

Russia: Its Place in the Twenty-First Century and the Implications for the United States

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As Vladimir Putin takes office as Russia's president, Russia's well-being and the security of the world will depend on whether he can give Russia what it needs most, moral leadership and the rule of law.

Contrary to a widespread impression in the West, Russia is in danger of political and economic disintegration not because many aspects of the economic reform program were unwise but because reform in Russia was carried out in a moral vacuum, leading to an economy in which the animating factor was not productivity but theft.

The first great act of theft was the destruction of the Russian people's savings as a result of the hyperinflation after the uncontrolled freeing of prices in January 1992. Money that had been saved for decades by millions of people disappeared overnight. The effective confiscation of personal savings was followed by privatization in which enterprises created by the common efforts of the entire population were "sold" to criminal business syndicates at giveaway prices. And, in a final act of theft, the government "empowered" banks to handle its accounts. By appropriating interest, the banks made huge fortunes on the state's money.

The result of a reform process run for the benefit of well-connected insiders was that the Russian economy suffered a collapse unprecedented in the country's postwar history. In the last eight years, the gross domestic product declined by half. This did not occur even under Nazi occupation. Factory directors stripped the assets of their enterprises, government officials at all levels demanded bribes for making any economic decision, criminal syndicates extended their control over entire regions, and all of these people formed political clans whose struggle for wealth and influence eventually determined the policies of the state.

At the same time, money is being sent out of Russia in enormous quantities.

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Russia's newly rich, having acquired their wealth illegally, live in fear that it will be confiscated and, at the first opportunity, move it out of the country. Estimates as to how much money left Russia illegally during the Yeltsin era range from \$220 billion to \$450 billion. According to the Russian prosecutor general, Russian citizens have set up sixty thousand offshore companies to hide illegally transferred wealth. As an indication of the seriousness of the situation, it was reported recently that in 1998, \$70 billion was transferred from Russia to offshore banks in the Republic of Nauru, a coral island in the Pacific Ocean.

Under these conditions, it is pointless to speak of market institutions and the creation of wealth. What exists is a form of organized looting that makes normal economic activity virtually impossible.

Only policies aimed at enforcing the rule of law and creating equal conditions for all economic actors can put a stop to the pillaging and give to Russia the pre-conditions for political and economic stability. The question in Russia today is whether Putin is the man who can give Russia the framework of law that is an essential prerequisite for economic progress.

Indications

No definitive judgments about Putin and his intentions are possible at the present time, but indications are that Putin has no real commitment to a law-based state and that, on the contrary, his accession to power may mark the beginning of a drift toward authoritarianism and the methods of a police state.

Unlimited War. The second Chechen war, although ostensibly an "antiterrorist operation," is being fought with complete disregard for civilian casualties. Aerial bombardments have destroyed entire cities, and because of the scale of the bombing and its indiscriminate nature, an estimated 220,000 persons have fled Chechnya, effectively depopulating the region. Putin has also authorized the use in Chechnya of TOS-I rockets, which cause aerosol explosions on impact and are forbidden by the 1980 Geneva Protocol, and Tochka-U ballistic missiles, which can cover up to seven hectares with cluster shrapnel on impact. Neither of these weapons was used in the first Chechen war.

Attacks on Press Freedom. Since becoming president, Putin has imposed post-Soviet Russia's first official restrictions on the press. Journalists have been prevented from entering Chechnya except in the company of Russian military press representatives, who limit what they can report or film. When Andrei Babitsky, a correspondent for Radio Liberty, entered the war zone on his own, he was detained by Russian troops and then "exchanged" to unknown Chechen rebels for two Russian soldiers.

On 11 May, police in black masks and armed with submachine guns searched the offices of the Media-MOST company, occupying the offices for most of the day, rummaging through documents, and recording workers' personal data. The group's NTV television station has been independent in its coverage of the Chechen war and has been critical in its coverage of Putin.

Control over Information. While a candidate for president, Putin declined to discuss his future plans and intentions in any but the most general terms. At the same time, a curtain of silence has fallen over the bombings of Russian apartment buildings last September. The bombings were attributed to Chechen terrorists and used to justify the second Chechen war. Relevant questions about an incident in Ryazan where the Federal Security Bureau (FSB) appeared to have been caught planting a bomb have been left without answers, and when a motion was made in the State Duma calling on the general procurator to investigate the incident, it was voted down by the pro-Putin Unity Party.

