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*Russia Today:
A Russian View*

◆ Occasional Paper ◆
The Leonard Davis Institute

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PREFACE

In March 1994 the Davis Institute conducted, here in Jerusalem, the fourth meeting of our joint seminar with participants from the Russian Academy of Sciences. We thought it would be of interest to the Israeli public to have a glimpse of some of the ideas now prevalent among Russian academicians. This is a selection that sheds light on modes of thinking among political scientists and economists in Russia today.

All four authors are members of IMEMO, an acronym for the Institute of International Relations and International Economy.

Market Reforms in Russia: Problems and Prospects

A. ELYANOV

Two years of economic reform in Russia have brought no comfort. In fact, things have gone from bad to worse in most areas of economic and social life. And although some negative trends in the economy and in society slowed down somewhat in 1993 and signs of improvement appeared in certain areas, this fell far short of a real breakthrough. Although the rate of general recession of production dropped by one-third, it still amounted to 12 percent last year. The fall in industry was even greater, 15 percent (in 1992 it was 19 percent). The once powerful engineering complex, possessing a considerable potential for the technical upgrading of the economy and for modernizing the structure of export, began to be dismantled. The overall slump in engineering during 1993 is estimated at more than 40 percent. In some of its sectors, up to one-third of productive capacities went out of commission because of extreme wear and tear. Destructive processes affected the research and development programs as well. The rate of production decline in agriculture, as distinct from industry, has somewhat slowed down. However, the sector has been shrinking for four years in succession, and the total drop during this period was 29 percent. Furthermore, the winter crop acreage decreased by 20 percent and the plowing for this year's harvest by 13 percent. The structure of the economy, backward as it is, has further deteriorated: the share of produce in intermediate demand has risen instead of falling. The rate of material and, above all, energy consumption to produce the Gross Domestic Product has gone up. The main trouble is that there has been no

curbing of inflation; in fact, though its rate has dropped by just about two-thirds, prices increased more than ninefold during 1993.

One logical effect of this trend of events has been the further decline of investment activity, which began, in fact, back in the late 1980s. As little as 8-10 percent, at the most, of the Gross Domestic Product is estimated to have been used for capital investment in 1993. Considering the degree of physical and moral depreciation of plant and equipment, that was hardly enough even for their renewal, let alone for investment in housing construction, road building, and industrial expansion.

It cannot be said that the required resources were not to be found at all. The sweeping growth of trade, financial transactions, and speculation that has attended the liberalization of some sectors of the economy, with state control of other sectors continuing and inflation running high, led to a rapid enrichment of employers engaged in commerce and financial operations. Similar results accrued to many managers of state-run enterprises who were given the right, in the late 1980s first of independently fixing the total payroll and wage rates, and then of creating all sorts of cooperatives and small businesses, quite often used for pumping resources from the head enterprise. However, because of the manifestly drawn-out political and economic instability, a large, apparently preponderant, proportion of this money has drifted and keeps drifting abroad.

It is particularly worth noting the worsening of the living conditions of a substantial proportion of the population. In spite of the undeniable success in normalizing the consumer goods market and a certain enhancement of real income, the general index of the cost of living in 1993 was still under three-fifths of what it was in 1991. In December 1993, by various estimates, between 37 and 54 million people, that is, 25-36 percent of the entire population, drew incomes that were below the subsistence level. In fact, the total number of such people appears to have somewhat increased. At the same time, there was a widening gap between the richest and the poorest sections of the population. All this provoked

a good deal of resentment and large numbers of people have lost or are beginning to lose faith in the ongoing reforms.

There have been at least five more factors behind this turn of events. First, rash promises were made, more than once at the top level, of an early improvement of the situation. Second, price decontrol was mishandled which made it impossible to preserve at least part of private savings. Third, a reasonably clear concept and a general reform strategy were lacking. Fourth, one cannot discount the unwillingness or inability of the reformers to explain to the people sufficiently clearly the real sense and purpose of a very painful and uncommon policy that was being pursued. Fifth, and not least, there has been a virulent antigovernment campaign not only by opponents but also by many supporters of the reforms who do not accept the methods used to implement them.

One area where there has been relative success is privatization. But this is certainly not enough to compensate for the problems, still less so because the established scheme of privatization had some serious shortcomings right from the start owing to an extremely complicated socioeconomic and political situation in the country. These shortcomings stemmed, in large measure, from a very complex, perhaps the only possible, compromise between various social-political forces defending the interests of the managerial contingent, the staff of privatized enterprises, the emergent class of private entrepreneurs, and the rest of the country's population. It should also be recalled that the property to be privatized was practically under total state control. Besides, privatization was getting under way in a setting where the bulk of private savings had already been eroded by inflation, and a quite sizable part of public property had apparently been taken over, to all intents and purposes, by enterprise managers and by the party-and-state elite.

More than two-thirds of small-scale enterprises in municipal ownership had become private already by the end of 1993, according to Vice-Premier Anatoly Chubais, chairman of the National Public Property Management Committee. With respect to the so-called major privatization,

he said that 11,000 out of the 14,500 largest state-owned enterprises had been reorganized and registered as joint-stock companies. Around 110 million out of the entire 160 million people have already used their privatization vouchers, and more than 55 million of them have become stockholders. Over 600 voucher investment foundations have been set up and are actually functioning. Voucher auctions, which few believed possible at all on a large scale until quite recently, were held late in the year at a rate of 600 to 800 a month. By the beginning of 1994, voucher auctions had already involved more than 7000 enterprises. All this, Mr. Chubais holds, warrants the hope that all privatization vouchers will have been used by the middle of this year and hence the mass privatization program will have been carried out in full.

Although hopes of this kind appear quite justified, the process of privatization will not, evidently, end at this point, but only one of its important stages. It will take a good deal of time yet to hold voucher auctions and organize all sorts of tenders and other activities to ensure the conversion of vouchers into stocks and, above all, of the stocks themselves from a symbol of property ownership into a real source of income. All the more so since the established model of privatization has not resolved certain important problems, nor could it in fact. One also cannot discount the problems generated by this very model nor those arising from the urgent need for major investment in the technical reconstruction of most of the enterprises being privatized.

Privatization, as it stands, while having ensured a rapid denationalization through the incorporation of the bulk of public enterprises, has not created the necessary motivation mechanism of technological progress. Indeed, it is just the absence of such a mechanism that has plunged Russia's economy into its deepest-ever structural crisis. The baneful monopolism pervading nearly the whole of Russia's economy has not been eliminated. No solution has yet been found to the problem of formation of a large contingent of bona-fide managers having a vital stake in the effective performance of enterprises no longer under state

control and ready to assume all responsibility thus arising. Around four-fifths of all public enterprises now incorporated have been privatized according to the second option, which leaves the controlling interest in the hands of their staff. In other words, these enterprises, rather than actually going private, have turned out to be in collective ownership, which certainly complicates their reconstruction and development.

