SECTION 4

Russia's Transformation

Doing More on Democracy

The United States has a national security interest in fostering the consolidation of democracy in Russia. When the Cold War ended and Soviet communism disappeared, American national security was enhanced. If dictatorship were to return to Russia, the security of the United States and its allies would be diminished. A new Russian dictatorship would almost inevitably propagate anti-Western attitudes at home to legitimate itself and adopt antagonistic policies toward the United States—regarding China, the Middle East, South Asia, and elsewhere—to feed those sentiments. An authoritarian Russia could not be a close partner of or integrated into Western political and security institutions. Instead it would be a hostile outsider, perennially in search of ways to undermine the positive vision of a widening European zone of democracy and security. The emergence of such a government in Russia would also send a political shock wave throughout the rest of the former Soviet Union, giving hope to the most stagnant, repressive regimes and discouragement to those governments that have made real political and economic progress.

Consequently, promoting democracy within Russia should remain a U.S. foreign policy objective. In fact, given the uncertainty of Russia's political trajectory under Putin, we believe the new administration should substantially bolster U.S. efforts to foster Russian democracy. And these new efforts should be configured to fit the changed realities of Russian politics as compared to the first half of the 1990s, when most existing democracy promotion efforts took shape. Some key points:

- The new administration should decrease economic aid to Russia by 50 percent and devote those funds to democracy aid, raising the annual democracy aid budget for Russia from $16 million to $40 million;
- Democracy aid should be largely directed to the nongovernmental sector, with emphasis on designing programs to fit local Russian realities, giving Russians a greater role in designing and implementing aid programs, and increasing attention to exchange and education programs; and
- Even with substantially greater resources devoted to democracy aid, the new administration should maintain modest expectations for the near-term impact of such efforts.

Constructive Engagement with the Russian State and Society. In some countries, the best strategy for promoting democracy is to assist society and sanction the state. In other countries, the primary task is to engage the state. Russia, especially under President Putin, is at a place in which it makes sense to engage *both* the state and society but to target assistance away from the state and towards society.

Because Putin wants good relations with the United States, American foreign policy makers have leverage in promoting democratic ideas through state channels. Rather than shower Putin with faint praise about his businesslike demeanor as a way to secure his support for arms control treaties, the new U.S. administration needs to stress that the preservation of democracy in Russia is a precondition for cooperation and integration into the Western community of states. Putin wants to make Russia a great European power once again. The new administration should regularly and clearly remind him that all great European powers today are democracies.

We therefore recommend that the new administration substantially increase U.S. democracy aid to Russia, by reducing economic assistance by half and shifting that approximately $25 million to democracy programs.

It is not enough, however, to try to convince Putin and his government to adhere to democratic practices for reasons of self-interest. Instead, the United States must become more engaged in defending and assisting those individuals and organizations within Russia fighting for democratic institutions and values. Unlike the debate about the market, the debate about democracy in Russia is not over. As long as advocates for democracy within Russia remain active and engaged in this battle for Russian democracy, the United States must continue to support their struggle with ideas, educational opportunities, moral support, and technical assistance.

In addition to substantially increasing U.S. democracy aid, as discussed below, this means empowering democratic activists in Russia through high-level meetings with U.S. officials. President Ronald Reagan never went to the Soviet Union to meet with Soviet leaders without holding separate meetings with societal leaders. This practice must return. Russia's independent journalists, human rights activists, civic organizers, business leaders, and trade union officials must be engaged, celebrated, and defended—especially when the state abuses their

rights. Heroes in the struggle against Soviet communism such as human rights activist Sergei Kovalev have warned that Russian democrats will be facing their most difficult test in the coming years. It would make no sense to abandon these people now.

New Resources. Over the course of the last decade, democracy promotion has been a distant fourth on the list of U.S. assistance priorities vis-à-vis Russia, after denuclearization, economic reform, and humanitarian projects. These three areas constituted $4.48 billion of the $5.45 billion in total assistance for Russia from the U.S. government from 1992 to 1998. Of that $5.45 billion, only $130 million (2.3 percent) was devoted to programs *directly* aimed at advancing democracy. In the most recent annual aid budget for Russia, democracy assistance received only $16 million.

