickly as possible following the failed coup.

On September 11, 1991, the Secretary addressed the CSCE Meeting on the Human Dimension in Moscow and offered advice to the Soviet peoples in the form of five fundamental principles of democracy:

- 1) proceed peacefully in accordance with the principles of the Helsinki Final Act, swearing off intimidation and violence;
- 2) respect existing borders, both internal and external, with any changes following CSCE principles, not through use of force;
- 3) support democracy and the rule of law, noting particularly the importance of elections;
- 4) protect human rights based on respect for the individual and equal treatment for minorities; and

⁵⁴ The G-24 was a group of 24 countries whose assistance to Central and Eastern Europe was coordinated by the European Commission. The G-24 held regular meetings in which recipient countries participated. The major contributors were Germany, Japan, the European Community (EC), and the United States, and they focused on the Polish stabilization fund; delivery of food aid; and technical assistance programs in agriculture. The G-24, which sought not to duplicate the programs of international organizations, established criteria for coordinated assistance: 1) adherence to the rule of law; 2) respect for human rights; 3) introduction of multi-party systems; 4) the holding of fair and free elections; and 5) the development of market-oriented economies, set by CSCE. (State Department 1991d).

- 5) respect international law, especially adherence to the Helsinki Final Act (State Department 1991f, 679-80).⁵⁵

Once it was clear to President Bush that Gorbachev would not forcefully restrain the Soviet autonomous republics from going their own way, the President was willing to establish diplomatic relations with the Baltic states (State Department 1991e, 647). As Secretary Baker spoke in Moscow, President Bush announced in Washington U.S. support for the independence of the Baltic states and their admission into the United Nations, the release of Baltic financial assets, which the U.S. had held frozen for over 50 years, the extension of most-favored-nation and other trade benefits, and encouragement to the World Bank to work with these states. The President promised to extend technical and other assistance to the Baltic states under the SEED Act.

The political landscape in the United States was changing as the 1992 election year drew near. Within a few weeks of the failed coup attempt in the USSR, William Jefferson Clinton announced his candidacy for president of the United States and then strongly criticized President Bush for not supporting Boris Yeltsin as Russia's first freely elected president and for the U.S. being the 37th nation to extend diplomatic relations to the Baltic states.⁵⁶ This was a hint at the prominence the region would play in the early years of the first Clinton administration.

The Bush Administration clearly remained conflicted about the course of events in the Soviet Union. In a lengthy address before the House Subcommittee on Europe and the Middle East on October 2, 1991, Under Secretary of State for Political Affairs Robert

⁵⁵ The Final Act of the Conference on Security and Cooperation in Europe (CSCE) was signed on August 1, 1975 and set the precedent for linking the three baskets of interests concerning human rights, economics, and security.

⁵⁶ Clinton felt the U.S. "should have been the first" to recognize the independence of the Baltic states (Talbot 2002, 25).

Zoellick expressed the administration's desire to see some form of the Soviet Union hold together (State Department 1991h, 742-3.) As many of the Soviet republics had announced their independence, the Bush administration was very concerned about the prospects for complete disintegration of the USSR, arguing the difficulty of small states to pursue economic reform and create their own militaries, emphasizing the economic cohesion of the Soviet Union, and fearing the threat of ethnic conflict as Russians in Ukraine or Kazakhstan demanded their return to Russia proper. The administration was not enthusiastic about the prospect of 15 new states in the place of one Soviet Union. It did not seem at all comfortable with the thought of dealing with the former republics individually, noting that cohesion among the republics was conducive to stability and security. It simply could not see how these individual republics would make it on their own as sovereign states. Zoellick identified devolution of political authority and the force of ethnic nationalism as threats to political stability, and called for democracy with its grassroots participation as the antidote. He saw the need for democracy to supersede ethnic ties among individuals, and recommended the federalist system as a way of bringing together democracy and diversity.

In the midst of campaign season, the Bush administration courted U.S. public opinion actively with a steady stream of high-level policy statements.⁵⁷ On October 3, 1991, Deputy Secretary of State Lawrence Eagleburger addressed the *Business Week*

⁵⁷ The primary voices to explain the Bush administration's foreign policy were Secretary Baker and Deputy Secretary Eagleburger, both thoughtful, reflective policy makers who articulated U.S. policy at the end of the Cold War. Both regarded this moment as a key decision making period for the U.S. for the third time in the 20th century: the first was at the end of World War I when the U.S. chose an isolationist path; the second at the end of World War II when the U.S. chose to be engaged internationally and to make democratic partners single-handedly out of former enemies; and finally, at the end of the Cold War when the U.S. needed to learn from its previous experience and choose engagement and working actively with the commonwealth of democratic nations and institutions.

Symposium in Washington, DC to present the Administration's concerns about public calls for U.S. global disengagement at the end of the Cold War.⁵⁸ To those Americans who asserted that the U.S. had won the Cold War and it was now time to go home, the administration countered that the U.S. was obligated to play a global leadership role. Eagleburger recounted 20th century history when at the end of World War I, the U.S. defeated its German enemy and went home, leaving unresolved many of the problems that ultimately led to World War II. Upon the defeat of Germany and Japan in 1945, the U.S. changed its foreign policy direction and chose to take an active leadership role to build those countries into democratic partners and to extend cooperation multilaterally through the many newly constructed organizations like NATO, the OECD, IMF, and World Bank.

Eagleburger urged that the U.S. accept its responsibility at the end of the Cold War to assist Central and East Europe and the Soviet Union in their transitions to market democracies. Most stridently, he warned that to pursue this leadership role, the U.S. could not cut back on its defense spending, as many in the Congress were recommending. With the collapse of the bipolar international system, U.S. government decision makers were unclear what new international order would emerge, and they contended that the U.S. had an important role to play in designing that new system through engagement. Eagleburger made clear the administration's position that the well-being and prosperity of the U.S. was dependent upon a stable international order, which only could be created through strong U.S. leadership. The administration believed that widening the circle of democratic nations was conducive to U.S. security. He cited "maintenance of the world's

⁵⁸ Presumably, the administration chose to address this business audience because 1) the administration relied heavily on the U.S. private sector to be engaged actively in the post-communist world; and 2) it expected that many of the challenges of the new era would be economic.

free trading order” as the highest priority in U.S. foreign policy. He also stressed that the U.S. would look to the West Europeans to carry their fair share of the responsibility and cost of assisting the post-communist world during its transition period (State Department 1991g, 739).

On December 12, 1991, Secretary Baker set forth U.S. policy in response to the collapse of communism and laid out U.S. plans for assisting reform and providing technical assistance to the Soviet republics.⁵⁹ Baker recounted U.S. foreign policy over the previous 40 years, crediting Ambassador George Kennan’s policy of containment at the end of World War II for keeping pressure on the Soviet system from the outside, leading to the victory over communism. He described the failed coup attempt of August as the final blow to a weakening imperial state in that it signaled the devolution of power away from the Moscow center to the republics. Baker announced the onset of a new world and the principles which would guide U.S. policy in it. Those principles were to dismantle and destroy weapons of mass destruction left from the Cold War as an investment in U.S. national security and to help the former Soviet areas build democracies and free markets.

Baker suggested that the best way the West could assist the region was through technical assistance experts placed on the ground and to bring citizens from the region to the U.S. for training. The administration would rely on the U.S. Information Agency (USIA) to step up its exchange activities. Baker assigned Larry Eagleburger responsibility for coordinating assistance to the former Soviet republics and announced

⁵⁹ President Bush called a coordinating conference involving the advanced industrial democracies, the Central and East European states, members of the Gulf War coalition, and the international financial institutions to meet in Washington in early January 1992 to devise plans to assist the transition in the Soviet region, including emergency humanitarian and food assistance for the winter months.

that the administration intended to propose legislation to Congress to provide technical assistance. “A major aim of this legislation will be to promote trade, business, and investment development by American companies in Russia, . . . and other republics” (State Department 1991i, 892).⁶⁰

The end of the Soviet Union

On December 25, 1991, Mikhail Gorbachev resigned as president of the Soviet Union, signaling the demise of the superpower and the end of the bipolar geopolitical system. The USSR ceased to exist and the former Soviet republics became 15 new independent states. Boris Yeltsin sat in the Kremlin as President of the Russian Federation and, in the United States, the presidential campaign was in full swing.

In early 1992, President Bush paid little attention to foreign policy, preferring to advance himself as a domestic president, but he did hold an informal summit with Yeltsin at Camp David, seeking to build a personal relationship as he had with Gorbachev.⁶¹ By the spring, U.S. relations with Russia had become a campaign issue with mounting criticism that President Bush was not doing enough to support Russian democracy and economic reform.

Former President Richard Nixon came out strongly calling for an assistance plan comparable to the Marshall Plan. On April 1, 1992, Bill Clinton made a speech to the Foreign Policy Association in New York criticizing the president for being “overly

⁶⁰ He explained that funding for this legislation would not come from domestic programs, but from assistance to other nations, and that it would benefit American business as well as the recipient economies. Reiterating Eagleburger’s words from two months earlier, he warned against U.S. protectionism and isolationism, calling instead for U.S. global leadership. A second major legislative initiative was the Nuclear Threat Reduction Act of 1991, (also known as the Nunn-Lugar Act) which provided U.S. assistance in dismantling nuclear and chemical weapons and stemming proliferation.

⁶¹Yeltsin came to Washington for his first official state visit on June 18, 1992.

cautious on the issue of aid to Russia” (Talbot 2002, 31). According to Strobe Talbott, with advance notice of the Clinton speech, the Bush White House announced just minutes before the speech a G-7 plan to provide \$27 billion in aid to Russia. This closed any difference between the two candidates on the U.S. relationship with Russia. President Bush brought the resources of the International Monetary Fund and the World Bank to the assistance of Russia during the spring and summer of 1992.

The FREEDOM Support Act

On April 1, 1992, President Bush submitted to Congress proposed legislation that became S. 2532, The Freedom for Russia and Emerging Eurasian Democracies and Open Markets Support Act of 1992 (FREEDOM Support Act). Following a summer of debate in the Congress, this legislation was signed into law on October 24, 1992, as Public Law 102-511 and became the mechanism through which the U.S. government provided assistance to Russia and the other new independent states throughout the rest of the decade.⁶² Following the example of the SEED Act, the legislation established the position of an Assistance Coordinator in the State Department with the responsibility for overseeing all the assistance programs to the NIS across the U.S. government and reporting on them annually to Congress. The purpose of the FREEDOM Support Act (FSA) was to support the development of democracy and market economies in the independent states of the former Soviet Union in the interests of U.S. national security and economic prosperity. The legislation described the collapse of the Soviet Union as a “historic opportunity for a transition to a peaceful and stable international order and the

⁶²This legislation amended Part I, Chapter 11 of the Foreign Assistance Act of 1961 to add “SUPPORT FOR THE ECONOMIC AND DEMOCRATIC DEVELOPMENT OF THE INDEPENDENT STATES OF THE FORMER SOVIET UNION” (FSA, Sec. 201).

integration of the independent states of the former Soviet Union into the community of democratic nations” (FSA, Section 101 (1)).

FSA goals

Title II—Bilateral Economic Assistance Activities, Section 498. Assistance for the Independent States established the goals of the legislation and called for:

- (1) URGENT HUMANITARIAN NEEDS.—meeting urgent humanitarian needs;
- (2) DEMOCRACY.—Establishing a democratic and free society by fostering—
 - (A) political, social, and economic pluralism;
 - (B) respect for internationally recognized human rights and the rule of law;
 - (C) the development of institutions of democratic governance, including electoral and legislative processes;
 - (D) the institution and improvement of public administration at the national, intergovernmental, regional, and local level;
 - (E) the development of a free and independent media;
 - (F) the development of effective control by elected civilian officials over, and the development of a nonpolitical officer corps in, the military and security forces; and
 - (G) strengthened administration of justice.
- (3) FREE MARKET SYSTEMS.—Creating and developing private enterprise and free market systems based on the principle of private ownership of property, including—
 - (A) The development of private cooperatives, credit union, and labor unions;
 - (B) the improvement in the collection and analysis of statistical information;
 - (C) the reform and restructuring of banking and financial systems; and
 - (D) the protection of intellectual property.
- (4) TRADE AND INVESTMENT.—Creating conditions that promote trade and investment, and encouraging participation of the United States private sector in the development of the private sector in the independent states of the former Soviet Union.

Other authorized activities under the FREEDOM Support Act included food distribution and production; health and human services; education and educational television; energy efficiency and production; civilian nuclear regulatory safety; the environment; transportation and telecommunications; drug education, interdiction, and eradication: and migration.

FSA conditions

The criteria for the U.S. to extend assistance to individual countries (FSA Section 498A.) were based on the extent to which a country made significant progress toward a democratic system based on:

- the rule of law, individual freedoms and representative government selected through free and fair elections;
- economic reform based on market principles, private ownership and integration into the world economy, including implementation of legal and policy frameworks necessary for such reform (including protection of intellectual property and respect for contracts);
- respect for internationally recognized human rights including rights for minorities and freedom of religion and emigration;
- respect for international law and obligations and adherence to the Helsinki Final Act;
- peaceful resolution of ethnic and regional conflicts;
- pursuit of arms control policies, reduction of military forces and non-proliferation of weapons of mass destruction;
- protection of the international environment;
- no support for international terrorism;
- readiness to pay Soviet-era debt obligations;
- providing the U.S. government with information on American prisoners-of-war; and
- terminating support for Cuba.

Following the SEED model, the FREEDOM Support Act assigned primary responsibility for assistance implementation to the NIS to USAID, devoting most attention to promoting business and commercial development in the former Soviet republics through export promotion and international economic activities founded on mass privatization. This indeed was the primary focus of FREEDOM Support programs for the first several years.

What the experts thought

Soon after President Bush announced the FREEDOM Support legislation, an international group of sixty experts representing government, business, academia, non-governmental organizations, lawyers, and journalists convened the 81st American Assembly from April 23-26, 1992, at Arden House in Harriman, New York to analyze the dissolution of the USSR and its impact on U.S. economic, political, and security interests. Congressional staff and members of the State Department Policy Planning Staff participated in the discussions. The group approached this period as a time of great opportunity “to build a community of nations in which values, institutions, and people are secure, rather than in fateful confrontation” (American Assembly 1992, 5). This was a window of opportunity as 15 new states made critical choices about their political and economic institutions and their constitutions. The old structures were discredited and new ones being designed. The Arden House group stressed that for the U.S. to influence the building of those new structures, “we must free ourselves from an approach that has become deeply a part of us over a half-century of cold war. Over that time we have grown accustomed to seeing the world in terms of the threats that it poses, rather than the opportunities that it opens” (ibid., 6).

The group recognized that what the new states did at that moment significantly impacted what would happen in even the distant future, and that the necessary changes could only be made by the populations of the region. The Arden House group took the long-term approach to transition. They saw the potential for former adversaries to cooperate with the U.S. in tackling such global problems as poverty, environmental threats, and regional instability. They made clear that “assisting successor states in

stabilizing their economies is a task for governments” and called for “rapid bipartisan support in the Congress” for the financial aid program for Russia (ibid., 10). The group recommended that along with currency stabilization should come balance of payment support, debt relief, and targeted, high-quality technical assistance. They stressed the need to make clear to the new states the importance of accountability and incentives for productivity, particularly with regard to private property as the key to economic growth and democracy. “Recognizing that stable political institutions are a precondition for successful economic reconstruction, this Assembly calls for increased cooperative efforts to strengthen the emerging democratic institutions in the new states” (ibid., 11-12).

Most importantly, the group called for the U.S. to take a serious lead in working with international partners and through international organizations, including the G-7, NATO, OECD, and CSCE, to coordinate assistance and engage in arms control regimes. They concluded that “the race goes to those who are patient; there are no quick fixes, and one setback in one country does not write it off forever (ibid., 15). They saw democracy promotion in the former Soviet space as a long-term investment for the U.S. This advice from the Assembly matched well the points established in the scholarly writings about democracy and additional emphasis of the role of the United States in taking the lead to support democratic and market reform in the former Soviet space, with special attention to Russia.

Senate support for FSA

In late June 1992, when the Senate debated S.2532 Freedom for Russia and Emerging Eurasian Democracies and Open Markets Support Act of 1992, senators spoke strongly in favor of the bill and called for it to be passed quickly. Senator Slade Gorton

(R-WA) pleaded with his Senate colleagues to make this “small investment for peace” at just over \$600 million, noting this was less than the cost of one B-2 bomber. He called for leadership and praised the bill for its attention to the administration of justice and the rule of law and security of nuclear materials. He asserted, “Although the administration has been slow to awaken to the need for this type of assistance, there is growing recognition that without strong justice institutions, democratic governance is virtually impossible” (U.S. Congress. Senate. 1992a, S9116). He reinforced the claims of others who had noted this opportunity to promote U.S. values of pluralism and democracy peacefully and he warned of the consequences should the U.S. fail to support reform in Russia and face a return to the costly dangers of the past.

Senator Gorton called the collapse of the Soviet Union the most dramatic and profound political and economic event since the end of World War II. Interestingly, he noted that when Soviet President Mikhail Gorbachev had requested U.S. assistance to his reforms, the Congress had refused to give it, realizing that it would only support the continuation of the Soviet system, not genuine reform. He praised Boris Yeltsin for his courage to go beyond the Soviet system, recognizing its complete failure. Mr. Gorton compared Russia to the early years of the U.S. republic, equally as “promising” and as “uncertain” (ibid., S9117). He added that Yeltsin’s address to the U.S. Congress in mid-June had been a modest request for aid from the U.S. and was profoundly different from Gorbachev’s. It deserved to be approved by the Senate in the interest of the American people.

Senator Mitch McConnell (R-KY) also called for support of the bill, noting that it may be the one piece of legislation the 102nd Congress passed that year with bipartisan

support that “would do somebody some good” (ibid., S9117). He noted a conversation with Assistance Coordinator Richard Armitage in which he asked the coordinator what the bill was trying to do. Mr. Armitage responded, “. . . this bill is about brains, not big bucks. What we are trying to offer is our expertise in banking and in business, in farming, and in housing, the environment, energy, health care, and education” (ibid., S9117). Senator McConnell described the FREEDOM Support Act as a first step in helping with the remarkable transition underway in the former Soviet Union. He added that this was a kind of foreign aid different from the “tradition dam-building aid;” it was an offer of “big ideas.” The U.S. would be the leader of the global effort to promote reform. The former Soviet republics needed help, not charity. Senator McConnell saw the FREEDOM Support Act as an important declaration of U.S. intent to support democracy and free markets, and their reformers and entrepreneurs. He supported seed money to encourage the U.S. private sector, businessmen and volunteers to foster free markets, promote democracy, and meet humanitarian needs (ibid., S9117).

Senator Domenici (R-NM) described the bill as “A Necessary Symbol,” adding that its passage could not ensure a democratic and prosperous Russia, only the Russian people could do that, but that failure to pass the bill surely would weaken the forces of reform in the region. He feared that such failure would signal a U.S. desire to return to the days of the Cold War and would again increase the costs of defense spending and take away the promise of future growth in the U.S. energy and agricultural sectors. He spoke of FSA as a program of bipartisan support of the American people, the Congress, and the President, and he stressed the unique position of the U.S. as the leader of the Western world to have the influence to mobilize international support for Russian President

Yeltsin. Noting the fragility of democracy, Senator Pell added that “We could very easily kill that democracy if we do not lend a shoulder to ensuring that the march for democracy on the part of the Russian continues. If we do not pass this legislation, we should well put that march to democracy off the rails” (U.S. Congress. Senate. 1992a, S9121). At the end of debate, Senator Richard Lugar thanked the Senators for the “strong bipartisan leadership evident on the floor” and the Senate passed its version of the FREEDOM Support Act on July 2, 1992. The House of Representatives debated and passed the bill on August 6, 1992 and it became law on October 24, 1992.

Upon the passage of the FSA, all sectors of American society—the executive branch, the Congress, nongovernmental experts, and businesspeople—were in agreement on the goal of promoting democracy and free markets in the former communist world. They further even agreed on the attributes of a market democracy, noting the need to help create and strengthen rule of law, independent judiciary, plural and representative political institutions through free, fair and transparent elections, banking system and market institutions, and civil society with independent media. Finally, they are agreed that the collapse of communism presented an unprecedented, and likely limited, opportunity to contribute to international stability and strengthen U.S. national security and economic prosperity. As a result, the U.S. had no choice but to take the lead to promote reform and the creation of market democracies in that part of the world.

New Relationships

The relationship between Presidents Bush and Yeltsin strengthened, with Yeltsin visiting Washington in June 1992 on a state visit. According to Strobe Talbott, who would take the lead on Russia during the Clinton administration, then presidential

candidate Bill Clinton had a brief but difficult meeting with President Yeltsin. Yeltsin reacted negatively to the portrayal of Russian “assistance.” He made clear that Russia was a great state and that what he wanted from the U.S. was “a model of leadership,” that would bring the rest of the world to support reform in Russia. President Yeltsin said he was not “looking for handouts” (Talbot 2002, 32). Yeltsin was invested in his relationship with President Bush.

As the U.S. presidential campaign progressed, both candidates made recurring references to America’s victory in the Cold War, a tact that discomfited Talbot, knowing the negative reaction it caused in Moscow and the difficulty it posed for reformers. The reformers felt they had been the ones to bring pressure on the Soviet system, leading to its demise. Talbot, however, reportedly provided little advice to Clinton during the campaign, only to suggest that the Russians were interested in continuity and would not want any Clinton “surprises” (Talbot 2002, 34). The Russians wanted the next American administration to remain engaged in Russia’s reform.

New approaches and new opportunities

William Jefferson Clinton won the election to become the 42nd President of the United States on November 3, 1992.⁶³ According to Talbot, President Yeltsin phoned Clinton two days after the election asking him to come to Moscow, indicating that Russia needed American engagement. Bill Clinton was inaugurated on January 21, 1993, and inherited a government with severe budget deficits and vast new opportunities as well as

⁶³ On January 2-3, 1993, Boris Yeltsin and George H.W. Bush held their final summit together in which they signed START II [The Treaty Between the United States of America and the Russian Federation on Further Reduction and Limitation of Strategic Offensive Arms], as follow-on to START I [The Strategic Arms Reduction Treaty] which took 15 years to draft and was signed on July 31, 1991 between Presidents Bush and Gorbachev.

emerging challenges on the world stage with the demise of the Soviet Union, leaving the United States as sole superpower.

The new administration came to power with strong ideas of reshaping the U.S. government to fit a changed international system. In his January 13, 1993, Senate confirmation hearing, Secretary of State-designate Warren Christopher called for an “overhaul” of the U.S. Agency for International Development (USAID), which “needs to take on fewer missions, narrow the scope of its operations, and make itself less bureaucratic” and a reorganization of the State Department and its mechanism for policy formulation (U.S. Department of State 1993a, 48). Shortly thereafter, newly appointed Secretary of State Warren Christopher met with State Department employees to spell out the changes ahead. The fundamental thrust of his plans was that the world had changed and the old institutions of the Cold War were no longer sufficient to anticipate or manage the challenges of the new international situation.⁶⁴ One of the most important changes he made was the creation of a new Under Secretary for Global Affairs who would be responsible for environmental and science issues, promotion of democracy, human rights, refugees, population, counter-terrorism, and other transnational issues. Secretary Christopher presented a reorganization plan for the State Department, which cut across traditional geographic and functional divisions. He announced the creation of three new bureaus streamlining other functions already underway in the Department—the Bureau of

⁶⁴ The Secretary stated that along with the Deputy Secretary he would designate five Under Secretaries to serve as his principal foreign policy advisers--thereby broadening the range of authority in the upper levels of the Department. Responsibility for decision making was to be pushed downward to the level of the Assistant Secretary of State, as the leader of the regional and functional bureaus, working with the relevant Under Secretary to make decisions and to communicate with the Secretary. Christopher also sought to reduce excessive layering in management by cutting back by 40 percent the number of Deputy Assistant Secretaries, who assisted the bureau Assistant Secretaries.

Democracy, Human Rights, and Labor (DRL), which would serve as the base for programs designed to promote democracy; the Bureau of Narcotics, Terrorism, and Crime; and the Bureau of Population, Refugees, and Migration (PRM). Interestingly, even with the creation of DRL, FSA and SEED continued to be run out of their own separate offices and even from different bureaus. The SEED Coordinator, responsible for assistance to Central and East Europe and the Baltic states, was located in the Bureau for European and Canadian Affairs. The FSA Coordinator, responsible for assistance to the NIS, was located in a high level and newly created office attached to the Secretary of State, as will be described in Chapter Four.

Secretary Christopher proclaimed the driving motivations of the Clinton foreign policy team:

- “strengthening democratization efforts in the former Soviet Union and around the world,
 - halting the proliferation of weapons of mass destruction,
 - strengthening peace-keeping capabilities,
 - dealing more effectively with global environmental problems,
 - elevating concern about the global population explosion,
 - fighting international crime and terrorism,
 - and penetrating new markets for American business”
- (U.S. Department of State Bureau of Public Affairs 1993b, 69).

With the collapse of the Soviet Union, the world of the U.S. foreign policy maker changed dramatically. By 1993, Congress and the executive branch had come together in a bipartisan way to support reform in the post-communist world and promote the establishment of market democracies in place of shattered communist institutions. This was not an easy task, but throughout the U.S. government, individuals and agencies had to adjust to a changed playing field.

The SEED and FREEDOM Support Acts spelled out well the necessary attributes of a democracy, corresponding with established scholarship on the hallmarks of a liberal democracy. The challenge, however, lay in implementing those democratic ideals of rule of law, free market, representative government, independent judiciary, civil society, and independent media—tasks that would involve the participation of thousands of individuals at all levels from the President through the bureaucracies of the executive branch and the annual appropriations process of the Congress to the program officers in the field interacting with post-communist officials and citizens. The Bush administration set the design for the FREEDOM Support Act. The executive branch agencies of the Clinton Administration had the challenge of translating its objectives into actionable programs producing results.

As explained in the Clinton Administration's *National Security Strategy of Engagement and Enlargement*, promoting democracy is “not a democratic crusade; it is a pragmatic commitment to see freedom take hold where that will help us most. . . . we must assist states that assist our strategic interest [and] . . . we must focus on nations whose people are pushing for reform or have already secured it” (USAID 1999). In other words, there were conditions attached to U.S. technical assistance in promoting democracy. U.S. funds were to target those countries strategically important to the U.S. and to invest U.S. efforts only where the recipient population had indicated a desire for a democratic transition. The rationale for assistance was that democratic nations made more reliable and prosperous trade partners; stable transitions to democracy were more likely to maintain control over weapons of mass destruction and keep them from falling into the hands of rogue states and individuals; and peace and stability in homelands

would keep potential refugees from fleeing. USAID noted, “Establishing democratic institutions, free and open markets, an informed and educated populace, a vibrant civil society, and a relationship between state and society that encourages pluralism, participation, and peaceful conflict resolution—all these contribute to the goal of building sustainable democracies” (ibid.)

The immediate collapse of Soviet institutions, especially in the economy, coupled with the holdover Soviet legacy, meant that the 1990s in the Russian Federation were a period of political uncertainty, economic chaos, and pervasive corruption. Institutions can be dismantled quickly, political culture changes over the long-term. The newly independent Russia struggled internally between those who sought to establish democratic and free market institutions and those who wished to maintain their hold on power from the Soviet period. The next chapter describes the context in which the U.S. provided assistance to Russia. The first part provides an overview of Russia’s fitful attempts to create democratic institutions and build a market economy with little historical precedence. The second part examines how the Clinton foreign policy team interpreted and responded to events in Russia. Chapter Three, therefore, sets the stage for the remainder of this study, which looks closely at specific U.S. programs to promote democracy in Russia.

Chapter 3: The Context of Assistance

Democracy promotion is not carried out in isolation. It is a complex foreign policy objective conducted in the context of real and, often unpredictable, events within the target country, the international community and the donor country. What happens in the donor country, on the international scene, and domestically in the target country impacts the results of democracy programs. The turbulent economic and political events of the 1990s in Russia influenced the ability of the U.S. government to promote democracy there for two reasons; they either strengthened or weakened Congressional support to continue funding assistance to Russia and they impacted the extent to which U.S. program managers—federal and FSA-funded NGOs—could implement the programs effectively on site. Furthermore, other events in the international arena and U.S. domestic scene competed for the U.S. policy makers attention, sometimes pushing U.S. assistance to Russia to the backburner. In other words, regardless of the intention of U.S. democracy programs they were sometimes thwarted by events beyond the control of the U.S. government or the program officers in country.

This chapter highlights key events in Russia and in the U.S., which influenced the U.S. democracy promotion programs. The first part identifies the major events in Russia that impacted the assistance programs supported under FSA and addresses the overall state of the democratic benchmarks (as indicated in Chapter One) by the end of the decade. It addresses the question to what extent Russia made progress toward democracy during the 1990s—most progress in conducting free and fair elections, very little in developing market institutions, and some progress in strengthening the rule of law by the end of the decade. The overall characterization of Russia's political society and economy

is drawn primarily from U.S. government assessments over the decade prepared by U.S. Embassy Moscow and contained in the annual reports on *U.S. Assistance to and Cooperative Activities with the New Independent States of the Former Soviet Union*, as required by the FREEDOM Support Act. It is supplemented by USIA survey findings and scholarly analysis on the benchmarks of democracy. The second part of this chapter then traces the influence of those events on U.S. democracy promotion efforts in the context of the relationships between Presidents Yeltsin and Clinton and between President Clinton and the U.S. Congress. This analysis sets the stage for the rest of the study to look more closely at the actual implementation of U.S. assistance programs on the ground and what role democracy promotion plays as a U.S. foreign policy objective.

Russia's First Post-communist Decade

The collapse of communism in 1991 was the starting point of an uncertain future for the Russian Federation. By the time Mikhail Gorbachev resigned as President of the Soviet Union on December 31, 1991 and the union ceased to exist, Boris Yeltsin already had been elected President of the Russian Federation and had won authority from the Russian Congress of People's Deputies to issue decrees for one year (Remington 1997, 74). His immediate concerns upon independence were to secure the borders of the Federation and to concentrate on the economy. He neglected, however, to take important political steps to consolidate his new position. As Goldgeier and McFaul (2003) noted, Yeltsin did not hold new "founding" elections nor seek to ratify a new constitution nor create a political party representing his views nor dismantle holdover Soviet institutions such as the KGB and the Congress of People's Deputies. As a result, the new Russian government was polarized sharply from the beginning of independence between

reformers seeking to create a market democracy and entrenched Soviet elites who had much to lose in the transition to an open political and economic system.

Off to a rough start

In the early days of Russian independence, President Yeltsin sought to extend his extraordinary decree power, but the Congress of People's Deputies, increasingly dominated by a communist coalition, resisted. With the achievement of independence, the glue which had held together disparate interests in the Russian Congress also disappeared and relations between the legislative and executive branches grew tense. The Congress nearly won support to remove Yeltsin in a vote in March 1993. As a result, Yeltsin and the Congress agreed to put to the public a referendum on April 25, 1993, with four questions regarding approval for Yeltsin and his government and whether presidential and parliamentary elections ought to be held (Remington 1997, 75 and 8n). Yeltsin emerged politically stronger from the referendum in which 53 percent of the voters approved his economic policies and 59 percent expressed confidence in him (USIA 1996b, iv), but he continued to face opposition in the Congress of People's Deputies and Supreme Soviet. As a result, through a series of decrees in September and October 1993, he dissolved parliament, called new elections at both the parliamentary and local levels, had a draft of a new constitution put forward for ratification, and suspended the Constitutional Court (*ibid.*, 75).

Forces in the Congress of People's Deputies hostile to Yeltsin refused to follow his decrees and in late September barricaded themselves inside the Russian White House

where the Congress convened. On October 2-4, 1993, the standoff between Yeltsin and the Congress turned violent, as paramilitary forces loyal to the communist opposition sought to take over the Moscow Mayor's office and a major television tower. In this first challenge to the newly independent state, the Russian army sided with President Yeltsin, did not back the communist opposition, and, on Yeltsin's orders, fired on the White House and the paramilitary group supporting the opposition to end the standoff. The communist hardliners were forced to surrender.⁶⁵

Despite having been called under decree, parliamentary elections and a referendum on the constitution were held on December 12, 1993. As a result, Yeltsin's constitution was ratified in the national referendum and established that Russia was a federation comprised of 89 sub-national members, often referred to as "subjects" (Hahn 1997, 130). The election results, however, revealed stronger than expected support for ultranationalist Vladimir Zhirinovsky's party, the Liberal Democrats (Remington 1997, 75). Russian democracy was off to a rough start as new institutions were established under questionable democratic practice, through decrees outside parliamentary procedure, and on the heels of violence in the parliament.

Lacking democratic tradition

Despite a well-educated work force, Russia had little democratic tradition and experience on which to draw. Dissidents, who had been a source of pressure on the Soviet government, had formed a nascent civil society under the old system, but were ill-

⁶⁵Remington (1997) noted that public reaction was one of indifference.

prepared to tackle the vast responsibility of designing and implementing a free market democracy and robust civil society in the newly independent state. USIA public opinion survey indicated that elites were more supportive of reforms than the broader public, which suffered particularly from the economic dislocations of the collapse of the Soviet Union.⁶⁶ Russian citizens were torn in their support for an independent press and the right to express oneself freely on the one hand and the need for stability and to limit freedom for expressing “dangerous ideas” on the other hand (USIA 1996b, 7). Two-fifths or more supported the latter. The elite differed considerably on this; a majority of 56 percent in April 1996 rejected an authoritarian leader and four-fifths rejected censorship of the mass media (ibid., 7).

According to USIA surveys covering 1991 to 1995, ordinary citizens grew increasingly dissatisfied with the political and economic reforms that accompanied their new independence. At the end of 1991, 41 percent of Russians said things were “going in the wrong direction” in Russia. By April 1995, that proportion had risen to 78 percent. Likewise, those who responded that they “regretted the dissolution of the Soviet Union” rose from 54 percent in June 1992 to 81 percent in April 1995 (USIA 1996b, 2). Russians most often cited economic problems as the most serious problem facing the country, including low wages, inflation, and unemployment. “Since 1991, nine out of ten Russians consistently described economic conditions as ‘fairly bad’ or ‘very bad’” (ibid.,

⁶⁶ USIA commissioned national surveys to be conducted by Russian public opinion firms, including the Russian Opinion and Market Research Ltd. (ROMIR), the Institute of Comparative Social Research (CESSI), the Russian Centre for Public Opinion and Market Research (VCIOM), and the Vox Populi Public Opinion Research Service (VP). These surveys typically identified about 1800 randomly selected Russian adults across the Federation.

3). In April 1996, half of respondents said their standard of living had declined in the previous year.

Little support for Yeltsin's war in Chechnya

Throughout the decade, President Yeltsin's health was precarious and his behavior often erratic and unpredictable. Upon the dissolution of the Soviet Union, 56 percent of respondents in a USIA survey expressed some confidence in the president. That proportion dropped to 36 percent in January 1993 and further to 14 percent in April 1995 (USIA 1996b, 5). One of his most disturbing actions was the decree in December 1994 to launch military attacks against the Russian Republic of Chechnya to quell separatist claims there. USIA reported that public opinion had been "consistently critical of the government's handling of the war [in Chechnya]" (USIA 1996b, 15). In early 1995, USIA surveys found that majorities considered Russian actions in Chechnya since December 1994 'unacceptable, no matter what the objective' with three in ten favoring an immediate withdrawal. In a December 1995 survey, two-fifths of the adult population thought that Russia should grant Chechnya independence while the same proportion wanted to keep Chechnya in the Federation (ibid., 15). By February 1996, half the Russian public felt Russia should grant Chechnya independence and only 15 percent felt Russia should continue fighting until the rebels were defeated. The conflict lasted nearly two years until a peace agreement was signed in August 1996 providing Chechnya interim autonomy. Yeltsin's approval rating rebounded with aggressive campaigning in advance of the summer 1996 presidential election when Yeltsin defeated his communist opponent, Gennady Zyuganov, with 54 percent of the vote in the second round in July

1996 (USIA 1996b, 1 and 6). The Chechnya conflict reignited in 1999 when Chechen fighters invaded the neighboring republic of Dagestan and Russian armed forces intervened to push the Chechens guerillas back into their own territory (Goldgeier and McFaul 2003, 139 and 267). Conflict in Chechnya continued through the end of the decade into the Putin Administration.

By the end of the decade, Russia had made only fitful progress toward democracy. During the eight years of his presidency, corruption was high as people focused more on private gains than public interest. The ruble crashed and the economy was deemed by outsiders to be a system of “crony capitalism.” Interestingly, one-third of respondents in a late 1998-early 1999 USIA survey blamed the U.S. in part for Russia’s economic crisis. Elections were institutionalized, though laws were unenforceable and the judiciary was not independent. Civil society was strengthening, but still fragile. Most importantly, however, the Russian people were disillusioned with the idea of a market democracy as their economic hardships worsened by the end of the decade and they were tired of the chaos and uncertainty of the Yeltsin years. The USIA report (1996b) speculated that “values and attitudes supportive of a market democracy will prevail in the long run,” based on the opinions of the younger generation of Russians and the urban elite. Those two groups, compared with the broader public, were more likely to favor private enterprise, oppose dictatorship, and support market reform (USIA 1996b, 1).

Suspicious of Western/U.S. intentions

USIA surveys identified ongoing suspicion among Russians about the motivations of the United States in offering assistance to the Federation. In a December 1993 survey, 51 percent of respondents said that the West wanted to weaken Russia. That sentiment peaked at 71 percent in April 1996 (USIA 1996b, 20). In the 1998 youth survey, USIA found that only 18 percent of respondents felt the west was providing aid to Russia to “help it get back on its feet” (USIA 1998b, 5). According to USIA, this response stood in stark contrast to strong Russian support for U.S. lend-lease aid to Russia in World War II and suggested that the different of opinion may be due to the intangibility of 1990s aid compared to jeeps, fighter aircraft and “K” rations of World War II (USIA 1998b, 5). In a February 1999 USIA survey, three of four Russians believed that the U.S. was trying to reduce Russia to a second rate power. The same proportion answered that the U.S. was “too inclined to use force against less powerful nations” (USIA 1999a). A report on that 1999 survey noted that “If there ever was a Washington-Moscow ‘honeymoon,’ it was brief. Since 1993, despite official U.S. policy favoring democracy in Russia, elections to the Duma and regional assemblies mainly profited foes of Yeltsin’s U.S.-based regime: first, Zhirinovksy’s anti-Western populists, then the Communist-“patriot” bloc” (USIA 1999a).

Weak Rule of Law

Russia did not have a strong rule of law history as both Tsarist and Soviet officials treated laws as “mere instruments of rule” (Solomon 1999, 2), not constraints on their power. There were few constraints in Russia on the rule of the autocrat. According

to Sachs and Pistor (1997, 4), “Russia was the very last country in Europe to create a parliament as a check on the absolute power of the sovereign.” That parliament was the original Duma created in 1906, but given very little power compared to the Tsar and the state bureaucracy. Under the Soviet system, courts were weak and criminal justice was biased in favor of the accuser, the government. The procuracy was a very strong institution in the Soviet period. After 70 years of communist rule, therefore, the Russian public did not have a high regard for the legal institutions of the state to protect their rights. The new Russian state was in need of legal reform in terms of laws and institutions.

According to Solomon (1999, 2), legal reform began under Gorbachev’s policy of perestroika and moved forward in Russia in the early 1990s. In 1991, the Constitutional Court was created, arbitrazh courts were established to deal with commercial disputes, and a paper on the “Conception of Judicial Reform” was prepared by legal scholars and approved by the Supreme Soviet to set forth an agenda for reform. The paper included recommendations for the lifetime appointment of judges, empowerment of the judicial community and necessary financing for the courts. In 1992, Russia adopted the Law on the Status of Judges, establishing life appointments, and creating institutions for the appointment and removal of judges. In 1993, jury trials were created with pilot projects initiated in nine regions. By the end of that year, the new Constitution gave judges the power to determine pre-trial detention, search and seizure, and eavesdropping, though it needed implementing legislation for the Criminal Procedure Code to be operationalized. At the height of the Yeltsin’s struggle with the Duma in the fall of 1993, he suspended

the Constitution Court, but reconvened it in March 1995 (State Department Bureau of European Affairs 2000, 8).

While many laws, indeed, were written at that time, there was significant confusion about what they meant and whether they needed to be observed. Many were simply ignored (*ibid.*, 3). Laws were written at both the federal and regional levels, with the results that often regional laws were implemented in advance of or in contradiction to federal laws, particularly in such areas as property rights, price controls, mobility of goods, and labor and social issues (*ibid.*, 8). It was much easier to pass laws in the regions where in most places the governor controlled the legislature. With regional governments establishing their own laws, it was much harder to create at the federal level a uniform law that could apply across all regions; hence the confusion over which laws were to be observed. Furthermore, the process of passing laws in the regions was inconsistent, sometimes with no agreement on the official version of the law.

According to Solomon (1999) courts suffered under the economic hardships of the 1990s. With a shortfall in tax collection in 1996-1997, the budgets for the courts were cut, putting some of them in economic crisis. A new law on court financing passed in late 1998, limiting government cuts in court budgets and requiring the government to pay courts on time. Lack of adequate funding pushed some judges to seek supplemental funds from regional governments (*ibid.*, 15). Others even sought assistance from private

sponsors, jeopardizing their impartiality and the critical role of an independent judiciary in a democracy.⁶⁷

Despite some early successes in strengthening the rule of law in Russia compared to the Soviet period, the ongoing disputes between the executive and legislative branches led to stalemate. Laws were passed but not with required implementing legislation. USIA surveys traced the rise in the Russian public's dissatisfaction with the judicial system from a 61 percent disapproval rating in September 1993 to a peak of 71 percent dissatisfaction in October 1995 to a slight improvement down to 67 percent in April 1996 (USIA 1996b, 45). A USIA survey conducted the following year among adults indicated that 77 percent of respondents thought that little or no progress had been made in achieving the rule of law in Russia (USIA 1998b, 4). In the USIA Russian youth survey of 1998, respondents were less optimistic about progress in the rule of law over the next 10-15 years than they were about improvements in the economy—48 percent expected little or no progress (ibid., 4). At the end of the 1990s, legal reform and rule of law in Russia were fragile, and the implementation and enforcement of laws was inconsistent. Because laws were not enforced, corruption was high, corroding citizen's confidence in public institutions. Neither the collection of laws nor the court system was in good shape and Russia needed real political change to sort out the inconsistencies among them. That change came in 2000 with the appointment first as prime minister, then acting president, and then election as president of Vladimir Putin, who made legal reform a priority.

⁶⁷ The *1999 Annual Report on U.S. Assistance to the NIS* confirmed that many local courts in Russia were reliant on local executive power for operating funds (109).

The problem of corruption

Russia suffered from a culture of corruption that stood as an obstacle to establishing the rule of law. In a presentation at the Woodrow Wilson International Center for Scholars in 1998, David Satter suggested that the Russian state was organized around theft rather than production. Because Russian business was lacking a sense of right and wrong, moral reform was of greater urgency than economic reform (Aldacushion 1998, 16). According to Satter, Russian business suffered from the Soviet legacy where “right” was determined by what was in the interests of the ruling party. As a result, corruption was pervasive in Russia. Satter declared that Russia transitioned from “criminal communism” to “criminal capitalism” through the process of privatization and the creation of new networks of corruption. “Public” auctions of state-owned resources were really controlled by well-placed insiders with links to the government and the old system. Those insiders became important forces in Russian politics. According to Satter, the criminal underworld got much larger in the wake of privatization so it was hard to tell the difference between mafia and legitimate businesspeople. Contract killings of businesspeople and bankers peaked in 1993-1994 as organized crime realized the business sector represented vast opportunities for gain. Satter suggested that without a shift in business culture and the willingness to operate in a legal business environment, reformed economic structures would not take hold in Russia. USIA surveys indicated that the majority of Russian felt that ordinary citizens would not benefit from private property and three-quarters of those surveyed in 1994 and 1995 felt that privatization had benefitted organized crime and former communist officials (USIA 1996b, 13). In April 1996, 87 percent of the general public and 90 percent of the urban elite said that “official

corruption had seriously undermined economic reform” and the criminal elements controlled most private business in their region (ibid., 13).

The Façade of a Market Economy

Yeltsin made economic reform his top priority as the Federation inherited from the Soviet Union an economy in sharp decline from years of centrally planned inefficiency coupled with the collapse of trade with its former satellite countries.

No market experience

The obstacles to Russia’s development of a market economy were profound. Historically, Russia was cut off from the economic and political innovations of Europe (Sachs and Pistor 1997, 4). It did not participate in the development of market institutions across Europe from the time of the Renaissance. Transportation of goods across the vast expanse of the Russian territory was difficult and costly, so its international trade was limited to only the most valuable commodities, such as furs, which made the investment in transportation worthwhile. Russia’s development was further constrained under the consolidated leadership of the Tsar, who was simultaneously head of state and of the Russian Orthodox Church. Under the feudalist system, the vast majority of Russia’s population was serfs tied to the land with no civil rights until their emancipation in 1861. Even then, individuals were not given the right to own property outright and had to work through newly organized communal arrangements. Sachs and Pistor (1997, 6) noted that “Russian reforms stopped half-way

between its feudal heritage and modern capitalist practices.” The Bolshevik Revolution eliminated even those few advances and during most of the 20th century, the communist party set the rules in Russia. As with the rule of law, Russia had very little market experience upon its independence in 1991 and performance of the Russian economy during the 1990s was poor by most standards. According to GAO (2000, 13), Russia’s economic decline during the decade was the most severe and its recovery most limited of all the NIS and Eastern Europe.

While Russia needed to pursue economic, legal, constitutional and political reform all at the same time, it focused primarily on economic reform. Sachs and Pistor (1997, 2) asserted that “the tension between the need for economic reform on the one hand and the weakness of legal and political institutions to implement reform in a transparent and equitable manner on the other hand has perhaps been the central problem of Russia’s post-socialist development.” Russia chose rapid economic reform over all else, at the expense of not creating a sound legal system with clear property rights and administrative structures. However, the Russian government was not able to implement reforms at the outset, absent the constitutional order determining how power was shared. According to Sachs and Pistor (*ibid.*, 2), the biggest problem with economic reform was the absence of the rule of law to constrain government decision making.

Follow Poland’s lead. Based on the success of economic reform in Poland, many economists at the outset of Russia’s transition recommended rapid economic reform, specifically, the need to free prices and remove trade barriers right away. Opinion was

divided, however, on the advisability of moving rapidly in the area of privatization with some arguing that new laws and institutions like banks and courts needed to precede the privatization of large state enterprises (GAO 2000, 40). Others assumed that such laws would follow the demand of a growing business sector for protection. Many of the recommendations for Poland's economic recovery, including tightening fiscal and monetary policy, liberalizing prices, and privatizing enterprises, were repeated for Russia. Russian firms needed to be restructured to become more efficient.

Privatization first

Russia decided and the international community of donors agreed that it should privatize firms quickly, which it did through the voucher privatization program. According to GAO (2000, 17), the voucher privatization was conducted quickly and efficiently, but had an insider quality that negated its intention to spread wealth across the population.⁶⁸ Instead, the privatization program concentrated wealth in the hands of a few and by so doing, undermined the goal of building a middle class—a necessary component of a market economy. The concentration of economic power made it even more difficult for the Russian government to collect taxes.

In late 1995, Russia conducted the “loans-for-shares” privatization program, to which the international community of donors neither supported nor objected. The Russian government used this program as a way to raise government revenue. It, too,

⁶⁸ The Russian privatization law, which was passed in July 1991, was based on breaking up state-owned enterprises by giving away shares of them. Anatoly Chubais, who headed the privatization program, chose vouchers as the means for mass privatization, which President Yeltsin confirmed by decree in summer 1992.

was plagued by insider's privilege and a less than transparent procedure, resulting in a small number of financial-industrial groups controlling some of Russia's most valuable enterprises. These early privatization steps did not set the foundation for a free market economy. The rules of the new economic game in Russia favored those already in privileged positions—the many elite holdovers from the communist past, along with growing organized crime groups—who were able to enrich themselves further at the expense of the ordinary Russian citizen. Crime and corruption were pervasive. Not only did this occur at the federal level, but locally as well, where in many regions governors enjoyed unchallenged power.

The FY 1997 Annual Report on U.S. Assistance to the NIS cited that 70 percent of Russia's GDP and 85 percent of manufacturing output was produced by the "private" sector, but this was not a reflection of genuine privatization. In Russia, economics and politics came together in the struggle over state assets. The state still owned a substantial controlling proportion of industries and free market conditions were not wholly in place. The agricultural sector was a strong interest group in Russia and lobbied effectively to stall land reform and stem agricultural competition. USIA surveys (1996, 4) indicated that "no more than a third have considered developing private ownership of land a very important task."

Only partial economic progress

Russia had some early success with macroeconomic policy, but lagged in other areas. At the outset of independence, the economy was plagued by hyperinflation when

the Russian government partially lifted price controls on January 2, 1992. While 51 percent of Russians surveyed initially supported this move, that proportion fell to a low of 24 percent in late 1995. In the first year of price liberalization, prices rose by more than 2600 percent (USIA 1996b, 10). The Central Bank printed more money to subsidize large state enterprises. Through tight monetary policy, Yeltsin and his economic reform team brought inflation under control in late 1995, the ruble was stabilized, and the first stage of privatization (1994-1995) was completed, though large state-owned enterprises, especially in the energy sector, which could have attracted much needed foreign investment, remained under control of the state.⁶⁹ USIA surveys indicated that the Russian public generally believed that “the state should own a large part of the economy, provide free education and health care, and ensure full employment” (USIA 1996b, 11). From December 1991 to July 1994, the proportion of respondents that felt the Russian should have mainly private ownership fell from 25 percent to 16 percent, while that supporting mainly state ownership increased from 19 percent to 29 percent, respectively. Those who supported a mix of state and private ownership grew from 40 percent in 1991 to 47 percent in 1994 (ibid., 11). Large majorities favored state ownership for such sectors as heavy industry, railroads, airlines, banking, health care and the mass media, leaving private ownership to small business involved with the services, trade and agriculture (ibid., 12). According to USIA (1996) younger, urban, and better educated Russian citizens tended to be more supportive of market reform than the older, more rural, less educated population. Russia joined the international economy through the

⁶⁹According to the FY 1996 Annual Report, the U.S. government was concerned that Russia lacked the legal and regulatory infrastructure to support a market economy, but at that time, Russia still led the way in the NIS in terms of democratic reform.

IMF, World Bank, and European Bank for Reconstruction and Development (EBRD) and followed their requirements to secure large international loans. Those loans, however, added to the budget deficit, already burgeoning from the government's inability to collect taxes.

Insufficient revenue

Tax collection was a major problem for the Russian government in a culture that was accustomed to tax evasion. The state had a very poor tax collection mechanism, which increased arrears in federal wages and pension payments. Economic reform, however, stalled in the middle of the decade as Yeltsin focused on the 1996 presidential election, after which he immediately fell ill. He had heart surgery in late 1996, but reappeared in March 1997, reinvigorating attention to economic reform that had slowed during his illness. By 1997, Russia had experienced severe budget shortfalls and desperately needed to overhaul its tax system to increase its revenues. The renewed momentum on reform did not last, however, as the Duma failed to pass important legislation on a new tax code and a new system of social benefits. In addition, Yeltsin's lead economist, Anatoly Chubays, was accused of involvement in a financial scandal leading to his dismissal from the government. According to the 1997 Annual Report on U.S. Assistance to the NIS (State Department Coordinator's Office 1998, 36), continued economic reform did not look so promising, though the government was able to meet the criteria of its IMF program in 1997. USIA found, in a survey specifically targeting youth conducted just two months prior to the ruble crash, that the great majority of young Russians felt it was more important for Russia to be prosperous than to be a great

military power (USIA 1998b). Nearly half felt that economic conditions would improve over the next 10-15 years and one-third expected progress in the rule of law.

The ruble crash

In July 1998, Russia received a large loan package from the international financial institutions in an attempt to stave financial crisis, but investors continued to pull money out of Russia and the government used the loan to support exchange rates rather than servicing its debt. August 17, 1998 showed clearly the weakness of Russia's economy and sparked grave concern about its political stability. Suffering from a growing budget deficit, only partial structural reform, and global economic problems—specifically, financial crisis in Asia with the resultant fall in investor confidence in emerging markets and a decline in the world price of oil—the Russian government declared emergency measures, devaluing the ruble and placing a moratorium on certain payments.

Unable to make its scheduled debt payments, Russia defaulted on its international loans, plunging the economy into chaos. Macroeconomic stabilization evaporated, inflation rose, GDP declined, imports declined sharply, unemployment rose, and as tax payments fell, government arrears increased even further. The domestic banking sector collapsed, Russia's productivity and trade fell, and any confidence the Russian people had in the market vanished. The Russian financial system fell into complete collapse and individuals lost all their savings in the devaluation of the ruble, which declined by three-fourths of its value. The Russian government had raised revenue by issuing government securities with high interest rates, in which Russian banks had invested heavily. State

Department Background Notes on Russia (2000, 3) stated that millions of Russian workers were underemployed with unemployment highest among women and young people. One-third of the Russian populations lived on just over \$1 a day. As reported in The Washington Post, the financial system “failed to fulfill its main function in the market economy--marshaling the savings of households and companies to finance productive capital investment in the incipient private sector” (Mufson and Hoffman 1998, A34).

Russia looked, on the surface, like it was becoming a market economy, for example in its bond and stock markets in which over a three year period (1995-1998) billions of investment dollars flowed. Those investments, however, exited just as quickly with the ruble collapse (ibid., A34). The Russian stock market that peaked at 571 on October 6, 1997, crashed just one year later to an all-time low of 37. The veneer of capitalism—“bonds, stock markets, people in business suits, and a boom psychology”—did not resolve underlying problems of “cronyism, lack of rule of law, and hostil[ity] to the long-term direct investment it needed most” (ibid., A34). Production continued at a very low level because profits earned during the boom were not invested back into plants and equipment. Instead, they went to “feather the nests of the well-connected Russian managers and owners rather than into equipment that would make the firms more efficient. . . . Their experience and motivation is that building a business is kind of a secondary item to building one’s fortune.” There were many disincentives to foreign direct investment including unprotected property and shareholder rights, confiscatory taxes, and the absence of rule of law. One Western fund manager in Moscow reported,

“Joint ventures were a joke They were all collapsing—the property laws, contractual obligations—no one really trusted the Russians” (Mufson and Hoffman, A34).

Poorly designed and implemented economic reforms throughout the decade impoverished the vast majority, including the state, which could not pay its wage arrears or service its debts. Many Russians blamed the United States for its economic problems and the ruble crashed discredited the idea of a market democracy. Fifty-nine percent of respondents in a late December 1998 USIA survey believed that foreign investment in Russia’s economy “should be discouraged because foreigners might gain too much influence over Russian affairs” (USIA 1999a, 3). The number of respondents who expressed the opinion that “the U.S. was using Russia’s weakness to reduce it to a second rate power and producer of raw materials” increased from 59 percent in 1995 to 75 percent in 1998/9 (*ibid.*, 3).

Remarkably, the Russian economy managed to survive the 1998 economic crisis and reported a 3.2% increase in the GDP in 1999 compared to 1998 due to the earlier devaluation of the ruble, high world oil prices, low inflation, and strict budget control (State Department Bureau of European Affairs 2000, 11). Unpredictable contract enforcement and lack of taxation regulation continued to interfere with the market. The government made modest progress on a bankruptcy code in January 1998 (*ibid.*, 12).

In USIA-sponsored focus group discussions from March 15-19, 1999, Russian citizens at all socioeconomic levels in four cities—Moscow, Nizhny Novgorod (third largest city in Russia), Volgograd (representing the strongly communist “red belt”) and Kazan (capital of the important ethnic republic of Tatarstan)—were “profoundly depressed, fearful of greater political and economic adversity ahead, and deeply mistrustful of the authorities” (USIA 1999b).⁷⁰ These feelings were especially strong among middle class (teachers, doctors, lawyers, businesspeople and journalists) and working class (skilled and unskilled workers, engineers, army and police officers) participants, who expressed little hope for the future. They had been personally hurt by the August 1998 economic crisis through the loss of savings, shrinking living standards, rising unemployment and higher prices. Working class discussants could no longer afford commodities to which they had become accustomed like an imported washing machine or vacation. Their greatest fear was of further economic decline, reminiscent of Leningrad during the World War II blockade. Discussants expressed fear of “spreading social degradation, crime and corruption,” leading to “apocalyptic fears of civil war, interethnic conflict, fascism, military dictatorship, a return to the Communist system, and/or disintegration of the Russian state” (USIA 1999b). Showing little regard for the potential political leaders of the day, many hoped for a “new man” to appear as president in 2000.

⁷⁰ Note, these discussions occurred one year after the economic crisis and one week before the March 24, 1999 NATO bombing of Kosovo in response to Milosevic’s actions there. The focus groups asked participants how life had changed personally and in their region over the past year, who was responsible for the economic crisis, what were their greatest hopes and fears for the future, and who did they expect to win the upcoming parliamentary and presidential elections (USIA 1999b, 2).

Middle class discussants and those from Moscow were particularly affected by the ruble crash because the two years prior to the crisis had been a relatively stable period (USIA 1999b, 6). While those in Moscow felt the crisis immediately, workers in the provinces experienced the crisis as continuing deprivation of recent years. “Chronic wage delays, low wages, the need to save every kopeck have been permanent features of their life for six or seven years” (USIA 1999b, 7). The psychological impact of the economic crisis resulted in “apathy, frustration and depression” among all eight groups. This report corroborated USIA’s earlier findings of a nationwide survey in December 1998 – January 1999 that 82 percent of the Russian public believed Russia was headed in the wrong direction (USIA 1999b, 8). Discussants in the eight focus groups expressed no trust in the government. This lack of trust did not bode well for prospects for democracy. One discussant noted that Russians were “tired of experiments on the country and ourselves” (USIA 1999b, 8). Many of the discussants blamed the government and Yeltsin specifically for the crisis, saying that they could not rely on “an alcoholic” or a president who “rules the country from a hospital bed” (ibid., 9). Others just blamed Yeltsin for “being out of it.” Some discussants blamed the “oligarchs” citing, for example, “seven bankers who had largely financed Yeltsin’s 1996 election campaign” (ibid., 10). The mass media blamed the IMF and U.S. for setting up Russian to collapse through loans it could not repay. Finally, some noted that, 15 years after the exuberance of Gorbachev’s reforms and all the hopes they had for the future, they had become indifferent to politics.

The results of the eight focus groups in 1999 were deeply disturbing and contrary to democratic thinking. By the end of the decade, the ground had not been prepared for democracy to take hold. In short, people were fearful, distrustful, disillusioned, and intolerant toward migrants in an atmosphere of tight employment opportunities. Corruption was widespread—several participants said they did not know anyone who would not take a bribe. They were not afraid of the mafia, but they were afraid of the mafia gaining political power. They had lost faith in the electoral process, believing that one vote gets lost in the mass. One discussant in Nizhny Novgorod noted, “we have but a single aspect of democracy now, freedom of speech. Everyone is free to voice his opinion on TV. . . . If we lose this freedom, we will not have anything at all.” Another added, “It’s a false kind of democracy. It may even happen in the future that we will not be able to influence the outcome of elections because big capital will determine the results on its own” (USIA 1999b, 21). Some discussants even expressed a desire for a dictator to help Russia overcome its difficulties. Few discussants had much hope for the future, pinning it on a new leader. Interestingly, Vladimir Putin was not among those listed as the possible next president.

Russia’s Fledgling Political Institutions

In the midst of the tumultuous and chaotic events of the 1990s, some democratic institutions and procedures emerged. The December 1993 elections were Russia’s first free and fair multi-party parliamentary elections. Yeltsin’s new constitution, passed at the same time, established three branches of government - the executive as a very strong presidency, a bicameral legislative with the lower house Duma and upper house

Federation Council comprised of the heads of the 89 subject regions, and a judiciary where the Constitutional Court was re-established and finally activated in March 1995 as the final word on constitutional issues. The new constitution provided guarantees of rule of law, and freedoms of speech, press, religion, assembly, and movement, many more civil liberties than Russians ever experienced under communism. Despite some controversy surrounding the referendum process ratifying the new Constitution, it was accepted and has been followed (Remington 1997, 74). On the surface, Russia appeared to be developing democratic political institutions.

Little public confidence

In the first half of the 1990s, however, Russian citizens demonstrated little confidence in new political institutions or in the president. In February 1991, 50 percent of Russian citizens surveyed supported the Russian parliament. That proportion fell to 36 percent in December 1991 and further to 27 percent in June 1992 (USIA 1996b, 6). Citizens were even less supportive of the State Duma which replaced the Supreme Soviet at the end of 1993 and was dominated by communists and nationalists who opposed reform. In November 1994, 16 percent of respondents had confidence in the Duma; that fell to 11 percent by October 1995 and rose slightly following the parliamentary elections in December 1995 to 23 percent of the public and 30 percent of elite respondents. According to USIA, the institutions in which Russian citizens expressed most confidence were the army and the Russian Orthodox Church (USIA 1996b, 6).

In a summer 1998 survey targeting Russian youth (1248 Russian citizens aged 18-29), USIA found there was widespread disillusionment with current authorities and two of three respondents said they had “no” or “not much” interest in national or local politics (USIA 1998b, 1). Those who had completed higher education or had the best grades in their last year of secondary school expressed views that were more moderate or more liberal. They overwhelmingly wanted Russia to be a prosperous country where people lived well rather than a great military power respected by other countries. When asked what had changed for the better in Russia, 22 percent cited political freedoms including

freedom of speech, democracy, and more available information; another 22 percent cited economic improvements including the availability of more consumer goods; 31 percent there were no changes for the better. When asked what had changed for the worse, 44 percent cited economic difficulties including unemployment, declining living standards, and unpaid or low wages (USIA 1998b, 2). Nearly half (44 percent) of the young respondents thought Russia's political system in 1998 was not democratic; only 21 percent thought it was; and 27 percent found it hard to say. USIA attributed this high percentage of "not democracy" to lack of clarity over the concept of democracy, noting that some respondents mentioned, in connection with democracy, such elements as "civil liberties, representative government, rule of law, multicandidate elections, approximate social equity and mass political participation." A majority of respondents agreed that they "did not fully understand how democracy was supposed to work in Russia" and 11 percent said they did not fully understand what a democratic system was (USIA 1998b, 4).

A strong executive

The 1993 constitution created a strong presidency – the prize of the Russian political system, a hybrid of presidential and parliamentary forms. The constitution established the presidency as the dominant political institution. "[T]he president has wide law-making powers and authority over the cabinet, while the government must also maintain the confidence of the parliament" (Remington 1997, 78). The president served as head of state, commander in chief of the armed forces, and chairman of the Security Council, could declare a state of war or emergency on Russian territory with immediate

notification of the parliament, and had overall responsibility for foreign and domestic policy. The president was responsible for appointing the prime minister with the consent of the parliament, the State Duma. While Russia's constitution established a division of power between the legislative and executive branches, the presidency was so powerful this division lost much of its meaning (ibid., 78).

In practice, the Constitutional Court did not often challenge Yeltsin on his decrees and ruled in 1995 that parliament had no authority to block a presidential decree. It also ruled that Yeltsin "did not exceed his constitutional authority in launching military operations in Chechnya by decrees" (ibid., 80). According to Remington, the Constitutional Court played a decisive role to play in the consolidation of democracy in the extent to which it either abided by the constitution or personalized its relationship with the president. It was within the power of the Russian Constitutional Court to serve as a check on presidential power. The body of opinion from the Constitutional Court interpreting the constitution helped establish the rules of the political game and could play an important stabilizing role. "The more the opposing forces adhere to constitutional procedures in settling their differences, the costlier it is for any one side to be the first to violate it. In this way a self-enforcing agreement on the institutional framework can acquire a binding force" (ibid., 80). There were additional limits on presidential power in that parliament could override a presidential veto by a two-thirds vote of each chamber. Because power was concentrated in the presidency, "a peaceful transfer of power from one president to another following a free and fair election is therefore a critical condition for a democratic outcome in Russia" (ibid., 70).

Heightening the sense of political chaos, Yeltsin had a penchant in the latter years of his presidential term for responding to crises or threats by shuffling the leadership around him. Yegor Gaidar was the first post-Soviet prime minister who served briefly from June 15-December 14, 1992. He was replaced by Victor Chernomyrdin, a key figure in U.S.-Russian relations from 1992-1998. In March 1998, Yeltsin replaced Chernomyrdin with young reformer Sergei Kiriyenko whom the President then dismissed on September 10, 1998, in response to the economic crisis of August 17. Yeltsin tried unsuccessfully to replace Kiriyenko with former Prime Minister Chernomyrdin, but was forced by the Duma to withdraw that nomination. He then submitted former Foreign Minister and Soviet holdover Yevgeniy Primakov who was accepted by the parliament with strong communist support. Yeltsin fired Primakov on May 12, 1999 and replaced him with Sergei Stepashin who served for three months until Yeltsin replaced him with Vladimir Putin on August 9, 1999. Finally on December 31, 1999, Boris Yeltsin resigned as president of the Russian Federation and appointed Vladimir Putin as acting president.

The parliament

The 1993 Constitution created the Federal Assembly, a bicameral parliament consisting of the State Duma, the lower house with 450 seats, and the Council of the Federation, the upper house with two deputies from each of the 89 regions of the Federation. The Duma was a mixed system of proportional representation and single-member districts with half of the seats allocated proportionately to registered parties that received at least five percent of the vote and the other half through single-stage plurality

election in single-member districts (Remington 1997, 83). Parliamentary powers included approval of legislation and its confidence in the government as required by the constitution. For most of the 1990s, the Russian parliament stood in opposition to Yeltsin.

Regularized elections

Since its independence, Russia conducted parliamentary and presidential elections consistently and on-schedule. According to Remington (76), these included the Soviet election to the Congress of People's Deputies (1989), Russian republican election making Boris Yeltsin the first freely elected president of Russia (1990), presidential election (June 1991), parliamentary election (December 1993), parliamentary election (December 1995), and June 1996 presidential election to re-elect Yeltsin (June 1996). Those elections were followed by parliamentary elections (December 1999) with the subsequent resignation of Boris Yeltsin at the end of the month and his appointment of Vladimir Putin as Acting President. Russia held national referenda in March 1991, April 1993 on the government, and December 1993 on the constitution. In the early post-Soviet elections, the vote was between communists and anti-communists. It was easy for anti-communist groups to unite in this simple dichotomy in support of "democracy." Remington (74) attributed Yeltsin's remarkable success in winning three successive popular elections in three successive years (1989-1991) to his support by "a unique coalition of forces" attracted to his simultaneous support for economic reform and democratization; stripping privileges from communist elite; and autonomy for Russia from the rest of the USSR. Russian society in the 1990s was remarkably peaceful,

despite two attempted coups by hard-line communists in 1991 and 1993 and in the latter, the resultant use of force by the Russian President against them.

On December 17, 1995, Russians participated again in parliamentary elections, with the communist bloc winning the largest proportion of seats, followed by the nationalists. As described in the *1995 Annual Report on U.S. Assistance to the NIS* (State Department Coordinator's Office 1996, 161), this “mark[ed] the first time in Russia's history that two consecutive democratic multi-party elections have taken place.” Those elections were deemed free and fair by international observers.

During June and July 1996, Russians participated in the two rounds of the presidential election that was deemed free and fair despite some concern about Boris Yeltsin's use of presidential privileges. On the heels of the election, President Yeltsin's health declined dramatically, slowing considerably the pace of economic and political reform. By mid-1997, the heads of all 89 subject regions had been elected, as opposed to earlier presidential appointment, making the Federation Council a much more representative institution. Parliamentary elections were held again on December 19 1999, after which Boris Yeltsin resigned the presidency and made Vladimir Putin Acting President. The Communist Party of Russia narrowly gained the largest number of party designated seats at 67 with the Unity Party, a new party founded to support Putin and the government, a close second with 64 seats (RFE/RL 1999). Putin subsequently won the presidential election in the first round with 53 percent of the vote on March 26, 2000

(State Department Bureau of European Affairs 2000, 7). Both of these elections were judged generally free and fair by outside observers (*ibid.*, 8).

A weak party system

The design of the constitution with a strong executive marginalized the Duma and helped keep political parties weak. The views of the people, therefore, were not being channeled to government despite the regular occurrence of elections. Russian citizens did not speak through parties. Remington (1997, 97) noted that “the structure of social influence today is an outgrowth of Soviet-era institutional arrangements, which enabled some strategically placed elites to convert productive, ideological and administrative resources into assets in post-Soviet society when economic and political controls were relaxed.” Those who were in privileged positions in the old Soviet system continued to be so in the new system. Surveys suggested that Russian citizens felt alienated from their political leaders. There was increasing inequality and widespread corruption throughout society. “The popular wave of enthusiasm for democratic and market reform that propelled a new generation of political elites into power in 1989-91 has been spent. It has been followed by a wave of disillusionment with the initial results of change, and expressed by voter support for the communist and nationalist opposition . . . The issues that helped to bring democrats into power in 1989-91—radical anti-establishment egalitarianism, political freedom, economic opportunity—no longer move voters” (Remington 1997, 113-114).

