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Russia [Folder 7] [1]

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RESTRICTION CODES

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- P1 National Security Classified Information [(a)(1) of the PRA]
- P2 Relating to the appointment to Federal office [(a)(2) of the PRA]
- P3 Release would violate a Federal statute [(a)(3) of the PRA]
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file Review

The Nature of the Russian Transformation

by James H. Billington
The Librarian of Congress

Henry M. Jackson Memorial Lecture
Seattle, Washington

April 14, 1998

Nothing produces deeper hostility in human relationships than the feeling that you are simultaneously being humiliated and ignored by someone you feel close to. The worst crimes of passion between individuals arise out of unrequited love. Divisions between races and groups classically become most ineradicable when one defines itself by simultaneously both insulting another and then patronizes its makers by treating them as if they were little children. No wars are more bitter than civil wars.

Nothing would probably surprise most Americans more than the five propositions I want to put before you today: (1) America is now the model that most Russians seek to emulate; (2) America is, at the same time, widely perceived in Russia today as having arrogated to itself the master role in an essentially master-slave relationship with Russia; (3) the compensating gestures that we sincerely make to reassure them of our friendship serve largely to deepen their over-all sense of being humiliated and patronized.

It might not be important to linger over these three disturbing matters if it were not for two other factors about Russia that are also not currently on the American radar screen: (4) There is a real risk that Russia could produce in the next few years an authoritarian regime with many fascistic features that could lead in significant parts of the former Soviet Union to the kind of explosive violence we have seen in Yugoslavia; and (5) there is, at the same time,

an extraordinary opportunity that Russia could become a major ally and trading partner with America in a far more intimate and mutually profitable way than anyone currently seems to think possible.

None of these propositions, of course, is part of what passes for conventional wisdom in America today -- which is, more or less, that Russia is likely to bumble on without being either a real menace or a real partner. Russia is seen as basically a third-world economy that will take many decades to be stable enough for long-term investment. Our only real concern is thought to be preventing their export of dangerous weapons to other unfriendly states; and the only real story worth reporting is who is doing what to whom in the Kremlin.

Rarely stated but deeply shaping this conventional wisdom is the unspoken consensus among major geopolitical thinkers that Russia is an inherently authoritarian country anyhow -- because of something that happened under either the Mongols or Ivan the Terrible or perhaps because of some unfortunate genetic flaw.

The most sophisticated new attempt at a post-Cold War geopolitical view of the world, Samuel Huntington's *Clash of Civilizations*, views Russia's Orthodox Christian civilization as one of those that are inherently predisposed to hostility with the West along with the Muslim world and Confucian-based East Asia. Those of us who argue that Russia is essentially part of the European world that may even contain great potential for good are generally either ignored or dismissed as romantic Russophiles.

The fact that none of the five propositions I have outlined is part of the conventional wisdom in America today should -- I would perversely contend -- make them at least worthy of consideration -- precisely because the conventional wisdom about Russia has been so

consistently wrong in the past. The controlling elements of the thinking class in the West basically believed that Russia was progressive under Lenin and Stalin, that the Soviet system would more or less last forever under their heirs, and that Russia now is likely to bumble along on the back burner of geopolitics and not merit much attention.

It is precisely geopolitics, however, that should make it imperative that Russia be taken more seriously today. America has fought five wars in the 20th century — all basically to prevent authoritarian power from (a) consolidating power over the Eurasian heartland, the dominant land mass of the planet, and thus (b) marginalizing the free and entrepreneurial societies in North America and on the maritime periphery of Eurasia. If a centralized authoritarian state were to replace Russia's present fumbling experiment at democracy and a market economy, democratic politics and market-oriented economies of America and the G-7 nations might well suffer more than almost anyone currently thinks possible.

The first likely result of an authoritarian nationalist regime in Russia would be the immediate radicalization of some, if not most, of the new, presently moderate Islamic states that have been carved out of the southern part of what used to be the U.S.S.R. They would move from their present approximation of the Turkish model to some kind of variant of the Iranian or, more probably, Iraqi, model. This could radically destabilize the balance of power in the Middle East and create a far larger cohort of hostile states there. Meanwhile, the continuing growth of power and self-confidence of China will almost certainly lead to their increased involvement in Siberia. The Chinese have irredentist claims there as well as more than 3 million guest workers in Siberia, which has a population of only 12 million Russians.

The probability that the authority of either radical Islam or Communist China will grow at the expense of Russia in the heart of Eurasia should put the strengthening of a democratic Russia on the front burner of Western policy. Whether a neo-authoritarian Russia ends up in conflict with or in subordination to China or radical Islam, the result would be disastrous for the West.

But there is a positive reason for giving higher priority to Russia in our foreign policy. The great interior heartland of Russia still controls by far the world's largest and most varied supply of unused natural resources. It is quite incomprehensible that the raw geopolitical importance of the world's last frontier in interior Russia is not taken more seriously by either the analysts of our economy or the prophets of our geopolitics. Both groups seem more interested these days in dealing with genuinely authoritarian police states in Kazakhstan and Azerbaijan.

If we are to take seriously the five propositions I set forth at the beginning, we should ask two tough questions of each: What is the main argument **against** each proposition? and How, if at all, can we in the outside world play a constructive role?

(1) There are two main arguments against the proposition that the USA is Russia's main model: First, Russian history is so totally different from America's; and second, Russians have been nurtured for most of this century on anti-Americanism. But **psychologically**, Russians throughout history have always tended to use their very different current Western adversary as a secret model for emulation. They took their religion and art from Byzantium in the 10th and 11th centuries, their first modern government structures from

the Swedes in the early 18th century, and their forms of economic organization from the Germans in the early 20th century — all after or during prolonged combat with those nations.

America has long been their secret -- and is now the open -- model also for practical reasons. The USA is quite simply the closest parallel and most successful example of what the post-Communist leaders are trying to create: a continent-wide federal democracy and market economy in resource-rich, multi-cultural, largely open expanses on the periphery of European civilization.

(2) The main argument against the suggestion that Russians are nevertheless developing an increasingly negative image of America today is that this has not clearly shown up either in the polling data or in the elite dialogue between Russian and American leaders. The hard fact is that polling data does not reveal the deep interior feelings of Russians who have a tendency to put up with humiliations for a long period of time and then suddenly to explode with resentment and hostility which surprise even themselves. Americans simply have no idea of the extent to which ordinary Russians have suffered over the years and feel confused and humiliated now. People with deep, impacted resentments have an explosive potential that is unlikely to be easily measured by superficial and overrated questionnaire techniques.

The leadership groups with which Americans do have contact are often frighteningly dependent on outside reassurance. They are unlikely directly to confront American and other western leaders with the smoldering hostility that exists inside their own people and even themselves. The Russian leaders that American leaders have tended to feel most comfortable with -- Gorbachev, Chernomyrdin, Chubais — often have very little popularity or even legitimacy in the eyes of most Russians. None of these three came to high power through

elections; all are out of power now. The camaraderie and toasts offered by Russians seeking to gain short-term economic and political advantage from their American contacts are no more reliable indicators of the long-term direction of mass politics in Russia than was the friendliness of the Shah to the American elite in the mid-1970s.

(3) The main argument against the proposition that our compensating gestures of friendship are seen as patronizing is provided by the undoubted fact that individual Russians and small groups are usually genuinely fond of, and grateful for, the particular things that their American contacts do.

But America as a nation is doing very little. Russians believe that in overthrowing Communism themselves and repudiating in effect 80 years of their own history and self-deception, they have accomplished something rather remarkable. They use the word *podvig* or "heroic deed" to describe their "something big." They have accepted as their basic model their erstwhile Cold War enemy, the United States, and they like the sense of openness and passion for extroverted bigness which they have generally admired in Americans and found lacking in Europeans.

If they see themselves as having done something big, they see America as having done a lot of "small deeds," *malye dela*. Russians are instinctively inclined to believe that people who talk big but do little are somehow conspiring eventually to do something profoundly hostile. For a large country without natural borders and with ethnic hostilities on almost every border region, this pattern of Western behavior is seen as basically reflecting a desire to carve up Russia. When leading geopoliticians in America publicly suggest further political subdivisions in a Russia that has already released fifteen ethnic republics, Russians

find new plausibility to the old propaganda that "certain circles" are secretly conspiring to destroy not just Communism as an ideology and the Soviet Union as an empire but also Russia as a nation.