Nevertheless, the actual state of things in this area does not seem as grave as it looks at first glance. By the estimate of the ex-vice-premier, Yegor Gaidar, and of the vice-chairman of the Property Management Committee, Dmitry Vasiliev, collective enterprises are in the process of restructuring their authorized capital and the property involved. For example, in St. Petersburg, out of 70 percent of small-scale enterprises bought out by their staff, only 10 percent of the buyers have done so without the help of sponsors. The participation of sponsors has painlessly paved the way for the missing investors to strike roots in these enterprises incorporated in accordance with the second option, and by no means in St. Petersburg alone. Their managers could, in fact, acquire up to 15-20 percent of the stocks at the moment of incorporation and then buy some more of them at voucher auctions, and now they regularly offer to their staff on payday to sell at a profit the shares they have acquired for free.

The scale of this process is not quite clear as yet. One thing which is obvious is that a large proportion of enterprises have already got or are getting capable owners. Of course, some of them will never become true managers, but these enterprises then pass into other hands and find proper directors. The main point is that a reliable foundation is being laid for private enterprise and for its protection against all possible encroachments by officialdom. This involves molding the very body of property owners that, once consolidated, will make the reforms irreversible.

Particularly disturbing is the condition of agriculture, which has to be thoroughly reformed in order to make any real economic recovery possible. Changes in this sector have been made without any system to guide them, and so far there is no light at the end of the tunnel. Although

some headway has been made in this area as well, it is manifestly insufficient. The number of private farms rose by just about one-third in only a year, adding up to 270,000. However, private farms are still in an extremely difficult condition, sorely in need of credit money, implements, and fertilizer. Although production on the private farms grows faster than it does on collective and state farms, it is still short of making up for their slump. In addition, so far the marketable output of the private farms is relatively low. The 1993 reorganization of the collective and state farms, which account for the predominant part of all agricultural production, was basically a formality and did not essentially change their operational mechanism, which has long since outlived itself. Neither have all sorts of partnerships, stock companies, and cooperatives that were created on the basis of collective and state farms produced the desired results in this regard. Nor is it certain that such results can be produced by the presidential decrees on the free sale of land and liberalization of the grain market, all the more so since these must yet be approved by parliament. Tremendous additional difficulties in advancement of this vital sector involve a considerable lagging of the prices of agricultural produce behind the rise of the prices of manufactured goods and, more particularly, a lagging of the sector's essential means of production.

One can generally speak of a certain crisis of the economic reforms that were launched in Russia in 1992. It was this crisis, first and foremost, that caused the defeat of the first team of reformers in the elections of December 12, 1993, and the resignation of its leaders. The natural question is how to assess the situation that has thus arisen. Does their resignation entail a cessation of the reforms? If not, then in what way and at what pace can the reforms be continued? I shall try to answer these questions, proceeding from my view of the situation.

Let us begin with the situation itself. It is, in my view, uncommonly complex but by no means hopeless. I have already referred to the state of affairs in the economy, and will now focus on politics. Much in this respect depends on the president and the new government. One must

likewise take into account the position and mood of the parliamentarians. The president has reaffirmed his resolve to pursue the reforms and spoken of the need to readjust them somewhat, calling for national concord and for strengthening the authority of the state as indispensable conditions for achieving these objectives. The government appears to concur with him in principle, but has yet to make clear its stand concerning what must be readjusted and how. The parliament seems to favor a readjustment of reforms as well as national concord; however, by its actual performance it is virtually undermining the possibility of such agreement or at the very least making it harder to achieve. It will suffice to mention the hasty decision of the State Duma on an amnesty of all those involved in last year's May and October events in Moscow, clearly taken in defiance of the president.

By and large, everything appears to be running the full circle back to a confrontation between the legislative and executive authorities. The only difference is that under the new constitution, adopted last December, the power of the legislative authorities has been substantially curtailed. At the same time, it is clear that one obstacle to the reforms, and indeed to the overall stabilization of the country's economic and political situation, is the absence of a proper legislative framework. The question, therefore, is what one can expect in such a situation; there can hardly be a single clear answer. The only thing that is beyond doubt is that there can be no return to the old scheme of things. Most of the former zealots of socialism have taken up business and would no longer accept the old order. The Moscow correspondent of the *Washington Post* suggests four possible scenarios in the foreseeable future. Here I will only set them forth, without going into detail: first, the situation will improve; second, it will first get worse but everything will end well; third, it will get worse, and the outcome will be grave; fourth, the chaos will continue.

I find most probable the second scenario, that is, an improvement after a certain deterioration. Quite possible is the fourth one, that is, continuing chaos, implying, in this case, some evolution, a kind of self-

development that would produce the requisites for overcoming the present chaotic condition. Neither can one, in my view, rule out the third scenario of things getting worse, culminating in a bad end.

I would stress regarding this possibility that if it does materialize, it seems it would involve far more than just a long delay of Russia's transition to a market-based economy, but would also entail a postponement of her economic reforms to a distant future when Russian society will finally have learned the proper lessons from its own history. This, essentially, is a scenario of veritable catastrophe, not only for Russia but, indeed, for the entire world community as well. I refer, first and foremost, to the irreversible aggravation of the economic situation which can occur in Russia if its transition to a real market economy will be delayed to a distant future.

My faith in the second scenario, that is, improvement after some deterioration, is based on two factors. Some quite reasonable modifications of reforms were recently suggested by Prime Minister Chernomyrdin, with evident readiness to accept them from parliament. Involved here is the strengthening of state power and directing of the course in all spheres of community life; reinforcement of financial discipline and continuation of moderately tough financial policy to keep inflation under control and lower it by the end of the year; cutting of subsidies and increasing of state investments, and distributing both in conformance with carefully determined priorities; implementing of active structural-investment policy and cooperating in this sphere with private enterprise; liberalizing the entry into business and supporting small business; improving modes of privatization; creating and strengthening of market institutions and their legislative framework; developing a social safety net, and so on.

It is not so easy, of course, to transform all the intentions into real actions. But the intentions point in the right direction and inspire some hope for a better future.

Russian Reform

VLADIMIR A. ISAYEV

The Guiding Conception

When the Russian government began implementing its plans in November 1991, the theoretical premises consisted, in general outline, of liberalization of the prices of almost all goods (except for fuel) and a tough financial policy. Along with this, it was intended to stop crediting the loss-making enterprises and to allow their bankruptcy, and to toughen the tax policy. The government planned maximum liberalization of economic activity, specifically on foreign markets, with a view to satiating the domestic market. The restructuring of the economy through military-to-civilian conversion and the elimination of monopolism of state enterprises, in conjunction with an agrarian reform, were designed to serve the same purpose.