Building a party system in a post-communist state was especially challenging because of the communist legacy with citizens' high level of distrust of state institutions, the perversion of elections that were mandatory and neither free nor fair, and the prevalent lack of trust in society for fear of retribution by the state. In Russia, the political party system was weak in the 1990s with many different small parties often built around an individual personality. This was the politics of identity, not interests. The lack of respect for authority hindered political parties from attracting and building constituencies. "The simultaneous admission of all social strata and economic groups into postcommunist electoral systems has created an incentive to establish catch-all parties that appeal to many different constituencies" (Parrott 1997, 17). Here lay the unique challenge to the postcommunist leaders who were trying to build consensus at the center while throwing off the institutional and psychological structure of the communist one-party system and dealing with holdover extremist groups.

Many political parties came and went from the Russian political scene during the 1990s.⁷¹ Political parties first appeared in Russia in the late Soviet period with the sole purpose of overthrowing communist rule. Such an explicit goal served to unite the many informal groups and developing parties at that time. They were neither democratic nor nationalist groups—they were anti-communist groups with a shared objective. These parties never really had the opportunity to develop even after the fall of communism. As Urban and Gel'man (1997, 184) described the once promising "Democratic Russia" party that was formed in the mounting euphoria of 1990, "Eventually, what had been a mass

⁷¹ For detailed discussion, see, for example, Michael Urban and Vladimir Gel'man "The development of political parties in Russia" in *Democratic Changes and Authoritarian Reactions in Russia, Ukraine, Belarus, and Moldova* (Cambridge: Cambridge University Press, 1997).

democratic organization found itself shilling for an increasing authoritarian regime pursuing an economic reform impoverishing most Russians while creating a new class of wealthy individuals consisting primarily of old communist officials, organized criminals and bunko artists.” Urban and Gel’man (1997, 175-176) called Russia’s democratic parties one of the principal casualties of the transition; even in the transition period, “the state vastly overshadowed the institutions of political society and drastically inhibited their influence on its actions (ibid., 176).” Upon the collapse of the USSR, Yeltsin did not call immediately for new parliamentary elections, so there was no driving force to energize political groups to focus on their identities and distinguish themselves one from another. As a result, the groups that had called for parliamentary elections in early 1992 had all disappeared by 1995.

Remington (1997) identified three distinct groups in Russian politics which competed and occasionally worked together in coalition—the liberal democrats or reformers, the nationalists, and the communists with the nationalists playing the swing role depending on their interests. Politics in 1994-1995 were characterized by compromise and working within the constitution because no group had a majority in the Duma. This changed, however, with the success of the Communist Party in the December 1995 parliamentary elections. With the communist bloc in charge of the Duma and in contention with a weak president in precarious health, reforms slowed considerably in the latter half of the decade. The Communist Party continued to play an influential role during the rest of the decade.

According to Urban and Gel'man (1997, 209), Russian elections were characterized by a large number of small parties, e.g., 43 different parties in the 1995 parliamentary elections. With the requirement that a party must cross the five percent threshold to secure a seat in the Duma, the small parties had little chance of winning seats and their supporters went unrepresented. For the 1995 elections, Russia had 64.5 percent voter turnout and 49.5 percent of them voted for parties that did not cross the required threshold. Of the 43 parties, only four gained sufficient votes to obtain seats in the Duma (ibid., 209). For several years, the democratic forces were unable to unite under a specific platform. "By 1995 fragmentation of democratic forces reached the point that it scattered votes across a half dozen pro-reform parties, none of which except for *Yabloko* then crossed the five percent threshold needed to receive parliamentary mandates" (Remington 1997, 72). Urban and Gel'man (1997, 209) concluded, "With so many parties shut out of office and so many voters denied representation, the prevailing arrangements do not bode well for the stability of Russia's party system and, by that measure, for Russian democracy generally." They were critical of the West for supporting Yeltsin's "authoritarian presidency" during the 1990s and for not providing the level of financial support that Russia expected and needed. Hence, they explained the return to power of the communists in the Duma in the middle of the decade.

Regional autonomy

The 1993 Constitution declared Russia as a federation, but the distribution of power between the center and the regions was not clear. Not all 89 regions, which included the two federal cities of Moscow and St. Petersburg, of the Russian Federation

were equal. The 21 ethnic republics were allowed to create their own forms of government and to write their own constitutions and laws as long as they conformed to the federal constitution and law. Ten of them created presidential systems (Remington 1997, 79). Heads of oblasts, on the other hand, were appointed by President Yeltsin. The precedent of a strong executive in the center translated to strong executives in the regions. Many of the presidents elected to the republics were high-ranking holdovers from the Soviet era. In theory decentralized power to the regions should have checked central power, but according to Hahn (1997, 131) “[I]n Russia, relations between the central government and the regions are still very much in flux; a stable balance of power between Moscow and the regions has not yet been achieved.” This was in part because the Kremlin chose to deal individually with the regions, negotiating bilateral agreements with them individually so that some paid more taxes, while others got better tax deals. Some got benefits from Moscow, others did not. Moscow’s hand reached into the republics as Yeltsin appointed presidential representatives to serve in the regions to assure that federal laws were being upheld. Originally, the heads of the regions in many cases were appointed by Yeltsin and did not stand for election.

In the 1990s, most support for democratization lay within the major cities in Russia and had only mixed support in the regions outside Moscow and St. Petersburg. Democratic institutions were introduced into the regions in 1990-93 with elections to local soviets, but political parties were very slow to develop there. The establishment of a strong executive in the constitution gave Moscow significant control over the regions. Hahn (1997, 148) stated, “. . . at least since the coup attempt of August 1991 there has

been a growing tendency toward virtually unlimited rule by local executive officials, a tendency which has accelerated since the abolition of the soviets in October 1993.” The election of governors and mayors was an important step toward greater regional democracy in Russia as it held local leaders accountable to voters rather than to the president and should have led to a federalist system.

Moscow stood apart from the other regions as it was much more advanced in terms of pursuing economic and political reform. The 89 regions across the vast Russian Federation were at various stages of transition. Some were more vibrant like Samara where the NGO community was growing. Others were in dismal conditions, like the Arctic region of Nickel where whole cities were polluted, but people could not afford to leave because they had no where to go. They belonged to the company town and there were no alternatives.

USIA conducted a comparative survey in 1996 among four regions—Moscow, St. Petersburg, Ekaterinburg, and Vladivostok—on attitudes toward the United States (USIA 1996a).⁷² Moscow, St. Petersburg and Ekaterinburg were considered reformist regions, i.e., more open to democratic political and market economic reform. Vladivostok tended to show more support for communist and nationalist forces under Gennady Zyuganov and Vladimir Zhirinovskiy, respectively (USIA 1996a, 21). One of the most meaningful questions for the purpose of this study was attitudes toward the U.S. as a political and economic model, i.e., a market democracy. In 1995, overall, 43 percent of respondents

⁷² This survey of about 400 citizens in each region was conducted from March 28-April 15, 1996 by the Russian Public Opinion and Market Research. This survey was a follow-up to one conducted in 1995, allowing USIA to track any changes in attitude over the year.

agreed and 48 percent disagreed that “American society offers a political and economic example for Russia” to emulate. Of those respondents under 30 years of age, 59 percent agreed and of those 50 years and older, 58 percent disagreed that the U.S. was a model for Russia. The 1996 survey took this question a step further, dividing it along political and economic dimensions “to see if opinions might differ with regard to democracy and capitalism” (USIA 1996a, 16-17). Overall, a slim majority in Vladivostok and pluralities in the other three regions responded that they did not agree the U.S. offered a political model for Russia to emulate. When queried on specific aspects of democracy, however, the responses were more positive. On separation of powers among executive, legislative, and judicial branches, 69 percent agreed and 8 percent disagreed in Moscow, 74 percent agreed and 6 percent disagreed in St. Petersburg, 66 percent agreed and 15 percent disagreed in Ekaterinburg, and 74 percent agreed and 7 percent disagreed in Vladivostok that Russia should adopt this principle (*ibid.*, 17). On division of powers among federal, state and local jurisdictions, 58 percent agreed and 19 percent disagreed in Ekaterinburg, 64 percent agreed and 9 percent disagreed in Moscow, 64 percent agreed and 10 percent disagreed in St. Petersburg, and 73 percent agreed and 8 percent disagreed in Vladivostok on this principle. On civilian control of the military, 55 percent agreed and 22 percent disagreed with this principle in Ekaterinburg, compared to 61 percent and 18 percent in St. Petersburg, 60 percent and 21 percent in Moscow, and 66 percent and 19 percent in Vladivostok, respectively. Finally, the question on freedom of residence and personal movement met with overwhelming approval at 81 percent in St. Petersburg, 71 percent in Moscow, 75 percent in Ekaterinburg, and 85 percent in Vladivostok. Overall,

respondents were less certain about local control of primary and secondary school, but more approved than disapproved (USIA 1996a, 17).

When asked about the United States as an economic model for Russia, respondents were united in their rejection of the U.S. system. The USIA report suggested that “this may be partly a result of the identification of the United States with painful Russian economic reform” (USIA 1996a, 17). The report also noted that previous survey showed that “most Russians favored state control of big industry and transport, as well as a broad social safety net” (ibid., 17). Another USIA survey, conducted in April 1996, found “overwhelming majorities” agreed that “official corruption undermined reform” and “criminal elements controlled most private businesses” (ibid., 18).

These findings on the U.S. as a political and economic model demonstrate the real challenges to U.S. democracy promoters in advancing reforms in Russia, especially in light of the relatively reform-minded regions in which these surveys were conducted. USIA found, however, that younger Russians in all four regions tended to view the U.S. more favorably.

In terms of relations with Moscow, many regions chose to move forward with reform, rather than wait for federal law to be passed. For example, land reform, an important step in encouraging market development, was a particularly contentious issue between federal and regional authorities. The December 1993 constitution guaranteed the right to own, buy, sell, trade, and use land freely. Progress on land reform laws deadlocked at the federal level, however, between those who supported the constitution

(the Yeltsin administration) and those who opposed it (the communist-dominated Duma). With the deadlock, Yeltsin instead issued executive decrees piecemeal allowing full trading of urban land and small rural plots, but not for land in general. With the executive and legislative branches deadlocked, the regions passed their own laws on land ownership, with some regions highly restrictive and others allowing full trading of land (Solomon 1999, 10). This created a widespread sense of instability in Russia with banks hesitant to lend money based on land as collateral in the face of possible changes, pending passage of a federal law.

Some regions did not respect the rulings of the Constitutional Court, which, for example, had ruled that the *propiska* or residence permit to restrict population movement was unconstitutional. According to the Court, regions and cities could require registration, but could not charge excessive fees or deny registration for those who met the conditions. Many regional officials, however, refused to comply. They wanted their own courts and to be involved in the process of appointing judges.

At the end of the Yeltsin administration, the regions had a great deal of autonomy, but that changed under Putin who sought to rein in their power and make them answerable to the Kremlin. Most dramatically, Putin replaced elected governors with those of his own appointment.

Russian Political Culture and Society

At the outset of independence, Russia's political culture was far from democratic and lacked a civic tradition, a major obstacle to the growth of democracy. The communist experience and collapse of the Soviet system had a profound psychological impact on the publics of the region. USIA public opinion polls repeatedly showed a populace that wanted an orderly society and state and was decidedly non-violent. Just as Russia needed to create the institutions of a market democracy, it also needed to nurture the development of a political culture supporting values of tolerance, diversity, compromise, and respect for the individual. Post-communist political culture had to grow beyond its imperial and communist legacies and this only could happen under political leadership, which encouraged civil society to grow and deepen. In the confusion of the transition, many, especially older, Russians expressed nostalgia for the stability and predictability of the past. Others searched for security in tightly held, close knit circles, not trusting society at large. Neither of these coping mechanisms was conducive to developing an open, democratic society, which could not survive without trust among its citizens.

As the Soviet institutions crumbled around them, elder Russian citizens suffered the humiliation of loss of empire and global superpower status, the shame and economic hardships of unemployment and poverty, and the loss of even their meager social safety net. The communist era may have been stagnant by western definition, but it was stable and predictable by Soviet terms. People had learned how to work the Soviet system. They knew the rules and how to get around them as best as possible, mainly through

bribery. With the collapse of the Soviet Union, the familiar and the predictable were gone, and the rules changed, though it was not exactly clear to what. There was pervasive uncertainty and confusion. The new system of *glasnost* and democracy was noisy with many voices and many views, and it was no longer so easy to determine the “truth.” Under the communist system, people generally believed that the truth was the opposite of whatever the state proclaimed. Now there was more than just the one voice of the communist party. Pensioners particularly suffered the hardships of transition.

In *Fantasies of Salvation*, Vladimir Tismaneanu (1998) suggested that, absent the certainties and predictability of the old Soviet system, post-communist publics were indifferent, confused, fearful, disenchanted, and disappointed about the events of the 1990s. Tismaneanu (1998, 4) saw the main threat to liberal democracy in the post-communist world as how quickly or successfully a country moved toward “the learning of a deliberative procedure, the development of pluralist institutions, and the maturing of a political class committed to the values of an open society.” The democratic experiment in Russia in the 1990s could not succeed without the shift to a more open political culture which valued tolerance, trust, and respect for the individual. Simply put, democratic political and market institutions were not enough for the consolidation of democracy without a shift in political culture, which could take generations to occur.

With *nomeklatura* elites still in power, there was no decommunization in Russia, no deliberate attempt as a society to deal with the Soviet past. Facing the past and making it transparent, however, would have been an important part of the psychological

healing of the nation. Coming to terms with the past is best done within a legal structure to build trust among people and to expand civil society in the new system. According to Tismaneanu (1998, 140), "decommunization is a matter of decades." He added, "Although arguments can be made that democratic stability cannot happen without massive inflows of Western economic aid, my point is that a lack of capital is not the determining factor in the region's future. More important is the debility of social capital, the loss of emotional ties of solidarity between the members of the political community, the weakness, decline, or inertia of civil society, and the overall erosion of any source of authority" (Tismaneanu 1998, 145). The lack of respect for authority hindered, for example, political parties from attracting and building constituencies who could then hold government accountable.

The communist legacy meant that corruption remained pervasive. For the middle generation of Russians, the persistence of old elites espousing new terms lead to cynicism among the people for it suggested that there really had not been much of a revolution. There was no consensus in Russian society on the definition of democracy.

Liberal democracy guarantees the freedom and sovereignty of the individual, and traditionally, Russia's political culture was non-liberal. With the collapse of the Soviet Union, Russia was morally wounded, in disarray, and feeling alienated from its place in the world. There was little genuine civil society in Russia upon independence and its growth required the political will of the leadership not to construct barriers or obstacles that would inhibit individual freedom. By the end of the decade, many in the West had

realized that the transition from state control to private control would take two generations. Tismaneanu noted, “So powerful was the euphoria of the first stage of post-communism that it made people oblivious of the fact that genuine civil societies cannot exist in the absence of market economies and thorough-going guarantees for individual rights. Where civil society exists, even nationalism acquires positive connotations, and can thus become a liberal nationalism. The main thrust of civil society is to diminish the role of the state apparatus on the life of the individual” (ibid., 163).

Building civil society

Compared to the Soviet past, Russian civil society achieved considerable growth throughout the decade, increasing notably the number of non-governmental organizations (NGOs).⁷³ These new organizations, however, often relied on federal or foreign assistance for meeting and office space, communications equipment, and other essentials. As a result, organizations with common interests would have to compete with one another for scarce resources, especially in areas outside capital cities. The process of registration and the complicated tax structure constrained the growth of NGOs, too, as complying with these procedures and regulations was time consuming, complicated and expensive. Media outlets were independent or at least controlled much less explicitly by the state, but they, too, were reliant on government subsidies for production. The media could serve to hold government accountable and in check, but at the same time were dependent on the government for resources. By the end of the decade, Russian civil

⁷³ While this study covers the period of the 1990s, I note that recent moves by President Putin and the Duma on legislation to restrict the activities of NGOs is worrisome and does not bode well for civil society. I will return to this discussion in the concluding chapter.

society was comprised of 65,000 registered NGOs, but was still fragile and learning how to operate in relation to the state.

In an early November 1998 visit to Washington, then German Foreign Minister Joschka Fishcher noted that “‘Russia must develop a strong civil society’ and that ‘The cultural traditions of the free market are needed in Russia’ more than financial techniques and loans” (Hoagland 1998, C7). A few days later former U.S. Ambassador to Hungary Donald Blinken (1998, A23) contrasted his experiences in Hungary with the situation in Russia—mainly the lack of direct investment and the warning its absence should send. He advised that “putting the market before the society is an invitation to trouble,” and noted, “Societal reform must precede financial opportunity” (ibid., A23). He explained that direct investment would come only when the climate was right—when investors felt confident that they would be treated fairly and protected within the rule of law. He added that only the Russians themselves could “build law-abiding and transparent societal standards and institutions.” He concluded by suggesting that analysts should focus not on “emerging markets” but on “emerging societies.” “When nations achieve acceptably flexible democratic and law-abiding domestic conditions, soundly based direct and portfolio investment will follow. This takes time and perhaps generational change” (ibid., A23).

Prospects for democracy in Russia

Some authors argued that Russia’s authoritarian past made the consolidation of democracy there highly improbable because the political culture was accustomed to a

strong leader and a subservient public. Others found elements of a usable past in Russian history on which to build a democracy. Hahn (1997) did not preclude the emergence of democracy in Russia for a number of reasons: 1) there was more support for democratic values and institutions in the former communist countries than many expected; 2) while there was not a strong tolerance for minority rights, survey data was not significantly different from some West European democracies; 3) support for democratic values had been relatively stable despite economic difficulties; 4) support for democratic values and institutions varied in ways similar to findings in the West, especially with respect to level of education; and 5) the concept of democracy was more in line with European social democracy than democracy in U.S., with expectation of strong social welfare. Hahn (1997, 162) concluded that, compared to the Soviet period, Russia had made great strides with real election competition and multiple candidacies the norm. Popular participation was genuine, and election laws were simplified. Legislatures debated openly. But there were many problems, too. Political parties were slow to develop in the regions with the communist party remaining the best organized in the rural areas. According to Nicolai Petrov, voter turnout was greater in rural areas than urban, and those in rural areas tended to be much more conservative, supporting communists and nationalists. In the regions, there was continued growth of the strength of the executive at the expense of the local legislature. In the late 1990s, the system of checks and balances seemed to be shrinking rather than expanding. The December 1996 elections of governors were critically important for growth of democracy in the regions, but some became virtual fiefdoms regardless of elections.⁷⁴

⁷⁴ Under Putin, governors are no longer elected, but nominated by the President and confirmed by the Duma.

Surveys in the late 1990s showed people’s disillusionment with their lives (Remington 1997, 114). They distrusted democratic political institutions, were more positive about the Soviet past and critical of the Yeltsin regime with little hope of improvement in the future.⁷⁵ Quite clearly though, they did not want to return to the oppressiveness of the past. There continued to be a detachment between the people and the state, as there had been throughout Russian history. Such a divide runs counter to prospects for democracy. Remington (1997, 115), noting that “individual civic rights are widely valued in Russia, but tend to be accompanied by a strong desire for political order,” suggested that Russia was poised to go one of two ways – down the path of repression, crime, corruption and popular alienation or toward pluralistic and law-regulated order. Which path Russia took depended on the behavior of political elites (ibid., 118). At the end of the decade, that direction was still in question and depended on the outcome of the parliamentary and presidential elections in December 1999 and March 2000, respectively. These elections were important to see how specific parties fared in the parliament and how the elected president used his powerful position.⁷⁶

In a 2001 Brookings Institution report, former U.S. government official Tom Bjorkman recounted Freedom House’s ratings of Soviet/Russian democracy where on a scale of 1 to 7, 1 represents the most democratic.

Year	Political Rights	Civil Liberties
1985-86	7	7
1991-92	3	3

⁷⁵ Survey findings were drawn from Richard Rose, “Russia as an Hour-Glass Society: A Constitution without Citizens,” *East European Constitutional Review* 4, no. 3 (Summer 1995), p. 37.

⁷⁶ By 2005, we now know that Vladimir Putin, elected in March 2000, has taken steps to strengthen the state at the expense of civil society.

1994-95	3	4
1998-99	4	4
2000-01	5	5

Source: Freedom House website, “Annual Survey of Freedom Country Ratings.” (Bjorkman, 2001)

Bjorkman (2001) noted that analysts disagreed on the reasons for Russia’s difficulty in making progress toward democracy with some claiming the pull of the Soviet legacy and Russia’s lack of democratic tradition, while others faulted Yeltsin’s style of rule and inability to build new institutions to replace the collapsed Soviet ones. Regardless of the cause the results were the same. According to Bjorkman:

- “Power remains concentrated in the executive branch and centered on informal networks and personal connections.
- Legislative and judicial institutions remain fragile.
- Protections for civil liberties are weak, and state harassment of the independent journalists and civic activists is on the rise.
- Official corruption remains pervasive and movement toward a rule of law glacial” (Bjorkman 2001, 1).

By the end of the 1990s, Russia had developed some of the institutions of a democracy—people came to expect elections as the means for selecting their governance at the federal level. They founded NGOs around their interests, some statistics indicating 65,000-70,000 registered indigenous NGOs. The press was relatively free. Even as some of the democratic advances slid back under Putin, the Russian people have seen elements of an open society. Democracy was not consolidated in Russia in the 1990s and its future remains unpredictable and uncertain, but it is still early in the independence period and democracy is an evolutionary project. In the Freedom House ratings, Russia ranked as “Partly Free” in 2000 and slipped to “Not Free” in 2005 (Freedom House, 2005).

Matching U.S. Policy to Local Reality

The chaotic political and economic events of Russia in the 1990s described in this section served as the backdrop for the personal relationship that developed between Presidents Yeltsin and Clinton through their many face-to-face meetings and for the implementation of U.S. assistance programs between U.S. government officials and U.S. NGO representatives and their Russian counterparts and citizens. The first Clinton administration was a period of uncertainty in Russia and the administration, viewing Boris Yeltsin as politically vulnerable, feared a return to the communist past. The following section focuses on the actions and reactions of the top foreign policy makers of the U.S. government as they sought to assist Russia in its transition from communism to a market democracy, which would make Russia into a more cooperative and reliable partner for the West (Goldgeier and McFaul 2003, 212).

Russia in the eyes of the Clinton Administration

In his first congressional appearance as Secretary of State, Warren Christopher described the foreign policy priorities of the new administration in the context of “preventive diplomacy,” i.e., addressing problems before they become crises.⁷⁷ He felt a special need to define this new foreign policy approach to the American people and to reorganize the foreign policy apparatus, which was still based on a Cold War perspective, to meet it. This new foreign policy was focused on revitalizing the U.S. economy, updating U.S. security forces, and finally, promoting democracy “as the best means to

⁷⁷ Secretary Christopher appeared before the Subcommittee on Commerce, Justice, State, and Judiciary Committee of the House Appropriations Committee on March 10, 1993.

protect our own national security while expanding the reach of freedom, human rights, prosperity, and peace” (Department of State Bureau of Public Affairs 1993c, 138). In the Clinton vision, there was little separation between domestic and foreign policy. The U.S. needed a strong economy at home to advance a peaceful world abroad. “By promoting democracy and free markets, we do more to honor the universal values upon which our nation is founded. We must go beyond just the moral aspect of it to ensure our own security and prosperity” (ibid., 138). He repeated the democracy peace theory that democracies tend not to make war on other democracies and that they are more reliable partners. Secretary Christopher asserted that democracy cannot be imposed from above and must be built from the bottom up. At the top of the democracy promotion agenda were the states of the former Soviet bloc.

For the first 18 months of his presidency, Bill Clinton placed U.S. relations with Russia and supporting reform there at the top of his foreign policy agenda. He was an optimist on Russia and developed a close, if sometimes turbulent, relationship with Boris Yeltsin through regular face-to-face meetings. The Clinton Administration pursued a multi-pronged approach to promoting democracy and free market in Russia. “By the spring of his first year in office, Clinton had become the U.S. government’s principal Russia hand, and so he remained for the duration of his presidency” (Talbot 2002, 5). Strobe Talbot, President Clinton’s top adviser on Russia, reported one of his early conversations with Clinton, prior to the inauguration, in which the President-elect remarked that what was happening in Russia was not about the end of the Cold War, which was over, but the “biggest and toughest thing was . . . the stuff *starting*—stuff

that's *new*. Figuring out what it is, how we work with it, how we keep it moving in the right direction: that's what we've got to do." His concern was whether Russia "was going to blow up in our faces"(ibid., 42-43).

Awaiting Talbott on his first day on the job in the State Department was a note from the previous Secretary of State Larry Eagleburger sharing his view that if reform were successful in Russia, there was no guarantee it would be successful in the other post-Soviet states, but that if reform failed in Russia, it surely would fail in the other states. His advice was to focus on Russia, stay engaged, and help Yeltsin find a way to move forward. From all directions, the advice was to focus on Russia first.⁷⁸ Russia became the bellwether for democracy promotion in the post-communist world.

According to Talbott, "Clinton wanted a fresh infusion of American assistance as a way of priming the pump for a massive international support by the G-7" (ibid., 47).⁷⁹ Little of the \$24 billion that the G-7 had promised in 1992 had been delivered, pending restructuring of the Russian economy. With the annual G-7 meeting due to be held in Tokyo in July 1993, Clinton sought to design an aid package that would reach "real Russians" and improve their standard of living (ibid., 47). Clinton was the driving force

⁷⁸ Change occurred with such rapidity in this part of the world in the late 1980s and early 1990s that U.S. foreign policy decision makers did not even know exactly how to describe the geographic area. At first, in the immediate aftermath of the collapse of the USSR, U.S. decision makers referred collectively to the 15 new states as the Former Soviet Union or FSU. When Strobe Talbott came to the State Department, he changed the reference to the region as the New (or Newly) Independent States of the Former Soviet Union or NIS. Within a year, Talbott was promoted to Deputy Secretary of State, the number two position in the Department. In the meantime, the states of the region organized themselves loosely into the Commonwealth of Independent States or CIS. For the remainder of the Clinton administration, the U.S. government referred to the region as the NIS.

⁷⁹ The G-7 was the leading advanced industrial democracies – Canada, France, Germany, Italy, Japan, the United Kingdom, and the United States. The G-7 became the G-8 with the official inclusion of the Russian Federation in 1998.

behind Russian aid; no longer was it the Congress as it had been with the SEED legislation and assistance to the post-communist states in Eastern Europe.

Russian Deputy Prime Minister Andrei Kozyrev met with Talbott at the State Department and stressed that the reformers needed support back in Moscow. He was looking for ways to “institutionalize” the new relationship between Russia and the U.S. Talbott and Kozyrev suggested that Clinton propose to Yeltsin the formation of a high-level commission in which to embed the assistance program. This would become the Gore-Chernomyrdin Commission (GCC), chaired by the U.S. Vice President and Russian Prime Minister, which would be the locus of much high level collaboration on a number of issues through the end of the decade.

Congress supported the administration’s Russia-first approach. In a statement on March 4, 1993, Senator Patrick Leahy (D-VT) demonstrated his support for President Clinton and especially for assistance to Russia, rallying the Congress to not risk “losing the peace” as the U.S. had done following World Wars I and II. He noted that “Helping Russia to make the transition from communism to democracy confronts the West with the greatest foreign policy challenge since World War II. No one needs to be reminded that the Russians have thousands of nuclear weapons, making them the only country in the world that can totally destroy the United States” (U.S. Congress. Senate. 1993a). Senator Leahy warned that if the U.S. did not find a way to stabilize the Russian economy, the American taxpayer would be “holding a \$4 billion bag of Russian debt” that would continue to grow (ibid.). He compared the cost of supporting reform in Russia to the cost

of the U.S. defense budget if the communists were still in control of the Soviet Union--\$100 billion higher. Leahy recommended raising the appropriation for assistance to Russia to \$1 billion, specifically targeting the social safety net, by shifting foreign assistance funds from other regions of the world. He called for better coordination of international assistance efforts to Russia, equating the approach at the time to “a group of people standing in a room and throwing darts at a dart board from all different directions.” He warned that the international community was trying to do “too many things in too many places with too few resources” (ibid., 2).

Calling the current approach to assistance a “laundry list of bureaucratic wishes,” Senator Leahy urged the Clinton administration to design an overarching strategy that would impact the Russian people. Such a strategy would target: “alleviation of the suffering of the poorest and most vulnerable sectors of the population; technical assistance in the essential institutions of a free market system especially banking, credit, and property rights; modernization of sectors which offer the most immediate prospect for foreign exchange earnings on the part of Russia, particularly energy, agriculture, natural resources; and, as important as anything else, assistance in the building of a democratic society, including the functioning of legislatures and free media, free labor unions, and civic organizations” (ibid., 3). To date, the international community had delivered only “backdoor foreign aid,” and Leahy warned that time was running out. He saw assistance to Russia as different from any aid the U.S. had given before. The U.S. could not “afford to treat Russia as a development problem” and needed to come up with an innovative approach to help Russian “society recreate itself from ground zero” (ibid.,

3). For Leahy, a significant part of this innovative approach would be debt rescheduling. We warned that the “standard loans and guarantees on standard terms are not an effective way of dealing with the deep economic problems of Russia” (ibid., 3). He focused his plans on the agricultural sector, calling for loans that would lower the cost to Russia; tied aid to progress on economic reform; and emphasized barter, for example, food to Russia today for oil, timber or other natural resources to the U.S. in the future. Leahy urged President Clinton to begin these discussions with Yeltsin at their first summit.

Preparing for the first summit

President Clinton’s first trip outside the United States was to meet with President Yeltsin in Vancouver on April 4, 1993, and he wanted this encounter to be “something new” (Talbot 2002, 51).⁸⁰ As his key adviser on Russia, Talbot wrote for the President a memo outlining “A Strategic Alliance with Russian Reform” (ibid., 52), which the President subsequently delivered in an address to the American Society of Newspaper Editors on April 1, 1993 in Annapolis, Maryland. Invoking the democratic peace theory, the President made the case for why the U.S. needed to invest in Russia’s future by supporting Russian reform, specifically Yeltsin and his “fellow reformers” who were under assault by the Congress of People’s Deputies (U.S. Department of State Bureau of Public Affairs 1993d). Supporting Russian reform toward democracy was a wise investment for the United States because it was an historic opportunity to improve the

⁸⁰ Vancouver was the first of numerous bilateral and G-7/G-8 summits, an approach to U.S.-Russia relations that President Clinton strongly favored. Each summit was carefully orchestrated to achieve specific results. The State Department Office of the Historian calculated 23 meetings between Presidents Clinton or Bush and Russian Presidents Yeltsin or Putin from 1992-2000. (See www.state.gov/www/regions/nis/chron_summits_russia_us.html.)

security of the U.S., would give the U.S. a partner for global problem solving, provided a peace dividend to the American public which had spent trillions of dollars during the Cold War, and would insert wealth into the global economy through its rich natural resources. The President also proposed how the U.S. should make this investment: through assistance widely dispersed from the ground up not just through Moscow; efforts devoted to activities with lasting impact such as introducing modern drilling practices to halt the leaks in gas pipelines; investing in people-to-people exchanges not just government-to-government; partnering with other key players in the global economy to stabilize the ruble; pursuing denuclearization; and committing for the long-term (U.S. Department of State Bureau of Public Affairs 1993d).

Talbott recommended to the President, “Our objective and our policy can—and should—be put more positively. . . Russia is on the path toward becoming a modern state, at peace with itself and the world, productively and prosperously integrated into the international economy, a source for raw materials and manufactured products, a market for American goods and services, and a partner for American diplomacy. It should be U.S. policy not just to prevent the worst but also to nurture the best that might happen in the former Soviet Union” (Talbot 2002, 52). He explained that the Russians “were trying to transform their country from a totalitarian system to a democracy; from a command economy to a market one; and from a multinational empire to a nation-state.” He called the bloodless meltdown of the Soviet system “the greatest political miracle of our era” (Talbot 2002, 53). He continued, “Doing what we can from the outside, marginal and modest as it may be, to keep that miracle going constitutes the greatest

single task facing American foreign policy in the years to come” (Talbot 2002, 53). Even at this early point in the assistance effort, the foreign policy leadership understood that their external impact could be only so effective at establishing Russian democracy.

The President’s Annapolis speech was well-received in the Senate, which demonstrated bipartisan support for assistance to Russia. Senator Claiborne Pell (D-RI) commended the President for seeking outside advice in preparation for the Vancouver Summit, and especially supported the President’s focus of assistance at the grassroots level to make a lasting impact (U.S. Congress. Senate. 1993b). Senator Robert Dole (R-KS) likewise commended the administration for reaching out broadly in its consultations for the upcoming summit. In sharing his recommendations for U.S. policy toward Russia, Senator Dole focused first on offering debt relief and establishing a system to trade American grain for Russia’s natural resources. He voiced strong support for President Yeltsin and noted that he “told President Clinton that he has bipartisan support in Congress for assisting Russia and neighboring states because it is in our national interest. . . . There is a great deal at stake in the Vancouver summit and I want President Clinton to know that he goes there with strong Republican backing” (U.S. Congress. Senate. 1993c).

As part of a series of expert meetings on Capitol Hill, Paula Dobriansky, then a fellow at the Hudson Institute and a member of the National Endowment for Democracy (NED), made arguments that Representative Tom Lantos (D-CA) especially wanted to share with his congressional colleagues. Her main points were that democracy promotion

in Russia and the rest of the former Soviet Union should be a major organizing principle for U.S. foreign policy, and that it will take time to build democracy because the legacy of communism looms large (U.S. Congress. House. 1993a). Russia must “dislodge entrenched elites” and empower the people to hold genuine elections at all levels. She recommended that the U.S. help Russia overcome its communist legacy through specific steps. She wanted to offer blueprints and concrete assistance to help Russia lay the institutional foundation for democracy in six key areas:

- Structure of the government and governance—establishing limited government with checks and balances and holding regular free and fair elections;
- Develop rule of law with an independent functioning judicial system;
- Focus on education and the promotion of a civil culture and strong civic associations;
- Support free and independent media reflecting pluralism;
- Support free market reform that coupled with a democratic political system promises the best prospects for economic development; and
- Facilitate competent law enforcement with appropriate civil-military relations (U.S. Congress. House. 1993a).

According to Dobriansky, the U.S. should pursue assistance to Russia on two tracks: governmental and non-governmental. While admitting that organizations like USIA had important roles to play, she preferred to invest in assistance activities working through non-governmental organizations and international organizations, which targeted grassroots forces and, therefore, would have a greater impact on developing a democratic culture. She cited the National Endowment for Democracy (NED) as an NGO well equipped to deliver direct assistance. Dobriansky noted that Russia was limited in its absorptive capabilities for assistance and stressed the quality of economic and democratic assistance over the quantity. She feared that giving large sums of money to the Russian

government would be wasted on subsidizing inefficient state enterprises. Furthermore, assistance should go not just to Moscow, but to local NGOs in villages and cities outside the capital (U.S. Congress. House. 1993a).

Most importantly, Dobriansky stressed that democracy promotion should not be limited to an isolated activity but should permeate all U.S. dealings with Russia including the government, individuals, and the private sector. She warned, however, against “prescrib[ing] precise democracy recipes [because] democracy cannot be just transplanted from one soil to another. We must take into account cultural, geographic, and historical differences”(U.S. Congress. House. 1993a). In hindsight, Dobriansky gave advise that would be followed only years later after learning these lessons in light of misguided early policies.

The Vancouver Summit

In preparation for the Vancouver summit, President Clinton urged his advisers to think big about assistance to Russia. He wanted to keep Yeltsin’s spirits up and keep him moving in the right reform direction. According to Talbott, the President saw Yeltsin as a genuine democrat. He wanted the U.S. to increase the size and accelerate the delivery of assistance. He told his advisers not to worry about the Congress; it was his job to sell a bold package to the Congress. President Clinton wanted a package that helped demilitarize Russia’s economy and included housing for decommissioned military officers and provided work for nuclear scientists and assistance in dismantling weaponry (Talbott 2002, 58). The FREEDOM Support Act already called for the U.S. to pursue these activities. The President’s rationale was that “if Russia goes bad—if those guys

trying to impeach Yeltsin win—we'll be back here talking about reversing our defense cuts and spending really big money to wage a new cold war" (ibid., 58). According to Talbott, National Security Adviser Sandy Berger encouraged Clinton to support Boris Yeltsin because there was no better option. President Clinton was convinced that Yeltsin was the best hope for Russian democracy.

Facing steady challenges at home and the pending April 25, 1993, referendum, Yeltsin was looking only for modest U.S. support at the Vancouver summit, so as not to give his opposition ammunition that he was a puppet of Washington. He only wanted to demonstrate that the outside world was ready to help Russia in this transition. His greatest interest was in help to build housing for the Russian officers being withdrawn from the Baltic states in 1994. The Russians were interested in stability and at least the appearance of parity in relations with the U.S. (ibid., 69).

President Clinton lost no time engaging with President Yeltsin as they met in their first summit on April 3-4, 1993, in Vancouver, British Columbia. The two leaders approved a comprehensive strategy of cooperation "to promote democracy, security, and peace" including access to each other's markets and removal of barriers to trade (U.S. Department of State Bureau of Public Affairs 1993e). To assist in the development of U.S.-Russia relations, they created a United States-Russian Commission on technological cooperation to be chaired by Vice President Gore and Prime Minister Chernomyrdin, which became known as the Gore-Chernomyrdin Commission or GCC. President Clinton announced a \$1.6 billion aid package for Russia, which he offered as

“cooperation,” not assistance, in the areas of humanitarian needs (57% of the total package), private sector development (10%), democracy promotion (3%), energy and the environment (2%), officer resettlement (.3%), trade and investment (15%), and security (13%).⁸¹ The presidents agreed to begin work immediately on establishing two funds to accelerate privatization and provide lending to new small private businesses, resuming U.S. grain sales to Russia along with loans to purchase American grain, and launching a pilot project to help provide housing for Russian military officers as they moved into civilian jobs. They also agreed to expand exchanges between American experts in many fields and the Russian people. The GCC agreed to undertake a special initiative to encourage American investment in Russia’s oil and gas sectors. In the press conference immediately following the summit, President Yeltsin noted that “this was the first economically oriented meeting of the two great powers,” rather than one focused on military issues (U.S. Department of State Bureau of Public Affairs 1993e).

On the flight back from the summit, Talbott reported that President Clinton decided to ask Congress for even more than the \$1.6 billion in assistance for Russia, increasing it to \$2.5 billion with two-thirds devoted to Russia on the theory that success in Russia would help the other post-Soviet states. The U.S. package was different from the G-7 package, which was aimed at restructuring the Russian economy. The U.S. package “would reach recipients outside the government and to a large extent outside Moscow. It was targeted on those parts of the population that had been particularly hard hit by food and medicine shortages; on the private sector, especially small businesses; on

⁸¹ The percentages are my figures calculated from the chart on U.S. Assistance to Russia printed on *Fact Sheets: Vancouver Summit* (U.S. Department of State Bureau of Public Affairs 1993e, 7)

independent media outlets; on nongovernmental organizations promoting civil society and rule of law; on public-interest advocacy groups, stock markets, start-up political parties and labor unions.” These would be delivered through technical assistance “know-how provided by American experts through the U.S. government—so there would be little cash to be siphoned off by corrupt local officials. . . . Another centerpiece was an exchange program that would bring tens of thousands of students and young professionals from Russia and other new independent states to the U.S. for two weeks to two years” (Talbot 2002, 70). Indeed, assistance programs under the FREEDOM Support Act covered all these activities, but exchanges did not become a central focus of assistance until later in the decade.

Shortly after the Vancouver summit, the finance and foreign ministers of the G-7 met in a special gathering in Tokyo to discuss aid to Russia, the first time such a meeting had been called to focus on one specific issue, in anticipation of the July G-7 Tokyo Summit. This was an effort on the part of the U.S. to link its bilateral assistance plans to multilateral efforts. The participants focused on exclusively on economic issues, reducing inflation, achieving macroeconomic stabilization and a currency stabilization fund. The G-7 based its assistance plans on several assumptions:

- “Progress towards macroeconomic stabilization, especially the reduction of Russia’s high rate of inflation by bringing monetary and credit expansion under control, is of paramount importance to the success of Russia’s economic reforms;” (The IMF would take the lead.)
- “Structural reform measures are essential for building a market economy and can most effectively be implemented in the context of macroeconomic stabilization;” (The World Bank would take the lead.)
- “Small and medium sized enterprises are crucial for development of a private sector in Russia,” (EBRD would take the lead.)

- “One of the crucial areas of structural adjustment in Russia is the restructuring and the privatization of large scale enterprises,” (The G-7 would create a working group to pursue this.)
- Rescheduling the debts of the former Soviet Union “will substantially ease balance of payments constraints,” and
- “Improvement of access for Russian products to international markets strongly reinforces Russian structural reform” (U.S. Department of State Bureau of Public Affairs 1993e, 16-19).

The G-7 focused its plans on these areas accordingly, working with the Russian government to address its highest priorities. To activate the G-7 support, the Russian government had to take certain steps such as controlling inflation.

Secretary of State Warren Christopher announced at the conclusion of the Tokyo summit that President Clinton would request an additional \$1.8 billion in support of Russian reform, including \$1.55 billion in grants, all but \$300 million to go to Russia. This additional amount also included a \$500 million grant to begin a new special privatization and restructuring fund to be supplemented by funds from other international donors to arrive at a \$2 billion fund. Secretary Christopher stressed especially to the American people that this was in “no way a program of charity; it is in no way a handout” (ibid., 19). Because the stakes of Russia collapsing into chaos were so high, reform there was in America’s self-interest.

Back home, President Clinton faced a tough sell on Capitol Hill for his enlarged assistance package to Russia. According to Talbott, the President realized that the selling point would be the potential impact of assistance on the Russian citizenry, combined with the need to ensure a substantial G-7 package to show that the U.S. would not be supporting assistance efforts alone. Talbott testified before the Subcommittee on Foreign

Operations to justify the administration's requested funding for bold moves in support of Russian reform and reformers, namely Boris Yeltsin, who faced the referendum on his government on April 25, 1993. The Russian people were asked in the referendum to express their opinions on Yeltsin's "leadership, his economic policies, and on whether there should be new presidential and parliamentary elections" (ibid., 21). To strengthen Yeltsin's hand, Talbott asked the U.S. Congress to "do what we can from the outside to make the benefits of reform visible and tangible to the people on the inside and to do so as soon as possible" and "find targets of support that will last and that represent trends we hope will become irreversible" (ibid., 21).⁸² Talbott reported in his memoir that, surprisingly, House minority whip Newt Gingrich came out strongly in favor of supporting Russia, describing this as "one of the great defining moments of our time" (Talbott 2002, 61). Yeltsin's ultimate success in the April 25 referendum boosted congressional support for Clinton's assistance package as the Russian people put their support behind Yeltsin and his reforms and called for new parliamentary elections.

The Tokyo Summit

The presidents met again just a couple of months later in Tokyo on July 9, 1993, when the G-7 announced a \$28.4 billion aid package for the new states of the former Soviet Union. According to Talbott, President Yeltsin went to Tokyo seeking a substantial amount of money, and he got it. The package was designed to fight inflation,

⁸² This theme of the "irreversibility" of reforms was prevalent throughout democracy promotion discussions in the 1990s and continues to this day. The goal of U.S. democracy promotion was to help advance reform sufficiently in Russia that the system would not revert back to authoritarianism. I have not found, however, specific definition at which point the U.S. government would consider democracy irreversible.

restructure the economies of the region with special programs intended to have “near-term, high-impact benefit on the lives of citizens” (Talbot 2002, 84). The package, however, was conditional on the lending rules of the International Monetary Fund. The Russian government had to cut spending, control the money supply, create a credible tax system, pass laws on private property and get a handle on corruption. The GCC set up working groups to tackle these issues.

Concerns about Russia

The U.S. Congress debated President Clinton’s request for \$2.5 billion in aid to Russia throughout the summer of 1993. Some in Congress were hesitant to provide more assistance through USAID, calling for reform of the agency for its “mismanagement and inefficiencies” based on findings of insufficient oversight of development projects (U.S. Congress. House. 1993b). Others in Congress were concerned about the direction of events in Russia. The strong support for Russia in the euphoria of 1992 had evaporated in the face of the erratic and unpredictable turns of the Russian government since then, from its inability to control hyperinflation to the increasing political struggles between Yeltsin and the Congress of People’s Deputies. Senator Patrick Leahy (D-VT) led a Congressional delegation to Russia in July 1993 and in his trip report noted that economic changes had not spread across Russia and were limited to the major cities. He suggested that “the pace and scope of reform needs to be pressed harder once the political position of President Yeltsin and the reformers is firmly consolidated” (U.S. Congress. Senate. 1993d). Senator Leahy cautioned for a realistic assessment of what difference

Western assistance could make in an economy the size of Russia's, the transformation of which would be the "work of a generation" (ibid., 4).

The growing resistance to Yeltsin in Russia and the attack on the Russian White House on "Bloody Sunday," September 21, 1993, refocused the U.S. Congress. Yeltsin suspended the parliament and called for elections on December 12, 1993. In response to these events, Senator Pell (D-RI) called for Congress's swift consideration of the assistance package to Russia (U.S. Congress. Senate. 1993e). He felt the reformers needed the support of the U.S. and not acting would send the wrong message to Yeltsin's opponents that the U.S. did not find the economic and political transformation of Russia a priority.⁸³ Over the course of September 29-30, 1993, President Clinton used the crisis of "Bloody Sunday" and threat of instability in Russia to push the bill, which Congress approved quickly and Clinton signed on the last day of the fiscal year. In the Conference Report on the Foreign Operations Appropriations Act of 1994, Congressman David Obey (D-WI) commended the strong bipartisan conduct of the Subcommittee in addressing the issue of aid to Russia (U.S. Congress. House. 1993c). Support for Russian democracy was a rare instance of strong bipartisan agreement in the Congress and of agreement between the executive and legislative branches.

⁸³ This is an interesting observation with which I agree. U.S. policy makers need to be aware not only of the impact of U.S. policy action on the international community, but also on those instances where the U.S. government chooses deliberately not to act or just does not take any action and how that is read by other nations. In other words, what the U.S. does not do can have as much impact—even unintended—as what it actually does. This was true several times in the story of democracy promotion in Russia in the 1990s—in not objecting strongly, for example, to the seriously flawed "loans-for-shares" privatization program or to Russia's attacks on its own Republic of Chechnya.

Despite Yeltsin's unexpected and sometimes questionable undemocratic actions—as in ruling by decrees and attacking the parliament—President Clinton remained committed to him. Talbott recommended that, “We should use our public statements and the president's upcoming summit to reiterate long-term goals and to encourage overall trends in Russia. The key fact about Russia in the fall of 1993 was that the citizens would be going to the polls to elect a new parliament and approve the new constitution. Russia was still a long way from being a stable, mature democracy, but it was also a long way from being a police state, and Yeltsin had been instrumental in moving his country in the right direction” (Talbott 2002, 103). Talbott also noted in his memoir that First Lady Hillary Clinton had joined this discussion about democracy in Russia, referencing the experiences of Taiwan and South Korea, “which had undergone their own long transitions to democracy. ‘Democracy comes by fits and starts after all those years of dictatorship. Russia's not doing that badly when you compare it to Asia. We've got to give them time.’” The President added, “It's going to be a two-steps-forward, one-step-backward deal” (ibid., 104).

The December 12, 1993, parliamentary elections did not go well for the reformers and signaled support instead for ultranationalist Vladimir Zhirinovskiy and his misnamed Liberal Democratic Party. This was a blow to democratic reforms in Russia because the stalemate between Yeltsin and the Duma would continue. President Clinton interpreted this as a wake-up call to pay more attention to the lives of ordinary citizens in Russia, who did not demonstrate support for market reforms. He called for the U.S. and the West

to be generous in their support for Yeltsin, aware of the messages they were sending to Russians, and lenient on the IMF terms of conditionality.

At the G-7 Summit in Naples on July 10, 1994, Yeltsin pushed hard for official inclusion of Russia, expanding the group to the G-8, but the U.S. Treasury Department advised President Clinton against it because Russia's economy was not sufficiently developed and Russia was not living up to the strict IMF conditions. At a press conference following the summit, President Clinton, reflecting pressure from the U.S. Congress, called for Yeltsin to withdraw Russian troops from Estonia by the August 31, 1994, deadline. Yeltsin publicly responded with a defiant "Nyet." Baltic independence was an especially sensitive topic with the U.S. Congress, which, upon Yeltsin's declaration, immediately passed legislation to stop all U.S. assistance to Russia except humanitarian aid, if Yeltsin did not meet the deadline. President Clinton gave top priority to convincing Yeltsin to reach agreement on the withdrawal (*ibid.*, 128-9). According to Goldgeier and McFaul (2003, 172), President Clinton essentially bought the Russian troops out of the Baltics by promising to build them housing, a move not strongly supported by some U.S. congressmen. The Baltic-American lobby, however, helped to push authorization through the Congress (*ibid.*, 172).

Assessing Russian progress

Senator Patrick Leahy (D-VT), chairman of the Foreign Operations Subcommittee of the Senate Appropriations Committee, which controls foreign assistance, led a Congressional delegation to Russia on September 2-12, 1994, to ascertain progress in the

country's transition to democracy and free market. The delegation determined that Yeltsin had made significant progress in the first two years of Russian independence and that American assistance had helped, but that Russia still had a long way to go to complete the transition. Lacking many of the basic institutions of a market economy, the delegation feared that if those institutions were not established quickly, "corruption and crime rather than competition could become the dominant features of the Russian economy" (U.S. Congress, Senate. 1994a). The delegation saw signs of high unemployment in people on the street selling trinkets to make money.

Russian officials repeatedly asked the delegation for technical assistance to support their reform efforts and agreed that humanitarian assistance was no longer needed. The delegates were amazed by the rapid privatization of the economy in two years. They identified crime and corruption as the gravest threat to the establishment of a market democracy in Russia, noting that "neither individuals nor companies feel secure. . . . No element of government is competent at the moment to provide them security (ibid.). The delegation recommended adding technical assistance for law enforcement as a major element of the U.S. program, in addition to support for "a commercial code, legal protection of land ownership, prohibitions against monopoly and other anti-competitive practices, and rules to govern corporate issuance of stocks and bonds and trading in such securities" (ibid.). The delegation identified the unpredictable tax structure as a major disincentive to foreign investment, supposing that it may not be such a big issue for Russians who are accustomed to "evasion of government regulation and taxation" (ibid.). The delegates recommended that U.S. assistance give priority to helping Russia draft a

tax law and create police and judicial enforcement mechanisms because “the government needs taxes to survive” (ibid.)

In addition to Moscow and St. Petersburg, the delegation also visited the city of Nizhny Novgorod, where U.S. assistance had allowed Governor Boris Nemtsov to pursue new approaches to private sector development as a model for other Russian regions. The congressional delegation strongly supported such targeted assistance to Nizhny Novgorod, especially because it helped people at the grassroots. The delegation recommended that USAID continue to encourage entrepreneurship and to monitor such programs closely.

Nearly three years after the collapse of the Soviet Union, U.S. officials saw increasingly clearly what needed to be done in Russia to support the transition to a market democracy, as demonstrated here in the focus on the tax structure for needed government revenue and concern over the tipping point for corruption. Missing, however, was the guidance on how to encourage Russia to pursue needed reforms in these areas or reflection that perhaps external forces could not convince Russia to take these steps. U.S. officials identified the attributes of democracy with increasing clarity and specificity, but did not give specific attention to the process of democratization. The consistent high-level of attention devoted to democracy promotion in Russia in the early part of the Clinton administration was notable, but would not be sustainable in the face of other pressing foreign policy issues.

Democracy Promotion in Russia on the Backburner

Events on the world stage encroached on U.S.-Russia relations. Democracy promotion slid from the top of Bill Clinton's foreign policy agenda as other events in that region and elsewhere brought new demands in the U.S.-Russia relationship, particularly the issue of NATO enlargement, bringing former Warsaw Pact allies of Russia into the western organization. The business of democracy promotion shifted from the purview of the top foreign policy leadership to the organizational level of foreign assistance in the Executive Branch, specifically, the Office of the Coordinator for U.S. Assistance to the NIS in the State Department, the U.S. Agency for International Development, and the U.S. Information Agency. At this level, federal program officers working with their U.S. NGO counterparts determined the detailed designs of assistance programs. The work of democracy promotion in Russia became the usual business of mid-level bureaucrats and received attention from higher level officials, e.g., the Congress, when it could be used as a weapon or an instrument of policy, for example, when the Congress threatened to withhold assistance if the Russian government did not pull its troops out of the Baltic states by the July 31, 1994, deadline.

A changing domestic environment

Presidents Clinton and Yeltsin both faced political opposition at home, in which U.S.-Russia relations played a key role. First, in November 1994, the Republican Party gained control of both houses of the U.S. Congress based on its "Contract with America," spearheaded by Speaker of the House Newt Gingrich. The contract promised U.S. government reform, a balanced budget, and a fight against crime, among other provisions

to increase the safety and well being of the American people. One platform on which the Republicans had campaigned was the need to rely not on deterrence, but on defense, specifically on National Missile Defense (NMD). NMD stood in direct contrast to President Clinton's promise to Boris Yeltsin that the U.S. would continue to comply with the Anti-Ballistic Missile (ABM) Treaty, under which NMD would be inadmissible. Once in control of the Congress, the Republicans pushed for a national anti-missile system and withdrawal from the ABM treaty (*ibid.*, 377). The new Republican control of the U.S. Congress in 1994, therefore, brought a shift in what the Clinton administration could pursue in its relations with Russia as the new Congress scrutinized Russian behavior much more closely. While the Clinton foreign policy team was more inclined to look for ways to cooperate with Russia, i.e., to offer carrots to entice good behavior, the U.S. Congress was more inclined to be punitive, pushing sanctions or holding back assistance.

Second, 1996 was a critical year for both Bill Clinton and Boris Yeltsin when both sought re-election as president. In the first round of the Russian presidential election on June 16, 1996, Yeltsin gained a slim margin over his communist opponent Gennady Zyuganov and soundly won re-election in the second round on July 3. Yeltsin fell desperately ill, however, immediately after his re-election. On November 5, 1996, the day Bill Clinton won re-election as President of the United States, Boris Yeltsin had quintuple bypass heart surgery.

In the midst of political challenges at home in the middle of the decade, Presidents Clinton and Yeltsin struggled through the most contentious issues in the U.S.-Russia relationship, including the response to Serbian aggression in Bosnia, Russia's conflict with Chechnya, and Russia's continued cooperation with Iran in the area of nuclear technology. President Clinton's approach to dealing with Yeltsin on these issues was to meet face-to-face and often.

War in Bosnia

At the same time the Soviet Union was disintegrating, so was Yugoslavia, though not so peacefully, especially as Serbian leader Slobodan Milosevic sought to create a greater Serbia by supporting and seeking to unite the Serbs of the former Yugoslavia. Violence in the region was already a looming problem at the outset of the Clinton Administration. In the short space of time between the two summits in Vancouver and Tokyo, Bosnia-Herzegovina in the former Yugoslav Republic erupted into violence as Bosnian Serb forces attacked Muslims in the region. The conflict lasted four years, "claimed some quarter of a million lives, [and] displaced two million people from their homes" (State Department Historian Office 2001, 6).

The U.S. wanted to stop the fighting by working through the United Nations, likely backed up by the force of NATO (Talbot 2002, 73). Many in Russia opposed such use of force against Milosevic and Serbs in Bosnia. Under threat at home by the communists, Yeltsin was particularly sensitive to the division between U.S. support for the Muslims of Bosnia and Russian support for the Serbs. As Russia sought in the

United Nations to defend Serbia from attack, Serbs continued to attack Muslims in Bosnia (ibid., 74). The U.N. passed resolutions and sanctions against Serbia, but this need not defer the attacks. During Senator Leahy's trip to Moscow in September 1994, then Foreign Minister Kozyrev told the congressional delegation that Russia wanted the Bosnian Serbs to accept the U.N.-sponsored peace plan and he had invested much energy in trying to get the Serbs to do so. The delegation remained convinced that Russia held considerable influence over the Serbs and urged the Clinton Administration to keep pressure on Russia to help stop the fighting in the Balkans (U.S. Congress. Senate. 1994a). The daily violence against the Muslims continued, however, for two years while the international community designed peace plans.

On August 29, 1995, NATO launched air strikes against Bosnian Serb targets in response to yet another Serb attack on Muslims in a Sarajevo market. For two weeks, the air attacks targeted Bosnian Serbs that had set up bases near UN-protected "safe areas" for the Muslims. In the midst of election campaigning, Yeltsin reacted strongly against the strikes in public display and blamed Foreign Minister Andrei Kozyrev for not having prevented them. The NATO strikes convinced the Serbs to halt their attacks against Muslims. President Clinton's attention fully focused on devising a peace plan for the war in Bosnia, including Russian participation in peacekeeping operations (PKO) there. Russians were willing to participate in PKO as part of a UN operation, but would not report to NATO command (Talbot 2002, 174). U.S.-Russia relations in fall 1995 centered on finding an acceptable solution that would allow Russia to participate in Bosnian peacekeeping. Russian negotiators threatened that a Russian military contingent

reporting to NATO would lead to a communist win in the presidential elections in March 1996. Russian Defense Minister Grachev suggested that Russia “was prepared to have a Russian general serve as a deputy to the senior American military officer in Europe, General George Joulwan [who conveniently] held two positions: commander in chief of American forces in Europe and Supreme Allied Commander (i.e., the top NATO officer). It was in his U.S. capacity that . . . would make it possible for the Russian military to participate, under American command and in cooperation with NATO, as a partner in Bosnian peacekeeping” (ibid., 176). The peacekeeping force was ready, but the peace deal with the Serbians needed to be put in place.

Assistant Secretary of State for European Affairs Richard Holbrooke designed “proximity talks, a negotiating process in which a neutral party conducted individual talks with the combatants, who were housed in close quarters but separate from each other” (State Department Historian Office 2001). The talks were held November 1-21, 1995, in Dayton, Ohio at the Wright-Patterson Air Force Base among U.S. negotiator Richard Holbrooke, Serbian President Slobodan Milosevic, Croatian President Franjo Tudjman, and Bosnian President Alija Izetbegovic. The agreement provided the future structure of Bosnia-Herzegovina where peace would be overseen by a 60,000 NATO implementation force, including Russia’s participation. For the next four years, conflict in the Balkans was managed.

War in Chechnya

At the same time the U.S. was trying to work with Russia on constraining Serbian attacks in Bosnia, President Yeltsin launched a war with the separatist republic of Chechnya in the North Caucasus on December 11, 1994, when Russian troops bombed the capital city of Grozny. Based on an interview with Strobe Talbot, Goldgeier and McFaul (2003, 138) claimed that Russia's attack was a surprise to the Clinton administration, which did not have a policy on Chechnya at all. The State Department *Background Notes* on Russia (2000, 7) indicated that both sides—the Russian troops and the Chechen rebels—committed human rights violations against civilians, with “tens of thousands killed and more than 500,000 displaced” during the two-year conflict. In light of actions in Chechnya, U.S. decision makers were concerned about the Russian government's commitment to international human rights, but the administration respected Russia's territorial integrity and could not defend the Chechen leader Dzhokhar Dudayev's call for separation. Some, however, were particularly concerned about Yeltsin's tactics in dealing with Chechnya (Goldgeier and McFaul 2003, 139). Congressman Frank Wolf (R-VA) strongly criticized the Clinton Administration for not condemning Russian attacks on Chechen civilians, which he deemed “genocide” (U.S. Congress. House. 1996). He recommended that the President send a high-level mediator to Russia to search for common ground between the warring parties.

The administration continued to view Chechnya as an internal Russian affair, despite the disapproval of National Security Adviser Anthony Lake, who was less devoted to Yeltsin than others in the administration (Goldgeier and McFaul 2003, 139).

Treasury Department officials would not approve economic sanctions against Russia as a response, nor did the Defense Department want to jeopardize its progress on nuclear threat reduction activities (ibid., 139). As a result, the administration continued with business as usual, turning something of a blind eye toward the ongoing conflict in Chechnya and missing an opportunity to explore how a democracy could respond to such a threat. Goldgeier and McFaul (139) noted, “The United States was developing a larger foreign policy agenda with Russia that State Department officials did not want derailed by Chechnya” on such topics as arms control, cooperative threat reduction, and NATO enlargement, as well as Bosnia. Focusing on this larger agenda, the Clinton administration did not know what else to do on Chechnya except to support Yeltsin even when it was distasteful to do so. Furthermore, as Anthony Lake admitted to Goldgeier and McFaul (140), “the United States did not have the leverage to make the Russians reverse course.” For his part, Yeltsin explained his actions toward Chechnya in light of relations with other regions. If he allowed Chechnya to go its own way, other regions would follow like dominoes (ibid., 140). President Clinton continued his strong support of Yeltsin and for the advancement of Russian reform. Goldgeier and McFaul (142) suggested alternative signals the U.S. and international community could have sent Russia, including: the incompatibility of such attacks on Chechnya in the context of membership in organizations like the G-7 and as signatories to international treaties like the Conventional Forces in Europe; pursuing discussion of Chechnya in a GCC working group; and cutting international assistance programs. Interestingly, Russian reformers and human rights advocates like Yelena Bonner, *Yabloko* leader Grigory Yavlinsky, and

original economic reformer Yegor Gaidar criticized the war and the Clinton's administration's unrelenting, and in this instance, misplaced support for Yeltsin.

Despite the criticism, the conflict in Chechnya had little influence on the U.S. foreign policy agenda. The first Chechen war lasted until August 1996 when authorities on both sides, through the assistance of the Organization for Security and Cooperation in Europe (OSCE), came to an agreement to withdraw Russian troops completely and hold local elections in January 1997. A peace treaty, signed in May 1997, lasted for two years until Chechen rebels invaded the neighboring republic of Dagestan in August 1999 and were suspected in two apartment building bombings in Moscow in September 1999 (State Department 2000, 7). Russian troops retaliated against Chechnya, claiming control over the republic and initiating a second Chechen war. Guerrilla attacks against the federal troops in the republic continued through the end of the decade.

Partnership for Peace or NATO enlargement?

One of the key concerns in U.S.-Russia relations during 1994 was the issue of enlargement of the North Atlantic Treaty Organization (NATO), i.e., the prospect of former Warsaw Pact countries like Poland and Hungary becoming members of NATO and how Moscow would respond. In the U.S., opinion on the advisability of NATO enlargement was sharply divided between notable scholars like statesman George Kennan who strongly criticized U.S. support for NATO enlargement and others like then U.S. Ambassador to the United Nations Madeleine Albright and, for the most part, the U.S. Congress, which supported it. Albright noted that the Administration developed four

principles to “guide [U.S.] policy toward NATO—the institution countries in the region most desired to join” (Albright 2003, 167). Those four principles were: 1) NATO would remain at the center of European security; 2) NATO would accept memberships of the new democracies based on the same criteria as other members; 3) NATO membership would be used as an incentive to promote reform; and 4) NATO enlargement should occur gradually.

Russia in the 1990s was something the world had never seen, a large, weak nation fully armed with nuclear weapons. The Clinton Administration sought to sell Russia on the idea that NATO enlargement, including the new democracies of Central Europe, would lead to a more stable Europe, which would benefit Russia. In Russia, leading scholars and officials, including President Yeltsin, were adamantly opposed to NATO enlargement as a direct threat to their security. Goldgeier and McFaul (2003, 183) described NATO enlargement as “underscore[ing] Russia’s decline as a major power.” President Clinton remained committed to his relationship with Yeltsin, while Congress was much more unsure of the Russian president’s intentions. President Clinton chose to pursue the Partnership for Peace (PFP) program with Russia over NATO expansion.⁸⁴ Clinton pushed for acceptance of the Partnership for Peace (PFP) approach, an interim program designed to bring together U.S. military officers, former Warsaw Pact officers and NATO officers to consult on security issues and conduct joint military exercises. On

⁸⁴ According to Madeleine Albright, Chairman of the Joint Chiefs of Staff General Shalikashvili came up with the idea of inviting the emerging democracies in Central and Eastern Europe and the new independent states to join a new organization, Partnership for Peace (PFP), as a stepping stone to NATO. NATO leaders approved PFP on January 10, 1994.

June 24, 1994, Foreign Minister Kozyrev signed the PFP document, making Russia an official member (Goldgeier and McFaul 2003, 187).

In a September 27, 1994, summit in Washington, President Clinton quietly introduced to Yeltsin the discussion of NATO enlargement. On May 9-10, 1995, President Clinton traveled to Moscow to meet with Yeltsin and began the dialogue about relations between NATO and Russia. Russia agreed to participate in PFP and President Clinton agreed to seek “a special relationship between NATO and Russia” (State Department Bureau of Public Affairs Historian Office 2000, 5). NATO was moving toward enlargement in 1995 as Russia was preparing for presidential elections in 1996. Clinton promised Yeltsin that enlargement of NATO would be gradual and carefully considered and nothing would happen until after the Russian election.

According to Talbott, the Polish-American community encouraged the newly Republican-controlled U.S. Congress to put pressure on the President to pursue NATO expansion, instead of the Partnership for Peace approach, fearing that this would send Russia the message to pursue rebuilding its empire. Congressional sentiment was increasingly anti-Russian. Talbott noted, “Senator Richard Lugar, an Indiana Republican who had been a champion of bipartisan support for assistance to Russia, publicly chastised our administration for pursuing a “Russia-first” policy, calling PFP a ‘Band-aid offered in place of corrective surgery.’” Senator Lugar saw NATO expansion as necessary and Talbott added that he “found it ominous that an influential and moderate

member of the Senate would reintroduce the concept of containment” (Talbot 2002, 110).

Responding to the U.S. push for NATO enlargement, Yeltsin, at a hastily prepared summit in Budapest on December 4, 1994, labeled this the era of the “cold peace” (Talbot 2002, 140).⁸⁵ Yeltsin stated, “Europe, even before it has managed to shrug off the legacy of the Cold War, is risking encumbering itself with a cold peace. . . . NATO was created in Cold War times. Today, it is trying to find its place in Europe, not without difficulty. It is important that this search not create new divisions, but promote European unity. We believe that the plans of expanding NATO are contrary to this logic” (Goldgeier and McFaul 2003, 191). Yeltsin concluded that it was “too early to give up on democracy in Russia” (ibid., 191). President Clinton was blindsided by Yeltsin’s public remarks, which reconfirmed his unpredictable behavior, and U.S.-Russia relations took a downturn. Strobe Talbot, who had become Deputy Secretary of State, had been distracted by other demands on a broader foreign policy agenda and had not been closely engaged in preparations for this meeting.⁸⁶ Talbot put himself back firmly in charge of U.S.-Russia relations on behalf of the president, placing much of his energy and attention toward the Gore-Chernomyrdin Commission (GCC) to set the relationship back on track.

⁸⁵ Talbot (2002, 134) explained that President Clinton rejected the conventional wisdom that the Cold War had been an era of stability and predictability, but he envied the simplicity of the American public’s perception of it as such. He was looking for a new way to describe this period of uncertainty and complexity that the American people could grasp. Talbot shared this challenge with George Kennan, the father of the concept of containment, who warned against the desire to simplify complicated policy. Clinton, the politician, was looking for a bumper sticker, but he got the answer from the wrong place. His advisers did not produce one, but Boris Yeltsin did with his “cold peace” statements at the Budapest Summit. Yeltsin also was commenting on the recent U.S. invasion in Haiti.

⁸⁶ This debacle served as a wake up call for Talbot who asserted that he would “never again allow an assignment in some other part of the world, no matter how pressing, take [him] out of the center of the bureaucratic and diplomatic action of U.S.-Russian relations” (Talbot 2002, 142).

The Clinton administration stepped gingerly along two delicate tracks. On the one hand, they wanted to confirm with the Central and East Europeans, who were pursuing necessary reforms to become members of NATO, and their supporters that NATO expansion was moving forward. On the other hand, they did not want to jeopardize Yeltsin's re-election.

As Clinton faced the political realities of his own re-election and despite growing Russian concerns, he became more and more committed to NATO enlargement, rather than risk the criticism of the U.S. Congress. Goldgeier and McFaul (2003, 197) noted that Clinton was clear with Yeltsin—he needed to win Wisconsin, Illinois, and Ohio, which had large East European constituencies supporting NATO expansion. Clinton had promised those constituencies that he would proceed steadily with NATO expansion. Once Yeltsin had secured his re-election in July 1996, Clinton moved much more forcefully. In September 1996, the U.S. presented Yeltsin with a draft Russia-NATO charter, which became stalled another six months as Yeltsin's health declined quickly.

