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**ASSISTING THE FORMER SOVIET EMPIRE: AN EXAMPLE OF THE FOREIGN AID  
CRISIS**

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ASSISTING THE FORMER SOVIET EMPIRE: AN  
EXAMPLE OF THE FOREIGN AID CRISIS

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In 1989 the revolutions in several Eastern European countries brought an end to the Soviet European empire and ultimately the Cold War. This paper examines the effect the end of the Soviet threat had on America's foreign assistance programs in general, and specifically on US attempts to aid the New Independent States (NIS) and the Central and Eastern European Countries (CEECs). Over the course of the years, America's foreign assistance programs have been motivated by a combination of national security considerations, economic self-interest, and humanitarian concerns.<sup>1</sup> However, the US desire to stem Soviet expansion, first in Europe, then in South East Asia, and then in other Third World countries, came to dominate assistance policy. When the Soviet Union disintegrated, the common thread of foreign aid goals, the threat of Soviet expansion, also disappeared.<sup>2</sup> Lack of a strong, clear goal for foreign aid, coupled with a new isolationist sentiment and deficit reduction pressures have resulted in a foreign aid crisis. America's foreign aid program suffers from a lack of focus and foreign assistance resources continue to decline. An examination of the record and rationale behind US assistance to the NIS and the CEECs supports this perspective.

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## Lost Opportunities

Numerous foreign policy experts have written about the dramatic impact that the end of the Cold War would and/or should have on foreign policy. William Hyland, editor of Foreign Affairs, argued that the demise of the Soviet Union gave the US the opportunity to create a wholly new foreign policy.<sup>3</sup> Without the threat of global communist domination the US could look beyond national security as the preeminent criterion and justification for foreign aid. Michael Mandelbaum, professor of American Foreign Policy at Johns Hopkins University, suggested in a 1991 Foreign Affairs article that the revolutions of Eastern Europe would revolutionize US foreign policy.<sup>4</sup> Economic issues, he predicted, not military confrontations would dominate the international agenda implying that economics would become the new justification for US foreign assistance.

Nonetheless, with the end of the Cold War, US security policies need to be redefined. As Theodore Sorenson warned in 1990, "if the president cannot soon lead the way to a consensus among our national security decision-makers on credible new goals to guide our basic foreign policy and military planning for the long term, the current strategic vacuum is likely to be filled not only haphazardly but unwisely as well."<sup>5</sup> Brad Roberts, the editor of the Washington Quarterly, wrote in 1993

"In these unfamiliar and uncertain times, policy cannot rest on the outdated assumptions of past decades. But the new environment has not taken sufficient shape to evoke a clear national consensus about the content of US security policy for the 1990s and beyond."<sup>6</sup>

The following sections of this paper trace the slow response that Congress and the Bush and Clinton administrations have made to this new foreign policy opportunity. Rather than adopting radically different foreign policy objectives and a new rationale for foreign aid, traditional arguments for US economic assistance continue to be advanced. Since the Soviet Union collapsed, the definition

of "national security" has been broadened to mean more than military security. Environmental and economic security are now included by some groups in this new definition.<sup>7</sup> For instance, environmental and economic programs accounted for \$13 billion of the FY 1995 Pentagon defense budget.<sup>8</sup> However, this new definition of national security has not succeeded in mobilizing substantial new resources for foreign aid; a visible threat capable of mobilizing public support has yet to be identified. In his book Lost Opportunity, Marshall Goldman writes that

"Even though it still had a nuclear arsenal, there was little likelihood by late 1992 that Russia might in the near future again threaten the United States' military dominance. Russia as the successor to the Soviet Union was no longer a superpower."<sup>9</sup>

Moreover, as US domestic problems increased, foreign aid's popularity decreased. As the amount of resources the US is willing to make available to achieve its foreign policy objectives continues to decline so, too, does the effectiveness and timeliness of that aid. Richard Haass, Director of National Security Programs for the Council on Foreign Relations, advises,

"Vital questions of policy do not lend themselves to ad hoc, short-term approaches. Sizing and shaping U.S. armed forces and foreign assistance programs require sturdy vision and consistent follow-up. International institutions and norms take years to effect....Policymakers need bearings by which to judge international events. Without them, policy is apt to be steered by popular emotions, daily headlines or, increasingly, the latest televised image."<sup>10</sup>

For example, the US has been exceedingly cautious in allocating economic assistance resources to influence the changes in Eastern Europe and the former Soviet Union. Compared to other nations, as a percentage of our Gross National Product, we have become one of the smallest donors to the CEECs and NIS (Table I). We have seemingly refused to respond to the very opportunity we could only dream about a decade ago. Instead, the US government's approach to the region, especially to the Soviet Union and then the NIS, has been to address specific events with short-term fixes; no new long-term foreign policy paradigm has been created.<sup>11</sup> Many foreign policy

experts have warned that Russia, the other NIS, and Eastern Europe need the strong leadership and economic assistance of the West to transform into full-fledged democracies with free-market economies, otherwise instead of creating a "new world order" we may have helped create a "new world disorder."<sup>12</sup>

### **Eastern Europe**

In this section we summarize the record and rationale behind US foreign assistance to the CEECs.<sup>13</sup> The United States did not officially begin giving aid to these countries until 1991, with the exception of Hungary, Poland, Romania and the Czech Republic. Aid to these four countries began for the most part after World War II during the "post-war relief period" of foreign aid (1946-48). The aid flow continued sporadically to these countries throughout the Cold War during times when they all acted with or articulated some independence from the Soviet Union (Table II). A short historical analysis of aid to these four countries will be presented, but the main emphasis will be on the justifications used by the Bush and Clinton administrations and Congress and the subsequent assistance programs for all the CEECs.

### **Historical Aid Flows**

The United States first gave aid to Czechoslovakia (the official name of the Czech Republic prior to 1993) from 1946-47 as part of its post-war relief policy. US aid was halted, however, until 1990, with the exception of one year, 1955.

Aid to Hungary began in 1946 and has been continued sporadically until today primarily because of Hungary's reluctance to become a Soviet Union puppet. It was the only non-Soviet

Warsaw Pact country to show military opposition to Soviet domination in 1956.<sup>14</sup> "Hungary has long been at the forefront of change among east European countries," writes Alexander Tomlinson, a former president of the Hungarian American Enterprise Fund.<sup>15</sup> Hungary was the first Soviet bloc country to institute free market reforms. In 1968, the same year Russia invaded Czechoslovakia, Hungary began to loosen some restrictions on the private ownership of businesses. In response to this, the US restarted its aid program to Hungary in 1969 with \$1.1 million in loans. As the Hungarian government continued its reforms with laws allowing for and protecting foreign investment, a decentralized banking system, a legal infrastructure for investment, etc, "Hungary became one of the most creditworthy countries in the communist sphere."<sup>16</sup>

The history of US aid to Poland and Romania is longer and more complicated than other countries in the region. The US began allocating aid to Poland, the largest Communist country in Eastern Europe, early on in the Cold-War era because of Poland's geo-political importance and her relative independence from Moscow. As one analyst wrote in the early 1980s, "Poland is too small and weak to take on a truly independent foreign policy role. It can, however, project itself as a meaningful regional and global actor precisely because of its dependence on and importance to the USSR."<sup>17</sup> The US has continuously given aid to Poland since 1957, although the amount has risen and fallen, in stride with political change, through the years. For instance, US aid to Poland peaked in 1978 with \$522 million in loans and increased access to US grain markets and agricultural credits. This reflected then First Secretary Edward Gierek's efforts to improve Poland's human rights record, her relations with the West and her economy through heavy foreign borrowing.<sup>18</sup>

Romania received US aid continuously from 1970-81, then from 1990 to present. As one analyst writes, from the mid-1960s to the early 1980s, "Romania was the darling of the United

States."<sup>19</sup> The special relationship between Romania and the US rested primarily on Romania's independent foreign policy but was continually reshaped by the actions of Nicolae Ceausescu. From 1950-1975, US initiated relations with Romania were primarily intended to influence Moscow: "Washington aimed first to de-Stalinize and later to de-satellitize Romania."<sup>20</sup> Aid to Romania ceased for a time from 1982-1989 due to Ceausescu's increasingly poor human rights record, a record Congress showed increasing concern over, and Romania's growing foreign debt (by 1982 it exceeded \$11 billion). Romania's relations with the US deteriorated until Ceausescu was overthrown.

### **Recent Aid Trends**

A full-blown aid initiative for Eastern European countries, however, did not really begin until 1990. The Bush Administration helped create and shape this initiative from 1989-92. Although the administration was often criticized as being too timid and stingy in their aid gestures, in 1991 and 1992 the President actually requested more aid for Eastern Europe than Congress was willing to grant in the final aid bill (Table III). Actually, for most of Bush's tenure, the budget deficit and poor domestic economy should receive most of the blame for the inadequate assistance given to the region.

During 1989 several East-bloc countries experienced severe political turmoil that essentially lead to the demise of communist control in these countries. In Poland, a non-communist government was elected and capitalism introduced. The Hungarian People's Republic became the Republic of Hungary as the Communist Party formally disbanded and free elections became imminent. Bulgaria, Czechoslovakia and Romania also took great strides towards democracy and free-market economies. The Berlin Wall fell.