The little deeds that America has so far performed simply have not yet been seen as serious by ordinary Russians. Thinking Russians are increasingly fitting American behavior into their classic image of a Western foreign foe using small gestures to mask a big hostility.

(4) There are two powerful arguments against assuming that there is any real danger of an authoritarian dictatorship in Russia: (a) A whole new political generation has arisen that is profoundly hostile to Russia's authoritarian tradition, and (b) Russians are fatigued with social violence in the name of some remote goals or revolutionary change that has plagued so much of their past.

The short-term difficulty is, however, that this very sense that something profoundly new is coming into being has produced a state of escalating panic not only among the large numbers of people who profited from the Soviet power structure and have felt disoriented since, but also among even larger numbers of ordinary people who are bitterly resentful at the conspicuous consumption, hedonism, and extreme inequalities that have been produced by the peculiar form that early capitalism has taken in Russia.

Although there is no well organized fascist movement in Russia, the *de facto* Red/Brown alliance between old Communists and new ultra-nationalists dominates the Russian parliament and increasingly influences the entire rhetoric of mass politics. The Jackson Foundation is to be commended for being one of the few foreign organizations supporting human rights groups in Russia that are following and opposing this trend. In the absence of

organized political parties to back up the reform impulses of the new Russian generation, the Communist party remains the only nationally organized party and an extreme nationalism bordering on fascism, the only ideology with wide national appeal.

The early, crude attempt to recreate Islam and the West as external enemies by the extreme nationalist Zhirinovsky did not entirely succeed nor did the attempt to work out hostilities by crushing the Chechens. But these may not be the last forms that either authoritarianism or inter-ethnic violence will take on the territory of the former Soviet Union. Almost any further drift into authoritarian nationalism by Russia will likely lead to some of the kinds of violence among groups with long historical resentments of the kind that we have seen in Yugoslavia.

The new law restricting religions with foreign connections in Russia represents a major victory for the Red/Brown anti-democratic coalition. The attempt to destroy the growing pluralism of religious belief by, in effect, reinstituting a reactionary version of Russian Orthodoxy as a virtual state religion is both a concession of political weakness on the part of the democratic reformers who were unable to prevent it and, at the same time, a boon for the authoritarian nationalists by providing them with a cloak of national religious legitimacy that they have not yet had. Finally, the eastward expansion of NATO lends, for the first time, a measure of credibility to the Russian nationalist argument that the West does, indeed, view Russia more as a potential enemy rather than as a serious partner.

(5) The major argument against seeing in Russia a land of vast opportunity arises precisely from an awareness of the political risks and dangers just alluded to. One could also

argue against the likelihood that democracy will ever work in Russia by reflecting on the eventual outcome of previous times of troubles in Russian history.

In the past, Russia has always tended after a period of chaos and failed reform to produce an authoritarianism that proves even worse than the one which led to the crisis in the first place. So there is every reason, it can be plausibly argued, to assume that Russia will end up with some form of authoritarianism that will be more menacing and unpleasant than the more-or-less stable spectacle of Communism in decline but in relative stability with the outside world under Gorbachev.

However, just as Soviet totalitarianism was unlike previous monarchies, so Russia's present post-totalitarian situation differs profoundly from all past Russian times of troubles. First and foremost, Russia has no real external enemy, let alone foreign invaders. Everyone of consequence in the world except for the more radical Middle Eastern regimes and probably the Chinese Communist leadership wishes the Russian experiment in democracy and market economy to succeed. Second, the younger generation in Russia has a totally different vision of themselves and their own country's destiny than has ever been possible before, thanks to widespread education and modern means of communication. Third, the framework has been created for a new democratic legitimacy based on electoral choice even if political parties and the division of power are not yet functioning well at the national level. Fourth, the fundamental economic basis for long-range economic growth has also been created by a largely successful privatization of most of the economy except for agriculture and a few major monopolies.

What is missing, politically, is the effective rule of law; socially, the development and empowerment of a non-governmental civil society; economically, the major capital investment needed to make a free economy prosperous by jump-starting the development of Russia's enormous natural and human resources.

It is precisely in these areas that America has the experience and resources to be of enormous help to the Russians. And it is precisely because we are the model for Russians in their current transformative stage of development that we face both the opportunity of a love affair and the dangers of unrequited love if we prolong our present irresolution as to whether or not to do anything of true significance with the Russians. By now, they have sustained their reform path for more than a decade since it was launched under Gorbachev; but the unpleasant fact is that nothing America has yet done has signaled to the Russian people that we even notice them any more.

For people who have endured as much national humiliation, social confusion, and overall decline in living standards as the Russians have, the likelihood of some irrational authoritarian turn is greater than it might seem. The Red/Brown opposition realizes that time is not on their side and that, if there is not an authoritarian reversal soon, they will face provincial governors and other young figures who are rebuilding the economy and producing a sense of participation at the local level rather than just the largely unpopular figures that have been playing musical chairs in the macro politics of Moscow.

Yeltsin himself sought legitimation in this rising new cohort of political leaders when he brought in Boris Nemtsov from Nizhny Novgorod, the leading area of provincial reform,

and then when he chose Nemtsov's 35-year old protégé Sergei Kirienko to be his acting prime minister.

America has, on the whole, conveyed a general sense of sympathy and regard for the Russian people; and President Clinton has been wise in maintaining a consistently cordial relationship with Yeltsin which has minimized their sense of embarrassment and humiliation. But simple human friendship at the top and rhetoric about partnerships for peace are not enough to break through the smoldering resentment and assertive nationalism that is increasingly dominating the Russian political agenda. Some major substantive American commitment has to be added.

What then can America do? We should, first of all, recognize that there is both a serious geopolitical necessity and a golden economic opportunity for the United States to put Russia on the front rather than the back burner of its policy agenda. It is clearly in the long run far more important that Russia have a friendly, accountable government with good prospects for the future than that Russia please us on all policy matters in the short run. Russia is unlikely to go back to a Communist regime, but an authoritarian nationalist dictatorship could pose even more serious problems for the United States than the declining Communism of the late Soviet era.

It is wrong to assume that we cannot do much simply because it would require too much federal money. Of course, to Russians and to much of the outside world, this argument seems strange at a time of prosperity in America — a prosperity brought about in no small measure by the end of the Cold War itself. The fact, however, is that government-to-government money is not what is either wanted or required. Only a scant one-and-one-half

percent of the Marshall Plan was spent on bringing young Germans over after World War II to see for themselves how our kind of society works. This proved to be far more important than many of the more expensive activities of the Marshall Plan. It allowed a whole new generation of Germans not just to see for themselves how a free society works but to adapt our experience to their situation. They became interpreters and advocates within their culture on how to apply the essentials of the American model to their different society. The result in Germany has been one of the most successfully functioning federated democracies in the world. We have never made a comparable investment in bringing young Russians over to America. Up until the last few years, there were more Chinese coming every year to America than there had been Russians since World War II.

So the first step we could take which would have a practical impact in jump-starting the learning process on the functioning of an open and accountable society would be to bring over a genuinely large number of Russians — say, 25,000 in one summer -- for exposure to the rich variety of institutions and regional experiences that make up our continent-wide democracy and particularly our civil society. We are still at the stages of tokenism in our exchange programs and in our largely short-term and modest economic transactions. But many of the small-scale activities by Americans have for some time now been working well in exchanges and in the development of a civil society. We now have plenty of proven models that could be rapidly expanded.

The key point is that bringing large numbers of Russians over here avoids the patronizing syndrome of sending Americans over there to tell them how to lead their lives. A major one-time push in this area could provide that *podvig* or imaginative, heroic deed that

would indicate to the Russian people the genuine human interest of Americans and the strength that lies at the grass-roots level. There are all kinds of ways this could be organized with state governors, sister cities, and major industrial enterprises taking the lead. It would not take much expense to draft a program that could have a genuinely dramatic impact on the young generation in Russia and help diffuse their drift into a dangerous nationalist isolationism of their own.

It is very important that key younger Russians, particularly in provincial, centers have some such exposure before the all-important parliamentary elections in 1999 and the Russian presidential election in 2000. These elections will probably set the course for Russia for years to come.