The idea was that large-scale privatization of state property and an active social policy would compensate for the inevitable decline in production and the deterioration of the people's situation. Additional major moves could be an increase in the exchange rate of the ruble as a result of stringent financial restrictions and loans extended by the international economic organizations, and introduction of its internal convertibility. An influx of foreign investments could help overcome the lowest point of the economic slump and foster a rise in the main sectors of production.

Practical Measures

The rapid deterioration of the situation, caused by the rupture of economic links and the disintegration of the economy, which painfully affected ordinary people, induced the Russian leadership to take immediate actions. It is not fortuitous that the first team of reformers, headed by Gaidar, began to operate right away, without any clear and coherent program and without broad-based social and political support. Everything was done according to the widespread Russian tradition of acting at the eleventh hour, when there is no time to calculate the alternatives and one has to rely on intuition. The adoption by the economists-intellectuals of a reform strategy was actually an act of despair. It was impelled only by the conviction that it would soon be too late to save the country, and by faith in the exhausted populace who would endure one more trial on the road to economic health.

A tough, consistent financial policy was pursued only from early January 1992 till early March, when it became clear that prices were continuing to rise. This was largely a result of the independent policy of the Central Bank, which exceeded the limit of credits to the commercial banks threefold, and of the typical reaction of enterprises to the liberalization of prices: the industrial plants increased the prices of their products tenfold on average and continued to ship their products, though they had not been paid for. As a result, the sums of the nonpayments decoupled, and the bank transfers slowed down. The deficits continued to rock the economy, the dynamism of foreign-trade transactions did not improve, and the rate of the decline in the ruble's exchange rate continued to grow.

Realizing all this, many Russian and foreign economists recommended that changes be made in the economic policy. But the government did not pay due attention to the sufficiently forceful signals of the inadequate reaction of the national economy to the reforms, viewing this as a consequence of political and technical discrepancies but not as a manifestation of profound processes of rejection. Indeed, it was difficult

to demonstrate effectiveness of the reforms over such a short period of their operation. Besides, they were accompanied by sharp political confrontation and met fervent rejection by the opposition, and were disrupted by the power struggle which moved economic questions to the background. In this context, the government believed that the inhibitors of the reforms came from outside the economic sphere and hence continued its course of toughening the financial policy, annulling almost all export quotas and licenses and liberalizing fuel prices. However, under pressure by the opposition the government backed off from taking the latter measure and simply raised the prices of energy fourfold to sixfold in mid-May 1992. From that point the government's renunciation of the radical line became ever more evident.

From spring 1992, the population's cash incomes grew more rapidly than prices. By spring 1992, money emission had reached 26 percent. Enterprises began to reorientate their funds from the development of production to paying personnel. As a result, the shortage of cash was further aggravated, working people did not receive pay for several months, and the total sum of the defaults of payment exceeded one trillion rubles. The Central Bank channels became glutted with untreated payment documents.

Even within the government, dissensus set in concerning how to proceed further. Some ministers insisted on continuation of the present policy at all costs, including closure of many enterprises. Others advocated focusing on the structural problems of the economy and believed it was possible to extend additional credits to enterprises, thereby seeking to avoid paralysis of production and of the financial system including mass bankruptcies. The Central Bank, which opposed the government, eventually confused the situation with its credit policy. As a result, the government began to retreat from almost all its positions, largely in the face of a threat of strikes in the basic industries. There emerged a flow of resolutions on granting tax privileges to enterprises and regions. June 1992 saw the allocation of billion-ruble subsidies to the producers of

livestock products, the granting of 50 percent compensation to farms to purchase fuels and lubricants, and so on. Alterations, which considerably broadened the rights of the personnel of enterprises, were made in the state program of privatization for that year.

Although official statements were made on transition to the single exchange rate of the ruble, on its stabilization at the level of 80 rubles per dollar by August 1, on keeping inflation within a monthly limit of 10 percent, and on the limitation of credits extended by the Central Bank, events were already unfolding according to a different scenario. Inflationary crediting of the economy began, import duties were altered for the third time, and the money press began to operate at full capacity.

By autumn the average monthly increment in money supply reached 28 percent; in the last month of the summer of 1992 the amount of money in circulation jumped by 82 percent. This went parallel with the decline in industrial output. The credit emission and the mutual offset of nonpayments stimulated inflation. The galloping inflation was largely a result of the increase in the purchase prices of the grain of the new harvest and the new increase in the prices of oil and gas. As a result, inflationary expectations grew both among enterprises and amid the population, graphically illustrated by the outbursts of panic buying on the consumer market and the precipitous fall of the ruble's exchange rate. The spring of inflation, squeezed in early 1992, was released that autumn.

The state budget incomes increased appreciably in September-October, primarily due to the elimination of the enterprises' debt to the state budget after the completion of the offset of nonpayments and the increased sale of finished products. But this did not mark any major turn in activity of the Central Bank, and cash emission even reached a record figure. As a result, the dynamics of the main parameters of the state of the economy were determined practically for the entire year of 1993.

All this leads to the unequivocal conclusion that the economic policy that was declared in late 1991 failed. None of the projected aims was attained: instead of financial stabilization the country witnessed a nearly

hundredfold growth of prices during one year, the inflation rate rose and kept rising, a stable exchange rate of the ruble remained a dream, the country's foreign economic situation was deplorable (only the oil export and the delays of foreign-debt payments saved it from complete collapse), not a single enterprise went bankrupt, and the scale of privatization was below the target by several orders of magnitude. This sorry list of errors and failures can easily be extended.

It is only natural to ask: why did the policy of liberalization and financial stabilization, on which so many hopes were pinned at the beginning of 1992, end up so badly?

Two mutually exclusive answers to this question are popular today. The first is that the young ministers yielded to the "political pressure of the conservative forces" and to the "military-industrial lobby" and made concessions. In short, they allegedly proved deficient in courage and allegiance to their principles; if they had adhered to their policy line they could have prevailed and stabilization of the economy would now be in sight. These views were not shared only by the radical-minded part of the Russian parliament but also by some foreign advisors of the government, specifically G. Sax, D. Lipton, and A. Oslund. Another extreme interpretation involves complete rejection of the methods of tough financial policy as unacceptable, in advance, for the Russian economy because of its specific character, and the search for malicious intentions by the president, the government, and the IMF who allegedly intended to "demolish great Russia." In my view, both of these highly simplified schemes make it hard to discern the key difficulties and objective errors and hence to take due account of them in the future.

