

**RAND/UCLA  
Center for Soviet Studies**

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RUSSIA AND HER NEIGHBORS

Symposium Report

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**RAND**



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## **OPENING REMARKS**

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At the CSS symposium held one year before, participants examined the role of the USSR in a new world order. At the time, the foreign policy stance of the Soviet Union seemed an important issue to address. The extraordinarily cooperative stance assumed by Moscow during the Gulf War seemed to indicate that severe internal economic and political conflicts were reshaping that country's foreign policy stance. Now the new world order has become an increasingly complicated concept, having undergone fundamental changes in the wake of the August coup attempt, the subsequent collapse of the Soviet regime, and the formation of the CIS. The CSS symposium held in the fall of 1991 examined the economic problems of successor states, focusing on the deepening crisis and mounting suffering of people after the failure of the Soviet experiment.

At this session, participants turned their attention to other consequences of the collapse of the Soviet Union. Presenting their views on security, politics, economics, and social problems facing citizens of the former USSR were Alexei Arbatov of the Foreign Policy Association, Perry Anderson, Professor of History and Sociology, UCLA, and Professor Axel Leijonhufvud, Chairman, Department of Economics, UCLA.

## SECURITY ISSUES IN SOVIET SUCCESSOR STATES

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At no time before has U.S. policy had the potential to wield such influence over Russian policies. The prize for developing and implementing good policies in this area has never been richer, while the risk of failure resulting from lost opportunities is also at a high point. This is because the dramatic changes that have taken place since August 1991 present the relevant players with new opportunities for arms control and the prevention of nuclear proliferation. Actions taken by Russia and the United States will have to take into account the tremendous uncertainty created by conflict and tensions among CIS states.

During this transitional period, there are several problematic issues related to management of the nuclear situation. First, the destiny of the START treaty is no longer certain; while it may not be radical enough to suit the present situation, it is, nevertheless, the first and only treaty signed by both sides after 22 years of negotiation. Consequently, it is the only agreement that stands a chance of becoming valid and binding in the foreseeable future. Additionally, the prospect of splitting Soviet strategic nuclear forces among the four states on whose territory they are located is fraught with danger. Of the approximately 10,000 nuclear warheads that make up these forces, 73 percent are located on the territory of Russia, 13.5 percent in Ukraine, 13 percent in Kazakhstan, and 0.5 percent in Belarus. Thus, if the arsenal is divided according to its present deployment, Ukraine and Kazakhstan become the third and fourth largest world nuclear powers, ahead of Great Britain and China. This will create instability among the five existing nuclear powers, perhaps stopping the arms control process and accelerating nuclear proliferation throughout the world. Splitting forces is also least desirable from the standpoint of safety, the robustness of maintenance, and protection from accidental launch, all of which become questionable under these conditions.

The tensions among CIS states over nuclear weapons on their territories had their origins earlier than the collapse of the Soviet union. Long before its collapse, the central government had the opportunity to remove the nuclear issue from the agenda. A proposal was made in advance of the dissolution of the USSR to remove nuclear forces from territories of other republics. Representatives of the military and their supporters in the central government refused; they wanted to use this as a lever to preserve the Soviet empire and its power. The failure of this strategy and the resulting fallout can now be observed: when the issue reappeared on the agenda of interrepublican relations, it became the focal point of contradictions among them.

Thus, this early hope for rearrangement of republican relations, especially with regard to the nuclear issue, was not realized, leading to increased conflict over territorial and defense issues. This failure of the Soviet regime was then followed by initial miscalculation on the part of the new Russian leadership. It stood as the liberator, having brought down the Soviet empire; this provided an excellent opportunity to change the nature of its relations with the other new states. Russia promptly lost this opportunity by raising the question of territorial boundaries, as well as issues of national minorities in successor states.

Nationalist forces in the republics could not help but react negatively, especially in those states with nuclear forces. For their part, Russian nationalists are now manipulating the issue of tensions with other republics in order to regain power, while in other republics, opposition groups are trying to overthrow moderate leaders using nationalist slogans to assert their claim to nuclear forces on republican territory.