Neutralization of Political Opposition. To the surprise of many political observers, Putin appears to be co-opting the parliamentary opposition. The Unity Party marked its success in the 19 December parliamentary elections by dividing all the key posts in the Duma with the Communists. This was followed, 11 February, by a rebuke to the Yabloko Party and the Union of Right Wing Forces when the Putin-Communist bloc rejected the candidates from those parties for two deputy speaker positions, a move that underscored the liberals' powerlessness in the new Duma.

One sign of Putin's apparent success in co-opting the parliamentary opposition was the parliament's final ratification of the START-2 treaty. An even more telling indication, however, may have been the vote of the Federation Council, the parliament's upper house, to suspend Yuri Skuratov, the chief prosecutor, who had been conducting investigations into high-level corruption that were reported to touch not only the leading oligarch, Boris Berezovsky, but also members of Yeltsin's family. The Federation Council had refused on three previous occasions to accede to Yeltsin's request that Skuratov be removed.

The Future

In the coming months a great deal more will be learned about Putin and his intentions. However, if he is to play a positive role in Russian history, it will not be by establishing order but rather by strengthening the rule of law and, in this way, creating a basis for future prosperity.

In this respect, there are several steps that would indicate that he is seriously interested in creating the conditions for Russia's resurrection:

- Progress in solving any or all of Russia's most notorious political murders with the arrest and trial of all of those involved in the crime, the organizers as well as the executors
- Openness regarding the investigation into the bombings of Russian apartment buildings in September and a complete and credible explanation of why the FSB decided to plant a dummy bomb—if it was a dummy bomb—in the basement of an apartment building in Ryazan
- The arrest and trial of the financial oligarchs and publication of full information about their ties to government officials, including members of the Presidential Administration

- Steps to memorialize the victims of political terror and to establish museums or exhibits that describe fully and truthfully the crimes of communism
- The arrest and trial of the leaders of any one of Russia's criminal syndicates, with full information about their business holdings and relation to government officials

In the absence of these or related measures, it will be hard to avoid the impression that Putin's antidemocratic early steps were not an accident and that Putin seeks to preserve the corrupt status quo with the help of police methods, a course that will not solve Russia's problems but only compound them.

Russia needs new investment, which will not take place without a change in Russia's climate of lawlessness. An attempt to preserve the existing kleptocratic system with the help of authoritarian methods may occur, but it can only come at the expense of Russian society and the future security of the world.

Implications for the United States

Unless something is done about its underlying lawlessness, the prospect for Russia is continued disintegration. At the same time, the more weak and unstable Russian society becomes, the greater is the chance that the processes taking a toll within the country will begin to pose a threat to the United States.

There are two types of dangers that face the United States as a result of the internal situation in Russia: those arising from the actions of the state and those arising from the actions of specific groups over which Russian state structures have lost all control. Both are products of the chaos stemming from Russian society's lawlessness and fundamental lack of moral orientation. The principal dangers arising from the actions of the Russian state are:

Social Unrest. The failure to address Russia's economic problems could lead to civil unrest sufficiently serious to draw in nations along Russia's long border. More than 40 percent of the Russian population lives in conditions of severe poverty and economic decline, which has led to a public health crisis, alcoholism, and rising rates of murder and suicide. The Russian people remain deeply dissatisfied with the results of "reform," and this discontent could be exploited by a demagogic leader, particularly if living standards continue to fall.

Aggression. The deterioration of the situation in Russia could prompt Putin or another Russian leader to launch a war of aggression against any of the former Soviet republics to shore up popular support in the same way as the war in Chechnya was used to help Putin win the Russian presidency. Likely targets of a Russian war of aggression are Georgia and Azerbaijan and even the Baltic Republics.

The principal dangers involving groups, individuals, or institutions over which there is no effective control are the following:

Terrorism. Because it is impoverished and heir to the military expertise of the Soviet Union, Russia could become a base area for terrorism. Leaders of Aum

Shinri Kyo, the Japanese doomsday sect that launched an attack with sarin nerve gas on the Tokyo metro, have testified that the production designs for the manufacture of sarin were given to the sect in 1993 in return for \$100,000 in cash by Oleg Lobov, Russia's former first deputy prime minister. Members of the sect, with Lobov's help, also trained on Russian military bases and were frequent visitors to Russian academic institutes, where they studied the circulation of gases.