In a statement before the House International Relations Committee (HIRC)⁸⁷ on February 11, 1997, Secretary of State Madeleine Albright defended the President's Fiscal Year 1998 budget request. She recounted U.S. assistance to the NIS to date from its first phase of establishing the basic institutions of democracy and the free market to the next stage of building a partnership with the countries of the region. She deemed the first

⁸⁷ In this same address before HIRC, Secretary Albright reconfirmed the administration's effort to promote democracy around the world. She stated, "Democracy is not only the best guarantee of human rights; it is the most fundamental source of peace and prosperity as well. That is why we must continue to support our democracy programs, which are strengthening elections, political parties, governmental institutions, civil society, and the rule of law in many developing nations (State Department Dispatch 1997, 9).

stage “enormously successful—especially in promoting private ownership, free elections, and civil society” and noted that attention had shifted to “boosting trade and investment, thereby unleashing the potential for long-term growth that is central to the transformation of these societies” (U.S. Department of State Dispatch 1997, 3). Secretary Albright expressed her concern that, for the sake of U.S. national security and human freedom at large, Russia and its neighbors needed to emerge as “normal democracies with growing market economies that are fully part of the European mainstream” (ibid., 3). She admitted that this was not a choice the U.S. could make, but that the U.S. could help those who had made that choice for themselves. Russia as a “normal democracy” would “enhance [U.S.] security, aid in the fight against proliferation, help combat international crime, provide new economic opportunities, and create a climate of lasting stability in a region as vital to [the U.S.] future as it had been central to [its] past” (ibid., 3). She acknowledged Russia’s disapproval of NATO enlargement and asked the Congress to consider Russia’s legitimate security concerns, but fully supported moving forward with NATO enlargement, even against Russia’s desires. The Secretary emphasized that delaying NATO enlargement would not make Russia a democracy. No matter what NATO did, Russian democracy depended on what Russia did, specially the ability of its leaders to meet the needs of its people. NATO wanted, however, to make Russia a “full partner in building a united and peaceful Europe” (ibid., 3). To this end, NATO had worked with Russia to craft a charter on working together to consult, train, and respond to crises.

On March 20-21, 1997, Presidents Clinton and Yeltsin met in Helsinki to discuss NATO enlargement, outline the START III talks, and discuss the impact of an anti-missile defense system on the ABM treaty. President Yeltsin sought U.S. agreement that NATO enlargement would never include former Soviet states, a commitment that President Clinton would not make. They agreed to disagree over NATO enlargement, and continued fashioning a relationship between Russia and NATO (State Department Bureau of Public Affairs Historian Office 2000, 6). NATO enlargement proceeded faster than expected.

NATO enlargement remained one of the most difficult issues for Yeltsin to accept because it garnered such opposition domestically as the ultimate sell-out to the West. Russia saw its former allies from the Warsaw Pact pitted against it right on its borders. For Russia, NATO expansion was “zero-sum.” President Clinton worked hard to get Yeltsin to accept the prospect of NATO enlargement, a major part of U.S.-Russia relations from 1994-1997, so it was a major accomplishment when Yeltsin signed the NATO-Russian Founding Act with NATO leaders on May 27, 1997, in Paris. This signaled Yeltsin’s acquiescence to NATO enlargement and brought Russia directly into relations with NATO. According to the State Department’s Historian’s Office (2000, 7) the preamble to the Founding Act established that Russia and NATO no longer saw each other as adversaries and they were committed to peace in the Euro-Atlantic area through “democracy and cooperative security.” NATO reaffirmed that it had no intention to deploy nuclear weapons on the territory of any new member states (*ibid.*, 7). In his memoir, Talbott said he had predicted that Yeltsin would make a deal on NATO

enlargement that allowed it to go forward (Talbot 2002, 232). The trade-off for Russia's acquiescence was to expand the G-7 to the G-8 to include Russia, and to work toward Russia's membership in the other prominent international organizations of the World Trade Organization (WTO), the Paris Club, and Organization for Economic Cooperation and Development (OECD). Russia officially became a member of the G-8 in 1998 in Birmingham, England and, with the admission of Poland, Hungary, and the Czech Republic, NATO accepted its first members of the former Warsaw Pact on April 23-24, 1999.

President Clinton's attention to the internal transition in Russia had been pushed to the backburner under pressure of the NATO enlargement issue. He was greatly relieved when President Yeltsin signed the NATO-Russia Founding Act that institutionalized Russia's relationship with NATO and created the NATO-Russia Permanent Joint Council. According to Talbot, Clinton wanted to turn his attention back to Russia's democratic transformation. He wanted to reward Yeltsin for signing the Act and give him some concrete payback (Talbot 2002, 246). According to Goldgeier and McFaul (210), rather than the NATO-Russian Founding Act being the beginning of a renewed and blossoming friendship, it proved to be the peak before the fall.

Restricting religious freedom in Russia

The U.S. Congress reacted strongly against Russia's new religious law, passed in draft in June 1997, as an attempt by the Duma to restrict foreign religious activities in Russia. The law recognized only four legitimate religions in Russia: Russian Orthodoxy,

Judaism, Islam and Buddhism. Talbott reported that “a number of Republican congressmen threatened to restrict U.S. aid to Russia on the grounds that we shouldn’t be helping a government that engaged in religious discrimination” (Talbott 2002, 253). While the administration agreed, it did not want to hold Russia’s progress hostage to this one test. “It would certainly be a mistake to penalize the Russians for their shortcomings in guaranteeing freedom of religion by withholding funds for American assistance programs that were helping the Russians make progress in other areas, such as developing a court system, independent media, labor unions, and a private sector” (Talbott 2002, 253). Many liberals in Russia were not pleased with the religious law, but felt that the U.S. Congress was holding Russia “to unreasonably high standards of democracy and civil society” (Talbott 2002, 253). Because the administration had to maintain support from Congress, then Secretary of State Albright and Strobe Talbott pressured Yeltsin to veto the legislation. The Clinton administration was faced with the difficult balance of pushing Russia forward toward democracy wherever it could, holding it to very high standards, while at the same time maintaining support for assistance from an increasingly difficult Congress. At the June 20-21, 1997, summit in Denver, President Yeltsin agreed to veto the legislation.

The dispute with Congress over the new religious law was minor, however, compared to the much more contentious issue of Russia’s relationship with Iran over the development and sale of nuclear technology.

Russia's Support to Iran

During the first Clinton administration, the issue of nuclear technology transfer was discussed within the Gore-Chernomyrdin Commission, but Russia had continued its relationship with Iran. The U.S. Congress feared the consequences of the radical Iranian leadership with access to nuclear-armed missiles. The U.S. Congress challenged the Clinton Administration on its Russia policy throughout the latter half of the decade, especially over Russia's continued relationship with Iran despite administration pressure on Russia to halt its dealings with Iran.

Congressman James A. Traficant, Jr. (D-OH) introduced legislation to "prohibit all foreign aid and military assistance to Russia for Fiscal Year 1996, unless the President of the United States certifies to Congress that Russia is not exporting any nuclear technology, offensive military weapons, or other military technology" (U.S. Congress. House. 1995). He explained that this bill was in response to Russia's \$800 million contract with Iran to complete two light water nuclear reactors at the unfinished Bushehr nuclear site, which Russia had signed on January 8, 1995.

In support of the President's planned May 1995 meeting with Yeltsin in Moscow, Senator Joe Biden (D-DE) confirmed the Senate's concern about the "proposed sale of a Russian nuclear power plant and delivery of nuclear technology and training to Iran" (U.S. Congress. Senate. 1995b). While admitting that the proposed sale was within international guidelines, Senator Biden thought it was irresponsible and stated that the President should pressure Yeltsin on specifics like "preventing the sale of a gas

centrifuge plant, which would significantly increase the danger of Iran's [ability] to produce weapons-grade enriched uranium" (ibid.) Biden, however, explained to his Senate colleagues, "threatening to curtail economic and technical assistance to Russia because of disagreements with Russian policy, as some in the majority party in Congress have advocated, would be 'shooting ourselves in the foot,' since such a move could only serve to harm the transition to a free-market economy and true political democracy . . . that are very much in the United States national interest" (ibid.) At the May 9-10, 1995 summit in Moscow, conducted on the 50th anniversary of the end of World War II, Yeltsin agreed that Russia would not supply nuclear technology to Iran nor would it sell additional arms to Iran once current commitments had been fulfilled (State Department Bureau of Public Affairs Historian's Office 2000). Goldgeier and McFaul (2003, 178) suggested that President Clinton was more concerned about supporting Yeltsin than he was about the sale of the nuclear reactor to Iran.

Upon the President's return from Moscow, Senator Mitch McConnell (R-KY) was very critical of the summit, claiming that nothing had been accomplished, "no stopping the sale of nuclear material to Iran, no apologies about the slaughter of 25,000 people in Chechnya" (U.S. Congress. Senate. 1995c). Noting that Yeltsin had replaced many of the original reformers in his cabinet, he asserted that Yeltsin's decisions were making it difficult to continue supporting assistance to Russia. McConnell called Russia's pending sale of nuclear technology the "biggest" issue between the U.S. and Russia and nothing was resolved at the summit (ibid.).

Presidents Clinton and Yeltsin met on June 20-21, 1997, with the G-7 in Denver, where Yeltsin addressed the problem of nuclear technology transfer to Iran, promising to look into accusations that Russian firms were supplying nuclear technology to Iran. Progress in the U.S.-Russia relationship rested squarely between the two presidents. Talbott described this meeting as “the high-water mark of Clinton’s influence over Yeltsin” (Talbott 2002, 257).

Acutely sensitive to the prospects of a nuclear Iran, Israeli Prime Minister Benjamin Netanyahu joined the critics in the U.S. Congress, accusing the administration of being soft on Russia and insisting that the U.S. impose sanctions on Russia over the nuclear technology issue (ibid., 260). Speaker of the House Newt Gingrich was ready to comply. In the meantime, the administration worked closely with Russia through the GCC to come to an understanding. Talbott confided to Foreign Minister Primakov the pressure the administration was feeling from the Congress and from Israel and stressed they were running out of time. Talbott reported that he telephoned National Security Adviser Sandy Berger from Moscow who responded, “Neither you, nor I, nor our boss is ready to shift the paradigm of how we deal with the Russians . . . But there are a lot of people on the Hill who are itching to do so. Even if the Russians give us something to work with, it’ll be tough back here (in Washington)” (Talbott 2002, 261).

Talbott expressed his frustration in winter 1998: “Russia’s handling of its relations with Iran was venal, devious, dangerous and dumb, and [Prime Minister] Primakov was undoubtedly part of the problem. But until now the Clinton administration

had been able to handle its own relations with Russia by its own lights and devices. I hated having to admit to Primakov that we were losing control of our Russia policy to an assertive and hostile Congress. For five years, we'd listened to Russian officials point over their shoulders at the Duma and say, 'Do what we want or you'll have to deal with those crazy people!' Now we were doing much the same thing" (Talbot 2002, 261).

According to Talbot, Sandy Berger worked Congress hard to avoid the imposition of sanctions against Russia. The administration did not want to back away from its cooperative approach to Russia, fearing they would risk all that had been accomplished, including the NATO-Russia relationship. Continuing to work through the Gore-Chernomyrdin Commission, which had become an institution the Russians took seriously, provided enough evidence of progress with the Russians on the Iran issue that Congress backed off the immediate threat of sanctions in winter 1998. Yeltsin, however, dismissed Chernomyrdin as Prime Minister, giving way to younger technocrats who saw the relationship with Iran as highly profitable (ibid., 264). This was a blow to the Clinton administration's ability to keep moving forward with Russia.

The President thought that he alone could keep the relationship with Yeltsin on track through face-to-face meetings. While the GCC, under new leadership on the Russian side, continued to work issues at a lower level, the most important ones were reserved for the two presidents. They were both facing the threat of repercussions from their legislatures and feared that if the U.S. Congress imposed sanctions against Russia, the Russian Duma would react viciously and a downward spiral in relations would ensue.

Only the personal relationship between the two presidents stood a chance to keep that from happening. Clinton needed to veto the anti-Russian sanctions bill in Washington and Yeltsin needed to go after those who were making deals with Iran.

Congress indeed passed the anti-Russian sanctions legislation on May 22, 1998. As Talbott reported, “The bill had everything going for it politically: its proponents depicted it as a way of saving Israel from its worst enemy, Iran; of thwarting proliferation and sending a clear message that the U.S. was no longer going to coddle Russia. It was an opportunity for the more partisan Republicans to add to Clinton’s troubles” (Talbott 2002, 273). The Congress overwhelmingly passed the bill (90-4 in the Senate and likewise in the House). President Clinton vetoed the bill on June 23, 1998, and pressed Russia for action that would let him sustain it. Sandy Berger convinced Russia to announce major investigative efforts against those who were conducting business with Iran; at the same time, the administration imposed trade restrictions on those same businesses. The atmosphere was still primarily one of cooperation in U.S.-Russia relations, while appeasing the U.S. Congress with measures close enough to sanctions to keep the Congress from overriding Clinton’s veto. Further trouble was soon to come, however.

Crash and scandal

The crash of the Russian ruble on August 18, 1998, dealt a blow to Russian reform. Clinton saw this as a “fulcrum moment” for Russia, determining in which direction Russian reform would tip. The Russian government devalued the ruble,

defaulted on its bonds, and froze transactions between Russian and foreign banks, all against the backdrop of the Monica Lewinsky scandal breaking in Washington as the President admitted to having a relationship with her. In Russia, President Yeltsin was nowhere to be found while the banking system collapsed. Talbott reported, “Much of what we wanted to do in foreign policy depended on a degree of cooperation from Congress. That had been hard enough to attain since the Republican resurgence after the 1994 elections, and it became harder than ever now that those who opposed the president, his administration and his party had a sensational issue” (Talbott 2002, 275). If, indeed, progress in U.S. relations with Russia depended almost exclusively on the personal relationship of the two presidents as President Clinton reportedly believed, they must have seemed doomed with both men under siege – Clinton for Lewinsky and Yeltsin for his alcohol addiction, overall poor health and erratic behavior. In the United States, foreign policy concerns gave way to domestic scandal.

War in Kosovo

On October 13, 1998, ethnic unrest broke out again in the Balkans, this time in the Albanian majority enclave of Kosovo embedded in the Republic of Serbia. The Kosovo Liberation Army fought against the rule of Yugoslav President Milosevic who was pursuing ethnic cleansing in Kosovo (State Department Historian Office 2001). NATO again conducted air strikes against Serbia in March 1999, bringing an end to Milosevic’s attacks against the Kosovar Albanians. The strikes continued for 78 days, longer than the U.S. expected (Goldgeier and McFaul 2003, 252). While Yeltsin strongly opposed the bombing, Clinton negotiated with him to convince Milosevic to pull Serbian troops from

the province of Kosovo. Yeltsin could not change the President's mind about NATO bombing Serbian aggressors. Russian public opinion polls showed strong disapproval of the NATO bombing campaign and led to the first break in U.S.-Russia relations since the end of the Cold War (ibid., 253). Many were concerned how Russia would respond and feared it would assist Serbia. The impasse between the U.S. and Russia was resolved when Yeltsin agreed to take the issue up in the GCC. NATO established a peacekeeping presence and the United Nations an interim government in Kosovo. Presidents Clinton and Yeltsin met on June 19-20, 1999, at a G-8 Economic Summit in Cologne, Germany, during which they agreed on Russian participation in the Kosovo peacekeeping force.

A disappointing end

In the midst of the Russian economic crisis and Clinton's personal scandal, plans moved forward on a previously scheduled presidential summit in Moscow on September 1-2, 1998. According to Talbott, the Russians desperately wanted President Clinton to come to Moscow as scheduled to support the reformers. Vice President Gore wanted Clinton to go ahead with the trip, fearing that to cancel would be seen as admitting defeat on the whole of the U.S.-Russia policy. Clinton agreed to make the trip, reconfirming his belief that Yeltsin still remained the best hope for the U.S. in moving Russia toward a market democracy.

The Clinton foreign policy team was constrained severely from 1998 through the rest of the administration's term as the Monica Lewinsky scandal in the U.S. demanded

attention and dominated the headlines. Not much went right in the foreign policy arena, with little progress in the Middle East peace process, violence in Kosovo, continued resistance of Saddam Hussein to UN resolutions, near nuclear exchange between Pakistan and India, economic failure first in Asia and then in Russia, and continuing conflict in African countries of Ethiopia and Eritrea, the Democratic Republic of Congo, and Sudan (State Department Office of the Historian 2001).

Clinton held his first presidential summit with newly elected President Putin on June 3-5, 2000 in Moscow and stressed the need for Russia to address its problem of corruption and improve its rule of law “as the underpinning of Russian reform” (State Department Bureau of European Affairs 2000, 9). They met again at the G-8 summit in Okinawa on July 21, again on September 6 in New York, and for the last time on November 15 in Brunei. On January 20, 2001, George W. Bush was inaugurated as the 43rd President of the United States and he and Vladimir Putin would go on to establish another personal relationship between the presidents of the United States and Russian Federation.

Interestingly, Talbott noted that in subsequent talks with former President Clinton, the president reflected that he wished he has pushed Russia harder on economic reform and had provided more assistance, especially in terms of the social safety net needed to protect citizens from the pain of privatization. He regretted not having had more impact on the real people of Russia. Clinton and Talbott recounted the many still unresolved debates about the sequencing of reforms – which should come first, the political or the

economic? “When do the exigencies of electoral and parliamentary politics trump the law of economics, and how do you reconcile the two?” They concluded that no one figured out the right mixture of “shock and therapy” (Talbot 2002, 406-7). Both admitted that they had let their hopes get ahead of the reality, but were satisfied that in sticking with Yeltsin, Russia and the U.S. were better off at the end of the Clinton administration than if Yeltsin had been replaced by the more hard-line opponents who had challenged him in 1993, 1995 and at the economic crisis of 1998.

The State Department Office of the Historian (2001) summed up the Clinton Administration’s experience with Russia. “Neither adversary nor global partner, Russia combined inconsistent elements of authoritarianism, post-communist reform, neo-Soviet hegemonic behavior, and hopeful long-term social transformation. No one model of relations was likely to fit, and the challenge was to maintain a framework for relations that allowed the U.S. Government to pursue, as appropriate, cooperation and confrontation on issues while pursuing its long-term objectives of support for Russia’s long-term democratic transformation. . .” Throughout the decade of twists and turns of events and issues discussed in this chapter, the U.S. government pursued and adjusted its objectives under the FREEDOM Support Act to support Russia’s transition to a market democracy. The next chapter explains the structure of that assistance and how the cultures of the many organizations involved in providing assistance impacted those programs.

Chapter 4: Translating Vision into Strategy

The decision of the top foreign policy leadership of the United States to assist reform in the post-communist world following the collapse of the Soviet Union set in motion a broad range of activities across dozens of U.S. government agencies involving thousands of individuals inside and outside government. Chapters Two and Three addressed the goals and thinking of the top foreign policy establishment—the presidents, secretaries of state, and key members of the U.S. Congress—on promoting democratic political and market economic reform in Russia. The FREEDOM Support Act (FSA) established the types of activities to be undertaken and the Congress appropriated annual funds to support them.⁸⁸ The key organizations of the U.S. foreign policy establishment—the State Department, U.S. Agency for International Development and the U.S. Information Agency—then translated those visions through their regulations and traditional operating procedures into actionable democracy promotion programs in Russia.

This chapter explains the overall structure of U.S. assistance to Russia from 1992-2000 to accomplish the main goals of the FREEDOM Support Act: to promote the development of the free market and democratic political institutions, and to assist with

⁸⁸ Funding under the FREEDOM Support Act was only one part of the U.S. government assistance along with The Cooperative Threat Reduction program, also known as the Nunn-Lugar program, to dismantle nuclear weapons and increase the security of the weapons of mass destruction stockpile in Russia, and food aid through the U.S. Department of Agriculture. Furthermore, the U.S. was only one donor in the international effort to assist Russia. Others included individual European countries acting bilaterally, especially Germany, and in concert through the European Community/European Union, and Japan. As bilateral donors, however, these countries agreed to let the international financial institutions, specifically the World Bank and the International Monetary Fund (IMF), along with the newly created European Bank for Reconstruction and Development (EBRD), take the lead in stabilizing the Russian economy (GAO, 2000).

immediate humanitarian needs. Specifically, the aim of economic assistance was to shift economic decision making away from the state to the individual who would privately own and manage the majority of economic resources. Democratic political institutions were to be based on open, transparent and accountable governance with broad-based participation of the individual in the political process and market economy. Assistance funds were to help develop respect for human rights and individual freedom and to foster the social services sector suited to a market democracy. The remaining chapters of this study focus exclusively on U.S. government assistance to the Russian Federation under the FREEDOM Support Act because the basic assumption of newly elected President Bill Clinton in 1993 was that Russia would be the bellwether of reform for the rest of the region because of its size and historical reach.

The U.S. goal toward the NIS was “to achieve enduring, normal, and productive bilateral relations . . . and to encourage such relations among them and between them and their partners in the world community” (State Department Coordinator’s Office 1995, 1-2). As stated in the *1994 Annual Report on U.S. Assistance and Related Programs for the New Independent States of the Former Soviet Union* (1-2), “The United States supports each country’s emergence as an independent, democratic, and prosperous nation. We also believe that over the long term, stability and prosperity—and hence independence—require broad and enduring progress toward democracy and market-based economic management. Over that long term, each is essential to the other. Our assistance program is therefore geared to support democratic and market reform and reformers.” U.S. assistance focused first and foremost on Russia in the immediate

aftermath of the collapse of the Soviet Union for many reasons. The humanitarian needs there were great in the winter of 1991-92 and the fear in the West genuine that Russian society would collapse into chaos, risking loss of control over its nuclear weapons. Furthermore, Russia was thought to be more predisposed to U.S. assistance because political and economic reform there had advanced further under the leadership of Boris Yeltsin than in any of the other former Soviet republics.

Lessons Learned from East European Assistance

The brief three years' (1989-1992) experience of supporting reform in Eastern Europe under the SEED Act of 1989 influenced significantly the shape of assistance to the NIS. In spring 1992, the U.S. Congress debated the FREEDOM Support Act at the same time it reviewed accomplishments to date under SEED. The Foreign Operations Subcommittee of the House Appropriations Committee, under the chairmanship of Congressman David Obey (D-WI), focused on special issues related to U.S. foreign policy and assistance to the countries of Central and Eastern Europe. In monitoring progress of this new assistance legislation, the Subcommittee was especially interested in the issues of program flexibility, duration of the assistance programs, and the size and duties of field staff. U.S. assistance to the region needed to be sufficiently flexible to respond to the rapidly changing situation within countries and differing dynamics among them. To ensure this flexibility, the Congress allowed the assistance funds to remain available until expended, meaning the funds were not tied to specific fiscal years, and

without earmarks, the funds could be shifted as needed.⁸⁹ This provision was highly unusual for federal funding, which in most cases must be obligated within the fiscal year in which it is appropriated. William Schuerch noted, “These funds have been granted notwithstanding any other provision of law, without detailed budget justification at the time of request, and with liberal transfer authority among assistance subcategories” (Schuerch 1994, 342). As a result, the Congress exercised surprising little control over how these funds were spent.

The duration of assistance programs was controversial. Expectations were high that the transition period would be relatively brief and progress swift. Fiscal Year 1992 budget documents for SEED indicated that “the U.S. Government sees the provision of this assistance as a top foreign policy priority during a three-to-four year transition period” (ibid., 344). Assistance was not viewed as a long-term commitment. In Congressional testimony, the State Department Coordinator of East European Assistance couched the administration’s request in terms of three to five years. Congressman Obey questioned this reading of the situation in Eastern Europe. Schuerch attributed the insistence of the short-term timeframe to high-level decision makers who wanted to keep the decision making authority for the assistance programs in Washington with no on-the-ground administrators. As long as the programs were of limited duration, there would be little need to set up program administration on site. The Subcommittee was “highly skeptical of the Bush Administration’s idea that the Eastern and Central European programs could be run responsibly entirely from Washington, DC without AID staff in

⁸⁹ Earmarks are funds designated or set aside for a specific purpose, use of recipient (State Department Bureau of Legislative Affairs, 2004).

the field” (ibid., 345). In the early days of the SEED program, there was no AID staff in the field to oversee projects and provide feedback to Washington—contrary to AID procedure in all other parts of the world. Congressman Obey intervened to insist that AID put staff on the ground; USAID was highly reluctant to do so and tried to limit the responsibilities of the staff. Schuerch (1994, 347) noted that in the FY 1993 Appropriations Act, the Congress took “the highly unusual step of legislating a management issue—requiring that AID delegate certain authorities to the field staff.” It was clear that the U.S. government was not efficiently structured to respond to the unfolding events in Eastern Europe at the disintegration of the communist system. In addition to deciding what kinds of assistance to provide to Eastern Europe, the U.S. government had to design a mechanism to deliver that assistance.

In a June 3, 1992 hearing before the House Committee on Foreign Affairs, Subcommittee on Europe and the Middle East, then Coordinator of East European Assistance Ambassador Robert Barry explained that the SEED approach had been designed differently from the classical assistance program, which involved government to government bilateral agreements made by USAID managers in the field. Eastern Europe presented a new assistance challenge to USAID and required a new approach. Unlike traditional USAID target countries, the countries of Central and Eastern Europe were not underdeveloped, they were “misdeveloped” (U.S. Congress. House. 1992a, 38). USAID targeted programs that could be funded quickly and could make an immediate impact. Ambassador Barry noted that “[USAID] reduced the time from conception to delivery

from an average of 22 months in other parts of the AID program to 8 months in the case of the East European programs” (ibid., 4).

SEED programs proffered many lessons learned for assistance to the NIS, including the following:

- Work through the private sector to speed up receipt of aid. The U.S. discovered it could disperse aid quickly through the private sector and left the government programs to the World Bank and then European Community.
- Hold regular coordination meetings among donors in country. Working with the European Community, the U.S. learned that programs were coordinated more effectively in-country than at large donor conferences, for example, in Brussels.
- Focus on trade, not aid. The SEED program shifted focus to public administration, having found that trade and investment were more important than aid for economic recovery.
- Go regional. USAID designed programs that could aid a number of countries at one time by facilitating trade with the U.S. and providing technical assistance. For this reason, USAID chose to develop regional programs, rather than government to government programs because regional programs allowed the U.S. to respond quickly to changing circumstances on the ground.
- Find the expertise. Washington was committed to pursuing an interagency approach to program design whereby numerous U.S. government agencies with specialized expertise would be involved in a particular assistance program.
- Washington-based. Design of the programs was based in Washington, contrary to traditional assistance programs. This allowed the U.S. to design programs for countries where there were only a couple of USAID employees on-site (ibid., 5).

During the June 3, 1992, hearing, AID Deputy Assistant Administrator of the Bureau for Europe David Merrill explained that they had developed the non-traditional assistance delivery method of the Washington-based regional model and were now ready to switch to long-term institution building focused on such issues as commercial and real estate law, privatization, and development of a securities market. He explained that running the AID mission from Washington was about one-half to one-third the cost of posting personnel overseas and allowed the designs to move more quickly. USAID was

able to sign one contract for the whole region and shift funding as new opportunities arose. In this way, Washington could reward forward movement on economic reform by providing additional funding to a particular country. This flexibility to shift funds gave further leverage to conditionality and allowed for performance-based budgeting. As such, the U.S. could avoid locking into bilateral agreements with specific governments, especially where holdovers from the Soviet period remained in power (ibid., 35). Merrill also noted that the time devoted to program design had been shortened considerably in SEED programs by obligating funds through U.S. intermediaries such as Private Voluntary Organizations (PVOs), universities, and other U.S. government agencies (ibid., 35). He explained that the “key fact of [the SEED] program is that the money goes to the U.S. based contractors, grantees and PVOs, not to the countries themselves,” and suggested that this same approach could apply to assistance to the NIS (ibid., 38).

There was a great deal of dissatisfaction in the Congress with these approaches to assistance. They did not like the regional approach because it ignored the histories, cultures, and languages of the individual countries and, having been part of the Soviet bloc, those countries no longer wanted to be seen as part of that region. They set their eyes on the European Community instead. Ambassador Barry admitted that they had learned many lessons in the three years of administering SEED: there had been too many short term advisers and not enough long-term planning for the transition needs; too many new programs initiated at the requests of the recipients, the Congress, and U.S. government agencies with no coherent plan organizing them; and insufficient attention to cultivating the climate in-country to be hospitable to foreign investment. Merrill added

that they had underestimated how difficult it would be to build the institutions that Eastern Europe needed. “We thought because the countries were so relatively developed—or more misdeveloped than underdeveloped—and had a very educated population, that somehow the institutions were there, but they ran off in the wrong direction for a number of years, and with a slight little spin they could be spinning well again” (ibid., 53). The mistake was that the institutions were not there at all—not the banking institutions, commercial legal institutions, housing laws, or regulations. Everyone underestimated the amount of time it would take to put these institutions in place.

The Foreign Affairs Subcommittee on Europe and the Middle East was particularly critical of USAID managing the assistance programs from Washington. Ambassador Barry explained that the Assistance Coordinator set policy directives from Washington, while the day to day implementation of assistance programs rested with USAID in the field. The General Accountability Office (GAO) earlier also had questioned the efficiency of managing the programs from Washington instead of delegating it to the appropriate USAID mission in the field. USAID explained that the mission in Washington (USAID/W) included input from the field and insisted that it provided flexibility to maintain and expand successful programs or to modify less effective ones through its regional scope. USAID also suggested that the Washington-based approach freed USAID field personnel and embassy staff from bureaucratic work, giving more time for consultation with aid recipients. USAID field personnel were responsible for “ground truthing” policy decisions taken in Washington (ibid., 147).

Deputy Secretary of State Lawrence Eagleburger, who was then responsible for assistance to the former Soviet Union, planned to rely on USAID and other U.S. agencies to carry out assistance programs, according to the model established under SEED. The assistance mechanism inherited by the new Clinton Administration in early 1993 was USAID's attempt to modify its traditional approach to development to meet the needs of the unprecedented circumstances of the fall of communism. There were no blueprints on how to create a market democracy.

Reorganizing the Institutional Mechanism for Assistance

The new Clinton foreign policy team took office with big plans to reorganize the foreign affairs structure of the U.S. government to meet the changed demands of the end of the Cold War. In his first congressional appearance, new Secretary of State Warren Christopher noted, "The State Department as we know it, the U.S. Agency for International Development (USAID), the U.S. Information Agency (USIA), and the Arms Control and Disarmament Agency (ACDA) are all creatures of the Cold War period. They evolved during an era when our nation was facing a single, overwhelming challenge—that is, the challenge of containing the communist threat. With the demise of communism, that threat is passed. . . . yet our foreign policy institutions continue in large measure to mirror the Cold War imperatives" (U.S. Department of State Bureau of Public Affairs 1993c, 137). As the Soviet Union and Yugoslavia gave way to independent states, the U.S. created and staffed 20 new diplomatic posts in two years. In Washington, President Clinton created in the State Department the position of the Ambassador-at-

Large and Special Adviser for the new independent states of the former Soviet Union (S/NIS) to which he named his friend and *Time* correspondent Strobe Talbott. This was the point position on Russia in the State Department. After explaining his detailed plans to the Subcommittee on Commerce, Justice, State and Related Agencies, Secretary Christopher asserted, “In short, we must remake the State Department” and USAID and USIA (ibid., 140). These institutions were the three key organizational players in the FSA democracy assistance programs during the 1990s.

State Department

The mission of the U.S. Department of State, as embodied in the International Affairs Mission Statement, is to “create a more secure, democratic, and prosperous world for the benefit of the American people and the international community.”⁹⁰ This mission is based on the understanding that the freedom, prosperity and security of the American people are best preserved through the freedom, prosperity and sense of security of the rest of the world. The U.S. government, particularly the State Department, working with USAID, seeks to meet these ideals through “diplomacy, development, and defense” (ibid.). Two of the goals of the International Affairs Mission Statement relate directly to U.S. assistance to the NIS: 1) to expand exports, open markets, assist American business, foster economic growth, and promote sustainable development; and 2) support the establishment and consolidation of democracies, and uphold human rights (ibid.). To meet the first objective of economic prosperity, the U.S. needs to open foreign markets to increase trade and the free flow of goods; expand U.S. exports; increase global economic

⁹⁰ See www.state.gov/s/d/rm/rls/dosstrat/2004/23503.htm, specifically Summary of the U.S. Department of State Strategic Plan.

growth and stability; and promote broad-based growth in transitional economies to raise standards of living, reduce poverty, and lessen disparities of wealth within and among countries (ibid., 11). To meet the second objective of democracy, the U.S. is to “open political systems and societies to democratic practices, the rule of law, good governance and respect for human rights.” This was the context in which the State Department conducted assistance to the NIS.

To carry out the U.S. assistance goals toward the NIS, the State Department created, under authority of FSA, another new position, reporting to the Ambassador-at-Large, that of the Coordinator of Assistance to the former Soviet Union (hereafter referred to as “the Coordinator” and designated in the State Department as S/NIS/C). This position was established in the FREEDOM Support Act, modeled on this same position in the SEED Act. (See Appendix One for the history of NIS Coordinators.) GAO (2000, 166) described the responsibilities of the Coordinator: “(1) design an overall assistance and economic strategy for the former Soviet Union; (2) ensure program and policy coordination among U.S. agencies and foreign governments and international organizations; (3) ensure proper management, implementation, and oversight by U.S. agencies; and (4) publish an annual report on U.S. assistance for the former Soviet Union.” As such, the Coordinator wielded wide influence over the U.S. government’s assistance program to the New Independent States (NIS).

The new position of Coordinator had to establish its authority over the many agencies and programs already involved in activities with the new states. As a result, its

influence shifted over time, gaining more legitimacy as it adjusted to this new priority of democracy promotion. The GAO (2000) found that early in the assistance effort there were significant problems coordinating FSA programs across the broad range of government agencies involved in implementation. “We found that there were frequent, sometimes bitter, disputes among U.S. agencies over how the program should be structured and implemented and that other agencies and departments resisted, hindered or overruled the State Department Coordinator’s efforts” (ibid., 63). In particular, the early regional approach to designing assistance as opposed to a country specific approach worked against the efforts of the Coordinator’s office to control assistance programs because program officers in implementing agencies decided which projects to support where (ibid., 172). The relationship between the Coordinator’s Office and USAID was especially problematic. USAID received the FSA appropriation from Congress and had to serve as banker to the other agencies, transferring funds over which it had no control. Based on the GAO finding of internal U.S. government disputes over assistance, the Coordinator’s position was restructured.

On April 4, 1995, President Clinton signed a new mandate for the Coordinator’s position, expanding its purview and giving it additional responsibilities for resource allocation and oversight of all U.S. government bilateral assistance and trade and investment programs aimed at the NIS. The mandate stated that the United States has a “vital stake” in the success of reform in the NIS and put support for reform in the NIS as one of the top foreign policy priorities of the nation. It recognized that the success of reforms was not assured and that U.S. government assistance funds were limited by

competing budget demands in the U.S. The purpose of the mandate was to ensure that those expenditures were “as targeted, relevant, and efficient as possible” (State Department Coordinator’s Office 1996, 7). The White House Memorandum elevated the position of Coordinator and named Richard L. Morningstar as Special Adviser to the President and to the Secretary of State on Assistance to the New Independent States of the former Soviet Union and Coordinator of U.S. Assistance to the NIS in accordance with Section 102 of the FREEDOM Support Act. Morningstar also was named chairman of the interagency NIS Assistance Coordination Group to preside over the allocation of U.S. assistance funds and to direct and coordinate the interagency process.

The memorandum clearly stated the authority of the new position to approve all U.S. government assistance activities. It directed the numerous federal agencies to “bring all programs and budget plans for such assistance programs to Mr. Morningstar for review before submission to the Office of Management and Budget and before implementation” (ibid., 8).⁹¹ It was Ambassador Morningstar’s responsibility to ensure those programs met with the administration’s priorities and policies. The memo also called for U.S. Ambassadors to the NIS to “strengthen coordination mechanisms in the field and to increase the effectiveness of our assistance and export and investment programs on the ground” (ibid., 8). This involved the U.S. embassies more directly in democracy promotion than they had been previously as the President made the

⁹¹ This mandate established much closer scrutiny of programs conducted by the following agencies: the Departments of Defense, Treasury, Justice, Commerce, Agriculture, Health and Human Services, and Energy, Agency for International Development, United States Information Agency, Peace Corps, Environmental Protection Agency, National Aeronautics and Space Administration, Nuclear Regulatory Commission, Overseas Private Investment Corporation, Trade and Development Agency, and Export-Import Bank, and any other Executive departments and agencies with activities related to bilateral assistance to the NIS. Each agency was instructed to name someone at the level of Assistant Secretary (three levels below the Secretary of State) to work with Mr. Morningstar.

Ambassadors responsible for coordinating assistance activities in the field. In order to be sure that assistance activities met with overall foreign policy objectives in the region, Ambassador Morningstar was directed to coordinate with the Gore-Chernomyrdin Commission and the high-level Policy Steering Group for the NIS. Finally, the memo instructed him to report to the President through the Assistant to the President for National Security Affairs and the Secretary of State.

U.S. Agency for International Development

Since 1961, The U.S. Agency for International Development (USAID) has worked to help the peoples of developing nations around the world improve their lives, focusing its mission in four areas: 1) improving health and population conditions; 2) protecting the environment; 3) promoting economic growth; and 4) supporting democracy (USAID Brochure 1994). Like its experience in Eastern Europe, the collapse of the Soviet Union presented the U.S. Agency for International Development with the challenge of assisting development in an industrial setting with an educated workforce, quite the opposite of its traditional work in the underdeveloped world. To meet the new development requirements of the “Second World,” USAID created the Bureau of Europe and the New Independent States (ENI). The Foreign Operations Subcommittee of the House Appropriations Committee was responsible for overseeing the FSA assistance funds, the vast majority of which were appropriated annually to USAID from 1992-2000 to be implemented either by the agency or transferred to another federal agency for its NIS assistance programs. The State Department was responsible for the overall coordination of U.S. government assistance programs to the NIS and USAID was the

primary implementation agency for the funds. As of April 1, 1999, the USAID Administrator began reporting to and came under the direct authority and foreign policy guidance of the Secretary of State, who now coordinated development and other economic assistance (White House 1998).

USAID began its assistance to the NIS in 1993 and sought to shape its programs in support of the three U.S. objectives of “fostering the emergence of a market economy, supporting democratic transition, and strengthening the capacity to manage the human dimension of the transition” (State Department Coordinator’s Office 1995, 29). Through its Democratic Pluralism Initiatives, USAID set out to help strengthen democratic institutions at all levels—local, regional and national—and to support the development of political parties, civic organizations and independent labor unions and the establishment of free and fair elections.

USAID’s Strategic Plan for the NIS, constructed in ENI in FY 1997, targeted broad goals for the agency broken down into specific objectives: 1) to foster the emergence of a competitive, market-oriented economy through transfer of state-owned assets to the private sector; sound fiscal policies and management practices, accelerated growth of private enterprises, a more competitive and market-responsive private financial sector and a more economically and environmentally sound energy system; 2) to support the transition to transparent and accountable government and empowerment of citizens through a democratic political process by strengthening the rule of law and human rights, placing checks on the executive and legislative branches, and setting the stage for free

and fair elections, establishing credible and competitive political processes, encourage a dynamic and politically active civil society, and helping government institutions to be transparent and accountable; and 3) to respond to humanitarian crises and assist the human dimension of the transition to democracy (State Department Coordinator's Office 1998, 66-71). In a June 1998 address at the Carnegie Endowment for International Peace, USAID Administrator Brian Atwood made clear the inherent connection between economic growth and democracy. He noted that USAID's work is to help set conditions for private sector development, stating that economic development must go "hand-in-glove" with the political development of democracy.

USAID provided grants to such organizations as the International Republican Institute (IRI), the National Democratic Institute (NDI), the Free Trade Union Institute of the AFL-CIO, and the International Foundation for Electoral Systems (IFES) to help meet FSA goals. These organizations worked with Russian officials and civic groups to rewrite electoral laws, train poll workers, and conduct voter education. As a result, political parties, candidates, independent trade unions and civic organizations participated increasingly in political processes. In the run-up to parliamentary and presidential elections, USAID-funded programs trained parliamentarians to function more effectively as members of political parties and coalitions, helped develop political parties and civic organizations, and assisted in planning for national and local elections. Other programs under USAID Democratic Pluralism Initiatives focused on the Rule of Law (ROL) to develop and strengthen laws, legal institutions, and civic structures that support a market democracy; local governance to assist municipal governments to become more

transparent and accountable to their citizens; strengthening civil society and NGOs to meet social needs of the most vulnerable segments of society; and independent media (State Department Coordinator's Office 1995, 53-54). Details of these USAID-funded programs are analyzed in Chapters Five and Six, on rule of law and market reform and on democracy and civil society, respectively.

U.S. Information Agency

The United States Information Agency (USIA), an independent federal agency until October 1, 1999, when it was integrated into the U.S. Department of State, was charged with promoting information about the United States and its foreign policy around the world. The agency sought to foster mutual understanding between the United States and other nations through the free exchange of information and ideas. Its broad mission was to support “U.S. public diplomacy—to understand, inform and influence foreign audiences and broaden the dialogue between American citizens and institutions and their counterparts abroad” (White House 1998). USIA’s Strategic Plan of 1997 explained that “public diplomacy fosters an appreciation of our nation’s ideas and ideals, our institutions and culture, as well as our national goals and policy priorities” (USIA 1997b). Overseas, USIA was known as the United States Information Service (USIS), which was responsible for conducting public diplomacy. Exchanges, an important part of FSA activities, were the primary vehicle for USIA to meet its objectives of promoting mutual understanding, economic prosperity and democracy.

Unlike its impact on USAID, the FREEDOM Support Act did not present USIA with new tasks as the agency had been conducting exchange programs under the well-known and highly respected Fulbright-Hayes Act for many years. The mechanisms were the same. USIA programs in the NIS “promote the development of free-market economies and democratic institutions” through exchange visits (U.S. Information Agency 1997a). The exchange programs involved short-term professional visits to the U.S. or longer-term academic degree programs, bringing together current and potentially future leaders from the NIS with their U.S. counterparts and acquainting them with life in an open, democratic society. Exchange programs targeted a broad range of students and professionals from high school students to parliamentarians. Funding for exchange programs in Russia was targeted specifically to regions outside Moscow and St. Petersburg, where such opportunities were more limited, and was intended to build synergy among the participants upon their return to the Federation.

Importantly, all USIA academic programs were conducted through geographically broad, merit-based competitions, which was a new concept in the post-communist world accustomed to selection through personal connections and bribery. “USIA also seeks to support the development of the concept of citizenship in a democratic society with exchanges and programs demonstrating the active role of the citizen, the role of civic organizations, and the rule of law as a basis for governing society” (U.S. Information Agency 2000). Thousands of Russian citizens traveled to the United States annually on USIA exchange programs. While these were called “exchange” programs, typically, the

flow of participants was much higher from Russia to the U.S. than from the U.S. to Russia.

USIA took a hands-on approach in implementing its exchange and training programs through intermediary organizations with which it maintained a very close working relationship and fostered collaboration among them on the ground. USIA supervised closely the recruitment process for these exchange programs to ensure widespread selection across Russia and placement in the United States. Beginning in 1992, USIA supported the Russia programs of the American Councils for International Education/American Council of Teachers of Russian (ACIE/ACTR), the Institute for International Education (IIE), and the International Research and Exchanges Board (IREX), through FREEDOM Support Act funding coupled with traditional USIA appropriations. ACTR and IREX had been conducting exchange programs in the region reaching back well into the Soviet period.

USIA was creative in designing its assistance programs to the NIS, for example, utilizing the “homestay” feature as way to further mutual understanding. The vast majority of Russians visiting the U.S. under USIA programs stayed with American families, which met USIA’s goal of telling America’s story. Through the “homestay,” Russian citizens could live the American story. USIA also devoted attention to programs that supported the alumni of its exchange activities, such as creating electronic networks to keep them connected to one another and their U.S. contacts and maintaining a database of exchange alumni.

The U.S. Embassy relied on U.S. NGO program managers to conduct their democracy promotion programs with little intervention from the embassy, which had neither the staff nor the time to be as deeply involved in activities as they may have wished. At the same time, the embassy wanted to ensure that the NGOs did not take on an official role, for example, by arranging public or high profile meetings with Russian officials without notifying the Embassy. There needed to be fairly close communication between Embassy Moscow and the NGOs. To this end, USIS held monthly meetings to bring together the NGOs it funded to announce upcoming activities and to discuss any problems, e.g., with obtaining visas for Russian participants on U.S. exchange programs, or addressing legal issues.⁹²

Congressional-Executive Relations and Foreign Assistance

Providing assistance to the post-communist states faced a number of obstacles including traditionally strained relations between the executive and legislative branches, the lengthy appropriations process, the lack of a strong constituency for foreign affairs in the American public, and Congress's general displeasure with the structure of foreign assistance in the executive branch.

⁹² Based on interviews for this study, there seemed to be easy and open communication between USIS and its programs managers at ACIE, IIE, and IREX, among others. Interestingly, there appeared to be disconnect, however, between the USIA- and USAID-funded programs on the ground with little information shared between the two sets of NGOs about the others' activities. In other words, ACTR, IIE and IREX knew little about the programs and day-to-day activities of IFES, IRI, and NDI, and vice versa, despite their mutual goals of building democracy in Russia and their U.S. government support. For example, as ACTR planned a conference for its Muskie alumni on the upcoming presidential and parliamentary elections in 1999, it would have been valuable to involve IFES, IRI, and NDI, all of which were working on the elections.

The U.S. Constitution assigns authority for foreign policy to both the executive and legislative branches, first to the President to make policy and then to the U.S. Congress to oversee it. In the foreign policy realm, the President has a few broad powers as Commander-in-Chief and the authority to make treaties and appoint ambassadors, subject to the approval of the Senate. The Constitution gives Congress many responsibilities to provide for the common defense, regulate commerce with foreign nations, punish piracy on the high seas, declare war and raise an army (Lindsay 1994, 12-13). Most important for foreign policy, however, is Congress's power to approve government spending and cabinet officials. This is especially true with regard to foreign assistance where the Congress exercises powerful influence over the President. Congress constitutionally controls dispersal of funds to the government, while the executive branch holds policy making responsibility and often these responsibilities do not work in unison (Bacchus 1997, 5). Congress's active and bipartisan support for the FREEDOM Support Act at the outset of the Clinton Administration was an anomaly that was short-lived. Relations between the legislative and executive branches over issues of foreign affairs became more strained from the middle of the 1990s until the end of the decade.

History of strained relations

Historically, the relationship between the executive and legislative branches was tense with the exception of the immediate post-World War II up to the Vietnam War period when the branches shared the goal of creating the Marshall Plan and the Atlantic Charter followed by concern over the rising communist threat (Lindsay 1994, 12).

Lindsay noted that for most of this period (16 out of 24 years) the same party controlled

both houses of Congress and the presidency (ibid., 25). With the expression of strong public sentiment over the Vietnam War, the Congress became more active in foreign policy and more willing to be at odds with the President. At the same time, the rules of the Congress changed. According to Lindsay, prior to 1970, committee chairmen in the Congress exercised strict power “in a closed system, where major decisions were made by a relatively small number of senior members (ibid., 27). Those senior members controlled agendas, decided when bills went to the floor, and created subcommittees. In the early 1970s, Congress adopted rules that “diminished the power of the committee chairs, leading to the creation of new subcommittees with permanent staffs” (ibid., 27). Members of Congress had many opportunities thereafter to express their views on foreign policy in floor debate and on the appropriations committees, which became the primary tool for influencing U.S. foreign policy. Both houses of Congress became equally involved in congressional decision making on foreign policy.

For that brief period from the beginning of the first Clinton administration until November 1994 when the Republican Party gained control of the Congress, there was strong bipartisan support within the Congress and between Congress and the executive branch to assist political and economic reform in the NIS, particularly in Russia. Such harmony was an anomaly. The tone after November 1994 changed quite dramatically, reverting to the more typical tense relationship between the two branches of government.

The lengthy budget process

Typically, the administration drafts a policy driven budget, attaches a funding request to it, and submits it to the Congress, where the Appropriations Committees of the two houses often come up with a budget of their own, usually lower than the original request. The lead up at the working level to this process can stretch out over years.

Eight foreign policy committees are assigned to review budget requests and oversee executive branch agency decisions on foreign policy. Those committees are:

- Senate Foreign Relations (SFRC)
- House International Relations (HIRC and formerly House Foreign Affairs)
- Senate and House Armed Services
- Senate and House Appropriations
- Senate and House Intelligence

The most important committees for the FREEDOM Support Act were the Senate and House Appropriations Committee, before which executive branch officials testified annually in support of continued funding for assistance to the NIS. “Unlike other congressional committees, the appropriations committees rely almost totally on their subcommittees, which are essentially autonomous actors. Five appropriations subcommittees in each chamber lay claim to some aspect of foreign policy” (Lindsay 1994, 61). The Commerce, Justice, State, and Judiciary subcommittees, for example, handle funding for the Department of State. “But the most important subcommittees by far are the defense subcommittees, which oversee the Pentagon, and the foreign

operations subcommittees, which oversee foreign aid programs” (ibid., 62). This was especially true for FSA where the Foreign Operations, Export Financing and Related Programs Subcommittee of the House Appropriations Committee under the leadership of Congressman David Obey (D-WI) was the determining factor in instructing the Coordinator’s Office at State on the level of funding for specific FSA programs. Traditionally, the House has taken the lead on appropriations followed by the Senate.

While funds are appropriated on an annual basis, the process of drafting the budget request is lengthy, often longer than two years from the time the drafting process begins until the funding actually arrives in the agency. This makes planning for anticipated needs particularly difficult. Federal agencies must compile and coordinate budget internally requests from the various bureaus and organizations within the agency and submit a complete budget request for the agency in draft to the White House Office of Management and Budget (OMB). OMB reviews and provides feedback to the federal agencies with approvals and disapprovals of requested funding. OMB then prepares the entire federal budget for submission to the Congress on the first Monday of February. During February and March, executive branch officials testify in support of the budget request to their appropriate subcommittees in the Congress. Congress deliberates on the budget until both houses meet in conference to resolve any difference and agree on a level of funding. Congress approves the 13 regular appropriations bills either one by one or combines several or all in an omnibus appropriation bill. Often Congress has not reached agreement by the beginning of a fiscal year on October 1 and federal agencies must operate on a Continuing Resolution, i.e., an established proportion of the previous

year's budget, until their budgets are approved. For a federal program office administering a specific program, it may be well into the fiscal year before funding to run the program is actually available. This lengthy budget process contains substantial lag and it is difficult to predict what funding level will actually be needed so far in advance of its expenditure. It was in this context, for example, that Embassy Moscow had to anticipate what the needs on the ground in Russia might be to support reform there under the FREEDOM Support Act. This was particularly challenging given the unpredictability of events in Russia during the 1990s.

Little constituency for foreign assistance

The challenge of working the FSA foreign assistance request through Congress was deepened by the traditional lack of interest on the part of the American public in foreign policy issues. The Congress, reflecting the general attitude of the American public toward foreign assistance, historically was reluctant, with the exception of the Marshall Plan years, to fund foreign affairs agencies at the requested levels and sought greater involvement in how those funds were spent. Bacchus (1997, 5) noted, "The general trend has been one of more and more direct congressional involvement at every stage, accompanied by less willingness to allow the executive branch to manage programs without constraints and close guidance." Funding for foreign affairs declined from about five percent of the total federal budget in 1962 to less than one percent of the budget in 1996. While the largest share of the foreign affairs budget went to foreign assistance, that amount accounted for less than one half of one percent of the total gross

domestic product. Despite this low percentage, the public perception was that as much as 15 percent of the federal budget was spent on foreign assistance (Bacchus 1997, 11).

The annual foreign affairs budget is identified as the Function 150 account in the federal budget. President Clinton's request for his account in FY 1995 was about 1.3 percent of the federal budget. Appearing before the Subcommittee on Foreign Operations of the Senate Appropriations Committee, Deputy Secretary of State Strobe Talbott noted, "since 1984, the international affairs budget has been reduced by 45 percent in real terms. . . . we believe the resources we are requesting for the Function 150 account in fiscal year 1996 are the rock-bottom minimum that we need to maintain our commitments and to defend and advance our interests" (State Department Bureau of Public Affairs 1995a). Talbott testified in support of funding for FSA programs explaining that they had become even more important than before. "By far the largest and most powerful of the New Independent States, Russia has the most influence, good or bad, on its neighbors. The fate of reform in Russia will be a major factor in determining the fate of reform in neighboring states" (ibid.) Talbott cited the Russian invasion of Chechnya as a potent reason for providing continued funding for FSA, to support the humanitarian needs there and to push forward reform in Russia. Again in FY 1999, the Function 150 account comprised only "one percent of the total federal budget—about one penny of each tax dollar" (State Department Office of Resources, Plans, and Policy 1998). While polls indicated that 66 percent of the American public believed the U.S. should take an active role in the world, "The U.S. continues to rank last among the

world's 21 wealthiest nations in the percent of its Gross National Product provided to foreign assistance" (ibid.).

Lindsay (1994) noted that, as Congress became more active in foreign policy after the Vietnam era, the numbers and level of activity of special interests groups increased, too. "The interest groups most visible on foreign policy are those dedicated to advancing economic and ethnic interests. . . . Today nearly every major ethnic group in the United States has a sizable organization representing it in Washington" (ibid., 28). Beyond special interest groups, however, public interest in foreign policy issues was not widespread (ibid., 45). In sum, funding to support a high priority foreign policy objective was always contentious and never a high-priced line item in the federal budget. It seemed particularly difficult to make the case to the U.S. taxpayer that providing assistance to foreign countries was in the U.S. interest.

Congressional displeasure with USAID

The Foreign Assistance Act of 1961 created the U.S. Agency for International Development and the requirement of foreign assistance authorization in the Congress. There have been several efforts to reform foreign assistance in general, including in 1994, resulting from "increasing displeasure with Aid's performance . . . voiced by appropriators on the Foreign Operations subcommittee" (Lindsay 1994, 65). The FY 1991 Foreign Operations Appropriations Act had created a "Commission on Management of the Agency for International Development Programs," which called for a new Foreign Assistance Act as well as the integration of USAID into the State Department. After a

series of proposals on USAID's future from within the executive branch and in the think tank world, a broad set of strategies was devised defining the new Clinton Administration's approach to global issues, focusing on: "environmental problems, population and health, broad-based economic growth, humanitarian assistance, and the promotion of democracy—all under the rubric of sustainable development" (ibid., 68). J. Brian Atwood, who became USAID Administrator in 1992, sought to exercise greater control over what programs would be proposed for which purposes in supporting the Administration's policy of sustainable development around the world.

Redefining the USAID mission

On September 21, 1993, Congressman Lee Hamilton (D-IN) convened a meeting of the foreign assistance leaders including Secretary of State Warren Christopher and his Deputy Clif Wharton, USAID Administrator Brian Atwood, National Security Advisor Anthony Lake, Foreign Operations Chairman David Obey, Speaker of the House Thomas Foley, and Senator Paul Carbones. This group undertook a substantial re-write of the Foreign Assistance Act of 1961 to reflect the Clinton Administration's new thinking on development. The revised legislation was introduced subsequently on February 2, 1994, as H.R. 3765, the "Peace, Prosperity, and Democracy Act of 1994 (PPDA)." H.R. 3765 set out USAID's new mission. Its "strategic objective [is] the transition to and consolidation of democratic regimes throughout the world . . . through the establishment of democratic institutions, free and open markets, an informed and educated populace, a vibrant civil society, and a relationship between state and society that encourages

pluralism, inclusion, and peaceful conflict resolution” (U.S. Congress. House. 1994a, 235).

USAID acknowledged the importance of local involvement in these new efforts and the need to develop democracy programs that showcased “participation, transparency, and accountability” and the many paths to democracy allowing countries to design institutions befitting their history, culture, and society—as long as they displayed “certain fundamental characteristics: respect for the rule of law, accountable government, and an environment that encourages participation by all sectors of the population” (ibid., 236). USAID’s democracy programs were designed to support constitution writing, democratically elected legislatures, legal systems, local governmental institutions, credible and effective elections, organizations protecting human rights, non-governmental organizations working in the area of democracy building, a plural political party system, independent media, civilian control of the military, organizations providing oversight for governmental accountability, and educational programs at the community level targeted at participation and tolerance. PPDA clearly reflected USAID’s adjustment to a new mission of promoting democracy in the Second World.

Bacchus (70) noted, however, that “By early 1995, faced with a new Republican Congress much less amenable to the new foreign assistance strategy outlined by Atwood and his colleagues, the administration decided not even to resubmit the PPDA for congressional consideration.” Atwood successfully defended USAID against its harshest opponent, then Chairman of the Senate Foreign Relations Committee Jesse Helms, and

protected the agency against its dismantlement and integration into the State Department. The same was not true for the U.S. Information Agency was disassembled and integrated into the State Department in 1999.

As described in the preceding chapter, relations between the Republican-controlled Congress and the Clinton White House were tense and sustaining support for democracy assistance in Russia was difficult.

The Funding Mechanism for FSA

Based on the president's annual requests for funding, the Congress deliberated on the total package to be appropriated under the FREEDOM Support Act. From 1992-2000, all FSA funds were appropriated to USAID either to be implemented in the agency (75% of total FSA appropriations from 1992-2000) or transferred to the relevant federal agency for implementation. The State Department Coordinator of Assistance to the NIS determined the breakdown of funding, how much would be directed to which activity. Drawing on the SEED model, U.S. assistance under FSA was designed at first on a region-wide basis. The individual federal implementing agencies—numbering as many as 23 conducting over 200 programs in the NIS (180 of them in Russia)—were then responsible for the design and implementation of the assistance programs. After 1993, the Coordinator's Office required agencies to prepare individual country strategies and budgets. Russia was the recipient by far of the largest share of FSA funding and its first country strategy was published in 1994.

Total FSA appropriations peaked in 1994 at \$2.5 billion and steadily decreased to \$850 million in 1995; \$641 million in 1996; and \$625 million in 1997. With Ambassador Morningstar's shift in emphasis, he was able to increase the 1998 appropriation to \$880 million to cover his Partnership for Freedom initiative. The 1999 appropriation was \$847 million.

Levels of FSA funding for Russia

According to GAO (2000, 165), "Nearly half of all expenditures related to the FREEDOM Support Act for the former Soviet Union from 1992-1999 or \$2.26 billion, went to programs with Russia." These funds were awarded to U.S. federal agencies and U.S. organizations to assist Russia's transition to a market democracy by providing technical assistance and advice to the Russian government or conducting exchange programs to bring Russian citizens to the United States. The \$2.3 billion in grants that the U.S. expended to support the Russian transition was a fraction of the \$22.2 billion provided by the IMF, followed by the World Bank at \$7.5 billion, in addition to other bilateral donors (GAO 2000, 10). The IMF focused first on macroeconomic stabilization and controlling inflation then shifted to structural reforms in the tax system and financial sector. The World Bank focused first on investment in Russia's private sector, assisting the poor of Russian society, and later on strengthening economic institutions through assistance at the federal level (GAO 2000, 11-12). The United States conducted its assistance programs primarily through the instruments of technical assistance, i.e., providing direct support to Russian government entities through experts on the ground, and of grants to nongovernmental organizations and individuals. The FSA legislation

encouraged assistance to be provided through NGOs and the newly created Enterprise Funds to support development of the private sector.

FSA Funding for Russia peaked in 1994 at \$1.0 billion, as a one-time appropriation under the assumption that Russia's transition would be quick and funding not needed after that. (See Table 2 for a history of FSA funding to Russia.) In fact, the Coordinator's strategy included no new funding for Russia after 1998. The significant drop in funding to Russia in 1995 coincided with significant increases to other New Independent States (NIS), especially Ukraine (GAO 2000, 57).

Table 2: FREEDOM Support Act Funding Levels Budgeted for Russia by Year
(in billions of dollars)

	1992	1993	1994	1995	1996	1997	1998	1999	2000
FSA	0.09	0.31	1.00	0.36	0.22	0.14	0.21	0.16	0.18

Source: GAO 2000, 164

As indicated in Table 3, the largest amount of assistance funding for Russia in 1992 was directed at meeting immediate humanitarian needs at over \$44 million. The priority shifted from meeting humanitarian needs to promoting market reform from 1993-1995 at \$988 million. While the program emphasis shifted again in 1996-2000 to grassroots efforts to promote democracy and develop civil society with funding at almost \$283 million, the largest amount of funding continued to go to promote market reform at about \$414 million though with shifting proportions so that funds to civil society continued to increase through the end of the decade. By 1999, more FSA funds targeted democracy building programs than programs for economic reform (by \$24 million).

Table 3: FREEDOM Support Act-funded Activities Budgeted for Russia by U.S. Objectives 1992-2000 and Grouped in stages of assistance
(in millions of dollars)

	1992	1993-1995	1996-2000	1992-2000 % of total
Promote market reform	\$17.58	\$988.22	\$413.93	52%
Promote democracy and rule of law	\$8.05	\$340.19	\$282.94	24%
Address urgent humanitarian needs	\$44.86	\$231.31	\$113.82	15%
Nonproliferation/security needs	\$16.14	\$114.03	\$104.35	9%

Source: GAO 2000, 58

The competitive bid process

Individual U.S. federal implementing agencies and their program offices were charged with running their assistance programs and reporting annually (now quarterly) to the Coordinator's Office on the activities and results of their efforts. Depending on the specifics of the program, many agencies ran competitive programs by preparing a Request for Proposals (RFP) that was published in the *Federal Register* and called for U.S. institutions to submit proposals on how they would design an assistance program to meet the stated goals in the RFP. Those proposals were then evaluated within the agency based on a document accompanying the RFP, the "Project, Objectives, Goals and Implementation (POGI)," which contained the statement of work, eligibility and monitoring guidelines, and evaluation criteria for the program. Those proposals then deemed eligible and competitive were awarded grants. USIA often designed its RFPs through a collegial group process involving the Washington program office, U.S. Embassy Public Affairs Officers (Paso) and Cultural Affairs Officers (Coos), and the Coordinator's Office in Washington.⁹³ In many cases, the USIA program office prepared one broad RFP per year (usually in the fall with a December deadline) calling for the wide variety of democracy promotion programs—for example, on women's leadership, curriculum development, distance learning, environment and health, political participation, civic education, and civil society—to be proposed and implemented by U.S. 501c(3) organizations, including NGOs and institutions of higher education. One of the first steps in drafting the RFP was to canvass the appropriate NIS posts, i.e., the U.S. embassies, to ask what they thought was needed in country and to set priorities. The draft

⁹³ This discussion is informed through an interview with a former USIA program officer who previously also had run exchange programs for ACIE with USIA/FSA funding, thereby understanding well the perspectives of both the funding agency and the recipient.

RFP then would be cleared with the Coordinator's office. USIA purposefully wrote the RFPs broadly to leave room for the applicant organizations to design programs according to their experiences and ideas. One RFP often would generate 80-100 proposals for USIA to review.

Channel (2005) noted that "One might expect this competition to inspire creative, innovative offerings that challenge and advance industry knowledge as lessons learned from past projects are incorporated into bids for new projects. Unfortunately, this is frequently not the case" (13).⁹⁴ He suggested that, too often, those applying for funds were more likely to submit to the funding agency exactly what the RFP called for, even if they had learned otherwise from experience on the effectiveness of a particular focus or approach. "It is an open secret among contractors that a proposal should not challenge or contradict any significant assumptions incorporated into the request for proposal or espoused by those likely to be involved in awarding the contract. Instead, the recipe for success is to slavishly give back what is asked for in order to win the bid, then negotiate a different approach at the contracting stage, or simply implement based on the contractor's approach, not on the award" (Channell 13). The counter-argument, however, is that many of the NGOs, which received FSA funding, were already present in Russia conducting democracy building programs and were not responding to RFPs as start-up operations. The lesson here is that the process needed to include a point, after the

⁹⁴ I concur to a degree with this analysis based on my experience running a grant program that applicants are hesitant to propose something new and innovative, even when the RFP calls for innovation, and are reluctant to explain lessons learned from past mistakes. Counterintuitively, the competitive process in this situation can stifle innovation. Conducting off-line conversations about past experiences and thinking creatively about the future with grantees and contractors, outside the competitive process, has proven to be an effective way for a funding agency to discuss what works and what doesn't in program implementation.

competition was concluded, at which the U.S. funding agency and implementing organizations came together to have a discussion about what works and what does not on site.⁹⁵

The U.S. Assistance Strategy

The FREEDOM Support Act established the three primary objectives around which assistance programs were designed for the U.S. to support reform in the New Independent States. Those objectives were to:

- Foster the development of a competitive, market-oriented economy in which the majority of resources are privately owned and managed.
- Support the transition to transparent and accountable governance and the empowerment of citizens, working through their civic and economic organizations and democratic political processes that ensure broad-based participation in political and economic life, and respect for human rights and fundamental freedoms.
- Strengthen the capacity of these states to manage the human dimension of the transition to democracy and a market economy, and help sustain the neediest sectors of the population among the transition period (State Department Coordinator Office 1995, 7).

Initial assumptions

The assumption of a natural progression toward democracy in the newly independent states was evident in the first days of FSA programs. The introduction to the 1994 Annual Report stated, “By strategic design, NIS assistance is a high-impact program for the decade of the 1990s. With a limited investment of time and assistance on our part, many of our assistance and cooperation partners are capable of becoming full,

⁹⁵ The federal program officer must be very careful in his/her deliberations with potential applicants during the competition out of concern for fairness. The program office cannot or cannot be seen as giving an advantage to one applicant over another. For this reason, program officers tend to be conservative in their discussions with applicants.

democratic, prosperous members of the international community in the short or medium terms” (State Department Coordinator’s Office 1995, 2). Supporting that development at the time seemed relatively straight forward. While acknowledging that the transitions may not be completed for decades, the Coordinator’s Office expected that “reform and reformers can make [the transition to a market democracy] irreversible within years” (ibid., 2). This idea of the “irreversibility” of trends toward democracy continues to be a recurrent theme in FSA documents a decade later. The Coordinator’s Office as a new institution, however, had no experience in building a democracy or market economy from scratch. It saw the U.S. responsibility as helping the reformers in the former Soviet Union without fully appreciating how difficult and unnatural the transition would be.

While the top foreign policy leadership set forth the grand vision of U.S. assistance to support reform in the NIS, translating that vision into actionable assistance programs fell to the mid-level managers in the State Department, USAID and USIA. Those programs managers recalled to GAO their initial assumptions in designing programs at the end of the 1990s. They believed that:

- Russia was “misdeveloped, not undeveloped.” It had a productive workforce on which to build a market democracy. Its resources just needed to be redirected toward the institutions and political culture of a market democracy.
- Assistance needed to be provided quickly to avert a return to communism.⁹⁶

⁹⁶ Congress put pressure on the federal agencies to expend assistance funds quickly in the region. In an October 7, 1994, statement, the Honorable Lee Hamilton (D-IL) of the House Committee on Foreign Affairs, expressed his concern about the slow rate of expenditure of assistance funds to Russia and the NIS. He noted, “That assistance has been authorized by the Congress for the explicit purpose of facilitating the process of economic and political reform. If the money is not spent, it cannot assist reform” (U.S. Congress. House. 1994b). Congressman Hamilton received a written explanation from the administration (it was not clear who had prepared it, likely the Coordinator’s Office) citing the delays of the lengthy competitive bid process, and the need now to prepare long-term contracts for technical assistance, a lesson learned from the SEED and early FSA experiences of short-term advisers who were widely criticized in the region for their “fly in and out” approach to assistance. Despite some improvements in speeding up

- U.S. assistance programs would not succeed without the support and political will of Russian society to make the transition to a market democracy.
- U.S. assistance would be required only for a relatively short time because Russia had so many natural resources and an educated workforce. U.S. programs, therefore, would be designed for a limited duration.
- Aid should be conditional on progress in reform, i.e., aid should be directed where evidence of reform was already underway.
- Assistance projects would be designed from Washington in the regional context, not country by country. This meant fewer and much larger projects, which were assumed to be easier to manage. The Coordinator would be responsible for designing assistance projects and managing them through a few USAID missions on the ground in the region (GAO 2000, 168).

Several of these initial assumptions proved unfounded. The transition to democracy was not as natural, smooth, and quick as expected. Assistance to the NIS was designed to be transitional, including “firm plans to end most assistance by the end of the [1990s],” with 1998 as the final year for new obligations to be extended to Russia.⁹⁷ In 1994, the Coordinator’s office stated, “By the dawn of the new century, therefore, private sector trade and investment should be the normal basis for U.S. economic relations with all or most New Independent States” (State Department Coordinator’s Office 1995, 3).

expenditures in the region, Hamilton was not satisfied with the response and recommended that the White House create its own assistance coordinator, suggesting dissatisfaction with the performance of the Coordinator in the State Department. I note that shortly thereafter the coordinator’s position was restructured within State to report to the President, as well as to the Secretary.