The attempt to create unified CIS armed forces and strategic forces has had somewhat paradoxical results. The other CIS states consider combined armed forces to actually be Russian-controlled forces, and regard nuclear forces deployed on their territories as Russian as well, all under Yeltsin's command. In reality, CIS forces are not Russian, nor are they subordinated to Yeltsin. According to the treaties currently in force, these structures are subordinated to the CIS and its leaders. But this leads to a situation where, when CIS leaders are in conflict, the forces are subordinated to no one.

Sharing armed forces is further complicated by the absence of agreement on military policy and doctrine. Working out strategies becomes difficult without knowing who is actually participating in joint CIS forces and to what degree. Several of the CIS states have responded to this uncertainty by declaring their interest in forming national defense structures. However, this has the potential to destroy what little stability is provided by CIS structures.

Current declarations by CIS states on nuclear issues give observers some reason for optimism. Presidents Kravchuk of Ukraine and Nazarbayev of Kazakhstan came to the United States and pledged to become nonnuclear states: Ukraine committed itself to eliminating strategic missiles by the end of 1994, and Kazakhstan agreed to do so in approximately seven years. However, given the tense current situation in the CIS, this seems like a long time to wait for such a serious problem to be removed. That these messages were delivered in Washington, D.C. rather than at a CIS meeting can be seen as a deliberate attempt to highlight the leverage available to the United States for resolving this problem. The United States has been placed in a position where it can accelerate the resolution process if it observes several conditions: first, it should act in the context of a follow-on to the START agreement, initiated before START officially goes into force. Second, the United States should make new proposals for more radical reductions in arms levels on both the American and Russian sides: this is necessary in order to genuinely enhance regional and international stability before depriving the other CIS states of their strategic forces.

This last step is essential in order to get weapons out of these states. Under the conditions of current U.S. proposals, this is not possible. Because the proposed ceilings are too high, this will be perceived by other CIS states as an effort to leave them vulnerable once their missiles are removed. Under such conditions, everyone will feel cheated: the United States will feel that Russia failed to cope with regional instability; Russia will feel that the United States is trying to manipulate interstate tensions in order to deprive it of its fixed-base strategic capability; while the other CIS states will feel that Russia and the United States intend to leave them vulnerable by depriving them of strategic nuclear weapons. The solution to most of these problems lies in seeking even deeper reductions; there is no reason to keep so many warheads targeted at each other. A policy of this kind is both feasible and necessary in order to remove the nuclear problem from the CIS agenda.

## ETHNIC AND NATIONALITY ISSUES

**Perry Anderson**  
**Professor of History and Sociology, UCLA**

The nationality problems posed by the breakup of the world's last great multiethnic empire are highly complex. One needs to look historically at the situation in order to assess prospects for Russia and her neighbors. This can be accomplished by examining the fates of the old czarist empire in Russia, as well as the Hapsburg and Ottoman empires, all of which disintegrated after WWI. One critical difference between them is the fact that, unlike the last two, the czarist empire did not break up territorially after it had collapsed. Once the Civil War had ended, the Bolsheviks managed to hold together most of the territory of the old empire. Additionally, whereas the Austrians and Turks never made up a majority of the population in their respective empires, Russians usually made up approximately 50-60% of the Soviet population. This gave the Soviet empire a much larger ethnic center of gravity.

While the preponderance of Russians in the population helped consolidate the new Soviet order, the regime still never instituted a purely Russian order. Even though leadership of the Communist party was overwhelmingly Russian, different ethnic groups were granted a measure of territorial, cultural, and linguistic autonomy. These policies toward non-Russians laid the ground work for the wave of national revolts that broke out once the regime entered its terminal political crisis. The fall of the Moscow regime and the resulting release of fifteen separate states represents one of the most astonishing, sudden, and massive political upheavals in history.