Causes of Failure

It is clear that the causes of the government's policy are diverse and lie in the exceptional complexity of Russia's economic situation, and in political and psychological factors that must be surmounted if reform is to succeed.

In actuality, from the very beginning the chances of the Russian variant of shock therapy were poor, since the most important prerequisites for pursuing such a policy did not exist. Specifically, the government was not in a position to control the borders of Russia and the circulation of the currency which it intended to stabilize. One should recall here the paradoxical character of the situation: as before, all former Soviet republics, which had become independent states, used the Russian ruble as a unit of payment, yet as a result of the absence of borders among these republics, billions of unaccounted rubles were supplied to the Russian market. The populace of other republics “discharged” them in Russia, expecting introduction of local national currencies in their own republics. Furthermore, after the disintegration of the USSR the government lacked any effective apparatus of administration and management, and many decisions were made without proper analysis and preparation. There was no consideration and calculation of alternative paths of development. In a number of fields, the weak hopes for successful economic changes were linked primarily to the unique political situation: the population’s trust in the Russian authorities after the foiling of the August 1991 putsch, its respect for Boris Yeltsin, its readiness for reforms, the absence of any organized opposition at that time, and the weakness of the trade unions. In essence, the government received *carte blanche* in the form of a reserve of time for determining and adjusting its course, and began operating in an atmosphere of approval. The euphoria of that time, the naive faith in the ability to overcome all at once difficulties that had accumulated for decades, actually made it all the harder to get through the transitional period. In this situation, alternatives to the planned economic activity were rejected as time-consuming and ineffective. Such alternatives did, however, exist; one of them was the idea of deliberately “releasing” inflation in order to solve some macroeconomic problems, in tandem with the preparation and launching of an anti-inflation stabilization program after nine to ten months, using “soft” money reform, and so on.

Nevertheless, the government opted for the most radical path of reforms; yet the methods to carry them out remained purely Russian. The tactical mistakes of Nikolai Ryzhkov's government, which operated under USSR President Mikhail Gorbachev, were repeated. For instance, in keeping with tradition, President Yeltsin informed the population of the forthcoming rise in prices two months before its surmised introduction, thereby provoking panic buying on all markets. The announcement of the forthcoming fivefold rise in fuel prices spurred the inflationary expectations of the managers of enterprises, who immediately set (with a large reserve) the new scale of expenditures in the prices of their products. Major mistakes were also made in the regulation of the prices of the staple foods from the budget funds. Responsibility for this was delegated to regions, which fell short of the projected output of dairy products and let the milk-cow population be slaughtered, being unwilling to deal with the loss-making production. The policy of lifting restrictions on the growth of incomes was also extremely unsuccessful. It immediately diminished the chances of financial stabilization, which were poor enough at that time. The growth of prices by many times was compensated to the population by a mere 30 percent; the dramatic drop in the population's incomes actually made it impossible to solve the problem of containing the further growth of the prices of consumer goods and became the main cause of the reduction of output and of the diminution of turnover of retail goods.

The government's agreement, against this background, to increase the miners' pay by three times ceding to the threat of strikes only aggravated the situation. This was immediately followed by threats of strikes by airmen, transport workers, and so on. The government had no recourse but to raise their pay, printing unbacked banknotes and thereby stimulating inflation. Extreme measures were taken to contain the growth of the population's cash incomes: for instance, the personnel of the budgetary sphere went without their pay for several months.

Moreover, all attempts to limit money supply encountered the crucial problem of accessibility of the "gratis" credits, even if they were

granted at the rates of the interbank credit market. The enterprises constantly had access to even cheaper centralized credits. But no centralized limits of crediting, which could really have limited money in circulation, were established.

In seeking possible ways to regulate foreign trade activity, the use of trial and error was common. The new regime of levying export duties and distributing export quotas simply paralyzed foreign trade, since the contracts had been concluded long before. It soon became necessary to change this procedure, for the third time in six months. Needless to say, the continual changes of the terms adversely affected the functioning of the Russian foreign trade organizations, and hence the incomes of the state. Apropos, the new government altered these terms once again in March 1993.

The failure of the stabilization program is explained also by political factors. The sharply averse attitude to the reforms, once they came into force, by parliament and the rightist opposition became a major factor in hampering them. The opponents of the reforms mainly highlighted their failure from the social standpoint, which had already led to the impoverishment of the masses at the early stage of their implementation. At the same time, the economic essence of the reforms was undermined and their possible positive effects were denied. The escalation of antireform hysteria also contributed, itself, to the failure of the reforms at the initial stage.

Furthermore, the conservative parliament did not give a free hand to private entrepreneurship in the production sphere, which would have helped in easing the commodity deficit. The granting of guarantees to foreign investments in the Russian economy was not legislatively formalized. The peasants did not receive land in ownership for farming activities on their own.

By and large, those who are wary of any innovations which could undo the socialist gains of the past have been making a strong case. The list of these socialist gains includes the pay-leveling principle which is

avored by many, a measure of social cohesion, and habitual norms which provide social protection. Thus many wish to hinder the process, especially because the movement toward a free market is maintained only by political will, whereas its real basis, the middle class, is still only being built in Russia. Such elements of a market economy as exchanges, commercial banks, and other structures are still weak, uncoordinated, and sometimes semicriminal. Their main task is to make money, and it is only in keeping with this that they ensure unstable market links. Private initiative does not manifest itself in production but in orgies of speculation.

The performance of the infrastructure and the information networks, those arteries of the market economy, continues to deteriorate, hampering the movement of money, goods, and people. As a result, the Russian market is becoming saturated with Western products which supplant Russian ones, the ruble is being pressed by the dollar, and the consumption sphere has been narrowing. Privatization is retarded in this country because of the long deliberations as to how to implement it. It is difficult for the new forms of ownership to make their way. Time is squandered in debates between the government and the parliament on each economic move, leading to the marking of time when decisive action is needed.

The psychological attitude toward the reforms is also of paramount importance. It is very difficult to attempt to replace all the major elements of the former Soviet economy, and not only because Russia is an immense country with clumsy executive mechanisms and powerful bureaucratized administrative structures. There also exist stresses, including fear of a market economy which was denigrated for decades. It is the bureaucracy itself that fears market relations most of all; it would have no role to play in such relations because the market economy is a self-regulating system. The marginal and idle parts of the populace also reject a market economy in principle because they are not accustomed to working, and especially earning, much. The illegal economic structures are orientated to survival exclusively in the context of the socialist economic system, i.e., they are accustomed to robbing the state but have little ability, if any, to organize

effective and large-scale production on market principles. It is only the masses of ordinary people who have not lost common sense, though they are not unanimous on the issue of the market economy. For all that, the April 1993 referendum showed that people are not excessively apprehensive of difficulties. The already-endured privations have hardened the people but have not ruined their hopes for a better future. Notwithstanding how this faith was exploited in the past, at every historical turning the Russian people have proved strong enough to believe in state authority once again and to tighten their belts in anticipation of change. This strength among the people is probably the best guarantor of future changes for the better in Russia.