Organized Crime. Russian expertise has been a boon for organized crime. There are presently about thirty Russian criminal syndicates operating in the United States, and they conduct some of the most sophisticated criminal operations ever seen in the United States because of their mastery of computer technology, encryption techniques, and money-laundering facilities that process hundreds of millions of dollars.

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The Russian criminal syndicates have also established working relationships with the Colombian drug cartels and have tried to arrange the sale to them of sophisticated weapons, including a Tango-class, diesel-powered patrol submarine to be used to move cocaine from Colombia to California. U.S. law enforcement agencies take seriously the possibility that Russian criminal gangs could obtain nuclear weapons.

Nuclear Accidents. Russia could be the source of ecological disasters. Outdated nuclear power stations, many of the same type as the one at Chernobyl, are operating with equipment that is in need of replacement. At the same time, human error is increasingly possible because employees of nuclear power stations in Russia have gone as much as six months without pay, causing workers to faint on the job and go on hunger strikes.

The nuclear material inside submarines could also cause a disaster. At present, there are 45,000 nuclear fuel elements stored in the Murmansk/Archangel panhandle, 1,200 miles north of Moscow. Many are still inside 104 submarines that are rapidly corroding. The shipyards have 1.8 million gallons of liquid radioactive waste awaiting disposal as well. Disposal of the current supply of spent nuclear materials would take an estimated thirty years, which might be too long to avoid a nuclear disaster.

Theft of Nuclear Materials. Russia has 150 metric tons of plutonium and 650 tons of highly enriched uranium stored in four hundred buildings at fifty scientific centers. There is no assurance that this supply, enough to make 33,000 nuclear weapons, is truly secure. Russia's nuclear sites are guarded by nearly 30,000 ser-

vicemen, but many of these soldiers have gone for long periods without pay and there have been reports of guards leaving their posts to forage for food.

At the same time, many of Russia's 20,000 nuclear scientists live in conditions of extreme hardship and are vulnerable to recruitment efforts by foreign powers, including North Korea, which, according to an unconfirmed report, has recruited them successfully.

Epidemics. The breakdown of the system of public hygiene in Russia has made Russia the source of new epidemics. Among the new threats to health that have emerged are polio, cholera, and even plague. The number of new cases of syphilis in Russia has increased fifty-seven times in seven years, from 8,000 to 450,000 in 1997. Most ominous of all, however, is the rise of drug-resistant tuberculosis, which developed in the fetid, overcrowded Russian prisons. Persons ill with tuberculosis received only partial treatment with antibiotics, which has produced the drug-resistant strain. The disease is spreading throughout Russia as prisoners return to their communities, and its spread beyond Russia's borders is only a matter of time.

U.S. Policy

It is in the West's interest to do whatever we can to help improve the moral situation in Russia. In this respect, the way in which American representatives speak to Russia becomes very important.

In recent years, American policymakers have concentrated on aid for the reformers as the "embodiment of democracy," and our efforts were focused on supporting them in their fight with political rivals. This approach was flawed for two reasons. First, the reformers were far more corrupt and unprincipled than many in the West were led to believe. At the same time, the practice of basing policy on support for one Russian political faction presumed an overall moral and legal context for political life in Russia, which does not exist. Without realizing it, we were giving unconditional support to one side in a game without rules and spurring the spread of corruption in Russia and the destruction of those overarching values necessary to everyone.

There are two ways in which American policy can support the rule of law in Russia: by directing policy toward fighting corruption and by distinguishing in our public statements between change at the economic level and change at the more fundamental level of ethics and morality. In terms of policy, there are a number of steps that the United States can take to support a law-based state in Russia:

- *Make international loans contingent on realistic efforts to fight corruption.* Russia still lacks laws on organized crime, money laundering, and corruption. Western lenders have a right to insist that these laws, which have been under discussion since 1993, finally be adopted; that there be greater transparency in the operations of the Russian Central Bank and Ministry of Finance, the two recipients of international loans; and that cases of corruption documented by the Russian Accounting Chamber be prosecuted.