To date, national tensions in the wake of the regime's collapse have been less malignant than expected. There are two exceptions: the Armenian-Azerbaijani conflict and the separatist efforts of Russians in the Transdniester region of Moldova. While conflict between the Caucasian republics seems intractable, it has remained largely localized. It is easier to envision resolution in the second case: Moldova merges with Romania and Ukraine absorbs Transdniester. Aside from these localized trouble spots, there are no signs of full-scale, Yugoslav-style breakdown so far. In its acceptance of the independence of other new CIS states and the inviolability of borders, Russia is showing real determination to avoid repeating the old mistakes of the Soviet regime. This new liberalism can also be observed in the government's dealings with different ethnic groups inside of the Russian Federation; here, cooperation and negotiation have prevailed in its relations with Chechens and Tatars.

In spite of the restraint being shown by the new Russian government, these are still very early days, historically speaking. The structural dangers that still lie ahead derive from several fundamental, massive, historical facts. First, the Russian state is completely out of scale with the other members of the CIS. With a population of 140 million, Russia is three times the size of Ukraine, and eight times the size of the smaller successor states. As a result of this imbalance among nominally equal partners, the CIS is certain to be stillborn; its viability as a stable structure depends on a rough balance between members that is not present here.

The Russian diaspora in the former Soviet Union represents another potentially destabilizing force. The large numbers of Russians located outside the new Russian



Federation (approximately 25-30 million people, equal to one-fifth of the total population of Russia) make up the largest such diaspora in modern history and are distributed widely throughout the other CIS states. Russian settlers enjoyed privileges under Soviet rule through their links with the center, but have now largely been demoted to a subordinate status. For example, changes in language policies in the new states put them at a severe potential disadvantage in labor markets and career structures. This reverses the previous asymmetry where locals were forced to learn Russian to get ahead, while Russians never had to learn the local language. When Russian numerical preponderance is combined with the existence of the large, potentially oppressed Russian diaspora, the outcome could be violent. Historical precedents are not encouraging on this account; previous processes of dismantling empires generated the world's worst genocides. While this is not in prospect at the moment, the longer run is less clear. The situation is inherently explosive regardless of the intentions of the Russian government.

The specific nature of the Ukrainian problem poses a further threat to the stability of relations among Soviet successor states. While Ukraine has emerged as a major state in its own right, it is an area that Russians have never considered legitimately separate from themselves. There is no precedent in the history of previously existing empires for this kind of relationship between a former imperial power and a large break-away state who share a common border. Already, there are signs that the situation is fraught with tensions. A good example of the continued refusal by Russians to acknowledge Ukraine's separate identity can be observed in Moscow's attitude toward the ongoing dispute over control of the Black Sea fleet. This naval grouping is fairly small compared with the other fleets, which represent 75% of total naval forces, and which are already controlled by Russia. Russia remains unwilling to divide the Black Sea fleet on any basis, even though equity clearly demands that the bulk of these forces should go to Ukraine now that it has been accepted as an independent state in the eyes of the international community.

The dynamic imbalances discussed above arise in a new setting, which simultaneously resembles and differs from the inter-war international setting in some important ways. Similarities are related to the tremendous socioeconomic crisis currently gripping the region. The consequences of economic collapse are likely to be on par with those resulting from the Great Depression, leading to dislocation, unemployment, great material hardship, as well as social and cultural disorientation. In the inter-war period, this was a recipe for the most virulent forms of nationalism. However, this collapse differs from the previous one in that it is largely encapsulated in a broader, stronger world economy than was in place after the First World War. Indeed, the external world order is the only one capable of ameliorating suffering in this zone. There will be a complex dialectic developing between two conflicting logics: the pressure for escalation of interethnic tensions versus the desire for international aid. It remains unclear which will prevail.