The Current Economic Situation

The present situation in the economy is, by and large, a result of long-term negative processes stemming from the nonmarket character of the Soviet economy. The emergence of crisis conditions is hardly a consequence of the actions of the first reformist cabinet but reflects the large-scale structural deformations inherited from the epoch of socialist transformation. It was clear, therefore, that the new government of Viktor Chernomyrdin would encounter difficulties whose real roots are understood only by knowledgeable economists.

To be sure, it is difficult to put a quick halt to a crisis which has gained momentum. This momentum can be seen in the produced national income, in the further reduction of the overall volumes of investments, in the decline in the investment activity of enterprises, and in the diminution of the import of raw and other materials and equipment. One of the main factors behind the decline in production—the rupture of the traditional economic relations with the former Soviet and the East European countries—persists. Furthermore, the new sovereign states have begun introducing their own currencies, and Russia has had to switch over to the

system of correspondent accounts at the central banks in the arrangements with them.

The accumulated crisis energy has had a tangible impact on the scale of the reduction in the output of consumer goods. The structure of the economy has changed in favor of the fuel and energy complex and metallurgy, whereas the enterprises of the light and food industries and the communal-service establishments have reduced their output by 25-35 percent on average. After all, the limitation of the population's solvent demand affected primarily these branches, which led to the accumulation of additional problems in the other links of the production chains.

The acceleration of the inflationary processes is another major feature of the current economic situation. The powerful waves of inflation of production costs, linked first of all with the rise in the prices of fuel and energy, coincided with the growth of money in circulation, i.e., with inflation of demand. Added to this was the devaluation of the ruble on the foreign-currency market. All this has resulted in the growth of consumer prices at the end of 1992 and at the beginning of this year by more than 2,800 percent. Moreover, the availability of sizable free resources in the correspondent accounts of the commercial banks and the preservation of a low interest rate even in the interbank credit market confirm the conclusion that surplus money, ready to emerge at the consumer market at any moment, has been accumulating in the Russian economy anew. In short, the country's economy is apparently heading for superinflation.

The reduction of the output of consumer goods in conjunction with the high inflation rates has caused a considerable decline, not less than by one-third, in the real living standards of the population. The absence of a clear and coherent social program has made it impossible to distribute the hardship more evenly among different social strata, which results in the growing polarization of incomes and in the substantial impoverishment of certain elements of the population—pensioners, large families, invalids, and even those who work in the budgetary sphere.

Regrettably, no substantial shifts in the drafting of economic legislation have been registered so far. The recent adoption of an amendment to the law on privatization and the new law on bankruptcy are not only belated but also diluted by compromise. That is why creation of a package of interlinked legislative acts for regulating economic relations remains a pressing need.

As before, there is no system of guarantees for foreign investments, just as there is no alternative system of purchases of agricultural products, primarily grain. In the context of the preservation of the structural deformations and the flaws in legislation, the weakening of the role of the state as the regulator of the economy intensifies anarchy in economic relations and serves to expand the sphere of the black market. The possibilities of receiving a credit, foreign-trade transactions, and privatization of real estate are still painful problems in this regard.

For all that, against the dispiriting background of economic life, there are gleams of hope, weak but discernible tendencies toward overcoming the slump in some fields. Industrial output has slightly stabilized, in agriculture the tendency to a reduction of the areas under crops has halted, and the rates of housing construction are not declining. Such evidence is very poor, and the crisis is still far from being surmounted in the vital spheres, but one may hope that these are modest beginnings of future changes. The unstable equilibrium of separate economic indicators must not be regarded as a marked tendency to termination of the decline in production and the beginning of the transition to a phase of restoration of the economy. For the time being, Russia's reproductive mechanisms will not gain momentum, and the grave difficulties in the people's life will persist.

What Lies Ahead?

Today the population of Russia is worried about whether there is any hope for stabilization of the economic situation in the near future. Will the

government headed by Chernomyrdin achieve positive results? There can be no unequivocal answer to this question; the crisis situation is characterized by too many unpredictable elements. It is clear, however, that it is impossible to emerge from the crisis before the political confrontation between the executive and legislative branches is allayed. Their rivalry is further damaging the economy; it hampers concentration on stabilization measures, rational direction of economic processes, and full restoration of intersectoral and economic relations in the changing conditions.

Social peace and order are also an indispensable element, and a factor for restoring the efficiency, of Russia's economic organism. Separatism and bellicose nationalism cannot now be tolerated when the destiny of democratic Russia is at stake. Nor are the strikes and shows of strength by the trade unions, which can tear the thin threads linking the production process, the right means to resolve the social questions.

However, it is the economy, including the processes which are accelerated or contained by those responsible for decision making, that is decisive. The earliest possible curbing of inflation would be the greatest boon to the society as a whole, and should be the highest priority in Russia's present economic policy. The government, in its program, seems to recognize this, and has already stated that over the next few months the inflationary wave should be suppressed. There is also a measure which must become, if not a panacea, at least a major aspect of the anti-inflation measures: the government intends to stop granting technical ruble credits to the former Soviet republics in order to stop the pumping of "empty" money into the economy. Control over the credit emission and the cash in circulation is also a major element of the struggle for economic recovery.

The achievement of such a recovery, free of political advances by the anti-reform opposition and despite pressures from all strata of the population, is a difficult task, especially in the current heated atmosphere of Russia. But it is only such an economically sober approach that can stabilize the situation, strengthen the ruble, and enable implementation of

a real program of assistance to the socially weakened groups. The attainment of these objectives, which can mark the beginning of the restoration of Russia, will require mobilization of all the forces of society, and of statesmanship by politicians of different orientations.

Russia Between East and West

VLADIMIR RYBAKOV

Steps and initiatives recently undertaken by Russia (including active involvement in the conflict in Bosnia) pose several questions. Are we witnessing a shift or even major changes in Russian foreign policy, and to what extent? Is so, what is the motivation for these changes? In what direction is Russian policy moving?

In my view, the answer to the first question is affirmative, whether geopolitical causes or factors related to the political rise of Zhirinovskiy are responsible. In trying to understand the real underlying motives of Russian foreign policy, the most important thing to take into account is the political power struggle within Russia.