In the economic sphere, there is a tremendous need to generate some dramatic growth in the free economy so that Russians in their current stage of early capitalist development do not continue to feel a nostalgia for the giant Soviet factories that were little more than non-productive welfare organizations or for their collective farms that represent in effect a form of rural slavery. Russians would not feel the nostalgia that is increasing these days for such economically unproductive units of the Soviet era if they had some more dynamic and inspiring examples of capitalist development within their country.

As it is, Americans are investing at least ten times more money in China, which makes no pretense at building democracy, than they are in Russia, which is making efforts to do so.

What is needed is massive amounts of capital investment. There are things we could do more actively to help them develop contract law, a rational and consistent tax system, and

institutions which would help protect against the kind of corruption and crime which drives away many potential investors. But in Russia now inflation has been checked, production is slowly rising, and the Russian stock market has been a profitable investment recently in spite of all the difficulties. I believe the time is right — and the need is great — to develop a really major investment strategy — a strategy that could at the same time address the psychological and geopolitical problems that are the most serious.

I would like to suggest here in the heart of the North Pacific Basin a major joint American-Russian effort to develop the world's last great economic frontier in Siberia. Siberia has great imaginative appeal as the last great repository of untouched natural resources on the earth. America has both the capital and the skills to develop it if we are willing to make the long-term investment that would be needed.

The Library of Congress has been digitizing the treasures of America and getting them to American schools and libraries all over the country with amazing effect. We are getting the story of America back into the classroom electronically and helping to get the new audiovisually attuned generation back into thinking and reading as they seek to answer the questions that they themselves raise looking at Civil War maps and photographs, early Edison movies, political cartoons, and the writing of founding fathers in their original hand. We have proposed for the Russians -- and they are enthusiastically responding -- that we do a joint digitization project that would document the parallel opening of the two frontiers of European civilization, the Russian and American. Our frontiers met in Russian Alaska and even at Fort Ross just north of San Francisco: the farthest southern outpost of Russia's eastern reach as it met America's westward expansion at the beginning of the 19th century.

Focusing Russia's attention on its eastern frontier and their internal developmental needs would help them overcome their fixation with the shrinking of their national borders and the eastward expansion of NATO. At the same time, it would fortify a country that has reasserted its religious roots and is committed to developing democracy against the incursion that most Russians themselves feel will eventually come from a China which permits neither religion nor democracy and still has irridentist claims to much of southern Siberia. A massive, American-led investment program in Siberia would show for the first time (and in a way that does not insult the Chinese) that we are going to balance our economic investments a little more in the favor of those committed to democracy.

A major national U. S. investment in Siberia would help undercut the emotional appeal of the authoritarian nationalists in Russia. They argue that they alone are fighting to preserve the pristine integrity of Russia from predatory foreign invaders and developers. Such a plan would be basically Russian but would involve genuine bi-national or multi-national teams. There is another major argument for such a project. Siberia is not just the world's last great untouched reserve of national resources. It is also the best great untouched rainforest. If resource exploitation is totally random and rapacious, the ecological degradation could have grave consequences for the entire planet. A program of the kind I am suggesting offers what may be humanity's last chance to integrate ecological concerns with developmental ones right from the beginning.

I traveled to Siberia with a group of senators two years ago, and we found a young group of Americans and Russians working together to develop such a plan for the Baikal Lake region. The late Soviet effort to reverse the flow of rivers of Siberia and change its entire

ecology as well as the policy of dumping atomic wastes in Siberia enraged and energized Russian conservatives into advocating breaking Russia itself away from the Soviet Union. If America would appear now not only as a partner in economic development but as a partner and friend in integrating from the beginning ecological considerations with developmental ones, we could set a new model for ourselves and for the world in general. It would have great imaginative appeal for the Russians who have an almost mystical feeling for nature in general and Siberia in particular.

Massive plans are already in the files of many American companies from the spate of assertive, speculative planning that they undertook in the early 1970's when it first looked like the Russian market might be opening up. Probably some initial government guarantees against political risk would be needed at the outset. A small government investment could prime a very large pump. We may be developing a model in the giant petroleum project on Sakhalin Island.

A new, dynamic type of political and entrepreneurial leadership is emerging in places like Novgorod, Vologda, Samara, and Saratov. Russia is coming alive both organizationally and politically. But the combination of economic strain, social dislocation, and psychological sense of cultural humiliation will give us a continuing risk for the near future of an authoritarian takeover in Russia through any of a variety of scenarios. Whether Russia were to produce a semi-fascist authoritarianism or Yugoslav-type anarchy in the heart of Eurasia — either way the consequences would be dangerous and could be disastrous.

An authoritarian takeover could occur in any number of ways. A direct coup is unlikely although technically possible; a creeping group, in which a whole series of almost

imperceptible steps lead towards a nationalist authoritarianism, is more likely; and it is also possible that Yeltsin's chosen successor could drift into the authoritarian camp. It is very unlikely that Yeltsin himself could do so, since he is so fully identified with reform; but it is not out of the question that he could be, as one nationalist recently inadvertently put it, "our Hindenburg." Hitler came to power legally under the protective coating of an aged and inattentive Hindenburg.

The odds against any of these scenarios happening is very long, but assuming that there is a 5 percent chance that any one of these scenarios would take place, there are quite a number of such scenarios, so the probability that one of them may occur or some variant thereof, becomes reasonably high. The one thing that would be certain about almost any of these scenarios for authoritarian nationalism coming into full power is that the resentment necessary to support it would be directed squarely against America. The visceral hostility in the past was toward Germany, not America, even at the height of the Cold War. We would have no excuse for having failed either to avert the danger or to realize the opportunity that lay before us with our erstwhile enemy.

Surely, it would be a glorious thing to close the book on the last great conflict of this second millennium by a major gesture which would, in fact, be a good investment. It could make possible the emergence in the other half of the northern hemisphere of a new land that could be -- that wants to be -- very much like our own. Together, the G-7 nations and Russia would provide an example as well as a reassurance to the rest of the world that a more responsibly cooperative model of international activity is being crafted for the coming millennium.

It is true that Russia can hardly seriously harm its neighbors with its depleted military, but they still have weapons of mass destruction that could destroy us either directly or through proxies. Russia is still a very large powder keg, and it is dangerous to have so much material smoldering in its proximity. It is irresponsible not to realize that a relatively small investment on our part now could forestall any of these scenarios from setting it off.

There is an old Siberian folktale which I am fond of recounting. The bear was originally a human being, the story tells us, but when he came out of the forest, he was denied the bread and salt of hospitality by the human community. As a result, he retreated back into the forest, traded his human identity for an animal one, and came back out of the forest to the village to take his revenge.

*file Russia***Botti, Anita L.**

From: Spiegel, Lonni H
Sent: Monday, October 23, 2000 2:00 PM
To: Kux, Sally; Botti, Anita L.; Cook, Nerissa J
Subject: RE: russia -- domestic violence

*FAX
TO
Melanne
White House*

SUBJECT: ADDRESSING DOMESTIC VIOLENCE IN RUSSIA

REF: STATE 157013

SUMMARY

1. THE U.S. AND RUSSIA ARE COOPERATING EXTENSIVELY ON THE ISSUE OF DOMESTIC VIOLENCE. AS NOTED REFTTEL, THE DISCUSSION ON DOMESTIC VIOLENCE BETWEEN PARTICIPANTS IN THE RUSSIAN LEADERSHIP PROGRAM AND U.S. REPRESENTATIVES, INCLUDING THE CHIEF OF STAFF TO THE FIRST LADY, ON JULY 24, 2000 RESULTED IN A NUMBER OF SUGGESTIONS FROM THE RUSSIAN SIDE FOR ADDITIONAL COOPERATIVE PROGRAMS AND AREAS IN WHICH THE TWO SIDES COULD COOPERATE. REFTTEL PARA 4 RAISES IMPORTANT ISSUES AND CONCERNS ABOUT HOW USG ASSISTANCE COULD PLAY A KEY ROLE TO SUPPORT RUSSIAN EFFORTS TO COMBAT DOMESTIC VIOLENCE. WHILE OUR ABILITY TO DO MORE IS CONSTRAINED BY LIMITED RESOURCES, USAID AND PUBLIC AFFAIRS HAVE ONGOING AND NEW ACTIVITIES WHICH ADDRESS DOMESTIC VIOLENCE, GENDER EQUALITY, AND TRAFFICKING ISSUES. THIS CABLE PROPOSES (PARAS 14-15) A NUMBER OF ADDITIONAL SUGGESTIONS FOR FURTHER COOPERATION. END SUMMARY.