These dramatic political upheavals were met in Washington by a reticent Bush administration.

Indeed, 1989 was dubbed "a year of deliberation" by one foreign policy analyst.<sup>21</sup> This restraint characterized the Bush administration's attitude towards economic assistance for the CEECs throughout its tenure. This restraint prompted severe criticism, especially from congressional Democrats, and some Republicans, and foreign policy experts who looked at the disintegration of the Soviet empire as an unprecedented foreign policy opportunity. Mandelbaum echoed the sentiments of other policy analysts when he wrote that "In 1989 the greatest geopolitical windfall in the history of American foreign policy fell into George Bush's lap."<sup>22</sup> The US could claim itself victorious in its battle against the Soviet Union and communism and President Bush was given an unprecedented opportunity to reformulate not only US-Soviet relations but possible a whole new world order. They wanted the Administration to act aggressively and propose more foreign aid to the region, such as the Truman administration did with the Marshall Plan after World War II.

The Bush administration's hesitancy seemed to reflect its fear of inciting the Soviet Union to forcefully crush the revolutions in Eastern Europe, an action consistent with history. The US and Soviet Union were just beginning to foster a friendlier relationship. And to some, the administration's approach was appropriate. As Mandelbaum wrote, "In response to the most important international events of the second half of the twentieth century, the White House offered no soaring rhetoric, no grand gestures, no bold new programs. This approach served America's interests well."<sup>23</sup> At the Malta Summit in December of 1989, Bush and Gorbachev assured each other that they would each take a non-aggressive role in the changes in Eastern Europe.<sup>24</sup>

In response to growing Congressional criticism, President Bush did propose several aid packages to Poland and Hungary. Aid to Poland was initiated by an April agreement between the Warsaw government and Solidarity leaders which promised significant political changes, including

free elections.<sup>25</sup> The following is an excerpt from President Bush's speech in Michigan that described the Polish aid initiative: "Democratic forces in Poland have asked for the moral, political, and economic support of the West. And the West will respond."<sup>26</sup> However, the State Department later acknowledged that the level of aid Bush proposed would disappoint Polish leaders. Indeed, in a trip to Eastern Europe in July, "Bush offered unlimited political support for the reform movements under way in Poland and Hungary but only a small amount of direct US assistance."<sup>27</sup> Bush was holding up his agreement with Gorbachev to remain on the sidelines.

While the Bush administration chose to play a defensive rather than an activist role, Congress erupted with both verbal and monetary shows of support for the emerging democracies of Eastern Europe, especially to Poland and Hungary, the two Eastern European countries regarded as having made the greatest strides towards independence from the Soviet Union.<sup>28</sup> Congressional Democrats harshly criticized Bush's Poland and Hungary aid proposals as inadequate. "Democrats seized on that caution to portray Bush as unable or unwilling to reach out to those countries and, through them, to the Soviet Union."<sup>29</sup> Foreign aid was actually popular with both parties in Congress, a rare event, since they felt compelled (especially by their constituents) to show support for the democratic changes in Eastern Europe with US economic assistance.<sup>30</sup> Each party and each chamber tried to outdo the other in its generosity of aid; they each wanted the credit for giving the most aid to Poland and Hungary, especially after Solidarity took over the government of Poland.<sup>31</sup> This show of support for Poland and Hungary was really just an extension of previous policy discussed above; these two countries always received a large proportion of US aid allocated to Eastern Europe. Although Lech Walesa's popular visit in mid-November, and his emotional and urgent pleas for financial aid to a joint session of Congress, certainly helped boost support for Polish aid.

The most significant achievement in assistance during 1989 was the three-year Support for Eastern European Democracies (SEED) Act (PL 101-179) which authorized a total of up to \$938 million in aid to Central and Eastern European countries over the three year period, more than twice the amount proposed by the President.<sup>32</sup> Annual funding for the SEED Act is allocated in the foreign aid bill. In FY 1990, \$285 million was allocated for SEED.

All assistance programs for the CEECs are still under the authorization of the SEED Act rather than the Foreign Assistance Act.<sup>33</sup> As described in its requisite annual report, "The SEED program works to strengthen democratic institutions while providing technical assistance, encourage market reform and, on a selective basis, as a cost-efficient social safety net able to care for those hardest-hit by the economic transformation."<sup>34</sup> The assistance activities vary in specifics from country to country.

In character, the Administration's enthusiasm regarding aid to Eastern Europe in 1990 was as restrained as it was in 1989. The Bush Administration continued to be criticized regarding its reluctance to support large aid programs for Eastern Europe. The amount the Bush administration requested in 1990 to assist Eastern Europe was called "paltry" by David Gergen, an editor of US News and World Report, who added that eastern Europe was treated as a "second- or third-tier problem by the State Department."<sup>35</sup>

The popularity of foreign aid to Eastern Europe in 1990 retained its popularity with Congress until the summer budget crunch.<sup>36</sup> Czechoslovakia's new president Vaclav Havel addressed Congress in February stating that the best way for the US to help East European countries was to help direct the Soviet Union toward democracy, and not for large amounts of aid. This did nothing to boost support for aid to the region. Furthermore, Representative Clarence E. Miller (R-Ohio) echoed the

sentiments of many others in Congress when he declared that "We simply do not have the resources to devote to other nations to the extent we have in the past."<sup>37</sup> Some congressional members, primarily Democrats, proposed raiding defense funds to find money for all the new foreign aid demands, rather than cutting existing aid programs.<sup>38</sup> Although, reminiscent of 1989, Congress still wanted to provide more aid to Eastern Europe than Bush. In the foreign aid bill, Bush requested \$230 million while the House approved \$419 million and the Senate \$320 million. The total foreign aid amount finally approved was significantly less than any of these amounts.

In the end, \$369.7 million in aid for Eastern Europe (SEED funds), \$500 thousand in "other" East European assistance, \$44 million in Polish debt restructuring, and a \$70 million contribution to the new European Bank for Reconstruction and Development (EBRD) was included in the fiscal 1991 foreign aid bill (PL 101-513). Representatives from 42 nations, including the US, agreed in May to create the new development bank primarily to assist Eastern and Central European countries in their transition to market based economies and democracies. Most of the aid to the CEECs has come from the World Bank and the International Monetary Fund (IMF).<sup>39</sup>

The first post-Cold War trade and investment initiatives with Eastern European countries were created in 1990. A trade agreement granting normalized trade relations with Czechoslovakia included Most Favored Nation (MFN) status for one year. A limited business and economic treaty with Poland intended to aid trade and investment between the two countries.<sup>40</sup> Poland had MFN status prior to the Jackson-Vanik amendment that excluded most communist countries from attaining MFN, although it was suspended from 1982-87 due to the imposition of martial law by the government.

## **Retreat From Commitment**

Academics began to argue against a massive infusion of aid, a "new" Marshall Plan, for Eastern Europe.<sup>41</sup> They argue that the reforms necessary to take advantage of the aid will not be made. Stelzer argues that "perhaps the best thing we can do for Poland (and other reforming East European countries like Hungary) is fight to keep the channels of world trade open to their goods."<sup>42</sup> Editorials in newspapers such as the Wall Street Journal argued for tax reform measures that would encourage American business investment in the Soviet Union and Eastern Europe.<sup>43</sup>

By 1991, with election year fast approaching, domestic concerns superseded East European needs. Both Congress and the Administration placed more emphasis on domestic rather than international reform. Congress even failed to clear a two-year foreign aid authorization measure (HR 2508): "In an America-first backlash against foreign aid that transcended partisan and ideological divisions, the House on October 30 defeated the conference report for the foreign assistance authorization act."<sup>44</sup> Moreover, Congress failed to pass a full-year foreign operations appropriations bill for fiscal 1992.<sup>45</sup> Instead, foreign aid programs were funded through a six-month continuing resolution (PL 102-145) which included \$369.7 million for Eastern Europe (SEED funds) and a \$70 million contribution to the EBRD.<sup>46</sup> The allocation for Eastern Europe was \$30.3 million less than the President requested and the House bill provided.

This nationalistic sentiment is certainly not a new phenomenon in US history. During wars or in periods threatened by war the US engages more in international affairs while during peace time the US usually becomes more nationalistic.<sup>47</sup> With the Cold War over, the 1990s can be considered a time of peace. David Gergen argued that the recession had turned the US more nationalistic. He correctly warned that "The events of 1991 suggest that to a far larger extent than during the Cold

War, political dynamics within the nation will define its foreign policy.<sup>48</sup> The real surprise in 1991 was that both the right and the left expressed this isolationist sentiment.<sup>49</sup> However, the US did make some progress in trade initiatives with the CEECs in 1991. Both Hungary and Czechoslovakia were given permanent MFN status (PL 102-182).

In addition to fiscal constraints and isolationist sentiments, the dramatic political changes in the Soviet Union and Gorbachev's plea for aid eclipsed the priority of the CEECs for foreign aid dollars. Adding another needy mouth to the already poor foreign aid table worried East European and other countries that their share of foreign aid would decrease.<sup>50</sup> As concluded in an US News and World Report in September, "the huge federal budget deficit...all but guarantees that new calls for help... will fall on increasingly deaf American ears."<sup>51</sup>

Support for foreign aid reached a critical low in 1992, again due to US economic problems, isolationism, election year concerns, and a lack of strategic rationale with the end of the Cold War.