This assertion rests on several assumptions. First, Perestroika itself as well as its logic have stemmed not from the lower classes but from the ruling class, consisting of groups differing by region, profession, age, and so on and supported by the democratically minded intelligentsia. The latter are generally ideologists who bitterly criticized the old system and propounded the necessity of its transformation, whereas the real "motor" was a large part of the ruling class represented by the so-called *khozyistvenniki* (economic managers, directors of plants, *kolhozes*, etc.) that sought to abolish communist controls on their aspirations for higher living standards.

Second, the well-being (or "size of the piece of pie") of a person within any state totalitarian, and to some extent authoritarian, system is strictly dependent on that person's status and position in the hierarchical structure of political power. In practice, this means that the closer one is

to the top level of such a hierarchical pyramid, the larger the piece of pie one receives.

Third, any state totalitarian system has only two possibilities of being transformed. The first is that the top political level begins (while preserving strict control over the existing political structure) to diversify the previous state ownership into different, independent economic agents who will eventually form the framework for further political transformation of the system. This is the most efficient and least expensive mode of transformation of such a system. Evidence is seen in the Chinese economic reforms, which, according to the World Bank's estimates, have made China one of the most rapidly developing economies with an expected annual growth rate of not less than 10 percent over the next 50 years.

The second scenario is diametrically opposite, and involves the gradual erosion of the political power structure. In practice this stimulates not real but quasi-economic reform, resulting from an intense power struggle among different parts of the ruling class as the most politically, socially, and economically active sector of the society. The purpose of such a struggle is redistribution of the national "pie."

This scenario corresponds to the situation in the former USSR under Gorbachev, which undoubtedly led to the dissolution of the Soviet Union. The putsch of August 1991 and its outcome were logical from all points of view. The events only accelerated a process that had been going on underground, leading the groups struggling for power to attempt a decisive blow at the "center." Most of the republics, headed by former party and Soviet *nomenklatura*, have raised the flags of nationalism and proclaimed themselves independent, which really means separating their "pie" from the center and coloring it blue, yellow, green, and so on. This was done easily in the republics, but not so in Russia where a coalition of forces was led by Yeltsin in his struggle against the center.

There were several reasons why the task was harder in Russia. First, Russia as a multinational republic was highly unlikely to accept nationalism of any sort without addressing the issue of the Russian-speaking center.

Second, Yeltsin could not utilize nationalism, since he was afraid of alienating democratically minded supporters who composed a significant part of his coalition, in particular among the intelligentsia.

Third, if he had espoused the cause of Russian nationalism, Yeltsin would undoubtedly have provoked suspicions among his political allies in the struggle against the center—Ukraine and Byelorussia, which were very anxious about expressions of Russian nationalism.

Fourth, since Yeltsin waged a fight against the center, which had been personified by Gorbachev, he had to take into account probable Western reactions to nationalist slogans. Western support for Yeltsin was a crucial element in his struggle for power in Russia, as the latter was for the most part unprepared for sovereignty. Except for the Russian parliament and presidency, Russian power structures in the country were lacking. Traditionally, political structures of the center dominated the Republic and wielded the real economic leverage, so that later, after the August putsch, the most vigorous resistance to Yeltsin's coalition was mounted by former party and soviet *nomenklatura* as well as the leadership of the military-industrial complex.

Thus, in order to prevail what Yeltsin had to do was use the slogan of economic reform in his struggle against the conservative center. This helped him to assemble a wide coalition of forces and obtain Western support.

The question arises why Gaidar was chosen as the head of the Russian government. In my opinion, the reason is that for the most part Gaidar fit in with both of Yeltsin's main political goals: to create new structures of political power and to obtain Western political and economic support. Gaidar himself represented "new blood," a younger generation. He came from the ranks of the *nomenklatura*, but this meant that he was well known in the West as a reformist, while being perfectly familiar with the rules of the game. Moreover, Gaidar had nothing to propose for a program of economic reform except the immediate liberalization of prices, which accorded with the above-mentioned goals of Yeltsin. On the

one hand, by liberalizing prices Yeltsin sought to undermine the economic positions and political influence of his political adversaries—party, soviet, *nomenklatura*, and elite circles closely connected with the former center, and to replace them with his own supporters, thereby creating new political and economic elites and hence a new political structure in Russia. On the other hand, the liberalization of prices was meant to demonstrate to the West Yeltsin's radicalism and seriousness about economic reform.

The Russian foreign policy course of that period derived from the project of replacing the previous structures of political power with those of a new Russia. Thus, Russian foreign policy concentrated on nearer regions and on forging a strategic alliance with the West, and in particular the United States. Many political, economic, and military concessions made by Russia to the West had to be converted into Western aid and assistance, which among other things would help Yeltsin to suppress his opponents and to counteract social frustration. The intensified negotiations with Japan on territorial issues consisted purely of bargaining according to the formula of land for aid and assistance. China was mainly regarded as a weak economic partner and even an ideological adversary, as was stated by Russian Foreign Minister Kozyrev during his visit to this country early in 1992.

Yeltsin has indeed mainly achieved both of his goals. But since completion of the first stage of restructuring political power in Russia, new factors have begun to operate in the Russian political arena, so that by late 1993 the previous "working formula" of Russian foreign policy had become almost unworkable. The growing social frustration and public disappointment with the so-called economic reform inevitably strengthened the position of Yeltsin's opponents and finally caused the split, in late 1992, within Yeltsin's coalition that involved even the democratically minded intelligentsia. This new stage of power struggle resulted in the events of October 1993 and the victory of the presidential power structure as the dominant one. This has been ratified by a new Russian constitution, adopted by referendum during the December

elections, and by a new framework for the relationship between the president and the newly elected parliament.

Still, one has to bear in mind that creating a skeleton of power structures is not enough to ensure the preservation of power by President Yeltsin. That requires developing the muscles for such a skeleton, which Yeltsin cannot do without taking into consideration new challenges to his power.

As noted, the growing economic depression and social frustration have strengthened the political opposition, and most importantly of a new kind—the Liberal Democratic Party led by Vladimir Zhirinovskiy, along with the communists, the agrarian bloc, and so on. The results of the April 1993 referendum, which could hardly be considered a victory for any of the sides, the general social and political indifference of the public toward both of the branches of political power during the October 1993 events, and the outcome of the December 1993 elections with a real victory for Zhirinovskiy's party have vividly demonstrated a dramatic decline in the popularity of Yeltsin and the so-called democratic reformers.