RECENT AND ONGOING ACTIVITIES

2. BOTH USAID AND PA SUPPORT ONGOING ACTIVITIES TO FIGHT DOMESTIC VIOLENCE IN RUSSIA. USAID CURRENTLY SUPPORTS CRISIS CENTERS, PROGRAMS TO IMPROVE HEALTH CARE RESPONSES, AND ORGANIZATIONS THAT PROVIDE LEGAL INFORMATION AND SERVICES FOR VICTIMS. IN JULY 1999 USAID/RUSSIA ENTERED INTO A COOPERATIVE AGREEMENT WITH THE INTERNATIONAL RESEARCH AND EXCHANGES BOARD (IREX) TO ADMINISTER THE SUPPORT TO WOMEN'S CRISIS CENTERS ACTIVITY (WCC) IN THE RUSSIAN FEDERATION. THE WCC PROGRAM IS DESIGNED TO PROVIDE SUPPORT TO RUSSIAN CRISIS CENTERS THROUGH SMALL GRANTS THAT WILL ALLOW THE CENTERS TO MEET IMMEDIATE NEEDS AS WELL AS EXPAND OR ENHANCE SERVICES, SUCH AS CRISIS COUNSELING AND LEGAL ADVICE FOR WOMEN IN CRISIS.

3. AS THE WOMEN'S CRISIS CENTERS DEVELOP, THEY MAY NEED ADDITIONAL TYPES OF SUPPORT PROVIDED BY USAID/RUSSIA'S NGO STRENGTHENING PROGRAMS. FOR EXAMPLE, USAID'S CURRENT NGO SECTOR SUPPORT PROGRAM SUPPORTS REGIONAL NGO RESOURCE CENTERS, WHICH PROVIDE TRAINING AND CONSULTATION TO NGOS. THE CRISIS CENTERS MAY DEVELOP A DEMAND FOR THESE SERVICES AS THEIR MORE IMMEDIATE NEEDS ARE MET. IN ADDITION, THE CRISIS CENTERS MAY PARTICIPATE IN SMALL GRANTS PROGRAMS ADMINISTERED BY REGIONAL NGO RESOURCE CENTERS.

4. USAID SUPPORTS A WOMEN'S HEALTH INITIATIVE THROUGH THE AMERICAN INTERNATIONAL HEALTH ALLIANCE (AIHA) PRIMARY HEALTH CARE PARTNERSHIPS PROGRAM. THIS INITIATIVE SUPPORTS THE ESTABLISHMENT OF WOMEN'S WELLNESS CENTERS, THE DEVELOPMENT OF CLINICAL PRACTICE GUIDELINES, TRAINING PROGRAMS, AND TECHNOLOGY UPDATES TO PROVIDE WOMEN'S HEALTH PROFESSIONALS WITH THE TRAINING AND TOOLS TO BEST SERVE THE NEEDS OF THEIR PATIENTS. THE WOMEN'S HEALTH INITIATIVE BRINGS TOGETHER U.S. AND RUSSIAN HEALTH PROFESSIONALS FROM BOTH THE WOMEN'S WELLNESS CENTERS AND THE NEW PRIMARY HEALTH CARE PARTNERSHIPS TO ENCOURAGE PARTNERS TO COLLABORATE ON THE DEVELOPMENT OF EDUCATIONAL MATERIALS, QUALITY ASSURANCE PROGRAMS, AND TRAINING PROGRAMS TO IMPROVE PRIMARY HEALTH CARE SERVICES FOR WOMEN.

5. USAID/RUSSIA'S NEW WOMEN AND INFANT HEALTH (WIN) PROJECT BUILDS AND EXPANDS UPON THE SUCCESSFUL WORK ORIGINALLY DEVELOPED UNDER THE WOMEN'S REPRODUCTIVE HEALTH PROGRAM, AS WELL AS THE WOMEN'S WELLNESS CENTERS. WIN FOCUSES ON INCREASING ACCESS, DEMAND, AND QUALITY OF SELECTED WOMEN AND INFANTS' HEALTH SERVICES AND PRACTICES THAT RUSSIAN EXPERTS AND USAID'S OWN EFFORTS HAVE IDENTIFIED AS IMPORTANT TO REDUCING MATERNAL AND INFANT MORTALITY AND MORBIDITY. THIS INCLUDES TRAINING HEALTHCARE WORKERS IN RECOGNIZING AND COUNSELING WOMEN WHO ARE VICTIMS OF VIOLENCE. TRAINING FOR PHYSICIANS REGARDING DOMESTIC VIOLENCE WILL INVOLVE RECOGNITION OF ACTS OF VIOLENCE, COUNSELING SKILLS AND REFERRAL OPTIONS.

6. AN ABA/CEELI GENDER ISSUES LEGAL SPECIALIST WORKS WITH LEGAL AND OTHER PROFESSIONALS AND INSTITUTIONS ON A VARIETY OF GENDER-RELATED ISSUES, MOST NOTABLY DOMESTIC VIOLENCE, TRAFFICKING, AND SEXUAL HARASSMENT AND DISCRIMINATION IN THE WORKPLACE.

7. USAID GRANTEE INTERNEWS ADMINISTERS THE MEDIA INITIATIVE ON DOMESTIC VIOLENCE PROJECT. THIS EXTENSIVE MEDIA CAMPAIGN USES BROADCAST MEDIA TO EDUCATE THE PUBLIC ABOUT VIOLENCE AGAINST WOMEN AND PUBLICIZE AVAILABLE SERVICES FOR WOMEN. WITH SUPPORT FROM USAID, INTERNEWS COMMISSIONED REPORTING ON POPULAR TV AND RADIO PROGRAMS ACROSS RUSSIA ON VARIOUS ASPECTS OF THIS PROBLEM. INTERNEWS WORKS IN CLOSE COOPERATION WITH THE RUSSIAN ASSOCIATION OF CRISIS CENTERS, WHICH PROVIDES INFORMATION, ADVICE, AND EXPERTS FOR THE COMMITTEES SELECTING WINNERS. THE ASSOCIATION OF CRISIS CENTERS ALSO SERVED ON THE COUNCIL FOR COMBATING DOMESTIC VIOLENCE, A RUSSIAN BODY DEVELOPED UNDER THE INTERNEWS ACTIVITY, WHICH INCLUDES REPRESENTATIVES OF TELEVISION STATIONS AND THE RUSSIAN FOUNDATION FOR INDEPENDENT RADIO BROADCASTING. THE COUNCIL OVERSEES AND PROVIDES CONSULTING SERVICES TO THE PROJECT. INTERNEWS ALSO CONSULTS WITH OTHER DOMESTIC VIOLENCE SPECIALISTS THROUGH FORA ORGANIZED BY ABA/CEELI. IN FISCAL YEAR 2001, THIS ACTIVITY WILL EXPAND TO SIMULTANEOUSLY ADDRESS THE DIFFICULT ISSUE OF TRAFFICKING IN WOMEN.

8. IN 1998 USIA, UNDER THE INTERNATIONAL VISITORS PROGRAM, ARRANGED AN EXCHANGE ON DEALING WITH DOMESTIC VIOLENCE. PARTICIPANTS IN THE PROGRAM, 12 NGO ACTIVISTS, LAW-ENFORCEMENT OFFICERS AND LAWYERS,

EXPLORED THE INTERACTION OF FEDERAL, STATE AND LOCAL AUTHORITIES WITH AN ARRAY OF PRIVATE AGENCIES WHO FIGHT DOMESTIC VIOLENCE AND PROVIDE ASSISTANCE TO VICTIMS IN THE US. UPON THEIR RETURN FROM THE US, ALL TWELVE GRANTEEES PARTICIPATED IN A US-RUSSIAN CONFERENCE ON PREVENTING DOMESTIC VIOLENCE HELD IN MOSCOW IN SEPTEMBER 1998.