As William Broomfield (R-Mich.), the ranking minority member of the House Foreign Affairs Committee, remarked, "I think it is quite possible it could wither away unless we reform it."<sup>52</sup> The collapse of the Soviet Union, emerging NIS, and the war in former Yugoslavia dominated the discussion regarding where to allocate the limited amount of aid the administration and congress were willing to appropriate.

In April, a stopgap foreign aid bill (PL 102-266) was cleared which funded the aid program for the remaining six months left in fiscal 1992 (although no new funds were allocated). The passage of this bill came as somewhat of a surprise to several lawmakers given the severe lack of congressional support for foreign assistance in 1992.<sup>53</sup> Congress also passed the fiscal 1993 foreign aid bill (PL 102-391). The relative enormity of this bill can be explained by the inclusion of the \$12.3

billion allocation for the IMF. With the exception of this allocation, the final aid bill amount came to about \$14 billion which was \$1.4 billion less than the fiscal 1991 aid bill. This bill also included \$400 million in SEED funds and \$60 million for the EBRD.<sup>54</sup> The SEED allocation was \$50 million less than Bush requested and the EBRD allocation about \$10 million less.

As for trade initiatives, a trade agreement with Albania was reached, including permanent MFN status (PL 102-363), Yugoslavia's MFN status was suspended since it basically no longer existed as a country, and a Romanian trade initiative was rejected by Congress due to the success of communist officials in Romanian elections.<sup>55</sup> According to the annual SEED report, 1992 was a year of tough choices for program priorities as the number of recipient countries grew to twelve, with a combined population over 135 million. Moreover, each country's industrial decline and economic recession deepened, which strained the already fragile democratic institutions in place. Thus, the report admitted the program was facing a setback: "The initial projections (shared by the US, EC, and the east Europeans themselves in late 1989) of a three-to-five year economic turnaround for Poland, Czechoslovakia, and Hungary appear in the proverbial 20/20 hindsight to be naively optimistic."<sup>56</sup>

The annual report also poignantly argued the case for more, not less, aid for the CEECs:

"...the fate of central and eastern Europe has in a sense become more critical to the United States, as the successful transformation of these countries will provide the best model to reformers further east that democracy and economic prosperity can be built on the ashes of failed communist systems... Prosperous, democratic countries in central and eastern Europe provide more than hope and example for the NIS: they also can contribute to western security by providing stability against the spread of further nationalist fighting or of retrenchment further east."<sup>57</sup>

The US could also benefit economically from helping the region. Essentially, the report argued, central and eastern Europe was a very large untapped market. Thus, US investors could spur

economic growth and consequently the purchasing power of the consumers in this market.

The Clinton Administration took over control of the US aid initiative to the CEECs in 1993, although not much changed. After Clinton's election year attack of Bush's non-aggressive push for aid to the NIS and CEECs, his request for aid to the CEECs in 1993 were less than Bush's in 1992 and not much greater than Bush's at any point in time. The fiscal 1994 Foreign Operations bill contained \$390 million for SEED funds, a reduction of \$10 million from fiscal 1993. Furthermore, this bill froze aid to Eastern European countries at the fiscal 1993 level of \$400 million. It seemed as if the SEED program was at a turning point.<sup>58</sup> For the Clinton Administration, the NIS, especially Russia, became the focal point of their foreign policy.

As reported in the 1993 annual SEED report, this year "was a time of consolidation for the US assistance program... We undertook a major effort to tailor our assistance efforts more closely to the priorities in each country of Central and Eastern Europe, making for a more effective use of limited resources."<sup>59</sup>

The bill contained no money for the EBRD because reports of excessive salaries and spending on bank facilities as well as questionable lending activities angered Congress.<sup>60</sup>

By 1994, both Congressional and Administrative zeal for economically assisting the NIS and CEECs had severely diminished. Many foreign policy experts, however, continued to argue for the urgency of the aid. In a Foreign Affairs article, James Silberman, Charles Weiss, and Mark Dutz concluded that current US policy is not working fast enough to promote changes in the region: "The republics of the former Soviet Union and Eastern Europe, if they are to avoid political and social chaos, have only a few years to make visible progress toward providing their people with a supply of affordable consumer goods and a reasonable standard of living."<sup>61</sup>

The fiscal 1995 foreign aid bill (PL 103-306) included \$359 million for aid to Eastern Europe, which was about \$20 million less than Clinton requested, and \$69 million for the EBRD, which was only about \$1 million less than Clinton requested.

The annual SEED report discussed several country's successful transformation process: "In 1994, US assistance facilitated breakthroughs in improving the business climate, local government, the rule of law and other significant sectors affecting citizens' lives, the democratic environment, and the economies across the region."<sup>62</sup> In a July visit to Poland and the Baltic states, the President announced a "Law and Democracy" initiative, "Recognizing the threat posed by crime and corruption to the process of economic reform and democratic institution building."<sup>63</sup> Subsequently, law enforcement programs became the focus of future SEED initiatives.

As each annual SEED report reminds us, however, US foreign aid programs for the CEECs have been and remain temporary. Domestic concerns, rather than Cold War tensions, now dictate foreign assistance amounts and recipients. Poland has received by far the largest share of US aid to this region, followed by Romania and Hungary, during fiscal 1989-95. The large numbers of constituents with these ethnic heritages certainly plays a strong role in the decision to allocate the money to these countries. Certainly they are no longer the "neediest" of the region. Countries such as Bulgaria still struggle to create any semblance of private sector economies.<sup>64</sup>

### **The Former Soviet Union**

Throughout the Cold War, the US provided little economic assistance to the Soviet Union and normal trade was restricted by law. The US did make exceptions for humanitarian emergencies, such as when it provided emergency disaster assistance during the Chernobyl crisis (1984) and the

Armenian earthquake aftermath (1990-1991). Bilateral economic relations between the US and the Soviet Union began to warm with Gorbachev's rise to power and promised reforms in 1985. The US began giving aid to the NIS in FY 1993 (Table II and III). Direct foreign aid to the Soviet Union, our historic nemesis, remained, however, a contentious issue. In addition to a deeply rooted mistrust, the survival of the leader of the changes, Mikhail Gorbachev at first, then Boris Yeltsin, was and remains a looming question. Moreover, the debate over aid to the Soviet Union and then the NIS became a debate over the effectiveness of aid itself.

### **Skepticism About Aid**

The Bush administration was extremely cautious in all of its agreements with the Soviet Union, as it was with the Eastern European countries. However, Bush was criticized less severely by most Democrats, liberal Republicans and policy analysts for his reluctance towards the Soviet Union than he was for his delayed Eastern European initiatives. In fact, Bush's initial overtures to the Soviet Union were criticized by the far right as plans to help America's enemy.

In 1989, the Administration began to initiate a more open relationship with the Soviet Union, although direct foreign aid remained out of the question. At the December 1989 Malta Summit, Bush declared that "We stand at the threshold of a brand new era of US-Soviet relations," but the administration continued to move cautiously and often privately regarding Soviet Union policy.<sup>65</sup>

President Bush and his pragmatic foreign policy team, all by-products of the Cold War, were naturally at first skeptical about Gorbachev's intentions and his chances for survival let alone of success. They were hesitant to provide any type of support. Secretary of Defense Dick Cheney and Deputy National Security Adviser Robert Gates publicly declared that Gorbachev and *perestroika*

(restructuring) had poor chances at succeeding.

A turning point in the administration's policy came with Soviet concessions on START and conventional arms reduction agreements and their non-interventionist strategy regarding the collapse of communism in Eastern Europe: "It provided dramatic, tangible evidence of a change both in the policies and geopolitical position of the USSR that could not possibly be explained away as a ruse or a temporary tactical retreat which might leave the Soviet Union free to resume the old struggle after a respite."<sup>66</sup> At the Malta Summit Bush pledged trade concessions and other assistance to help the Soviet Union fully enter the world economy. Some Republican congressman feared that Bush was too quickly making concessions towards Gorbachev and dismissing the threat of Soviet expansion in the Third World.<sup>67</sup>

At the time, many foreign policy experts, such as Jeane Kirkpatrick and Richard Nixon, and a number of congressional Republicans supported the Administration's reluctant approach.<sup>68</sup> Richard Nixon, who came to play a prominent and vocal role in foreign policy decisions regarding the Soviet Union, still considered Gorbachev a security risk: "We must keep in mind that his talent and capabilities can just as easily make the world a more dangerous place as they can contribute to greater global security."<sup>69</sup> Nixon believed that Gorbachev's ultimate goal was a stronger Soviet Union which was not in the best interest of America.<sup>70</sup> He was clear in his opposition to foreign aid to the Soviet Union: "We should applaud *glasnost* and *perestroika* but not pay for them, for if his reforms do not irrevocably alter Soviet foreign policy we will be subsidizing the threat of our own destruction."<sup>71</sup>