U.S. assistance priorities need to change. While denuclearization programs should be continued and expanded, most economic and humanitarian assistance programs are no longer necessary or even desired by Russians. By contrast, democracy assistance programs are as necessary today as at any time in Russia's post-Soviet history. Given Putin's rise to power and the subsequent uncertainty regarding democratic consolidation in Russia, the United States should be even more committed to promoting Russian democracy than in the past. Russian advocates for democratic reforms also want this assistance. We therefore recommend that the new administration substantially increase U.S. democracy aid to Russia, by reducing economic assistance by half and shifting that approximately $25 million to democracy programs.

Making the Assistance Work. While the new administration will work directly with the Russian government on many issues, U.S. assistance for democracy should primarily be directed to the nongovernmental sector. The Clinton administration moved gradually in this direction, but too many resources continued to be directed at government entities. Instead, the bulk of support should go for the further development of political parties, civic organizations, business associations, and trade unions, *not* state bureaucrats. It should be targeted at public interest law organizations and provide seed money for a Russian version of a civil liberties union rather than as a source of money for Russian officials. The impetus for state reform in Russia will not primarily arise from within the state. Rather, state institutions will reform only when there are strong societal groups in place that can pressure them to do so. The focus should be on helping such groups develop the strength and resources to exercise such influence.

Programs with large budgets often translate into waste, corruption, and big salaries for Washington-based consultants. Direct assistance to Russian societal actors should be expanded, with an emphasis on small-grants programs that give small amounts of money directly to Russian organizations. Organizations such as the National Endowment for Democracy, Internews, and the Eurasia Foundation have followed this model for years and provide excellent examples for others to emulate. Private foundations should also continue to play an active role in these endeavors and coordinate where possible with government-supported efforts.

Because foreign assistance can distort the priorities and constrain the activities of nongovernmental organizations (NGOs), special attention must be given to fitting grant programs to Russian needs rather than American concerns. This works best when Western NGOs that help implement U.S. aid programs give Russians real responsibility in their field offices and fund Russian experts to develop strategies that target Russia's needs. Western practitioners tend to be unfamiliar with the organizational cultures and domestic political settings in which they find themselves working. Local voices must be heard and empowered. The more interactive the partnership, the greater the impact.

Education Is the Key. The era for influencing the design of Russian political institutions is over. The development of liberal economic and political institutions in Russia will be a long and difficult process, punctuated by still more short-term failures ahead. The era for propagating democratic ideas within Russian society has just begun. This part of the American strategy needs much more attention.

Information and education are the best tools for assisting the development of Russian civil society. The last section of this report sets forward a specific initiative the new administration should undertake to bolster Russian higher education. In addition, the new administration should strive to increase educational or professional exchanges between the two countries. Educational programs for young Russians must be expanded so that someday as many Russians as Chinese will study in American universities. In 1998, for instance, the U.S. government funded only 70 Russian undergraduates and 77 Russian graduate students to study in the United States. These numbers should be increased tenfold. Civic education projects within Russia also should be expanded. While hundreds of business schools have sprouted up throughout Russia, there are almost no public

policy schools and only a handful of organizations dedicated to the dissemination of materials on democracy. The new public policy school at Moscow State University, established in cooperation with Syracuse University and funded by the U.S. Agency for International Development (USAID), should be emulated at other Russian universities. The United States should promote the creation of a new Russian institution devoted to American studies and attract private American funding to sustain it.

Programs that increase the flow of information about entrepreneurial and civic ventures throughout Russia should also be encouraged. The demonstration effect of a successful NGO in Samara will mean much more to a future NGO in Novosibirsk than an example from Chicago. More generally, programs that increase contacts between Russians and Americans must be expanded. America's most effective tool in promoting markets and democracy is the example of the United States itself. The more Russians are exposed to this model, the better. This exposure can come from military-to-military programs, sister city programs, or internship programs in U.S. businesses and nongovernmental programs. For instance, Russian entrepreneurs who visit and intern in Western companies through programs organized by the Center for Citizens Initiatives learn first-hand how companies operate in a market environment. Russia still has a dearth of market-oriented managers. Likewise, Russian party organizers visiting the United States during an election period have learned more in two weeks about campaign strategies, party organization, and NGO participation in the electoral process than in years of academic study.