9. IN LATE 1999 UNDER AN NIS TRAINING GRANT FROM PA, A DELEGATION OF EIGHT WOMEN ACTIVISTS TRAVELED TO THE UNITED STATES TO PARTICIPATE IN A WOMEN'S LEADERSHIP TRAINING PROGRAM WITH A FOCUS ON PREVENTION OF DOMESTIC VIOLENCE. THE MAIN COMPONENT OF THE TRAINING WAS AN ELEVEN-DAY PROGRAM IN MINNEAPOLIS WITH WORKSHOPS AND SITE VISITS COVERING ISSUES OF DOMESTIC VIOLENCE, TECHNIQUES OF INTERVENTION AND EDUCATION, LEADERSHIP AND NETWORKING SKILLS, RECRUITING AND TRAINING VOLUNTEERS. THE GRANT WAS UNDER THE FAMILY LIFE PLANNING PROGRAM ARRANGED BY "CONNECT US-RUSSIA" IN COLLABORATION WITH TWO NGO CENTERS IN SAROV.

10. THE EMBASSY'S DEMOCRACY COMMISSION, ADMINISTERED BY PA, HAS ALSO BEEN ACTIVE IN THE AREA OF COMBATTING DOMESTIC VIOLENCE IN RUSSIA. IT HAS MADE GRANTS TO THE "LANA" CRISIS CENTER FOR VICTIMS OF DOMESTIC VIOLENCE AND TO THE "PODRUGA" CRISIS CENTER IN TULA FOR TRAINING PROGRAMS TO COMBAT DOMESTIC VIOLENCE. IN ADDITION, IN 1998 THE CONSORTIUM OF WOMEN'S NGOS RECEIVED A GRANT TO PUBLISH TWO BOOKS: "INTERNATIONAL CONVENTIONS AND DECLARATIONS ON WOMEN'S AND CHILDREN'S RIGHTS" AND "HOW TO CREATE A CRISIS CENTER FOR WOMEN." BOTH BOOKS, DESIGNED AS PRACTICAL AID TO CRISIS CENTERS AND ACTIVISTS WORKING WITH VICTIMS OF DOMESTIC VIOLENCE, WERE PUBLISHED AND DISTRIBUTED FREE OF CHARGE AMONG GOVERNMENTAL ORGANIZATIONS, NGOS, AND AT AN INTERNATIONAL CONFERENCE ON DOMESTIC VIOLENCE HELD IN MOSCOW IN 1998.

11. FINALLY, IN FY-99 TWO SMALL GRANTS WERE ISSUED THROUGH PA'S BOOK TRANSLATION PROGRAM FOR PUBLICATION OF BOOKLETS INTENDED AS WORKING MATERIALS FOR CRISIS CENTERS. BOTH OF THESE, "PROTECTING WOMEN AGAINST VIOLENCE" AND "WHAT WE ARE SILENT ABOUT?" WERE PRODUCED AND PRINTED IN VIENNA IN RUSSIAN AND WILL BE DISTRIBUTED AMONG CRISIS CENTERS AND WOMEN'S NGOS THROUGHOUT RUSSIA.

NEW INITIATIVES

12. IN OCTOBER 2000 USAID WILL BEGIN A NEW PROJECT TO PROMOTE AND DEFEND WOMEN'S INTERESTS IN RUSSIA WITH THE CONSORTIUM OF WOMEN'S NONGOVERNMENTAL ORGANIZATIONS. UNDER THIS ACTIVITY, THE CONSORTIUM WILL CONDUCT AN ADVOCACY CAMPAIGN TO SUPPORT THE DRAFT LAW ON EQUAL RIGHTS AND EQUAL OPPORTUNITIES FOR MEN AND WOMEN IN THE RUSSIAN FEDERATION. THIS ACTIVITY WILL BE FUNDED UNDER A ONE-YEAR AGREEMENT WITH TWO OPTIONAL YEARS AT \$100,000 PER YEAR.

13. THIS YEAR ON OCTOBER 23-NOVEMBER 5, PA WILL ADMINISTER ANOTHER INTERNATIONAL VISITOR EXCHANGE ON THE PREVENTION OF DOMESTIC VIOLENCE. TWELVE PARTICIPANTS FROM RUSSIA WILL TRAVEL TO THE US ON A PROGRAM TO LEARN MORE ABOUT COMBATTING DOMESTIC VIOLENCE.

 FURTHER SUGGESTIONS FOR COOPERATION

14. WHILE THE COOPERATION WITH INTERNEWS DESCRIBED IN PARA 7 IS AN IMPORTANT STEP IN BRINGING INFORMATION AND EDUCATION TO SOCIETY AND THE MEDIA AS A WHOLE, THERE ARE STILL MISCONCEPTIONS AND INSENSITIVITIES IN THE MEDIA ABOUT DOMESTIC VIOLENCE AND GENDER EQUALITY. TO MITIGATE THE MEDIA'S NEGATIVE ATTITUDE TOWARD WOMEN AND TO EDUCATE JOURNALISTS ON DOMESTIC VIOLENCE AND GENDER EQUALITY, WE WOULD PROPOSE STEPS IN THE FORM OF, E.G., SEMINARS FOR JOURNALISTS, ADDITIONAL TRAINING CLASSES AT UNIVERSITIES FOR MEDIA SPECIALISTS, AND FUNDING FOR THE PRODUCTION OF TELEVISION PROGRAMS ON DOMESTIC VIOLENCE AND GENDER EQUALITY.

15. IN ADDITION, WHILE THE ESTABLISHMENT AND PROLIFERATION OF CRISIS CENTERS IN RUSSIA IS A POSITIVE DEVELOPMENT, THERE ARE CURRENTLY ONLY FOUR WOMEN'S SHELTERS IN RUSSIA. WITH THE CURRENT ECONOMIC SITUATION IN RUSSIA, SHELTERS ARE A CRUCIAL COMPONENT IN GIVING AN ABUSED PARTNER AN OPTION TO LEAVE THE ABUSIVE SITUATION. LACK OF ACCESS TO LIVING SPACE IN THE CITIES, ECONOMIC MEANS, AND UNDERSTANDING OF THE PROBLEM PROHIBITS MANY VICTIMS FROM LEAVING THE SITUATION. ADDITIONAL FUNDING TO HELP SET UP SUCH SHELTERS IN COOPERATION WITH LOCAL NGOS AND GOVERNMENTAL INSTITUTIONS IN SOME MAJOR CITIES, SUCH AS MOSCOW, WOULD BE A LARGE STEP IN THE DIRECTION OF CONCRETE, SUBSTANTIAL AID TO VICTIMS OF DOMESTIC VIOLENCE.
 COLLINS

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September 25, 1994

ROUNDTABLE DISCUSSION

DATE: Tuesday, September 27th
TIME: 11:20 pm - 12:40 pm
LOCATION: Diplomatic Reception Room
FROM: Melanne, Nicole

I. PURPOSE

To demonstrate that, since your visit to Russia in January, 1994, you have maintained an interest in health issues there, especially as they relate to child and maternal health.

To highlight exemplary partnerships that have been forged between the U.S. and the NIS (Newly Independent States) to help address acute health care needs of women and children in the NIS.

To highlight the power and spirit of American voluntarism, with small public support.

II. BACKGROUND

To respond to acute health care needs of the NIS, grassroots community groups throughout the United States have organized shipments of humanitarian aid (medical and hospital supplies, food, clothing, etc.) and have begun to develop programmatic partnerships with counterpart local organizations in the NIS. While the U.S. government has supported some large-scale partnerships between institutions and has supported the cost of transportation for contributed goods, the actual collection and organizational work is local, voluntary and largely spontaneous.

Participating in this roundtable discussion are leaders of a few exemplary grassroots organizations, which are voluntary in nature and charitable in mission. Their presence at the White House will be a strong indication of the seriousness with which the government holds the work of the voluntary, grassroots community to complement and supplement government assistance programs.