⁹⁷ SEED and FSA programs were designed to be of limited duration. By the end of 2000, the countries of Central Europe and the Baltics—Poland, Hungary, Czech Republic, Slovakia, Slovenia, Estonia, Latvia, and Lithuania—had been “graduated” from SEED assistance, meaning that they were deemed to have progressed sufficiently far in reform to no longer require U.S. assistance. USAID developed four measures, which the State/USAID Joint Policy Council, in consultation with the Coordinator’s Office, used to determine when a country should be graduated. Those indicators measured 1) economic reforms (based on EBRD’s *Transition Report*; 2) democratization (based on Freedom House ratings); 3) economic performance (utilizing EBRD’s measurements of GDP, direct foreign investment rates, and the small- and medium-sized enterprise (SME) sector; and 4) human capital/social conditions (drawing on per capita income, infant mortality, life expectancy, and public health expenditure rates). In 2005, the Joint Council used the ratings of Romania and Bulgaria from 2001-2002, i.e., the point at which they were admitted to NATO, as comparison for determining the phase out schedule for other SEED and FSA funded countries. Findings suggested in 2005 that Russia would be graduated in 2011 (USAID 2005).

Most importantly, designing programs from Washington did not work. Programs needed to be designed from the field in the context of political and economic realities on the ground (as will be addressed in more detail in Chapters Five and Six). Another assumption had been that because all these new states were part of the Soviet Union their needs were similar, so once designed, assistance programs should be transferable among the various new states. Some of the initial assumptions were correct, however, particularly the assertion that the Russian people fundamentally needed to support and want democratic and market reform.

Annual reports to Congress on FSA

The FREEDOM Support Act required the Office of the Coordinator to submit an annual report to the U.S. Congress on the activities and accomplishments of U.S. assistance programs. These reports provided a comprehensive historical record of the broad range of assistance activities and, more importantly, revealed the thinking of the administration, from the perspective of the Coordinator, about democracy promotion opportunities and challenges. While sections of the report were prepared by the relevant implementing agencies, such as USAID and USIA, the Coordinator was responsible for the coherence of the U.S. assistance effort and the report was submitted to Congress under his signature.

In addition to overseeing government-wide assistance activities to the NIS, the Coordinator's Office devoted significant resources and effort to preparing the annual report as required by the FREEDOM Support Act, Section 104. The annual reports on

U.S. Assistance and Related Programs for the New Independent States of the Former Soviet Union explained the State Department's priorities for assisting reform in the New Independent States and assessments of results to date. The summary analysis of these reports provided a broad picture of U.S. government assistance to the NIS, and specifically to Russia, tracking progress or changes in program goals throughout the decade. (See Appendix II on organization of the annual reports.)

Several of these sections in the annual reports—the Introduction; Assessment on Russia; description of programs conducted by USAID, the Treasury Department, and USIA; and the final financial appendix—provided meaningful insight into understanding the organizational framework for promotion of democracy in Russia. The Coordinator's Office compiled the data contained in the Annual Reports from the relevant federal agencies implementing the assistance programs, the U.S. Embassy in each of the New Independent States, and assistance providers in the field, including NGOs conducting assistance programs.

The Annual Reports changed over time, becoming more detailed, better at explaining the goals, and adjusting program goals as necessary to incorporate the lessons learned from past experience into plans for the future. These reports served as the public record accounting for how billions of U.S. taxpayer dollars were spent on assistance programs over the course of the 1990s and increasingly refined the rationale for certain programs. It was through these reports that the Coordinator's Office rationalized the

expenditure of and requested future funds for support to political and economic reform in the NIS.

Analysis of the annual reports from the 1990s clearly demonstrated the lack of precedence for these types of democracy and market building activities in any U.S. government agency. The primary federal agencies involved in assistance programs, i.e., the State Department, USAID, and the USIA, had no blueprints in the early years of the FREEDOM Support Act for creating a democracy, building a market economy from scratch or developing a civil society. They relied on their traditional development methods and tried to draw lessons learned from the brief period of SEED Act experience. Program managers in these agencies, working with NGOs on the ground, had to learn on the job. The annual reports demonstrated how the U.S. government interpreted events in Russia from year to year and assessed its progress in assisting democracy there.

Shifting Assistance Priorities over Time

The introduction to *The 1994 Annual Report on U.S. Assistance to the NIS* recounted the U.S. struggle against the Soviet Union during the Cold War and proclaimed U.S. victory over communism with the collapse of the USSR. In the wake of the Cold War, the Coordinator explained, the U.S. was “embark[ed] on great new national endeavors once the Soviet Union had collapsed and the Cold War ended. Among these endeavors is our national effort to help and encourage the New Independent States (NIS) of the former Soviet Union to transform themselves into partners in the international community. Fitfully, painfully and in dispersed order, one after another of these

emerging new nations has chosen the historic path from dictatorship to democratic governance; from state-owned, and state-run command systems to market economies where individuals make their own economic decisions; and from over militarized, arbitrary foreign and national security policy-makers to reliable partners in expanding structures of international peace” (State Department Coordinator’s Office 1995, 1). Herein lay the broad initial assumption of U.S. assistance that the new states almost automatically would pursue a democratic and free market path. The report then made clear that the success of the transformation, however, lay with the countries themselves, and that the U.S. “ow[ed] it to ourselves to do what we sensibly can, within our limited resources, to help make their transformations a success. This is what the NIS assistance program has sought to do—to make a critical difference at a crucial moment in a historic transition that is in our national interest” (ibid., 1).

U.S. assistance to Russia over the course of the 1990s can be divided into three stages, which emerged as successive Coordinators and program managers employed their learning curve to future plans. Those stages were first, 1992-1993, when the focus was on meeting humanitarian needs; the second, 1993-1995, with the focus on building a market economy, and finally, 1996-2000, with the focus on building civil society.

Stage One (1992-1993): Meeting humanitarian needs

With the collapse of the Soviet Union in December 1991, there was genuine concern that Russia was facing famine as its productivity fell and trade relations with its former communist partners disintegrated. Politically, the Russian government was torn

between reformers and hard-line communists who remained in positions of power from the Soviet period. Russia's stability was of particular concern to the U.S. government because of its vast nuclear weapons arsenal. The old institutions of the planned Soviet economy disappeared with no new market structures to put in their place. The newly independent Russian state, with no past private market experience, was in the midst of "severe economic recession" (GAO 2000, 25). Secretary of State James Baker called an international coordinating conference at the Foreign Minister level in Washington in late January 1992 to respond to the "emergency" in Russia. Through a series of working groups, 54 donors (47 nations and seven international organizations) crafted a series of first steps with detailed action plans to distribute food and medicine, and provide for shelter, energy, and technical assistance to Russia (U.S. Department of State 1992). Thus, the first stage of U.S. assistance to Russia focused squarely on humanitarian needs, what was perceived as the emergency needs of the country, through Operation PROVIDE HOPE⁹⁸ (ibid., 171). This first phase of humanitarian assistance was short-lived as the feared famine and dissent into chaos at the collapse of the Soviet system fortunately did not materialize. The assistance program shifted quickly into support for building a market economy and democratic political institutions.

Stage Two (1993-1995): Building a market economy

Fulfilling President Clinton's campaign promise that Russia would be his top foreign policy priority, the new administration invigorated assistance efforts to Russia.

⁹⁸ Most of the medical and food supplies provided under Operation PROVIDE HOPE came from the U.S. Department of Defense surplus inventory and private donations. FSA covered the transportation cost of getting those supplies to Russia.

As economic activity gained momentum in Russia, the need for humanitarian assistance lessened and the U.S. shifted into stage two of technical assistance to help “create the laws, regulations and institutions necessary for a democracy and market economy to function” (State Department Coordinator’s Office 1995, 5, 55 and 167). At the bilateral Vancouver (April 1993) and multilateral G-7 Tokyo (July 1993) summits, the U.S. pledged a total of \$2.5 billion (FSA plus additional U.S. programs) to work with the Russian government on market reform and some continuing humanitarian assistance. In late 1993, the Coordinator’s office shifted its approach from regional programs (as implemented under SEED) to country specific ones. Russia’s country strategy and budget was the first to be completed and its implementation was assigned to the USAID mission on site. GAO (2000, 174) noted that “because of the Russia program’s sensitivity, it would always receive more scrutiny than other country programs.” Within the Russia strategy, the Coordinator’s Office concentrated efforts on those regions in the country most likely to use U.S. assistance productively.

The 1994 Annual Report on U.S. Assistance to the NIS described the year as the point at which the “\$2.5 billion in new multi-year funding provided by the Congress in September, 1993, began to roll out and demonstrated serious impact in support of reform. The accent was on technical assistance, the offer of the best of American know-how and expertise in field after field to reformers willing and able to use it” (State Department Coordinator Office 1995, 5). Embassy Moscow established an assistance unit attached to the Ambassador’s Office in 1994 to improve issue management of the Russia assistance program. “Training and exchange programs exploded, toward Marshall Plan proportions,

and began to put in place the solid underpinning in human experience and contact that sound future U.S.-NIS relations will require” (ibid., 5). The approach in stage two was to fund a few very large contracts to support market reform in Russia—specifically, eight U.S. firms had contracts targeting privatization and the development of capital markets at about \$60 million (ibid., 172).

1994 was an active year for assistance programs in the Russian Federation. U.S. assistance to Russia focused on three general areas: private sector development through support for trade and investment; development of democratic institutions and political processes; and “capacity to deliver social services in ways that are fiscally sustainable and compatible with a market economy, with particular attention to vulnerable groups” (ibid., 20). The 1994 Annual Report stated that since reform was taking hold in Russia and U.S. assistance beginning to achieve its objectives there, the U.S. would start to shift resources away from Russia toward other new states.

The 1994 Annual Report referenced mounting criticism from some U.S. embassies that they were not being sufficiently consulted in the formulation of assistance program design and consequently were the target of criticism in their host countries for lack of follow-up after assistance efforts were completed. In other words, the U.S. was criticized for being too short-term in its approach to reform assistance with little thought given to next steps. Embassies also reported to the Coordinator that technical assistance providers—the technical experts—often were not sufficiently knowledgeable in the history, culture, and language of the people they were assisting. The report also noted

that many assistance programs were designed purposely to minimize the well-known problems of crime and corruption in the NIS by executing contracts with U.S. firms and NGOs rather than grants to the governments of the region. “For the most part, programs underway are helping achieve the primary U.S. strategic goal—to establish enduring, normal and productive bilateral relations with each New Independent State and to encourage such relations among them and between them and their partners in the world community” (State Department Coordinator’s Office 1995, 7).

By the middle of the decade, the U.S. Congress became concerned about the effectiveness of U.S. assistance and the direction of political events in Russia—the growing stalemate in fall 1993 between Yeltsin and hard-liners in the Duma and Yeltsin’s subsequent attack on the Russian White House against his opponents, Russian troops invading Chechnya in 1994, and in 1995, the communist party’s strong showing in parliamentary elections. With growing concerns about stability in Russia, Congress began earmarking funds for the other NIS states. Promoting democracy in Russia was at the top of President Clinton’s foreign policy agenda for the first 18 months of his administration, but was overtaken by other competing foreign policy demands.

According to the 1994 Annual Report, the U.S. planned to continue assistance to democratic and market reforms in FY 1995 as long as the Russian government and Russian NGOs wished to continue to move in that direction. The report suggested that technical assistance programs and training and exchanges would continue to be the main vehicle through which the U.S. would provide support to Russia. The section on Russia

concluded, “In developing an assistance strategy, therefore, we have sought to focus limited U.S. resources on key areas that can contribute directly to systemic change and support reform efforts already underway within various levels of government (both central and local), the business community and non-governmental organizations” (State Department Coordinator’s Office 1995, 23).

The U.S. intended its approach to Russia to be one not of donor-recipient, but more toward pursuit of normal bilateral relations. FY 1995 was the height of FSA activities in terms of levels of funding and breadth of activities conducted under 17 U.S. government agencies and 12 embassies in the former Soviet Union. It was also the point at which several forces came together to forge a critical change in U.S. assistance programs to the NIS. FY 1994 was a peak year of funding, so while activities were in full swing from the previous year’s funding, the Coordinator’s Office faced new challenges with reduced funding in coming years. Under the direction of a new Coordinator, Richard Morningstar, the Office of the Coordinator was much more active in looking critically at how programs were run in the first three years and how they could be streamlined to meet new conditions. The tone of the 1995 Annual Report was more confident, clearly describing the programs supported by FSA and explaining why they were important.

The 1995 Annual Report stated, “The political, economic and security benefits of this transition are as enormous to the people of the United States as they are to the people of the NIS countries” (State Department Coordinator’s Office 1996, 1). The purpose of

U.S. assistance to those states was to establish “normal, enduring and productive bilateral relations” with each one and to foster such relations among them. The intent was for this effort to be temporary as donor-recipient relationships gave way to cooperation and partnership. With anticipated declines in FSA funding in coming years, U.S. assistance efforts in FY 1995 focused more directly on three core objectives, with less emphasis than in the past on humanitarian assistance and social sector reform:

- To promote democratic institution building and the rule of law, and to establish a civil society;
- To establish open and competitive market economies, and expand opportunities for trade and investment; and
- To enhance international security through cooperative threat reduction and non-proliferation efforts.

Drawing on past experience, the Coordinator’s office noted that the varying pace of reform from country to country in the NIS called for continued flexibility in responding to opportunities across the region as they arose. In some countries where reform had progressed sufficiently, assistance programs transitioned from technical assistance to more normal bilateral trade and investment relations; in other less reformed states, assistance moved from the humanitarian aid level to the technical assistance phase to lay the groundwork for a market economy and democratic political system.

To meet the core objective of democratic institution-building, rule of law and civil society development, the Coordinator’s Office focused efforts on long-term activities, specifically the development of democratic parliamentary and judicial systems, independent media and nongovernmental organizations to help move reform forward. The Coordinator’s Office introduced a new mechanism in late 1995, “the embassy-based

Democracy Funds Small-Grant Program, modeled after the highly successful Democracy Commissions program for Eastern and Central Europe” (State Department Coordinator’s Office 1996, 2).⁹⁹ Emphasis also was on moving assistance activities out of capital cities into the regions.

Facing reduced funding, the Coordinator’s Office in 1995 undertook a review of the U.S. assistance program and identified four specific areas where the U.S. approach needed to be changed with the following results:

- Cost-Effectiveness, Timing Issues – Because the Congress had made so much assistance funding available at the outset, the focus was on expending the money quickly, i.e., getting it out the door and off the books, in ways that were not always the most cost-effective. The shift in strategy would require that each program be looked at carefully in terms to cost-effectiveness, with special emphasis on funds that had already been appropriated but not yet expended. In other words, funding made available would be appropriate to the rate of funding required for each program.
- Cost-Sharing with U.S. and NIS private entities became a critical element of program planning, meeting two objectives: to reduce the cost of programs and to ensure that the recipient had a real stake in the program.

⁹⁹ The Democracy Funds program provided U.S. embassies in the NIS with the capability to assist modestly and with flexibility indigenous grassroots organizations engaged in democracy initiatives such as independent media and the free flow of information. Awards were made by the embassy-based Democracy Commission comprised of the ambassador, USIA public affairs officer, USAID representative and others deemed appropriate by the ambassador.

- Program Implementation Mechanisms – The 1995 Annual Report was critical of past methods of implementing assistance programs. It stated, “During the first several years of providing assistance to the NIS, the desire to start up programs as quickly as possible, in combination with the need to ensure strict control over program implementation, resulted in the heavy reliance on large contracts for program implementation. Similarly, the difficult and rapidly changing environment in the NIS, as well as the region’s need for outside expertise, led to the predominant use of U.S., rather than indigenous contractors in the early stages of the program” (State Department Coordinator’s Office 1996, 5). The new mechanism was to rely more on alternative funding mechanisms like small grants rather than large contracts even if this meant relinquishing some control. The effort was to be on creating a broader diversity of assistance providers and putting in place the means to hand over activities to indigenous players as U.S. assistance programs were phased out.
- Increased Role for Multilateral Assistance – As the international community through bilateral relations and multilateral development mechanisms became more involved in activities in the NIS, the U.S. could turn over some of its bilateral assistance programs to other multilateral entities like the banks.

In a personal interview in June 1999, Ambassador Morningstar explained that upon his arrival at State, he directed his office (S/NIS/C) to scrutinize the efficiency of the whole range of NIS assistance programs. He targeted most directly those large, omnibus Requests for Proposals (RFPs) that sought to undertake the whole range of

democratization and marketization activities. Some years of experience showed that no one organization could undertake effectively \$800 million worth of programs on topics from privatization to political party development to academic exchanges. To Ambassador Morningstar, these large contracts to certain contractors, as part of the USAID traditional mechanism for development programs, were subject to inefficiency and waste. He criticized particularly the tendency to award contracts to those same organizations that had received funding in the past. Ambassador Morningstar's preference was to make the contracts smaller and much more focused on special areas of need, and to avoid large programs aimed at broad systemic reform like restructuring whole sectors of the economy. He felt this was particularly true of the large (\$8-10 million) USAID contracts. Ambassador Morningstar explained that little was accomplished through these large contracts because conditions on the ground were not yet ready to absorb such large amounts of assistance. He noted this was especially true in the agricultural sector, which saw little reform during the decade.

S/NIS/C, in its role of overseeing USAID program management, also sought to change the traditional USAID procurement process by insisting that USAID obligate most of the appropriated funds it had received before adding new monies into the pipeline. USAID, at that time, was under pressure both from the White House and from the Congress to expend the NIS assistance money as quickly as possible. According to Ambassador Morningstar, S/NIS/C worked to slow this down so awards could be made with deliberation and purpose. He was involved personally and deeply in directing this broad review of NIS assistance programs. His priority was to get a handle on the vast

number of programs underway through many different government agencies. For example, both USAID and USIA ran professional exchange programs, though USIA did so more cost effectively. Ambassador Morningstar, therefore, consolidated the exchange activities into USIA.

In 1995, the Coordinator's Office, at Ambassador Morningstar's direction, fashioned a new set of questions to help it examine on-going activities and make funding decisions:

- Is the recipient country ready for and open to the type of change that the assistance activity is designed to facilitate, and are there willing and appropriate interlocutors who can be full partners in the endeavor?
- Does the assistance activity have a clear objective that is consistent with FSA's core assistance objectives, as well as with U.S. foreign policy?
- Is the assistance activity able to demonstrate results, measure progress toward its intended objective, and, ideally, produce systemic change?
- Does the activity take advantage of cost-sharing (if feasible) and/or other mechanisms to improve cost-effectiveness?
- Is U.S. assistance focused on areas where the U.S. has special expertise? Can U.S. participation help leverage funding from other donors? The U.S. should encourage a division of labor among other donors, including multilateral development banks.

- Given the transitional nature of U.S. assistance, are activities easily replicable or self-sustaining, so that the impact extends beyond the life of the NIS assistance program?

The flip side of Ambassador Morningstar's reluctance to support large-scale systemic projects was his preference for projects committed to the long-term perspective and aimed at assisting the individual. After years of decline since the 1994 peak funding, he was able to increase the overall funding for assistance and for exchanges in particular. Ambassador Morningstar was proactive in seeking new ideas and convincing the Congress to support them. He wanted to obtain new money for NIS assistance and change the direction of the assistance program. Specifically, the FY 1997 funding increased to support his new concept of Partnership for Freedom, which re-oriented assistance to long-term benefits, establishing partnerships, and focusing on the micro-level and small business.

Stage Three (1996-2000): Nurturing democratic institutions and people

U.S. assistance to Russia entered a third phase in 1996 shifting its focus from market reform to building democratic institutions and from implementation at the federal level to the grassroots level, following an intensive review of the Russia program. To move away from the large contracts of the past, Ambassador Morningstar revised the strategy for Russia, creating the "Partnership for Freedom" initiative aimed at supporting Russian society at the grassroots level. In the first two stages of assistance, the U.S. targeted its assistance efforts primarily at the federal government in Russia, working through U.S. contractors to provide technical assistance to Russian government entities,

particularly in advising on market reform. That approach shifted in 1996 under Morningstar's direction, as he believed that the federal government in Russia had been reluctant to take necessary institutional reforms. Morningstar believed that more could be accomplished by dealing directly with Russia's regions at the regional, local or individual level than with the central government. The priority for this third stage (1996-2000) focused on the development of civil society with emphasis on people-to-people exchanges and investment-led economic growth (GAO 2000, 55).¹⁰⁰ Specifically, activities in the third stage targeted small- and medium-sized enterprises and civil society, emphasizing partnerships between U.S. and Russian universities, hospitals, NGOs, cities, and business/professional associations and student and professional exchanges. The purpose of these partnerships was to demonstrate to Russian citizens the values of the democratic culture. "Connecting Russians with the world beyond their borders is supposed to encourage pressure for reform from below" (GAO 2000, 177). According to GAO (177), the hope was that the growth of small- and medium-sized business might offset the influence of the large enterprises controlled by oligarchs.

Ambassador Morningstar stated in the opening paragraph of *The FY 1996 Annual Report* that trends in political and economic reform were encouraging. The Introduction set forth the foundational assumption of U.S. assistance that if Russia and the other New Independent States were stable, market-oriented democracies, the security of the U.S. and the rest of the world was "immeasurably enhanced" (State Department Coordinator's Office 1997, 1). *The 1996 Annual Report* differed from earlier ones as it provided much

¹⁰⁰ GAO (176n) noted that "in FY 1997, people to people linkages included low-cost, high impact activities such as community-based exchanges and training, and U.S.-NIS institutional partnerships which were designed to be increasingly self-sufficient and ultimately self-sustaining."

more detail in mapping the array of assistance programs underway in the NIS. It much more clearly explained which U.S. government organization was running what specific program. Still missing in this report, however, was analysis of exchange activities or explanation of program changes from one year to the next. The report was strictly an exercise of recounting what had happened during the year.

According to *The 1996 Annual Report*, democratic values and reform expanded steadily during the year in Russia, especially in comparison to some of its neighbors in the former Soviet space, notably Belarus and Armenia. The focus in the U.S. government was on achieving long-term results in democratic institution-building, focusing particularly on those which provided a check on centralized power, i.e., “independent legislature and judiciaries, independent media, transparent and responsible local governments, and extensive networks of nongovernmental organizations providing a channel for public involvement in the reform process” (State Department Coordinator’s Office 1997, 1). This “long-term” perspective was a notable change from the early days when the transition was expected to be completed quickly. U.S. assistance agencies directed less attention to technical assistance overall, but continued in high priority areas of legal reform, law enforcement, independent media, and NGO training and development. More attention was directed to “expanding linkages through low-cost, high impact activities such as community-based exchanges and training, and the promotion of partnerships and other institutional relationships designed to be increasingly self-sufficient and ultimately self-sustaining” (State Department Coordinator’s Office 1997, 1). The report recognized the creation of two new programs in support of democracy

reform and evidence of the shift away from large-scale contracts to smaller community based efforts, specifically the Democracy Funds Small-Grants Program established in FY 1995 and expanded in FY 1996 to include a major new small-grants program in Russia and USIA's new Community Connections program modeled on USIA's previous Business for Russia program. The latter program sought to build relationships among reformers in the public and private sectors of Russia, Ukraine, and Moldova.

1996 was the five year mark since the collapse of the Soviet Union and the Annual Report acknowledged the "radical reorientation" in the countries of the NIS over that time. Those countries had no historical basis for a market economy, no tradition of democracy, and no experience in citizen participation. The report declared that "For most of the NIS, as well as for U.S. foreign policy and technical assistance to the NIS, the post-Soviet transition has been an extraordinary success" (ibid., 3). According to the report, 60 percent of GDP in Russia came from the private sector. The report cited the importance of privatization and economic reform because their "combination offers the best prospects for achieving economic prosperity—a cornerstone for building a stable democracy" (ibid., 3). Russia's presidential and gubernatorial elections had been "reasonably democratic." The number of non-governmental organizations, which had been nonexistent in the Soviet era, continued to grow across the NIS. The report declared the first phase of U.S. engagement in the NIS could be considered successful and complete with the basic institutional transition from the Soviet system to a market democracy. Furthermore, Russia was making good progress in that transition. The next phase would be focused on sustaining the transition and the U.S. approach would shift

away from advising on structural change toward developing normal, mutually beneficial bilateral relations. For the State Department, this would be shift to business-as-usual mode, interacting with Russians, for example, through exchanges, partnerships, joint ventures and cooperative projects. The 1996 report explained that the first stage of assistance (skipping over the early humanitarian assistance stage) had involved creation of market mechanisms like the privatization system and the creation of non-governmental organizations. These were seen as ends in themselves, something to be accomplished and completed. As the U.S. moved toward the next phase of assistance in Russia, the focus would be on investments and putting to use the mechanisms that had been established earlier. The next phase was to begin in FY 1997 and would represent the bulk of the funding request to the Congress in FY 1998.

The FY 1996 Annual Report summarized Russia's political progress in two paragraphs noting that most attention was on the June-July 1996 presidential election and on President Yeltsin's health. The election were deemed fair and competitive though many felt Yeltsin had used his presidential prerogatives to excess and the media were clearly on the side of a Yeltsin re-election. In August 1996, Russian Secretary of the National Security Council Aleksandr Lebed concluded a peace agreement with the Chechen separatists, moving toward an end to the war in Chechnya. Through the fall, gubernatorial elections continued in those regions where the leaders were still those whom Yeltsin had appointed. The Coordinator's Office expected the approach to reform in Russia to be slow and cautious in FY 1997, due mainly to the serious health issues of President Yeltsin.

In the Foreword to *The FY 1997 Annual Report*, Ambassador Morningstar described U.S. assistance to reform in the NIS as an “historic endeavor” in which the U.S. was pleased to play a role. The Report’s Introduction embedded U.S. assistance programs in the overall policy of the United States toward the NIS. That policy was “to foster security, stability and prosperity; to develop constructive relationships with the region; and to prevent the emergence of another significant threat to U.S. national security” (State Department Coordinator’s Office 1998, 1). 1997 marked a shift in the U.S. government’s assistance approach to the NIS from technical assistance to cooperation in trade and investment and expanded exchange opportunities linking people-to-people.

This new approach was labeled the “Partnership for Freedom” initiative. Declaring that the first stage of technical assistance had helped put in place the building blocks of market economies and democratic governments—notably a constitution, laws, courts, and capital markets—the Coordinator’s Office wanted to move on to cooperative activities in which U.S. companies would invest in small- and medium-sized enterprises in the regions and U.S. and NIS institutions like universities, professional associations, and NGOs would establish partnerships. The Coordinator’s Office noted that “because economic and democratic reform . . . is a generational process, we need to maintain our presence and influence” so more attention was given to exchange programs for students, professionals and entrepreneurs.¹⁰¹ Another major shift was to move these activities out of the capital cities into the regions, under the Regional Investment Initiative, the

¹⁰¹ Ambassador Morningstar provided this background on “Partnership for Freedom.”

cornerstone of the new approach. The RII was created under the GCC in February 1997 to foster regional success stories by attracting investment. The annual report called the RII “a key test of the overall assistance strategy of emphasizing trade, investment, partnerships, and exchanges” (ibid., 37). The hope was that these pilot projects would serve as models to be replicated elsewhere in Russia.

The 1997 Annual Report noted that the trend toward democracy in the NIS continued to gain momentum as U.S. assistance was directed toward democratic institution-building, particularly those institutions that provide checks and balances on state power like independent legislatures and judiciaries, independent media, transparent and accountable local governments, and extensive networks of NGOs that involved the citizenry. The report recognized organized crime and corruption as a primary obstacle to reform and foreign investment and expressed hope that community-based programs would help to fight against it. On economic reform, the report noted that having completed the first stage of privatization—that of small- and medium-sized enterprises—Russia was moving into the second phase, privatizing the large state-owned enterprises, primarily in the energy sector.

The “Regional Investment Initiative” (RII) under the “Partnership for Freedom” approach was the brainchild of Ambassador Morningstar working with program managers in USIA and USAID, based on the assumption that the regions, as compared to the central government in Russia, were more open to reform. RII concentrated all assistance activities, i.e., technical assistance, partnerships, small business training, and

finance programs, within a few regions where reform was deemed most promising. Specifically, assistance to Russia targeted three regions—Novgorod Oblast, Samara Oblast, and the Khabarovsk Krai and Sakhalin Oblast in the Far East—where leaders were open to investment and reform. Novgorod had some historical experience with self-government. Before Muscovy overtook it in the 16th century, the Novgorod Republic, including most of northern Russia to the Urals, was governed by an assembly (*veche*) of its inhabitants (USIA Office of Research and Media Reaction 1998, 2). Samara, an industrial city of defense plants on the middle Volga, had been closed during the Soviet period (*ibid.*, 2). RII's purpose was to build a climate attractive to foreign investment, including a legal framework where laws were enforced. It also supported the development of NGOs, creating cites for public Internet access and assisting independent media. This was a new approach to assistance that had never been tried before.

In a June 1998 memorandum to his colleagues in USAID, USIA, Commerce, and Embassy Moscow, Ambassador Morningstar emphasized the importance of the RII as the highest priority in the U.S. government assistance program to Russia, enjoying the strong support of Vice President Gore and the Russian government.¹⁰² RII made most progress in Novgorod where oblast and city government officials were cooperative and open to new ideas and local entrepreneurs committed to improving the business climate. Ambassador Morningstar was more concerned about RII's lack of progress in the other selected regions and felt the RII Resident Coordinators, who were hired by S/NIS/C and worked for the U.S. Department of State in Russia, needed to take a the lead on the

¹⁰² Ambassador Morningstar provided a copy of this memo during our interview as background information on the RII.

ground, working with local authorities and overseeing the implementation of all U.S. government assistance programs in their regions. The regional coordinators were responsible for monitoring assistance programs and making adjustments as necessary and bringing the many U.S. government assistance players into contact with each other. Importantly, they were charged with sharing lessons learned from their RII experiences with other regions in Russia. Morningstar was concerned that it was taking too long to get programs up and running in the other RII sites and he feared losing the regional governments' attention and commitment. He wanted RII activities to receive the highest priority over other assistance programs in Russia and expected that while his office had funded RII the first two years, other U.S. federal agencies would incorporate the program in their base-line budget requests from 1999 forward.

Richard Morningstar departed the position of Coordinator in 1998, which was assumed by his deputy Bill Taylor. In a statement to the House International Relations Committee in June 1999, Taylor explained his approach to assistance to Russia – first as a balance between meeting immediate threats and promoting lasting generation change; and second as selective engagement, differentiating aid for regions actively seeking reform from those that did not (Moffett 1999). For Taylor, short-term goals included humanitarian aid and programs to promote non-proliferation. The U.S. also needed to invest in long-term political and economic reform “by supporting academic exchanges, non-governmental organization, Internet access and business” (ibid.)

GAO (2000, 100) cited several reasons for this shift to stage three, including the significant reduction in Congressional appropriations and the difficulty in spreading those diminished amounts across the vast Russian Federation, the lack of progress within the Duma to pass reform legislation at the federal level, and the need for demonstrable results for the Congress and the White House. U.S. federal implementing agencies could work directly with regional governments and avoid the federal bureaucracy in Moscow. More importantly, Morningstar realized that the transition in Russia would not be as quick and smooth as conceived originally, and likely would take generations to accomplish, certainly beyond the deadline of 1998 as established earlier in the assistance program. His approach was to look to the future and invest in young Russians through exchanges and programs like Junior Achievement. Interestingly, the U.S. Embassy and USAID Mission in Moscow became much more active in implementing the programs in Russia's regions. Morningstar focused his attention on local success stories rather than national reforms with the idea that a critical mass of success stories would spread across the nation.

In an interview with GAO, the Coordinator explained that if the Russian government asked for specific assistance, the U.S. would be willing to help on certain conditions, if: "(1) a significant opportunity exists to advance reform; (2) the U.S. government has a comparative advantage in providing assistance in the requested sector; and (3) the Russian government is judged not to have sufficient resources to purchase assistance from private sources (GAO 2000, 178). In 2000, the U.S. government had

adjusted its expectations to be involved in supporting economic and political reform in Russia for generations.

In conjunction with the Coordinator's changes to the U.S. approach to assistance, USAID/ENI designed a strategic framework in 1997 with 11 objectives divided into four areas of assistance to conduct its assistance program toward the NIS. Those four areas were:

- “economic restructuring to foster the emergence of a competitive, market-oriented economy in which the majority of economic resources is privately owned and managed,”
- “democratic transition to support the transition to transparent and accountable governance and the empowerment of citizens through democratic political processes,”
- “social stabilization to respond to humanitarian crises and strengthen the capacity to manage the human dimension of the transition to democracy,” and
- “cross-cutting programs/special initiatives” for activities that fell outside the other three categories (State Department Coordinator's Office 1998, 66-71).

To meet the second objective on democratic transition, USAID set several goals:

- to develop a better informed citizenry through open information and active involvement in the political process;
- to develop the rule of law through independent judiciary, uniform procedures, effective legal representation, and professional and honest prosecutors; and
- to make local government more effective and accountable through decentralization of authority to the local level and better mechanisms for citizens to interact with local authorities.

To meet these goals, USAID conducted assistance programs that sought to:

- support free and fair elections,
- strengthen political parties and labor unions,
- develop independent media,
- improve access to government information,
- increase the capabilities of NGOs,
- establish constitutions and civil codes,
- strengthen parliamentary processes, the judiciary, and law enforcement procedures, and establish organizations to combat corruption,
- create laws and regulations enhancing local authority,

- improve mechanisms for revenue sharing between central and local governments,
- improve the delivery of urban services such as water and waste management,
- encourage private contracts to manage municipal housing, and make information on local government actions accessible and encourage citizen participation in planning boards (ibid., 68-69).

This was the first time in the FSA Annual Reports submitted to Congress that USAID had set forth so clearly its thinking on what it sought to accomplish through its assistance programs and how it planned to do so.

Looking ahead to FY 1998, *The FY 1997 Annual Report* concluded that the U.S. government would emphasize increasingly the Partnership for Freedom approach to assistance programs in the NIS to promote economic and civil society linkages, especially to trade and investment and exchanges in Russia's regions through the Regional Investment Initiative. No one foresaw the coming crash of the ruble in August 1998. In the midst of this economic and political crisis, the Coordinator's office re-examined its assistance priorities and restructured to focus on investment-led economic growth, people-to-people linkages, and the development of civil society. It blamed the crisis on the "slow pace of structural reforms" in Russia (State Department Coordinator's Office 1999, 42). In the immediate aftermath of the crisis, the U.S. reverted to providing humanitarian assistance, including food aid, which it had not done since the very first days of the transition in 1992. In the longer term, U.S. investments targeted small- and medium-sized business; partnerships between U.S. and NIS universities, hospitals, NGOs, cities, business and professional associations; and exchanges between students, professionals and entrepreneurs. Over time, assistance administrators became convinced that democratic reform was a generational process and that U.S. assistance efforts needed

to be focused on building a cadre of young leaders with understanding of the day-to-day activities of a functioning market democracy.

Many credit Ambassador Morningstar with making U.S. assistance to the NIS significantly more effective and efficient. In a much more hands on and analytic approach, he shifted the emphasis of assistance away from the large privatization projects of the early years of the transition to investment in people and indigenous organizations. In the beginning, the U.S. government assistance program to the NIS was comprised entirely of technical assistance to support privatization of the economy, regularization of elections, and the creation of laws. In the first years, the push was to get the money out the door and into the countries of the former Soviet Union, but with very close oversight of program implementation through a handful of contractors. Ambassador Morningstar moved the assistance program into the next phase with less reliance on those few, large contracts and more on smaller contacts even with the risk of less control over program implementation. He sought to diversify the spectrum of assistance providers. The approach to assistance changed noticeably throughout the decade as implementers learned what worked and what did not and as events on the ground dictated or permitted. Flexibility in assistance programs was key to making adjustments along the way. One of the greatest challenges was convincing Congress that this was a worthwhile investment in the U.S.-Russia relationship, when, in fact, the U.S. could not control the final results of its investments. External support to the process of democratization was marginal and depended on the will of the recipients to reform.

With the end of the Clinton Administration and the beginning of the George W. Bush Administration in January 2001 the State Department was reorganized again, dismantling S/NIS, the office that Secretary of State Warren Christopher had created and Strobe Talbott had directed in 1993 to coordinate relations with the NIS. This restructuring signaled that Russia would not retain its place of priority in the foreign policy agenda of the new administration. The duties of that office were relegated to the Bureau of European Affairs as the Office of Assistance Coordination in Europe (EUR/ACE), which now manages both the SEED and FSA programs. Shortly before the end of the Clinton Administration, the U.S. Information Agency was dismantled and many of its personnel dispersed to Public Diplomacy (PD) positions throughout the regional bureaus in the State Department.¹⁰³ USIA ceased to be an independent federal agency and became the Bureau for Educational and Cultural Affairs (ECA) in the State Department, administering the traditional academic and citizens exchange programs, and reporting to the newly created Under Secretary of State for Public Diplomacy and Public Affairs (R). The dismantlement of USIA dealt a severe psychological blow to its career officers and relegated the exchanges portfolio to a much lower profile and priority at precisely the moment when those programs were receiving well-deserved attention from the FSA Coordinator's office.

¹⁰³ As part of the Clinton administration's efforts to restructure the foreign affairs community, the unlikely combination of Secretary of State Madeleine K. Albright and Chairman of the Senate Foreign Relations Committee Jesse Helms (R-NC) worked together from the mid-1990s in the attempt to abolish USAID, USIA, and the Arms Control and Disarmament Agency (ACDA) and centralize those responsibilities under the Secretary of State. In spring 1995, former Secretaries of State Henry Kissinger, Alexander Haig, George Shultz, and James Baker supported Helms' efforts to abolish those agencies (U.S. Congress. Senate. 1995a). Senator Helms succeeded in eliminating USIA and ACDA.

Challenges to Assistance

U.S. government agencies faced many obstacles in providing assistance to the NIS and specifically to Russia. The United States, along with the international financial institutions and other bilateral donors, faced similar problems in the early days of assisting the transition in Russia. First, they had little experience with the special challenges of transition economies, shifting from a centrally planned economy to creating the institutions of a market economy. Those accustomed to working in the development environment were faced with a new kind of recipient—a literate, educated populace with needs quite different from the usual less-developed recipient. The traditional aid entities did not have on staff the substantive knowledge of Russia, a part of the world where they had never worked before. According to GAO (2000, 79), “the [U.S. assistance] program failed to adequately take advantage of expertise within the U.S. government on the unique political context of Russia’s economic transition, and relied too much on personnel whose experience was primarily in poor developing countries.” This lack of substantive knowledge was particularly problematic in terms of communication—donors and recipients did not speak the same language at first. This improved over time, however, as U.S. agencies acquired in house expertise on the region. One of the most immediate obstacles to implementing assistance programs was the difficulty in securing such necessities as office and living space at an affordable price and establishing the infrastructure to run an office from phone lines to staff. Russian laws and regulations were arbitrary, non-transparent, and subject to frequent change.

Moving the money fast

With the perceived urgency of conditions on the ground at the collapse of the USSR and a rapidly declining Russian economy, the U.S. Congress put pressure on federal implementing agencies to move money quickly to meet emergency needs and to minimize impact on the U.S. budget.¹⁰⁴ The intent initially was to demonstrate quick action to the Russians. GAO (2000, 174) noted that the purpose for quick delivery shifted in Stage two under the assumption that quick reform produced genuinely better and longer-lasting reform. In many cases, the federal agencies implemented the assistance programs through outside contractors, often through a few large umbrella contracts that were quicker to put in place.¹⁰⁵ Russian government officials complained about these outside contractors who were highly paid and would come to Russia for short periods of time, give advice and recommendations for what the Russian government should do, and then disappear with no oversight or follow-up (GAO 2000, 79). Furthermore, Russians were insulted to be treated like a developing nation when they had been a superpower. According to GAO (2000, 16), pressure to disburse funds quickly did not allow sufficient time to actually study the conditions on the ground in Russia. Many suggested that because assistance to the post-communist world covered such a broad range of activities, their impact was diluted. As a result, there was a broad gap between heightened expectations in Russia of what the U.S. would deliver and the reality

¹⁰⁴ At the outset of the transition in the early 1990s the U.S. economy was in recession and the U.S. government ran a significant budget deficit. The Bush Administration, which felt it did not have the resources to greatly expand its presence in the region, tried to run as much of the assistance program from Washington as possible to keep costs to a minimum.

¹⁰⁵ One of the most infamous contracts was with the Harvard Institute for International Development (HIID), which came under harsh criticism by the GAO for its implementation of a \$300 million contract with little USAID oversight. That contract concluded in 1997 with key HIID personnel under investigation (GAO 2000, 80).

of achievements, to the detriment of Russia's perceptions of assistance programs (GAO, 80).

So big and the needs so great

A significant obstacle was the sheer size of the Russian Federation and the extent of its needs in the transition process across that broad territory. Because Russia had so far to go to become a market democracy, the needs simply dwarfed the level of assistance the United States could provide, especially given U.S. budget constraints early in the transition period. Furthermore, Russia did not do a good job implementing needed economic reforms from the start. GAO found that the partial economic reforms created hardships that further undermined any improvement in the economy or delivery of social services.

Lack of indigenous support

The lack of political will and consensus in Russia to create a market democracy was perhaps the most significant obstacle. Assistance implementers expected the central Russian government to institute recommended reforms that would set the stage for economic growth. A growing middle class was to continue the push for reform from the grassroots. Just as this necessary middle class began to emerge, the ruble crash wiped it out because the elite had not put in place the necessary structural reforms for a market economy and rule of law. According to GAO, the United States underestimated the division between the reformers and the holdovers from the old Soviet system. The needed consensus and political will in Russia society did not exist to push reform

forward. Russians did not agree on the transition, the type of society in which they wished to live. GAO learned in its review of the assistance program that when vested status quo interests remained in power at the federal level, reform needed to be undertaken where possible at the regional or local level.

Taxing assistance

Another major obstacle to the assistance program in Russia was the issue of taxation of assistance in that the entitled tax- and duty-exempt status was extremely difficult for assistance providers to obtain. A 1992 bilateral agreement provided exemption from Russian taxes and customs duties to all U.S. assistance activities in Russia, but this agreement never became legislation. In practice, U.S. assistance programs operated under the “Panskov-Pickering” Agreement signed in 1996 and extended several times thereafter. The State Duma failed in 1997 to pass the necessary legislation on clarifying that U.S. assistance funds were not to be taxed. In June 1998, Russia’s Finance Minister instructed tax and customs officials that the agreement had no legal basis, so they should begin collecting taxes and customs duties from US assistance providers. This order later was rescinded but U.S. assistance providers continued to suffer from the ambiguity about their tax exempt status. The problem was especially acute in dealing with local officials. In December 1998, the Duma finally agreed upon assistance legislation, but President Yeltsin vetoed it in January 1999 (State Department Coordinator’s Office 1999, 43).

The difficulty of measuring progress

One of the greatest challenges to U.S. assistance efforts was measuring success, determining if programs were effectively designed to accomplish their goals. While it is possible to check the box about the existence of certain attributes of democracy—a constitution, free and fair elections, plural political parties—it was much more difficult to determine the strength of rule of law or the development of civil society, aside from counting the number of laws on the books or number of registered NGOs.

Obviously, the NGOs receiving FSA funding needed to prove their effectiveness in hopes of securing future funding. With the implementation of the Government Performance and Results Act of 1993 (GPRA) and Vice President Gore’s reinventing government initiative of the 1990s, results-oriented programs became the trend of federal funding.¹⁰⁶ Understandably, NGOs reported only their program successes because future funding of these programs depended on their demonstrated effectiveness—and the embassy and funding agencies knew this. And yet, when asked to quantify these accomplishments there was a great deal of uncertainty on all fronts about the indicators of performance. How to measure incremental progress toward or digression from democracy is not an exact science. Some assistance programs like the Enterprise Funds indeed were quantifiable—they either were profitable or not—but it was very hard to measure the impact of academic exchanges, alumni activities or other investments in human capital. So there was the potential for disconnect between the Hill and the field.

¹⁰⁶ According to GAO (2004, 28), under GPRA (Pub.L. 103-62, 197 Stat. 285, as amended). “executive branch performance management efforts are intended to inform Congress and the public of (1) annual performance goals, (2) measures that will be used to gauge performance, (3) strategies and resources required to achieve those goals, and (4) the procedures to be used to verify and validate progress. These plans are to provide a direct linkage between longer-term goals and day-to-day activities.”

In making appropriation decisions, Congress wanted the hard numbers of what had been accomplished with FSA funds in the past years. The evidence, however, tended to be anecdotal. Tracking alumni of U.S.-funded academic exchange programs, for example, showed where those participants had established themselves in their societies after they returned from the U.S. Across the board, younger alumni were participating actively in society, and older alumni in their professions, leading a new generation of Russian professionals. It was difficult to measure, however, the contribution of the exchange experience to their future accomplishments.

As priorities and approaches to assistance shifted during the 1990s, so did the attempts to get a better handle on assessing progress to date. The annual reports from the early years of the transition in Russia relied primarily on anecdotal evidence. The section of the annual reports that assessed conditions in Russia every year credited the Kremlin with passing the new constitution in 1993, conducting relatively free and fair parliamentary and presidential elections, and completing the privatization program by 1994. From all accounts, however, it was clear that the rule of law remained weak in Russia and that corruption was an ongoing problem. USAID, for all the criticism it has received about its overabundance of regulations, took deliberate steps to design a strategic plan, setting goals and devising indicators to measure them. In 2001, USAID conducted a Results Review and Resource Request (R4) in which the agency asserted significant results in its Russia program. The report noted “Solid economic growth and advances on economic reforms underpinned vibrant small and medium business growth and improvements in living standards. A burgeoning civil society, greater judicial

independence and the second presidential election since the fall of the Soviet Union provided optimism for Russia's democratic transition. . . Many of these achievements in 2000 were the realization of past USAID interventions and reaffirmed changes in USAID's approach in recent years, adapting to changing needs and improving program effectiveness" (USAID Development Experience Clearinghouse 2001, 5). To back up these claims, the R4 document detailed each strategic objective by drawing on indicators available from a variety of sources. For example, the strategic objective "Accelerated development and growth of private enterprises" drew on several different indicators, including the gross number of small- and medium-sized enterprises (SMEs) in Russia registered by local government registration bodies or departments as of the end of the year. It tracked those registered SMEs from 1992 through 2000, based on statistics provided by the Russian Resource Center for SMEs (*ibid.*, 14). USAID assessed that same strategic objective also by looking at the number of jobs created and/or sustained and the number of loans made by USAID-supported microfinance organizations as collected from a number of Russian and U.S. sources. These efforts to capture and measure USAID activities through available statistics was a step forward in tracking progress of U.S. assistance programs.

Daniel Kaufmann, Aart Kraay, and Pablo Zoido-Lobaton (2000) of the IMF suggested a similar approach to measuring progress in governance among countries, drawing on available data and adding to that survey data. Noting that most assessment on governance relied on anecdotal evidence, they sought to develop a systemic approach to measuring governance as a means to influence policy choices on institutional and civil

society change. They turned to survey data as a means to provide improved quantitative governance indicators, reflecting the views of stakeholders on the quality of governance. The authors first drew on the wide range of statistical data available on indicators related to governance: voice and accountability, political stability and violence, government effectiveness, regulatory burden, rule of law and control of corruption. By looking at one indicator, control of corruption, across a large number of countries, for example, the authors were able to break the countries out into three large categories: those countries in which corruption was worst were in a “governance crisis,” those where corruption was somewhat of a problem were “at risk,” and those where corruption was not a problem were “not at risk.” While acknowledging that these indicators were still imprecise, the authors claimed they could help policy makers identify countries facing major governance challenges, but did not provide real policy guidance (Kaufmann et al. 2000, 4). Kaufmann et al. noted “Aggregate indicators based on existing sources of governance data are a powerful tool for drawing attention to relevant issues. They are also indispensable for cross-country research into the causes and consequences of governance. But they are a blunt tool to use in formulating policy advice” (ibid., 5). The authors recommended using “in-depth, country-specific surveys—carried out by domestic nongovernmental organizations—of thousands of households, enterprises, and public officials that gather specific information about vulnerabilities within the country’s institutions” (ibid., 5). They particularly noted the utility of anonymous surveys of public officials who can candidly describe the operations of their agencies. Armed with survey data, stakeholders can then convene workshops to present findings, have policy

discussions, and make policy recommendations to improve governance and promote reform.

The point of sharing these examples is to demonstrate the challenge of measuring progress in assisting political and economic reform. Donor agencies like USAID and IMF are thinking creatively about how to work with available data and gather survey data to assess assistance programs. The difficulty in measuring democracy promotion is particularly acute because the components are inter-related and progress in one area, for example, holding free and fair elections, may not translate into progress in another. Finally, as stressed before, progress in democratic and market reform is most reliant on the consent and will of the targeted recipient. Even when there is obvious progress, one cannot be sure to what extent external assistance may have contributed to it.¹⁰⁷

Beyond the institutional view

The various U.S. government agencies charged with conducting democracy promotion programs in Russia developed those programs in the context of their organizational cultures and agency regulations. The annual reports prepared by the Coordinator for Assistance to the NIS in the State Department recounted for the U.S. Congress the Embassy's assessment of political, economic, and social conditions on the ground in Russia and the federal agencies' efforts to conduct their respective program

¹⁰⁷ In GAO's (2004) review of the 1999 FSA Russian Leadership Exchange Program, GAO was at odds with the program's implementers, the Open World Leadership Center, over the need to measure results to determine that the program was selecting the appropriate participants for its fellowships. Open World rejected GAO's recommendations to create measures claiming that the results of its efforts were measurable only "in the medium or long term."

activities there—USAID’s rule of law, privatization, and market reform programs; USIA’s professional training and academic and cultural exchange programs; and the Commerce Department’s business development programs. These institutional views, however, did not capture the complete story of democracy promotion as conducted by individual program managers of U.S. nongovernmental organizations on the ground in Russia.

By the end of the decade, op-eds on Russia were not very encouraging. Market and democratic political institutions, civil society, and the rule of law in Russia remained underdeveloped, casting doubt on the effectiveness of U.S. assistance efforts. The shift from the Soviet system to a market democracy was profound, requiring entirely new institutions and new approaches. Pervasive corruption remained a major constraint to reform in Russia where those with vested interests in the status quo blocked reforms. The next two chapters examine specific assistance programs intended to promote the rule of law and market reform, and the development of democratic political institutions and civil society from the perspective of those U.S. organizations on the ground conducting the assistance programs. These examples provide a closer look at how programs were implemented to explore to what extent they were able to meet their intended goals. While not denying the disappointments about Russia’s progress toward democracy, the view from the grassroots level suggests more positive accomplishments, especially in longer-term payoffs to U.S. investments in democracy promotion.

Chapter 5: Implementing Rule of Law and Market Reform Assistance

The rule of law and a market economy, essential components to democracy, were primary goals of the FREEDOM Support Act (FSA), but in practice much more attention was devoted to market reform than to developing the rule of law. The scholarly literature suggests that the linkages between rule of law and market reform are vital. Market transactions require the predictability that rule of law brings through enforcement of laws. Establishing the rule of law is fundamental to successful economic and political reform toward democracy because it serves as the basis for influencing the behavior of individuals and enterprises. Rule of law helps to build the trust that holds society together in a democracy.

At the end of the Cold War, foreign policy elites in the United States spoke eloquently about the need for rule of law in the former Soviet space, recognizing its centrality for creating market democracies in place of collapsed authoritarian systems. Yet, for all their deference, there was little explanation of exactly what U.S. government officials meant by this phrase. “Rule of law” seemed to be part political culture, where the people of the target country would obey written laws, which were enforced by an independent judiciary, and part legal institution, i.e., an independent judiciary, the body of written laws, and the professional associations of the legal field. The implicit understanding was that the U.S. officials knew rule of law when they saw it, knew it was important to democracy, but did not necessarily know how to build it. As a result, rule of law received neither priority attention nor much funding among democracy promotion

efforts in Russia during the 1990s.¹⁰⁸ The task of designing rule of law programs was left to U.S. federal agencies with apparently no guidance. This chapter examines specific programs and their accomplishments, as funded through U.S. government agencies and implemented by U.S. nongovernmental organizations, first in support for rule of law and then for market reform.

Promoting the Rule of Law

Strengthening rule of law in the NIS stood as one goal among many in the FREEDOM Support Act, with no differentiation in importance among them. Rule of law, however, is integral to the other goals of promoting democracy. An independent judiciary protects citizens against the arbitrary actions of the state, while at the same time strengthens the state to carry out its duties. Market mechanisms rely on rule of law to create conditions of confidence that contracts will be enforced or disputes adjudicated fairly. Rule of law protects the free speech of independent media. It ensures that elections are conducted freely and fairly. For all these reasons, rule of law is the foundation for a market democracy.

A review of FSA rule of law programs implemented across federal agencies, however, suggested that the goal of strengthening rule of law did not receive sufficient attention nor was there apparent coordinated planning on how to accomplish it. USAID took lead responsibility under FSA for creating programs to help strengthen the rule of

¹⁰⁸ For example, USAID's proposed budget for democracy promotion programs in Russia in Fiscal Year 2000 was about \$3.5 million (USAID 1999b). When combined with support for building democratic political institutions, the proportion of funds to Rule of Law and Democracy together from 1992-2000 was 24 percent (GAO 2000). The total U.S. government funds devoted to rule of law in Russia from 1992-2000 was \$77 million or 35 percent of the total rule of law support for the whole NIS of \$216 million (GAO 2001a).

law in Russia, giving special attention to the judicial sector. The State Department Bureau for International Narcotics and Law Enforcement Affairs focused on law enforcement training and the Department of Justice Office of Overseas Prosecutorial Development, Assistance and Training targeted criminal justice system reform. A 2001 GAO review of FSA rule of law programs suggested that they had had limited impact and insufficient sustainability (GAO 2001b).¹⁰⁹ For its review, GAO drew on USAID's definition that "the rule of law is premised on a government being able to provide a predictable and transparent legal system. Fair and effective judicial and law enforcement institutions to protect citizens against the arbitrary use of state authority and lawless acts are also a basic part of such a system" (GAO 2001b, 1). Interestingly, GAO noted that support to build rule of law under FSA was "envisioned by the U.S. government to be a short-term program to jump-start the countries of the strategically critical region on their way to political and economic transition" (GAO 2001a, 7). While this was certainly true at the outset of FSA assistance, it is surprising to see such an assumption perpetuated in 2001 at the time of the GAO review. It was quite clear by then that the initial assumptions of how smooth and quick the transitions in the former communist world would be were overly optimistic.

Judicial reform

Focusing on support to the judiciary, the highlight of USAID's work in Russia was its partnership with the American Bar Association's Central and East European Law

¹⁰⁹ I note that GAO reviewed the various goals of FSA individually, i.e., a report on rule of law, another on market reform, but never addressed how these goals related to one another in the overall effort to promote democracy in the NIS.

Initiative (ABA/CEELI). In 1994, USAID created the Rule of Law Consortia to work with CEELI to train the next generation of legal professionals including judges, defense attorneys and prosecutors and to create legal associations promoting the independence of the judiciary. It also worked with law schools in Russia to develop new curricula. A key activity was to promote the spread of jury trials across Russia through a pilot project in 1994 in nine regions. The aim was to create a criminal justice system that could fight crime and corruption, protect human rights, and give the public confidence in the legal system. CEELI opened its Moscow office in 1992.

ABA/CEELI was a public service project of the American Bar Association, which made *pro bono* legal expertise available to the emerging democracies of the former Soviet Union. It took special care to ensure that its advice was neutral and without conflict of interest. Thousands of volunteers shared their legal expertise with the countries of the region from 1990–2000. Co-founder of CEELI Homer E. Moyer, Jr. noted in 2000 that the goals in transitioning from a communist system to a market-oriented democracy included “freedom from corruption, accountability for atrocities, ethnic and gender equality, environmental protections, transparency in government, open market economies, a free and critical press, and the changes in attitudes, expectations, and culture that create public confidence in democratic processes. . . .” (American Bar Association 2000, 5). He concluded that “market economies, enduring political reform, and peace cannot be achieved without an underlying legal system that embodies and assures the rule of law” (ibid., 5). CEELI made clear that an effective system of law was essential for political and economic reforms to last. For the first five years of the decade,

CEELI's efforts were devoted to drafting laws; the second half of the decade to strengthening the long-term capabilities of its indigenous partners, like lawyers' and judges' associations, to prepare them to continue reform on their own. USAID response to GAO's review emphasized its cooperative agreement with ABA/CEELI "which directly addresses the problem of ensuring sustainability by placing regional institution building advisers in the field to better assist organizations to become self-sustaining" (GAO 2001a, 59).

USAID also supported the creation of non-governmental organizations to serve as advocates for human rights, the development of participatory legal and legislative processes, and the free flow of legal information (State Department Coordinator's Office 1996, 77). USAID supported judicial reform through the work of the Associates in Rural Development/Checchi Consortium (ARD/Checchi) with the Ohio and Vermont Supreme Courts and Bars and the National Judicial College. This program trained all of Russia's commercial law judges in market-oriented legal reform.

In response to the Russian economic crisis in 1998, USAID took special efforts to re-examine its programs and more clearly define its goals and objectives including those on rule of law to identify what types of legal reform were most necessary. Under the goal of Democratic Transition "to support the transition to transparent and accountable governance and the empowerment of citizens through democratic political processes," USAID established the strategic objective to promote "legal systems that better support democratic processes and market reforms" (State Department Coordinator Office 1999,

83 and 85). USAID took steps in its new strategic plan in 1997 to define its approach to strengthening the rule of law. It stated, “The fair, objective and consistent rule of law requires the development of an independent judiciary, professional and honest prosecutors, effective legal representation, and well-defined legal procedures that help ensure uniform and timely enforcement of laws” (ibid., 85). USAID expected to accomplish this objective through support for drafting civil codes, building institutional capacity of parliaments, programs aimed at the judiciary and its associated organizations like bars, and establishing procedures for limiting government corruption and human rights violations (ibid., 85).

In the early 1990s, the U.S. was focused on economic reform—with advisers sitting in governmental ministries helping to draft specific legislation on privatization and macroeconomic policies. These efforts kept the Russian government focused and engaged on economic reform. Lacking similar U.S. attention to legal reform, the Russian government put it on the back burner. According to Spense (2005, 11), U.S. policy makers did not give a high priority to rule of law assistance. Only \$15 million was devoted to Rule of Law assistance in the early-mid 1990s for training seminars and logistical help for the courts. Assistance to jury trials was slow to start because U.S. federal regulations prohibited the use of assistance funds to pay the salaries of foreign officials, including jurors. Spense (ibid., 10) noted that the U.S. was not involved in the early stages of drafting the criminal code because the attitude of the U.S. government at that time was to remain at arm’s length from such internal affairs, not wanting to be seen directing the domestic affairs of another country. U.S. officials in the early days of

Russian independence did not want to actively lobby Yeltsin on criminal justice. The U.S. government took a hands-off approach to rule of law assistance in the early stages of the transition. With the economic collapse of August 1998, any progress that had been made in legal reform came to a halt. The *1998 Annual Report on U.S. Assistance to the NIS* described the critical obstacles to legal reform in Russia as “corruption, inadequate institutional capacity, inadequate commitment of government resources, and limited cultural and political will to reform” (State Department Coordinator’s Office 1999, 85). In 1998, Russia was only one of four NIS countries where USAID pursued rule of law programs because it was seen as further along in reform than other states. By then, USAID had adjusted its expectations, planning that development of rule of law in Russia was a long-term generational process.

Strengthening law enforcement

The 1994 Annual Report on U.S. Assistance to the NIS recognized the danger of rising crime to the reform process in Russia. One year later, the annual report stated that “since the collapse of the Soviet Union in 1991, a sharp increase in organized crime and other types of criminal activity has led many NIS citizens to equate the transition to a democratic, market-based system with an overall breakdown in law and order” (State Department Coordinator’s Office 1995, 80). In response to this problem of crime, USAID designed training and technical assistance for law enforcement agencies and for reform of the criminal justice system in Russia. The U.S. Federal Bureau of Investigation conducted the first training program on fighting financial crimes in Moscow in November 1994. Beginning in 1995, courses were offered at the International Law Enforcement Academy in Budapest. Special courses were designed for the Russian Ministry of

Internal Affairs (MVD) on such topics as combating cyber crimes and violations of intellectual property rights, public corruption, and internal investigations.¹¹⁰

In 1995, U.S. assistance efforts to strengthen law enforcement were consolidated under the State Department's Anti-Crime Training and Technical Assistance (ACTTA) program to teach law enforcement agencies in the region how to deal with crime while at the same time strengthening the rule of law and protecting individual rights (State Department Coordinator's Office 1996, 28). During 1995, various U.S. government entities trained more than 1,000 law enforcement officials through 40 courses (15 in the U.S. and 25 in Russia) on such topics as organized crime, financial crime, and narcotics trafficking. Resident U.S. advisers in Moscow provided their assessments on criminal reform for inclusion in legislation on organized crime, money-laundering, and corruption. The *1995 Annual Report* noted that "key recommendations from their analyses were incorporated into the pending legislation" (ibid., 28). Cooperation between U.S. and Russian law enforcement agencies spread beyond Moscow and St. Petersburg in 1995 to regional centers of Chelyabinsk, Khabarovsk and Nizhniy Novgorod. In 1997, ACTTA added new courses on community policing and on demand reduction and drug-abuse awareness. It undertook also a comprehensive program to address violence against women. With the identification of corruption as a major obstacle to reform, the State Department funded training on combating corruption among public officials and police forces. ACTTA trained law enforcement officers throughout the Russian government, including the Ministry of Internal Affairs, Tax Police, Border Guards, Immigration

¹¹⁰ By the end of 1997, over 3300 Russian law enforcement officials had taken 150 law enforcement courses (State Department Coordinator's Office 1998, 111).

Service, Customs Service, and the Central Bank in such areas as post-blast investigation, drug enforcement, narcotics interdiction, advanced economic crime, homicide investigation, crimes against children, and human dignity and policing (State Department Coordinator's Office 2000, 160). The Eurasia Foundation awarded grants to 23 organizations in seven regions in 1998 under its newly created Rule-of-Law Grant Program to deal with corruption, including fostering transparency in local government and crime prevention. The Department of Justice Office of Overseas Prosecutorial Development, Assistance and Training (OPDAT) and ABA/CEELI trained over 2,500 Russian professionals involved in prosecutorial activities, focusing at the end of the decade on the problem of organized crime and corruption.

USAID started a training program in 1998 for Russia's new Bailiffs' Service in the Russian Ministry of Justice to enhance capabilities to enforce court decisions (State Department Coordinator's Office 1999, 47). *The 1999 Annual Report* noted that the Bailiff's Service had hired more personnel and was ready to assume court security functions (State Department Coordinator's Office 2000, 109). USAID, however, dropped this activity in 2001 due to lack of funding.

To improve the investment climate for business, increasingly more attention was devoted to fighting commercial crime. In a July 1996 meeting of the Gore-Chernomyrdin Commission, the U.S. and Russian governments agreed to work together on fighting crime, beginning with preparation of a white paper on impediments to trade and investment in Russia. They also agreed to organize seminars on crime for the business

community throughout Russia (State Department Coordinator's Office 1997, 38). The GCC undertook a separate initiative to combat money laundering which identified the passage of anti-money-laundering legislation in the Duma as the highest priority.

GAO (2001b) criticized government agencies, more so State and Justice than USAID, for not effectively designing program goals and objectives and measurements for success. GAO found the number of police officers trained, for example, to be an insufficient measurement of the progress in the rule of law, and would have preferred programs be designed, instead, to "reform national law enforcement practices" (ibid., 3).

Passage of the Civil Code

One success in the area of rule of law was the civil code, with increasing evidence at the end of the decade that people were turning to the courts to resolve civil suits. As part of its economic restructuring assistance, USAID funded technical advisers in 1994 to work on President Yeltsin's commission to draft the new Civil Code. Part I of the code which established the fundamentals of civil and commercial law, addressing contracts, secured transactions, and property rights, went into effect on January 1, 1995 (State Department Coordinator's Office 1996, 52). Part II, which was passed in 1996, dealt with individual obligations like banking transactions, leases, sales and purchases. Part III included sections on inheritance, property law, intellectual property rights, private international law and ownership and sale of land. The Coordinator's Office expected that the new code would help deter financial crime, which had jeopardized people's confidence in the market economy (ibid., 56). USAID's Congressional Presentation for

2000 stated that all 1600 commercial court judges had received Parts I and II of the new civil code and 40 percent of them had received substantive training on the code and other newly enacted laws (U.S. Agency for International Development 2000, 9). The GAO review (2001b) noted the passage of the civil code and commercial laws, but faulted Russia for not having passed a new criminal code (which it did shortly thereafter).

Commercial law program

From 1992-2000, ABA/CEELI trained thousands of Russian lawyers on-site in commercial law and took the lead in providing up-to-date information on commercial law and the tax code (American Bar Association 2000, 37). USAID contracted with Harvard's Institute for International Development (HIID) to work closely with Russia's Commission on Securities and Capital Markets (CSCM) to strengthen its institutional capacity to meet criteria for a significant World Bank loan to develop Russia's capital markets. The Duma passed a Law on Securities in March 1996, which President Yeltsin signed in April. The new law formalized many of the president's earlier decrees on securities rules and procedures and established the role of the CSCM. USAID concluded its contracts with HIID in 1996 over concerns with HIID conduct in Russia's voucher privatization program, as will be discussed later.

In 1995, the U.S. Securities and Exchange Commission (SEC) through an interagency agreement with USAID and in collaboration with ABA/CEELI provided technical assistance in drafting securities laws and regulations. It advised on such issues as U.S. corporate governance practices, principles of self-regulation, ethics and conduct

rules for SEC commissioners, and the process of public issuance, as well as the SEC's organization and budget (State Department Coordinator's Office 1996, 57).

Criminal justice reform

Programs to address criminal justice reform began in 1996 under two projects, one sponsored by the U.S. Department of Justice in conjunction with ABA/CEELI and the second funded by USAID through the Associates in Rural Development/Checchi Consortium (ARD/Checchi). Both projects sought to reintroduce jury trials to Russia and draft new criminal codes. In preparation of the new Criminal Procedure Code, CEELI supported numerous training seminars to assist the design and innovative public meetings to help build support for the code. These public meetings were especially well timed between the two Duma readings of the draft legislation, working to ensure its passage. CEELI's collaboration with the Justice Department importantly targeted assisting Russia in the battle against organized crime and corruption. CEELI devoted special efforts to support a national anti-corruption strategy by building coalitions among law enforcement, government officials and civil society.

Russia's passage of the Criminal Procedure Code in 2001 was a rare example of successful U.S. efforts to assist the development of the rule of law in Russia in the 1990s. Notably, the Criminal Procedure Code passed about a decade after the initiation of U.S. assistance efforts because the legislation was stalled in the Duma through much of the 1990s. This code represented an important element of democracy promotion because it provided protection against human rights violations like arbitrary arrest and show trials

and other due process issues, which had a painful historical precedent in the Soviet Union. The new code re-introduced the practice of jury trials from the pre-Soviet period.

Importantly, these legal reforms were grounded in Russian history and not the sole product of U.S. assistance. According to Spense (1998), they were reflective of Russian culture with roots back to its 19th century legal reform and the right to jury trial under Czar Alexander II. More recently, Gorbachev was the driving force behind the initial push to reform the Soviet legal system, building on those earlier efforts. The Criminal Procedure Code, which passed in 2001 had legitimate Russian roots.

The reforms of the early 1990s put new protections into the 1978 Soviet constitution that “required judicial approval for arresting a suspect, searching a private home, intercepting mail, eavesdropping, or telephone tapping” (Spense, 5). These rights were then transferred into the new Russian constitution of December 1993 along with “the presumption of innocence; protection against double jeopardy; right to remain silent; right to exclude evidence gathered illegally; right to defense counsel upon arrest or detention; prohibition against ex post facto laws; right to trial by jury to the extent provided by law; and requirement of a jury trial for death penalty cases” (Spense 1998, 5). The 1993 constitution provided that the Russian judiciary would guarantee these rights. The design for this legal reform was good and a positive step forward for the rule of law in Russia. Its limitation, however, was that it needed implementing legislation passed by the Duma to put it into effect.