Finally, the United States should devote greater resources to assisting the flow of news and other information more generally through Radio Free Europe, Voice of America, and the Internet. Such programs will become especially important if the Putin administration continues to crack down on independent media organizations in Russia.

Depoliticize and Pluralize Assistance. In the next phase of engagement, the United States should focus on small amounts of support to many, rather than large amounts to a few. In the early years of democracy assistance, the communists were considered the bad guys and "democrats" were the good guys; democracy aid was directed specifically at those the United States considered "democrats." This categorization is no longer meaningful. Russian politics is dominated by political actors who do not fall neatly into such categories, starting at the very top, with President Putin and his political circle. Moreover, the Communist Party of the Russian Federation, and many communist-leaning civic

organizations and trade unions, have demonstrated that they are willing to play by democratic rules. In other words, these groups are no longer threats to Russian democracy. Consequently, Western democracy programs should stop the practice of trying to bolster narrowly defined groups that hold themselves out as the only true democrats. This also means reversing the longstanding policy of automatically excluding communist groups from democracy-building programs. If the purpose of many democracy programs is to instill democratic values and help build democratic practices, why exclude the very persons or organizations the United States would most like to see change their views?

Western democracy programs should stop the practice of trying to bolster narrowly defined groups that hold themselves out as the only true democrats.

Getting the Relationship to Economic Assistance Right. After a decade of post-communist transitions, one of the most surprising outcomes is the positive correlation in Eastern Europe and the former Soviet Union between democracy and economic growth. The countries with the highest economic growth rates have also progressed the furthest in consolidating democracy. Consequently, democratic and economic assistance programs must be understood as mutually reinforcing and must be better integrated.

The issue of corruption provides an excellent area of potential integration. Corruption is usually coded by Western financial institutions as an economic issue or state-capacity problem. Consequently, strategies for addressing corruption rightly focus on deepening liberalization and thereby eliminating state rents or on strengthening the law enforcement institutions of the state. The strengthening of democratic actors can work as a nice complement to these other strategies. After all, corruption in the White House during the Nixon administration was exposed and addressed by independent, investigative journalists. Similarly, campaign finance corruption charges in the 1996 American presidential campaign came to the fore because of a strong, independent opposition party, that is, the Republican Party. Courts, laws, and police were part of the equation,

but an independent media and a robust party system have played a central role in reducing corruption in the United States. If stronger, they could play the same role in Russia. In other words, the promotion of independent media and political party development must be understood as a strategy for fighting corruption.

More generally, democratic assistance programs are often aimed at increasing transparency of the state's activities, which in turn empowers societal actors to control and monitor the state. Greater attention should be devoted to increasing the monitoring capacities of Russian NGOs, with a special focus on the role of the Internet. For example, the tracking of state expenditures and the monitoring of vote counts are two crucial arenas. More and better monitoring of state activities in turn serves the legitimate business community and deters the parasitic economic elite who make money through state connections.

Combining Vigor with Realism. At the same time that it should bolster efforts to facilitate a transition to democracy in Russia, the new administration should accept that the results of such work will inevitably be slow and modest. Russia is midstream in a radical transformation of its society, economy, and polity, rivaled in modern history only by the French, Bolshevik, or Chinese revolutions in scope and consequence. Whether talking about privatization, party building, or health care reform, external actors are peripheral players in this drama of change. Western assistance programs to Russia and assessments of these programs, therefore, must remain humble regarding expectations and accomplishments.

It is misleading and inaccurate for Western advisers to take credit for developments inside Russia such as privatizing 100,000 enterprises. Obviously, Russians privatized these enterprises. Measuring the real role played by outsiders is difficult. Would only 90,000 enterprises have been privatized had Western advisers not been present? Similarly, blaming Western programs for the democratic shortcomings in Russia is unjustified. Russians are ultimately responsible for both successes and failures in the development of democracy, though Western organizations have played and can continue to play a role. And always constraining the efforts of any who seek to advance democracy in Russia, whether Western experts or Russian activists, are powerful structural, historical, institutional, and political factors. Strategies that take these constraints into account tend to be better designed and have a greater impact.

The history of reform in Russia so far suggests that these constraints are more consequential than was first assumed a decade ago. Expectations should accordingly remain low, and the impulse to claim credit for successes must be checked. To sustain Russian societal actors dedicated to building liberal, democratic institutions over the long haul, the providers of assistance must have long-term objectives, patience, and humility.