American International Health Alliance

The American International Health Alliance (AIHA) is an independent organization founded in May, 1992, and under contract with the U.S. Agency for International Development. AIHA has established 21 health care partnership programs in ten of the Newly Independent States (NIS). These partnerships are allowing American providers to assist their counterparts in the NIS to address significant mortality and morbidity issues, improve health care organization and introduce market-oriented solutions to hospital and health care delivery and finance problems. AIHA seeks to connect large U.S. institutions with large NIS counterpart institutions. U.S. participants include 47 hospitals

and health systems and 18 medical schools in 18 cities and 15 states; NIS participants include 42 hospitals and health systems and 12 medical universities in 17 cities and 10 republics. The AIHA partnerships relies on a significant voluntary commitment from the U.S. institutions. In AIHA's start up year, the value of the voluntary contribution by the U.S. health professionals is approximately \$15 million, or roughly \$3 for every \$1 of U.S. government investment in the program.

Two of the participants in the roundtable discussion are connected to the AIHA program. AIHA has found that their most effective partnerships are those which have been built on voluntary, existing relationships between institutions.

During this Yeltsin summit, AIHA is holding its annual conference in St. Petersburg, bringing together representatives of the hospital partnerships from both the U.S. and the NIS. Both you and Mrs. Yelstin sent greetings to the conference.

The Gore-Chernomyrdin Commission

The Vice President and Prime Minister Chernomyrdin agreed to establish a Joint Health Committee under the Gore-Chernomyrdin Commission in order to consider priorities for cooperation and assistance on health care issues. Secretary Shalala may chair the committee. In the Roundtable Discussion, Ambassador Simons will mention the establishment of this Joint Health Committee, and he will promise that the discussion will be noted in the next commission meeting, scheduled for December.

III. PARTICIPANTS

See attached list of participants

IV. SEQUENCE OF EVENTS

[NOTE: The roundtable discussion participants will also be present at the official State Arrival ceremony.]

- HRC and Mrs. Yeltsin proceed to Map Room
- HRC welcomes (see talking points)
- Discussion participants introduce themselves individually and very briefly describe their organizations (20 minutes)
- Government officials introduce themselves (5 minutes)
- Informal Discussion and questions

V. PRESS PLAN

Press Spray at Open of meeting; Correspondents will stay throughout.

VI. REMARKS

Talking points attached

List of Roundtable Discussion Participants

- HRC
- Mrs. Yeltsin
- Mrs. Gore

U.S. Government Representatives

- Ambassador Simons
 - Coordinator, U.S. Assistance to the NIS, State Department
- Tom A. Dine
 - Assistant Administrator, Bureau for Europe and the NIS, United States Agency for International Development

Non-Government Organization Representatives

- Charles Evans, President, Jacksonville Memorial Hospital, FL
 - Representative of the Jacksonville-Murmansk partnership, funded by USAID through AIHA. Based on a sister-city relationship and originally designed to help provide or upgrade medical equipment to treat heart patients in Murmansk hospitals, the project has blossomed into a hospital partnership program and is considered a model for other community based partnerships.
- Maeva Neale and Steven Young, Our Search, San Mateo, CA
 - Representatives of Our Search of San Mateo, CA, an all volunteer American partner of Our Future, an organization created by parents and doctors in Yakaterinsburg, Russia. The partnership has created health education programs about the connection between health and the environment, has provided medical equipment and supplies to hospitals in Yakaterinsburg, has sponsored an international conference in Russia and is developing a citizen's exchange program.
- Kurt Weishaupt and Ethel Weishaupt, Gift of Life, New York, NY
 - Representatives of the Gift of Life Foundation, a Rotary Club International Project designed to help children in Russia by providing funds and medical support for critically needed operations to treat children who have life-threatening heart operations. The project has provided travel funds for Russian children to come to the United States to have heart surgery and for U.S. surgeons to travel to Russia to perform required operations. The project has also purchased medical supplies and special medical equipment for Russian institutes which treat young heart patients.
- Mary Zubrow, Vice President of Community and Government Affairs, Pittsburgh McGee Women's Hospital, Pittsburgh, PA
 - Representative of the Pittsburgh McGee Women's Hospital partnership with Savior's Hospital in Russia, which is funded by AID through AIHA. Since your visit in January, the U.S. hospital has received a new government grant to expand its work with new mothers in the local community. On

Talking Points
Roundtable Discussion
September 27, 1994

- Since my visit to Russia in January, I have maintained a deep interest in the progress of child and maternal health.
- Through assistance programs, the U.S. government is doing what it can to respond to acute health care needs and to support Russian hospitals and institutions, but government funding is limited.
- To leverage existing government funding, the U.S. government looks to the private sector and non-profit organizations.
- The United States has a long tradition of forging people-to-people international relationships to provide needed assistance. Over the years, partnerships have been developed between U.S. citizens or institutions and local groups in the Russian Federation and the NIS.
- I am so pleased that with us today are leaders of a few of those organizations to speak about their experiences.
- You may mention that, as you are holding this meeting, the American International Health Alliance (on contract through USAID) is holding a conference in St. Petersburg, bringing together the hospital partnerships it supports -- American hospitals working with counterparts in the NIS to provide assistance. These partnerships are a measure of the friendships between our nations and the continuing efforts to provide health care assistance.

Health Care in the NIS

A near-term effect of Russia's difficult transition toward democracy, privatization and free-market economy is a dramatic deterioration in health conditions and capacity to deliver much needed health care supplies and services. Experts indicate that the country is witnessing a major increase in alcoholism, abortion and health problems associated with environmental degradation. In addition, we understand that there has been an alarming decline in vaccine coverage and a resurgence of vaccine-preventable disease, including measles, diphtheria and polio.

Economic crisis has resulted not only in deteriorating health care delivery, but also a virtual collapse of medical supply, production, and distribution, notably in the areas of pharmaceuticals and vaccines. Blood supplies are not uniformly tested and are a potential source for Hepatitis B and HIV.

Women and children are particularly disadvantaged by inadequate supply of reproductive health services, neonatal care and basic nutritional requirements. Russian citizens are increasingly forced to pay for health care, and, mindful of low hygiene standards, are putting off needed medical attention.

US Transport Department is currently reviewing the situation in the NIS and is working to provide assistance where possible. The Department is also working to ensure that the NIS is able to meet its obligations to the US and its citizens.

STATUS REPORT OF PROJECT HOPE

HUMANITARIAN AND FOOD ASSISTANCE

Timely support with emergency commodities and other assistance to ease the transition to a market economy.

- Since 1992, US programs supported food deliveries totalling \$1.2 billion. In January 1992 under Operation Provide Hope, the United States began delivering food, medicines and other medical supplies from excess military stocks. Medical shipments included two 1,000 bed hospitals for Moscow, 18,000 kilograms of medical supplies to Yakutsk and almost \$4 million of medical supplies for the Russian Far East. In 1993, The Department of Defense completed the upgrade of eight hospitals in Moscow with equipment and supplies valued at \$37 million. Medical shipments to Russia thus far in 1994 totaled 22,696 metric tons, with a value of approximately \$91 million.

Effective cooperation with private donors to facilitate shipments of humanitarian aid.

- The United States has established an innovative program to transport and disseminate humanitarian aid from private individuals and non-profit organizations. In 1992 and 1993, the U.S. Government provided transport for almost 19,000 tons of privately donated food, medicines, and medical supplies to more than 150 cities in Russia. Under the Medical Assistance Initiative, the non-profit organization Project HOPE has collected and distributed medical supplies valued at \$54 million to more than 50 locations in Russia. Through separate programs, the U.S. Government has purchased more than \$75 million worth of commodities that were distributed by nine U.S. private voluntary organizations that do charitable work with vulnerable groups in Russia, especially women and children.

CONTINGENCY Q & A ON ORAL HEALTH PROJECT

Possible question from Mrs. Yeltsin to Mrs. Clinton:

Q: What is the status of the "Radical Reform of Oral Health Care" proposal?