On the other hand, other prominent foreign policy experts, as well as most Congressional Democrats, opposed Bush's approach and lack of foreign aid to the Soviet Union. They essentially argued that aid was in the interests of America's national security. Failing to help the Soviet Union

could undermine Gorbachev and lead to hard-line communists regaining control over the country.<sup>72</sup> Henry Kissinger argued that the US should help the Soviet Union because current and future changes in the Soviet system transcended a single Soviet leader.<sup>73</sup> Rather than calling specifically for aid, however, he emphasized the need for an immediate Western strategy with a positive, clear agenda: "passivity or-worse-a posture of delayed and uncoordinated reaction to Soviet initiatives would enable the Kremlin to define the East-West agenda and serve primarily Soviet interests."<sup>74</sup>

In 1990, direct economic aid to the Soviet Union, still regarded by many as the "enemy," regardless of Gorbachev's Nobel Peace Prize, was not popular with the majority of Congress who were afraid of the political heat that could result from aiding the communists.<sup>75</sup> House Majority Leader Richard Gephardt (D-Mo.) proposed a broad aid package to the Soviets, declaring that "I believe that support of the process of democratization in the U.S.S.R. is in America's self interest."<sup>76</sup> His proposal, however, received little support, even from other Democrats. As Alan Simpson (R-Wyo.), the Senate minority whip, reported, "If you're going to start giving foreign aid to the hated commies... you've got a real sales job to do in the US."<sup>77</sup> Two other broader aid programs that proposed to give technical and business advice to the Soviet Union never even made it to the floor for consideration because of lack of support from the Republicans.

Although the administration also opposed direct aid to Moscow, except for humanitarian purposes, it did advocate a more cooperative relationship with the Soviet Union. In a speech in October of 1990, Secretary Baker announced that "We have never enjoyed greater possibilities for cooperation between our governments."<sup>78</sup> The administration, he said, intended to help build a new international order. In a statement before the Subcommittee on European Affairs of the Senate Foreign Relations Committee in February of 1991, Robert Zoellick, the Counselor of the Department

of State, reviewed the key tenants of the Bush Administration's policy toward the Soviet Union from 1989-90:

"In brief, our strategy has been to explore and develop possible points of mutual advantage for both the United States and the Soviet Union. Our logic has been to probe the "new thinking" in Soviet foreign policy, seeking to shape and, where possible, to alter Soviet policy calculations so that the Soviets might face up to the contradictions between the new thinking and old habits."<sup>79</sup>

### **Aid Initiatives**

In response to the Soviet request for emergency food and medical assistance in December, Bush announced the first major US aid package to the Soviet Union, which was considered an exceptional case.<sup>80</sup> This package gave the Soviets up to \$1 billion in Commodity Credit Corporation (CCC) credit guarantees for purchasing US agricultural goods, authorized up to \$300 million in Export-Import Bank credits for buying US goods, and offered various other assistance programs. Before the President could extend the CCC and Eximbank credits to the Soviet Union, he had to waive the Jackson-Vanik amendment. Bush was going to wait for the new Soviet law guaranteeing emigration, but was pressed by the growing instability in the Soviet Union and prospects of severe winter food shortages. Bush said he was undertaking these measures "to help the Soviet Union stay the course of democratization and to undertake market reforms."<sup>81</sup> Bush was pressed to give this aid by both Democratic and key Republican members of Congress, such as Robert Dole. Also, the administration supported expanded commercial relations with the Soviet Union, including Soviet beneficial trade agreements. Criticism of Soviet assistance came from conservatives and a few moderate Democrats, such as New Jersey Senator Bill Bradley, who believed the US was moving too quickly to help such a long-time enemy.

Again, the general effectiveness of aid to the Soviet Union was debated by analysts as well. The Soviet Union had yet to create a market economy, reform its currency, or greatly reduce its budget deficit, all objectives of our multilateral and bilateral foreign aid program. Stelzer, for example, used these facts as arguments against any large amounts of aid to the Soviet Union. He adds that "Even if we accept Gorbachev as a true economic reformer-and his reliance on command-and-control rather than market incentives argues against that view-we cannot be certain he will survive."<sup>82</sup>

The debate over aid to the Soviet Union greatly intensified in 1991 as the Soviet Union continued along the road to dissolution, Gorbachev's power and commitment to peace wavered, Boris Yeltsin, who was unpopular in the US, was elected President of Russia, and the US recession deepened. Essentially, the Republican members of Congress sided with the administration and opposed direct aid to the Soviet Union and its republics while Congressional Democrats aggressively proposed and supported several aid packages to the region. Policy analysts were split along the same lines.

Although the administration began to support some aid to the Soviet Union in 1991, it was with great caution. The Soviet Union's violent crackdown in the Baltic states (Lithuania, Latvia and Estonia) early in 1991 shook the confidence of both Congress and the administration in Gorbachev and his proposed changes.<sup>83</sup> Consequently, the administration took its most progressive steps towards increasing official relations with the individual republics, an affront to Gorbachev. Although Bush was cautious in his approaches to the newly independent republics as well. Compared to other Western countries, Bush was slow in granting full diplomatic recognition to the Baltic states. He waited until September.

By the end of the year, after much harsh criticism from foreign affair experts, presidential Democratic candidates Bill Clinton and Paul Tsongas, and supporters of humanitarian assistance, the administration became more supportive of and urgent about direct aid to the Soviet Union and the NIS, especially the Baltic countries. "We are not the leaders of this revolution, but neither are we mere bystanders," Baker said in a speech at Princeton University. "But the time for action is short."<sup>84</sup> In Zoellick's speech mentioned above, he also outlined the administration's policy for 1991. In sum, more emphasis would be placed on supporting the change to market economies since "Economic decline and upheaval in the Soviet Union add one more pressure on these countries."<sup>85</sup>

During the first half of the year, Congress was split (and not along party lines) between those who believed the administration was doing too little to support the dramatic changes in the Soviet Union and those who thought the administration was "coddling" a regime that had not fundamentally changed.<sup>86</sup> Although outraged by the Baltic violence, some Congressional members wanted to continue the new US-Soviet cooperative relationship.<sup>87</sup> This division was also evident in the July hearings regarding the Grand Bargain.<sup>88</sup>

### **A Grand Bargain?**

This so called Grand Bargain, first proposed by two political scientists Graham Allison and Robert Blackwill, was a program that would grant massive direct aid to the Soviet Union in return for specific promises of reform from Gorbachev.<sup>89</sup> Essentially it was a program in which the West (not just the US) would financially support the Soviet transformation to a free market economy.

Clearly, the US had high stakes in the future of the Soviet Union, all the witnesses testimony supported this. But would aid ensure the desired outcome, a Soviet Union with free democratic

political and economic institutions? In other words, a non-threatening Soviet Union? Allison of course testified that foreign aid would have the desired impact. The other two witnesses, Arnold Horelick and Frank Gaffney, disagreed.

The Congressional debate regarding the Grand Bargain was split along similar lines. Two top House Democrats, Majority Leader Richard Gephardt (Mo.) and David Obey (Wis.) argued for "bold action" to take advantage of this historic opportunity.<sup>90</sup> But other Democrats and Republicans were hesitant since Gorbachev's domestic and foreign policies seemed to change monthly and some still believed aid would just delay the Soviet transition to free markets and democracy.<sup>91</sup> The coup attempt in August reignited this debate.

### **A Trickle of Aid**

As with Eastern European aid, domestic economic troubles were the biggest challenge to aid to the Soviet Union in 1991. Congressional members of both parties asked themselves, "At a time of recession, huge federal deficits and declining foreign aid budgets, how could the US afford to bail out the Soviet Union?"<sup>92</sup> This became a tougher question after hearing the proposed aid amounts, some estimated \$3 billion a year for the Grand Bargain program.

Since members of both parties were determined in a pre-election year to show that they cared most about the United States, they defeated an aid package proposed by Les Aspin (D-Wis.), House Armed Services Committee Chairman. He proposed taking \$1 billion from the defense budget to provide humanitarian aid, especially emergency food aid, to the Soviet people. Senate Armed Services Committee Chairman Sam Nunn (D-Ga.) helped design the proposal. In Aspin's words, "Stopgap money to prevent hunger, sickness and social chaos in a country with 30,000 nuclear

weapons is a legitimate defense expenditure and so should come from the Pentagon budget for this winter only."<sup>93</sup> Republicans and the administration blasted Aspin's proposals for funding aid programs with defense cuts.<sup>94</sup>

However, as the situation in the Soviet Union continued to deteriorate, the lawmakers felt pressured to provide some assistance. Editorials in newspapers and magazines were filled with arguments that emergency food aid should be provided to offset the potential tragedy of a predicted harsh winter in the Soviet Union.<sup>95</sup> Les Aspin testified in August that the result of all the changes in the Soviet Union government would lead to economic dislocation: "The Soviet people will face shortages of housing, of food, of medicine and of fuel this winter... The near-term result of all this could well be social chaos, an outcome disastrous for fledgling Soviet democracy and dangerous for the rest of the world."<sup>96</sup> An op-ed by Sam Nunn (D-Geo.) and Richard Lugar (R-Ind.) in the Washington Post in November also discussed the benefits to the US in terms of nuclear security of assisting the Soviet Union.<sup>97</sup> They argued for immediate action since the US faced an unprecedented opportunity for a mass reduction of nuclear, chemical and biological weapons. Moreover, destroying Soviet weapons now would save US defense spending in the future.