Updating the Economic Agenda

In the 1990s, U.S. policy makers devoted substantial attention to helping Russia make a transition to a market economy. The goal of this policy was the right one, although the methods were not always consistent, well designed, or effective. As with other parts of U.S. policy toward Russia, the context of the economic component of the policy has fundamentally changed from the 1990s: the Russian economy has been transformed since 1991. However flawed, a market economy has been created, and more than two-thirds of Russia's GDP is now produced by the private sector. The financial crash of August 1998 seems to have been a wake-up call to the Russian establishment to get serious about economic policy. Russia returned to economic growth in 1999, and significant growth may well continue. The country has accomplished macroeconomic stabilization, inflation has been brought under control, and the Russian national budget has been balanced. Thanks to high oil prices and the substantial devaluation of 1998, Russia enjoys a sizeable trade and current account surplus.

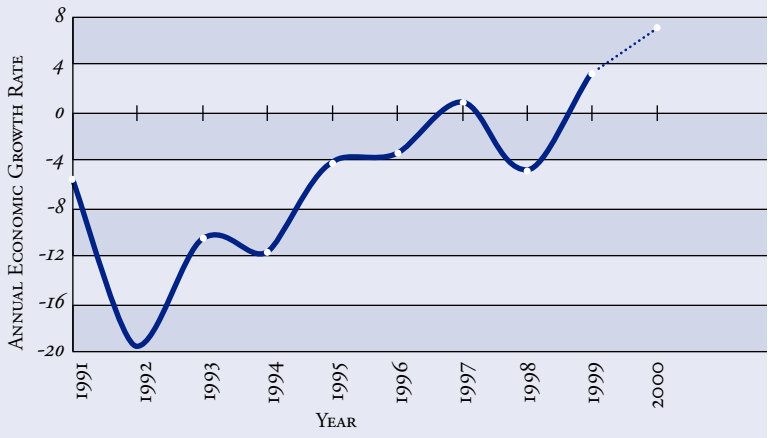
These new realities mean that most of the macroeconomic concerns that have dominated U.S. policy debates over Russia's economy are no longer relevant. The Russian government no longer needs foreign financing for its budget, and Russia's international reserves have risen considerably. Therefore the main elements of U.S. economic policy toward Russia in the 1990s—supporting large-scale IMF support for Russia and carrying out a panoply of technical assistance relating to macroeconomic reform—are now, or should now be, things of the past. This change has several major policy implications:

- The IMF can stop making loans to Russia and reduce its role to monitoring the Russian economy;
- U.S. economic assistance should be more limited, more driven by requests from the Russian government, and aimed more at encouraging the application of Russian expertise than with inserting American consultants into the country; and

- U.S. policy makers who want to support Russia's transition to capitalism should focus on promoting greater trade between Russia and the United States and more American investment in Russia.

The Putin government adopted an ambitious reform program in July 2000, putting virtually all remaining important structural reforms—including reforms to regulate the natural monopolies of electricity, railways, and natural gas—on the agenda. The Duma has already enacted a far-reaching tax reform package, which has long been seen as necessary for steady economic growth, though tax administration requires further improvements. The most important reform issues still to be faced are strengthening governance and rule of law. The poor functioning of the state, including the judiciary, must be improved. The Russian government has also put a number of important social reforms on its list, including pension reform, reform of the health care and education systems, and targeting social support to those most in need. The U.S. government should positively respond to Russian requests for assistance in these domains.

Russia's Economic Growth



Source: IMF, *World Economic Outlook.*

Above and beyond these continued areas of concern, U.S.-Russian economic relations should focus on two issues in the future, namely trade and investment. On trade, it is vital that Russia enjoy full access to dynamic export markets. For the United States, this need means limiting anti-dumping actions against Russian steel exports to the United States as well as working for Russia's early entry into the World Trade Organization (WTO). At present, Russia appears unlikely to join the WTO before 2004, although Russia is highly dependent on exports, which exceed 40 percent of its GDP. In sharp contrast to China, the Russian pol-

icy elite has not realized how important the WTO is, but without the WTO, a country possesses little legal support against other countries' trade policies and stands outside the international trading system. The new administration should promote Russia's joining the WTO in the near future. It should also put pressure on the EU to open up its markets to an equal extent.