A:

- The proposal received careful USAID consideration. USAID officials met with representatives of the Russian-American Institute for Stomatology last month to discuss the technical merit of the proposal, its fit with USAID's strategic health priorities, and the availability of funding.
- USAID found the proposed activities interesting. However, USAID's current strategic priorities in health care are: 1) an investment program for critical vaccines, pharmaceutical and medical commodities; 2) a health financing demonstration in several sites in the NIS; and 3) women's reproductive health concerns.
- For this reason, and due to their extremely limited budget, USAID informed the Institute representatives that they were unable to provide funding for the Institute's activities.
- USAID indicated to the Institute that one component of the oral health proposal which focusses on development of a Russian institution partner arrangement which would serve as an oral health center for curriculum development, establish an appropriate training facility, and provide professional education and training for medical educators and health care providers was the type of institutional partnership targeted by a recent competitive solicitation titled "Application to Support/Initiate Partnerships Between Educational Institutions and Professional Associations in the U.S. and the New Independent States (NIS) with current target countries being Russia and the Ukraine." They were encouraged by USAID to respond to the competitive solicitation.



U.S. AGENCY FOR
INTERNATIONAL
DEVELOPMENT

June 1994

**USAID HEALTH PROGRAMS IN THE NEW INDEPENDENT STATES (NIS)
OF THE FORMER SOVIET UNION**

The Agency for International Development (USAID) assistance to the health sector of the New Independent States (NIS) will pursue the following five primary and closely linked objectives:

1. Promote Critical Vaccines, Pharmaceuticals, Medical Equipment and Supplies Security in the NIS

Vaccine and Pharmaceutical Production: To address deteriorating vaccine production in the NIS, USAID is supporting the provision of commodities, equipment and short-term technical assistance to reestablish the productive capacity of existing plants producing vaccines for measles, polio and DPT (diphtheria, pertussis and tetanus).

- o The U.S. Food and Drug Administration (FDA) is providing technical support in vaccine quality control regulation and negotiation of Memorandum of Understandings (MOU) with NIS governments to permit simplified registration of pharmaceuticals and vaccines which have been approved by FDA.
- o Two U.S. firms, Merck and Lederle, provided raw materials and inputs for production as well as training in U.S. standard Good Manufacturing Practices (GMP).

Medical Technology Transfer Activity: USAID will be promoting private enterprise and foreign investment in the health sector as well as improving regulatory manufacturing and management practices for pharmaceuticals and vaccines. USAID expects these to have an important effect on vaccine and pharmaceutical production.

U.S. Trade and Investment Opportunities: USAID is funding three USG agencies to help American businesses establish commercial ties with the health sector in the NIS. The Department of Commerce is conducting seminars in the U.S. and organizing trade missions in the NIS. USAID is also funding the Overseas Private Investment Corporation and the Trade and Development Agency to organize investment missions, to provide information and to conduct feasibility studies on health sector investment opportunities in the NIS.

2. Support Health Care Financing and Service Delivery System Reform

Although most NIS republics have passed legislation enabling privatization of health care facilities, there remains an enormous task of improving the quality of health care while maintaining access to health services. This activity will provide funding for model systems to restructure health care financing and management in a manner that reduces costs and improves the quality of care.

Health Care Financing and Service Delivery Reform: USAID has recently awarded a three-year \$44 million contract to Abt Associates (Cambridge, MA) to provide technical assistance and training in Russia and the NIS to test innovative methods of improving the efficiency, accessibility and sustainability of health services delivery and the use of incentives to reward quality of care.

- o To design, implement and evaluate five long-term demonstration projects across the Republics, as well as provide a broad array of regional-wide technical assistance in order to test alternative health financing systems.
- o To provide training for those participating in health care financing and delivery--from hospital administrators to insurance and financing parties.
- o Through the use of a small grants program, test incentives which would reward increased efficiency and improved quality of health care services.

Medical Partnerships: This activity links U.S. hospitals and clinics in one-on-one relationships with relevant NIS health care institutions to facilitate transfer of U.S. medical knowledge and technology. Through the provision of technical assistance and educational exchanges between the partners, these partnerships strengthen the quality of care in the NIS. USAID's financial contribution to the program leverages contributions from the partners themselves in the form of personnel, medical equipment, educational materials and local accommodations. Through the partnerships arrangement, mechanisms have been established to improve the exchange of information, thereby reducing the isolation which NIS institutions experienced in the past.

- o A total of 22 partnerships have been established throughout the NIS through the American International Health Alliance (21 partnerships) and the Children's Health System, Inc. (1 partnership). These involve 47 hospital/health systems and 18 medical schools in 16 U.S. states and 42 hospitals and health institutions in ten NIS Republics.

3. Strengthen Critical Health Information and Response Capabilities

Surveillance Systems: USAID and the Centers for Disease Control and Prevention (CDC) have implemented Emergency Public Health Surveillance Systems in Russia, Kyrgyzstan, Uzbekistan, and Armenia. Implementation of a region-wide monitoring and surveillance program which focusses on communicable diseases is underway.

Joint U.S.-Japan Immunization Initiative: USAID in collaboration with the Government of Japan has provided vaccines, vaccine transport and storage equipment and technical assistance to Moldova, Kyrgyzstan, Georgia and Turkmenistan to help meet the primary vaccine needs for 1993/4. USAID is currently negotiating with the Government of Japan and UNICEF to continue this initiative throughout the Central Asian Republics and will focus on work with the countries to develop Immunization Action Plans directed at country efforts towards self-reliance in vaccines.

4. Support Women's Reproductive Health Initiatives:

Central Asia: Building on results from the January 1993 Central Asia regional seminar on Maternal and Child Health, USAID developed a 3-year program to support the modernization, improved effectiveness and financing of women's reproductive health care in Kazakhstan, Turkmenistan, Uzbekistan and the Kyrgyz Republic, with emphasis on increasing access to family planning services and modern contraceptive methods. This program will be expanded to Tajikistan this year.

5. Address Selected Critical Country or Region-Specific Health Problems

Environmental Health: In Spring 1993, a regional Environmental Health Workshop was held in Uzbekistan to bring officials of both health and ecology together to learn about new techniques in epidemiology and risk assessment. Follow-up country specific activities are being developed in conjunction with training programs.

Anemia Survey: To better understand the prevalence and etiology of the reported high rates of anemia among women and children in the NIS, USAID is supporting anemia surveys in Uzbekistan, Kazakhstan and Russia.

For further information please contact Julie Klement, Chief of Health Programs, USAID/ENI/HR/HP: phone (202) 736-7753 fax: (202) 736-7750. (6/94)

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**US-RUSSIAN HEALTH SECTOR ASSISTANCE
(1994-95)**

The 1995 program of health sector assistance for Russia will build on accomplishments to date, and focus on five major components:

- 1) The health information and response program will strengthen indigenous capabilities of health surveillance/monitoring and deliver appropriate health services through private voluntary organizations (PVOs) and other indigenous organizations (NGOs);
- 2) The pharmaceutical security program will improve pharmaceutical management and rational drug use, and enhance quality control in manufacturing; production and distribution of critical pharmaceuticals will be enhanced in order to "seed" the development of a more self-sufficient private pharmaceutical industry; importation of high quality, FDA-approved biologics/pharmaceuticals, medical devices and food products will be increased;
- 3) The health care financing and service delivery reform program will introduce market-oriented reforms to improve the financing, quality, efficiency and sustainability of health care and assist local and national health officials redefine public/private responsibilities, finance and service delivery roles;
- 4) The Medical Partnerships Program, which to date has supported 8 partnerships involving U.S.-Russian partner hospitals/medical schools, will continue in 1995 and will work to upgrade clinical skills and practices, develop management capabilities at all levels of service provision and improve the nursing profession; and
- 5) The Women's Health Initiative will support training and technical assistance for reproductive health care, to reduce high levels of maternal mortality associated with abortion, through improved family planning programs.

U.S. - Russia Humanitarian Medical Assistance

The U.S. - Russian Expanded Cooperation package signed in Tokyo in June 1993 included a \$75 million component for "Humanitarian Medical Assistance: Medicines and Pharmaceutical Procurement and Production." Implementation of the two major components began in 1994; activities are described below:

1. Strengthening Health Information and Response Capability

Purpose: To strengthen key aspects of public health information, including sentinel surveillance, and enhance the Government's capacity to respond to emergency and critical health problems.

Health Information: Regular and reliable health information from a variety of sources is a prerequisite for monitoring the health and nutritional status of the population, identifying at-risk groups, and developing cost-effective interventions. This element, through support for sentinel surveillance and longitudinal monitoring, will provide epidemiologic information to facilitate delivery of appropriate health services and necessary commodities.