The United States also needs to monitor closely the ties between organized crime and Russian officials and the progress of investigations into high-profile contract murders.

- *Direct foreign aid toward humanitarian assistance.* Russia faces a catastrophic health care situation as reflected in falling life expectancy and a very high death rate. Part of the reason is a shortage of medical equipment and the unavailability of medicines because of their high cost. American medical aid directed toward persons who would not otherwise receive assistance, besides achieving a concrete purpose, can inspire goodwill toward the United States and convey the message that the United States seeks a relationship with the Russian people as a whole and not with any one political faction.

- *Use tax incentives to encourage direct assistance to Russian regions by private American organizations.* Russians benefit from contact with nongovernment organizations. Churches, schools, corporations, and individuals who take an interest in Russia can often provide invaluable help to those in need, while helping to break the impression, too often fostered in recent years, that America stands for capitalism and capitalism is indistinguishable from crime.

- *Fight illegal capital flight from Russia by encouraging international efforts to crack down on offshore zones.* The United States, in cooperation with other members of the G7, should make joint efforts to force offshore zones to adopt civilized banking laws that provide for regulation, external audits, transparency, and refusal to handle dubious operations.

- *Expand the Financial Intelligence Fraud Network.* Russian businessmen and criminal structures export money under the guise of paying penalties or fees to companies that they secretly own. These front companies are registered in offshore zones or, frequently, in Delaware, where they are often organized into a veritable maze. The United States should provide the relevant government agencies with enough resources to deny Russian criminals this means of looting their own country.

- *Keep corrupt officials and known criminals out of the United States.* Russia's corrupt businessmen and gangsters like to travel abroad. By denying them visas, the United States can exert pressure on them and, at the same time, disassociate itself in the eyes of Russians from their behavior.

- *Provide aid for Russian law enforcement.* The outstanding problem of law enforcement in Russia is the low pay and lack of equipment of the police. American aid to Russian law enforcement agencies can help in what now is a losing battle with organized crime. Among the programs that Russian law enforcement officers most need is a witness protection program so that ordinary Russian citizens will not be afraid to testify in court.

- *Decriminalize Russian participation in American energy investments.* The United States should impose disclosure rules affecting joint ventures that go beyond private company efforts. Such requirements would, in all likelihood, expose criminal structures behind Russian entities in the Sakhalin energy exploitation projects.

- *Limit access to U.S. capital markets.* Russian oil and gas companies or other

entities engaged in production, transportation, and export should be denied access to capital markets if there is evidence of criminalization.

In addition to its policies, the United States can affect the situation in Russia with its rhetoric. In many respects, this is the most important instrument of influence.

The Soviet Union was based on the notion that there are no absolute standards of right and wrong but only the interests of a specific economic class. Unfortunately, after the Soviet Union fell, the notion of class values, in the form of faith in economic determinism, continued to dominate on Russian territory. If the Communists held that for perfect justice it was necessary to put property in the hands of the state, the reformers held that all that was required for a law-based state was to give property back to private owners. In both cases, the need to establish a legal and moral framework for economic transformation was ignored.

As we now know, property was put in private hands in Russia but a law-based state did not develop. Instead, the attempt to introduce capitalism without law led to gangsterism, and rather than economic reform reinforcing the notion of universal values and the concept of inherent human dignity, it provided support in the eyes of many Russians for the idea proclaimed by communism that there is no such thing as law per se but only the means by which a regime secures the domination of one or another economic class.

In this situation, the ability of the United States to identify itself with universal values—those values reflected in the Declaration of Independence—and not with any particular organization of economic structures can have a salutary and much needed effect.

The better we are able to identify the question of values that underlies not only justice in Russia but stability in the world, the greater will be our impact on the Russian population. The greater our impact on the Russian population, the better the chances that the genuine democratic forces inside Russia will gather encouragement and strength and begin to take steps to reverse the process of disintegration with which their country is afflicted. An end to looting and gangsterism and the beginning of a law-based state may then create the basis for economic progress.

In the final analysis, this is a necessary direction for American policy and the best hope for the Russian people as they enter what may prove to be a perilous twenty-first century.