Unfortunately, the political will to move the reform to that next step had disappeared by the mid-1990s, bogged down in bureaucratic obstacles and the ongoing political tensions between President Yeltsin and the Duma. The window of opportunity to enact implementing legislation was much abbreviated as a result of growing discontent in Russian society from high inflation and resulting hardships under Yeltsin's "shock therapy" approach to economic reform. As a result, little progress was made on putting the new code in place because there was no political will in the Russian government to move it forward and no demand from below to make the government take action. Spense (1998) suggested that the Russian government simply could not afford to implement these new constitutional provisions. He explained that implementing reform was costly and transitioning governments usually had severe budget constraints. A dilemma often developed when a reform-minded government placed new provisions in the constitution, like jury trials, but could not afford to pay for them because they required remodeling courtrooms, paying jurors, and training defense attorneys. As a result, the inability to implement constitutional guarantees inadvertently would put the new government in illegal status of not upholding the constitution. Ironically, therefore, the new provisions of the 1993 Constitution did not really provide new protections. Consequently, the Russian government delayed the Criminal Code implementing legislation until resources existed to pay for them. That delay lasted through the latter half of the 1990s.

While legal reform stalled in Russia, the U.S. redirected its assistance efforts to supporting more grassroots activities, a shift the U.S. government adopted throughout its overall democracy promotion strategy. In the latter half of the 1990s, the U.S. conducted

legal seminars and exchange programs, bringing judges and lawyers and civil society groups to the U.S. to observe the legal system in action. It printed legal manuals on running jury trials and information about the benefits of a modern criminal code (Spense, 9). The U.S. hoped to build a constituency of support for legal reform within Russian. These activities, however, did not play a key role in creating the political conditions that allowed legal reform eventually to move forward.

Despite some positive steps, rule of law was not strengthened in Russia over the course of the 1990s. Only when Vladimir Putin became president in December 1999 and made legal reform a priority was reform reinvigorated. Putin created a commission on judicial reform, of which Duma Deputy Elena Mizulina took the lead and made it her primary objective to get the new Criminal Code passed (Spense 1998, 8). As an innovative concept, she created a working group composed of 40 members, some supporting and some opposing the draft criminal justice legislation and covering the broad range of stakeholders. By offering them the opportunity to participate in reviewing the draft legislation, she gave them a vested interest in the final outcome and held them to an ambitious schedule to get the implementing legislation passed in 18 months. Interestingly, she had written her doctoral thesis on modernizing the Russian criminal justice system (Spense 1998, 8). The new code increased the responsibility of the judges and shifted power from the procuracy to the judiciary. Under the code, defense lawyers gained more rights to speak up in courts, to gather evidence, and to cross-examine witnesses. Prosecutors used to hold all the power in the courtroom.¹¹¹

¹¹¹ See ABA/CEELI website (Buchanan).
http://www.abanet.org/ceeli/countries/russia/scuccess_story_rus_crim_code.html.

Once the political environment was sympathetic to legal reform, U.S. assistance could be effective. It was instrumental in lessening the transaction costs of the reform and U.S. advisers recommended substantive changes to the draft, which were accepted. The U.S. government's approach to supporting legal reform in Russia was much different in 2000 than it had been at the beginning of the 1990s. Working through the U.S. Embassy Law Enforcement Section and ABA/CEELI, the U.S. provided two dedicated experts on comparative criminal procedure to Mizulina's Duma working group to help with specific language and track changes as the drafting process progressed. Specifically, this was language on plea-bargaining—an essential requirement for jury trials in the U.S. to manage the trial load on the courts—and rules of evidence, as well as other rights of the accused. The U.S. also sponsored conferences specifically for the Duma working group. Dedicated to the needs of the group, the Department of Justice and ABA/CEELI were involved in the details of the implementation legislation, yet gave the Duma full credit and ownership of the legislation. The new code met international legal standards.

The ultimate passage of the Criminal Procedure Code exemplified the complex pieces that needed to come together for reform to happen. First, the design of the Code was legitimate as an indigenous effort from the start. Then the political environment needed to be conducive to legal reform. Under Elena Mizulina's leadership, the work on the Code was able to move forward. Her working group served as a good model for future efforts. In fact, following passage of the Code, the working group stayed together to become an implementation group, taking their message on the road across Russia to

build societal support for such legal reform and explain its place in the daily life of Russians. Contrary to U.S. expectations, the demand for legal reform did not come from the grassroots level, but was driven by the vision of one individual in the political hierarchy with assistance from the U.S. Spense (1998, 16) called this approach to rule of law assistance “catalyzing reform.” He claimed “this approach suggests that Western efforts can influence legal reform when two conditions are present: first, a policy entrepreneur who favors reform and some domestic political space to make her efforts a reality; and second, the need for legislation or a plan to implement reforms that are already part of the policy debate. When those conditions hold, the West can help bring about reforms by offering logistical and monetary support, without claiming credit.”¹¹²

Consistent with the findings of this study that the primary component for democracy to take hold is the consent of the people, Spense (14) cites the reflections of one coordinator of U.S. assistance in Moscow:

You find people who are good, focused, and committed, and you support them. But the will needs to be indigenous. The ideas that underpinned what they [the Russians] were trying to do were already consistent with what the U.S. would support, and consistent with European norms. It was more that the Russians didn’t have the resources to do what they wanted to do.

Other participants in the U.S. assistance efforts noted the value of Russian legal professionals traveling to the United States to see the democratic system at work.

¹¹² Spense (17) noted that the cost of U.S. assistance efforts to passage of the Criminal Procedure Code was about \$1 million over three years (1999-2001), the period in which U.S. assistance was most influential. Therefore, it was not about the amount of assistance provided, but about its form when the U.S. government was much more intimately involved in the details than it had been previously.

Interestingly, Spense (1998, 18) pointed out tension between the push for democratic reforms and development of the rule of law, citing the evidence that legal reform did not progress under Yeltsin's more open society, but did under Putin's subsequently more closed society. He recommended approaching democracy and rule of law as two distinct goals, not combining them as does conventional thinking. Promoting democracy and promoting the rule of law may require different strategies. Interestingly, in its overall review of democracy promotion, GAO (2000) combined its findings on democracy and rule of law into one category.

Decrees, not laws

Because of the tense relationship between Boris Yeltsin and the communist-dominated Duma, much legislation in the 1990s was stalled. As a result, Yeltsin resorted to executive decrees to make changes in the economy, political structure, and society. According to Belton (22), relying on executive decrees to implement rule of law reform does not strengthen the rule of law. Carothers (2004, 126) agreed, suggesting that rule of law was the weakest link in Russia's post-communist transformation. Rule of law was undermined by the executive's willingness to go around the law, as Yeltsin did repeatedly through executive decrees, and "by the private sector's troubling lawlessness" (*ibid.*, 126).

Belton (2005, 26) noted that, under Putin, Russia had more predictable and efficient justice than it did under Yeltsin because the central government—the Kremlin—ruled. Under Putin's leadership regular businesses operated and local government

officials were accountable to the Kremlin. These gains of predictability, however, came at the price of more power to the center at the expense of the Duma. Comparing the two regimes, Belton determined that under Putin, the level of law and order in society and the predictability and efficiency of the legal institutions were higher, yet the state was less bound by law than under Yeltsin. Human rights stayed about the same though the sources of threat changed from general anarchy under Yeltsin to the state under Putin (Belton 2005, 26). Under Yeltsin, Russia's rule of law was weak and unpredictable and he sought to control and make changes through decrees. Rule of law was a higher priority for Putin and was strengthened, but to the end of consolidating power in the Kremlin.

Challenges to rule of law assistance

According to *The 1998 Annual Report*, legal reform in Russia depended on the willingness of the leaders and the public to accept fairness, transparency, accountability, and legal predictability as the norms. *The 1999 Annual Report* identified significant obstacles to reform: "corruption, organized crime, and the overall lack of an effective and comprehensive legal system that can ensure the rule of law (State Department Coordinator's Office 2000, 66). USAID stated "corruption . . . remains systemic at all levels of society, with deleterious effects on the economy as well as corrosive effects on public confidence in government institutions. In addition to corruption, main obstacles to furthering the rule of law include inadequate institutional capacity and insufficient commitment of government resources to this area. Ultimately, the effectiveness of legal reform efforts depends on the will of institutions and citizens to adhere to concepts of

fairness, transparency, accountability and legal predictability” (ibid., 108). Likewise, the GAO (2001b, 10) found that U.S. rule of law assistance was constrained by: “(1) a limited political consensus on the need to reform laws and institutions, (2) a shortage of domestic resources to finance many of the reforms on a large scale, and (3) a number of shortcomings in U.S. program management.

Assessing Progress in U.S. Assistance to Rule of Law in Russia

Chapter One referenced the work of Karen Kleinfeld Belton (2005) for a clear definition of the rule of law. As noted there, she proposed a definition based on the end-goals of the rule of law where: 1) the state abided by law; 2) there was equality before the law; 3) there was law and order in society; 4) justice was exercised efficiently and impartially; and 5) human rights were upheld. Achieving these goals often requires reform across many institutions—the courts, the police, and the judiciary—and success in one area alone does not bring rule of law because the goals are inter-related. Belton claimed that democracy promoters tended to define rule of law based on institutions: 1) the laws, which were publicly known and accepted; 2) a judiciary that was trained and knowledgeable about the law and independent of political power; and 3) an enforcement mechanism that could enforce laws, executive judicial judgments, and keep the peace and security in society. According to Belton, reforming institutions was a means to an end, not an end in itself, but it had become so in democracy promotion efforts. For Belton, the rule of law was not just about legal institutions; it needed to be a cultural and political model.

Carothers (2004, 128) criticized the U.S. government for not coordinating its various programs to strengthen rule of law into a coherent strategy. Russia was the largest recipient of U.S. rule of law aid, and, yet, according to Carothers, made little progress. One of the major obstacles was the lack of support among the Russian public for rule of law, though they clearly wanted to reestablish law and order after the turbulence of the Yeltsin years. Stephen Holmes argued that only strong demand for law would make a difference, particularly strong demand at the elite level.

Rule of law is fundamentally about instilling certain values in society—efficiency, transparency, accountability and honesty—not about a certain institutional model. These values needed to be developed in Russian society and government. Rule of law could not be transplanted simply through institutional models. Leaders had to be willing to submit to the law. It was easier to focus reform efforts on rewriting laws and building institutions and much more difficult and time consuming to build internal support for the rule of law. According to Carothers (2004, 129), building this support would require “a level of interventionism, political attention, and visibility that many donor governments and organizations cannot or do not wish to apply. Above all, it calls for patient, sustained attention, as breaking down entrenched political interests, transforming values, and generating enlightened, consistent leadership will take generations.” Carothers complained that U.S. assistance programs gave primary attention to judicial reform without evidence supporting that judicial reform was more important than the executive branch agencies or legislatures in their role for passing laws. For Carothers, the law was more than institutions and written codes; it was also what people

thought and how they behaved. Aid providers, he suggested, needed to understand how law operated in a society.

- Rule of law is not about a set of specific institutions, but about a set of inter-related goals that are complementary and in tension. Rule of law is not a single goal; there is much more to it than that. Think about the difference in strategies for promoting rule of law versus those for promoting democracy.

Despite efforts to create rule of law societies, results throughout the former Soviet space, including Russia, were mixed. Channell (2005) argued that often societies had plenty of good written laws, but they were not enforced. Early in the transition period, donors focused on rewriting commercial laws to foster the growth of a market economy, often pulling laws directly from best practices around the world. Donors and indigenous reformers assumed that with good laws in place the forces of the market economy would ensure their implementation and enforcement. That was not the case in a number of transitioning countries, including Russia, for many of the same reasons:

- 1) Because the laws were transplanted from other markets and not indigenous, they often did not reflect the culture and commercial history of the recipient country. Those who were most impacted by the reforms—government institutions, the private sector, and NGOs—were not involved in the drafting process, which usually was carried out by a small number of outside experts

and a parliamentary committee. The people did not own the new laws, so had no stake in ensuring their successful implementation.

- 2) Too often, law reform efforts have been constrained to too short of a time frame and with insufficient resources. Time is important to build support for reform within society and that means getting out to the people broadly through publications and public discourse, both of which cost money.
- 3) Reform efforts tend to be too narrowly focused and miss the systemic impact of reform. As a result, segmented projects do not add up to a whole rule of law system.

Channell particularly made the point that these were not new lessons, having been learned, but not adequately captured, by the international community during the 1960s and 1970s. Participation in the drafting process by the broad range of stakeholders sets the stage for a more sympathetic public. Reformers needed to invite public comment to get buy in for reform. Borrowing from existing law worldwide was not the problem; neglecting public review of draft law was a problem and worked against the consolidation of the rule of law.

Channell (2005, 7) argued for the systemic approach to rule of law reform, meaning pursuing reform across all sectors of society and the economy, because reform targeted specifically in one area could create dangerous loopholes in another. He cited as an example the early bankruptcy laws, i.e., how an organization legally declared its inability to pay its creditors, in Russia, which neglected to recognize the need also for

company law reform that governed the creation and regulation of business organizations. As a result, directors of newly privatized enterprises could move corporate assets directly to themselves or through shell companies to the loss of shareholders and creditors.

Creating new laws alone was not sufficient to build the rule of law because the new laws needed to be accepted and upheld in society. Passing laws and implementing laws are two separate and necessary steps that involve “research, debate, negotiation, public education, outreach, institutional capacity building in parliament, development of skills in translating policy into legislative drafts, revision of drafts based on local political compromises” (Channell 2005, 9). To enhance the legitimacy of new laws, government should engage with the public in dialogue to come to agreement about the laws so they can be enforced and serve the purpose for which they are intended.

Given such criticism, what does this review of rule of law assistance to Russia in the 1990s say about U.S. efforts to promote democracy? The foreign policy elite recognized rule of law as an essential component of democracy. Rule of law appeared in the FSA legislation and nearly all of the policy statements on promoting democracy in Russia upon the collapse of the Soviet Union. The term, however, was undefined, taking on concrete meaning only as it was designed and operationalized by the U.S. government implementing agencies—USAID and the Departments of State and Justice. Through its grants to ABA/CEELI, USAID focused on training the judiciary. ABA/CEELI also worked directly with the parliamentary working group to draft the Criminal Procedure Code, which greatly improved the rights of the accused. The State Department programs

trained law enforcement officials to fight crime while respecting the rights of the individual. The Justice Department through ABA/CEELI trained prosecutorial professionals. I would suggest that by working so closely with, for example, ABA/CEELI volunteer lawyers who were in country working pro bono, Russian legal professionals were exposed first hand to the values of transparency, predictability, and efficiency that are prevalent in the U.S. legal tradition. Those who served as dedicated advisers to certain legislative actions built relationships with Russian lawyers and legislators. Creating judicial organizations builds a community of judges. Also, where possible, USAID made efforts to distribute newly passed laws as widely as possible, contributing to the uniformity of law across regions.

Despite these efforts, however, rule of law in Russia remained weakly developed by the end of the century. At the end of each *Annual Report on U.S. Assistance to the NIS* is a section on “Criteria for U.S. Assistance,” which recommends whether the United States should continue providing assistance to a particular country. The FSA required that the President “take into account not only relative need but also the extent to which [Russia] is acting to make significant progress toward, and is committed to the comprehensive implementation of, a democratic system based on principles of the rule of law, individual freedoms, and representative government determined by free and fair elections” (State Department Coordinator’s Office 2000, 269). As in earlier reports, *The 1999 Annual Report* indicated concern about the independence of the judiciary in Russia and called “Russia’s progress towards building a society governed by law-based, democratic institutions . . . uneven and beset by serious challenges, often due to

significant limitation on the state's financial resources (ibid., 269). While acknowledging that the Constitution provides for an independent judiciary, the report found that “in practice, the judiciary remains subject to political influence, particularly in high-profile cases. The government's inability to provide sufficient resources to the courts has also compromised the judiciary's freedom of action, and the judiciary—including the constitutional court—has not yet established effective mechanisms to enforce its rulings” (ibid., 269). It noted that the Duma had not enacted anti-corruption legislation nor had the government taken steps to address it. Such statements did not indicate much progress in the area of strengthening the rule of law in Russia, but there were significantly fewer assistance programs devoted to the area, as compared to those promoting other attributes of democracy such as market reform.

While everyone acknowledged the importance of rule of law in a democracy, its development in Russia did not seem to receive a high priority on the assistance agenda. USAID conducted a Results Review and Resource Request (R4) document in 2001 that presented accomplishments to date in its democracy promotion programs. The review included measures of performance for each objective, for example, on the uniformity and predictability of judicial court decisions based on the results of an annual ABA/CEELI survey. With these measures, USAID could track progress over time. The 2001 R4 document concluded that significant progress had been made in the area of rule of law. The legal framework provided judicial independence based on a new law implemented in 2000 for funding the judiciary. From an exchange program of 20 top Russian judges, USAID helped create a Judicial Department in 1998, which worked to secure funding for

the courts and hire personnel for the court system. The Judicial Department was modeled on the Administrative Office of the U.S. Courts (USAID 2000, 9).¹¹³ As President Putin took office, he raised the salaries for judges by 20 percent on December 1, 2000 (USAID Development Experience Clearinghouse 2001, 48). It appeared that progress was being made in strengthening the judiciary, but, according to USAID, the prevalence of corruption continued to work against the confidence of the Russian people in legal institutions. For this reason, USAID expected to support indigenous NGOs that had taken up the fight against corruption at the grassroots level (ibid., 49). In fact, GAO (2001b, 12) credited USAID for including in its strategic plans sustainability of its rule of law programs, i.e., creating mechanisms to carry on its work after assistance had stopped. GAO criticized the State and Justice Departments for doing little more than counting the number of justices or police officers it had trained. GAO called for all federal agencies involved in rule of law programs to improve mechanisms for measuring results. USAID countered GAO's criticism by claiming that USAID had measured and monitored rule of law programs from strategic planning through implementation, with special attention to lessons learned from past efforts.

The reading of these two U.S. government assessments suggests that rule of law was weak in Russia during the 1990s but making progress with the help of U.S.

¹¹³ In response to GAO's (2001a, 63) criticism, USAID Acting Assistant Administrator Nygard noted that "rule of law assistance . . . has had substantial impact in shaping the direction of law reform, even though the job is far from finished. In Russia, a great deal of political will for legal reform has been mustered, both in the early years of perestroika and through the Yeltsin and Putin administrations." He cited passage and implementation of the Civil Code and the Constitutional Law on the Judicial System in 1996, which freed courts of general jurisdiction from executive branch control. USAID-funded assistance was a significant factor in the establishment of the Judicial Department, which has given the courts more budget clout with the Russian government and positioned them for further growth and change" (GAO 2001a, 63). He also noted that USAID has set in motion a process to integrate the Russian judiciary into international bodies, where world human rights and standards prevailed.

assistance programs by the end of the decade. In terms of the overall U.S. government assistance program to Russia in the 1990s, rule of law was not a high priority item and was not viewed as a linchpin for success in other areas of assistance. While rule of law received higher priority by the end of the decade, overall FSA funding for Russia had decreased by then. GAO (2000) statistics showed that rule of law and democracy building programs combined represented 24 percent of total assistance to Russia from 1992-2000, and there were many more democracy building programs than ones devoted specifically to the rule of law. USAID's budget request for rule of law programs in FY 2000 was about \$3.5 million out of a total assistance budget of nearly \$300 million.

Absent an overall plan for strengthening the rule of law in Russia, the FSA programs seemed to have been designed ad hoc, left to the priorities and agendas of the implementing agencies. USAID was most diligent in designing and evaluating its rule of law programs, but while USAID programs may have been more effective, there was little connection across programs implemented by State and Justice toward the overall goal of rule of law. In fact, that was President Clinton's wish from the beginning, according to Strobe Talbott (2002), that the U.S. government would devote the specialized expertise of the various agencies to promote democracy in Russia. This was the reason so many U.S. government agencies were involved in carrying out FSA-funded programs. As a result, only certain aspects of rule of law were strengthened like judicial training and criminal procedures, but not enough to make Russia into a law-based society. By many accounts, pervasive corruption was the most significant obstacle to the rule of law in Russia and in 2002 USAID began to work with Russian NGOs, which were combating corruption.

Promoting Market Reform

The largest portion of U.S. assistance to Russia over the course of the 1990s was devoted to developing the free market, first focusing almost exclusively on privatization, then by mid-decade targeting the growth of small and medium-sized enterprises. At the outset of Russia's independence, U.S. economists and economic reformers in the Russian government looked to Poland as the model for market reform, pursuing rapid and widespread privatization. As described in Chapter Three, the privatization program was carried out in less than transparent procedures to the benefit of insiders, managers and employees held over from the Soviet period, and to the detriment of Russian society at large. The U.S. government's expectation early in the decade was that the transition period would be short and relations with Russia would quickly progress from aid to trade. This section explores the primary programs in market development supported under the FSA in Russia, mainly through USAID and the Commerce Department. Those programs were designed to meet the following FSA goals.

Under Title II—Bilateral Economic Assistance Activities, Section 498. Assistance for the Independent States, the FREEDOM Support Act (FSA) called for:

- (3) FREE MARKET SYSTEMS—Creating and developing private enterprise and free market systems based on the principle of private ownership of property, including—
 - (A) the development of private cooperatives, credit unions, and labor unions;
 - (B) the improvement in the collection and analysis of statistical information;
 - (C) the reform and restructuring of banking and financial systems; and
 - (D) the protections of intellectual property.
- (4) TRADE AND INVESTMENT.—Creating conditions that promote trade and investment, and encouraging participation of the United States private sector in the development of the private sector in the independent states of the former Soviet Union.

Establishing the baseline

Well before the collapse of the Soviet Union, the Group of Seven (G-7) leading industrial nations called in July 1990 for a study on the Soviet economy, which was conducted by the IMF, World Bank, EBRD and OECD, in response to a request from Mikhail Gorbachev for assistance. The report, published in February 1991, recommended “decontrol of prices, privatization of enterprises, and liberalization of trade and investment, consistent with ‘the Washington Consensus’” (GAO, 39). It also stressed the importance of a social safety net to temper the economic hardships that would result from these recommendations. As such, the approach to economic development rested with the “Washington Consensus”—commitment to free markets, private property, and individual incentives through freeing prices, removing trade barriers, and privatizing enterprises. While the international community agreed on these economic principles in general, countries did not collaborate extensively on their design and implementation. The international financial institutions provided loans, while the U.S. government provided grants and technical assistance. It was difficult for the G-7 to plan how these recommendations would be implemented because it was still unclear what the political structures an independent Russian Federation would choose.

A late start

Goldgeier and McFaul (2003) claimed that, during the final year of the Bush Administration, the U.S. lost a critical first year in supporting Russia’s economic transition. President Bush’s announcement of the FREEDOM Support Act in April 1992 raised the expectations of leading economic reformers in Moscow, including Yegor

Gaidar, for significant amounts of foreign aid to stabilize the Russian economy (Goldgeier and McFaul 2003, 66). The potential for American “engagement and influence” at this stage was substantial as the reformers needed and wanted American advice. Jeffrey Sachs of Harvard University insisted that large scale assistance was necessary for economic reform (ibid., 67). Goldgeier and McFaul (2003, 71) suggested that the West missed an especially important opportunity to improve the Russian economy in its handling of the Soviet debt owed to the West, a total of \$65 billion, with \$2.8 billion of that to the U.S. The Treasury Department, which was responsible for this issue, was not much interested in assisting Russian reform at the end of 1991 and the Bush Administration was reluctant to shift its loyalty from Gorbachev to Yeltsin. This hesitancy cost valuable time in making decisions promptly that could have made a difference later. With the U.S. slow to act, economic assistance to Russia had to wait for the G-7 (Goldgeier and McFaul 2003, 71).

Expectations for a quick transition

Because Russia, compared to the rest of the NIS, was more advanced in its political and economic reform in 1992-3, expectations in the West were high that Russia would progress quickly and smoothly to a market democracy. The most dramatic event in Russia’s economic reform was the rapid mass privatization program of 1992-1994 in which more than half of Russian industry was transferred to the private hands of more than 40 million Russians. This effort was accomplished through “corporatizing the [state]enterprises as joint stock companies; distributing vouchers to the entire Russian population; creating investment funds to channel purchases of larger firms; and

organizing a system of auctions throughout Russia through which shares in the enterprises were distributed” (GAO 2000, 91).

The *FY 1994 Annual Report on U.S. Assistance and Other Cooperative Programs in the NIS* predicted that an assistance program to Russia would no longer be needed after 1998, which was anticipated to be the final year of funding. Assistance administrators expected to move quickly from humanitarian assistance to reform assistance to normal bilateral economic relations between the U.S. and Russia. That path, however, was not smooth nor the pace quick.

One of the three key objectives of the FREEDOM Support Act was to help establish an open and competitive market economy and expand opportunities for trade and investment (State Department Coordinator’s Office 1996, 1). USAID took the lead in supporting economic reform with the objective to train a cadre of skilled market participants.

Private Sector Development Programs

In 1994, USAID sought to produce a “private sector founded on the principles of private ownership and the free exchange of goods and services” (State Department Coordinator’s Office 1995, 43). The goal was to help move state-owned assets to private owners. USAID assisted in the privatization voucher distribution programs, auctions of large enterprises, small-scale privatization, disassembling monopolies, and public education programs.

According to the *1994 Annual Report* (State Department Coordinator's Office 1995, 20), the Russian State Property Committee completed a mass privatization program that privatized 71,000 small state enterprises and over 16,000 medium and large state enterprises, or about 70 percent of Russian industry and 40 percent of the work force.¹¹⁴ Under the mass privatization program, 144 million vouchers were distributed to individuals; 22,000 medium-to-large companies became joint stock companies, and over 40 million Russians received shares in the privatized enterprises, with the intent of giving them a direct stake in the success of Russia's emerging market economy (State Department Coordinator's Office 1995, 43 and 1996, 54). Eighty-six Russian regions participated in the privatization program, which was completed on July 30, 1994. *The 1995 Annual Report* estimated that almost half of Russia's workers were employed in private firms, about a three fold increase since 1992 (ibid., 54). USAID also supported privatization by cash auctions. The rationale for the privatization programs was to depoliticize the enterprises so their managers would stop looking to the state for subsidies.

Much of *The 1995 Annual Report* focused on economic development, noting that the U.S. government expected the pace of reforms to slow in Russia with the communist victory in the parliamentary elections, but acknowledging that the Russian government's stabilization plans seemed to have been effective. In 1995, inflation declined, the budget deficit decreased, and the ruble exchange rate was maintained within its expected limits. GDP began to grow after four years of decline and Russia entered into an agreement with

¹¹⁴ Small enterprises were those with less than 200 employees; medium enterprises had 200-1,000 employees; and large enterprises exceeded more than 1,000 employees (GAO 2000, 91)

the IMF in April 1995. *The 1995 Annual Report* expressed concern that Russia still lacked the necessary legal and regulatory framework to attract investment and noted that President Yeltsin replaced some of the reformers in his administration with more hardline officials to appease the conservative Duma.

By 1996, Russia had completed its mass privatization program and achieved macroeconomic stabilization (State Department Coordinator's Office 1997, 2). The private sector in Russia comprised over 60 percent of GDP. Once privatized, focus then turned to restructuring those enterprises to make them more efficient and competitive on the world market. The monopolistic structure of industrial production and trade under the Soviet system was an impediment to market transition and there were few Russian analysts trained in market economics. As *The 1996 Annual Report* (4) noted, "economic stabilization and structural change do not automatically translate into investment and growth." The report praised USAID for designing innovative "toolkits" for enterprises seeking to restructure themselves. The toolkits contained information on marketing, financial management and management support (State Department Coordinator's Office 1997, 34).

In the first two years of assistance to Russia, USAID played the largest role in economic support through its private sector development programs. Following successful privatization, USAID assisted Russia in building the business and legal infrastructure to help newly privatized enterprises operate and grow. This involved local efforts to affect legal reform, create systems of financial intermediation such as stock

exchanges, strengthen essential free market institutions such as independent anti-monopoly, securities and trade commissions, and develop private sector capacity to service private firms. USAID supported a team to oversee the Russian Privatization Center and encouraged the development of Russia's capital market and its supporting institutions. USAID expanded the Russian Privatization Center to the regional level through ten privatization centers. It conducted training in accounting standards and regulations for privatized enterprises. By the middle of the decade, the lead in U.S. economic assistance seemed to shift from USAID to the Commerce Department, as did the focus on assistance to trade and investment. U.S. economic assistance focused on systemic change and targeted areas where reform was already underway.

U.S. Trade and Investment Programs

One of the main rationales of U.S. policy makers for assisting market reform in Russia was the potential opening up of new markets for the U.S. economy. *The 1994 Annual Report* recognized the critical role of U.S. foreign investment in furthering U.S. foreign policy goals, creating U.S. exports, jobs, and economic growth, and making the U.S. more competitive in the global economy (State Department Coordinator's Office 1995, 95). Despite some successes, *the 1995 Annual Report* (State Department Coordinator's Office 1996, 26) stated that "trade and investment programs were hampered by a lack of investment-encouraging policies and legal recourse for resolving commercial disputes, unpredictable taxation, and rampant crime and corruption."

Insuring investment

To encourage and support U.S. investment overseas, the FSA provided funding to the Overseas Private Investment Corporation (OPIC) to reduce the risk of such investment for U.S. companies. OPIC provided direct loans to U.S. small and medium-sized businesses to invest in Russia and insurance against three political risks: political violence that would affect assets and income; expropriation; and the inconvertibility of currency. In 1994, OPIC led an investment mission to Siberia and the Russian Far East focusing on telecommunications, mining, manufacturing, energy and pharmaceuticals and medical equipment (State Department Coordinator's Office 1995, 96). The purpose of the program was to introduce American business executives to business leaders in Russia, in hopes of developing joint-ventures. OPIC supported for example:

- Pratt & Whitney Group of United Technologies Corporation for an aviation project in Russia in 1994 to establish a joint venture with Perm Motors, with the expectation that the project would create 200 Russian jobs and would generate about \$65 million in U.S. exports.
- U.S. West International Holdings, Inc. for a Russian telecommunications project with the Russian Telecommunications Development Corporation, focusing on Moscow and St. Petersburg.
- Snyder Oil Corporation to develop and produce oil in the Urals region with Incorporated Works Permneft, employing advanced Western drilling technology.

- All Alaskan Seafoods, Inc., a small U.S. company, with Damoreproduct in Vladivostok, to employ modern deep-water fishing techniques rather than the environmentally unsound dragging method traditionally used by Russians.

By 1997, many OPIC projects were energy focused; one of its most important loan guarantees was to the Sakhalin Energy Project sponsored by the Marathon Oil Company, Mitsui & Company, Mitsubishi Corporation, and the Royal Dutch/Shell Group, an example of a sharing contract as allowed under Russia's new Law on Production Sharing Agreements. The hope was that this collaboration would serve as a catalyst attracting other such investment arrangements to Russia (State Department Coordinator's Office 1998, 74).¹¹⁵

The U.S. Russia Investment Fund (TUSRIF)

The most visible investment program from the start was the enterprise fund, a model, which had proven popular and successful in Eastern Europe. Based on its success under the SEED Act, the authority for enterprise funds was extended into the FREEDOM Support Act to support the indigenous private sector. The funds were designed "to stimulate the creation and expansion of newly privatizing businesses in the emerging market economies of the NIS" (State Department Coordinator's Office 1995, 102). Each fund was governed by a Board of Directors, which hired experienced staff to conduct daily operations. While USAID monitored the fund, the U.S. government kept its distance to demonstrate that such activities were best conducted by investment

¹¹⁵ Interestingly, subsequent annual reports to the Congress did not include such details on programs and end-users, i.e., those participating in OPIC programs.

professionals. *The 1995 Annual Report* (State Department Coordinator's Office 1996, 40) noted that the enterprise funds "provided venture capital in situations where financial markets are still evolving and the business environment so fragile that foreign investors are reluctant to commit funds to emerging small and medium-sized enterprises."

In 1994, Gerald Corringan, former President and CEO of the Federal Reserve Bank of New York, became Chairman of the Russian American Enterprise Fund (RAEF), which had offices in New York, Moscow, and Khabarovsk in the Russian Far East. RAEF's first investments came in 1994 in a women's clothing factory outside Moscow and a wood veneer plant in Archangelsk (State Department Coordinator's Office 1995, 102-3). At the same time, USAID created the Fund for Large Enterprises in Russia (FLER) with OPIC to meet the special needs of medium- and large-sized firms (those with 1,000-10,000 employees) in reform-oriented areas of Russia. FLER provided those firms with loans as they emerged from the mass privatization process, with special attention to those, which would be considered too risky for other private investors. Its first deal was with U.S. Global Health for a western style outpatient clinic in Moscow, supported jointly with PepsiCo and Columbia-Presbyterian.

In April 1995, the new FSA Coordinator Richard Morningstar consolidated the RAEF and FLER into a new U.S. Russia Investment Fund (TUSRIF) to save on operating costs (State Department Coordinator's Office 1996, 40). TUSRIF was registered as a not-for-profit corporation in Delaware. The new entity retained the three offices of RAEF and placed more attention on joint ventures. TUSRIF provided funding in 1995 to

the New Russia Small Business Investment Fund (NRSBIF), a subsidiary of the Washington, DC-based Fund for Democracy, “which has a solid track record of providing technical assistance and training to Russian bankers” (ibid., 40-41). NRSBIF worked with Russian commercial banks to make funding available for small- and medium-sized enterprises in Russia. TUSRIF also established a micro-enterprise lending program with two pilot projects in 1995 in Rostov-on-Don and Nizhny Novgorod (ibid., 41). In 1996, TUSRIF was in negotiations with USAID to establish a venture capital subsidiary.

In 1999, TUSRIF launched Delta Capital Management, a private company to manage the Investment Fund and promote private equity investment in Russia (State Department Coordinator’s Office 2000, 57). The financial crisis of 1998 limited the amount of private investment TUSRIF made in 1999. It decided to focus its future investments on Russia’s financial sector; leasing—first in the Rostov area; and consumer lending for mortgages and automobiles—a concept new to Russia. The mortgage programs operated through partner banks in Moscow, St. Petersburg, and Sakhalin Island (ibid., 57). TUSRIF also focused its investments on micro, small- and medium-sized enterprises and sought to “brand” its enterprises through the “Delta” name including Delta Leasing (for commercial equipment) and Delta Bank to lend to small and medium sized enterprises. It targeted its investments in telecommunications, media, and technology companies (USAID 2002).¹¹⁶

¹¹⁶ A data sheet for 2004 from the USAID Mission in Moscow indicated that TUSRIF continued to focus its investments on consumer goods, telecommunications, media, technology, and financial service sectors through its Delta subsidiaries, with profitable results. The data sheet also noted the management buyout of Delta Leasing with a 40 percent internal rate of return.

Public-private partnership to address trade issues

The U.S Department of Commerce's Business Development Committee (BDC) became the primary vehicle to accelerate U.S. trade with and investment in Russia, in addition to assisting with the transition to a market economy. The purpose of the BDC was to eliminate barriers to trade and investment, share information for developing business, and facilitate the conclusion of commercial deals on an official level. The BDC was the place to address official problems in trade. *The 1996 Annual Report* deemed the BDCs effective "because they are joint efforts which facilitate interagency coordination on both sides, and because they provide an opportunity for active participation by private-sector companies and organizations" (State Department Coordinator's Office 1997, 68). The U.S.-Russia BDC gave a presentation before the Gore-Chernomyrdin Commission in 1997 stressing the need for Russia to adopt a fair tax regime, enact production-sharing legislation in the energy sectors, and adhere to the rule of law in commercial transactions.¹¹⁷ The GCC agreed to pursue dialogue on market access issues working through the BDC. The BDC also worked with the Regional Investment Initiative beginning in 1997, to coordinate trade and investment consultations with local governments.

See www.usaid.gov/poicy/budget/cbj2005/ee/pdf/118-00410.pdf.

¹¹⁷ Production Sharing Agreements (PSAs) are a mechanism to improve the investment climate and attract foreign investment, particularly in the mining and oil sectors, by establishing the rules for developing those sectors. PSAs require first a legislative regulatory base on taxation and cost recovery. In an interview for *Russia & CIS Energy Magazine* pro-PSA Yabloko party leader Sergei Ivanenko explained that the administration supported PSAs but the Duma had failed to create legislation establishing "how loans would be repaid, when and on what terms." Absent these laws and a tax code, much needed foreign investment would not be forthcoming. See article "Government and Duma still don't see eye to eye on how PSAs will work" at <http://www.eng.yabloko.ru/Press/2002/2/ivanenco0202.html>.

The U.S.-Russia BDC prepared “Guidelines for Voluntary Codes of Business Conduct” for Russian companies and made them widely available at conferences and on the Internet in 1999. The governor of the Novgorod Oblast used the guidelines in a pilot project for local companies to improve their operations and enhance their business reputations (State Department Coordinator’s Office 2000, 124). The U.S. government used the BDC to address the difficult issue of taxation policy, seeking to resolve the tax legislation stalemate between the Duma and the Russian government. The BDC sought to lower profit taxes from 35 to 30 percent in 1999 and to introduce regional tax credits (ibid., 124).

Supporting commerce through American Business Centers

The Commerce Department administered the American Business Centers (ABC), as established in Section 301 of the FREEDOM Support Act, from the U.S. Commercial Service in the Embassy to promote the rapid expansion of U.S. trade and investment, with special emphasis on small and medium-sized businesses. The first ABCs were established in St. Petersburg and Vladivostok, followed by Nizhny Novgorod, Yekaterinburg, Volgograd, Chelyabinsk, Nizhnevartovsk, and Novosibirsk in Russia. These centers supported American businesses on the ground by providing international telephone and fax, short-term office space, seminar and exhibition space, assistance with arranging meetings, interpretation and translation, photocopying, counseling on local market conditions and business practices. To Russian firms, the ABCs offered business training and technical assistance and a commercial library.

The 1994 Annual Report (State Department Coordinator's Office 1995, 110) noted significant progress of the ABCs, despite difficulties in dealing with the Russian government, segments of which arbitrarily levied taxes on ABCs that should have been exempt per U.S.-Russia agreements. Four more ABCs opened in Russia in 1995, including Yuzhno-Sakhalinsk and Khabarovsk in the Russian Far East. The ABCs published articles in Russian trade journals and major newspapers and established an ABC homepage on the Internet. The Commerce Department designed an expenditure and revenue profile sheet for each ABC to monitor their progress toward becoming self-sustaining, a key goal for the ABC program. By the end of the decade, administration of ABCs switched to USAID.

The goal of WTO accession

A key goal for both the U.S. and Russian governments to improve trade was Russian accession to the World Trade Organization (WTO). In 1995, USAID placed an advisor in the Russian Ministry of Foreign Economic Relations to assist with issues relating to the General Agreement on Tariffs and Trade (State Department Coordinator's Office 1996, 26 and 1997, 69). In 1996, USAID supported the training of Russian officials on GATT procedures at the GATT Secretariat in Geneva. The Commerce Department's Commercial Law Development Program also supported the goal of Russian accession to WTO by helping Russia strengthen its capacity to sign and abide by the 25 agreements required under GATT. Assistance covered such issues as tariff concessions, agricultural subsidies, import-licensing requirements and protection of intellectual property rights (State Department Coordinator's Office 1997, 76). In 1997, the

Commerce Department made a special effort to train Russian officials on WTO's anti-dumping rules. Russian efforts to join the WTO continue today.

Business Development Programs

Meeting the needs of small business

The 1994 Annual Report stated, "We believe that the establishment of a thriving, broad-based small business sector in the NIS could play a key role in the economic reform process. Private, small businesses can provide jobs for many of the workers displaced as a result of the restructuring of large, inefficient former state-owned enterprises" (State Department Coordinator's Office 1995, 123). USAID focused on the needs of small businesses because they were an important source of new jobs and income. Small business development in Russia was hampered, however, by the limited availability of capital and lack of entrepreneurial skills. As a result, FSA programs to support market reform were based on the "incubator model" of fostering entrepreneurship. In 1994, USAID supported several projects—many individual partnerships and small programs:

- New Business Development Activity to provide advice to local governments on improving the legal and regulatory framework for business development.

Through six offices across Russia in Yekaterinburg, Novosibirsk, St. Petersburg, Smolensk, Vladivostok and Voronezh, USAID provided training to local business associations and training institutes. Deloitte and Touche operated the offices which became known as Business Support Centers (BSCs). In 1995, this program

supported the establishment of Russia's first independent national women's business and professional association involving 5,000 members (State Department Coordinator's Office 1996, 50). The BSCs were instrumental in simplifying the registration process for businesses in the cities where they were located. USAID completed its support for the BSCs in 1997 as the World Bank provided funding for the Business Support Center Foundation, a Russian organization.

- The Enterprise Development Project (EDP) established five Local Business Centers in Russia to provide consulting services to small businesses on planning, financial analysis, and compliance with local and federal regulations.
- The Technology Management and Transfer Group of Virginia Polytechnic Institute developed a business incubator for technology commercialization at the Academy of National Economy in Moscow. It helped scientists remain at their home institutes to conduct research and become viable business entities. Other incubator activities helped small businesses obtain scarce office space.
- The Morozov Project provided management education through a network of local business training institutions giving managers the skills they needed to succeed in a market economy. Local institutions were teamed with Western business consultants and Russian curriculum development teams were paired with Western professors and faculty. By 1995, the training network had spread to 36 regions in Russia. It relied on the "train the trainer" methodology to bring teachers to Moscow for training at the Project's headquarters then they resumed their teaching responsibilities using new knowledge back home.

- The Citizen Democracy Corps' Business Entrepreneur Program provided American volunteers who were experienced entrepreneurs for on-site assistance to private small- and medium-sized enterprises and NGOs over a two-three month timeframe. In 1995, a CDC volunteer developed a manual to teach Russian accountants and bookkeepers principles of cost accounting and how to convert Russian accounts to Western standards (State Department Coordinator's Office 1996, 50).
- Junior Achievement International provided economic education and entrepreneurship programs to over 1 million high school and college students in Russia in 1994-1996.
- The Fund for Democracy and Development (FDD) established a \$10 million credit/equity fund to cover start-up expenses, investment in new technology, and upgraded equipment to entrepreneurs and small businesses. It also created a complementary program for bankers to instruct them how to lend to small business.
- Center for Citizen Initiatives' Economic Development (EDP) supported local entrepreneurs and new business owners with business training, services, consultants and media education in the U.S. and in Russia—St. Petersburg, Rostov-On-Don, Volgograd, Yekaterinburg, Voronezh and Moscow.
- Technical Assistance Center for Market Economy, established by the University of Alaska, trained Russians in modern business methods and focused on the Russian Far East.

- Opportunity International began operating in Nizhny Novgorod in 1991 and created an independent local NGO, Vozmozhnost (Opportunity) in 1994 to provide micro-lending and leasing to small businesses and entrepreneurs. By the end of 1996, it made loans ranging from \$300 to \$20,000 to 690 entrepreneurs and had a repayment rate of 93 percent (State Department Coordinator’s Office 1997, 32).¹¹⁸

The 1995 Annual Report noted that “an important component of business training in Russia was the process of helping many Russians change their negative attitudes toward business and entrepreneurship. . . . [USAID’s] New Business Development Program is showing would-be entrepreneurs and others how small businesses—not just big factories—contribute to a strong economy. By spreading small-business success stories, the media campaign has demonstrated how Russian entrepreneurs are breaking their dependency on government institutions and are making it on their own” (State Department Coordinator’s Office 1996, 50). *The 1995 Annual Report* also noted that the head of the newly created Russian State Committee for Small-Entrepreneurship Development and Promotion was selected immediately upon return from a USAID-funded training program, for which USAID already had recognized him as a key reformer in the area of small business (*ibid.*, 51). Prior to the establishment of this Committee, the Russian government had given no special attention to the needs of small businesses.

¹¹⁸ As noted earlier, subsequent annual reports did not contain such detailed end-user information, which provided informative and valuable context to implementation of the assistance programs.

Business for Russia/Community Connections

USIA administered the Business for Russia program through which Russian entrepreneurs conducted short-term (3-5 weeks) internships with U.S. companies. The program proved popular and grew rapidly during the decade. In 1995, 600 Russian entrepreneurs interned with U.S. small businesses, bringing the total at that point to 1000 since its inception. USIA established alumni associations of past program participants in St. Petersburg, Moscow Oblast, Samara, and Nizhniy Novgorod and introduced six videotaped business management courses into several Russian universities with a total of 20 business departments participating (State Department Coordinator's Office 1996, 25).

The Business for Russia program was so successful it was expanded and renamed "Community Connections." In 1996, it selected an additional 190 Russian entrepreneurs and included 9 local government officials for the first time to pursue internships in the U.S. *The 1996 Annual Report* noted that, as a result of these internships, 2,500 new jobs had been created in Russia in 1995 (State Department Coordinator's Office 1997, 32). Exchanges programs in general expanded notably in 1997 with 450 entrepreneurs and 22 officials from 11 Russian regions selected to participate specifically in the Community Connections program. In addition, USIA created the Productivity Enhancement Program for entrepreneurs who could pay their own way to the U.S., bringing the total number of participants to 750 for fall and winter 1997.

USIA expanded the Community Connections Program again in 1998 to include the Presidential Management Training Initiative (PMTI), at the request of President

Yeltsin to train Russian mid-level managers. PMTI was a cooperative project between the U.S. and Russian governments. Interestingly, the Russian government established a federal organization to screen and select participants who were then interviewed by USIA, which was responsible for final selection of participants from the pool of applicants submitted by the Russian government. Prior to departure for internships in the U.S., Russian participants received in-country training from one to three months on management and language skills. Contrary to common practice, the Russian government provided cost-sharing for this program, covering the international airfare of the Russian participants. By the end of 1999, 260 Russian business managers had participated in PMTI.

The Community Connections program was very popular and included 880 participants from Russia for these “community-based, . . . practical training opportunities with home-stays in the U.S. for entrepreneurs, local government officials, legal professionals, NGO leaders and other professionals” (State Department Coordinator’s Office 2000, 139). Participating U.S. businesses ranged from small family operations to Fortune 500 companies. Aside from the PMTI, selection of participants for Community Connections was conducted through an open, merit-based competition, a very important component of democracy promotion as will be described in more detail in the next chapter.

Business Information Service for the NIS (BISNIS)

The Commerce Department's International Trade Administration created BISNIS in 1992 as a clearinghouse to assist U.S. companies conducting business in the NIS by offering information about business opportunities, developments and strategies. Its goal was to bring together buyers and sellers in the U.S. and Russia. By 1995, it had assisted in helping companies transact more than \$1 billion in exports and investments (State Department Coordinator's Office 1996, 43). Due to such a high volume of requests for information by the middle of the decade, BISNIS was one of the first assistance efforts to turn to the Internet to disseminate its publications and make them widely available on its homepage. BISNIS created a ListServ of over 500 U.S. companies to allow trade specialists to be more proactive in obtaining and sharing information. In 1996, BISNIS deliberately focused more attention on investment opportunities outside of Moscow and St. Petersburg. Its top priority was sharing information effectively both through individual consultations and widely distributed publications. The Commerce Department expanded BISNIS throughout the decade adding specialized publications, for example on the banking sector, and pursuing new approaches to get the information out in the interested public as widely as possible. The goal was to provide U.S. businesses with the best analysis of Russia's economic system to inform their investment decisions.

The Russian Ministry of Foreign Economic Relations asked the U.S. Department of Commerce to create a Business Information Center within the Ministry, entitled the Business Information Service for Trade with America (BISTA) (State Department Coordinator's Office 1996, 45). BISTA was a counterpart to BISNIS, helping Russian

companies find appropriate partners in the United States. Working through a contract with Deloitte and Touche, the Commerce Department staffed BISTA with trained personnel to answer questions about exporting and market opportunities in the U.S. BISTA was very active in 1996 taking over the U.S. Commercial Service Library in Moscow. The 1996 Annual Report noted that BISTA's grand opening in February 1996 was featured in *Moscow Business News* and on radio. In April 1998, BISNIS posted a "Search for Partners" page on the Internet notifying U.S. businesses of Russian businesses looking for partners. While BISNIS was noticeably active at the end of the decade, BISTA on the Russian side had become decidedly less so and much less information was available about its activities.

Special American Business Internship Training Program (SABIT)

Beginning in 1992, the Department of Commerce awarded small grants to U.S. companies through a competitive process to help pay for the costs of housing Russian managers and scientists for six weeks to six months while they pursued hands-on training at the American companies. SABIT placed mid- to senior-level managers, scientists, and engineers with U.S. businesses and organizations of all sizes so they could be exposed first hand to market fundamentals and the basics of Western management practices. In 1994, priority fields included: agribusiness, defense conversion, energy, environment, financial services, housing, health care, product standards and quality control, telecommunications and transportation. *The 1994 Annual Report* called SABIT a "win-win" opportunity for U.S. and NIS companies by establishing long-term business ties. Importantly, SABIT provided follow-up assistance to the Russian interns once they

returned to their home companies by creating a network, hosting alumni workshops, and publishing an alumni directory of contact information and a quarterly newsletter. *The 1994 Annual Report* stated that the “SABIT program has been very effective in supporting the NIS’s transition to a market economy while fostering long-term U.S.-NIS business and scientific collaboration” (State Department Coordinator’s Office 1995, 117). Often, after the interns returned to Russia, their home companies entered into business deals with the U.S. internship company.

By the end of 1996, 588 Russian interns had participated in the SABIT program. According to *The 1995 Annual Report*, more than 60 percent of the U.S. participating companies maintained their ties with former interns (State Department Coordinator’s Office 1996, 26). SABIT created a web-based homepage to widen distribution of its program materials. The popularity of this program grew throughout the decade as it created specialized programs targeting specific industries including environmental technology, standards, and defense conversion training, based on the model of the original. SABIT increasingly shifted its focus away from Russia to the rest of the NIS. By 1999, 204 Russian managers and scientists participated in the SABIT program around four areas in merchandising—apparel, food marketing, automotive markets and tourism (State Department Coordinator’s Office 2000, 154). SABIT also targeted training programs in the Russia Far East addressing customs, port development, and timber/wood processing.

SABIT seems very similar to USIA's Community Connections Exchange program with the exception that it targeted specific business sectors. *The 1999 Annual Report* suggested that Russia's 1998 economic crisis negatively impacted the number of commercial ties cemented between a participant's home company and U.S. internship company, contrary to the program's results in the rest of the NIS where it was active (ibid., 154). An evaluation of the SABIT program in 1999 showed that Russia's economic situation "reduced the number of promotion and job transfers for SABIT alumni in Russia, compared to their counterparts in Central Asia and Ukraine. In addition, access to micro-credit for small businesses continued to be a problem in Russia. SABIT alumni returned home with good ideas from their U.S. experience, but often faced lack of capital at home (ibid., 155).

Economic Restructuring and Development

A key focus in promoting market reform in the early days of the transition was on economic restructuring and reform of the financial sector, carried out by USAID and the U.S. Department of the Treasury. The programs sought to assist governments in "rationalizing" their revenues and expenditures to control budget deficits and keep inflation in check by addressing tax policy and administration. These U.S. government programs worked directly with the Ministry of Finance and Central Bank by providing advisers on the ground to assist with "budget policy and management, financial institutions policy and regulation, government debt management and issuance, macroeconomic policy, and tax policy and administration" (State Department Coordinator's Office 1995, 60). USAID and Treasury gave special attention to tax administration in Russia in coordination with international donors. USAID also

supported the development of market-based financial services, for example, training several hundred bank supervisors from the Central Bank in Russia on the fundamentals of on-site supervision of commercial banks.

The 1994 Annual Report noted that a major obstacle to market development was the monopolistic structure of industrial production and trade left over from the Soviet period. USAID programs sought to reduce those monopolistic structures and to train a new cadre of market economists. USAID provided restructuring assistance to over 200 enterprises in Russia during 1995 to help them make major changes in their management structure, marketing practices, financial management and quality control. Through USAID support, the Russian Privatization Center established local counterpart centers to assist individual enterprises with their restructuring challenges (State Department Coordinator's Office 1996, 56). The Russian Privatization Center, however, was at the center of a controversy surrounding Russia's voucher privatization program, administered with assistance from the Harvard Institute for International Development under contract with USAID, as discussed at the end of this chapter.

The Coordinator's Office gave special attention to tax reform in 1996 based on the assumption of "two major prerequisites for an improved foreign and domestic investment climate in Russia: a sound tax code and appropriate enforcement mechanisms" (State Department Coordinator's Office 1997, 33). While USAID-funded advisors had assisted in drafting a new tax code, it had not been passed by the end of 1997 because of differences between the executive and legislative branches. *The 1996*

Annual Report noted that during this period of stalemate, new procedures were put in place through executive decrees, including changes in accounting procedures from a cash basis to an accrual basis, allowing local governments to implement property tax initiatives, and organizational changes at the State Tax Service. USAID provided tax advisors from the U.S. Internal Revenue Service and local-level tax services to regional and city tax services in Russia, including in Nizhny Novgorod. USAID worked with the Russian government on many other efforts designed to improve tax collection and analysis and taxpayer education. *The 1997 Annual Report* noted that many of Russia's regions moved forward with their own economic reforms to attract investment.

Shifting the U.S. Approach to Assistance

As the euphoria of the collapse of communism faded and the challenge of nurturing the transition to democracy in post-communist societies became clearer in the middle of the 1990s, U.S. assistance programs came under scrutiny from many different directions. Executive-legislative relations in the U.S. grew tense and the Congress less supportive of funding assistance to Russia. Policy makers' early expectations of a smooth and quick transition were dashed. The Coordinator's Office, first under Ambassador Morningstar then under his deputy Bill Taylor, shifted the focus of U.S. assistance from providing technical know-how to building cooperative activities between U.S. and NIS counterparts under the Partnership for Freedom program. The new focus was to create linkages between people in all areas of assistance. In the midst of this shifting approach, the Russian economy collapsed, triggering a re-examination of U.S. programs.

Targeting Russia's regions

At the direction of Ambassador Morningstar, the U.S. assistance program toward Russia took a marked shift in approach in 1997 away from technical assistance and toward partnership and more normal bilateral relations between the United States and Russia. This new strategy was deemed the "Partnership for Freedom" and was designed to increase the level of trade and investment in Russia's regions and to strengthen civil society through support for NGOs and exchanges of individuals (State Department Coordinator's Office 1998, 1). Economic assistance programs needed to encourage investment-led economic growth. As part of this new strategy, Ambassador Morningstar created, and the Gore-Chernomyrdin Commission announced in February 1997, the Regional Investment Initiative (RII), which sought to concentrate all assistance activities, i.e., technical assistance, partnerships, small business training, and finance programs, in a few regions where reform seemed most promising. In Russia, those regions were Novgorod Oblast, Khabarovsk Krai and Sakhalin Oblast in the Far East, and Samara Oblast, where the regional leadership was seen as reform-oriented and most hospitable to investment. RII's purpose was to build a climate attractive to foreign investment by removing obstacles to trade and investment and including a legal framework where laws were enforced. The program in Novgorod focused on developing land and real estate markets through land auctions, supporting small- and medium-sized businesses, developing business and law degrees at Novgorod State University with the University of Rhode Island Business School and Cleveland State University, developing tourism potential, and creating a website to attract investors.

RII resident coordinators were installed in each region in 1998 to work with local officials, Russian and U.S. businesses, and NGOs. These coordinators focused on the fundamentals of a market democracy, helping to set up financial institutions for small business loans, training women in business and computer skills, and instilling international accounting standards. *The FY 1997 Annual Report* called the RII “a key test of the overall assistance strategy of emphasizing trade, investment, partnerships and exchanges. It is hoped that the RII will create models of success in four target regions, which can then be replicated in other Russian regions” (State Department Coordinator’s Office 1998, 37). The American Business Centers collaborated with the resident coordinators in Novgorod and Khabarovsk. Resident coordinators worked as well with local companies in their region to establish joint ventures and help make them eligible for loans from international financial institutions like the European Bank for Reconstruction and Development or from the U.S.-Russian Enterprise Fund.

Beginning in 1998, the established assistance programs, Business for Russia/Community Connections, Junior Achievement, and Internet Public Access, among others, all targeted the RII regions. This was the first attempt to operationalize the approach to assistance in a broader, coherent purpose by pulling together efforts at building the market economy and strengthening civil society. RII was designed as a model concept to show other Russian regions techniques for improving their investment climate. The Coordinator’s Office suggested in its fourth *RII Update* that this demonstration effect was happening spontaneously. One resident coordinator noted that when the Governor of St. Petersburg announced a package of tax breaks in February

1998, he described them as better even than “incentives currently offered in Novgorod Oblast, considered the leader among Russian regions in providing investor tax breaks” (State Department Coordinator’s Office 1998b). Drawing on other examples, one resident coordinator found that competition and cross-fertilization among Russia’s regions was underway as the regions looked to each other for experience on improving their investment climate. Just as this new approach was gaining momentum, the Russian economy fell into crisis.

The ruble crash

The 1998 Annual Report (State Department Coordinator’s Office 1999, 1) stated, “Especially in Russia, the basic institutional building blocks of market economies and democratic governments are becoming known and understood. Technical assistance provided by the U.S. government and other donors has played an important role in this process.” Having completed the technical assistance phase, the Coordinator’s Office moved to the next phase to build cooperative relationships between Americans and Russians. The ruble crash of 1998 accelerated that shift from central government assistance to investing in individuals. *The 1998 Annual Report* blamed the crisis on the Russian government’s “failure to adopt critical measures needed to improve investment opportunities and combat corruption” (State Department Coordinator’s Office 1999, 3). The report found the Russian government’s ongoing budget deficits and incomplete structural reforms, coupled with falling world market oil prices and economic instability in Asia, the reason for Russia’s economic problems. The Duma failed to enact much needed measures to ensure a flow of sufficient revenue to the government. The absence

of tax reform was a major problem. The economic crisis of August 17, 1998, was made worse with President Yeltsin's decision to shuffle his administration, adding political uncertainty to the economic chaos. The 1998 report stated that "foreign companies cited the lack of a solid business environment based on the rule of law as a key impediment to foreign investment in Russia." Crime and corruption, wages arrears, and rising unemployment hindered economic growth (*ibid.*, 42). Despite the efforts of U.S. assistance programs, domestic politics—e.g., the lack of ability to implement needed economic reforms—thwarted Russia's progress toward a market economy. Without a willing Russian political elite and social consensus on economic reform, U.S. efforts to improve the business climate met with limited results.

In response to Russia's economic collapse, USAID undertook a major re-evaluation of its assistance programs. Subsequently, it changed its focus from the quantity of enterprises privatized to the quality of the privatization and attention to restructuring. In the wake of the ruble crash, USAID gave renewed focus to fiscal reform and the inability of many post-communist governments to raise sufficient revenue. Concerned over Russia's budget deficits, USAID continued to address tax policy, tax administration, budget formulation and execution, pension reform, and inter-governmental fiscal relations in its assistance programs (State Department Coordinator's Office 1999, 76). USAID provided assistance to the Russian government and Duma to evaluate the proposed tax code and analyze the impact of tax changes on individuals. It also worked with the Russian State Tax Service on tax collection from large enterprises and implementing a tax system in Tver and Novgorod. Because of the economic crisis,

most reform efforts slowed and the banking system collapsed. USAID began work immediately with the World Bank and other donors to develop a bank restructuring plan and strengthen economic policy think tanks in Russia (ibid., 80).

With the economic crisis of 1998, U.S. economic assistance to Russia focused most heavily on the Regional Initiative, which consolidated the FSA objectives of “building the infrastructure of a market-based economy, attracting foreign and domestic investment, addressing the social costs of transition, and strengthening civil society” (State Department Coordinator’s Office 2000, 3). By 1999, the technical assistance programs were completed and phased out in Novgorod, but the local administration was so supportive of reform and partnership with the U.S. that the Coordinator’s Office, under new leadership of Ambassador William Taylor who had served as deputy to Morningstar, extended the RII programs there (State Department Coordinator’s Office 2000, 55). New programs focused on international accounting standards, public finance reform, registering small- and medium-sized businesses, and development of NGOs. The Novgorod Administration made special efforts to share its lessons learned under the RII program with other regions in Russia through participation in regional conferences. The RII program in Samara created a Foreign Investment Advisory Council, composed of foreign business representatives, the local administration and legislature, and the RII resident coordinator, to advise on local legislation and help local businesses. As elsewhere in the Federation, the financial crisis of 1998 limited new investment in Samara. The RII in the Far East facilitated relations between Sakhalin and Alaska to discuss the Russian Far East’s infrastructure development plans to reinvest oil profits into

the infrastructure. The RII also strengthened the Far East's weak banking sector by introducing a credit union and bank association (ibid., 55-56). *The 1999 Annual Report* concluded that the regional initiatives were "beginning to demonstrate that assistance at the local level can achieve tangible, positive results, and can do so in a way that encourages replication by other regions" (ibid., 3).

The most significant adjustment in U.S. assistance programs in response to Russia's economic collapse was the decision to curtail direct assistance to the Russian government where there was lack of will to pursue needed structural reform and focus on the Regional Initiative where local governments already had been identified as reform-oriented. *The 1999 Annual Report* admitted that the "transition to market-based economies will be a long-term process and may require generational change" (State Department Coordinator's Office 2000, 3). The report noted that "The Coordinator's Office concluded that it should therefore accelerate a shift already under way toward building constituencies for long-term change. This requires directing assistance to genuine reformers, whether they be central government ministers, regional and municipal officials, entrepreneurs, small business owners, or private farmers" (ibid., 3). While it was not clear how to distinguish a "genuine reformer," the idea was to support reform wherever it was evident and, most importantly, to focus on the individual.

The unresolved issue of taxes

At the same time the U.S. government attempted to assist economic reform in Russia, it also had to work within the structure of the Russian government to implement

its assistance programs. U.S. NGOs funded under the FREEDOM Support Act faced many of the same problems as the individuals and indigenous NGOs they were trying to help. At the June 1993 presidential Summit in Tokyo, Presidents Clinton and Yeltsin agreed to establish a Support Implementation Group (SIG) to assist in the provision of G-7 assistance to the Russian government. The U.S. Treasury coordinated SIG through a resident director in Moscow. The SIG addressed such issues as taxation of grant assistance, a particularly contentious issue; facilitating the execution of assistance programs, for example, by monitoring the processing of visas and entry of program participants; setting up a procurement mechanism; examining the social welfare implication of reforms; and disseminating information about assistance activities. When the Treasury Department completed its two-year commitment to run the SIG in 1995, the U.S. Ambassador to Russia Thomas Pickering agreed to have the U.S. embassy assume its management (State Department Coordinator's Office 1996, 57-58).

By 1997, difficulties with local taxation and customs regulations had become a significant impediment to implementing U.S. assistance programs in Russia, which were entitled to tax- and duty-exempt status under a 1992 bilateral agreement. The Duma, however, failed to pass legislation supporting the agreement. Pending passage of legislation, the Pickering-Pankov Agreement was signed in 1996, which prohibited the Russian government from taking any action on taxation policies against U.S. assistance providers until the issue was settled in law. Regional authorities, however, did not enforce this agreement made in Moscow. The Commerce Department reported, for example, that lack of taxation policies interfered with operation of the American Business

Centers (ABCs). The legislation on taxation and customs duties failed a third reading in the Duma in 1997 and was sent back for re-drafting. It passed the Duma finally in 1998, but was vetoed by President Yeltsin. In June 1998, the Russian Finance Minister instructed tax and customs officials that the Pickering-Panskov Agreement had no legal basis and that they should collect taxes and duties from U.S. assistance providers. This thorny tax issue remained an unresolved problem throughout the decade.

Assessing Progress in Economic Reform

Reporting to Congress

As required by the FSA legislation, the annual reports to Congress rated Russia's eligibility for continued assistance against Section 498A(a) of the Foreign Assistance Act of 1961 as amended. This section provided an understanding of how the State Department Coordinator's Office and the U.S. Embassy assessed progress in its assistance programs to Russia and how it they viewed political, economic, and social developments in the country. This section of the Annual Report continued to be the most revealing as it clearly showed what U.S. government thinking was on Russia's big picture accomplishments to date and the specifics of what happened in Russia over the previous year. Each year the U.S. President was to "take into account not only relative need but also the extent to which [Russia] is acting to make significant progress toward, and is committed to the comprehensive implementation of economic reform based on market principles, private ownership, and integration into the world economy, including implementation of the legal and policy frameworks necessary for such reform (including

protection of intellectual property and respect for contracts)” (State Department Coordinator’s Office 1995, 192).

In 1994, President Yeltsin was committed to market reform with progress made in the area of structural reform and especially in privatization. While *The 1994 Annual Report* noted that about half of Russian GDP came from the private sector, control of large former state enterprises remained in the hands of Soviet era managers. The report expressed concern about Russia’s monetary policy, a growing budget deficit due to the war in Chechnya, and rising inflation. Russia had joined the IMF and World Bank in 1992 and was in negotiation in 1994 for IMF funds (ibid., 192-3). Interestingly, the 1994 report noted a growing criminal problem that had not yet directly impacted U.S. assistance efforts, but created a negative business climate.

The 1995 Annual Report (State Department Coordinator’s Office 1996, 161-2) credited the Russian government with continuing its stabilization program through a tight budget, lowering inflation, and trade and energy-sector liberalization. Russia entered into a \$6.5 billion Standby Agreement with the IMF with a follow-on \$10.2 billion for structural reform and macro-economic stabilization. Russia’s budget deficit came in much lower than anticipated. Progress in privatization, however, was not seen as successful as it had been in 1993 and 1994, but the report noted that two-thirds of the economy was now in private hands. Not all state-owned enterprises had made the switch from central planning to operating on the basis of market principles. The report gave a fairly positive assessment of Russia’s economic progress, but noted that the lack of laws

on copyright, intellectual property rights, and criminal code constrained economic progress (ibid., 162-3).

Again, *The 1996 Annual Report* (State Department Coordinator's Office 1997, 189-91) reiterated earlier assessments that Russia's economic reform had made progress in its stabilization program through a tight budget, lowering of inflation, and energy sector liberalization. The report noted the problem of tax nonpayment in Russia, which caused a problem of revenue shortfall for the government. As Russia pursued tight fiscal policy to hold the budget deficit down, it neglected to pay wages and pensions owed to its citizens. The report noted that legislative work on economic reform had slowed in Russia in 1996 due to the parliamentary elections and the president's poor health. Privatization, too, lagged in 1996 as no new large state-owned enterprises were sold, diminishing revenue for the government even further. The report expressed concern that the Russian government was moving to reorganize and privatize its telecommunications industry by selling it to a group of Russia banks with no foreign competition. The report feared that this trend would be replicated in coming years. Russia addressed protection of intellectual property rights (IPR) in its new Criminal Code signed by the President in June 1996 and requested technical assistance in IPR. The report noted that adherence to contracts continued to be an area of difficulty due to court backlogs, lack of contract law, and corruption.

Russia's economy improved somewhat in 1997 as the steady decline of GDP since the fall of the Soviet Union seemed to bottom out. Many were cautiously optimistic

about a small gain in growth, but Russia's greatest economic obstacle continued to be its inability to collect taxes due to problems with the tax code and a culture of nonpayment. Lack of contract law and corruption continued to hinder progress in the private sector. *The 1997 Annual Report* noted that one of Russia's highest priorities was accession to the World Trade Organization (State Department Coordinator's Office 1998, 204-5).

Naturally, *The 1998 Annual Report* focused on the collapse of the Russian economy and the resulting slowdown in the pace of reform. Yeltsin announced a new economic plan for Russia that included more involvement of the state in the economy, particularly to protect industry, contrary to the restructuring it really needed. The report noted a 9.9 percent decline in GDP from September 1997-1998 with unemployment rising 4.7 percent from October 1997 to October 1998 to the rate of 11.5 percent. Foreign investment was down by about 50 percent (State Department Coordinator's Office 1999, 243-4). Where earlier reports had been supportive of Russia's accomplishments in privatization, by 1998 it was clear that "federal or regional governments [held] influential minority stakes in many firms" (ibid., 244). *The 1999 Annual Report* was a bit more positive, giving the Russian government credit for selling some of its remaining share in oil and gas companies and passing legislation on "production sharing agreements (PSAs) aimed at providing a secure legal framework for oil and gas investments" (State Department Coordinator's Office 2000, 270). The Russian economy experienced setbacks as it tried to transition from a centrally-planned to a market economy without taking the difficult but necessary reform steps.

The auditors

The U.S. General Accounting Office (GAO) conducted an extensive review of the market reform programs supported by the U.S., EU, and international financial institutions in Russia from 1992-2000 focusing specifically on:

- macroeconomic stabilization to bring inflation under control, develop effective monetary policy and reduce the budget deficit;¹¹⁹
- social safety net protection to soften the economic hardships of transition resulting from necessary restructuring of enterprises which had sustained the people in many ways during the Soviet period through subsidized housing, child care, health care, and baseline food goods;¹²⁰
- privatization conducted through the mass voucher privatization program (1992-1994), of which the loans-for-shares program was a critical part not supported by the international community;¹²¹ and
- banking sector reform to create a viable private banking sector in Russia.¹²²

¹¹⁹ The IMF was the lead donor agency responsible for macroeconomic stabilization programs (GAO 2000, 82).