In the end, as Marshall Goldman points out, 1991 was a turning point in the attitude of the US and other Western countries towards the Soviet Union: "After years of focusing only on their own economic problems, Western leaders suddenly realized the enormity of what was happening and became concerned by the growing political and economic anarchy that was overtaking the Soviet Union."<sup>98</sup> For instance, the Group of Seven invited Gorbachev to join their annual meeting in June of 1991.

In November, legislation proposed by Democratic-Republican teams, the Arms Export

Control Act, now known as the Nunn-Lugar program (PL 102-228) was cleared (Table V). This program gave the president authority to spend up to \$500 million of Defense Department appropriations to help the former Soviet Union; \$400 million was to be used to dismantle Soviet nuclear, chemical, and biological weapons and \$100 million for the transportation of emergency food, medical and other humanitarian aid. Other aid to the Soviet Union included \$1.5 billion in US agricultural credits. This type of aid passed fairly easily since congressional members from farm-states supported aid that meant commodity sales for their constituents. The fiscal 1992 foreign aid bill contained \$15 million in aid for the Baltic republics and strict conditions for rewarding changes by the Soviet government with aid.<sup>99</sup> The Baltic nations also received permanent MFN status.

In contrast to the lack of consensus over aid to the Soviet Union, in general aid to the Baltic nations received strong, non-partisan support. "The Baltic States have always been-and they remain-a special and indeed separate case for the United States," Secretary of State James Baker told reporters in a September meeting.<sup>100</sup> For many previous years, Congress routinely approved resolutions calling for the independence of the Baltic states, Lithuania, Latvia and Estonia.

The aid to the Soviet Union was a relatively small amount for such a powerful country with over one hundred million people. It seemed to be more of a token gesture to pacify some angry elements of congressional constituents yet not big enough to further anger the more conservative voting parties. Also, 1991 was a year where the Persian Gulf War received a great deal of the attention in foreign policy debates and funds.

With the dissolution of the U.S.S.R. in late December of 1991, the aid debate for the region in 1992 and subsequent years focused on the twelve NIS and increasingly on Boris Yeltsin. The debate over aid to Russia, largely became a debate about the intentions and chances of survival of

Boris Yeltsin. In the past, Yeltsin received extremely bad press in the West. He was often depicted as a drunk, a buffoon and a maverick.<sup>101</sup>

The administration continued to be chastised by Congress and foreign policy analysts for both not meeting the needs of the NIS quickly or effectively enough and for ignoring the problems of the domestic economy. However, the administration perhaps achieved the most during this year as aid for the NIS became one of President Bush's top foreign policy initiatives.

In the first half of the year, Bush pledged \$795 million in assistance to the NIS. In April, just before a scheduled foreign policy speech by Bill Clinton and after a private and public chiding from Nixon, the administration proposed its most comprehensive aid effort to the NIS. This effort included the Freedom Support Act (PL 102-511), a substantial contribution from the US (about \$4.5 billion) towards a multilateral Group of Seven \$24 billion package of aid for Russia, and \$1.1 billion in CCC agricultural credit guarantees. This assistance was presented as insurance for the US against a future hostile regime, to support democratic changes and free markets, and not as a handout to the former Soviet Union.<sup>102</sup>

The administration and its congressional allies still argued, however, that aid money could be wasted or used to support the existing communist systems if it was given before true reforms had taken place, an idea supported by some foreign policy experts at the time.<sup>103</sup> Thus, it seems that the generous aid pledge was primarily for election considerations.

### **The Nixon Initiative**

Many foreign policy experts at the time advocated significant assistance programs for the NIS, especially Russia.<sup>104</sup> Perhaps the most influential voice was that of Richard Nixon who had

dramatically reversed his advice of three years earlier. In a widely circulated memorandum, which was published in The New York Times March 9, 1991 (3) Nixon admonished Bush for his "pathetically inadequate response" to Russia's needs.<sup>105</sup> He strongly championed a substantial assistance program for the NIS in order to "seize the moment."<sup>106</sup> After the Freedom Support Act was proposed, Nixon, along with former Presidents Ronald Reagan, Jimmy Carter, and Gerald Ford wrote a letter to pressure the administration into supporting this Act.

William Hyland wrote that,

"Letting Russia be Russia... cannot be a sound policy. The United States cannot disengage very far from dealing with the new governments, because several of those entities in some form or other are still nuclear powers. This fact alone will involve the United States intimately in the formulation and conduct of policies of the larger new republics."<sup>107</sup>

And Martin Malia chided the government for not fully backing Boris Yeltsin; as the elected President of Russia, the US had a great stake in his success.<sup>108</sup> John Mroz, founding president of the Institute for East West Studies, argued that the US recession forced politicians to focus on domestic issues, rather than on the NIS, which, because of the nuclear weapons in Russia, Ukraine, Belarus and Kazakhstan, necessitate urgent action.<sup>109</sup>

Congress played a key role in shaping the aid program and new US policy for the NIS:

"The foreign aid program afforded Congress an especially strong role in the initiation and formulation of that response. Wielding its authorization and, especially, its appropriation powers in the foreign aid process, Congress has often used the program to influence the direction of US foreign policy. In this case, as it sought to exercise its foreign aid muscle, it found itself at times in conflict with the executive branch and, even at times, in conflict with itself. As always, the general political environment, dominated by the impending Presidential and congressional election, was a factor in the deliberations and posturing."<sup>110</sup>

Congressional debate over aid to the NIS in 1992 became focused on how much could be

spent on foreign aid with domestic programs facing cutbacks.<sup>111</sup> The Freedom Support Act, which now authorizes all assistance programs for the NIS, succumbed to great debate and extensive amendments by Congress before it became law. Congressional Democrats wanted the administration to agree to several domestic spending programs before they authorized the measure. For instance, House Majority Whip David Bonair (D-Mich.) threatened to organize a resistance against Russian aid until the administration supported domestic oriented legislation aimed at decreasing unemployment.<sup>112</sup> In the Senate, 11 of the 20 Senators who opposed the aid measure were facing election in November. Other opponents included those who opposed foreign aid to the Soviet Union in principle, those who believed only private investment would help the NIS, and those who thought loans, rather than aid, should be given.<sup>113</sup> Boris Yeltsin's visit to Washington on June 15 helped turn the Congressional tide in favor of Russian aid.<sup>114</sup> Eventually, even conservatives such as Minority Whip Newt Gingrich (D-Ga.) joined those pressuring the administration to pass the Freedom Support Act.

The Freedom Support Act authorized \$417 million in bilateral assistance to the NIS (allocated in the fiscal 1993 foreign aid bill) and a \$12.3 billion contribution to the IMF, which had become one of the leading agencies coordinating support for the NIS and CEECs.<sup>115</sup> The Act also revised Cold War-era laws, increased our efforts to assist the Soviets in dismantling their nuclear arsenal and converting their military to a civilian force. And perhaps most importantly, "The measure was most of all a statement of policy and of political commitment to helping Russia and the other eleven NIS as they struggle to build democracy and shed 75 years of communist rule."<sup>116</sup>

In the end, the Bush administration failed to define a new long-term foreign policy for Russia and the other NIS. However, during the Bush Presidency support for the idea that national security

is derived from economic security grew. This foreign policy argument continued through the Clinton Presidency.

### **The Clinton Administration Policy**

The new Clinton administration, which had pledged to focus, "like a laser," on the domestic economy, generally was more likely to support foreign policy programs that would help America's economy.<sup>117</sup> In a speech in North Carolina in 1994, Joan Spero described Clinton's foreign policy: "Today economics matters, and it has acquired a new centrality in US foreign policy. Those of us in the Clinton Administration remember clearly the primary reason why the American people turned to us for new leadership, `it's the economy.'"<sup>118</sup> Consequently, the Clinton Administration moved toward trade and investment initiatives and away from grant aid programs.

The Clinton administration has also largely pursued a "Russia First" policy. Helping the Russians gained bipartisan support during and after the elections and was strongly backed by Clinton's long-time friend and Time correspondent, Strobe Talbott.<sup>119</sup> In his testimony before the House Foreign Affairs Committee, Talbott justified this focus on Russia:

"Americans want Russia to succeed in its transformation not just for its sake or for Europe's sake but for our own. A stable, democratic, market-oriented Russia, a Russia secure in its own borders and respectful of the borders of others, a Russia integrated rather than contained, will mean fewer US tax dollars spent on defense, a reduced threat from weapons of mass destruction, new markets for US products and a powerful, reliable partner for diplomacy as well as commerce in the 21st century."<sup>120</sup>

The Clinton Administration gave aid to Russia high priority in its first year of foreign policy initiatives. Again, the source of greatest controversy in the Russian aid debate in 1993 was Boris Yeltsin. The administration created a three part program to assist Russia. The first part was revealed in April, immediately following the Vancouver summit with Yeltsin. President Clinton pledged \$1.6

billion in US assistance to Russia. All of the programs in this aid package utilized previously appropriated funds for FY 1993. However, \$924 million of the package included assistance designated for countries other than the NIS.<sup>121</sup> The President had earlier appointed Strobe Talbott as Ambassador at Large for the NIS, a reflection of the administration's desire to prioritize the aid issue, and at the summit announced several other appointments to further this goal including Vice President Al Gore as co-chair of a commission on technological cooperation with the Russian Prime Minister.<sup>122</sup> President Yeltsin's complaint at the summit that Russia was still being treated as a communist country compelled the Administration to propose the Friendship Act (PL 103-199), legislation that removed most statutory restrictions affecting relations with Russia and other former communist countries, except the Jackson-Vanik amendment and restrictions on technological exports. The second part of the program was a \$28.4 billion multilateral G-7 package. The third part was a \$1.8 billion US aid package.