Another condition for successful economic development in Russia is a major increase in foreign direct investment. After a country has opened up to the outside world, it usually takes about a decade before foreign direct investment takes off. It is time for both Russia and the United States, therefore, to get serious about the common promotion of investment projects in Russia, from which both will benefit.

It is time for both Russia and the United States to get serious about the common promotion of investment projects in Russia, from which both will benefit.

The most fundamental precondition for the success of foreign direct investment is that a country really desire such investment, and the Russian government now seems committed to such a cause. Many other conditions have to be in place, such as political stability, a reasonable tax system, secure property rights, and a stable, fair, liberal, and effective legal framework. Russia has not accomplished these goals, but has made progress on some fronts. U.S. companies have already undertaken substantial, successful investments in food processing; other industries are likely to follow.

A precondition for any successful economic cooperation, however, is that corruption be reduced. Although the European Bank for Reconstruction and Development has shown that Russia is not as corrupt as is widely perceived compared to other parts of the former Soviet Union, corruption is still a serious problem. That publicity about corruption frequently occurs in Russia is at least a positive reflection of the openness of Russian media and society, an openness that President Putin must preserve if he is serious about reducing corruption. Yet media scrutiny alone is not enough. Such attention must result in legal actions that effectively reduce corruption and improve the standards of governance—a prime Russian national interest. The United States should offer to work as closely

with the Russian government on these issues as the Russians wish, in accordance with the principles set out in the section below on rule-of-law aid.

One obvious area of common economic interest is the energy sector. A number of U.S. companies have already invested in Russia's energy industries or are gearing up to undertake substantial investment in the near future, under the right conditions. The most important hurdle today is a set of legal measures that must be adopted to render Russia's law on product-sharing effective; these measures can be swiftly adopted, however, laying the groundwork for large U.S. energy investment in Russia. With a breakthrough approaching, the new U.S. administration must help bring it about.

To facilitate American direct investments in Russia, the U.S. government should continue to help solve problems for U.S. companies in Russia and make sure that relevant investment financing is available. At this stage of Russia's development, the Overseas Private Investment Corporation should be able to play a more active role, as more American companies find investment opportunities in Russia. The Export-Import Bank is already providing Russia with substantial export credits, which could expand considerably in the years to come as Russian economic growth takes off.

Until recently, Russia's foreign debt service was untenable, but important improvements have occurred. The default on the country's treasury bills in 1998 has been settled, leading to a substantial reduction of the state debt. The London Club of commercial banks has written off about half the commercial debt of the Soviet Union. Russia's large current account surplus and radically improved federal revenues are taking care of the rest of the problem. Russia is thus likely to be able to manage its foreign debt service in the future. The only question outstanding is the Paris Club debt of about $40 billion to Western governments. Today, Russia should be able to manage that debt, so debt reduction measures are not necessary. U.S. policy should be to support a final debt restructuring, aimed at extending the period of debt repayment.

One special issue that relates to promoting wider economic ties between Russia and the United States and greater exchange in such other domains as education is the problem of U.S. visas for Russians. The visa process is inevitably strained in any country where there is high demand for U.S. visas. But a remarkable number of Russians, including many in influential political and economic circles, report an extremely high level of frustration and even anger about the treatment they receive in attempting to obtain a U.S. visa. The visa process is

becoming an entirely unnecessary generator of anti-American sentiments and turning many people away from the very idea of traveling to the United States, thereby curtailing contacts at different levels. We hope that the new administration will take note of the problem and find ways to alleviate it.

Facing the Rule of Law

Promoting the rule of law should be an important component of American policy toward Russia, where pervasive crime and corruption continue to undermine democratic and market reforms. In a way, all reform efforts in Russia hinge on success in consolidating the rule of law. Democracy cannot be sustained without freedom of the press, for example, just as a market economy requires well-defined and clearly assigned rights of private property. But it is far from easy to design and deliver effective technical assistance in the legal arena. For one thing, law is a sprawling and highly complex social institution, running through the state, the economy, civil society, and their multiple relationships. In Russia, moreover, rapid legal change is currently under way. To intervene responsibly in this ongoing, complex, and sometimes obscure process requires formidable skill and care.