¹²⁰ By default, the World Bank assumed responsibility for supporting the social safety net, which the G-7 countries neglected to include and coordinate in their assistance plans (GAO 2000, 88). According to Goldgeier and McFaul (2003, 107) “Clinton believed that he could not ask the American people to pay for a social safety net in Russia, when many Americans needed more support.”

¹²¹ The World Bank and EBRD took responsibility for assisting with the design of privatization in late 1991, but were delayed in implementation. As a result, USAID became the primary international source of funding for the privatization program (GAO 2000, 91).

¹²² Several international donors provided some banking reform assistance, but not in a coordinated fashion, until the economic crisis of August 1998 decimated Russia’s weak banks. Up to that point, Russia’s banking laws had led to the creation of a number of small commercial banks, 2,000 by 1993, and a few large banks at the center of industrial groups (GAO 2000, 95). At the end of the decade, the U.S. Coordinator’s Office increased priority to assistance for banking sector reform.

GAO (2000, 77) determined that a significant obstacle to economic reform in Russia was the concentration of economic power in the hands of a few, leading to the rise of powerful interest groups that influenced the political process. In particular, early steps that did not fully liberalize prices and make privatization open to the public allowed well-placed insiders to benefit from these partial reforms. Corruption was especially problematic at the local level where officials unevenly enforced licensing requirements and tax collection. GAO cited reports that small businesses in Russia had to spend 10 percent of their income paying off corrupt officials (GAO 2000, 77). In its review of assistance programs, GAO found that Russians had become weary of and cynical about reform, which they associated with a declining standard of living and loss of global status. Russia's biggest problem was its inability to collect taxes, especially from large enterprises, to finance its expenditures. Pervasive corruption hampered the government's ability to enforce tax collection. In fact, in a 1999 testimony, Coordinator Bill Taylor stated that U.S. assistance had backed away from targeting the tax issue where it felt it could make little impact (State Department Coordinator's Office 1999b, 11).

GAO declared that the privatization of enterprises was the most controversial aspect of Russia's economic transition, with the privatization of over half of the state-owned enterprises carried out quickly from 1992-1994 (GAO 2000, 90). Privatization was conducted quickly for a number of reasons—out of fear that communists could regain power, to bring order to a process that started spontaneously under Gorbachev, and to remove the cost of maintaining state enterprises from the government budget. GAO (2000, 92) identified as particularly damaging the option in the privatization program

allowing workers and owners to acquire a majority stake in an enterprise, thereby lending an insider quality to the transaction. As a result, managers of enterprises were able to wield considerable influence on the privatization program. Under special national voucher auctions, more than 300 of the largest state-owned enterprises, which were to be exempt from the privatization program, were included and privatized as a result of effective pressure from their managers on government authorities. The result of this manager-employee ownership was reluctance to undertake necessary downsizing and restructuring to make the enterprise more efficient. GAO (2000, 92) found that many analysts felt, after the fact, that privatization of the largest and, therefore, most valuable state enterprises happened too quickly, with disappointing results.

Within the privatization program, the most controversial action and damaging to Russia's economic transition, was the "loans-for-shares" program, which followed voucher privatization in late 1995. Through this program, "a handful of financial-industrial groups in Russia became controlling shareholders in some of the country's most valuable assets, including several large oil and metals companies" (GAO 2000, 93). The Russian government auctioned off large shares of these enterprises to banks in return for loans or payment of the firm's tax arrears. The Russian government desperately needed the \$1 billion this program generated to meet the financial targets it had set with the IMF. GAO reported that the loans-for-shares auctions were rigged to benefit only a small group of banks. While they were supposed to be open, the auctions in fact were closed to foreign investors and held in a less than transparent manner. "The winners were generally the banks who were managing the auctions" (GAO 2000, 93). This program

consolidated the power and fortunes of Russia's oligarchs. The international donor community was little involved in the program and did not strenuously object to it at the time. Privatization should have been conducted transparently to give all parties equal access. Goldgeier and McFaul (2003, 148) noted that the Clinton Administration was focused on other issues like Bosnia at the time the loans-for-shares program was implemented.

While assistance efforts were directed at strengthening the banking sector, progress was limited, especially with the crash of the ruble in 1998. Banks did not make many loans for small and medium-sized businesses, but neither was the demand there for the loans. One of the major problems in Russia's banking sector was its reliance on its own, instead of international, accounting standards. According to GAO (2000, 97), Russian authorities agreed to introduce international accounting standards for the Central Bank of Russia by the end of 2000 and a year later for commercial banks. The GAO report also noted that Russians did not trust the private commercial banks and were more likely to deposit their money in state banks.

GAO stated that the Russian economy recovered from the 1998 economic collapse because high world oil prices brought in more revenue and, with the devaluation of the ruble and floating exchange rate, domestic goods became more attractive and less expensive, increasing domestic production and decreasing imports.

An anthropological view

Much has been written criticizing western, especially U.S., efforts to assist Russia's transition. Anthropologist Janine Wedel (1998) explained that, despite the coming together of East and West in the euphoria of the collapse of communism, there was a disconnect between western aid donors and eastern recipients. She noted that the good, but naïve intentions of the donors overlooked the pervasiveness of the communist legacy—the distrust of foreigners and government, the holdover powers of former elites who remained in place, the reliance on personal contacts and networks, and the lack of respect for an official post. Aid recipients and donors held different perceptions and interpretations of the terms defining their new relationship—like democracy and free market (Wedel 1998, 6-7).

Wedel contended that the United States decided to support one group of reformers in Russia—specifically, Anatoly Chubais and his “St. Petersburg clan”—to the exclusion of others who needed to be part of the reform process. Chubais, working closely with the Harvard Institute for International Development (HIID) led by Harvard Professor Jeffrey Sachs, chose to pursue economic reform through rapid privatization, as had been done in Central Europe. USAID awarded substantial funding directly, not through the usual competitive bid process, to HIID beginning in 1992 to give advice, on the one hand, to Russian authorities on specific economic reforms and, on the other, to USAID on implementation of assistance programs. Wedel (1998, 149) claimed that HIID and the Chubais Clan had a near monopoly on U.S. aid to support market reform in Russia.¹²³ In

¹²³ Interestingly, there was little mention of HIID and no specifics of its program activities in the annual reports to the Congress.

1996, GAO undertook a review of this relationship and its work in Russia and concluded that there had been lax oversight on the part of USAID in monitoring the program. GAO (2000, 175n) determined USAID had given HIID too much leeway in making decisions on U.S. government assistance programs, at the same time it was benefiting richly from the assistance and giving advice to the Russian government on actions it should pursue. The decision to rely so heavily on a private contractor, i.e., HIID, likely was a consequence of the assistance environment in the U.S. where Congress pressured implementing agencies to get the funds out the door quickly and make a noticeable difference in the region. The rapid privatization process supported by Chubais and the HIID group further deepened the environment of corruption in Russia. Wedel (1998, 132) noted “privatization processes shaped the distribution of wealth in Russian society as well as citizens’ perceptions of democracy and capitalism. Part of the public came to associate the terms ‘market economy,’ ‘economic reform,’ and ‘the West’ with dubious activities that benefited only a few people while others experienced a devastating decline in their standard of living.” Here was the real consequence of a poorly designed privatization procedure, further alienating the support of the people, which was vitally necessary to the consolidation of democracy in Russia.

The Duma did not support Chubais’ reform program, which, therefore, was implemented by presidential decree. Wedel (1998, 135) leveled harsh criticism at USAID for allowing reform to be implemented by decree, circumventing democratic processes in the parliament. Relying on the decree method left out key stakeholders in a new system, rather than giving them incentives to be part of it. Wedel emphasized that

while U.S. assistance was intended to help those who had already demonstrated reform orientations, the act of identifying reformers was a political decision. USAID officials responded to her criticisms by stating that if substantial U.S. support had not been targeted at Chubais and his associates as the key reformers, Chubais would not have survived as a political actor and privatization, therefore, would not have been carried out in Russia. According to Wedel, USAID took this approach of supporting a select few because disbursing limited funds across a broader field would have diluted the effect. USAID's support for Chubais and his rapid privatization program early in the decade underscored how vulnerable donors and reformers felt about a communist resurgence. As noted earlier, there was genuine concern in the U.S. government that the gains made in ending the Cold War could quickly be reversed. Wedel contended, however, that picking one group to support "does not advance the building of institutions that are transparent and unaligned with any one clan. The goal of working toward such institutions is critical in structuring a democratic political and economic system, even if the goal is virtually impossible to achieve" (Wedel 1998, 139). From the Russian perspective, U.S. assistance supporting one particular group was viewed with distrust and suspicion.

Wedel (1998, 141-143) was especially critical of the Russian Privatization Center (RPC), a Russian NGO, designed and founded by HIID with USAID funds and later supported by other international donors. It was staffed with notable reformers like Chubais and his associates who simultaneously held positions in the government, causing confusion about whether RPC was a governmental or private organization. Those who

benefited from the actions of the RPC were friends of the St. Petersburg Clan. There was sufficient concern about HIID's activities in Russia and potential conflicts of interest that USAID's Office of the Inspector General opened an investigation in early 1997 and USAID subsequently canceled its remaining contracts with HIID. Two of its U.S. advisors were accused of "activities for personal gain."¹²⁴ According to Wedel, Chubais also directed the loan-for-shares program, which she described as turning "lucrative state monopolies into lucrative private monopolies" (1998, 152).

Wedel's strongest criticism of western donors was the practice of playing favorites, of supporting a select few in Russia to receive aid to promote market reform. Following in the patterns of the communist legacy, Western aid gave the selected few much needed resources to trade for influence in the political process, just as the communist apparatchiks had controlled state resources during the Soviet period. It allowed new leaders to keep the patronage system in place (Wedel 1998, 156). USAID program managers did not see this; they saw only individual market reformers and not a connected, coordinated clan deepening its power and influence to its own benefit. The greatest consequence of aiding this select group was the alienation of non-Western oriented groups who were suspicious about Western motives for supporting reform in Russia (Wedel 1998, 158). The mistake was in relying on individuals with vested interests to build institutions rather than establishing transparent and impartial processes and the rule of law that applied to all groups.

¹²⁴ See Wedel (140-147) for complete discussion of the accusations against HIID.

In 1997, as the Russian economy appeared to be stabilizing before the crash of August 1998, USIA, in collaboration with the Moscow sociological service, Validata, conducted eight focus group discussions in four “liberally minded” cities—the two former and current capital cities of Moscow and St. Petersburg and the two historical trading centers of Samara and Novgorod (USIA Office of Research and Media Reaction 1998a). USIA attempted to capture a view of the new emerging middle class in Russia by surveying about 250 entrepreneurs (ages 23-32) and professionals—sociologists, economists, journalists, doctors, teachers, and businesspeople—mainly in their 40s. While unsure of themselves as a class, respondents recognized that they were better off than peasants, workers, and pensioners, but not as wealthy or powerful as “the political and criminal ‘upper classes’” (ibid., i). USIA suggested the new middle class was emerging from the fourth of Russia’s work force employed in private enterprise, cooperative or joint ventures and the 14 percent in trade, commerce, banking and financial services (ibid., i.). Respondents noted that a strong middle class would not emerge until such professionals as doctors, teachers and engineers were paid “what they deserve.” While supportive of civil liberties, the rule of law, and democratic values, respondents were critical of democracy in Russia and the government’s lack of attention to social problems. A Moscow economics professor stated, “Democracy is impossible in a state in which 85 percent of the people are poor” (ibid., 25). The respondents were in agreement that the growth of the middle class depended on political stability.

At the end of the 1990s, prospects for Russia’s transition to a market democracy were uncertain at best. The economy had crashed, corruption was rampant, and the rule

of law was weak. After a decade of lessons learned, U.S. assistance shifted to focus more on the development of civil society and connections between peoples through exchanges. Large contracts to a few organizations (mainly under USAID) were replaced with grants to diverse non-governmental organizations or institutes of higher education to support many Russian students and professionals with the anticipation that they would take what they learned first hand in the U.S. and apply it at home.

With the collapse of the ruble in 1998, it was hard to make the case that U.S. assistance got it right on economic reform, though some elements of the assistance programs were successful – mainly, those that invested in individuals, such as the exchange programs—SABIT supported by the Commerce Department and Community Connections supported by USIA. Ambassador Morningstar’s Regional Initiative (RI) was an innovative approach that made sense – consolidating widely spread programs to target limited resources on regions already open to reform. The experience with Novgorod shows the difference an individual can make. Novgorod benefited from U.S. assistance from the first days of Russian independence and long before it was selected for RI because its governor, Boris Nemtsov, was proactive on reform and attracted investment and attention. RI’s approach of bringing all the assistance programs together in one place especially makes sense for democracy promotion because characteristic of democracy itself are the linkages among all the attributes. As established at the outset of this study, democracy needs rule of law and an independent judiciary, a market economy, representative government selected through free and fair elections, and civil society with

independent press. Nizhniy Novgorod provided a laboratory to experiment with how those elements worked together.

Chapter 6: Implementing Democracy and Civil Society Assistance

In the midst of the political, social, and economic chaos of the 1990s in the newly independent Russian Federation, the U.S. government implemented programs to help build democratic political institutions and strengthen civil society. From the visions of democracy of the U.S. foreign policy elite through the organizational mechanisms and traditions of the federal bureaucracy, the task of promoting democracy in Russia actually rested in the hands of U.S. non-governmental organizations, which mainly were managed on site by a few dedicated Americans and Russian staff. This chapter analyzes the assistance programs implemented by several of those U.S. NGOs from 1994-2000 to promote free and fair elections and develop political parties and civil society. This analysis draws on the annual reports to the U.S. Congress supplemented with reports from and interviews with program officers in U.S. NGOs that were awarded U.S. government grants to conduct their programs. This chapter focuses specifically on those programs created to build democratic political institutions and strengthen civil society, including independent media.

U.S. Goals for Democracy Promotion

Under Title II—Bilateral Economic Assistance Activities, Section 498. Assistance for the Independent States, the FREEDOM Support Act (FSA) called for:

(2) DEMOCRACY—Establishing a democratic and free society by fostering—

- (A) political, social, and economic pluralism;
- (B) respect for internationally recognized human rights and the rule of law;
- (C) the development of institutions of democratic governance, including electoral and legislative processes;
- (D) the institution and improvement of public administration at the national, intergovernmental, regional, and local level;
- (E) the development of a free and independent media;

- (F) the development of effective control by elected civilian officials over, and the development of a nonpolitical officer corps in, the military and security forces; and
- (G) strengthened administration of justice.

The assumption was that by pursuing these goals, the United States could assist the New Independent States of the Former Soviet Union in becoming market democracies and reliable partners for the U.S. Beyond identifying these broad objectives, however, the U.S. Congress gave little definition or direction to federal agencies charged with implementing programs to achieve them. This varied mix required many different kinds of assistance programs.

USAID and USIA conducted competitions to make awards to U.S. NGOs and educational institutions to implement their democracy promotion programs in Russia. The personal interviews in this section highlight the valuable insights of the U.S. NGO program managers who worked on-site in Russia in the 1990s to help build democratic political institutions and develop civil society. Specifically, they were program managers with the International Foundation for Election Systems (IFES), International Republican Institute (IRI), and National Democratic Institute (NDI) funded through USAID and the American Councils for International Education/American Council of Teachers of Russian (ACIE/ACTR), International Research and Exchanges Board (IREX), and Institute for International Education (IIE) funded through USIA. These program managers represented a relatively under-recognized resource for understanding Russian civil society and political culture. Tapping into their experience and expertise opened another window into Russian society at the grassroots level, especially in areas outside Moscow, for help in assessing Russia's prospects for democratic consolidation.

These program managers witnessed firsthand the impact of U.S. foreign policy on Russian society through their assistance programs. They often were challenged to make those programs work in an unpredictable legal environment, and reported that, while Russian authorities did not interfere directly with their work, burdensome legislation often posed tough legal challenges to getting their jobs done.

These NGOs worked at the grassroots level of Russian society, beyond the realm of official U.S. representation, where they were exposed to trends below the elite level. They dealt face-to-face with Russian political culture, and were attuned to whether democratic values were taking root in Russian political culture. In their day-to-day business, they demonstrated important lessons about democracy as they carried out their programs. Several, for example, noted the impact of genuine open, merit-based competition on Russian educational administrators and students and their families, who came to realize that selection for a U.S. exchange program could not be bought. Those who wished to participate in an exchange program learned first hand that all were welcome to apply and those who did apply had an equal opportunity to be selected based on merit. Much of the work at this grassroots level involved creating a climate of trust, overcoming suspicions of American intentions, and learning to abide by and respect written rules.

Building Democratic Political Institutions

USAID's work in the post-communist world focused on its four traditional areas, recognizing the intrinsic links among them in the overall goal of expanding the

community of democratic nations as a key U.S. foreign policy objective.¹²⁵ USAID's Strategic Plan targeted four objectives to promote democracy: 1) strengthening the rule of law and human rights as fundamental to providing the legal framework for a functioning civil society, placing checks on the executive and legislative branches, and setting the stage for free and fair elections; 2) establishing credible and competitive political processes through short-term efforts aimed at voter education, training of election workers, and equitable treatment of minorities in the political process; 3) encouraging a dynamic and politically active civil society where people are free to express their views and debate public policy and petition their government; and 4) helping government institutions to be transparent and accountable, instruments of "good governance" which maintain social peace, guarantee law and order, and create the conditions for economic growth. As discussed in Chapter Five, however, USAID's primary focus in the early years of reform in Russia was on establishing a market economy where assistance was provided directly to the central government in Russia. As a result, its programs to strengthen democratic political institutions and civil society in Russia received much lower priority early in the decade.

Under its Democratic Pluralism Initiatives, USAID supported democratic processes and institution-building to strengthen the rule of law, local governance, civil society, and independent media. By supporting such organizations as IFES, IRI, and NDI, USAID targeted programs which sought to build links between the state and the

¹²⁵ Since 1961, the United States Agency for International Development (USAID) has worked to help the peoples of developing nations around the world improve their lives, focusing its mission in four areas: 1) improving health and population conditions; 2) protecting the environment; 3) promoting economic growth; and 4) supporting democracy. (USAID 1994).

people through political institutions, activating political society, and shifting political culture to one that is more participatory and based on greater responsibility of the individual. These three organizations worked in the 1990s to strengthen local, regional and national democratic institutions and processes by supporting political parties, civic organizations and independent labor unions and fostering free and fair elections. IRI and NDI worked with democratic reform-oriented parties to strengthen their political skills and capacity to serve constituents and to improve communication and coordination within the parties at the local and regional levels. They also trained poll workers and election monitors. IFES worked with government officials, central election commissions at the federal and regional levels, and NGOs to help make the electoral process transparent and accountable to voters. Overall, USAID seemed to give these U.S. NGOs considerable leeway to conduct their programs as they deemed most effective. USAID was concerned with the end goal of building democracy in Russia and relied on the expertise of the NGOs to accomplish that goal.

IFES, IRI, and NDI were in the nuts-and-bolts business of designing electoral procedures and strengthening democratic political parties. *The 1996 Annual Report* cited the work of IRI, NDI, and IFES, which promoted the development of political parties and civic organizations and the promotion of free and fair elections. IRI and NDI specifically worked with democratically-oriented parties to help them build constituencies, improve communication between the local and national levels, and train poll workers and monitors in Russia. IFES worked with government officials and central election commissions and NGOs on electoral laws and transparency and accountability of

elections. All three organizations conducted extensive voter- and civic-education programs during 1996 (State Department Coordinator's Office 1997, 100). At the end of the 1990s, with the approach of parliamentary elections in December 1999 and the presidential election in 2000, IFES, IRI, and NDI were working to make the electoral system more trustworthy and to enhance the organizational and membership skills of democratic-oriented parties. Their organizations offered to Russian officials and activists technical assistance and a wide range of information on electoral procedure and party building.

Making elections trustworthy

The International Foundation for Election Systems (IFES) provided world-wide comparative data and experience on issues critical to the development of a free and fair elections process in emerging democracies. Assisting over 100 countries, its goal was the professionalization of and widening participation in the electoral system. IFES was founded in 1987 by F. Clifton White on the premise that it was in the U.S. national interest that other nations had the same rights as Americans, freedom of choice and movement. IFES traced its lineage to President Ronald Reagan's June 8, 1982 "Evil Empire" speech before the British House of Commons from which emerged the creation of the National Endowment for Democracy (NED) and the pursuit of worldwide democratization as a foreign policy objective. From the NED were created the National Democratic Institute for International Affairs (NDI), the National Republican Institute for International Affairs (later called the International Republican Institute, IRI), and other related institutions. These organizations were charged to support non-governmental organizations, labor unions, free enterprise, independent media, political party

development, and election monitoring, all in the pursuit of promoting open, democratic systems. Discussions in 1985 initiated by then USAID Administrator M. Peter McPherson identified the need for an NGO to provide technical assistance on elections to emerging democracies. F. Clifton White created IFES to meet that need and in October 1987, IFES received seed money from USAID's Office of Democratic Initiatives (IFES 1998a, 5 and 8).

In a 1992 interview (IFES 1992, 7), White explained, "We do not present any one system as the ideal, we recognize that democracy is a constantly growing and moving project. . . . I believe that only if people have confidence that their election system is honest and open will they participate in it."¹²⁶ IFES stressed in its programs that with freedom and the right to choose came real responsibilities--to be informed, to participate in the election process, and most importantly to vote. Through IFES, elections processes around the world served as models for emerging democracies to use in designing systems, which culturally met their needs. IFES did not promote, for example, particular election rules on method of registration or voter eligibility, but it sought to instill the fundamentals of free and fair processes—the secret ballot and its integrity, how votes were counted and reported, and supervision of the process. IFES was staffed by elections experts, many with U.S. presidential campaign experience. They taught candidates how to articulate clearly their positions to the electorate in the campaign period. It saw its role as the provider of information and base of resources on election processes around the world, drawing on case studies and an elaborate data base of electoral information. IFES

¹²⁶ In summer 1999, I met with the IFES program manager in Moscow and visited IFES/Washington office. My interview in Moscow suggested that IFES indeed remained true to that vision to provide many models of democracy.

served as a resource to provide details of election procedures worldwide, demonstrating what methods worked and in what circumstances they failed. IFES offered a wealth of information about its activities and findings, including a valuable monthly report with details on activities by country. These reports included not only what IFES was doing in country, but information on new laws and pending problems. IFES provided valuable insight into often complex legal and political workings in the host country.

IFES initiated its activities in the Soviet Union in 1989 through the US/USSR Election Official Exchange Project, an exchange program between the United States Federal Election Commission and the Central Election Commission (CEC) of the USSR. Members of the Soviet CEC visited the U.S. to observe the 1990 mid-term elections in Chicago in preparation for the Soviet Union's first multi-party elections. IFES began its work in Russia in 1990 at the invitation of the Central Election Commission of the Russian Federation (CEC RF) and opened an office in Moscow in 1993. IFES' goal was to work with the CEC RF to develop an electoral process and system. The organization worked closely with the CEC in formulating the draft Voting Rights Act, and laws governing parliamentary and presidential elections. As stipulated by the Voting Rights Act, the CEC was comprised of 15 members appointed to a four-year term with the State Duma, the Federation Council, and the President each appointing five members. IFES' relationship with the CEC RF was formal and bureaucratic. According to the IFES program manager in Moscow, the CEC RF viewed IFES as a consultant, not an observer of its practices; as working in the arena of exchanges, not training; and as providing information, not assistance. According to IFES/Moscow, the only time the CEC RF

asked directly for help was with regard to the “Y2K” problem, i.e., concerns about the technical impact of the year 2000.

USAID’s submissions to the *Annual Reports on U.S. Assistance to the NIS* under its Democratic Pluralism Initiatives did not adequately reflect the work that was conducted and accomplished on the ground. The *1995 Annual Report*, for example, included only a brief mention of USAID democracy programs in Russia, noting that IFES worked with Russia’s Central Election Commission to develop methods ensuring the transparency, accuracy, and accountability of the country’s electoral processes (State Department Coordinator’s Office 1996, 75). USAID stated in the report, “While it is impossible to establish a direct causal link with any particular democratization program, the fact that an increasing number of political parties, candidates, independent trade unions, and civic organizations participated in political processes was an encouraging sign that democratic reform was making process in the NIS (ibid., 75).

In addition to working with the CEC RF in Moscow, IFES also worked closely with the Subject Election Commissions (SECs) in the 89 regions. Working with the 89 SECs varied depending upon the personalities of the local executives and how open they were to transparent democratic procedures. For example, IFES/Moscow reported productive relations with the SECs in Irkutsk, Saratov, Rostov and Nizhny Novgorod and more problematic relations with Kalmikia and Buryatia where the local leadership was less open to outside involvement. In its work with the CEC and SECs, IFES dealt primarily with older elites, primarily ethnic Russians, and a mix of male and female.

IFES staff traveled from Moscow out to the 89 SECs to consult with them, and to conduct seminars on election issues. For example, in September 1998, IFES met with the Nizhny Novgorod Oblast SEC prior to and during repeat elections for the mayor of Nizhny Novgorod. Elections held in March 1998 were annulled “after heavy pressure from federal authorities . . . based on allegations that the winner of the elections, Andrei Klementiev, had made false declarations on his candidacy statement, among other charges” (IFES 1998b, 10). In the end, Klementiev was convicted and sentenced, highlighting the problem of criminal participation in the election process in Russia. In this regard, IFES worked closely with the SEC to review the annulment, how the Voting Rights Act was applied, and how the CEC worked with the Nizhny Novgorod SEC during the process. The voter turnout for the repeat elections was low, about 37 percent, and IFES noted that people were not much interested in the results. Such examples suggested to IFES that its services were most needed in the regions where the capacity to conduct free and fair elections was much less developed than in the major cities.

According to IFES/Moscow, many from the SECs traveled to Moscow to visit its Election Resource Center, which made available to visitors 3000 documents and an extensive database. The Elections Commissions of the subject and federal levels had access to the database. State Duma staff frequently visited the IFES Moscow office to seek information, and IFES worked on election law reform with the State Duma Committee on Legislation and Judicial Reform. IFES also provided technical assistance to the legislative branch on electoral law through comparative advice explaining how

other countries modeled electoral systems and handled issues of campaign finance, corruption in the political process, and ballot access.

Assessing public attitudes toward elections and democracy

In preparation for its activities related to the December 1995 parliamentary elections and as a framework for recommendations to a newly created indigenous NGO, New Perspectives Foundation (NPF), IFES conducted in mid-1995 the Russia National Survey (IFES 1995). Based on 4,070 interviews throughout the regions, the survey identified those geographic areas where people were most and least interested in politics, intent on voting, and optimistic about political and economic situations. Half of the respondents were not aware of the existence of the Central Election Commission and slightly more knew nothing of new election laws. The survey demonstrated that while a majority of voters voiced support for a plurality of political parties as an essential element to democracy, few were active members of parties and many could not distinguish among party platforms. Survey findings presented a confusing picture for IFES to unravel-- supporters of “pro-reform” parties like *Yabloko*, Our Home Russia, and Russia’s Democratic Choice were split on support for continued market reform or a return to state control of the economy. Survey results showed glaringly that lack of knowledge about the electoral process and voters’ rights led to widespread skepticism about the integrity of elections. Consistent with other surveys, the Russian electorate showed a low level of interest in government and politics with only 30 percent expressing interest and 66 percent not. Respondents were concerned primarily about the economic situation and expected no improvement or even worsening of both the political and economic situation

in Russia. At the time of this survey, 47 percent (mostly young people) viewed Russia as a democracy and 41 percent (mostly 45 and older) did not. IFES concluded that there was a clear need in Russia for voter education that would become the focus of their efforts. IFES also determined that Russia's future democratic direction lay in the hands of the young (17-35 years old). Disturbingly, the survey indicated that just 29 percent of the young were certain to vote while 55 percent of those 55 years and older were certain to vote. IFES concluded, "Low turnout by young voters will result in higher percentages for the Communist and Agrarian parties while higher turnout would likely benefit Russia's Democratic Choice, *Yabloko*, and Women of Russia" (IFES 1995). Armed with this information, IFES was then able to assist NPF in developing voter education materials tailored to younger voters. As noted earlier, however, the communists made a strong showing in the December 1995 parliamentary elections, consistent with IFES' survey findings and expectations.

Building indigenous capabilities for youth

Much of IFES' effort in Russia was devoted to creating and making self-sustaining the indigenous non-profit NGO, New Perspectives Foundation (NPF), to conduct voter education and mobilize young voters. As follow-on to this effort, IFES also created a second NGO in its own image to conduct election related support, e.g., providing electoral assistance to local polling stations and conducting oversight initiatives. Funded by USAID, IFES created the Institute for Electoral Systems Development (IESD) to assume responsibilities for the activities IFES had conducted earlier in the decade in preparation for when IFES would depart Russia.

IFES worked at the grassroots level in Russia on such basics as how to fill out the ballot on election day. Realizing in 1995 the need to attract young voters into the political process, IFES helped build NPF, which was based in Moscow and grew into 50 affiliate organizations across Russia by the end of the decade. According to IFES, “Significantly reduced government investment in education, conditions faced by military conscripts, disillusionment over the Chechen conflict, pressures stemming from the economic crisis and sense of alienation from elected officials and political entities have contributed to an increasingly apathetic youth constituency” (McDonald and Barnes 1999). The authors cite as evidence low voter turnout (about 20 percent of those who have the right to vote); lack of youth participating in public service organizations; lack of interest among young people about events in Russia; and increased anti-social behavior and criminal activity among the young. Russian youth were faced in the 1990s with challenges that their parents did not have. For example, educational curricula had to be revised to meet the requirements of Russia’s new economic system, and because many teachers had left their jobs in search of higher pay in the marketplace, there was a shortage of qualified teachers. Under the Soviet system, youth had access to a number of state-sponsored organizations like the Octobrists, Pioneers, and Komsomol, but such organizations disappeared with the collapse of the Soviet Union and few private ones emerged in their place. NPF sought to provide direction to Russian youth and to channel their energies into the political process.

Commenting on a September 1998 USIA survey suggesting that youth were unlikely to participate in volunteer organizations, IFES program managers noted that election campaign positions, which in other countries are usually filled through volunteers, had to be paid positions in Russia. NPF, which attempted to assist the youth during the difficult social and economic transition, listed as its goals: developing young leaders, encouraging policies for the benefit and development of youth; developing civil society in Russia; improving voter education and election observer training; working more with national political parties like *Nash Dom Rossiya* (Our Home Russia) and *Yabloko*; and improving the political culture of young people by getting out the vote and sponsoring youth events. In 1999, NPF was Moscow-based with an eight member Board of Directors including representatives of the State Duma Committee on Women, Children and Youth; the Russian Youth Union; the National Council of Youth Organizations; and the Youth League of Businessmen. NPF grew out of the constitutional requirement and Presidential decree (No. 558) on *Increasing the Legal Culture of Voters* for election commissions at the local, regional, and national levels to undertake voter education programs. Consultation among Russian youth leaders, the Central Election Commission, and IFES led to the creation of NPF, which was registered officially as a Russian NGO in June 1995. “The primary focus of the organization was to turn out informed young voters in large numbers” (McDonald and Barnes 1999). To attract the 18-30 year old cohort, NPF combined popular culture with voter information using multimedia—television, radio, and print—and special events like rock concerts, campus rallies, and cookouts at the national and regional levels. Russian citizens were eligible to vote at

eighteen and automatically were registered, so they needed to be informed about upcoming electoral events and how to participate in them.

Beginning in 1995, IFES regularly surveyed NPF regional affiliates on local elections to assess needs and determine what information it could provide to improve the election process. In response to regional affiliates' requests for information and training on methods to increase voter turnout, fundraising, developing communication skills, and protecting voters rights and interests, IFES developed appropriate materials adapted to the regions. From the surveys, IFES learned that poll workers of local elections needed training on how to deal with common problems like voters trying to cast votes for absent family members or not understanding how to fill out the ballot. Working with the CEC RF, IFES created an easy reference rulebook for poll workers covering about 20 of the most frequent problems that arise on election day at the polls, for example, how to issue a replacement ballot if the original one is spoiled.

IFES also learned from the NPF affiliates that the youth were interested in developing civil society more than political society, not appreciating the linkage between the two in a democratic system. They wanted to focus their efforts more on elections and the legal culture surrounding the election procedure than on the political parties at the heart of an election. The youth wanted to participate in elections, but not in partisan activities. This posed a substantial challenge to developing a democratic political culture in Russia. The youth did not see political parties as a means to organize and express their interests and they did not understand the role political parties play in a democracy. The

party system in Russia was still very weak and political parties did not do well in Russia what they did in advanced democracies, i.e., present platforms of ideas to attract a basic constituency of supporters. Russian political parties instead were organized primarily around the personality of a leader. This lack of interest in political parties among the youth of NPF supported the findings of IFES' 1995 survey that Russian citizens in general were not interested in political parties and that they tended to be apolitical.

By the end of the decade, NPF had separated itself from IFES, competing for and receiving on its own efforts funding from the Mott and Ford Foundations and the British Know-How Fund. It purposely avoided Russian government support, which was considered too conditional and interfered with its activities. NPF worked through its regional affiliates to inform and activate the Russian electorate in preparation for the federal elections in 2000. It put together a coalition of youth to monitor elections - led by the National Democratic Institute. NPF focused on such issues as voter education, young conscription rights, women's issues, and, until the bombing of Serbia in March 1999, NATO. NPF attracted many youth through its opportunities to travel abroad to Youth Congresses and World Exchanges of Youth. According to IFES, the participants genuinely were dedicated to their work and built vital networks linking youth throughout Russia. The size and independence of NPF was a positive addition to civil society in Russia. Once NPF and its affiliates were well established, IFES no longer conducted voter education activities. IFES described NPF as "the only NGO of its kind conducting non-partisan civic and voter education initiatives in over 50 regions across the Federation" (IFES 1998b, 6).

IFES's other NGO endeavor at the end of the 1990s, the Institute for Electoral System Development (IESD), was different from NPF. It evolved late in the decade as a think tank and focused on establishing the capability to provide training on election policy in Russia--to replace IFES when it departed Russia. The August 17, 1998, devaluation of the ruble had a direct impact on IFES' NGO development efforts, leading to delays in initiating IESD. According to IFES, Russians were so focused on assessing damage and trying desperately to get their funds out of failing banks that no one had the energy or interest to devote to the upstart of the new institute. Those involved in conducting elections, primarily the CEC, were even making preliminary plans for potential early elections that were feared to be called in response to the economic collapse. Early elections never materialized and the delays, in the end, were relatively limited. State Duma Deputy Viktor Sheynis, representing *Yabloko* in the Committee for Legislation and Judicial Reform, was a board member of the Institute and was "considered by many as 'the Thomas Jefferson' of electoral laws in Russia" (IFES 1999, 7). The Director of the new NGO, Alex Yurin, who was also Deputy Director of IFES/Russia, was "well-known and respected by the representatives of the State Duma, the CEC RF, and various SECs" (IFES 1998b, 3). At the end of the decade, IESD was registering officially as a Russian NGO.

IESD focused on issues of ethics in the election process and campaign finance. IFES was slated to depart Russia in March 2000, oddly before the presidential elections scheduled for June 2000. IFES hoped to be able to extend its presence in Russia until

after the presidential elections and sometime up to the date that its contract with USAID expired, September 30, 2000¹²⁷. The plan was for IESD to receive funding directly from USAID. Interestingly, the CEC RF said very little about IESD, expressing only some concern about IESD's analysis mission, but it did not block the organization's formation. According to IFES, there were only about 20 experts on election processes and laws in Russia qualified to work in IESD at the end of the 1990s. IESD would become the new home of IFES' Russia Election Resource Center and would transform itself from an American-based project to a Russian NGO.

IFES was devoted to bringing clarity to the evolving electoral process in Russia as guidance for Russian organizations as well as information for westerners. For example, in April 1999 IFES prepared an informational document about the implications of early elections in Russia should the President leave his position before the end of his term. This was work undertaken initially in the aftermath of the August 1998 devaluation of the ruble, and completed in light of pending impeachment proceedings against President Yeltsin in spring 1999. Drawing on the Constitution of the Russian Federation and the Voting Rights Act, the document highlighted who would assume the duties of President, how and when elections would be called, the sufficiency of the legal framework to conduct early elections, and the role of political parties in such elections, etc (IFES 1999b). The fear of early elections dissipated, and IFES turned its attention to media issues in preparation for the parliamentary and presidential elections in December 1999 and June 2000, respectively. IFES conducted seminars in ten regions to train journalists

¹²⁷ IFES closed its Moscow office in 2000 and turned its activities over to IESD. USAID awarded a grant to IESD for a project on Strengthening Democracy through Improved Public Awareness from 2000-2004.

and election commissioners on the legal framework for reporting on elections, including journalistic techniques and ethics issues.

Comparative advantages

Promoting U.S. foreign policy goals through partnership with NGOs held significant advantage for the U.S. IFES earned legitimacy from indigenous counterparts by directly addressing election issues on a non-partisan basis. IFES could be flexible and quick in its operations, responding to unfolding events and requests in a quick turnaround. IFES noted in its second semi-annual 1998 report to USAID, “IFES’ close relationship with its domestic partners and its status as an independent, non-partisan organization have proven essential to its ability to consult and advise. . . .IFES staff and experts held on-site consultations with officials, lawmakers, and other experts involved in Russia’s electoral process. These consultations allowed IFES to track the reform process, identify key problems, and address relevant issues related primarily to election law reform” (IFES 1998b, 7).

Challenges to assistance

IFES reported that the biggest obstacle to getting its work done was the formal bureaucracy of the CEC RF, specifically with delays in getting through the International Department of the CEC, which was IFES’ sole window of entry. Access to the SECs tended to be easier, but even then, the CEC could intervene if it did not support the particular activities of IFES or its regional affiliates.

Consistent with the experience of many other U.S. NGOs working in Russia in the 1990s, the official registration process required for foreign NGOs was a time consuming and expensive obstacle to operating in Russia. IFES felt that because it was in the business of promoting rule of law, it had to set a good example and abide by the rules. IFES was officially registered and paid taxes, but described the registration process as lengthy and nightmarish.

As noted earlier, political society in Russia was weak. Political parties were not deeply tied to society at large and did not have vast constituencies. Campaign finance remained one of the primary issues of concern with sources of private funding unclear and questions about foreign and criminal financing of parties and candidates prevalent. In 1994, IFES reported, “CEC officials have expressed grave concern about the financing of political campaigns in Russia, particularly the involvement of political parties in commercial activities. . . . In a depressed economy, where party dues and political fundraising do not provide a sizable or secure source of funding, many parties are dependent on commercial activity to compete” (IFES 1994, 10). The impact of conflict of interest and involvement of organized crime was a concern for those trying to build a trustworthy electoral system. To assist the CEC in dealing with such issues, IFES organized roundtable discussions, bringing in experts on these subjects to meet with the CEC on how other countries require and enforce political finance disclosure. At the same time, IFES worked with two other USAID-funded organizations, IRI and NDI, to sponsor a parliamentary conference on political party law and finance, bringing together election authorities, parliamentarians, and executive officials. IFES also sponsored observer

missions and training sessions for CEC members and staff to visit the United States for first-hand experience in U.S. electoral procedures, the efficiency of automated voter registration, and the role of political parties, mass media, the courts and NGOs in the electoral process. In the late 1990s, IFES worked with the CEC RF to compile a comprehensive English/Russian vocabulary list of election-related terms.

Lessons learned

IFES Director of Programs for Europe and Asia Juliana Geran Pilon described “Lessons learned in Civic Education,” based on IFES’ experience in the NIS (IFES 1998a, 43 and 52).

- One important lesson was to not assume that people shared the same meanings of terms like “democracy,” “privatization,” “participation,” etc. As a result, in any group discussions, IFES asked participants to define the terms themselves.
- IFES found that citizens often did not know well the legal structures of their countries, especially their rights as citizens. It used its discussions on electoral issues to cover the legal structure broadly, as well as the idea of self-initiative and leadership.
- Through discussions on the electoral system, IFES brought together citizens with state structures, like the CEC or SECs, and with NGOs like NPF and IESD. Many of IFES’ activities helped to build civil society by strengthening citizens’ self-confidence in articulating their goals and then

carrying them out; and by enhancing trust between citizens and state structures.

More broadly, based on its experiences with developing free and fair electoral processes, IFES collected information to share with emerging democracies around the world. IFES believed that:

- elections officials must be free from undue political pressure and interference to be able to proceed with organizing elections in a professional and well-planned manner.
- Election law must guarantee a level playing field for those who wish to participate in the political process.
- Effective civic and voter education programs needed to be in place to make voters aware of their rights and responsibilities as participants in the electoral process.
- Political parties and candidates must have access to official election information.
- Finally, international election observers and advisers, while valuable, have a responsibility to assist in development of a domestic capability for such oversight and organization.

Teaching Party Politics

International Republican Institute

While IFES focused on strengthening the electoral process and NGO development to support it, the International Republican Institute (IRI) sought to build democratic political party strength. IRI was a private, non-profit organization created in response to President Ronald Reagan's plea in 1982 to spread democracy around the world in the fight against authoritarianism and tyranny. IRI promoted democracy by working with pro-democracy activists around the world at the grassroots level to teach them how to organize politically, manage campaigns, conduct polling, train parliaments, assist in judicial reform and monitor elections. IRI made clear that it was not part of the Republican Party of the United States, its programs and approaches were nonpartisan, adhering to fundamental American values of "individual liberty, the rule of law, and the entrepreneurial spirit that fosters economic development" (IRI 1999). IRI worked worldwide and selected its sites where it felt it could make a difference. Its staff in the Moscow office in the late 1990s numbered only a few, and they relied on volunteers to serve as trainers and election observers.

IRI received funding for its Russia programs from USAID and the National Endowment for Democracy (NED) to conduct observer missions to national and local elections, including the 1993 referendum and parliamentary elections and the 1995 State Duma and 1996 Presidential elections. From these exercises, IRI prepared assessments, identified problems, and made recommendations to legislators and elections officials to improve the conduct of future elections. IRI's recommendations, which were published

in the Russian media, were addressed, for the most part, in revised parliamentary and/or presidential election laws. IRI pursued its work in Russia, believing that “democratic and free market reform is the basis for security and prosperity of the Russian people” (IRI 1995, 1). In its recommendations, IRI noted that Russian voters were cynical about democracy so efforts needed to be taken to build confidence in the electoral process.

IRI assisted national and local legislators in their governing abilities, strengthened democratic party organizational skills, and supported the development of Russian NGOs. Many of the problems noted over time in the elections process were attributed to the lack of professional training of elections workers and party organizations, though IRI reported significant improvement in the electoral process after the 1993 elections. IRI’s recommendations focused on the process of registering members of political parties; enhancing campaign finance disclosure to avoid the potential election of criminals before charges were brought against them and to show clearly the source of contributions; continuing to reassess and strengthen election law upon reviewing election results; and encouraging the CEC RF to be a truly independent agency free of government control to enforce election law effectively and to make election results more quickly available to enhance trust in the electoral process. Other lingering electoral problems included the practice of “open voting,” meaning voting outside the booth with no regard for the secret ballot, and the lack of objectivity of the media in reporting on elections. IRI stressed the need to foster the sanctity of the secret ballot and to develop a truly independent media free of government funding. Assessing the results of the 1996 presidential elections, IRI

confirmed “the significant strides made over the past five years by the Russian people in institutionalizing democratic electoral processes” (IRI 1996, 2).

IRI was in the political party building business and, with its NED counterpart organization, NDI, split Russia into two parts with each organization targeting about 12 major cities. IRI worked with local grassroots organizations to train them in the mechanics of running campaigns and developing strategies, and to move away from the personality driven parties so prevalent in Russia. IRI advised local organizations in the political basics such as developing a message and selling it to the voters, and the importance of party representation at the polls on election day. “In 1995, IRI observers noted again [as in 1993] the overall absence of reform or centrist party poll watchers. Only the Communist Party of the Russian Federation had poll watchers present at nearly every polling station” (IRI 1995, 12). On the other hand, IRI noted that in the ten cities where it had conducted its party-building work, Russia’s reformers won half the 1995 parliamentary elections, versus 19 percent nationwide. Following the 1996 presidential elections and communist victory, IRI established the Local Party Leaders Academy (LPLA), which brought leaders from throughout Russia to Moscow to participate in a series of seminars on party registration and charters, building coalitions and membership, communication, and message and platform development. Party participants included leaders from Our Home is Russia and *Yabloko*. IRI focused on teaching these parties how to build local organizations, and reported that power in Russia was devolving from the center into the regions.

In 1997, USAID assisted IRI and the Moscow School of Political Studies in conducting training programs on democratic political culture in southern Russia in Asktrakhan and Rostov-on-Don. From 1992-1997, over 1,000 Russian citizens participated in these training programs and many of them went on to serve in parliamentary and government positions. IRI with NDI provided political party training working with pro-reform parties in 16 Russian regions. From 1994-1997, USAID supported the training of 16,000 Russian citizens in the conduct of campaigns and political party development. In addition, IRI helped establish a training facility with Russian trainers for local political party leaders, thereby creating an indigenous capacity for such skills. USAID was particularly focused on pairing up Russian and U.S. institutions.

IRI/Moscow assisted in identifying political leaders to participate in the “Young Leaders” program created in 1999 by Librarian of Congress James Billington and administered by the American Councils for International Education. (This program is discussed in more detail in the ACIE section below.) In preparation for the 1999 parliamentary and 2000 presidential elections, this program brought young Russian political leaders to the U.S. to observe the legislative process and meet with election officials. Many in the democracy building community in Russia were concerned, however, about the timing of this new program, which planned to take political leaders away from their duties at home just at the outset of the campaign season for the December 1999 parliamentary elections. As a result, the Young Leaders program was postponed until after the elections.

Challenges to assistance for IRI

Head of the IRI/Moscow office was pessimistic in summer 1999 about the short-term obstacles to the consolidation of democracy in Russia. He expressed concern about the possible union between Russia and Belarus, painting the dismal picture of a union, leading to the creation of a new constitution allowing Yeltsin to begin another term with Belarus President Lukashenko as his deputy. In this dark scenario, Yeltsin would depart the political scene and Lukashenko would gain the presidency, throwing Russia back to a much more authoritarian system.

In terms of its own operations, IRI was especially concerned, along with NDI, about the March 30, 1999, law that placed restrictions on the political activities of foreign NGOs and threatened to shut down the party building activities of IRI and NDI, and potentially the poll watchers' training conducted by IFES.¹²⁸ USAID provided new funding to IRI in 2000 in fulfillment of its strategic objective to promote "increased better informed citizens' participation in political and economic decision-making" for its work in political party building at the national, regional and local levels (USAID 1999b, 7). While the political party system remained weak in Russia, it was more promising on the regional level. In a statement before the Senate Foreign Relations Committee in February 2005, the Director of the Eurasia Programs for IRI noted that while there had been setbacks in democracy at the national level under Putin, political parties appeared to be more active in the regions where "regional opposition parties have been able to accomplish what the national leadership could not; namely, form coalitions with other

¹²⁸ IRI remained in Russia as of 2006, funded by a grant from USAID in 2001 to continue its work in political party development, development of NGOs and parliamentary training.

like-minded parties and candidates to present a unified opposition choice on the ballot” (IRI 2005). IRI worked with many opposition leaders and civil activists in the region on how to get out their messages.

National Democratic Institute

The National Democratic Institute for International Affairs (NDI) was a nonprofit organization, created in 1984 through the National Endowment for Democracy, to strengthen and expand democracy worldwide. In the national interest of the United States, NDI promoted democracy as an investment in peace, offering the benefits of the practical experience of the Democratic Party in the United States. Like IRI, NDI did not promote any one structure or ideology of democracy, focusing its nonpartisan approach instead on the institutions and process of democracy. NDI drew volunteer expertise from an international pool of more than 500 practitioners to conduct training on-site as needed. NDI’s website noted that “NDI, along with [IRI], is the only organization dedicated solely to political development programs” (NDI Mission Statement, Section II).¹²⁹

NDI’s work began in 1990 in the Russian Soviet Federated Socialist Republic (RSFSR) with NED funding to convene a meeting of democratic reformers from city councils throughout Russia, leading later to creation of the League of Russian Cities, which played an instrumental role in supporting Boris Yeltsin during the 1991 putsch. At the outset of NDI’s work in Russia, J. Brian Atwood, who would become USAID Administrator, was the President of NDI and participated in the first delegation to the

¹²⁹ www.iri.org/aboutiri/iri.htm, accessed 8/2/99.

RSFSR to assess local government reform. Funding to NDI was later provided by USAID to continue democratic development programs.

NDI's work in Russia during the 1990s was based on its own worldwide experience in building political institutions and was largely self-initiated, i.e., not designed just to respond to a USG request for proposals. One program manager explained that, beginning in the early 1990s, when the still young NED had limited experience in promoting democracy, NDI prepared unsolicited proposals to seek support for its programs in the Soviet Union. It was more confident in its ability to design programs to strengthen a political party system in the Soviet Union than in a federal agency to pre-determine the necessary elements to include in a call for proposals. NDI's work prior to 1992 was funded by NED and after 1992 by USAID.

NDI proposed to USAID three areas for support: 1) political party development based on the assumption that democracy could not survive without parties; 2) civil organizations in Russia, which were an outgrowth of dissident groups of the Soviet period, focused on such issues as civil rights, human dignity, women's issues, etc.; and 3) local government in such forms as mayors' associations, replicating local autonomy in the United States. Initially, a very small office of two or three workers conducted political training for a few political activists in preparation for the 1993 parliamentary elections. A key player and adviser to NDI was political scientist Michael McFaul, who since has conducted extensive research on democracy promotion and the process of democratization. Following the 1993 elections, NDI decided to focus its efforts on

“growing” the democratic political parties of *Yabloko*, *DemRossiya*, and *Nash Dom Rossiya*. NDI trained individual candidates as well, including Galina Staravoitiva, stressing to them the importance of joining a political party rather than running for election as an individual.¹³⁰

NDI did not promote a particular model of democracy, but worked instead within the framework of people’s requests. In the early days of the transition, there was some disagreement about whom to train in political organization. According to NDI, they felt some pressure from the U.S. government to be willing to train a broad range of political orientations without being too selective; NDI instead wanted to focus only on those who already were democratically oriented.¹³¹ NDI’s approach was to focus on training at the local, grassroots level to build the institutions of national democratic parties. NDI’s philosophy was to teach processes that would lead to the institutionalization of democratic procedures. Its aim was not to win elections, but to build the infrastructure of the process.

Comparative advantage

As NGOs, NDI and IRI could more easily undertake political activities, such as working with select parties, than could the U.S. government, which would be seen as interfering in the domestic affairs of another country—as was the particular concern of

¹³⁰ Galina Staravoitava was a human rights activist who was murdered in her apartment building in St. Petersburg in November 1998, silencing an important voice for reform.

¹³¹ Strobe Talbott (2002) noted concern early in the 1990s about the appearance of the U.S. interfering too much in the domestic issues of a sovereign country. This outlook shifted by the end of the decade when assistance efforts deliberately targeted those who had already proven themselves reform-oriented.

President Bush in the early days of the transition. Furthermore, government agencies did not have widespread in-house technical expertise on building political parties to share with Russian organizations. NDI noted in its mission statement, “While governments can set the tone and foreign aid can provide needed resources for democratic development, much of the real work must be done by non-governmental organizations. Groups such as NDI are capable of assuming responsibility, yet are not constrained by the stringent rules of diplomacy. NDI activities are relatively free from the need, imposed on representatives of the U.S. government, to take into account the full range of official interests and bureaucratic purviews. NGOs can readily share information, knowledge and experiences that will be valuable to individuals and groups who are pursuing or consolidating democracy, sometimes without the cooperation or sanction of their government” (NDI Mission Statement, Section IV). Furthermore, newly emerging democracies needed to see that government was not involved in all aspects of society. Finally, NGOs could go to international organizations and other groups for funding or volunteer work to pursue joint efforts. NDI, for example, relied on the *pro bono* work of its experts.

Prospects for democracy

When asked about the future prospects for democracy in Russia, a NDI/Moscow program manager noted that even Russia’s measured progress by the late 1990s was by no means assured. While significant progress was made toward the institutionalization of democracy, it was too soon to speak of its consolidation because continued movement in that direction lay principally in the hands of whoever was at the top of the Russian

government. In other words, because power in Russia was so heavily vested in the executive, whoever occupied that position determined to what extent free market and democratic political practices would be deepened. The program manager believed that the process of electoral democracy was in place in Russia, and reported that Russian citizens, in general, had come to expect elections as the means of choosing leaders. Since 1991, some 30 percent of the Russian population had voted for democracy, with some slight increase over time, but not above 40 percent in any election. According to the program manager, in some ways, Russians' behavior toward democracy was much like that in the U.S.; it had become the normal business of politics. People in power sought to stay there; there existed certain geographic pockets of specific party support such that urban areas tended to be more liberal/democratic and rural more communist/conservative/nationalist. The State Duma behaved in accordance with the constitution.

On the other hand, political parties had much to learn about crafting a message and getting it out to the people. NDI reported that Russians often complained about the uncertainty of democracy, not knowing who would be the next leader, to which NDI explained that the same was true in the United States. It was the nature of open society and democracy. NDI explained to Russian audiences that U.S. citizens did not know who would be the next President, but, based on the rule of law, they trusted the electoral system to be free and fair and, therefore, were willing to accept the results because there would be the opportunity to compete again.

Challenges to assistance for NDI

Organizations like NDI were faced with the uncertain world of working in Russia, especially under such regulations as the March 30, 1999, Rule on Basic Guarantees that said foreign nationals could not support or impede candidates nor provide in-kind services. NDI trained individuals and parties to create and organize their message, package it for mass distribution, and go door-to-door to talk to voters and gain supporters. The deadline for the new law to go into effect was September 1, 1999, effectively halting NDI's work for the December 1999 parliamentary elections. NDI also noted that because of the communist-dominated Duma, they had been unable to influence legislative programs and even could not gain access to the Duma building.

Like IRI, NDI worked to build political parties and to help loose organizations of people come together, identify problems, set goals together for the party, and conduct strategic planning. According to the NDI program manager, this was an entirely new concept for Russians who were not accustomed to crafting a vision of how they would like their society to be. NDI facilitated such discussion. In some cases, NDI sought out party organizers to offer their services; in others, the groups came to NDI requesting assistance. While turning away no one, NDI tempered its assistance depending on the political orientation of the group and supported most vigorously those parties that were democratically-oriented. NDI's approach was to build political parties and civic organizations by training individuals in organizational and fundraising skills. In terms of NGO development, NDI chose not to create its own NGO, but to identify seven national non-aligned, civic organizations already in place in the regions with a base of voters.

NDI brought the leadership of these organizations to Moscow for training. Participants included: New Perspectives Foundation, Mothers of Soldiers, Moscow Helsinki Group, Free and Fair Elections and Migrants Forum.

With a staff of 17 in 1999 (five Americans, 1 Latvian, and 11 Russians) based in Moscow, NDI staff traveled frequently to the regions to conduct training seminars with political groups to teach them how to build party strength and to gain supporters. NDI noted that it did not receive much attention from Russian authorities and purposely maintained a low profile in its activities. NDI taught the political parties how to take a hands-on approach, going door-to-door to sell their message. NDI reported that its Russian trainees were hesitant to take this approach and genuinely surprised to find it successful in attracting supporters. They learned to package their message to catch voters' attention, demonstrating, for example, the notable difference between a typical Russian political poster with a candidate's portrait and paragraphs of small print versus one that shows a teacher at a blackboard sending the message of a candidate supportive of education. As simple as it sounds, NDI reported that this was a major shift in thinking for political activists in Russia. NDI, in such an instance, was introducing a new political culture, encouraging Russian activists to think creatively about the message they wished to convey and how they could do that. According to NDI, democracy had a bad name in Russia, but in reality Russians had not had genuine democracy; they had experience only elections. There was no open federal budget; stealing from the state remained a problem. Civic organizations were not focused on advocacy and were not holding government or political parties accountable. NDI noted that Russia had an educated base of voters, but

of the 143 parties on ballots, only seven or eight were “real” parties with ideas and platforms.

In 1999, NDI/Washington was fairly optimistic about the upcoming elections and the strength of the democratic forces. NDI/Washington expected *Yabloko*, *Nash Dom Rossiya*, and the Fatherland Party to all cross the five percent threshold mark and become a permanent fixture of the competitive electoral process in Russia. Each of those parties had developed structures resembling those of western parties. To the contrary, NDI/Moscow was less optimistic about the future of party politics in Russia, stressing that because the power of the executive was so strong, if the “wrong” person were in that position, political parties could be obliterated. As noted by other organizations, the regions had become more powerful by the end of the decade, with governors controlling regional branches of political parties, effectively eliminating local politics as an early training ground for future political leaders. There were no “farm teams” in Russia to prepare political leaders. In an attempt to end on a potentially more positive note, NDI/Moscow stated that by 2007, half of Russia’s voters would not have lived under communism.

From institutions to individuals

Through FSA funding from USAID, IFES, NDI and IRI designed and conducted programs in Russia focusing on the political institutions of democracy, specifically the electoral system and political parties. They divided their efforts between political training programs, which reached only a small number of individuals spread out across

the Russian Federation, and much more far-reaching and long-lasting investments to create indigenous nongovernmental organizations to carry on their work and make available a rich database of information on electoral procedures around the world. Still these institutional contributions were minimal compared to Russia's vast needs for democratic development. Of relatively lower priority in the U.S. democracy promotion goals until later in the decade, but fundamental to the strengthening and consolidation of democracy, was a focus on the individual, i.e., deliberate efforts to invest in individual Russian citizens to create the informed citizenry that supports and keeps democracy alive. Compared to the highest priority goal of promoting a market economy, which targeted the elite, federal level, civil society programs that invested in the development of individual Russian citizens were low-profile and conducted at the grassroots level, below the radar. For the most part, programs to develop civil society relied on academic, cultural, and professional exchanges funded through USIA. Through these programs, thousands of Russian citizens—students and professionals—traveled to the United States each year to undertake short and long-term training opportunities. They returned to their home schools and institutions in Russia with new contacts outside Russia, new knowledge and skills, and new understanding of living in an open society. These energetic and risk-taking individuals bring home the promise of a better future for their communities and they become the fertile soil in which democracy may take hold in the long-run. Tracking alumni from exchange programs indicated that they have become active citizens in civil society. The next section examines USIA's efforts to build civil society in Russia through funding to American Councils (ACIE/ACTR), the Institute for

International Education (IIE), and the International Research and Exchanges Board (IREX).

Building Civil Society and a Civic Political Culture

Civil society is a vital part of a democracy because it is the unofficial space where individuals are free to make known their preferences and complaints, hold their government accountable, and organize around their interests. In civil society, individuals can learn to be active participants of a democracy. At the collapse of the Soviet Union, the U.S. foreign policy elite articulated the need to build robust civil societies in the region as a goal for democracy promotion. Sec. 498 of the FSA, which described how to foster the establishment of a “democratic and free society,” did not explicitly call, however, for the strengthening of civil society in the new independent states as one of its goals. FSA did authorize under Sec. 807 funding through USIA and USAID for exchanges and professional training programs, respectively. The implementing federal agencies justified these programs through their contribution to strengthening civil society by supporting the development of the individual. FSA called specifically for other means of building civil society, including support for the “development of a free and independent media,” which was stated as one of the FSA goals under Sec. 498, and creating non-governmental organizations through the Democracy Corps per Sec. 401 (U.S. Congress. Senate. 1992b).

Promoting Democracy through Exchanges

Before it was dismantled in October 1999, USIA was the premier federal agency responsible for academic and cultural exchanges, which it conducted through such non-

governmental organizations as ACIE/ACTR, IIE, and IREX. The purpose of the FSA-funded exchanges was to promote all the objectives of Sec. 498, in other words to support the development of democratically-minded individuals to participate in Russia's emerging democratic infrastructure. The legislation implied that exchanges and training would promote democracy through activities that fostered pluralism, respect for human rights and the rule of law, processes of democratic governance (civic education), improvement in governance at all levels, and independent media. The overall goal of such assistance was to develop an informed citizenry that would be willing to become involved in the political process, to have an impact on public policy, and to hold government accountable for its actions. A USIA Fact Sheet (1997a) stated that USIA programs in the NIS were designed to promote the development of free market economies and democratic institutions principally through the tool of exchange visits. USIA's FSA programs focused on "democratization, rule of law, free market reform, free and independent media, and educational reform" (USIA 1997a, 1).

USIA, operating as the U.S. Information Service (USIS) in country, conducted exchange programs with the Soviet Union for decades, so its assistance programs under FSA were an expansion of work already well established. At the fall of communism, USIS' capabilities included USIS officers in the Embassy and U.S. NGOs on the ground. Building on its base appropriation for the Fulbright Exchange Program, USIA used FSA funds to create new exchange programs targeting particular cohorts in Russia to strengthen democracy. During 1994, "approximately 10,000 Russian high school and university students, teachers, entrepreneurs, business managers, public administrators,

lawyers, [and] journalists . . . participated in training and exchange programs in the U.S., gaining new skills, insights into a democratic, market-oriented society, and opportunities for networking with counterparts both in the United States and Russia” (State Department Coordinator’s Office 1995, 21). *The 1996 Annual Report* identified academic exchanges as “an effective means of reaching out to the up-and-coming generation of reformers in Russia” (State Department Coordinator’s Office 1997, 36). USIA conducted the following exchange programs designed to attract a particular audience, and simultaneously strengthened training in and access to the Internet to keep exchange program alumni connected with each other, their host families, and to the open flow of information on the web.

High school students

USIA, working in conjunction with the NIS Ministries of Education, hosted students under the Secondary School Initiative Program from nearly every corner of the NIS. ACIE and Youth for Understanding (YFU) conducted far-reaching recruitment for students throughout the NIS to participate in the year-long study programs in the United States. It took much effort on the part of U.S. NGOs to convince holdover Soviet ministries to accept the openly advertised, merit-based competition as the procedure for selecting exchange participants. The Secondary School Initiative included several components—the Future Leaders Exchange Program (FLEX) for secondary school students for one academic year “to promote mutual understanding among the young people of the NIS and the United States and to help the future leaders of the NIS build a new and open society and establish democratic values and institutions” (State Department

Coordinator's Office 1998, 93). The participants lived with host families during their stay in the U.S.

In the first year of the FLEX program, 887 Russian high school students from all of the 89 regions of the Federation traveled to Washington, D.C. for an introduction to U.S. history and political development, prior to beginning their year-long study (1994 Annual Report, 72). Another 1000 Russian students participated in shorter-term, highly focused thematic exchanges in such areas as youth leadership, volunteerism, agriculture, environmental education and business. In 1996, 1300 Russian students studied in the U.S. and 660 American high school students studied in Russia. By 1998, only 313 Russian students participated in FLEX as USIA followed the general shift in democracy promotion activities away from Russia toward the other NIS. USIA, however, continued to track these participants after completion of the program when they had returned home, encouraging them to stay active in alumni associations.

USIA also supported the U.S.-Russia Awards for Excellence in Teaching, created in 1996 to provide funds for materials and equipment to teachers who demonstrated innovation in the classroom. USIA awarded a grant to ACIE/ACCELS to run Teaching Excellence Awards (TEA) competitions held throughout Russia to make awards to outstanding secondary school teachers in the fields of English language and American studies. The goals of this program were to recognize talented teachers, promote the use of innovative teaching methodologies, and to build contacts between schools in the U.S. and Russia, for which the winning teachers received materials for themselves (@\$200)

and equipment for their classrooms (@\$2,000). *The FY 1996 Annual Report* described this program as a high-profile cooperative program conducted in agreement with the Ministry of Education. In the competition, 225 Russian teachers were selected as semi-finalists to receive the materials and equipment and from those winners, 30 were chosen as finalists to travel to the U.S. for professional seminars during the summer of 1997. During that time, they worked with 10 U.S. teachers who then traveled to Russia in the fall. In 1998, 486 were successful in the first round, 190 in the second round and 30 traveled to the U.S. where they worked with 13 U.S. teachers who then visited Russia. The purpose of this exchange was “to contribute to the development and reform of educational systems in the NIS, and to promote mutual understanding” (State Department Coordinator’s Office 1999, 122). The TEA program was recognized as one of the most highly visible U.S. government programs in the NIS because of the multiplier effect whereby teachers share their experiences with their students (ibid., 122).

Undergraduate students

USIA supported Undergraduate Exchange programs, “designed to introduce the future NIS leaders to the U.S. system of higher education, democratic values, and the principles of free market economies” (State Department Coordinator’s Office 1995, 72). ACTR, YFU, IIE, and the American Collegiate Consortium (ACC) worked together to conduct recruitment, selection and placement of NIS participants in U.S. institutions, which for the most part were new to the international academic exchange programs. The Undergraduate Exchange Program supported one year of non-degree study in the U.S. in the fields of agriculture, business administration, communications/journalism, computer

science, library and information sciences, public policy, and sociology. This program gave each participant an opportunity to complete a three-month internship appropriate to his/her field of study, including a Congressional internship, and to attend a leadership seminar. Approximately 100 Russian undergraduates participated in this program each year. Beginning in 1998, all participants were required to complete 40 hours of community service during the first semester.

Graduate students

USIA combined its base and FSA funding to support the Edmund S. Muskie/FREEDOM Support Act Graduate Fellowships Program, which brought NIS citizens to the United States for one to two years of graduate-level study, resulting usually in a master's degree or certificate in business administration, economics, education administration, journalism and communications, law, library and information sciences, public administration, and public policy. In 1996, 75 Russian graduate students were selected for the program, declining to 32 in 1998. The fellowships included an eight- to twelve-week internship during the summer following the first academic year. ACIE/ACTR administered this program for USIA.

Parliamentary and regional leaders

USIA designed this program targeting parliamentarians and staffers for one to two-week fellowships to support democratic and market reform. The U.S. Embassy was responsible for choosing the participants. In 1994, 134 deputies and staff members from the Duma and Federation Council and regional political leaders participated. They

researched such topics as the judicial system, local government, the U.S. political system, economics and investments, and arms control. Some 200 senior-level Russian policymakers participated in professional exchanges to meet their U.S. counterparts in 1996.

Professionals

USIA's Community Connections program was created 1996 as a follow-on to the highly successful Business in Russia program, both addressed in the discussion of programs to promote market reform in Chapter Five. Community Connections, which targeted particular regions in Russia, was designed in conjunction with local authorities to focus on specific areas of interest: environmental policy, fiscal federalism, support for small and medium-sized businesses, social services, civic education, state-municipal relations, law enforcement, land management, educational reform and public policy. This program brought groups of Russian entrepreneurs and local government officials from specific cities together with their U.S. counterparts. The Community Connections Program was conducted through U.S. nongovernmental organizations in close coordination with the U.S. embassy to identify business people, NGO leaders, local government officials, legal professionals and educators from Russia to work with their counterparts in the U.S. in customized, community-based projects for six weeks. The participants then returned home to open their own small businesses or work in local government. In 1998, 850 Russian citizens interned in the U.S. At the request of the Russian government, USIA expanded Community Connections to include the

Presidential Management Training Initiative (PMTI), which targeted mid-level Russian managers, as the request of President Yeltsin.

USIA created the Fellowships in Contemporary Issues (CI) program through which Russian policy makers and government officials, leaders of NGOs, journalists, lawyers and other professionals traveled to the U.S. to pursue three-month policy oriented research studies at U.S. universities, think tanks, NGOs, and government offices. Their research was to “advance the transition to democracy, free markets, and civil society in their home countries” (State Department Coordinator’s Office 1997, 86). CI targeted established professionals, providing fellowships to conduct research in the U.S. in the areas of sustainable growth and development; democracy, human rights, and rule of law; international relations, national security and public policy; strengthening civil society; and the Internet. These fellowships were intended to support reform efforts in the NIS and to help U.S. citizens better understand the challenges of transition. New efforts in this program were devoted to the study of trade and investment, crime and corruption, foreign policy, international security and human rights. Many of these professionals returned home to key positions in government, NGOs and the private sector. IREX conducted the CI program.

The NIS College and University Partnership Program (NISCUPP) was designed to promote curriculum development and administrative reform in higher education through partnerships between U.S. and NIS universities in the fields of law; business, economics and trade; education, continuing education, civic education and educational

reform; public administration, public policy, government, urban and regional development; and journalism and communications. *The 1998 Annual Report* noted, “NISCUPP projects support the ability of NIS academic institutions to contribute, through curriculum reform and applied research, to the creation of democratic institutions, rule of law, and an environment hospitable to foreign investment in their home countries” (State Department Coordinator’s Office 1999, 120.) Under 13 partnerships with Russia, 250 Russian citizens participated in 1998, supporting mainly the Regional Initiative (RI) in Samara, Novgorod, and the Russian Far East in the field of business. A partnership between the University of Rhode Island and Novgorod State University created an Executive Business Training curriculum for paying students.