Funding for this \$1.8 billion proposal as well as the Administration's original FY 1994 foreign aid request of \$703.8 million for NIS humanitarian and technical assistance activities, a \$287 million increase from FY 1993 levels, came under intense debate by congressional members.<sup>123</sup> The administration also requested \$400 million under the Nunn-Lugar act for dismantling the Soviet nuclear arsenal.

The political crisis that erupted in Russia on September 21 increased the congressional debate over the \$2.5 billion aid measure. After Yeltsin dissolved the conservative-dominated Russian legislature and then later ordered an assault on the parliament building, he was considered unstable by some foreign policy experts and Russia's best hope for democracy by others. Richard Armitage, coordinator of humanitarian and technical assistance to the ex-Soviet republics (a Bush administration

holdover) warned the Senate Armed Services Committee in February that Yeltsin's "days were numbered."<sup>124</sup>

On the other hand, retired Major General William Burns, who supervised an existing \$800 million US program to help dismantle the nuclear arsenal of the former Soviet Union, told the same committee that day that failing to provide US assistance to the former Soviet Union would be "extremely dangerous."<sup>125</sup> Three other experts made similar statements to the House Foreign Affairs Committee in February, calling for expanded US economic assistance to a Russia on the verge of economic disaster.<sup>126</sup> One of these experts, Stephen Cohen, a Russian studies professor at Princeton, claimed that a failure to help Moscow could quickly prompt the re-emergence of an unfriendly regime and a return to the arms race. Thus, aid to the former Soviet Union was "the cheapest national security we could buy."<sup>127</sup>

Members of the House and Senate Armed Services Committee, the House Foreign Affairs and the Senate Foreign Relations, were among the most ardent backers of continued assistance to the NIS.<sup>128</sup> However, many other members of Congress, as well as the public, remained skeptical of aid to our former enemy. This skepticism increased with confusing reports about what was done with previously approved aid.<sup>129</sup> Not even half of the allocated aid to the NIS had actually been delivered.

The final FY 1994 foreign aid bill contained a \$600 million allocation for the NIS, which was well below Clinton's request. The final aid amount also had attached conditions. For instance, Russia could not receive any aid unless it was progressing towards withdrawal of troops in the Baltics.

In 1994, the Clinton administration continued to focus on Russia. Strobe Talbott became Deputy Secretary of State on February 22 and aid to Russia was increased despite some Congressional and public misgivings. The somewhat rocky US-Russian relationship seemed to be

on more solid ground during Yeltsin and Clinton's September summit: "While the meeting produced significant new agreements on a range of arms control and national security issues, the absence of a crisis mentality might have been its most salient feature."<sup>130</sup> This summit also revealed another new trend in US assistance to the region, an emphasis on private sector investment and trade. More than \$1 billion in aid/trade agreements were approved.<sup>131</sup> The annual NIS report also reported this change in emphasis: "As the progress of reform increased the demand for direct support of US trade and investment, we enhanced the emphasis on this aspect of the program..."<sup>132</sup>

The Aldrich Ames spy scandal, Russia's new assertiveness in the affairs of other NIS and her slow economic transformations in addition to the administration's questionable handling of aid funds, dampened the support of Congress for aid to the NIS, especially Russia, in 1994.

Assistance to Russia came under a triple attack in Congress. First, there were questions about the administration's management of the aid program to the NIS.<sup>133</sup> As Chairman of the Foreign Operations Subcommittee (of the Senate Appropriations Committee) Patrick Leahy (D-NH) stated, "The mismanagement of this program has been uncoordinated and short on vision and the implementation has been no better."<sup>134</sup> Second, the Ames spy case caused several members of Congress to call for a freeze on assistance.<sup>135</sup> Third, the fact that the Russian central bank continued to support state industries made it difficult for some congressional members to justify further assistance to a country that did not seem intent on creating a free market economy.<sup>136</sup> Charles Flickner, a professional staff member of the Senate Committee on the Budget, argued that Russia showed few concrete results from the aid investment there.<sup>137</sup> There were also complaints in the Foreign Operations Appropriations Subcommittee that almost all of the NIS aid was going to Russia at the expense of other countries.<sup>138</sup> As Table IV B shows, Russia had received the largest share of

US aid.

Consequently, Clinton pledged a major increase in aid to Kazakhstan and the Ukraine, and the foreign aid bill included recommendations for aid to Ukraine, Armenia and Georgia. Indeed, the 1994 annual report for the NIS program reported a shift of assistance to the non-Russian NIS, especially Ukraine (from 35% in fiscal 1994 to over 55% in fiscal 1995).<sup>139</sup>

The fiscal 1995 foreign aid bill included \$850 million for the NIS. This was \$50 million less than Clinton had requested and significantly less than the \$2.5 billion in aid Congress had approved in fiscal 1994. The Appropriations Committee further diminished available funding for the NIS when it allowed the NIS account to be used for Mongolia (about \$100 million.)<sup>140</sup> Furthermore, Congress used \$55 million of the \$2.5 billion 1993 NIS assistance package to fund the Emergency Supplemental Appropriations which gave assistance to earthquake victims in southern California among others.<sup>141</sup> The fiscal 1995 defense spending bill provided \$400 million, the amount Clinton requested, for the Nunn-Lugar program.

Congressional and Administration disagreement over foreign aid to the NIS and CEECs intensified when the Republicans took over Congress in 1995. In 1995, the Clinton Administration continued to focus on Russia and America's economic self-interest as the primary goal of its foreign policy initiatives. Aid to Russia, in the Administration's eyes, was not tied to Russia's military action against Chechnya or other issues. However, after continued criticism for forgetting about Europe, the Administration also increased its request for aid to Eastern Europe, although most of the increase was earmarked for a NATO grooming program.<sup>142</sup>

The Administration's economic focus has been criticized by foreign policy experts as inadequate and dangerous for the CEECs and NIS.<sup>143</sup> For instance, according to Michael McFaul,

"Russia is in the throes of a social revolution: a rare moment in history in which challengers to the ancien regime attempt to transform the polity and the economy abruptly and simultaneously."<sup>144</sup> Thus, he argues that America's aid must promote both market and political reforms: "America's greatest national security nightmare would be the emergence of an authoritarian, imperialist Russian regime supported by a thriving market economy."<sup>145</sup>

Congressional Republicans, lead by Senate Majority leader Bob Dole, attacked the Administration's Russia-first policy.<sup>146</sup> In a speech at the Nixon Center in March, Dole declared that "developments like arms sales to Iran, violence in Chechnya and the U.N. veto on behalf of aggressors should not be excused, ignored or minimized."<sup>147</sup>

In a year where the domestic budget was caught in a political maelstrom, it is not surprising that the fiscal 1996 foreign aid bill (HR 1868) was never passed in 1995. The bill fell victim to the abortion debate. The House supported a provision that would deny international family planning aid for organizations that provide abortions. The Senate refused to pass the bill with this provision attached.<sup>148</sup> Aside from this disagreement, however, the bill received strong bipartisan support.

With pressure from Congressional Republicans, the Administration proposed a total decrease in the foreign aid budget for 1995. According to Secretary of State Warren Christopher, this proposal represented "the rock-bottom minimum that we need to defend and advance America's interests."<sup>149</sup> Yet, the House and Senate cut the presidential request by \$2.7 billion.

### **Perspective**

The slow responses of the Bush and Clinton administrations to the collapse of the Soviet empire stand in sharp contrast to the speed with which the United States responded to the threatened

economic collapse in Western Europe after World War II. The policies that shaped post war assistance policy to Western Europe became fully shaped during a fourteen-week period in the winter and spring of 1947. The fourteen weeks began on 24 February 1947, "the day Great Britain informed the Department of State of its inability to maintain its commitments in Greece and Turkey, and ended when General George C. Marshall, the US Secretary of State, presented his famous commencement address at Harvard University on June 5, 1947. Out of those hundred days two programs emerged: The Truman Doctrine for aid to Greece and Turkey and the Marshall Plan of aid for the economic recovery of Europe."<sup>150</sup>

Attempts to design assistance programs to meet the transition needs of the Central and Eastern European countries and the countries of the former Soviet Union have remained hostage to the Cold War rationale for foreign economic assistance. US foreign economic assistance has declined continuously in real terms since the easing of tensions between the US and the USSR beginning in the mid-1980's. Assistance commitments to Egypt and Israel have remained relatively constant. In contrast, assistance to the developing and Central and Eastern European countries and the former Soviet Union have had to compete for declining assistance resources. In fiscal 1995 the total US assistance budget stood at \$13.5 billion (and bilateral economic assistance at \$7.6 billion)- little more than half the level (in constant dollars) of a decade earlier. At the time this paper was written, additional reductions for 1996 on the range of 20 percent were being contemplated.