Of course, the United States has financed and managed a number of rule-of-law projects in Russia during the last nine years. Although some of them were successful, all have suffered from a disproportion between the vast scale of the problem and the modest resources made available to solve it. And most of them exhibited basic flaws in approach. For instance, American aid providers placed too much faith in legislation by executive decree, instead of insisting that laws be hammered out through processes of consultation with important actors in both the state bureaucracy and civil society. They overemphasized the replication of American-style laws, practices, and institutions at the expense of helping Russians resolve their legal problems in their own way. And, finally, the U.S. government identified itself too closely with proposals, such as the strict enforcement of computer software piracy laws, from which American businesses would profit handsomely and from which Russians would financially lose.

The new administration should give serious, sustained attention to helping promote the rule of law in Russia. As it does so, it should bear several cautionary principles in mind.

First, rule-of-law programs must avoid "mirror imaging," the attempted

wholesale transfer of American laws, practices, and institutions to Russia. American lawyers are of course trained to solve routine problems within routine procedures, not to build new legal institutions or help rebuild discredited ones. But that is no excuse for sending field operatives who are poorly informed about local Russian skills, resources, infrastructure, obstacles, and problems. During the first wave of legal technical assistance, in the early 1990s, some American program managers attempted to create a home away from home, to reproduce American laws and legal institutions on an extraterritorial basis. The U.S.-funded attempt to introduce jury trials in Russia, which has proved cripplingly expensive in practice, is a case in point. This mistake should not be repeated.

Second, American assistance should focus less on enhancing the sheer power of legal institutions and more on increasing the impartiality of legislation, prosecution, and adjudication. This means giving greater attention to helping change internal processes in institutions rather than achieving the creation of particular institutional forms. More specifically, U.S. officials should be cautious about throwing American funds and prestige into generic "law enforcement" campaigns. The drive to eliminate corruption, for instance, may look attractive from a distance. Viewed up close, anti-corruption campaigns turn out to have ambiguous results, allowing the government to liquidate bothersome critics and rivals under cover of law. Special care should be taken to dissociate U.S. rule-of-law projects from such improper uses of law.

Third, American aid should be designed to help turn law-on-the-books into law that is reliably and impartially enforced in practice. The concern for formal law that dominated U.S. rule-of-law assistance in the mid-1990s should be replaced by a focus on real law. This may involve, for instance, providing logistical support and management advice to court administrators.

Fourth, rule-of-law aid should try to address one of the most formidable obstacles to law reform in Russia, namely fragmentation and duplication in the state bureaucracy. An improved Code of Criminal Procedure (narrowing the overly broad grounds for arrest) has not yet been passed, for instance, because of furious and self-defeating turf wars among the Duma, the Ministry of Justice, the Procuracy, the Judiciary, and the Ministry of Internal Affairs. To deal with this problem, the United States should design and support programs that are likely to

enlist wide support from a variety of different actors across Russia's otherwise fragmented and non-cooperating state apparatus. One example would be a program to reduce radically the number of pretrial detainees. Such a program—if designed, managed, and funded well—would bring together judges, prison authorities, and health officials (concerned about the spread of multi-drug-resistant tuberculosis), and would be opposed only by the Procuracy, whose cooperation could probably be obtained under the right conditions.

Fifth, and finally, rule-of-law funding in Russia should be built around the imperative of improving state-society relations as they relate to legal reform. Consultative relations between regulators and regulated, between law makers and the social groups affected by the laws they make, will enhance the intelligence and effectiveness of enacted legislation. To promote such relations, and thus to help turn law-on-the-books into law that is reliably and impartially enforced in practice, should be a central aim of the next administration's strategy for supporting legal reform in the Russia.

Supporting Higher Education

A strong system of higher education coupled with robust support for research in the natural sciences, social sciences, and humanities is a prerequisite for successful political and economic transitions in Russia and the rest of the former Soviet Union. In the Soviet period, higher education was a major state priority, and many Soviet scientists and mathematicians ranked among the world's best. The situation in the social sciences, however, was far less exemplary due to repression and the distortions of Marxist-Leninist ideology. Glasnost and perestroika gave Russian intellectuals greater freedom to pursue their research, but the economic collapse left the research and scientific communities in the region scrambling to survive and lacking adequate resources. Many Russian researchers have emigrated to the West and taken positions in leading universities and research institutions. Many more have remained in Russia but left their fields of research for new careers. If Russia is to consolidate its political and economic transition, the current internal and external brain drain must be greatly reduced.