Providing connectivity

USIA was creative in designing its democracy programs, for example, choosing early on in the transition to focus considerable attention on the use of the Internet to provide information and maintain connections between people. USIA launched in 1996 its Internet Access and Training Program (IATP) to provide reliable access and training in connectivity capabilities like e-mail and use of the Internet and the World Wide Web for alumni of all U.S. government funded exchange programs and others working toward democracy. Working through organizations like IREX and Project Harmony, USIA selected and set up Internet sites for public access at universities, libraries and NGOs that, in turn, contributed existing computer equipment, staff, training facilities and other resources. The host institutes then were trained to take over and operate the site on a permanent basis. In Russia, public access sites were established in universities, libraries,

institutes and NGOs in Moscow, St. Petersburg, Novosibirsk, Irkutsk, Tomsk, Yekaterinburg, Penza, Rostov-on-Don, Vladivostok, and under the Regional Initiative—Novgorod, Khabarovsk and Samara. *The 1996 Annual Report* noted, “Access to email, Internet, and the resources of the World Wide Web helps those NIS citizens who are engaged in consolidating the transition to democracy, free markets, and civil society, to keep current and connected in their fields, obtain educational and professional materials, disseminate information, publish articles on the Web, and continue collaborative projects with their U.S. and NIS colleagues” (State Department Coordinator’s Office 1997, 89).

Civic education

The Civic Education Curriculum Development Program helped educators in the NIS develop civic education programs, highlighting the “philosophy of democratic institutions, citizen behavior and social responsibility” to be applied to national and local curricula (State Department Coordinator’s Office 1998, 99). Under this program, the History Departments of the University of Maryland and Samara State University conducted faculty exchange programs, assessing the Russian Department of History and strengthening the program. Junior faculty from the Russian side spent a semester in the U.S. developing new courses, which they implemented upon their return to Russia. In 1998, Syracuse University worked with secondary school teachers in Bryansk to develop public policy handbooks on Russian civic issues, which were distributed to local media and public officials.

The NIS-U.S. Teacher Exchange Program was initiated in 1995 to support educational reform by bringing teachers from the NIS to teach in the U.S. for one year at the secondary level “to develop knowledge and skills reflecting democratic approaches and methods” (State Department Coordinator’s Office 1998, 95). Each teacher developed a civic education curriculum to take back to his or her school. Teachers from Russia and the U.S. conducted civic education teaching programs in which the U.S. teachers taught civics in a Russian secondary school and pedagogical institute, and Russian teachers taught social studies courses in U.S. secondary schools, attended local civic and community activities, and designed civic-education curriculum reform projects to implement at home. Program alumni met in Moscow for a workshop on how to apply their training in their home classrooms and expand their connections with each other, mainly through the Internet. The FY 1997 report noted the example of a Russian teacher from Novosibirsk who brought back and established a student government mechanism to an initially reluctant faculty and student body. In 1998, the University of Hawaii helped Russian educators develop a civic education curriculum for secondary schools in Krasnoyarsk, which won recognition from the regional Department of Education.

Connecting exchange alumni

USIA made the important effort in 1995 to begin to organize alumni from all U.S. government-funded exchange programs to promote networking among program alumni and to encourage them to maintain contact with their U.S. counterparts through the Internet. USIA devoted efforts to create electronic ListServes, newsletters, and public access information resource centers in country. Exchange students who already were

pursuing their programs in the United States in 1995 attended a USIA-organized workshop, either in Chicago or Houston, to establish relationships among themselves in the context of a workshop on the process of developing a civil society. Similar alumni activities were held in Russia in 1996 including a conference on civil society in Vladivostok and Nizhniy Novgorod. USIA also sponsored a career development forum in Moscow, bringing together over 250 exchange alumni with about 30 U.S. and Russian businesses. USIA also developed a directory of program alumni (State Department Coordinator's Office 1997, 85).

The high school students who participated in the FLEX academic year program in 1994 formed alumni associations and worked together to share their insights on what they had learned in the U.S. Because of their skills in the English language, many alumni secured employment with multinational companies, NGOs, and government agencies. *The 1997 Annual Report* cited two examples of FLEX students who had returned home to organize their own NGOs, one in St. Petersburg to create a youth organization, PRIME, dedicated to promoting democracy and Russia's integration into the democratic world and the other a youth organization in Saratov to provide psychological and social support to teens. USIA reported in *The FY 1998 Annual Report* that the first FLEX alumni had graduated from college and established professional careers with the highest percentage engaged in law and international business (State Department Coordinator's Office 1999, 128).

In 1996, the Contemporary Issues program added to its activities an on-line interactive journal by and for alumni, regional alumni conferences on professional development issues, and policy roundtables in Washington, DC. From home, alumni wrote articles and policy papers, participated in conferences, drafted legislation, created NGOs and advised U.S. government officials on such issues as organized crime in Russia. In June 1996, alumni of the Junior Faculty program met in Moscow to consolidate the group and better connect themselves through newsletters and small groups initiatives and to discuss offering small follow-up grants to publish textbooks based on the ideas developed during their program.

The FY 1996 Annual Report noted that “USIA undergraduate program alumni have been very successful after returning to their home countries” including a Russian alumnus who became an economics professor at Kuban State University (State Department Coordinator’s Office 1997, 85). The FSA Graduate Exchange Program for Master’s level and professional development had 900 total alumni from around the NIS in 1997 who had returned to their home countries to secure positions in their areas of study, many at the level of director, senior manager or department head. Most of these participants established careers in education, library science, business administration and public administration. A group of Russian business development officials who had participated in the PMTI program returned home to Petrozavorsk to create the Karelian Agency for Support, a better business bureau, which offered advice and support in business development. Another group returning to Rostov formed an NGO to promote democratization of the educational system and one PMTI participant became one of the

first industrial psychologists in her region. In 1998, USIA hired alumni assistants at each of its program hubs to develop greater outreach to returnees, who by then amounted to 8,000.

Democracy Fund Small Grants

USIA worked with U.S. Embassies' Democracy Commission to conduct the "Democracy Funds" Small Grants Program established in 1995 through which U.S. embassies could provide direct support for small projects at the local level (State Department Coordinator's Office 1997, 84). Awards up to \$24,000 went to host-country individuals or organizations to advance democratic institution-building, independent media and the free flow of information. Russia received \$2 million for its program in FY 1997 and awarded 26 grants through the Eurasia Foundation. ADD HERE.

USAID exchange program

In the early days of the post-Soviet transition, USAID conducted the NIS Exchanges and Training (NET) Project, which provided short-term U.S.-based training for thousands of professionals including senior-level officials, deputy finance ministers, and presidents of national banks from throughout the NIS. The International Research and Exchanges Board (IREX) ran the Institutional Partnerships Project under NET, which provided long-term (two-year) development assistance to training institutions in Russia in such areas as economic restructuring and NGO/PVO development. In addition to creating modern training institutes, each partnership had to produce information material that could be shared with other NIS institutions and other USAID programs. *The FY*

1996 Annual Report credited IREX for its hands-on involvement in working with the institutes in helping them improve their faculty and staff and business plans. “The NET-IPP partnerships have come to be seen as agents for promoting reform.”¹³²

This brief review of exchange activities from the view of USIA as prepared for inclusion in the annual reports indicates that exchange programs were a vital part of the U.S. assistance effort to Russia. The collapse of the Soviet system created a void that only very slowly began to fill in with new institutions. To address this void, the U.S. government invested in training future generations of post-communist leaders through USIA-funded exchange programs, which provided Russians citizens long-term opportunities to live, study and/or work in the United States. With the appointment and elevation of Richard Morningstar as Coordinator, the emphasis of assistance shifted away from the large privatization projects of the early years of the transition to investment in people. The assistance administrators of SEED and FSA-funded programs realized that putting in place the instruments of a market democracy was not sufficient to consolidate democracy, people had to change their mindsets as well to accept these new instruments as legitimate. *The 1996 Annual Report* noted, “Greater emphasis was given to expanding linkages through low-cost, high impact activities such as community-based exchanges and training, and the promotion of partnerships and other institutional relationships designed to be increasingly self-sufficient and ultimately self-sustaining” (State Department Coordinator’s Office 1998, 204). The U.S. decided to support Russia’s transition through normal bilateral relations based on partnerships, exchanges, joint

¹³² There is little information on USAID’s NET project in Russia after 1996. This corresponds to the point at which the Coordinator’s Office shifted exchange activities predominantly to USIA to administer.

ventures, and collaborative projects between universities, cities, and professional associations. Under Morningstar, 1997 marked a shift in the assistance relationship with Russia toward partnerships between people and institutions and toward a focus on the regions outside Moscow. Exchange programs employed a quota system to control the number of participants from the big cities of Moscow and St. Petersburg where opportunities to study were much more abundant. These quotas ensured that students in more remote regions had access to these programs as well and could bring back to the regions their experiences and knowledge from study and work abroad.

The Grassroots View of Building a Democratic Cohort

USIA relied on the expertise of NGOs like ACIE, IIE, and IREX to select the best and the brightest among Russia's youth to begin building a cohort accustomed to widespread access to information and debate and thoughtful analysis, preparing them to be the future political, business, and social leaders of Russia. USIA also invested in mid-level professionals and established leaders to expose them to the institutions and culture of a democratic open society. This section takes a closer look at the operation and perspectives of these NGOs who were on the ground working with Russian citizens on a daily basis to build a market democracy.

The unrecognized value of exchanges

U.S. assistance efforts to invest in human capital through educational and professional exchanges seemed to contribute effectively to building the grassroots foundations over time for support of a democratic political culture and free market

economy. The importance of these exchange activities in building democracy often is overlooked and undervalued, compared with the more costly and high profile privatization projects. They may prove, however, to have the longest lasting effect of any of the assistance programs by directly impacting people's lives, giving them skills and experiences that could be life-changing. The benefits of such programs, implemented by ACIE, IIE, and IREX and NDI, IRI, and IFES, was the exposure of individuals to information to develop their skills for critical thinking and analysis to help them make their own choices for the types of systems that would work best for their culture. Academic exchanges, which had been part of U.S-Soviet/Russian relations for 50 years, appeared on all the checklists of democracy promotion activities in official statements, but almost as an afterthought and with little attention to the potential value-added they represented. The Internet provided a whole other dimension to this relationship, allowing exchangees to build networks, to stay in contact after they returned home with people they had met while abroad, and more importantly, to build their own networks back home of people with similar experiences. Academic exchanges, many of which focus on young people at a formative stage of their development, are an important and often undervalued resource for democracy promotion. These programs are relatively inexpensive, but promise a big bang for the buck through their multiplier effect. Exchange program participants return to their home countries bringing with them the ideas and experiences of another culture that can then inform their later professional activities.

ACIE President Dan Davidson noted, "Educational and professional exchanges between the United States and peoples of the region play a vitally important role in

expanding the knowledge and skill base of a new generation of NIS citizens' who have had little or no experience with the culture or practices of an open and democratic society" (ACIE/ACTR 1997, 3). Based on its long history of implementing exchange programs and its dedication to gathering extensive longitudinal data on its exchange participants, ACIE/ACTR claimed, "Study abroad programs can change people and their (mono-cultural) habits of mind, and shape new ways of viewing the world and one's role in it."¹³³ Ted Kniker, Chief of the Office of Policy and Evaluation in the State Department's Bureau of Educational and Cultural Affairs, oversaw a study from September 2001 to December 2002 to evaluate the affect of international exchanges on the U.S. hosts and communities as a means of justifying U.S. taxpayers' support for international academic and cultural exchanges. Through a series of focus groups involving U.S. hosts, the study sought to determine "whether or not professional international exchange programs: (1) increase mutual understanding, (2) strengthen ties that unite people of the United States with those of other nations, (3) promote international cooperation for educational and cultural advancement, and (4) assist in the development of 'friendly, sympathetic and peaceful relations' between the United States and other nations" (IAWG 2003). The focus groups included participants in USIA's Business for Russia/Community Connections program. The study found an "across-the-board" impact of international professional exchanges on local hosts and communities in the U.S. "From establishing personal friendships to furthering business contacts, from

¹³³ This quote is taken from a presentation and Powerpoint slides presented by ACIE President Dan Davidson on January 20, 2006, in the Interagency Language Roundtable Plenary held at the Foreign Service Institute of the George P. Shultz National Foreign Affairs Training Center. In an alumni survey spanning 25 years, 68 percent of 750 respondents claimed that the study abroad experience was first or one of three of the most significant educational experiences in their lifetime. More information is available at <http://www.americancouncils.org> or by writing to Ddavidson@actr.org.

dispelling negative stereotypes to gaining a better appreciation of their own country, the Americans who participated in the study reported a wide range of favorable and sometimes eye-opening experiences that can out of their interactions with foreign visitors” (IAWG 2003). The study suggested that the international exchanges were as valuable to the American hosts as to the international participants.

Off-setting Russia’s troubled educational system

Despite Russia’s ill-funded educational system of the 1990s, the students who applied for fellowships to study in the U.S. were extraordinarily bright and capable, according to the U.S. program managers. They took the process of selecting Russian exchange participants very seriously. ACIE’s application process, for example, required that students submit their transcripts, two letters of recommendations, the Test of English as a Foreign Language (TOEFL) and other standardized test scores depending on the type of fellowship, and a personal interview. Program managers reported that in the selection process, they were faced with the significant problem of fraud and relied very little on written documentation from Russian sources, e.g., transcripts, submitted with applications. According to several program managers, it was common practice in Russia for students to buy questions on upcoming exams, grades, and even diplomas and there was no way for NGOs to guarantee the authenticity of documents submitted with applications. The program managers attributed these fraudulent practices to the excessively low wages of teachers and educational administrators in Russia (e.g., about \$20 per month in 1999 for a high school teacher). Often, even those wages were not paid. NGOs weighed most heavily the results of the tests they administered themselves

and, most importantly, to the personal interview at the final selection stage. In this way, ACIE, for example, could be assured of the student's scholastic, social, and emotional capability to prosper from study in the U.S.

ACIE/ACTR, IIE, and IREX collaborated with USIA in implementing exchange programs to build a cohort of more democratically minded professionals and scholars who, for the most part, returned to Russia to pursue meaningful studies and careers. By 1998, more than 35,000 Russians had participated in U.S. government-funded training and exchange programs. The exchange organizations made special efforts to sustain the earlier investments of the U.S. government by promoting on-going activities for alumni of USIA-funded exchange programs.

The American Councils on International Education (ACIE), an umbrella organization including the American Council of Teachers of Russian (ACTR), was a major player in the realm of educational exchange. Its extensive field presence set it apart from most other U.S. NGOs working in Russia. ACTR was founded in 1974 as a professional organization of Russian-language teaching professionals and expanded its activities over the next two decades to include research and training programs for students at the secondary through graduate school level. "American Councils designs and implements academic exchange, professional training, distance learning, curriculum and test development, technical assistance, consulting, research and evaluations services in international education on behalf of governments, foundations, and development banks" (ACIE/ACTR 2006). ACIE, which maintained a substantial staff in Moscow and

seven other offices in the Federation, broadened its field presence as a way of building trust in these exchange programs in the regions outside Moscow and St. Petersburg. Having offices in more remote areas made these exchange programs more real and trustworthy for the people there because the process was not controlled from Moscow, as was the custom.

ACIE administered some 20 different exchange and training programs in the 1990s in Russia with approximately 75 percent of its funding from the U.S. Government, including the six exchange programs that ACIE administered through USIA with FSA funding as described below. Those included: the secondary school FREEDOM Support Act Future Leaders Exchange Program (FSAFLEX); undergraduate exchange programs; the degree granting Edmund S. Muskie Program and Freedom Support Act Graduate Exchanges in specific market economics and democracy related fields; the United States Awards for Teachers of English and American Studies (TEA) for top secondary school teachers of English and American Studies in Russia; Partners in Education Program providing Russian secondary school administrators and civics teachers training in civics education in the U.S.; and the Library of Congress Russian Leadership Program. All of these programs were conducted on the basis of open, merit-based competition, a new concept in the Russian education system in the 1990s. Overall, about 700 Russians studied in the United States each year in high schools, colleges, and universities.

According to ACIE, USIA's plan to develop democracy in the NIS centered on the idea of investing in a generation at the critical point at which students attitudes were

formative--this was deemed to be ninth and tenth graders, those who were no more than 15 years old on January 15 of the recruitment year. The aim was to provide these high school students with a long-term, substantial immersion experience in the United States where they had to learn to take responsibility for themselves.

FSAFLEX for high school exchanges

Senator Bill Bradley (D-NJ) was the driving force in 1992 to establish an exchange of 5,000 high-school students from each side, Russia and the United States. Few in the Congress agreed with him at the time, and even though the numbers of potential participants were trimmed significantly to 1000 on each side during the drafting stage of the legislation, Senator Bradley had the political clout to get his legislation passed. Its goal was to expose Russian students to life in the United States, focusing on the elements of civil society, including volunteerism and a respect for the rule of law; to motivate these students to serve as agents of change upon their return to Russia; and to show an appreciation for American culture in hopes of creating lasting ties between the two cultures. ACTR consulted on the drafting of this bill, emphasizing especially the need for an open competition to be run in the NIS to select the fellows. As a result, the Bradley program, now called the FREEDOM Support Act Future Leaders Exchange Program (FSAFLEX), was a totally merit-based, one year long study program. For Russians accustomed to payoffs and connections, this merit-based procedure was a sharp cultural break from the past. ACTR saw this exchange program as historic for the formative stage and level of immersion at which it targeted the Russian student and the

potential long-term benefits of this early study abroad experience. About 300 Russian students participated in the program each year.

ACTR recruited for the high-school participants in 56 cities across the Federation with testing centers located in 18 cities. At the outset of recruitment in September of each year, ACTR advertised the competition where possible in local and/or national papers and on radio and television. ACTR staff traveled to the recruitment cities, working with local ministries of education to give presentations about the program and encourage students to apply. ACTR reported that, depending upon the location, some ministries thought this program was a brain drain, but most were cooperative in working with ACTR staff to conduct the recruitment. Pairs of American and Russian testers visited the designated testing centers to conduct the competition for all high school students who met the eligibility requirements. Round one was a 15 minutes, 16 questions multiple choice English Language test used to screen out those students who did not have a sufficient level of English language competency. Round two, conducted in October, was more challenging, consisting of three essays written in English and formulated to indicate a student's ability to complete successfully a year long study abroad program while living with an American family—the essays focused on such topics as household chores a student may be expected to do in the host family, how a student might adjust to no longer being the best student in his/her English class; or how to handle people who may make fun of the student's accent. Round three consisted of a role-playing group activity designed to see how students interacted with their peers, a 15 minutes personal interview, and a detailed application including biographical information, a letter of

introduction from the student to the host family, recommendations from teachers, and official transcripts. Panels of experts in international education and exchanges evaluated the essays, interviews, and applications. One ACTR program manager noted, “In Russia the goals of the program are supported by exposing thousands of students, teachers, and parents to the structure of an American run competition.” Round three was the most intense as parents pushed hard for their children to be accepted and, having made it to Round three, expected their children to be selected. For 1998, for example, 305 Russian students received FSAFLEX scholarships to study for one year in a high school in the United States. The applicant to award ratio was 40:1 and for Moscow, the ratio was 800:14, indicating how competitive the program was, particularly so in the crisis mode of the economic crash of August 1998. Interestingly, the applicants, and, subsequently the awardees, were predominately female. Notably, ACTR made a special effort to recruit for disabled participants, a group long neglected in Russian education. Following selection, the Washington office of ACTR (ACTR/Washington) placed the students in appropriate high school settings in the U.S. based on the individual applications.

ACTR had to handle recruitment with sensitivity. Sometimes the youthfulness of the NGO program managers was a hindrance in Russian political culture, which respected age as authority. ACTR had to take this into consideration particularly in assigning which program managers traveled to more remote areas for recruiting. ACTR conducted FSAFLEX recruitment through a mix of American and Russian staff. It was easier for the American staff to reject attempts at bribery. The Russian employees were particularly valuable in interfacing with Russian parents in those instances when a student

on an exchange program experienced some difficulty in the United States. The FSAFLEX staff maintained very close contact with ACTR/Washington, enjoyed a close relationship with the U.S. Embassy in Moscow--specifically the USIS Assistant Cultural Affairs Officer, but was not much involved with the Russian authorities who preferred to let ACTR address any problems without official intervention, for example, in dealing with regional ministries.

A lasting commitment to alumni

Importantly, ACTR made a commitment to support the alumni of its own and other programs funded by the USG. FSAFLEX alumni numbered around 1000 in Russia at the end of the 1990s, with those who had participated in the first year in 1994 just then graduating from college. Their majors tended to be in the areas of foreign languages and business or economics. Many were looking to work with western businesses or international NGOs. Soon after their return to Russia from their exchange programs, ACTR brought the alumni together for a “re-entry” seminar to help them adjust to life back in Russia after their experiences in the U.S. To counter the potential brain drain claim, one of the conditions of the FSAFLEX fellowship was a two-year residency requirement back in Russia. According to ACTR, one problem some exchange participants faced upon return was discrimination against their English language capability. In some instances in regions outside Moscow and St. Petersburg, alumni had stronger language skills than their teachers, so they returned to classrooms where they had very little to learn. In other places, teachers penalized students for speaking American English rather than the preferred and traditional British English that the

Russian system used for exams. Most students returned home for their senior year of high school in Russia over concern that a U.S. high school diploma, where awarded, might not be accepted by a Russian university. Students could take equivalency exams, repeat the final year of high school, or reach an agreement with their principal--who wielded considerable power--to receive a diploma. ACTR reported that gaining entry into university was particularly important for boys who otherwise might be subject to military conscription. ACTR speculated, therefore, that boys may have been more hesitant to apply for exchange fellowships, fearing that they would not be prepared sufficiently to pass the Russian university entrance exam after a year of study abroad in a different system.

The FSAFLEX alumni organized themselves to undertake specific projects, including publication of their own quarterly newsletter, the *Bradley Herald*, still in publication as of 2005, as well as celebrating American holidays like Halloween and Valentine's Day. They organized an Alumni Chapter in each of the following cities: Yekaterinburg, Moscow, Nizhny Novgorod, Novosibirsk, St. Petersburg, Samara, Stavropol, Vladivostok, and Volgograd. In the late 1990s, the Yekaterinburg alumni group used a Valentine's Day celebration to establish closer connections with the American Information Center, the U.S. Consulate, and several Russian and American companies "to show the scope of FSA Urals Alumni Association activities." For this event, they obtained sponsorship from Coca-Cola, UralPremier Trading Co., and Casanova Shops and received media coverage from regional television, radio, and newspaper. The Yekaterinburg chapter also conducted the "Public Service

Announcement and Public Opinion Research Project” to help alumni learn about producing public service announcements and how they can be used to promote social change. Outside participants included the BBC school for journalists, representatives of city and regional government, the United Nations Education, Social and Cultural Organization (UNESCO), Ural State Technical University, and the U.S. Consulate.

One of the most notable fundraising events was the annual Charity Spring Ball in Moscow which the U.S. Embassy regularly attended and which received press coverage. In 1998, the Charity Ball raised \$2,500, which the FSAFLEX alumni used to build playrooms in children’s cancer centers. Those from Vladivostok and Volgograd likewise organized charity balls, which supported local orphanages and hospitals. Alumni in Nizhny Novgorod created debate teams in connection with Nizhny Novgorod State University, addressing such issues as whether “Human Rights Ought not be Sacrificed for National Security Interests.” In honor of the Fourth of July, they planned a debate on July 3, 1999, on whether Russia was truly a free country. The Novosibirsk chapter organized a summer internship program--another new concept in Russia--with four companies (AquaVitae, Pepsi, Project Aid Siberia, and the Siberian Civil Initiative Support Center) and held a resume-writing seminar to assist in competing for the internships. The Stavropol chapter organized the clean-up of a renovated orphanage, and invited representatives of different social and religious movements and communities to help. All the chapters regularly performed such services including entertaining the elderly, working with blind children, and assisting in hospitals.

Some alumni have registered their own NGOs in Nizhny Novgorod, St. Petersburg, Volgograd, and Yekaterinburg. By interacting within these groups, alumni of U.S. exchange programs strengthened their professional cohesion. ACTR with small amounts of grant money supported some of the activities of these NGOs - a vital function to help them survive. Some groups formed alumni associations, on the model of those of U.S. universities, where networking was of primary importance.

These activities demonstrated the types of students in which FSA assistance programs invested. They were energetic and creative in their efforts to initiate projects themselves and find ways to carry through with them. These alumni, located throughout the Federation, comprised a very important cohort for the future of Russian society in that they had been exposed to the mechanisms of an open democratic system and the free flow of information.

USIA's Office of Research and Media Reaction published in September 1998 the results of a survey, which compared FLEX alumni to other Russian youth of the same age (18-29 years). Some of the key findings included:

- "FLEX alumni, much more than other youths, are open to and accepting of Western values, democratic ideals, and foreign involvement (including investment) in their country. They are much less suspicious of Western motives in offering aid to Russia.

- Both groups [FLEX youth and Russian youth in general] tend to agree, however, on what is wrong with Russia today (rampant corruption, lack of real democracy).
- FLEX alumni are somewhat more critical of the U.S. than are other youths.
- Compared to other Russian young people, FLEX participants are more likely (often much more likely) to want to become leaders in and to make a contribution to their society. They are more inclined to become active in community affairs and to want to have opportunities to be original and creative.
- FLEX youths tend to be more optimistic about the future of their country—especially its evolution to a more democratic, rule of law society—than their counterparts. Three-fourths of FLEX participants, moreover, believe that economic conditions in Russia will improve in the next decade and a half, whereas fewer than half of young people in general feel this way.
- FLEX youths believe more in the value of hard work, self reliance and ‘the private sector’ than do other Russian youths, who are more apt to think that luck and ‘connections’ bring success, that bribes must be paid to get ahead, and that the state should play a larger role in their lives” (USIA Office of Research and Media Reaction 1998c).

These are very interesting results, showing that the exchange participants were different from those who did not participate in exchanges. USIA, however, did not claim that the FLEX alumni expressed views aligned with a more democratic culture necessarily because they had studied in the U.S. USIA noted that from the beginning

FLEX targeted the best and brightest students in Russia to participate in the exchange program. FLEX participants were different from other Russian youth even before the exchange experience in that they were mostly female, from large urban cities, had well-educated parents, had studied English extensively in school, and tended to be materially better off. The FLEX survey respondents were not told the purpose of the survey, nor did it mention anything about an exchange program. However, survey findings indicated that the FLEX alumni were a cohort positively inclined toward democracy, free market, and civil society—a group with which the U.S. should continue to interact as it seeks to promote democracy in Russia.

Undergraduate fellowships

ACTR ran a similar scholarship program for study in the United States for the next cohort at the undergraduate level. The competition attracted undergraduate students from across Russia and recruitment was conducted much the same as the FSAFLEX program. For this and other exchange programs, U.S. universities covered the cost of participants' tuition and fees and students tended to stay with host families. A component of this program was the requirement of 20 hours of community service, to teach students how communities work together to help those in need. Volunteerism was a new phenomenon in Russia in the 1990s. One ACTR program manager noted that the Russian students “come to the U.S. believing that democracy equals freedom equals ‘doing whatever you want.’ They learn, however, that with democracy and freedom comes responsibility. They see how rules and laws allow democracy to work.”

Muskie/FSA fellowships

ACTR administered the Edmund S. Muskie Fellowship Program in conjunction with the FREEDOM Support Act Graduate Fellowship Program (Muskie/FSA) to conduct an open, merit-based competition among the brightest citizens of Russia to receive fellowships for graduate-level study and professional development programs in the United States. The Muskie program originally was established in 1992 in legislation sponsored by Senator George Mitchell (D-ME), among others, and subsequently was named in honor of the public service of Edmund S. Muskie, former governor and U.S. Senator from Maine and former Secretary of State. The FSA Graduate Fellowship Program was sponsored by Senator Bill Bradley (D-NJ) and incorporated into the FREEDOM Support Act of 1992. For the first several years of the Muskie/FSA fellowships, USIA divided administration of the programs among four NGOs--ACTR, IIE, IREX, and Soros Foundation/Open Society Institute. In 1998, USIA changed its approach, awarding the program to just one organization, ACIE/ACTR. All four organizations continued to collaborate on alumni activities for these programs.

ACTR/Moscow maintained the all NIS database of 1500 Muskie alumni regardless of which organization administered their individual fellowship. Of these alumni, 300 were located in Moscow and 30 in St. Petersburg, drawn from all over the NIS to these relatively more prosperous regions where the job market was more promising and their job skills more in demand. ACTR noted a threefold increase in its Muskie applications in fall 1998 (coinciding with the collapse of the economy) with most

pursuing degrees in business administration and an applicant to award ratio of 65:1. Approximately 60-70 Russian scholars received Muskie fellowships each year.

Muskie Alumni also published their own newsletter, *Alumni Update*, to serve as a useful networking tool. The newsletter highlighted the accomplishments of alumni who in many cases moved into important positions in business and government. Alumni activities varied depending upon the program--while the younger FSAFLEX alumni were more concerned with community organization activities, the Muskie/FSA alumni were focused on further professional development and networking to enhance career opportunities. In the late 1990s, some of the first Muskie/FSA alumni from 1992 had gained important positions as CEOs, directors, and officers. Those selected in 1997, entered the job market at mid-level positions by the end of the decade. At the crash of the ruble, ACTR organized for these alumni a "Survival of the Crisis" conference bringing in public relations officers of recruiting agencies and five major companies. Of the 1997 alumni, only one remained unemployed following the conference. ACTR also organized for the alumni conferences on team building and conflict management, the Russian tax system and its possible reform, and the 2000 presidential election and campaign. ACTR reported that it organized about one event per month for this group, but because the Muskie/FSA alumni tended to be busy professionals working to build their careers, they did not have much free time for community service or group activities.

The multiplier effect of training the trainers

Several FSA-funded efforts targeted training for teachers because the teacher has the opportunity to impact the development of a multitude of students over the course of a teaching career. ACTR administered the Teaching Excellence Awards (TEA) program, created by Ambassador Richard Morningstar, to recognize and reward top secondary school teachers of English and American Studies. Nominations for participants from local education experts were submitted and competed within each of 75 oblasts of the Federation with local committees making the selections. Nominations were accepted from local ministries of education, journalists, business people, pedagogical institutes, and other such relevant professions. The 190 regional winners each received \$2,000 worth of educational equipment and materials for their schools, e.g., books, computers, fax machines, cassette tape recorders and tapes for English language instruction or whatever the winning teacher requested for his or her school. With the \$200 for the classroom, the teacher usually purchased reference materials or books on methodology or U.S. history and literature. All 190 winners competed in Round two through scored interviews conducted by a combined American and Russian team. Their applications then were reviewed at ACTR/Washington. The 30 national winners (mainly women, with only three men in 1998) traveled to the U.S. for a seven-week professional development seminar where they stayed together as a group. While in the U.S., they spent a week in Washington, D.C., visiting ACTR, USIA, State Department, Library of Congress, Supreme Court, the White House, Department of Education, Mt. Vernon, and Williamsburg, VA. They then traveled to the University of Delaware's Department of International Programs where the English as a Second Language (ESL) Department had

competed successfully for the opportunity to host the seminar. At the University of Delaware, they took courses in U.S. History, U.S. Government, English language, American literature, economics, and civics. The teachers visited schools in New York City, Philadelphia, and Baltimore, to learn how schools were run by individual school districts, contrary to their experience in Russia where all schools throughout the Federation essentially were run from Moscow. In 1997, 950 nominations were submitted from nearly every oblast with \$500,000 in prizes awarded at the oblast level.

As with the other ACTR competitions, the TEA competition was open and merit-based. In some cases, the winner was the only teacher in a small rural village. The impact of this one teacher on his or her students, returning to the village with new information and a much broader perspective, was significant. Such a small investment could be life-changing for the teachers and subsequently for the many students they would impact over their careers. According to ACTR, when these teachers returned to their schools, their peers and principals treated them with great respect.

The TEA exchange program also involved U.S. teachers who competed to travel to Russia to study its educational system. In 1998, USIA re-designed and renamed the High School Academic Partnership Exchange program, which began in 1993, to the School Excellence Program, to link the schools of the winners on both sides for future exchange of information and people. This was a continuation of the school linkage program, which began in 1988 to connect Soviet and American schools. At that time, the Soviet government selected and covered the expenses of participants. From the

beginning, the purpose of this program was to teach about the rights and responsibilities of the individual citizen in the United States, as protected by the Bill of Rights. It also stressed the accessibility of elected officials. When Russians visited the U.S. under this program, they met with Members of Congress from the state or district where the U.S. partner school was located. In the program's inaugural year, 1997, First Lady Hillary Rodham Clinton met with the first group of TEA winners to demonstrate the Administration's support for these kinds of programs.

Likewise, the Partners in Education (PiE) program, created in 1997, supported democratic and educational reform in Russia by advancing the development of civics education in the school system. Russian secondary school social studies teachers and administrators participated in a five-week community-based training and internship program at U.S. high schools where they were paired with an American counterpart and mentor and lived with an American family. Often the Russian oblast team was paired with a local U.S. university as well as a high school. The Russian participants were selected by oblast, with nine teachers and one administrator selected from any one oblast. In fall 1999, teams traveled to the United States from Volgograd, St. Petersburg, and Leningrad Oblast. They attended professional development seminars focusing on civics education, teaching methodology, curriculum development and secondary school administration. Internships included class observation, working with school boards and PTAs, and collecting teaching materials. The purpose of this program was to develop civics curricula--a new field and terminology for Russia. Given the regional focus of the participant groups, the teachers continued to work together to further educational reform

once they have returned home to their oblast. ACTR reported that after they returned from the U.S., some participants started their own American studies course in their secondary school. Their American counterparts also were given the opportunity to travel to Russia to visit the high schools where the Russian teachers worked.

Building political leadership

At the end of the 1990s, ACTR was selected to administer the Russian Leadership Program (RLP), sponsored by the U.S. Library of Congress, to bring 2,000 Russian political and civic leaders to communities across the United States from July 28-September 30, 1999, to let them see first hand the U.S. government at work and how American citizens lived and worked in a democratic system. The program especially targeted regional and local leaders who never had visited the U.S. Authorized in legislation (P.L. 106-31) sponsored by Senator Ted Stevens (R-AK), the program was designed to “bring the largest number of visitors to the U.S. ever to see and experience the multi-layered American political system--from our small town mayors and town councils to governors and Members of Congress” (Library of Congress 1999). “The idea was to develop a cadre of people committed to democratic and free market principles by reaching out to emerging leaders, similar to the way that young German leaders were targeted by the Marshall Plan after World War II” (GAO 2004, 4). ACTR worked closely with other U.S. and Russian NGOs in Moscow and throughout the Federation to help identify potential participants in a short period of time.¹³⁴ The U.S. Embassy also

¹³⁴ The Russian Leadership Program (RLP) was a pilot program implemented on a very short time frame to “promote mutual understanding by exposing emerging Russian leaders to the American economic system and democratic institutions” (GAO 2004). When I visited ACTR offices in Moscow in early July 1999,

played a key role in nominating participants. The participants were not required to have competency in English, so several hundred English-speaking Russian graduate students--many who had participated earlier in the FSAFLEX program, accompanied the groups and served as interpreters. They traveled in groups of 300 to U.S. communities that as closely as possible matched their own communities in Russia and met with their U.S. counterparts, e.g., state and county legislators, mayors, health officials, etc. They experienced first hand how officials and NGOs, and citizens and law enforcement interacted in the U.S., as well as the role of the media in an open society.¹³⁵

ACTR program managers were identifying participants, obtaining visas, flights, and all the logistics for this huge number of exchangees traveling on very short notice. As other U.S. NGOs conducting political development programs had noted, ACTR, too, was concerned that leaders who needed to be focused on upcoming campaigns were being drawn away from those activities to participate in this program. Others were concerned that they would not be able to find 2000 participants because many would refuse to leave at such a critical campaign time. RLP was designed in fiscal year 1998 and funded with fiscal year 1999 appropriations, but because of the slow budget process as described in Chapter Four, the funds were not available to ACTR until late in fiscal year 1999 and had to be spent by September 30, 1999. In 2003, Congress renamed RLP to the Open World Leadership Center and expanded its scope to the rest of the NIS (GAO 2004). By then, about 6,800 Russian citizens from seven regions had traveled to over 1,200 communities in the U.S.

¹³⁵ I had the pleasure of working with two participants in the RLP, Elena, a director of the drug and alcohol abuse division of a large Siberian NGO based in Irkutsk, and her FSAFLEX alumna, Sasha, a medical student from Moscow. Because Elena spoke no English, Sasha served as a proficient, professional and much needed interpreter for Elena while she was in the U.S. Because this program was implemented on such a tight schedule, their U.S. hosts received only one week's notice of their arrival and very little information about Elena's professional interests. As enthusiastic hosts, however, the family arranged a full week-long schedule of meetings with local county and Maryland State officials, local health specialists, including domestic violence departments, and related NGOs. Elena was especially interested in learning how U.S. NGOs fundraise. While she was a bit overwhelmed with the vast range of choices in the U.S., she was able to experience even briefly a sense of American life and work. She seemed most impressed by the way substance abuse counselors were trained in the U.S. and how they treated their clients. RLP relied on the dedication, energy, and capability of the volunteer American host families to fulfill the Russian visitors' wishes. Sasha, the FSAFLEX alumna, was very interested in the Muskie/FSA fellowship and planned to apply upon her return to Moscow. Unlike her parents, she did not want to be a practicing physician, and instead wished to work in the health care administration field. Sasha served a very useful role helping Elena get the most out of her very brief visit to the U.S. This put to good use a previous U.S. government investment.

Supporting professional exchanges

ACIE/ACTR worked closely with another prominent exchange organization, the Institute of International Education (IIE), to conduct USIA programs in Russia. For more than 75 years, IIE, the oldest and largest U.S. private, nonprofit international education organization, facilitated worldwide international education and training opportunities for individual students and scholars, provided through some 260 programs, including Russia. IIE opened its Moscow office in 1993, as a base from which a very small staff traveled to all parts of the Federation as needed for recruitment and advising exchange competitions to support the region's transition to free market democracy. Its programs thematically targeted a broad range of sectors from restructuring national energy policies to developing an independent legal system. USIA and USAID funded IIE's programs in Russia.

An important part of IIE's programming, integral to its many academic and professional exchange programs, was its role as USIA's Regional Educational Advising Consultant (REAC) throughout the NIS. REAC centers were open to the public and provided detailed information and guidance about educational opportunities in the United States, including specifics on colleges and universities and testing requirements. In addition, REAC centers conducted specialized workshops for educational advisors in Russian institutions. IIE had to tailor its program to fit Russia's educational culture. For example, written objective exams were new to Russian students who were accustomed to oral exams, which were very subjective. Only with the onset of competitive exchange opportunities were Russian students exposed to standardized multiple-choice tests like

the SAT, TOEFL, GRE, and GMAT. IIE targeted its efforts to training the trainer and emphasizing organization and analytical skills. IIE found that professionals trained in the Soviet period were not well-equipped to analyze problems, arrive at their own conclusions, and communicate results.

IIE worked closely with USIA in conducting the NIS-wide Fulbright Senior Scholar Program, which brought university faculty to the United States for research and lecturing for up to one academic year. Likewise, U.S. faculty members were selected to conduct research and lectures in Russia. IIE's affiliate, the Council for International Exchange of Scholars (CIES), administered the Fulbright program in Russia, providing about 35 fellowships for Russians to go to the U.S. and 18 American teachers to Russia each year. Fields of study included economics, political science, and history.

IIE had worked with ACIE/ACTR and IREX in the past to administer the Edmund S. Muskie Fellowship Program for USIA and actively maintained relationships with its alumni. IIE's portion of the Muskie program focused on giving professionals first-hand opportunities to learn about the free market. These fellowships provided nine months of first-year graduate-level studies in business, economics, law and public administration, followed by three months of on-the-job training. Upon their return home, IIE helped alumni establish contact with one another for purposes of networking and arranged meetings with potential employers like the EBRD and Ernst and Young Accounting firm. IIE also organized topical conferences for alumni in conjunction with USIA, including labor law and tax policy; grant proposal writing, fundraising, and

volunteerism featuring representatives of the MacArthur, Eurasia, and Ford Foundations, the Open Society Institute, and the Carnegie Endowment for International Peace; and public and government relations covering such issues as strategic planning, lobbying activities, and perspectives from State Duma deputies.

IIE played a special role in the FSA Undergraduate Program by arranging pre-academic training in the U.S. for these undergraduates and introducing them to U.S. academic philosophy and practices as well as U.S. culture, to highlight the interdependent nature of American society. IIE arranged summer work internships for participants at the end of their academic work. It collaborated with the American Chamber of Commerce in 1998 to prepare the second edition of *Returning to Russia: Career Guide for Russian Graduates of American Universities*, which offered advice to those who had completed study in the U.S. on how to prepare for the job search in the new Russian market and included profiles of 25 companies particularly interested in hiring graduates of U.S. universities. These businesses were in the fields of international law, advertising, banking and finance, oil, telecommunications, and healthcare. IIE, along with other U.S. NGOs, was concerned about the re-entry of alumni to Russia and the problem of reverse culture shock—adjusting to life back in Russia.

Through USAID, IIE worked with the American Bar Association to strengthen the legal system in Russia to make it more independent and transparent by offering training opportunities to lawyers, judges, and legal scholars. For example, IIE organized a series of seminars in 35 cities across Russia, targeting defense lawyers. Working

through the Collegium of Lawyers, IIE identified the brightest and those most open to new ideas to participate in the seminars. While American lawyers had the tradition and requirement for public service, Russian lawyers had no notion of volunteerism or *pro bono* work. Importantly, IIE's designed its work with the ABA to be entirely Russian—those who taught the seminars were practicing Russian lawyers and the instructional materials, which stressed public service, were developed completely by Russians. IIE reported that it trained 800 attorneys, 16 law professors, and 30 law students in Russia in such areas as private practice and organization, adversarial skills training, judicial reform training, and legislative drafting.

The International Research and Exchanges Board

In 1998, the International Research and Exchanges Board (IREX), an independent non-profit organization, celebrated its fortieth anniversary of administering advanced field research and professional training exchanges between the United States and countries of the now former Soviet sphere. In 1958 the United States and Soviet Union signed a Cultural Agreement, the first in a series to collaborate in the fields of science, technology, culture, and education. In recounting the boom and bust history of exchanges following the vacillation of U.S.-Soviet relations during the Cold War, former USIA officer Yale Richmond noted, "Thus, it gradually came about that through foreign travel and study abroad, a new generation of Soviet scholars, scientists, and policy advisers came to power with a better understanding, not only of the world beyond their borders, but of their own country as well and its need for change and reform. The reform movements came, not from Soviet democrats and dissidents, but from the younger people

in the Communist Party who had been abroad in the West for travel or study” (Richmond, 4). From its incorporation in 1968 through 1998, IREX supported more than 6,400 U.S. scholars studying in the former Soviet region, and assisted more than 26,000 foreign leaders of academia, business, government and media from the region in building relationships with their U.S. counterparts. Many of the participants in IREX programs became political, educational, governmental, and business leaders in their native countries. IREX was well-known and respected in Russia.

IREX’s democracy programs funded under the FREEDOM Support Act included the FSA Graduate Fellowship Program begun in 1994, Institutional Partnerships Project in 1996, FSA Fellowships in Contemporary Issues in 1998, and Internet Access Training Program (IATP) in 1995. According to IREX/Washington, in designing its democracy programs for Russia, IREX “always championed wide outreach and merit-based competition” and aimed for gender and regional balance among grantees. As a result, IREX was perceived in Russia to be very fair in its selection procedures. IREX maintained four offices in the Federation, in Moscow, Rostov-on-Don, Vladivostok, and Irkutsk, and had local field representatives, often exchange alumni, in eight other cities. In Russia, IREX worked with NGOs, educational institutions, local and state government, and media, and dealt mainly with elites, a mix of male and female, and of non-Russians, including ethnic Ukrainians, ethnic Germans, native peoples, and ethnic Koreans. The Moscow office described its Russian applicants as middle-upper class, entrepreneurial, educated, and a mix of male and female, with slightly more male interest in the Contemporary Issues fellowships. One program manager described IREX’s core

assumptions that Russians must accept if they wish to participate in an IREX program:

1) individuals can change the way they think and do business within a lifetime;
2) individuals, not fate, are accountable for much of what happens to them; 3) there are rules and they are for everyone; 4) choices have consequences; and 5) transparent procedures are necessary for things to work well.¹³⁶

Moscow Education Information Center

Beginning in 1992, IREX operated for USIA education information and advising centers in Moscow, Irkutsk, and Vladivostok to provide Russian students and scholars detailed information about universities and programs in the United States and about standardized testing procedures for admission. The Moscow Education Information Center, located in the Russian Library of Foreign Literature, was founded in 1991 to provide information to the Russian public on education in the U.S. and to promote all U.S. government-funded programs. Its website, <http://www.useic.ru> had over 20,000 hits per month. Demand for services was much greater than anticipated when the Center first opened. The reading hall only seated 24 people and had only three public access computers with only one powerful enough to install a CD-ROM searcher, yet approximately 28,000 people visited the Center each year. IREX reported that students stood in line for hours waiting to use this one computer. In addition, the Center received 32,000 inquiries by phone, e-mail, and regular mail. The staff was comprised of one American, two Russian advisors, one Russian advising assistant, and two Russian librarians. The student patrons were mainly Russian, not overwhelming Muscovite, well-educated, but with limited financial resources, and were interested primarily in

¹³⁶ Correspondence of 2/11/99 from IREX/Vladivostok.

undergraduate and graduate education. Topically, they were most interested in business, and economics, especially MBA programs. The Center reported that some “New Russians,” meaning those who had profited since the collapse of the Soviet Union, were visiting the Center, but, for the most part, they would pay someone else to do the research and select a university for their child. The Russian Ministry of Education invited the Center to participate in an educational exhibition it was preparing. With all this demand for its services, the Center was hampered by its very small budget, staff, and space and desperately needed updated information to provide to its clients. On-line access to U.S. university information and application materials was very helpful in Russia where the mail service was slow and unreliable. The Center staff noted they could easily have used 20 computers dedicated solely to providing information on U.S. education and would have liked to have had more resource information to provide to NGOs, which frequently visited the Center seeking information on grants.

The Center maintained a register of students applying to U.S. universities and offered seminars to help prepare applications and, for those who had been successful, for departure to the U.S. All the seminars that the Center conducted on employment-related topics as well as educational topics were open to the public and advertised on its website and in universities and libraries. The Center viewed itself as a useful tool for Russian students at the outset of their interest in pursuing a U.S. education. For those students applying for U.S. government funded fellowships through IREX, ACIE or others, the Center helped smooth the way for the programs to run as efficiently as possible and for

students to get the most out of their experience by being well prepared for study in the United States prior to their departure.

The Center's Coordinator stated, "I think the existence of our center shows a new kind of openness that was not possible before 1988. . . . the average person now has access to information about the U.S. system of education that was impossible to even dream about under the Soviet system."¹³⁷ The Moscow Education Information Center sponsored with IIE and ACIE an annual education fair, which made available information on how the U.S. education system worked and how Russian students could apply to U.S. universities. Some 15 U.S. universities participated in the March 26-27, 1999, Education Fair in Moscow.

Supporting alumni

From 1994 until 1998, IREX was one of four organizations administering the Edmund S. Muskie and FREEDOM Support Act Graduate Fellowship programs until USIA decided, through competitive bid, to consolidate administration into one organization, selecting ACIE. For this reason, IREX switched its activities under this program to target alumni to give them opportunities to interact and design seminars to meet their own needs. The Muskie fellows required more help upon return to Russia because they were just at the beginning stages of their careers after receiving a graduate degree. The most important event for career development was the annual Career Forum

¹³⁷ Correspondence with Dova Wilson, IREX Moscow Educational Information Center, 2/3/99.

and Job Fair in Moscow, which attracted more than 30 large Western and Russian companies seeking employees.

IREX/Moscow regularly updated the *Muskie/FSA Alumni Directory* listing professional contacts of all NIS alumni of the Muskie and FREEDOM Support Act Graduate Fellowship Programs. USIA stressed that the alumni were each other's greatest resources covering broadly the business, academic, legal, medical, government, NGO, and other professional sectors. The directory was alphabetized by name with each entry including information on the year, place, and field of study of the fellow, the sponsoring organization, and the participants' recently verified mail and, where applicable, e-mail addresses. In appendices, the alumni were cross-referenced by country of citizenship and by field of study, so it was easy to identify those with similar interests.

IREX reported that the alumni activities of its Muskie/FSA program included organizing seminars, meetings, training and monthly special events, depending upon the needs and interests of the alumni. More and more the alumni took the lead in designing activities. They became the local experts and community resources for much of what FSA assistance sought to accomplish—promoting a market democracy and building a robust civil society. With the increased participation of alumni in conferences, the benefits of their individual exchanges were spread to a much wider community. To each seminar, the U.S. NGOs invited all Russian alumni who had participated in U.S. government funded programs, bringing together business and professional people, academics and politicians for discussions that focus on civil society. Some seminars

were organized exclusively for the alumni, others were open to the public if the alumni wished to provide public lectures on specific topics. IREX elicited conference topics from alumni who often took the responsibility of designing them and inviting speakers. Alumni events in the late 1990s included workshops on taxation law for individuals and public organizations, copyright and intellectual property law—a new field in Russia, and many on information technology like MS EXCEL and how to use the Internet in collaboration with Far Eastern State Technical University.

Given Russia's relative ease of Internet connectivity, IREX encouraged its alumni to pursue opportunities for distance learning, especially in the areas of law, economics, and library science, hoping to register 20-25 participants, or as many as the server could handle. IREX also developed several alumni Listservs to help connect alumni. One IREX program manager described the alumni as their "gold" and their reason for doing their jobs everyday.

IREX conducted semi-annually a Small Grants (up to \$5,000) Competition for current exchangees and alumni to apply for funding for specific projects supporting the development of democracy and civil society. For example, in August 1997, IREX brought together 140 foreign scholars (from throughout Eurasia and the Baltic states) who were studying in the U.S. to the University of Maryland for a four-day conference on using their U.S. experience professionally when they returned home. IREX also organized Internet training workshops in Moscow, Novosibirsk, St. Petersburg, Khabarovsk, and Yekaterinburg; grant proposal writing and fundraising workshops in

Moscow; conferences on “Economic Transition in Russia: The View of the New Generation;” “Mass Media in the Balance;” and “Ethics in Journalism” in Moscow; and a seminar on “What Russians Think: Alumni Perspectives on Prospects for the Russian Far East’s Participation in Pacific Rim Economic Development” in Vladivostok. Many of these scholars participated in professional internships while studying in the U.S., at such institutions as the World Bank, International Monetary Fund, Voice of America, Corporation for Public Broadcasting, and the Library of Congress. As a result, once these fellows returned home with their professional degrees, they often did not return to their regions, but sought higher paying jobs in Moscow, which they could readily attain or alternatively, they emigrated to the West.

IREX also created Community Service Day to encourage alumni to take on local volunteer projects. On March 11, 1999, for example, Vladivostok alumni cleared out a heavy snowfall from Children’s Hospital #1 and later in the month arranged for children from Vladivostok’s Orphanage #2 to go to the theater. In addition, IREX and the alumni conducted a series of psychological training for the children of this same orphanage to help them cope with crisis. IREX/Moscow also ran the Small Business Assistance Initiative to finance the administration of over 15 FSA business alumni to help smaller Russian businesses that are struggling.

Focus on partnerships

Following Ambassador Morningstar’s mandate to move toward people-to-people linkages, IREX’s other main FSA program was the Institutional Partnerships Project

(IPP). This program was a major three-year initiative linking Russian and Ukrainian educational and professional associations with counterpart institutions in the U.S. in the fields of public health, agribusiness, public policy research and training, business management, the environment and pollution, and public transportation. The program helped Russian partners create business plans, glossaries of legal and business terms in Russian, databases of local business interests in foreign investment, and training handbooks on public and business administration for government officials and entrepreneurs. Some partnership examples included: America's Development Foundation (Alexandria, VA) and the Moscow Research Center for Human Rights to establish and maintain a network of nine regional affiliate human rights organizations throughout the Federation; the American Road and Transportation Builders Association (Washington, DC) and the Russian Association of Territorial Bodies of Highway Administrations (Moscow) to strengthen the capacity of the Russian organization to serve as a transportation development trade association in the RF, providing training in free-market industry operations; and Iowa State University, College of Business and Nizhniy Novgorod State Agricultural Academy to establish a continuing education center and produce a core of trained leaders in business, financial services, and agribusiness.

Closely related are three other partnership programs: Partnerships for Civil Society and Economic Development (PCSED) and Sustaining Partnerships into the Next Century (SPAN) funded by USAID and the Russian University Social Science Partnership Project funded by USIA. PCSED specifically targeted the development of democratic civil society and economic growth in Novgorod by linking regional

organizations with counterparts in the United States. The University of Iowa, St. Petersburg Medical Academy for Postgraduate Studies, Novgorod Regional Medical Administration and the Medical Faculty of the Novgorod Medical Institute collaborated to develop family practice medicine in the Novgorod Region. The World Institute on Disability (Oakland, CA), Perspektiva (Moscow), and the Novgorod regional office of the All-Russian Society of the Disabled worked on an extensive public awareness campaign for people with disabilities and how they could be integrated into the work force. Other PCSED partnerships targeted land reform and business development, the housing and real estate market, agribusiness development, and the empowerment of women. Likewise, SPAN was begun in 1997 to expand partnerships between U.S. and Russian institutions to reinforce reform in important sectors like business development, the environment, health care, civil society, the rule of law, the tax system, and the financial sector.

IREX administered the Russian University Social Science Partnership Project involving two exchange arrangements between: 1) the University of Nebraska at Lincoln and Far Eastern State Technical University, and 2) Villanova University and Nizhniy Novgorod State University. Exchanges were conducted in the Departments of Economics, Political Science, International Relations, and Modern History. The program allowed faculty exchanges, acquisition of new materials and teaching methodologies, equipment donations, and, most importantly, sought to foster lasting institutional relationships between partners. IREX assisted the universities with conferences,

obtaining books and journals from the U.S., and maintaining Internet and e-mail capability on the Russian side.

Contemporary issues fellowships

Beginning in 1996, IREX administered the Freedom Support Act Fellowships in Contemporary Issues (CI) with funding from USIA for study and independent research at U.S. institutions in key social science and humanities fields relating to the transition from communism. The program targeted policy makers, practitioners, NGO leaders, and professionals for three-month fellowships, which allowed them to interact with U.S. counterparts in the fields of sustainable growth and economic development; democratization, human rights, and the rule of law; political, military, security and public policy; civil society development; and the Internet, communications revolution, and intellectual property rights. As in other USIA-funded programs, participants were selected through open, merit-based competition beginning with Federation-wide recruitment in the fall of the year, selection process through application and interviewing in the winter, selection in the spring and departure of participants beginning in late spring. The applicants had to present a well-developed research proposal in their field, but English proficiency was not as stringent for these fellowships as for other longer-term fellowships. Participants were experienced leaders in their fields with advanced degrees and pursued research with practical applications for the development of democracy, free markets, and a civil society.

Participants their topics included: Svetlana Glinkina of the Institute of International Economic and Political Studies of the Russian Academy of Sciences who studied “New Trends in the Shadow Economy and Organized Crime in Russia” at the American University; Marina Gvozdetskaia of the Ural Regional Board of Registration and Legal System Control of Mass Media of the Russian Federation Committee on “Journalists’ Professional Rights and Legislative Foundations of their Activities” at New York University; Sergei Leonov of the Economic Research Institute of the Russian Academy of Sciences on “Economic Reform and Development in the Russia Far East” at the Monterey Institute of International Studies; and many more with topics central to the transition to a market democracy.¹³⁸ CI alumni created their own association called “Professionals for Cooperation” through which they organized and hosted conferences in their particular fields of specialization and increased their standing in the professional communities. With IREX’s help, Professionals for Cooperation published its own newsletter. Once these fellows returned to their homes, they immediately applied their newfound knowledge in their areas of expertise. Many worked in regional governments. In their post-program questionnaires, many noted that they did not change jobs, only their ideas about how to do them. In 1999, IREX targeted its NGO contacts, hoping to attract more applications from this sector. “These NGOs have been extremely helpful in advertising as the [Contemporary Issues] program is one of the few things they can offer

¹³⁸ In discussion in fall 1999 with one CI fellow from Moscow who was working in the field of civil aviation safety, he explained he was working first in Seattle with Boeing then for three months on technical research in Dallas. In response to a question about the extent to which he worked with local or federal officials at home to enhance safety standards, he laughed cynically, explaining that such affiliation would discredit him professionally and be a death sentence for his research agenda. He was looking instead for U.S. collaboration to push forward his civil aviation improvements. He in no way saw the Russian government as a channel to advance his project or as a potential partner in civil aviation. In fact, he explained how much more beneficial maintaining distance from government affiliation was for the sake of his project.

their clients under tight financial constraints.”¹³⁹ IREX reported that CI alumni from the regions tended to return to those regions because they were already well-placed professionally there before the fellowship and in most cases did not have Western graduate degrees.

In February 1999, IREX launched a Distance Learning Project for Library and Information Sciences (LIS) to serve the LIS constituencies of the Muskie/FSA and Contemporary Issues programs. Participants took a course over the Internet to increase their professional qualifications. This pilot distance learning project could be extended other fields like law, governance, and public administration. Distance learning, as a method to meet alumni needs, promised to be much more productive and cost effective than bringing alumni to Moscow for a conference. The only drawback was that a few alumni were in remote areas where the Internet was inaccessible, even through IREX’s Internet program.

Internet access

USIA, working with IREX, created the Internet Access and Training Program (IATP) in December 1995, a U.S.-NIS public-private sector partnership promoting academic and professional exchange of information through access and training in e-mail and the Internet for alumni of U.S. government funded exchange programs. Internet access allowed scholars to continue their research after they returned home. In addition, USIA established a program for creating Public Access Internet Sites throughout the NIS.

¹³⁹ Correspondence with Chris Cavanaugh, IREX/Moscow, 2/3/99.

IREX established Internet access sites in 21 cities across Russia with regional coordinators, often a Russian citizen, in Khabarovsk, Novosibirsk, St. Petersburg, and Yekaterinburg. IATP was envisioned to be a three-year program. The first stage was to establish Internet sites in libraries, universities, and IREX partner organizations for use by IREX program alumni. The second stage was to expand training in Internet use at these sites. IREX's sites throughout Russia received requests daily from Russian institutions seeking public access to the sites. This project required the IATP program manager to monitor technical and political developments for their possible impact upon telecommunications projects. The program manager worked closely in Russia with universities, libraries, educational institutions, NGOs, and museums, and dealt mainly with researchers, students, teachers, librarians and average citizens. These program managers shared and collected information via the Internet, fostering free and unlimited flow of information among people located in different countries. IREX conducted surveys of its partner institutions and end-users about the value of the Internet for them.

With IATP coordinators and trainers holding free classes open to the public on how to use the Internet, IREX played a very important role in providing the exchange of free information. IAPT products were disseminated on www.irex.ru. In 1999, Project Harmony, a computer-oriented NGO, assumed responsibility for running IATP and focused on Samara.

Community Connections

This program organized groups of NGO leaders from a particular town, for example, Yakutsk in 1999, and sent them as a group of 10 for two-weeks training to the U.S. where they learned how NGOs operated in the United States, about “501” status, corporate and government relations, fundraising activities, and building a membership base. The concept behind this group training was to raise the social consciousness of a critical mass of people so when they returned home they could work together to make changes. They built a coalition among themselves and helped establish new practices. The Young Leaders program targeted individuals who already had an established community service record and demonstrated leadership to send them to the U.S. for one year of training in their field and continued community service.

Civic Education

The U.S. government devoted a significant amount of effort in the exchange and alumni activities to fostering a sense of social responsibility through community service requirements for participants while they were in the United States and after they returned home. The attitude of these youth, however, was more pragmatic than altruistic. USIA placed special emphasis on civic education programs, particularly in training civic education teachers in middle schools, hoping to instill a commitment to broader community responsibility in the youth at large. Civic education programs needed to stress not just the benefits of democracy, but the responsibility of citizens for exercising their rights. Russians needed to understand voting as a right and a responsibility like expressing an opinion publicly.

The National Endowment for Democracy (NED), a private, non-profit organization charged with strengthening democracy around the world, approached Russian democracy through efforts to strengthen the relatively new field of civic education.¹⁴⁰ It provided direct grants to a few indigenous organizations in Russia to create new teaching methodologies suited to Russian education and culture to foster attitudes of tolerance and mutual respect. One of its grantees was the educational newspaper *Uchitel'skaia gazeta* (Teacher's Gazette), which organized a conference in 1994 with the American Federation of Teachers (AFT), a promoter of civic education in the United States, to explore ways to extend civic education in Russia. The Russian Association of Civic Educators (ACE) then was created in April 1995 with a membership of 10,000, essentially all the subscribers to the newspaper. ACE served as an umbrella organization for some 14 branches across the Federation. In collaboration with AFT, Russell Sage College and Boston University, ACE exchanged teachers with St. Petersburg Law School. As in other exchange programs, the thrust was to train the trainers (middle school teachers for grades 5-9) through civic education seminars. From 1995-1999, 50 Russian civics teachers came to the U.S. for training in such areas as federalism. While in the U.S., they were required to develop new lesson plans and new curricula to implement in their schools at home. They learned the technique of the "active classroom," a new approach for Russian teachers and students where they interacted and role played. Additionally, the civics teachers developed a new vocabulary for civics education in Russia. They explained to their students how government works and the rights and responsibilities of being a citizen in a democracy. They focused on

¹⁴⁰ This information on NED was provided by the Cultural Affairs Officer at Embassy Moscow in July 1999.

such issues as minority and human rights, tolerance, criminal justice, family relations, conflict resolution, and social skills. Russian civics teachers had much more freedom by the end of the decade to develop their own lesson plans compared to the past when every lesson plan had to be approved by the principal. IFES worked with the staff of *Uchitel'skaia gazeta* to co-sponsor a conference on voter education, training high school teachers in the methods of role-playing to acquaint students with participating in democratic practices—for example, taking on the role of political parties, formulating their platforms, presenting them to other students, and playing the role of media in questioning candidates.

NED also supported the supplement to *Uchitel'skaia gazeta*, *Grazhdanovedenie* (Civics), which was published by ACE. This supplement reviewed new textbooks in the civics education field and provided sample lessons. Through these efforts, NED stressed to non-governmental organizations the need to conduct themselves democratically in their internal workings and to spread the values of civics education, i.e., compromise, respect for the individual, tolerance, and respect for the rule of law, to all teachers in the Russian educational system. The civics education field in Russia was faced with the difficulty of teaching such democratic qualities in a system rampant with crime and corruption and fraud at all levels. These legacies of the communist period posed significant obstacles to the teaching of civics. NED made the point to these civics educators that it was only through the extension of civics education that Russian society would be able to tackle and resolve these pervasive problems. This was a difficult task given the devastated state of the Russian educational system where schools could not

afford to purchase new textbooks or retrain teachers. Many of the best and the brightest teachers, therefore, left the profession; those who stayed were either extraordinarily dedicated or had no other alternative.

In a review of its civics education funding, NED noted, “The challenge for civic educators is to advance democratic values while acknowledging that those gains have taken place alongside growing inequality, rampant corruption, criminality, and the gross manipulation of public power and ‘democratic’ rhetoric for private gain” (NED Website). Civic education teachers had to explain to their students the functioning of a real democracy and make them realize that what Russia had accomplished in the 1990s was not real democracy.

Independent Media

While the FSA legislation and official statements noted the importance of independent media in the development of democracy, the U.S. government devoted surprising little attention to it in the assistance programs until the economic crash of 1998. Until then, there were only a few programs providing support to a relatively small number of journalists. USAID supported the development of independent press, television and radio through training, technical assistance and equipment through funding to Internews Network, Inc., a 501(c)(3) organization incorporated in California. It founded in 1992 Internews Russia, an independent public news organization, dedicated to improving access to information and promoting ethical journalism. USAID was only one of many funders for Internews, which trained journalists and helped build non-

governmental broadcasting stations in Russia. Through the Russian-American Media Partnership Program, Internews linked U.S. and Russian media to help the Russian side become self-sufficient financially and not so dependent on the state. Called the Media Development Program (MDP) by 1996, this program supported a partnership between the National Association of Broadcasters and the Russian National Association of Telebroadcasters. One of the most visible successes was USAID funding to the Children's Television Workshop for a Russian version of *Sesame Street* to focus on teaching democratic and civic values. *Ulitsa Sesam* began broadcasting in late 1996. A partnership between Internews and its counterpart Internews-Russia provided support to over 90 emerging independent regional television stations in 1997, which captured 12 percent of the Russian viewing public (State Department Coordinator's Office 1998, 41). In 1998, Internews supported 200 independent television stations across the Federation.

In FY 1995, FSA provided \$2 million for media programs in Russia, which supported USIA's Professionals-in-Residence Program where an American journalist was resident in the Russian American Press Center (RAPIC) and eight media workshops around Russia through which U.S. experts worked with individual Russian newspapers on newspaper management, circulation and distribution. USIA also donated desktop publishing equipment worth about \$20,000 to individual newspapers. USIA's University Partnership program linked an American and a Russian university to develop a journalism curriculum and exchange faculty and media experts. In 1994, the partnership was between the University of North Carolina and Ural State University in Yekaterinburg. In addition to a visiting UNC faculty member at Ural State, the

partnership also brought media experts to Yekaterinburg to work on specific needs such as advertising, graphics, and broadcasting. USIA conducted three two-week long training workshops in the U.S. on the business of media development with time spent at local newspapers and broadcast stations. USIA, which deliberately focused its efforts beyond Moscow and St. Petersburg, also supported internships for 20 Russian journalists to work at media outlets in the U.S. Most of the journalists in its exchange programs came from the Urals, Western Siberia and the Russian Far East to work on management issues to make their independent media news outlets self-sustaining. In 1997, a small number of Russian journalists studied for two weeks at Duke University and interned for two weeks at the North Carolina Center for Public Television and at CNN.

Replicating the successful model of the Russian American Press Center in Moscow, USIA gave a grant to New York University to establish new media centers in Nizhny Novgorod, St. Petersburg, and Novosibirsk. According to *The 1994 Annual Report*, RAPIC helped Russian journalists research 10,000 stories in its first two years and made available a bilingual reference library, on-line databases like Lexus-Nexus and Russian databases. RAPIC also hosted seminars on such contemporary issues as nuclear proliferation and economics. In 1997, RAPIC changed its name to the National Press Institute (NPI) of the Russian Federation and officially registered itself as an NGO. USIA helped NPI apply for USAID funding and in 1998 set up a project to provide Internet access to 50 media outlets and journalism departments at regional universities. Through the National Forum Foundation, USIA targeted regional media in 1997, recruiting and developing internships for eight Russian journalists from outlying regions.

The economic crisis of 1998 dealt a serious setback to independent media in Russia caused by the sharp decline in advertising revenue. In response, USAID increased its activity dramatically in 1999. Through Internews, it provided technical assistance to over 300 regional television stations in 81 regions and created a new training tool called “Local Time” for television stations to compare their programming across regions and have access to professional training and expert legal advice from the Moscow Media Law Center and Policy Center, Glasnost Defense Fund and the National Association of Telebroadcasters. Internews helped create a National Association of Regional Advertising Agents, launched a newsroom computerization effort and Internet-based news exchange network called “InterNovosti,” and helped organize a group of media organizations to loosen government controls on local media. Likewise, the National Press Institute provided technical support and legal assistance to more than 1,500 regional independent newspapers (State Department Coordinator’s Office 2000, 60).

Program managers of U.S. NGOs reported excellent relations with the local media with all the free press on radio, in the newspaper and or television that they wanted. Local media attended all IREX events to which they were invited and provided positive coverage. IREX called press conferences to announce new programs and media covered their seminars. One IREX program manager reported that, in general, the local media in the Russian Far East was biased because it was dangerous for journalists to be critical of the government. Governors in the Russian Far East jailed reporters and blacklisted them. Local media either served the purposes of the Governor or the Mayor or was communist,

which ironically provided the best news coverage. National media provided no coverage of events in the Far East and reports in the local media did not reflect much positive coverage of democracy.

IREX/Moscow consistently reported good relations with the media, but noted that local media was often under severe financial constraints. IREX relied on media to advertise large alumni events such as the annual Career Forum and Job Fair in Moscow. Local media in smaller towns were much more willing to advertise the Contemporary Issues fellowships than were the Moscow media. IREX/Moscow noted that “democracy” was not featured so positively in Russian media and society, as much as the term was used as a catch-phrase. The press tended to view U.S. assistance programs, not as democracy building, but as “institution building,” in that they supported advanced journalism, business, and other non-commercial professionals.