Both the Bush and Clinton administrations have attempted to reverse the decline in support for foreign assistance by proposing new legislation that would supersede the Foreign Assistance Act of 1961 under which the US economic assistance program still operates. The Bush administration stressed the elimination of the congressional earmarks which omitted the ability of the administration

to reallocate reserves. When the Clinton administration assumed office it was confronted with calls for reorganization, reform and elimination of the Agency for International Development (AID). It attempted to set the stage for reform by establishing an inter-agency task force under Deputy Secretary of State Clifton R. Wharton to review the assistance program.

Even long time supporters of AID such as John Sewell, President of the Overseas Development Council, were insisting on the need to "rethink" and "reorganize" the bilateral assistance programs. "The conceptual basis for many of these programs was developed for the cold war era; they are to a great extent outmoded in the rapidly changing world of the 1990's. The unwillingness to end these programs means that resources are not available to respond adequately to new opportunities..."<sup>151</sup> The Washington Post editorialized "Our guess is that most of the old structure and set up will have to be junked and a wholly new start made. The old program is probably beyond reforming and in need of replacing."<sup>152</sup>

The Wharton Commission report, which became embroiled in an inter-agency power struggle, was never officially released. It did become the basis for the Clinton administration's proposal for new assistance legislation which emphasized (1) protecting the global environment; (b) stabilizing world population growth and protecting human health; (3) building democracy; (4) encouraging broad based economic growth; and (5) providing humanitarian assistance and aid for post-crisis transition. The Washington Post reversed its earlier opinion and in early 1994 embraced the legislation proposed by the Clinton administration as "a smaller and neater measure with a less intrusive set of foreign aid policies and objectives."<sup>153</sup> A mid-term congressional election year was not, however, a fortuitous time to take up new foreign aid legislation.

The new Republican dominated Congress elected in November 1994 was even less supportive

of foreign assistance. Senator Jesse Helms, Chairman of the Senate Foreign Relations Committee, attempted to hold the foreign assistance budget hostage to a proposal to merge the AID and two other agencies into the State Department. US intervention to restore civil governance in the failed states of Somalia and Haiti and failure to intervene in Bosnia provoked a dialogue about the relation of the aid effort to national interests. While AID Administrator Brian Atwood was attempting to advance the themes of democratic political development and sustainable economic development, realist critics were characterizing economic assistance to poor strategically unimportant countries as "applying the standard of Mother Teresa to US foreign policy."<sup>154</sup>

Are there any forces at work which might reverse the continuing decline in assistance to the developing world or enhance the resources to strengthen the economic and political institutions of Russia and the NIS? It is possible that as the peace process in the Middle East matures, the resources allocated for Israel and Egypt can be redirected. But it is unlikely that this reallocation will occur rapidly. The most likely prospect is that the constituency support for assistance to the formerly centralized economies, both inside and outside the government, will be engaged in a continuing battle to carve out a larger share of a declining assistance budget.

It is unlikely that the problem of lack of a clear vision of the future of US assistance to the transitional economies will be resolved at the political level until a new post-Cold War reason of the kind of a world in which the US wants to live the first half of the twenty-first century captures the popular imagination. Assistance to Russia and the NIS will be further compromised by the disorder that will result from failed attempts to deal with constituent nationalities. A major challenge to US assistance efforts in the first decades of the twenty-first century will be how to assist transitional and failed states to meet the constitutional design problem of how to enable their constituent nationalities

to simultaneously achieve political autonomy and economic viability. On the political side this means a pragmatic search for constitutional arrangements that will assure ethnic and religious communities sufficient autonomy to satisfy their civic needs. Economic viability will require that political authority be achieved in an international framework that will permit financial resources, commodities and services, and people to move more freely cross political borders.

## **Appendix: Foreign Aid Calculations**

Data on US foreign assistance is reported in terms of funds (i) appropriated and (ii) obligated. Appropriation budgets consist of the amount of money the government has been given the legal authority to spend or obligate. Obligation figures include the amount of money actually spent by the government. Calculations may also differ depending on whether loan amounts, multi-lateral donations, etc. are included.

Since the story this paper tells is concerned primarily with the domestic politics surrounding the foreign aid appropriations debate, the numbers from the foreign operations appropriations bills, or foreign aid bills, seemed most appropriate to use (Table III). The foreign aid bill includes appropriations for multilateral aid programs, bilateral aid programs, bilateral military aid programs, and export assistance. The figures shown in Table III were derived from the bilateral aid programs only.

As a useful comparison, a table of the actual money the US government gave to and/or spent in those countries is also included (Table IV A and B). These amounts differ greatly from Table III because they include military assistance and loans and are "actual obligations" versus appropriations.

Table II, which accounts for the historical aid to several Eastern European countries, includes both US obligations and loan authorizations. This source was used because of its detailed and historical data. However, the figures are fairly close to the actual obligation amounts, so there is continuity between Table II and Table III.

**Table 1**  
**Major Donors of Official Aid to CEECs/NIS**

	1990		1991		1992		1993	
	\$ million	% of GNP	\$ million	% of GNP	\$ million	% of GNP	\$ million	% of GNP
Germany	473.2	0.0	2,771.80	0.2	3,874.90	0.2	2,416	0.1
United States	336	0.0	1,892	0.0	744	0.0	1,217	0.0
Italy	133.4	0.0	672.4	0.1	460.1	0.0	242.2	0.0
Austria	85.3	0.1	297	0.2	411.6	0.2	388.1	0.2
France	75.6	0.0	457.5	0.0	365.5	0.0	605.6	0.1
United Kingdom	258.8	0.0	326.6	0.0	338.5	0.0	285.1	0.0
Total OECD	1,719.80		7,821.90		8,052.70		6,900	

Note: These aid amounts include contributions to multilateral organizations.

Source: OECD, DAC Report 1993 and 1994.

**Table II**  
**US Obligations and Loan Authorizations to the CEECs: FY 1946-FY 1989**  
**Total Economic Assistance (Millions of Dollars)**

FY	Czech Repub.	Hungary	Poland	Romania
1946	112.8	3.9	224.8	0
1947	78.1	14.4	176.9	0
1948	0	0	0	0
1949	0	0	0	0
1950	0	0	0	0
1951	0	0	0	0
1952	0	0	0	0
1953	0	0	0	0
1954	0	0	0	0
1955	2	3	0	0
1956	0	3.2	0	0
1957	0	7.2	30	0
1958	0	0	25.5	0
1959	0	0	8.6	0
1960	0	0	3.5	0
1961	0	0	5.1	0
1962	0	0	8.7	0
1963	0	0	8	0
1964	0	0	15	0
1965	0	0	4.1	0
1966	0	0	6.7	0
1967	0	0	5	0
1968	0	0	10.4	0
1969	0	0	6.3	0
1970	0	1.1	2.7	2.1
1971	0	0	0	7.6
1972	0	0	0	0
1973	0	0	0	0
1974	0	0	0	0
1975	0	0	0	0
1976	0	0	0	0
1977	0	0	0	0.4
1978	0	0	0	12.3
1979	0	0	0	0.7
1980	0	0	0	0
1981	0	0	47.6	0
1982	0	0	35.5	0
1983	0	0	24.8	0
1984	0	0	20.9	0
1985	0	0	13.8	0
1986	0	0	6.3	0
1987	0	0	3.1	0
1988	0	0	6.8	0
1989	0	0.3	3.3	0
1990	0.3	0.9	81.8	63.8

Source: USAID. US Overseas Loans and Grants, vol. V,  
 Obligations and Loan Authorizations, FY 1946-FY 1993.

"Total Economic Assistance" includes commitments made by and under USAID, PL 480  
 (which includes food aid programs and food for development programs); and other  
 economic assistance (loans authorized by the Inter-American Development Bank).

Table III  
Foreign Aid Spending (Thousands of Dollars)

	Assistance for Eastern Europe			Assistance for Ex-Soviet Nations			Total Foreign Assistance Final Bill	
	President's Request	House Bill	Senate Bill	Final Bill	President's Request	House Bill		Senate Bill
FY 1991	229,979	418,975	320,000	369,875	0	0	0	15,388,401
FY 1992	400,000	400,000	NA	(384,211)	0	0	0	14,130,027
FY 1993	450,000	400,000	400,000	400,000	350,000	417,000	417,000	26,257,378
FY 1994	408,951	400,000	380,000	300,000	903,820	803,820	803,820*	12,982,668
FY 1995	380,000	360,000	358,000	358,000	800,000	875,500	899,000	13,628,238
FY 1996	480,000	824,000			788,000	595,000		12,100,090

Note: A Foreign Aid Bill for FY 1992 was never passed in 1991, instead a continuing resolution was adopted.  
\*. This figure does not include an additional \$1,699 billion allocated for the Ex-Soviet Nations which was drawn from unexpended balances of foreign assistance and defense funds of fiscal 1993.