## **PROBLEMS AND PROSPECTS FOR ECONOMIC REFORM**

**Axel Leijonhufvud**

**Professor and Chairman, Department of Economics, UCLA**

It appears that the breakdown of the Soviet economy has created many new problems, complicating the process of economic transition while solving very few of the old ones. Added to the list of problems facing the Soviet successor states are a host of monetary issues: will a common currency area be maintained or will the republics adopt separate currencies? Ukraine has already made its move: here, prospects for monetary stability look worse than they do in Russia, where there is general agreement that prospects are not promising. Additionally, the likelihood of successful implementation of reforms in a setting of hyperinflation is not great: the situation in Latin America over the last fifty years provides numerous examples where well-developed economies "undeveloped" as a result of monetary instability. When hyperinflation is extreme, it destroys the institutions of an economic system that we all take for granted. In the former USSR, where the republics are trying to create these institutions from scratch, there is almost no chance that they will succeed under conditions of hyperinflation.

For all the reasons described above, achieving monetary stability will be critical for the success of economic reform efforts. Despite the attempts of Egor Gaidar, President Yeltsin's chief economic advisor, to stabilize the ruble, confidence in the ultimate success of these endeavors is diminishing within the IMF. In particular, stabilization is threatened by the ballooning internal indebtedness of larger enterprises to each other; most will never be in a position to pay off this debt. Ironically, perhaps the best way to deal with this problem is to let inflation take its course; in other parts of the world, governments facing this problem have tended to print more money as demands by nationalized industry to finance its debts increase. However, a policy of this kind is inimical to the ultimate goal of economic stabilization.

The desirability of maintaining a single currency for the states of the CIS becomes a critical consideration for monetary stabilization. For rapid evolution of a market-oriented economy, a single currency would help to maintain a large volume of trade among the former republics. A second-best arrangement might be one in which the states created separate currencies that would then be fixed in relation to each other by currency boards operating in each republic. The very worst case would be a situation where the different currencies were allowed to float, since economic authorities in the former republics lack the expertise needed to run their own monetary policies.

Taking the example of Kazakhstan, it is clear that quite apart from considerations of the country's difficult interethnic situation, its economic policies will have to be oriented toward the north and west. Continuing to rely on the ruble places the country in a position of dependence on the success of Russian stabilization efforts. If Russian efforts fail, Kazakhstan must decide whether or not to abandon the ruble. While it is not clear that the country is currently capable of doing better on its own, there are good reasons to believe it will be able to do so in the future. Thus, the preferred situation would be for Kazakhstan to create its own currency, keeping it fixed to the ruble as long as the Russian currency remains relatively stable. This will provide Kazakhstan with the means necessary to abandon the ruble in the event of its collapse.

Looking more generally at the problem of economic reform in the former USSR, there appear to be two steps involved. The first step is to address the problem of what to do with the old economy. Parts of it may be converted to more efficient production, but for a large part of the manufacturing sector, this will be difficult if not impossible. The dimensions of this task seem particularly daunting with regard to the giant plants that form the core of the vertically integrated enterprise structure. These production plants often have the country-wide monopoly or near monopoly on their products. Trying to incorporate them leads to the situation where giant plants with monopolies over output face each other in an unstable, bilateral monopoly situation. If market forces are allowed to operate, the failure of one giant enterprise creates tremendous dislocation throughout the vertical structure. Even if the union had not disintegrated, these structures still would have caused problems: the Polish and German cases show that even under more favorable conditions for foreign investment, these enterprises are already falling apart.

The second step is associated with the problem of forming a qualitatively new economy. Getting a market system to flourish requires the creation of a workable legal structure. In the Soviet successor states, only slow, hesitant movements in this direction have been seen so far. Additionally, observers are now wondering how many different legal structures will emerge and whether laws will be consistent across republics. While it is possible that successful experiments in one republic might be copied elsewhere, there is little reason for optimism on this account: the legislatures responsible for implementing these reform efforts have so far proven amateurish and have little expert advice to guide them due to the serious shortage of economic expertise in the region. It appears that policymakers in Eastern Europe, the Soviet Union, and elsewhere mistakenly approached the problems described above with the belief that the absence of central planning would amount to a functioning market, and are now paying the price.



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