At the same time, a wider scale of opposition, including among the regional heads, and specifically a new type of it based on growing nationalism, suggest that it is highly unlikely Yeltsin will have another chance to bombard the Kremlin, and more likely that the opposition led by Zhirinovskiy will do so. Such an assumption is based not even on the attitude of the public and of the regional heads, who supported the parliament during the October 1993 events, but on the prevailing mood in the army. The latter has indicated its mood twice: once in October 1993 when it took a neutral stance (none of the divisions outside Moscow showed an inclination to support either of the sides), and another time when it voted for Zhirinovskiy's LDP (according to estimates, about 70 percent of the military staff voted LDP).

Another important factor is that Yeltsin has realized that Western promises of support are not backed by real willingness and practical

measures. Thus, the strategic alliance with the West has not proved sufficient to preserve his political power under current circumstances.

Such new realities pose several imperatives for Yeltsin both domestically and externally, which were rather vividly formulated in his report to the parliament. On the domestic level, the new government needs to make some major revisions in the strategy of economic reform. The reform would have to become much more socially oriented and, even more important, to take into account the economic interests of the most influential elite groups such as the agrarian lobby, directors of the industrial plants including some parts of the military-industrial complex, regional heads, and so on.

Politically, what is called for is a real reshuffle within the ruling groups, paving the way to a new coalition of forces that, in my view, would enable creation of a sort of authoritarian regime based on a partial consensus of the most important elite groups.

Such a shift was indeed initiated early in the spring of 1993. Within this context, the resignation of Gaidar at that time was logical rather than a sort of maneuver. His return to the government in October 1993 was more a signal to the West, which was anxious about the political developments in Russia, than a result of any real desire by Yeltsin to reappoint him. Thus, in the December elections Gaidar made a desperate but doomed attempt to acquire a political backing. His decision, therefore, to resign from the new government of Chernomyrdin appears reasonable. Otherwise, some months later he would have been presented as a scapegoat and blamed for all mistakes and problems.

On the other side, Zhirinovsky's victory in the elections played a positive role with respect to forging a new coalition of forces under Yeltsin. Zhirinovsky's victory has indeed catalyzed such a process, impelling not only Yeltsin but also his opponents to seek a consensus on the basis of choosing the lesser evil among the two.

What are the implications of this situation on the external level?

To begin with, the new Russian government needs to accomplish a major shift to self-reliance in economic policy, involving new approaches and new perceptions of the external realities. This would mean seeking restoration of the traditional markets and economic ties that form the European part of Russia's nearer environment, including Byelorussia, Ukraine, the Baltic republics, as well as East European countries—a zone of vital Russian interest.

Politically speaking, Moscow must persuade the leadership and public opinion of these countries of the nonaggressive character of its foreign policy toward them as well as propose some guarantees for their security. In order to demonstrate such an orientation and at the same time a capacity, Moscow has played a more active role in the Yugoslavian conflict, and this was followed immediately by Foreign Minister Kozynev's visits to "Vyshegradsk's four" (i.e., Poland, Hungary, Czechoslovakia, and Slovakia) and his statement of Russia's perceptions of the European security system in the opening session of the Russian-Polish conference on the bilateral relationship on February 23, 1994.

To regard this part of the European neighborhood as a zone of Russian interest while still not rejecting the strategic alliance with the West implies, in my view, developing a more West European orientation of Russian foreign policy in comparison to the previous pro-American one. On the one hand, a disappointment with the Russian-American relationship has arisen, stemming from an incongruity between America's promises and its ability and willingness to back them up with practical measures, and on the other, the need to make some concessions to the growing nationalism within Russia compels the new government into partial rethinking of the Russian-American relationship. Having no choice but to cooperate with the United States on the global level regarding the nuclear weaponry issue, Moscow would undoubtedly prefer much more pragmatic ways of conducting this relationship at the lower levels. This involves not only such an area as arms sales policy (according to estimates made by former Secretary Uri Skokov, the

volume of arms sales had dropped dramatically from \$40 billion in the late 1980s to \$3 billion in 1992; see *Pravda*, July 22, 1993) but also the necessity of perceiving the world as a multipolar system.

Such a perception of the new world realities in the post-Cold War era transcends Russia's relationship with the West in general and with the U.S. in particular, encompassing also the Far Eastern region, where a new balance of power can be expected to emerge characterized by growing influence of Japan, China, and South Korea alongside that of a traditional key player, the United States. Although it has clearly become impossible to find a compromise in the near future between Russia and Japan on the

territorial issue, the significance of China and South Korea will rapidly increase. Moreover, Russia's new geopolitical status, together with the growing economic potential of China and China's evolving relationship with the United States, pose a need for the new Russian government to reconsider the international context with respect to China and the Far Eastern region in general.

Overall, in the short and medium term Russian foreign policy faces real and serious challenges. Although a return by Russia to the confrontational stance of the Cold War is highly unlikely, Russia's foreign policy is moving toward more definitive formulation of the national interests, based not only on the current internal situation but on the realities of Russia's new geopolitical status.

Russia and the South

ALEXANDER UMNNOV

Not so long ago it was very simple to indicate Russia and the Middle East geographically. The word Russia was indeed a synonym for the Soviet Union, and "Middle East" referred to a number of countries situated south of the USSR. Today, however, the matter is not so simple. In the territory of the former Soviet Union about fifteen independent states are now in the making, and Russia is only one of them. At the same time that "Russia" is contracting, the Middle East is expanding. Recent developments in Central Asia and Transcaucasia force us to remember that in past centuries these areas were generally regarded as part and parcel of the Middle East.

What may occur in this Greater Middle East after the final withdrawal of Russia from Central Asia and Transcaucasia? What political processes are likely to prevail? Which tendencies should Moscow encourage, worry about, or oppose?

It seems to me that the understanding of these problems in our own country lags behind the demands of the time. So far, instead of real analysis of the subject one usually encounters myths, which may be of some use to journalists but mislead politicians.

Before offering my view of the overall situation, I would like to focus on the alleged threat posed by political Islam and Pan-Turkism. In regard to the former, it is believed that tensions in Central Asia and Transcaucasia that are increasing as Russia withdraws, a complicated confessional situation in Transcaucasia where most of the population maintain deep-rooted Islamic traditions, the inherent inability of the local ruling circles to manage without the help of Moscow, the influence of Iran and

Afghanistan—all these will lead to the formation of an integral state, united by the Islamic religion. Under the influence of this state, it is believed, the Muslim enclaves within the Russian Federation will eventually undermine Russia itself.

How well grounded is this notion? The collapse of the totalitarian structures—in particular the Communist ideology, the integral part of which is atheism—will undoubtedly strengthen the influence of Islam in Central Asia and Transcaucasia. Yet the expectation that this will lead to the creation of a united Muslim state is hardly reasonable. Since the ninth century, no such state has existed. Meanwhile, the spread of Islam has always increased and not decreased the number of separate Islamic states. Moreover, there is no such a thing as a single, integral Islam. Within the framework of Islam there are various trends that often conflict with one another, making it almost impossible for their respective adherents to unite.