USIA supported professional development exchange opportunities for media representatives to travel to the U.S. to produce high-quality television programming on American life for Russian audiences on such topics as civil rights protection in a multi-ethnic society and U.S. television news. An exchange program on journalistic ethics brought to the U.S. six Russian journalists, who published articles on their experiences in the U.S. once they returned home. USIA also launched a new initiative in 1999, which sent U.S. experts on journalism to Russia to lecture and arranged media internships in the U.S. for Russian journalists. Even with this increased attention, support to develop independent media was surprisingly thin.

Lessons Learned in Building Civil Society

Building trust

Drawing on the assumption that trust is the foundation of democracy, many U.S. government-funded efforts to build civil society focused on building relationships among individual Russian and American citizens and between individuals and the state. Exchange programs were the primary tool for building those relationships and that trust. While undertaking widespread recruiting for the exchange programs, U.S. NGO staff reported that they often were asked, especially in more remote regions outside Moscow and St. Petersburg, why they were running these programs and why the U.S. was spending this money to send them to study. Many Russians presumed that the real goal of U.S. government-funded exchange programs was to stimulate a brain drain enticing Russia's best and brightest youth to the riches of the West, thereby further weakening the country. These reports supported the findings of USIA surveys throughout the decade that showed widespread mistrust in the intentions of the U.S., reinforcing the psychological obstacles to U.S. effort to promote democracy in Russia. The NGO managers explained to skeptical applicants and parents that it was in the interest of the United States that Russia be a stable, prosperous member of the international community and a reliable partner for the U.S.

Entrusting one's child to the care of a foreign family was another approach to building trust. During the Soviet period, ACTR, working with USIA Administrator Charlie Wick in the Reagan Administration, established a school-to-school program with the innovation of the "homestay" mechanism. This new feature of exchange programs

has been replicated regularly since its introduction. The “homestay” matches foreign exchange students with carefully selected families in the host country for an exchange experience much more personally enriching than would be the case in the institutional setting of a dormitory. This was an important way of meeting USIA’s mandate to promote mutual understanding among cultures. From all accounts, these homestays have resulted in deep relationships between Russian students and their host families that continued even after the students returned home to Russia.

Working through a nongovernmental organization, as opposed to the U.S. Embassy, was another mechanism for building civil society and trust. When asked to identify the advantages of working through an NGO to promote democracy, one ACIE/ACTR program manager explained, “An NGO is able to avoid being labeled a policy tool of the U.S. government with an agenda that first and foremost serves the political goals of the U.S. government.” U.S. NGOs providing technical assistance dealt with a broad range of organizations and individuals in Russia, including indigenous NGOs, university presidents and professors, local and regional government officials, students, and business people, among others. The U.S. Embassy officials, limited in staff and resources, were more constrained in what they could do. U.S. NGOs offered an opportunity for the U.S. to be seen much more broadly in Russian society. By participating in NGO sponsored events, U.S. Embassy and Consulate personnel could meet with Russian opposition leaders, for example, in more informal social settings, meetings that otherwise would not take place because of political sensitivities and constraints. Furthermore, NGO representatives, because they had to live in this society,

became experts, especially at the local level, on such topics as tax codes, small business development and the banking system. This was the realm in which they had to carry out their daily business.

U.S. NGOs in Russia were more readily accessible to Russian citizens than official U.S. representatives. In the late 1990s, most of the U.S. NGOs working in Russia who were interviewed for this study provided to the Russian public open access to their offices and resources. Visitors did not have to show a passport or go through a metal detector. The facilities were “end-user friendly” in a way that the U.S. Embassy or Consulates could not be for security reasons. The NGOs were run by fluent Russian-speaking Americans or local Russians who actually lived in the communities there, not in a compound. ACIE, which was well-established in Russia with a staff knowledgeable of the language and culture, was able to assess quickly the often fluid situation on the ground and make adjustments and improvements accordingly in the implementation of its programs. ACIE/ACTR also drew on an extensive pool of Russian experts in the United States to assist with its work. IIE explained that the value of NGOs was their ability to develop trust. The people with whom they interacted trusted that IIE was not the U.S. government. Building this trust was especially challenging given the suspicions many Russians harbored about U.S. intentions to promote democracy.

Demonstrating democracy

During the Soviet period, Soviet principals and teachers exclusively selected Soviet participants, often the sons and daughters of the communist party elite and

members of the *nomenklatura*. Only those with appropriate connections were chosen to participate in exchange programs through a series of official nominations. There were no open, merit-based competitions. That changed, however, with the collapse of the Soviet Union when ACTR and other exchange organizations were able to set the rules of competition according to their standards. ACIE/ACTR program managers reported that this change in rules and implementation of this new concept of an equal playing field were not easy for many Russian citizens to accept, especially for parents who could no longer influence the selection of their child. This was an important lesson to all the students to learn that they were responsible for their own success. If they were selected for the program, it was on the basis of their own merit, not because their parents had influenced the process. When students or parents protested about not being selected, ACIE/ACTR reviewed the rules and provided the parents with impartial detailed evidence about why the student was not selected. The way ACIE/ACTR administered its programs, i.e., through an open, merit-based competition, was a powerful example of the democratic process in action—a selection process conducted on the basis of clear and well-known written rules. Such an open competition clearly demonstrated the democratic values of openness, transparency, and accountability.

Investing in human capital for the long-term

The reward of exchange programs is the growing cohort of alumni who share long-term exposure to open society in the U.S. Support to alumni early in the post-communist years focused on building networks, providing them Internet access to each other, to information at large, and to sustaining contact with their advisors and counterparts in the U.S. But by the end of the decade, thanks to such programs as

USIA's Internet Access and Training Program (IATP), the Soros Foundation, and most importantly, the influx of Western business, Russia was well connected electronically. For the most part, USIA exchange program alumni had access to the Internet either personally or at work, so their needs became more sophisticated. They wanted new opportunities to compete for small grants from their respective NGOs--ACIE, IREX, or IIE. Because of the various levels and professions targeted by the exchange programs, the alumni tended to have widely varying needs. Muskie alumni, for example, sought professional development--as in organizing a conference on a current topic like Russia's tax policy or the upcoming elections or pursuing further coursework through distance learning. More junior alumni looked for career guidance.

The U.S. government already had made a major investment in these individuals and USIA was very concerned with maintaining that investment through support for alumni activities. The philosophy behind continued investment in these alumni was to encourage them to attain future leadership positions in their society. Because of the rigorous selection processes of the U.S. NGOs, the U.S. government already was connected with the best and the brightest of the younger generations. Investment in them was an investment in the future of Russia.

Several of the U.S. NGOs explained that alumni often experienced significant adjustment difficulties after they returned home from their research work in the U.S. They reported that colleagues and neighbors "just don't get it." Many alumni worked for foreign companies rather than Russian ones where the salaries were lower. They also

reported that they felt their U.S. education was valued more by a foreign firm than by a Russian one. The alumni worked, for example, at Price-Waterhouse, the Eurasia Foundation, the U.S. Consulate, ACIE, private businesses, universities, and in government.

Russia's Future

At the outset of the transition and the euphoria about a democratic future, Russians tended to equate democracy with the wealth of the West. Since then, IREX noted that Russians had become cynical about democracy, given the high levels of corruption and inefficiency of their own “democratic” structures. “Speaking [broadly] about democracy as individual responsibility is not appropriate . . . most Russians [i.e., not the target of U.S. assistance programs] still rely heavily upon government and social responsibility.”¹⁴¹

I had a very interesting discussion with a Russian program officer who worked for IIE for several years. She explained at length that Russians were “waiting for something”—that was their mental outlook on life. In 1999, they were waiting for the next elections; they are waiting for rules. They would not be proactive and struggle for a new life; they would wait for someone else, a leader, to deliver a new life to them. They waited for the quality of life to improve. In 1999, they were very poor, and yet, they did not struggle. They waited and just tried to get by in the meantime. Many were growing their own food. The collapse of the ruble in 1998 revealed the size of the barter economy. When the cash economy disappeared, it became apparent that people had been

¹⁴¹ Survey Response, Chris Cavanaugh, IREX, 2/3/99, Moscow.

doing other things. Companies were exchanging material products and paying taxes in this way, too.

In speaking informally about democracy with patrons of the Moscow Educational Information Center, the Director found that, while they all agreed things had changed since Soviet times, they also agreed that democracy did not exist in Russia in 1999. They acknowledged access to information, like the Educational Information Center and that the window to the West was open, bringing in foreign food and other products. They saw different perspectives in newspapers and could travel to foreign countries without government approval or KGB interference. Many new laws had been passed even though they were not carried out in practice. It was possible to privatize property like apartments. If they referred to democracy in Russia today, however, it meant mainly the absence of Stalinist-type suppression. Some expressed real concern that the country would be closed again if a dictator came to power. The majority of Russians did not see the connection between improving their lives and taking individual responsibility for themselves and their actions.

While Russians had high hopes for democracy at the outset of the transition, they realized that the quick results and significant changes in their personal living standards were not realistic and became disillusioned.¹⁴² Most people did not trust the government, any politicians, or banks. But these same people were apathetic to try to change the things they did not like. The older people were especially bitter about the events of the

¹⁴² Survey Response, Dova Wilson, IREX Moscow Educational Information Center, 2/3/99.

past decade that had left them destitute and hungry. They had fully expected the government to provide for them in their retirement.

In on-going discussions with alumni from the Russian Far East about democracy, the IREX program manager reported that many subscribed to the historical argument that “we didn’t have an industrial revolution, it is not in our national character to be active, Russians are just receivers of history, not agents of change.” The program manager often countered with “What happened to you? Why are you different?” to which they answered, “Maybe I am a bad Russian” or “I am an exception.” The program manager was quite clear that Russians did not see democracy as having made their lives better. Perhaps early in the transition Russians assumed that democracy and prosperity went hand-in-hand, hence their enthusiasm early in the post-communist period. By the end of the decade, according to the program manager, they associated democracy with chaos and uncoordinated action. “Democracy for many people here is a lot of individuals acting out of self-interest to maximize their benefits (Homo-Economicus). Democracy gets conflated with Capitalism, while communism gets conflated with stagnation and stability.” She concluded that the practice of democracy didn’t really exist in the Russian Far East, it was just an idea where they could throw “all their fantasies and suppositions” and as an idea, it was not too popular.

The program manager reported that Russians thought it was strange that the U.S. government and others wanted to pay for programs in Russia. They had no cultural concept of an NGO or what not-for-profit status meant. She was often asked why IREX

was conducting these programs in Russia. On talk shows and in other interviews, she responded “America is not doing this because we are such nice altruistic people. We are doing it because we believe it will help support a stable strong democratic Russia and that is firmly in our economic and security self-interest.” She often heard conspiracy theories from Russians about why the U.S. was conducting these programs – to promote a brain drain and to weaken Russia. In response, she explained in detail the two-year home residency requirement in Russia that a participant must fulfill after each program.

IREX/Moscow reported in 1999 that it was “too soon to hint at democracy building in Russia.” By choosing the best people to participate in exchange programs, IREX worked hard with other assistance providers to build the critical mass of Russians to build that future democracy through the example they set and the work they did. An IREX staffer stated that one of the greatest needs in the Russian Far East toward promoting democracy was to support the development of local media, training of journalists and editors in developing standards of ethics, professional guidelines and newspaper/television management. She saw the need for “more group exchanges—this seems the way for change to happen—to get a cohort linked by proximity or industry or interest to participate in an exchange program and then, upon their return, be able to support one another in undertaking changes.” According to one program manager, Russia needed more institutional capacity building programs. “When you take an individual scholar and send him to the U.S., he often has a limited impact when he returns because there is resistance to all his new ideas.” U.S. assistance programs need to work with institutions as a whole to “get them on the bandwagon of reform and

development.” Another program manager described the Russians with whom she works as associating “democracy” with the freedom to take initiatives and have an impact on the community. She reported that people were generally still positive and hopeful.

IREX noted that for those cities with a more robust civil society and NGO community, the pool of applicants for exchange programs was much broader than in areas where the NGO community was undeveloped. From those latter areas, most applicants were from the government sector. One program manager noted that many Russians were involved in unofficial voluntary associations, but they did not understand themselves to be NGOs or part of the “third sector.” These groups, which were not registered, were formed around a set of common interests like a professional association of women lawyers, embryonic PTAs, or housing collectives. These were not political groups, but they did fundraise and seek to build memberships. In the Russian Far East there was a growing interest in community service in Vladivostok and a growing NGO community in Yakutsk, as people realized that many of the social services the state used to provide had to be met through other means. “The movers and shakers in these [informal] organizations were women.”¹⁴³

Challenges to Assistance

The two main obstacles to conducting assistance activities in Russia were the ongoing financial turmoil and the unpredictability of the future. For example, when Dialogbank, the Russian bank used by IREX/Moscow, went bankrupt on August 18, 1998, IREX lost money and was forced to do all business in cash, for recruiting costs and

¹⁴³ Survey Response, Russia Far East, IREX, 5/17/99.

paying consultants and temporary employees. IREX described the impact of the economic collapse as immediate and desperate because suddenly there was no legal way to get money to the grantees and IREX had to suspend transfers. IREX's field offices reported major obstacles to getting their work done as "money, transportation, and infrastructure." With the bank closures, program managers had to carry around large sums of cash, which was dangerous, to fund programs and cover office costs. As a result of the crash, IREX switched its banking operations to Citibank and no longer dealt with a Russian bank. IREX survived the immediate crisis through connections with other organizations and swapping information. By November/December 1998, IREX/Moscow was able to restore its project activity to a fairly normal level through legally operating banks. The resourcefulness of the financial and administrative department in IREX/Moscow kept the programs going without interruption.

Many businesses in Russia stopped accepting credit cards for many months, complicating the purchase of such necessities as train or airline tickets. ACIE felt an immediate impact of the ruble crash in its fall recruitment as the numbers of applicants skyrocketed. It witnessed many parents trying to get their children out of Russia and noted that, while so many were losing jobs at that point, those with English language capability were less likely to suffer job loss. A bittersweet benefit for ACIE, and reported by other NGOs with widespread recruitment activities, was a noticeable decrease in the cost of traveling around the country for recruitment purposes that fall. ACIE also reported that with the corresponding drop in income many students who wished to participate in exchange competitions, but lived outside the test center, could

not afford to travel to the sites to take the tests. According to IRI, the collapse of the ruble wiped out the foreign business community in Russia and many, even most, ex-pats left Moscow.

Across the board, all program managers I interviewed reported a marked increase, in response to the ruble crisis, in interest and applications to all programs, but especially the Muskie/FSA, in the fall 1998 recruiting period. “Everybody wanted out.” The Moscow Educational Information Center received such an increased volume in inquiries about U.S. universities that it had to curtail some of its special events just to handle regular educational inquiries. The Center Coordinator attributed the rise in interest “to a need to re-tool in a more competitive job market, as well as those who lost their jobs when companies closed down and decided to pursue their education further.”¹⁴⁴

While many Russians lost everything in the collapse of the economy, the U.S. NGOs bounced back fairly quickly and were able to resume normal operating procedures, thanks to the resourcefulness of the programs’ staffs.

Disillusioned Russian society

As the program managers described Russian society at the end of the decade, they characterized it as becoming increasingly atomized as people tried to protect themselves. Program managers reported that Russians, in general, did not feel there was the rule of law to guarantee their security or to protect their property. They felt they had to take care of themselves and their immediate friends and family with little concern about the well

¹⁴⁴ Survey Response, 2/3/99, IREX/Moscow Educational Information Center.

being of a broader community. In many ways, this seemed a continuation of the Soviet past when people feared the state and relied only on small networks of contacts to meet their needs. While they did not fear the state in 1999, they had no respect for its institutions. Their cynicism was manifested in many ways. U.S. academic exchange programs reported problems with fraudulent diplomas and transcripts. Because schools were not receiving adequate state support and teachers are not getting paid, they started charging fees for documents and even selling grades. The practice was widespread and, as a result, the academic exchange organizations relied much less on official documentation and much more on their own proctored tests and extensive interviews. The program managers reported that these students were not going to the United States for ideological reasons, in hopes of building some form of western democracy at home, but rather to attain knowledge and skills, especially in foreign languages and economics or business, in hopes of improving their job prospects in the future. Program managers reported widespread misconceptions about democracy, which most students equated with the freedom to do as one pleased. They did not appreciate the social responsibilities that went along with democracy's freedom.

Interestingly, I found similar assessments of Russia from the Russian staff of the U.S. NGOs. They explained that the fundamental political culture of Russians was one of distrust because there had been no rule of law to protect the people. Government had been statist and dictatorial throughout history. Russia had a very corrupt society that needed fundamental reform, but there was no tradition of making demands on the system. Russians were a passive people who were able and willing to sustain a great deal of

hardship. Russia had no middle ground and it was not like any other country--it could not follow the model of other countries, not the West nor China. The Russian staff of U.S. NGOs did not expect fundamental change in Russia for a long time, if ever. They asserted that Russia was suffering from “Big Nation” mentality and the distress of being turned into a nation begging the West for money.

It's hard to be legal

In terms of Russian authorities, the exchange organizations worked most closely with those at the local level, e.g., the local ministry of education, during the advertisement and recruitment phases of the exchange programs and in organizing activities of local alumni. IREX, for example, reported that local authorities tended to be very cooperative in assisting with recruitment and dissemination of program information for the Contemporary Issues Fellowships. Federal authorities simply did not get involved in programs of this type. As one program manager stated, “Our activities fall beneath the federal radar. They just don't notice us.” These U.S. NGOs attracted most attention from the tax authorities who checked on their registration status. In addition to registration of the NGO, all employees were required to be registered as well. In 1999, the tax authorities were more vigilant about obtaining the names of all employees, especially the comparatively well-paid Americans, and their addresses for the purpose of going after their Russian landlords who, in most instances, were not reporting the rental income. IIE explained the tendency toward tax evasion—once registered, an NGO is subject to taxes of 65 percent and “social taxes” of 39 percent. It is very expensive to do business in Russia, and these organizations are not even doing business. The authorities

placed no distinctions between income and profit. Everything was treated as income. In order to persuade people and organizations to pay their taxes, the Russian tax system desperately needed to be reformed and the government needed to provide the services people expected for paying taxes. IIE worked toward this through its seminars by focusing on labor laws and tax policy. If there were a reasonable tax policy, most people would have paid.

IRI, officially registered as an NGO in Russia, explained the difficulty of abiding by this official status. The authorities controlled how much an organization was allowed to withdraw from its bank account at any one time, and, consequently, what an organization spent at any one time. The organization had to present receipts for all its purchases, but this was impossible to obtain, for example, when buying stamps because stamps were treated like currency. I heard many anecdotes of the difficulties, boarding on absurdities, of trying to be legal in Russia. There often was a disconnect between what the Washington, DC office of an NGO may require, what the U.S. Embassy wanted the NGO to do in country, and the realities of what was possible in Russia. IRI was a very small staff of only a few workers. It did not have the extra human resources to devote to cumbersome registration activities, which placed a real hardship on the few workers there.

Bribery was a very real problem. Local authorities tended not to acknowledge federal jurisdiction so NGOs had to register with the city and the state. As a result, for example, the city fire marshal wanted a bribe to declare an NGO building safe, “through

negotiation and pleading we were able to receive our certification in return for buying two fire extinguishers.” When a head visa official in the Russian Far East wanted a \$500 cash payment for the visa, the staffer showed him the law that said he must give it to her if she fulfilled certain requirements or he must deport her. He continued to demand the \$500 payment and she explained that the organization does not pay bribes—end of deal. She left the country, got a new visa, and then met with her counterparts in other NGOs. Together they agreed they would not bow to such demands and all would get deported if need be. Every time an applicant offered the program manager money or favors for acceptance into an exchange program, she explained that the organization did not accept such “gifts;” every time she fought with a train conductor about the illegality of “double pricing—one price for foreigners, another for Russians,” she showed the high courts judgment supporting her position. In these instances, she was upholding and reinforcing the rule of law. And any small change in attitude and practice was noticeable, e.g., when a staffer went to the Post Office for a package and the official recognized that the NGO was not charged taxes or custom duties; or when a program alumnus requested funding and the program manager found a way to meet the request in the budget through open and transparent ways. Working under these conditions was very hard and often discouraging, but there were some signs of hope of change in a more democratic, rule-based direction.

According to one program manager, “Our only legal documentation is a letter from the vice-governor [which] basically says [they] are okay – leave them alone.” The program manager showed this letter to city and state officials and it worked; sometimes it worked with federal authorities, too. “When I travel I literally carry a stack of laws with

me, from the Pickering agreement on technical assistance in Russian to the copy of the law that says foreigners don't have to have cities listed on their passport to travel there. I show these laws and argue with militia, hotel clerks, postal authorities, immigration officials, train conductors, etc. . . . And each time it is the first time that the Russian has seen or heard of the law." Sometimes, showing the legal documentation worked, sometimes it was seen as "just a piece of paper." "From the Ministry of Internal Affairs, to the Tax Inspectorate, to the Customs officials, to the Post Office—everybody wants a bribe or does not want to follow the law." The NGOs refused to pay bribes to officials and tried to be as legal as possible, following whatever laws they possibly could. The staffer concluded "there is little rule of law where I work." Often the NGOs had to rely on their alumni to mediate any local problems, e.g., with the mayor's office, university presidents, or landlord.

The purpose of sharing all this program detail is to provide texture at the grassroots level to U.S. efforts to promote democracy, insight was not captured in the annual implementation reports to the Congress or in the grand visions of the foreign policy elite. The concluding chapter reflects on the lessons learned on many levels from promoting democracy in Russian in the 1990s.

Chapter 7: Lessons Learned from a Decade of Democracy Promotion in Russia

For the U.S. government, democracy promotion in Russia was a high priority foreign policy objective in the 1990s toward the goal of peace, security, and prosperity for the American people. It was also an experiment without established guidelines to follow. Because democracy promotion has gained even greater prominence as a U.S. national security interest in the new millennium, it is important to understand the complex inter-relationships among the various levels of players in democracy promotion from the U.S. foreign policy elite to the federal donor agencies to the individual program managers of U.S. NGOs implementing programs on the ground. Equally important is the inter-relationship among the primary objectives of democracy promotion—strengthening the rule of law and establishing an independent judiciary, creating a market economy, developing pluralistic and representative political institutions through free and fair elections, and expanding civil society with independent media.

The purpose of this study was to explain the bureaucratic procedures underlying the U.S. foreign policy decision to promote democracy in Russia in the 1990s and comparing those procedures to the conceptual visions of democracy as presented in the scholarly literature. The key attributes of democracy as presented above were well-established in the official foreign policy statements and legislation passed in the early 1990s. The Support for East European Democracy Act of 1989 and the FREEDOM Support Act of 1992 appropriately identified the objectives for U.S. democracy promotion, as listed above. Neither the legislation nor official statements, however,

clearly defined those attributes or how to accomplish them. The task of designing democracy promotion programs was left to the program officers in U.S. federal agencies granting funds to U.S. NGOs to accomplish those goals in the chaotic and confusing context of Yeltsin's Russia. After a decade and billions of dollars spent in democracy promotion activities, Russia had made significant progress toward a more open society compared to its communist days, but its democratic attributes were still shallow and weak. By all accounts, results of U.S. democracy promotion programs in Russia in the 1990s were mixed, with some modest successes and many dashed expectations. Under Vladimir Putin, Russia has slipped back toward a more centrally controlled government. Many have called Russia a "managed democracy" under Putin and Freedom House lowered its rating of Russia from partly free to not free in 2005 (Freedom House 2005).

My research suggests that Russian society, emerging from the distortions of communism and with no democratic tradition, was ill-prepared for democracy promotion efforts to take root. Much more attention should have been devoted from the state to preparing the Russian people to understand the meaning of market democracy and to creating conditions that protected them from the hardships of transition. U.S. democracy promotion efforts put greatest priority on creating a market economy. Equally important would have been attention to strengthening the rule of law and providing a social safety net to help buy broad-based support for and time to put democratic political and market economic institutions in place. The bottom line for these efforts would have been priority to the individual at the heart of democracy, not just the institutions.

A quick review of Russia's democratic attributes by the end of the 1990s shows mixed results:

- Polls indicated that most Russian citizens were cynical about democracy and the free market, associating them with a decline in the standard of living and a chaotic society. Russian democracy did not appear to have the support of the population. Russia's political culture remained supportive of a strong central leader and preferred order and stability to the "freedom" of the chaotic Yeltsin years. The Russian people did not call loudly for democracy and a market economy. "The transition to a market economy and democratic society in Russia required grassroots support and the development of effective institutions, laws, and enforcement processes. These changes have profound implications for Russian society and politics and thus required a degree of political consensus within Russia that did not exist for much of the decade" (GAO 2000, 20).
- Some progress was made in written laws with the passage of the Civil Code and Criminal Procedure Code, but the rule of law remained weak as laws were not enforced and people ignored them. Pervasive corruption continued at all levels. The judiciary grew stronger from within as organizations were created to bring judges together, but it remained under the influence of the Kremlin.

- The first phase of privatization was completed by the middle of the decade, but stalled on the privatization of large state-owned enterprises. Even where large enterprises were privatized, the state retained a high minority share. Many called this system “crony capitalism” because business transactions still relied on connections, not impartial market mechanisms. At the end of the decade, market institutions were in disarray from the collapse of the ruble, but the economy recovered quickly, growing steadily, even impressively, since then. That growth, however, was on the basis of increased oil exports and high world oil prices, not because of domestic production. Many Russians remained at the poverty level and unemployment was high.
- Russia’s democratic gains were most noticeable in the 1990s in the political arena where elections became regularized and people came to expect that they would choose their leaders through free and fair elections. Key democratic institutions were in place with a Constitution protecting individual rights, the Duma as an elected representative lawmaking body, and numerous political parties, though they were centered mainly on individuals rather than ideas. Power rested in the strong president and there was little concept of a loyal opposition. Under Putin elected positions have been scaled back, particularly in the regions, as the Kremlin sought to consolidate the power of the center.
- Civil society grew impressively in the 1990s with the creation and registration of thousands of NGOs, 65,000 according to the Coordinator’s

Office in 1999. People were free to express their opinions through independent media and exercised their individual freedoms of assembly and movement. Many NGOs remained very poor, however, and relied on the state or foreign assistance to operate. Under Putin, civil society freedoms have been reduced as the Kremlin closed independent television stations and the Duma passed a law on January 10, 2006 restricting the activities of NGOs and foreign support for them. Perhaps the Kremlin viewed civil society as having grown sufficiently strong to pose a threat to its central power.¹⁴⁵

In a January 3, 2006 op-ed in the *Wall Street Journal*, David Satter challenged Russia's January 1 ascension to the presidency of the G-8, claiming, "Russia is daily sinking deeper into authoritarianism and lawlessness" (Satter 2006). He asserted that, beyond the façade of elections, there is no democracy in Russia. "The country lacks three of the fundamental requirements of democracy—political pluralism, the rule of law and respect for human life" (ibid.) Viable opposition has been squelched as independent media are closed and the new NGO law threatens "the last outposts of civil society" (ibid). The lack of rule of law alleviates checks and balances leaving the executive all powerful. Satter called for the remaining members of the G-8 to hold Russian accountable to the standards of free market democracies. He insisted it was the "proper business" of those democracies to tend to Russia's internal situation,

¹⁴⁵ According to Washington File staff writer Louise Fenner, the new law increases the Kremlin's oversight of the registration, financing and activities of NGOs in Russia, contradicting Russia's human rights commitments under the OSCE. The new law exposes NGOs to the arbitrary implementation of regulations that would restrict NGO activities. Freedom House declared that the legislation "would further curtail the rights of civil society in Russia." See <http://usinfo.state.gov/eur/Archive/2006/Jan/19-280131.html>.

stressing that Putin cannot ignore the wishes of the G-8 members. Satter called for the West to “use all its influence to counteract Russia’s self-destructive behavior” (ibid.)

The intent of the FREEDOM Support Act was to encourage the development of market democracies in the new independent states of the former Soviet Union. Given Russia’s limited progress toward that goal by the end of the 1990s, many were quick to criticize the accomplishments of U.S. programs. Russia had not become a market democracy by the end of the 1990s for several reasons, including: 1) the transition to a market democracy is a long-term evolutionary process; 2) Russian political culture was accustomed to a strong central leader making all the decisions and, after the communist experience of forced participation, people were not interested in being politically active; 3) after becoming disillusioned with the lack of progress and prosperity, the people did not demand democracy and the free market; and 4) widespread corruption allowed entrenched interests from the Soviet period to retain influential positions and resist reform to protect their privileged positions, in fact, making them richer. Many of these reasons were beyond the purview of U.S. assistance programs, so it is important to understand where U.S. intervention may contribute positively to the transition.

Clearly, the euphoric early expectations of the U.S. foreign policy elite that Russia would make a natural and smooth transition to democracy were misplaced. While not realizing the initial intent of promoting a swift transition to democracy, the U.S. government and democracy promotion community learned many lessons. The most

significant lesson was that external donors can only have a marginal impact on establishing a market democracy without the support of the host population. In other words, democracy will only happen in Russia when the Russian people want it and the elite permit some opening for it, no matter what the U.S. and other international donors desire for the Federation. Democracy would not emerge in post-communist society just because the community of established democracies wanted it to. Democracy can emerge through revolution from below at the grassroots level or from political opening at the top, but from the outside the international community can have only limited impact. That said, however, certain types of assistance programs focused purposely on the grassroots level, where they introduced democratic values, practices, and society to Russian citizens who later could become change agents in their own societies.

If we accept the assumptions that democracy must have the broad-based support of the populace and that external donors will only have marginal influence, U.S. assistance funds are directed more effectively to those activities, which help build support across the population. Some of the programs described in Chapters Five and Six met those criteria, specifically the academic and professional exchanges and training programs that invested in individuals, as well as those, which created indigenous institutions to strengthen civil and political society. These programs have in common the basic goal of sharing knowledge and information between people. Examples of those “successful” programs include: 1) ABA/CEELI, which provided the *pro bono* work of thousands of U.S. lawyers sharing their expertise and setting the example of law based society and democratic behavior. They provided valuable guidance in drafting laws and

strengthening the judiciary by bringing judges together in associations; 2) IFES' creation of IESD, the Russian version of IFES to carry on its duties of providing information on election methods through the resource center to assist local and federal election commissions. IFES built indigenous capacity in its own image to continue its work after it departed Russia; 3) ACIE, IIE, and IREX's ongoing educational and professional exchanges at all levels with follow-up investment in the alumni who have built networks within Russia and between Russia and the U.S. These programs are particularly good at tapping into the youth; 4) Commerce Department's BISNIS, which shares information and knowledge about investment possibilities in Russia; and 5) IATP, public Internet access sites, which gave Russians electronic connectivity in a public forum.

Contrary to some of the other assistance programs, the goals of these programs were not to build specific democratic institutions, but to provide individual Russians with information, experience, and skills to create those institutions themselves. By investing in individuals, these programs built relationships and networks. The key to the value of these "successful" assistance programs is that they demonstrated in practice democratic values of transparency and accountability in their day-to-day operations through easy access to their resources, open and merit-based competitions, and abiding by the rule of law, registering officially despite the administrative difficulties of doing so. In their interactions with these U.S. NGOs at the grassroots level, democracy can come alive for Russian citizens. It is critical that U.S. assistance providers practice and demonstrate the democracy that they seek to build. In this way, these NGOs breathe life into U.S. democracy promotion programs. Discussion of these grassroots activities was absent in the annual reports to Congress and was a missed opportunity to showcase the benefits of

private-public partnerships between U.S. federal agencies and U.S. NGOs. Clinton Administration tried to “fix” the structure of the U.S. foreign affairs community to fit the new context of the post-Cold War world. Dismantling USIA was not the answer, however, because it gave even less support and attention to an effective tool of democracy promotion, i.e., educational and professional exchanges.

Some U.S. democracy promotion activities had clearly disappointing results. In particular, the way Russia’s privatization program was conducted as an insider’s privilege and U.S. support to the vouchers program and permissible attitude toward the loans-for-shares program clearly did not have the intended effect.¹⁴⁶ Under these privatization programs, a few Russians became very wealthy and many more were at the poverty level after the economic crisis of August 1998. Russia’s economic success now is largely a reflection of natural resources and high world oil prices. “Russia’s transition path has been made harder by the concentration of power and income in the hands of a few, which had begun prior to the transition process and was accelerated through the privatization of some of the most valuable enterprises in Russian industry” (GAO 2000, 106). Because of the experience with privatization and resulting disillusion with the market democracy concept since then, the ability to influence Russia’s democratic development has diminished because the people do not trust market institutions.

Progress in strengthening independent media and independent judiciary fell far short of expectations as set forth in the early official statements of U.S. policy makers

¹⁴⁶ GAO (2000, 107) suggested that the international community should have objected strongly to Russia’s loans-for-shares privatization program in 1995.

because, in practice, very few programs were devoted to accomplishing those goals. Likewise in the area of a social safety net to soften the economic hardships of the transition to which very little attention was devoted. One of the major obstacles to making progress in the broad range of democracy promotion goals is the pervasive culture of corruption in Russia. The insider approach to privatization restricted the emergence of a genuine free market. Investigative journalists were threatened and murdered. Officials ignored laws on tax-exemption of foreign assistance. Minor instances to major assaults of corruption limited the ability of Russian society to reform and U.S. NGOs to conduct their programs to assist reform. Given that some programs made positive contributions to Russian society and others thwarted efforts to promote democracy, the U.S. experience in Russia during the 1990s offers many lessons learned for future U.S. efforts.

Lessons Learned: What to Promote

Lessons learned from U.S. efforts to promote democracy in Russia are as much about what did not work as expected, as what worked well. The lessons can be examined on two levels, the first focused on the specific attributes of democracy promotion and the second on the approaches to or the actual implementation of democracy promotion. As identified in the objectives of the FREEDOM Support Act, the U.S. government knew what attributes it wanted to promote democracy in Russia—rule of law, democratic political institutions, representative government, free and fair elections, free market, independent judiciary, independent media, and civil society. There was no blueprint or roadmap, however, on how to create or strengthen those attributes to consolidate

democracy. Blueprints for democracy showing how the different attributes interacted with one another did not exist in 1989 or 1991 as communist regimes gave way to expected new democracies.

Most importantly, the foreign policy elite discussed the attributes as separate goals without sufficient appreciation for how the various pieces of a democracy fit together to support the whole democracy. Democracy promotion is deeply complex, multi-faceted, and multi-disciplinary, involving law, economics, political science, history, and anthropology. In the case of Russia, democracy promotion was fundamentally about changing human behavior politically, economically, and socially. By focusing primarily on which institutions to create, those goals were assigned to different federal agencies to design appropriate programs. As a result, the pieces became stovepipes – on rule of law, market reform, elections, independent media, and civil society—and only came together in the Office of the Coordinator for Assistance, either at the appropriation of new funds or at the reporting to Congress on the expenditure of old funds. It seemed to be an exercise of coordinating stovepipes rather than coordinating actual activities on the ground.

The most valuable lessons learned from the review of U.S. democracy promotion in Russia during the 1990s concerned those attributes necessary for democracy to take hold in a society that were not given sufficient attention. These include specifically prioritization of the rule of law, provision of a social safety net to meet the basic needs of

the population during the transition as a means to sustain their support for reform; investment in individuals to build broad-based support for democracy through academic and professional exchanges; and knowledge-sharing capabilities to inform the citizenry.

Priority to the rule of law

Respect for the rule of law underpins all elements of a democracy. By guaranteeing citizens their security—personal and property—rule of law provides the tool for convincing citizens to trust the democratic system. In retrospect, strengthening the rule of law and the independent judiciary needed to enforce it should have received much more attention as key priority in the U.S. democracy promotion agenda. There did not appear to be much effort devoted to thinking creatively about what the U.S. could do to deepen respect for the rule of law in Russian society.

Provide a social safety net

Because democracy depends on the support of the people, the government must meet their basic needs during the difficult transition period to win their consent for reform. Government needs to provide an adequate safety net providing for jobs, food, shelter, and health care, especially in the transition from a centrally planned communist economy where a person's place of employment covered many needs from housing to childcare to vacations. The Russian government did not provide a safety net for people who lost their jobs in the privatization process nor did it pay the wages it owed to people because it was critically short of funds. Despite some promising words about the need to provide a social safety net, neither the international community nor the U.S. stepped in to assist. The FREEDOM Support Act mentioned the safety net, but provided few funds to it. Humanitarian assistance was the top priority in the immediate aftermath of the

collapse of the Soviet Union, but emphasis shifted quickly to support for market reform. Humanitarian assistance needed to remain a priority at the same time efforts were made to promote market reform. U.S. policy makers believed that if they provided such social support they would be letting the Russian government off the hook, that it would not make necessary structural reforms to the economy. The Russian government, however, neither met the basic needs of the people nor made the difficult structural reforms. As a result, the Russian people became disillusioned with democracy and the free market, which did not deliver the prosperity they expected. Supporting Joan Nelson's emphasis on the importance of the social safety net in the transition process, GAO (2000, 106) found that "The lack of a social safety net to cushion the impact of transition on workers and vulnerable groups has increased the social cost of transition, decreased Russian public support for reform, and contributed to the difficulties of economic restructuring." International donors needed to help identify and support groups most vulnerable during the transition.

Without the consent of the people, democracy cannot exist. GAO's (2000) overall conclusion of its review of economic assistance programs across five international donors, including the U.S. FREEDOM Support Act, was that without commitment and political will within Russia, the achievements of external donors would be limited. Institutions like elections and parliaments can be created relatively quickly, but it takes time for people to learn to trust them. The people need to see that democracy has something to offer them besides hardship. Aside from the Defense Department offering surplus humanitarian aid, the U.S. neglected the social safety net issue. Poverty and

unemployment remained significant problems for the Russian population throughout the 1990s.

Build a democratic political culture

Given their Soviet experience, post-communist societies tended to be anti-government so this needed to be taken into account when designing assistance programs. Democracy requires a strong state, but these post-communist countries had just overthrown a strong state that oppressed them for decades. Reformers, therefore, needed to prepare the groundwork for establishing another strong state.

This study suggests that the realization of a free market democracy in Russia could not happen without the development of a robust civil society to which U.S. NGOs like ACIE, IIE, and IREX are dedicating their missions and energies daily. The development of civil society and its attendant democratic political culture is a long-term evolutionary process that never truly ends and involves changes in the mindset of Russian citizens. The communist legacy weighs heavy on Russia, a society accustomed to control from above. Russian citizens, if they truly wished to be democratic, needed to learn that the democratic citizen is perpetually active in terms of dealing with the state and political society and holding its members accountable.

The U.S. General Accounting Office determined in 2000 that U.S. assistance programs to Russia had limited success because, from the start, U.S. decision makers underestimated the difficulty in and complexity of establishing a market from scratch, the Russian people were not solidly behind the project, and vested interests emerged to play a

powerful role in the economy. The major finding from GAO was that without genuine commitment from within Russia, programs to promote democracy and a free market from the outside would only have limited success.

Focus on the individual

The initial assumptions of the U.S. foreign policy elite that democracy would grow quickly and smoothly in the wake of communism's collapse proved unfounded. There was nothing natural about the emergence of democracy in Russia – it needed to be learned behavior. Russian citizens had had little knowledge of democracy and the free market under the Soviet system. One way to address this was through participation in academic and professional exchanges, a major part of U.S. democracy promotion activities that had existed even during the Soviet period.

Exchanges are a win-win for democracy promoters and prospects for democracy in Russia. Exchange programs benefit Russian citizens who come to the U.S. and experience life in an open society and American citizens who are exposed to new and different perspectives of Russians. While it is difficult to quantify the value of such interaction aside from the numbers of exchange participants, for example, there is qualitative evidence of the growing value of several grassroots activities in exchange programs, professional training of teachers, and new alumni associations. These activities are important because Russian citizens who have been exposed to democratic practices through exchange programs and training opportunities in the U.S. return home changed people with different expectations about how a government should work. As

exchange programs continue to be implemented, mainly in the State Department's Bureau of Educational and Cultural Affairs (ECA), formerly USIA, the number of exchange alumni in Russia continues to grow. While we do not know what volume might represent a critical mass, these alumni are making a difference in their communities. Many exchange participants are or will become teachers sharing and multiplying the impact of their exchange experience. A review of their alumni newsletters from the USIA Archives and the current ECA homepage suggests that, at this point, they are more involved in volunteer and charitable work and not much in politics. They are not fomenting grassroots revolution from below, but they are pushing incremental change, which over time may shift the political culture.

Much more was happening under the radar in the area of U.S. democracy promotion than was communicated to the Congress in the official annual reports. Exchanges are one way to share America's democratic story by exposing Russian citizens to every day life in the U.S. This exposure to open society brings new knowledge to exchange participants like abiding by and trusting in the rule of law and holding government accountable. The relationship between the citizen and the state is different in a democracy where the citizen holds the state accountable. In Russia, the relationship between the state and the citizen continues to be one of patronage. Unfortunately, just as the Coordinator's Office shifted the emphasis of U.S. democracy promotion to the development of civil society through exchange programs, USIA was dismantled as a federal agency and put into the State Department where its exchange programs became

just an instrument in a bureau, diminishing exchanges as an effective foreign policy tool for telling America's story and obscuring their potential value.

Specific individuals make a difference, too, as demonstrated in the rule of law example in Chapter Five. Until Elena Mizulina was in an elite position to champion passage of the Criminal Code Procedure in the Duma, the legislation was stalled. Matthew Spense (1998) called her a "policy entrepreneur." The lesson here for democracy promoters is to be alert to and support those who already are pursuing reform consistent with U.S. values, such as a criminal procedure code protecting the human rights of the accused. It seems, therefore, useful for those conducting democracy promotion activities to watch for political openings and opportunities, which could be created by a change at the top, by an influential likeminded official, or by a charismatic leader in the grassroots. The rule of law example demonstrates also that democracy promoters need to be engaged at all levels of society, at the elite as well as the grassroots.

Lessons Learned: How to Promote Democracy

Understanding the complex process of democratization or how the individual elements of a democracy interact is as important as understanding the attributes of democracy. The process informs how democracy promotion programs should be implemented. Again, fundamental to democracy is the consent of the people, so the first lesson learned was the importance of realistic expectations. Democracy promoters need to realize that despite their intentions without the support of the people democracy cannot take hold. Progress toward democracy, a market economy and civil society depends on

the willingness of the public and leaders. External assistance can support that development, but cannot create it.

Realistic expectations

U.S. expectations about what could be accomplished within certain time frames needed to be realistic, meaning that U.S. policy makers needed to take into account that democracy is a long-term evolutionary process. Democracy promoters needed to be willing to remain engaged for the long term. The U.S. government—executive and legislative branches—did not appreciate fully the immensity of the reform process in Russia, how deep and wide the changes needed were from past conditions. As a result, expectations of a smooth and rapid transition to democracy and free market were unrealistic. Donor strategies needed to be based on the premise of long-term involvement in Russia. The international community’s initial assumptions about the transition process in Russia were faulty—namely that the transition would happen quickly and that Russian society would support it. Donors expected that Russian officials would accept their advice and implement it. GAO (2000, 107) stated “The transition to a market economy and democratic society in Russia required grassroots support and the development of effective institutions, laws, and enforcement.” Political consensus in Russia was more for order and stability, especially after the uncertainty and flamboyancy of the Yeltsin years. Traditionally, there has little constituency for foreign assistance in the U.S. and likely will not be for the foreseeable future. Therefore, it is safe to assume that large sums of assistance from the U.S. will not be forthcoming. Democracy promotion programs, therefore, needed to be planned accordingly and needed to be careful not to

raise expectations unrealistically on the recipient side. There are effective democracy promotion activities that do not require large sums. At the top of this list are exchange programs, which provide a big bang for the U.S. taxpayer buck.

Demonstrating democracy

Democracy promotion activities have double duty – not only do they seek to strengthen democratic attributes, they must also be a model of democracy in their implementation. The U.S. government needed to be sure to stress to NGOs implementing democracy programs that they must demonstrate democratic values in the ways they implement their programs and interact with Russians. As described earlier, this was true of the open, merit based competitions for exchange participants. NGOs needed to be inclusive in their dealings with Russians and not play favorites, which would just perpetuate the Soviet legacy. People who worked in U.S. NGOs tended to be very driven and dedicated to their missions, thereby, thereby showing themselves to be active participants in civil society. U.S. NGOs operating under FSA funds needed to exemplify such values as openness, transparency, fairness, and respect for the rule of law.

Integrate the whole story of assistance

U.S. federal agencies involved in democracy promotion activities needed to make a better case for their value. The annual reports to Congress did not adequately reflect the full range of activities on the ground nor did they analyze democracy promotion programs against a conceptual framework of democracy. Rather than reporting strictly on what certain agencies did, the annual report should have addressed all that was

accomplished across federal agencies toward a certain goal. A fuller description of the personal connections made between Americans and Russians, the lasting relationships developed through participation in exchange programs and ongoing alumni activities after participants have returned home should have been communicated through the Annual Reports. The work of the very small staffs of U.S. NGOs, working under challenging business and legal conditions in Russia was not told. Democracy promotion practitioners and scholars need to work together to develop measures of success that resonate with Congress – for example, ways to measure the value of having exchange students in U.S. local schools, exposing U.S. students to features of an increasingly connected and globalizing world. The annual reports should take on the responsibility of clearly defining terms and goals of democracy promotion programs. Too much of the democracy promotion story is left untold in the public record.

Clarity matters

The FREEDOM Support Act addresses democracy promotion in vague terms without sufficient definition of such goals as rule of law. It would behoove the democracy promotion community in government to establish a set of agreed upon meanings. USAID has moved in that direction for its own purposes. At the organizational level, terms must be defined clearly so everyone knows what they are working toward. Clear definitions are important because they get everyone—funders, implementers, and recipients--on the same page to understand the goals they are seeking to accomplish. Definitions matter because they determine approaches to accomplishing goals and measures of success. In discussing rule of law reform, Belton (2005) stressed

not conflating goals with tools—passing laws, for example, is a tool toward the goal of strengthening the rule of law, not an end in itself. As noted earlier, officials gave lip service to the terms of democracy and wanted to accomplish them, but neglected establishing clear definitions of what they meant. Julia Geran Pilon of IFES agreed that definitions matter and noted that Americans and Russians had different understandings of democracy. For this reason, IFES created a Russian/English dictionary for election terms. Clarity on what the U.S. government is trying to achieve in democracy promotion is important.

Collaborate with the private sector

Democracy promotion is a joint effort requiring collaboration between the U.S. private sector—NGOs, academia, business, media, etc.—and the U.S. government. Federal agencies reporting on their efforts to promote democracy on site did not give public credit to the NGOs who were responsible for implementing programs on a daily basis. In reading the annual reports, it sounded as if the U.S. agencies—the State Department, USAID, and USIA—conducted the programs directly. In fact, in many cases, they designed the broad goals for democracy promotion programs, advertised them through RFPs, and sought the expertise of U.S. NGOs, 501(c)(3) organizations to conduct them. Federal agencies should make clear in the annual reports with whom they worked to implement programs on the ground. This model of relying on the expertise and contacts of the U.S. private sector is a fruitful partnership for the U.S. government. Likewise, in reviewing the open source literature of the NGOs, it is often not clear from where they received funding for a particular program. There is value added in

acknowledging the joint collaboration of these projects. More attention needs to be given to exploring the relationship between funders and implementers.

Timing matters

As I researched public statements, congressional testimonies, and journal articles on democracy promotion and interviewed practitioners, I watched and listened for recurring themes. One was the term “opportunity”—the collapse of communism was an “historic opportunity” to promote democracy. It opened a “window of opportunity.” If the U.S. did not act quickly to assist reform, it would be a “missed opportunity.” The point was that timing mattered. Assistance providers needed to be alert to unexpected openings or opportunities to move the reform program forward. Such opportunities could come from political changes at the top or from pressure from below. When an opportunity to promote reform change arose, donors needed to be ready to act.

There were no quick fixes to Russia’s transition process, which will be lengthy (GAO, 105). Assistance programs, therefore, need to be designed for the long-term for example by developing grassroots support for market reform and democratic institutions. GAO noted that “Donor-sponsored exchange programs have been frequently mentioned as an effective mechanism for transferring to the Russians knowledge about and support for how market economies and democracy function. The impact of exchange programs can be felt over time” (GAO 2000, 108). This is one of the key findings of my research, that exchange programs, though difficult to measure, are a modest investment with a promising large payoff.

Coordinate programs

A significant obstacle to democracy promotion in Russia was not the type of programs designed, but in their coordination within the U.S. government. Because of the lengthy budget process, the Coordinator's office requested a budget from the Congress for FSA with details of specific assigned amounts per country and program activity; Congress appropriated a total amount to USAID, which then transferred the funds to the relevant federal agencies who then designed and implemented the program details. From the legislative objective to the final implementation of an assistance program on the ground, the funds and ideas passed through numerous hands in a time consuming and complicated process.

Next Steps

U.S. efforts to assist the development of a market democracy in Russia in the 1990s will have been to good purposes on two levels: first, there were some worthy programs that still promise future benefits such as the exchange programs and activities that established mechanisms of information sharing such as the Internet Training and Access Program, IFES' electoral database, and BISNIS business data. Second, and more importantly, there can be significant progress in the knowledge about how to promote democracy if the evidence dispersed around U.S. government agencies and throughout different disciplines is gathered systematically and analyzed to determine what kinds of programs worked best under what conditions and why some programs did not achieve their intended results. This is a task the U.S. government should undertake to inform its future foreign policy decisions and to assist implementers in designing

effective programs. Such a move could start as easily as linking electronically the websites of donors (USAID, State Department) and grantees and contractors (IFES, NDI, IRI, ACIE, IIE, IREX) who carried out the programs and indigenous groups, such as the exchange alumni, who would want to be part of a discussion.

Because U.S. government procurement rules require contractors and grantees to report on program activities regularly, usually quarterly, there are volumes of written products sitting on U.S. government shelves or in archives that could be catalogued and compared. A rich resource for lessons learned in democracy promotion is the programs officers in government and NGOs who have designed and implemented the programs on the ground. Many, in fact, have worked in their careers on both sides of the assistance coin, usually first as drafters of NGO proposals responding to RFPs and later in government as drafters of RFPs. Capturing their oral histories systematically would enrich understanding of democracy promotion and help devise suitable measures for assessing programs.

The process of democratization is evolutionary, building over a period of time, two generations according to some. The U.S. government would benefit from an ambitious research project that looks back for lessons learned to the transitions of the 1960s in Africa and Asia, 1980s in Latin America, and 1990s in the postcommunist region. To date, within the U.S. government, that analysis has been restricted to assessing what a particular agency did in a particular year on a particular program, in other words, an approach that stovepipes analysis according to the implementing agency.

This approach was clear in the annual reports on FSA submitted to Congress, which failed to assess the overall goal of promoting democracy and how that would be measured.

Exercise soft power

As Joe Nye would suggest, U.S. assistance to support democracy is an exercise in soft power and indirect influence. This is a foreign policy approach that should be at work in all U.S. interactions with the rest of the world. Democracy promotion should become an innate part of U.S. foreign policy, blended in with all other pillars.

The impact of external donors who wish to promote democratic and market reform is dependent upon the consent of the people to support it. It is difficult to create pluralism from the outside. With that consent, donors must be alert to timing, looking for windows of opportunity, and to the emergence of influential individuals who can make a difference in the reform process. This is not a simple formula for democracy promotion. It requires sensitivity to the history and culture of the recipient society and the acute perception to realize when forces are coalescing to make impact possible.

With an eye toward future democracy promotion efforts, the U.S. government needs to move away from compartmentalizing democracy assistance by attribute because all the necessary pieces need to work in concert. Focusing on one area in isolation from another does not necessarily advance the democracy project. The approach to democracy promotion needs to be more holistic and comprehensive, starting with a clear

understanding of the goals and clear definitions of the terms. Those definitions then serve as the basis on which to design tools to accomplish the goals and determine how to measure success. Measures of success to date tend to tally the number of institutions created, number of elections held, laws recodified, or NGOs registered, but these do capture the attitudes, underlying values, and behavior of the people they are to support.

A more holistic approach to future democracy promotion efforts would include:

- 1) Deep research and preparation at the outset of the design stage, to take into consideration the historical and cultural context of the proposed reform. How conducive is the climate in country to democratic reform? Think creatively about custom designing democracy assistance.
- 2) Include all stakeholders in the discussion stage—those who wish to reform, those with vested interests in the status quo, those who stand to lose the most. Think broadly about all those who would be impacted by the reform. Spend time building in country public support for reform. Public education matters. Think about the needs of the people to attract their support for reform. Provide a social safety net where needed.
- 3) Invest in people as well as institutions. Tackle the corruption problem first. It is pervasive worldwide.
- 4) Design democracy promotion programs in concert. How does an activity to strengthen rule of law, for example, impact market reform? How can civil society programs work with a growing middle class?

- 5) Focus on knowledge sharing. This is the aim of technical assistance, which needs to be done for the long-term, not through short-term advisers lacking cultural grounding.
- 6) Watch for changing political situation that may create an opening or close off an opportunity.
- 7) Connect with likeminded people.
- 8) Capture lessons learned and share them.

The intent of this study has been to bring together many lessons learned over the decade of the 1990s about democracy promotion in Russia across sectors of political, economic, and social reform. The findings of this study suggest that democracy promotion is not the same as democracy making. Expectations often were not met. Many of these activities are experiments as donors learn what types of programs work where, but the U.S. government democracy promotion environment is not conducive to risk taking. The U.S. Congress sought to allocate U.S. taxpayers' dollars to projects that would show positive results quickly, so as not to be accused of wasting money. Federal agencies needed to demonstrate results quickly to the Congress to secure future appropriations. NGO implementers in the field, who were competing for subsequent years' grants from federal agencies, needed to demonstrate that their programs were effective. There was little room in this process to analyze results, recognize successes and admit failures. As a result, many lessons learned were lost and not shared. While it is difficult to admit that a particular program did not work, that information is just as valuable for future projects as identifying approaches that did work. Inadequately

capturing lessons learned may doom democracy promoters to repeat mistakes. The democracy promotion mechanism should incorporate rewards for learning, but this must be done outside the competitive bidding process for future projects. U.S. government funding agencies could take deliberate steps to capture lessons learned in an unclassified site bringing together the experiences from donors, implementers, and researchers. The goal would be to share information widely among all relevant parties—within and outside the U.S. government. My research suggests that there are valuable interactions among NGO program officers implementing U.S. government programs and Russian citizens that support democracy promotion goals and that programs which invest in the potential of the individual promise a long-term payoff. GAO noted, “[I]n December 1998, a meeting of the G-7 technical experts on assistance to Russia concluded that assistance projects showed the greatest success when they made use of both Russian expertise and western support” (GAO 2000, 101).

It is easy to criticize U.S. efforts to promote democracy in the post-communist world where results may not have yet been realized and sometimes seem entirely thwarted. Russia is still early in its post-communist experience and it may never be the kind of democracy the drafters of the FREEDOM Support Act envisioned, but democracy promotion programs, especially exchange programs, serve to keep the U.S. globally engaged as it needs to be. Democracy promotion should remain a high priority for U.S. foreign policy. This study has identified ways the U.S. can adjust its approach to democracy promotion based on some lessons learned during the 1990s and some steps

the U.S. government can take to be sure the mechanism for capturing lessons learned is institutionalized, so they can be widely shared.

The United States cannot make another country be democratic, that has to be a choice made by the citizens of that country, but the United States can adjust its approach to other countries to encourage the people to want to create a democracy. The environment in which democracy promotion programs are implemented must be conducive to and supportive of its activities regarding development of the rule of law, free market, and democratic institutions. The people have to want to live in a democracy for U.S. assistance to be effective. The key to democracy promotion is reading accurately the citizenry of another country, knowing its history and culture, and adjusting U.S. interactions to promote democracy at all levels of society with sensitivity to the particulars. Assuming that the human desire to be free is a universal value, the U.S. needs to explain clearly what democracy means. Democracy provides the mechanism, the institutions through which people can pursue peaceful debate about the future and resolution of conflict, but democracy only works when the people genuinely believe in it and want it to work. U.S. democracy promotion efforts in Russia supported the development of democratic institutions like political parties, non-governmental institutions and the free market. Investment in human capital, however, is equally as important as the structural ones. This is particularly true of educating the next generation of leaders, broadly defined. Institutional reforms often stop short of addressing their political and cultural impact on society. Changing the institutions does not automatically change the behavior and thinking of the people without additional attention to public

debate and discourse. The U.S. should invest in the next generation of Russian leaders, to take steps toward making Russia an open, democratic society and a responsible partner for the established democracies on the world stage. The negative experience of the average Russian citizen with democracy in the 1990s suggests that it likely will take longer to build that political consensus. GAO recognized that even though U.S.-Russian relations will fluctuate depending on international events and progress on reforms, there are certain long-term programs that will remain in place, including exchange programs, which are mutually beneficial and serve to make available knowledge and direct experience of democracy and the market economy.

I used to think of the evolution of democracy as its refinement over time, based on the U.S. experience of gradual expansion of political and civil rights. But refinement suggests movement toward an end-point at which democracy is achieved and the work is done. The attempted transitions to democracy in the post-communist world suggest otherwise, however. I now think of democracy as a continual process without a final end-point. Because the future holds unknown challenges and opportunities, political systems could look quite different in the future than they do now as they react, for example, to ongoing demands and pressures of globalization or threats of terrorism. Democracy, as a flexible political system reflecting the wishes of the people, may become even more important to human society in understanding and responding to the challenges of the future, many of which will be transnational, requiring cooperation across countries. Democratic values of openness, accountability, transparency, tolerance and respect for the individual are translatable across cultures and histories. The diversity

of views inherent in democratic society is important because no one segment of society holds the answers to future challenges, just as no one country demonstrates the perfect model of democracy.

Appendices

Appendix 1:

History of State Department Coordinators for U.S. Assistance to the NIS (Fiscal Years 1992-2000)

- 1992 Deputy Secretary of State Lawrence S. Eagleburger, Coordinator of U.S. Assistance Policy for the New Republics of the Former Soviet Union with assistance from Ambassador Richard L. Armitage
- 1993 Ambassador Thomas W. Simons, Jr., Coordinator of U.S. Assistance to the New Independent States (NIS) of the Former Soviet Union (and former U.S. Ambassador to Poland, 1990-1993)
- 1994 Ambassador Thomas W. Simons, Jr., Coordinator of U.S. Assistance to the NIS
- 1995 Richard L. Morningstar, Special Advisor to the President and Secretary of State on Assistance to the NIS.
Ambassador Morningstar entered government service in 1993 at the Overseas Private Investment Corporation. Having spent most of his career in the private sector, he accepted, with a great deal of skepticism, President Clinton's offer in February 1995 to coordinate U.S. government assistance to the NIS at the State Department. At that time, the assistance program was in disarray and suffering from the critical Gephardt/Gingrich trip report on their recent visit to Russia to survey U.S. assistance programs.¹⁴⁷
- 1996 Ambassador Richard Morningstar, Special Advisor to the President and Secretary of State on Assistance to the NIS
- 1997 Ambassador Richard Morningstar, Special Advisor to the President and Secretary of State on Assistance to the NIS
- 1998 William B. Taylor, Jr., Coordinator of U.S. Assistance to the NIS and former Deputy to Ambassador Morningstar.
- 1999 Ambassador William B. Taylor, Jr., Coordinator of U.S. Assistance to the NIS
- 2000 Ambassador William B. Taylor, Jr., Coordinator of U.S. Assistance to the NIS

¹⁴⁷ Based on personal interview with Ambassador Morningstar on June 16, 1999.

Appendix 2:

The Organization of Annual Reports on *U.S. Assistance and Related Programs for the New Independent States of the Former Soviet Union*, as required under Section 104 of the FREEDOM Support Act.

The Coordinator for Assistance to the NIS was required to submit to the U.S. Congress an annual report on the broad range of activities and accomplishments of U.S. efforts to assist the creation of free markets and democratic political systems in the new states of the former Soviet Union. The annual reports, which were divided into the following specific sections, grew longer, more organized, and more detailed over time.

The Annual Reports included the following information:

- Introduction - an instructive summary of how the State Department viewed the assistance programs and revealed key assumptions about the designs and goals;
- Assessment of effectiveness and overview of U.S. assistance by country to provide a snapshot of activities for the year;
- Description of FSA-funded assistance projects conducted by specific U.S. government agencies;
- Trade and investment initiatives;
- Small business development programs;
- The Cooperative Threat Reduction Program;¹⁴⁸
- U.S. Department of Agriculture Food Assistance;
- Humanitarian Assistance Programs by country;
- Other Assistance Programs, e.g., farmer to farmer exchanges;
- Assessments of Progress of Meeting Standards of Section 498A of the Foreign Assistance Act of 1961;¹⁴⁹
- Evaluation of the Use of “Notwithstanding” Authority;¹⁵⁰

¹⁴⁸ Also known as the Nunn-Lugar program, this legislation was passed in FY 1992 to decrease the threat of weapons of mass destruction by helping with the safe and secure transportation and storage of such weapons, and to promote nonproliferation. This study does not address the specifics of this program.

¹⁴⁹ Section 201 of the FREEDOM Support Act amended Section 498A of the Foreign Assistance Act of 1961 to set forth the criteria by which the United States would provide assistance to a specific country. The provisions for assistance included progress toward development of a democratic system based on principles of the rule of law, individual freedoms, and representative government through free and fair elections; progress toward economic reform based on market principles, private ownership, and integration into the world economy; respect for internationally recognized human rights; respect for international law and obligations and adherence to the Helsinki Final Act of the CSCE and Charter of Paris; cooperation in seeking the peaceful resolution of ethnic and regional conflicts; implementing responsible security policies, including arms control obligations, military force reduction, nonproliferation, and restraining conventional arms transfers; protection of the international environment and sustainable use of natural resources; not supporting international terrorism; paying an equitable portion of indebtedness to the U.S. incurred by the USSR; cooperation with the U.S. in identifying American prisoners of war or as missing in action during the Cold War; and termination of support for the communist regime in Cuba. Each New Independent State also was rated against a checklist for grounds for ineligibility of assistance.

¹⁵⁰ The “Use of Notwithstanding Authority” was designed to give the executive branch greater flexibility in moving funds to where they were needed most or pursuing new opportunities for assistance as they arose.

- International Financial Institutions and Initiatives, e.g., World Bank; and
- Appendix on Financial Charts showing obligations and expenditures in total and by county.

These annual reports provide a valuable record of the goals and implementation of U.S. assistance to the NIS and are a basis for much of the analysis contained in this study.

The 1994 Annual Report (232) noted, for example, that “USAID has abbreviated and expedited procedures for NIS project design and approval, a process that can take 18-24 months otherwise.” The Notwithstanding Authority was invoked in 1994 for Russian Officer Resettlement activities, establishment of Enterprise Funds where monies were granted in advance of need and invested in the market to earn interest accordingly, and certain contract activities to alleviate the lengthy process of conducting full and open competition through USAID. The purpose of the Notwithstanding Authority was to streamline the bureaucratic procedures for implementing aid programs. It also gave agencies the ability to circumvent the traditional procedure of awarding grants through open competitive bid. The Notwithstanding Authority was used extensively under the Support for East European Democracy (SEED) programs, for example, in selecting the “Big Six” accounting firms to advise the Central and East European countries on development of market institutions (Wedel, 51-53).

Appendix 3

Time Line

1989	Spring	President Bush Series on “A New World Order”
	April 17	President offers first economic assistance package to Poland
	May 12	President’s second speech on new relationship with USSR
	May 21	Boston University Commencement speech on the Future of European Unity
	May 24	Coast Guard Academy Commencement speech on security Issues with USSR.
	May 31	Capstone speech at Mainz, West Germany, US post-Cold War strategy of Europe whole and free
	June	President announces Polish-American Enterprise Fund
	November 10	Fall of Berlin Wall
	November 28	Passage of Support for East European Democracy Act of 1989
1991	August 18-21	Soviet President Mikhail Gorbachev held in house arrest by Soviet hardliners.
	October 3	Bill Clinton announces candidacy for US president
	December 25	USSR collapses. Russian President Boris Yeltsin in Kremlin.
1992	February 1	Yeltsin meets George H.W. Bush
	June 18	Yeltsin in Washington for first state visit
	November 3	Bill Clinton elected US president
1993	January 2-3	Yeltsin and George H.W. Bush hold final summit And sign START II treaty in Moscow
	January 21	Clinton inaugurated
	March 23	Russian Foreign Minister Andrei Kozyrev visits Washington and Proposes creation of Gore-Chernomyrdin Commission (GCC)

March 28	Russian parliament tries to impeach Yeltsin and fails.
April 3-4	First Summit between Clinton and Yeltsin; US announces \$1.6 billion aid package for Russia
April 25	Referendum in Russia supports Yeltsin and calls for Parliamentary elections
July 9	Clinton and Yeltsin meet in Tokyo; G-7 announces \$28.4 Billion aid package for NIS
September 1	first GCC meeting
September 21	Crisis in Russia – Yeltsin suspends parliament; sets new Election date for December.
October 2-4	Yeltsin under attack from parliament and wins.
December 12	Parliamentary Elections in Russia. Yeltsin’s opponents do Well.
1994	
early	Strobe Talbott becomes Deputy Secretary of State.
January 8-15	Clinton visits region. In Moscow, Yeltsin, Clinton, and Kravchuk sign accord on removal of nuclear weapons from Ukraine.
July 10	Meeting of G-7 in Naples. Clinton demands Russian troops be withdrawn from Estonia. Publicly, Yeltsin blindsides Clinton and says no.
July 26	Agreement to remove Russia troops from Estonia is reached.
September 27	Clinton-Yeltsin summit in Washington. Focus in on NATO enlargement; push for Partnership for Peace.
December 11	Russian military launches war in Chechnya
1995	
May 9-10	Clinton in Moscow. Begin NATO-Russia dialogue, Russia joins PFP, Russia restricts nuclear cooperation With Iran.
June 17	Clinton and Yeltsin meet at G-7 in Halifax.
August 28-30	NATO conducts airstikes in Bosnia to protect Bosniaks From Serb strikes/ethnic cleansing.
October 23	Clinton and Yeltsin meet at Hyde Park to discuss Russian Participation in Bosnia peace settlement.
October 26	Yeltsin has heart attack.
November 1-21	Peace talks on Bosnia in Dayton, Ohio.
December 17	Russian parliamentary elections; communists win; reformers lose.
1996	
January 9	Yevgeny Primakov becomes Russian foreign minister.

June 16	First round of Russian presidential election; Yeltsin in slim Lead over Communist Zyuganov, but faces second round.
July 3	Yeltsin wins re-election.
August 31	Chechen war ends with peace agreement.
November 5	Yeltsin has heart surgery. Clinton is re-elected.
1997	
March 20-21	Clinton and Yeltsin meet in Helsinki. Discuss NATO Enlargement, outline START III, anti-missile system Under ABM treaty.
May 27	Yeltsin signs NATO-Russian Founding Act in Paris With NATO leaders.
June 20-21	G-7 meeting in Denver. Yeltsin will address problem Of nuclear technology transfer to Iran.
1998	
January 22	Chernomyrdin announces efforts to track Russian transfer Of nuclear technology to Iran.
March 23	Chernomyrdin is replaced by Sergei Kiriyenko.
May 16-17	Clinton and Yeltsin meet in Birmingham. Russia officially Becomes member of G-8.
June 23	Clinton vetoes anti-Russian sanctions legislation in US Congress.
August 18	Economic crisis in Russia - collapse of the ruble.
August 23	Yeltsin plans to replace Kiriyenko with Chernomyrdin.
September 1-2	Clinton visits Yeltsin in Moscow. Yeltsin plans to Disband Duma.
September 7	Duma rejects Chernomyrdin.
September 10	Yeltsin appoints Primakov as prime minister, Igor Ivanov as foreign minister.
October 13	Crisis in Kosovo.
1999	
January 15	Serbs massacre Kosovar Albanians.
March 24	NATO conducts air strikes against Serbia.
April 24	Yeltsin appoints Chernomyrdin as special envoy For Kosovo.
April 23-24	NATO summit in Washington. Poland, Hungary and Czech Republic admitted into NATO.
May 12	Yeltsin replaces Primakov with Sergei Stepashin.
June 19-20	Clinton and Yeltsin attend G-8 summit in Cologne.
August 9	Yeltsin replaces Stepashin with Vladimir Putin.
September 23	Russia bombing Chechnya.
December 31	Yeltsin resigns as Russian president and appoints Putin as acting president.

2000

March 26

Putin wins Russian election for president.

June 3-5

Clinton and Putin hold summit in Moscow.

July 21

Clinton and Putin meet at the G-8 summit in Okinawa.

September 1

Clinton defers NMD deployment.

September 6

Clinton and Putin meet in New York

November 15

Clinton and Putin meet for last time in Brunei.

2001

January 20

George W. Bush inaugurated.

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