Supporting higher education and research in the former Soviet Union offers the United States and the West an opportunity to leverage relatively modest investments today into significant long-term payoffs. The United States has much to offer since its research universities are world leaders in higher education

and research. Not only do the post-Soviet states lack financial resources to adequately support higher education and research, but the region's traditional separation of research and training is increasingly regarded as a structural impediment to systemic reform. However, the Russian Ministry of Education has become more convinced of the need for reform, and there are now some new institutions and centers of excellence, primarily supported by U.S. private foundations, that are beginning to bring together research and training under one roof and that could serve as models for broader, structural reform.

Several post-communist countries have established American universities, which are called exactly that, for example, in Armenia, Kyrgyzstan, Bulgaria, and Azerbaijan. The first three are already possibly the best universities in their respective countries. A study of higher economic education in 20 post-communist countries by the World Bank, the Open Society Institute, the Eurasia Foundation, and the Starr Foundation concluded that it is vital to create critical masses of world-class education in the region. The same is true in the other social sciences. A natural long-term U.S. strategy would be to support one full-fledged, high-quality university in each of the post-Soviet states. Such undertakings are not extraordinarily expensive. For example, the annual cost of one student at the American University of Armenia is currently about $5,000 per year. Fifteen American elite universities with an average of 1,000 students each would accordingly cost $75 million per year. And while prices will rise, of course, funding should come increasingly over time from local and private sources.

Funds should also be provided for these new universities to develop partner relationships with U.S. universities and research institutions, as the American University of Armenia has done with the University of California at Berkeley. The isolation of the Soviet research and scientific communities from their international colleagues was a particularly debilitating and cruel legacy of Stalin and his successors. Isolation of Soviet scientists also proved to be a loss for world science as they were on the forefront in many fields and collaboration would have been mutually beneficial. Today the potential for collaboration and joint work is restricted more for financial than ideological reasons. In the natural and physical sciences, more funding should be directed to equipping laboratories, so there are adequate means to work together not only in the West but also in the region. Since equipping labs can be relatively expensive, this upgrade cannot be done on a very large scale. Already a successful model for providing such funds exists, with the experience of the U.S. Civilian Research and Development Foundation (CRDF).

The most fundamental problem in Russian social sciences is the lack of well-trained university professors. To our knowledge, the number of Russian social scientists with Ph.D.'s from the West who are teaching in Russia can be counted on one hand! To improve this situation, the United States should allocate funds for graduate scholarships in the social sciences for students from the former Soviet Union. Again, the cost would be modest, but the impact could truly be profound. Five hundred students per year in Ph.D. training programs with an average cost of $30,000 would come to $15 million annually. More limited funds should also be allocated for one- and two-year postdoctoral residencies.

Support for institutions and support for graduate training go hand-in-hand. There would be little point in training hundreds, even thousands, of world-class scientists and researchers from the former Soviet Union if attractive institutions where they could continue to conduct research and teach did not exist in their countries of origin. Not only should the United States and the West take the lead in supporting regional institutions, but they should think creatively about how new technologies and other modalities can support regional research networks and what some have called "invisible universities." The basis for Internet conductivity established with support from George Soros in more than 30 regional Russian universities should be supported and expanded to other universities in Russia and the region. An informative needs assessment for the humanities and social sciences supported by the Carnegie Corporation and the MacArthur Foundation recommended using academic and policy journals such as *Polis* and *Pro et Contra* as the basis for facilitating informal research networks on selected themes. Ten million dollars allocated annually for these and other cost-effective efforts could go a long way toward rebuilding and nourishing regional research communities working on issues of fundamental importance to regional development as well as world science.

As globalization is gathering momentum, the foundation for individuals and nations to successfully adapt and prosper is world-class education, not only in the natural sciences and engineering but also in the social sciences. With relatively modest levels of public and private resources—approximately $100 million for the three sets of activities outlined above—allocated effectively for higher education and research, the United States can make a major contribution to long-term Russian development. This is democracy assistance in its most elemental form, since it is impossible to imagine a vibrant democracy and a healthy civil society in a nation where higher education and research are starved of resources or disfigured by ideologies appropriately consigned to the "dustbin of history."