The FY 1993 Total Foreign Assistance amount includes a \$12,313,857 allocation for the IMF (the U.S. quota).  
The Total Foreign Assistance column includes multilateral economic assistance; bilateral economic and military assistance; and export assistance.

Source: Congressional Quarterly Almanac, 1990-1995 various issues, Foreign Operations Appropriation Bills.

Table IV A  
 US Economic and Military Assistance to the CEECs-Accrual Obligations (Thousands of Dollars)

	Albania	Bosnia*	Bulgaria	Czech Republc	Estonia	Hungary	Latvia	Lithuania	Poland	Romania	Slovak Republc	Slovenia	Yugoslavia*	Regional	Total
FY 1990	0	0	0	332	0	892	0	0	15,726	20,000	0	0	100	285,642	322,592
FY 1991	340	0	927	1,203	0	1,916	0	0	2,713	1,968	0	0	87	307,297	316,211
FY 1992	1,235	0	924	1,080	58	2,720	42	86	3,811	2,112	0	0	0	431,278	444,243
FY 1993	3,498	62,282	1,244	2,421	0	3,489	129	173	4,316	8,228	144	0	0	256,844	367,955
FY 1994	1,303	84,371	1,467	2,419	152	3,008	186	160	4,268	1,643	1,300	1,108	0,000	368,240	494,592
FY 1995	30,253	48,308	30,784	18,127	1,952	30,300	7,800	12,049	80,967	34,237	28,981	6,421	13,438	37,324	378,107
FY 1996	32,800														

Notes: \* : Bosnia-Bosnia-Herzegovina, Croatia and Kosovo in 1993, then only Bosnia-Herzegovina for subsequent years. Aid to Croatia: FY 1994-8,281; FY 1995-14,288; FY 1996-13,410  
 \* : In 1994, aid to Yugoslavia became aid to Macedonia  
 In 1993, aid to Czech Republic was split between Czech, and the Czech Republic where Czech received 60. In previous years the was aid to Czechoslovakia and in subsequent years it became aid to the Czech Republic.

Table IV B  
 US Economic and Military Assistance to the NIS-Accrual Obligations (Thousands of Dollars)

	Armenia	Azerbaijan	Belarus	Georgia	Kazakhstan	Kyrgyzstan	Moldova	Russia	Tajikistan	Turkmenistan	Ukraine	Uzbekistan	Regional	Total
FY 1992	290	0	0	0	0	0	0	1,870	0	0	791	286	528,729	132,076
FY 1993	1,009	0	101	0	1,390	137	600	3,081	0	807	1,368	1,108	477,467	486,059
FY 1994	1,060	0	100	0	1,308	846	926	3,183	0	1,318	2,366	1,136	553,820	568,793
FY 1995	41,828	8,973	5,330	25,046	45,623	21,888	29,224	348,208	9,720	8,404	163,019	11,430	151,191	662,612
FY 1996	31,382	6,000	13,275	21,250	64,384	18,824	31,339	284,241	7,000	5,457	162,380	12,424	169,000	606,855

Note: Below FY 1992, the only US assistance obligation to the NIS was to the Soviet Union for the Armenian Earthquake relief in FY 1989 and 1991.  
 Regional aid consists of aid for non country-specific programs

Source: U.S. Agency for International Development, Congressional International Summary Tables.

**Table V**

**Spending on Demilitarization of Former Soviet States (Nunn-Lugar Program)**  
(Millions of Dollars)

FY1992	187
FY1993	400
FY1994	400
FY1995	400

Source: Congressional Research Service, Congressional Quarterly, January 14, 1995.

## Endnotes

1. In the past, the magnitude of assistance flows reflected the intensity of the Cold War (Vernon W. Ruttan, United States Development Assistance Policy: The Domestic Politics of Foreign Economic Aid (Baltimore: The Johns Hopkins University Press, 1996): 253-332). If tensions between the Soviet Union and the US were high, foreign aid increased. From the initial passage of the Mutual Security Act of 1957 three general objectives have been emphasized in foreign aid programs: "To protect nations threatened by communist or communist-inspired aggression; to encourage (friends) to grant military base and facility access rights to American forces; and to support countries with which the United States maintains a special political and security relationship." (Larry Nowels, Economic Security Assistance as a Tool of American Foreign Policy (Washington D.C.: National War College, 1987), p. 5.).
2. Curt Tarnoff and Larry Nowels, US Foreign Assistance: The Rationale, the Record and the Challenges in the Post-Cold War Era (Washington D.C.: National Planning Association, 1994).
3. William Hyland, "The Case for Pragmatism," Foreign Affairs [hereafter FA] 71 (1992): 38-52.
4. Michael Mandelbaum, "The Bush Foreign Policy," FA 70 (1991): 5-22.
5. Theodore Sorenson, "Rethinking National Security," FA 69 (Summer 1990): 1.
6. Brad Roberts, ed., US Security in an Uncertain Era (Cambridge: MIT Press, 1993), p. vii.
7. Joseph Romm, Defining National Security (New York: Council on Foreign Relations Press, 1993).
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11. For an excellent discussion of this problem, see Haass, "Paradigm Lost," pp. 43-58.
12. See Zbigniew Brezezinski articles, including "A Plan for Europe," FA 74 (January/February 1995): and "Order, Disorder, and US Leadership," in US Security in an Uncertain Era. Also, Andrei Kozyrev, "Partnership or Cold Peace?" Foreign Policy 99 (Summer 1995): 3-14. For a discussion of the "new world disorder" see Harlan Cleveland, Birth of a New World Order: An Open Moment for International Leadership (San Francisco: Jossey-Bass Publishers, 1993).
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16. Ibid., p. 24.
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18. Jeffrey Sachs and David Lipton, "Poland's Economic Reform," FA 69 (Summer 1990): 47-66.
19. Roger Kirk and Mircea Raceanu, Romania Versus the United States (New York: St. Martin's Press, 1994): 1.
20. Joseph Harrington and Bruce Courtney, Tweaking the Nose of the Russians: Fifty Years of American-Romanian Relations: 1940-1990 (Boulder: Eastern European Monographs, 1991): 605.
21. McGeorge Bundy, "From Cold War Toward Trusting Peace," FA 69(1989/90): 208.
22. Mandelbaum, "The Bush Foreign Policy," p. 5.
23. Ibid.
24. Congressional Quarterly Almanac [hereafter CQA], 1989, p. 505.
25. Ibid.
26. COA, 1989, p. 506.
27. COA, 1989, p. 507.
28. COA, 1989, p. 503.
29. COA, 1989, p. 509.
30. Ibid.
31. COA, 1989, p. 510.
32. Initially the SEED program was set up to aid only Poland and Hungary. It was expanded to cover the rest of Eastern Europe in the Freedom Support Act in 1992.
33. The US economic assistance programs in the FSU and Eastern Europe are now implemented by twelve US government agencies including USAID which manages the largest share of the programs.
34. The SEED Act Implementation Report, FY 1992 (US Department of State Publication, January 1993): 3.
35. David Gergen, "America's Missed Opportunities," FA 71(1992): 4.
36. COA, 1990, p. 830.
37. Ibid.

38. Congressional Quarterly, 1991.
39. Congressional Quarterly, 24 February 1990, p. 609.
40. COA, 1990, p. 204.
41. Irwin Stelzer, "A Marshall Plan for Eastern Europe?," Commentary 89 (January 1990): 17-22. Nicholas Eberstadt, "How Not to Aid Eastern Europe," Commentary 92 (November 1991): 24-30. Stephen Entin, "Aid to East Bloc - A Taxing Question," The Wall Street Journal, 5 September 1991.
42. Stelzer, "A Marshall Plan for Eastern Europe?" p. 22.
43. Entin, "Aid to East Bloc-A Taxing Question," p.
44. COA, 1991, p. 470.
45. The bill became embroiled in an administrative dispute with Israel over loan guarantees.
46. The EBRD commitment to the CEECs in fiscal year 1991 totalled \$70 million (source: The SEED Act Implementation Report, FY 1992).
47. Strobe Talbott, "Post-Victory Blues," FA 71 (1992): 53-69. Hyland, "The Case for Pragmatism."
48. David Gergen, "America's Missed Opportunities," FA 71 (1992): 17.
49. Hyland, "The Case for Pragmatism."
50. "Bad Times for Foreign Aid," US News and World Report, 9 September 1991, p. 11.
51. Ibid.
52. Congressional Quarterly, 16 May 1992, p. 1351.
53. COA, 1992, p. 609.
54. The EBRD Commitment to the CEECs in FY 1992 increased to \$1,426 million (source: The SEED Act Implementation Report, FY 1992). During 1991-92, Poland was the largest recipient of Bank financing, followed by Romania and Hungary.
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56. The SEED Act Implementation Report, FY 1992, p. 1.
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70. This sentiment was shared by Frank Gaffney, Jr. (COA, 1989, p. 479).
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74. Ibid., p. 2.
75. COA, 1990, p. 758.
76. Ibid., p. 759.
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82. Stelzer, "A Marshall Plan for Eastern Europe?" p. 22.
83. COA, 1991, p. 464.
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128. Ibid.
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130. COA, 1994, p. 467.
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134. COA, 1994, p. 466.
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