Islamic fundamentalism cannot unite Muslims, since the visions of fundamentalists of one trend usually sharply differ from the visions of those of other trends. The years of Soviet rule reduced Islam almost exclusively to a “household” religion, fostering the illusion of its unity. In reality, however, with the growing Islamization of local communities these contradictions, though not discernible to non-Muslims, will come to play a prominent role in various spheres, including politics. Therefore, Islamization is more likely to alienate Muslim states from each other than to promote their integration.

In my view, then, the collapse of the Soviet Union will not be a boost for realization of the Pan-Islamist ideal.

Similarly, Pan-Turkism is alleged to be an insuperable tendency to create, under the leadership of Turkey, an integral state of all Turks from the Balkans to Yakutia, facilitated by the fact that the overwhelming majority of former Soviet Muslims are of Turkish extraction. This assumption, however, is faulty for three main reasons.

First, there are no grounds to believe that Turks have a greater immanent potential for a political alliance than do Slavs, Anglo-Saxons, or Arabs.

Second, the process of Islamization will inevitably accentuate the differences between the Turkic countries and will bring about major changes in the geopolitical vision of Pan-Turkism. Thus, if earlier Armenia and Iran were regarded as obstacles to uniting Turks from Asia Minor, Caucasia? and Central Asia, Islamization may now result in these countries being joined by Azerbaijan, whose Shiite tradition sharply differs from the Sunni that holds sway in all other Turkish states. Besides, the Sunni trend of Islam among various peoples has some peculiar features, embodied in sayings such as "When a Turkman is saying his prayers, an Uzbek is spitting."

Third, it is highly implausible that today's Turkey would be ready to assume such an integrating Pan-Turkish role. The very model that enabled Ankara to make considerable progress is based on the rejection of Pan-Turkism.

It seems to me, therefore, that neither Pan-Islamism nor Pan-Turkism can become a real force in the Middle East; hence these bogeys should not be guidelines for Russia in the region. There is, however, a real threat from the south and it arises not from political Islam or from Pan-Turkism but from the internal policy of the former Soviet Union—namely, the ethnic policy of Lenin and Stalin, which was praised even by many opponents of the communist regime. At first glance this policy seemed very progressive: an ethnic group, supposedly in accordance with its socioeconomic level, was given a union republic, autonomous republic, or ethnic district status. But in reality this system, like other communist innovations, created a potentially too dangerous situation, especially in Central Asia and Transcaucasia. Before the October Revolution, ethnic consciousness there was weak and fragmented; regional and clannish ties prevailed. The only exception, owing to their historical plight, was perhaps the Armenians. This traditional relationship was preserved in

these areas under tsarist Russia, but was completely destroyed under communism. The motivations of the new system's proponents were not idealistic. A totalitarian regime ruling such a vast and polyethnic entity as the former Russian Empire needed enhanced means of control over society. The old, traditional system, being usually self-sufficient, had prevented penetration of the state into the depths of society. But the new system, created by the communist regime and dependent on it, was a completely different matter. The new ethnic pyramid (union republic, autonomous republic, ethnic district, with varying rights and obligations) was in fact a product of a neotraditional intercommunal system, but instead of being natural as before the October Revolution it was completely artificial.

As Professor Avineri rightly observed, Russian communists continued the traditional Russian policy of centralization. But crossing a certain line may bring opposite results to those desired. This, in my view, occurred in the Soviet Union. Proclaiming the formation of a new historical entity, the Soviet people, the communist regime in reality hampered it. The fact that an individual's identification with a certain social, regional, or ethnic group very strictly determined his fate led to the creation of a peculiar castelike system. Hence, in reality the totalitarian regime produced not only integration but also disintegration. The more serious economic, social, and ecologic problems in the Soviet Union became, the stronger became disintegrative tendencies. After the collapse of the USSR such tendencies came out into the open in Tajikistan, Georgia, and partly in Azerbaijan. But other former Soviet republics of Central Asia did not turn out to be immune. In other words, a huge ethnic Chernobyl came into being. Because of the Russian-speaking population in these areas and the lack of properly established borders of Russia itself, the situation poses a serious problem for Moscow but perhaps even a more serious one for the Middle East, and especially for Afghanistan, Pakistan, Iran, and to a lesser extent Turkey. The national integration of these countries is under serious challenge from internal tensions. If the Central Asian and Transcaucasian

republics go further on the path of disintegration, it will no doubt stimulate similar processes in the Middle East. This is now, in my view, one of the main problems facing Moscow, which bears historical responsibility for its previous policies in these areas. It is this responsibility, and not imperial ambitions, that lay behind the Russian military and economic presence in Tajikistan and Georgia. Purely practical considerations as well as moral commitments require that Moscow, on leaving Central Asia and Transcaucasia, do its utmost to prevent the transformation of these areas, or at least a sizable part of them, into an ethnic Chernobyl.

In his book *Last March to the South*, Mr. Zhirinovsky stresses the necessity for Russia, Central Asia, Transcaucasia, Afghanistan, Iran, Turkey, and Pakistan (although the latter is not mentioned, but a projected Russian-Indian border indicates that it is also in the picture) to unite in one Greater Russian state in which all ethnic administrative entities would be abolished. Zhirinovsky's concepts are of course fantastic, adventurous, and extremist, yet nonetheless they are worth serious consideration, for two main reasons.

First, Zhirinovsky's outlook grew from the soil of a real problem, namely, that of national integration of the Greater Middle East, which, because of the problem of the Russian-speaking population in Central Asia and Transcaucasia together with the lack of properly established borders of Russia itself, is to some extent not only an external but also an internal issue for Moscow.

Second, Zhirinovsky's doctrine, despite its fantastic character, points in the actual main direction of Russian interest in the Middle East today: i.e., not the Arab but the non-Arab part of the region.

With respect to Zhirinovsky's views on the Arab-Israeli conflict, in an interview granted him by an Arab newspaper and republished in the Russian democratic press (*Nezavisimaia gazeta*, 25 July 1991, p. 8), he stressed the necessity for the Palestinian Arabs and Israel to resolve their conflict on the basis of existing realities and not on the basis of return to the past borders. Moreover, he expressed his vigorous opposition to the

involvement of other Arab countries in this conflict. For a friend of Saddam Hussein, such a stance seems quite quizzical.

There is a widespread belief that the foreign policy of the Russian communists was to some extent a continuation of the foreign policy of tzarist Russia. Perhaps the central place of the non-Arab part of the Middle East in Zhirinovsky's doctrine is a logical reflection of the shift in Russian interests in the region that began with the Camp David accords.

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