Health Response: Assistance to strengthen response capacity will help develop the most cost-effective preventive and service delivery strategies for key public health problems. Efforts will include increasing efficiency, improving technical standards, optimizing use of scarce resources, enhancing public participation, and maximizing use of U.S. and indigenous non-governmental organizations to access selected target population groups.

2. Promoting Private Sector Production and Distribution in Medical Commodities

Purpose: To promote conditions favorable to private enterprise and foreign investment in the health sector, and to mobilize and leverage private sector resources in critical pharmaceutical production and distribution activities. This component includes two elements. The first addresses areas which the governments (central, regional, and local) can and should legitimately influence or oversee the medical commodities industry. The second element will accelerate and foster private investments and promote dialogue on broader reform efforts.

a. Strengthening Regulatory, Manufacturing and Management Practices for Pharmaceuticals

This component will promote Russia capacity to regulate, produce, procure, and use modern pharmaceuticals. The component will:

- * Reform/automate the vaccine/drug approval & registration systems
- * Establish standards and/or guidelines for product labeling and expiration dates
- * Develop a Russian drug formulary
- * Expand drug information resources and promote rational use
- * Upgrade product testing practices and equipment for control laboratories
- * Establish standards for Good Manufacturing Practices (GMP)
- * Rationalize procurement, inventory management, price policies and distribution

b. Medi-Business Development

This component seeks to foster the pre-conditions to sustainable private sector investment in pharmaceuticals, provide incentives to accelerate and attract investment, and promote dialogue in support of broader privatization and reform efforts.

Medical Technology Transfer Activity. The program is designed to accelerate U.S. investment in the production and distribution of critically needed pharmaceuticals through technical assistance, training, and the guaranteed purchase of product. It will support partnerships between U.S. pharmaceutical firms and the U.S. government to "seed" the development of Russia's private pharmaceutical industry.

3. Additional Supporting Programs

Health Care Financing and Service Delivery Reform - The U.S. Government will be working to help introduce market-oriented reforms in health financing and health care provision. The purpose is to increase efficiency, improve quality of care, and increase access and provider choice in Russia in order to facilitate that transition from a centralized, imbalanced health care infrastructure to one which will better serve the needs of the people in the emerging decentralized political framework.

Hospital Partnerships - The Partnerships will continue to work in priority areas for health financing and health care reform including management development, hospital infection control, development of emergency medical services and women's reproductive health. Changes in clinical practices, and in medical and nursing practices; transfer of information and technology; and administrative interventions and financing decisions are contributing to the larger health care reform agenda.

Women's Reproductive Health - In order to increase the availability of trained family planning service providers in Russia, in-service training capacity will be strengthened through the development of model training/service delivery sites, and the development of revised clinical practice guidelines. Family planning clinical skills training (for trainers) will be undertaken in selected medical training institutions, along with the introduction of modern contraceptive technology.

For further information contact: Julie M. Klement, Chief of Health and Population Division, Bureau for Europe and the New Independent States, U.S. Agency for International Development (USAID);
Phone: 202/736-7753, FAX 202/736-7750.

*file Russia***O'Reilly, Maureen T.****Heading:**

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ROUTINE

SUBJECT: RLP GROUP ON DOMESTIC VIOLENCE MEETING WITH
MELANNE VERVEER

1. MELANNE VERVEER, CHIEF OF STAFF TO THE FIRST LADY, HOSTED A DISCUSSION ON DOMESTIC VIOLENCE WITH A GROUP OF PARTICIPANTS IN THE RUSSIAN LEADERSHIP PROGRAM ON MONDAY, JULY 24. RUSSIAN PARTICIPANTS INCLUDED ALEVINA VIKTOROVNA APARINA, COMMITTEE ON LABOR AND SOCIAL POLICY; GALINA NIKOLAYEVNA KARELOVA, DEPUTY MINISTER OF LABOR AND SOCIAL DEVELOPMENT; SERGY IVANOVICH NEVEROV, DEPUTY CHAIR OF COMMITTEE ON LABOR AND SOCIAL POLICY; AND YEVGENIY NIKOLAYEVICH SIDORENKO, DEPUTY MINISTER OF JUSTICE. U.S. PARTICIPANTS WERE THERESA LOAR, DIRECTOR OF THE PRESIDENT'S INTERAGENCY COUNCIL ON WOMEN; ANITA BOTTI, DEPUTY DIRECTOR OF THE COUNCIL; BONNIE CAMPBELL, OFFICE OF VIOLENCE AGAINST WOMEN, DEPARTMENT OF JUSTICE; WENDY PATTON, NATIONAL SECURITY COUNCIL; AND LORRAINE PREDHAM KEIR, S/NIS/C.

2. BOTH GROUPS APPLAUDED THE SIGNIFICANT ACHIEVEMENTS IN RUSSIA SINCE THE OCTOBER 1998 CONFERENCE ON COMBATTING FAMILY VIOLENCE. KARELOVA NOTED THAT IN 1998, THERE WERE 36 CRISIS CENTERS, 6 FUNDED BY THE GOR. NOW SHE SAID THERE ARE NEARLY 100 CENTERS, 42 INDEPENDENT OF THE GOR. SHE

CITED THE IMPORTANT WORK OF THE NATIONAL ASSOCIATION OF CRISIS CENTERS AND RECOGNIZED THE CONTRIBUTION OF USG ASSISTANCE TO SUPPORTING CRISIS CENTERS. RUSSIAN SCHOOLS ARE BEGINNING TO OFFER EDUCATIONAL PROGRAMS ON GENDER ISSUES FOR YOUNG GIRLS. KARELOVA CITED THE WORK OF THE COMMITTEE ON WOMEN'S ISSUES CHAIRED BY DEPUTY PRIME MINISTER MATVIENKO AS EVIDENCE THAT THE GOR HAS BEGUN TO ADDRESS DOMESTIC VIOLENCE AT THE HIGHEST LEVELS. KARELOVA STRESSED THAT IT IS OF CRITICAL IMPORTANCE TO DO MORE TO INCLUDE LAW ENFORCEMENT IN ADDRESSING DOMESTIC VIOLENCE.

3. PATTON AND CAMPBELL, WHO HAD PARTICIPATED IN THE MOSCOW WORKSHOP, PRAISED RUSSIA'S RATE OF REFORM, REVIEWED THE VIOLENCE AGAINST WOMEN ACT AND ANSWERED QUESTIONS FROM THE GROUP ABOUT A NUMBER OF ISSUES. THE US SIDE PROMISED TO PROVIDE THE DELEGATION WITH COPIES OF THE VAWA AND OTHER STATUTES RELATED TO PROTECTION OF WOMEN, INCLUDING DISCRIMINATION AGAINST PREGNANT WOMEN IN HIRING.

4. KARELOVA LISTED SEVERAL AREAS WHERE USG ASSISTANCE COULD PLAY AN IMPORTANT ROLE TO SUPPORT RUSSIAN EFFORTS TO COMBAT DOMESTIC VIOLENCE. (1) ASSISTANCE WITH PUBLIC RELATIONS EFFORTS - GREAT NEED FOR THE ISSUE TO BE UNDERSTOOD BY RUSSIAN PEOPLE AT ALL LEVELS BUT THEY DO NOT KNOW HOW BEST TO APPROACH - SHE SUGGESTED AN INTERNATIONAL EFFORT TO RAISE AWARENESS; (2) PROVIDING TEXT OF U.S. LEGISLATION AND THE ARGUMENTS AND STRATEGIES USED TO COMBAT OBSTACLES TO VAWA IN THE U.S.; (3) CONTINUED WORK IN THE REGIONS - PAIRING U.S. AND RUSSIAN REGIONS TO DEVELOP MODELS AT A LOCAL LEVEL; (4) CONTINUED AID TO NGOS, CRISIS CENTERS - SHE CITED SIGNIFICANT ACHIEVEMENTS OF USAID FUNDED SMALL GRANTS PROGRAM; AND (5) A CONTINUED DIALOGUE BETWEEN USG EXPERTS AND RUSSIAN EXPERTS ON THE ISSUE.

5. MRS. KARELOVA AGREED TO DEVELOP A LIST OF REGIONS THEY BELIEVE ARE PREPARED TO WORK SERIOUSLY ON THIS ISSUE.

6. ANITA BOTTI SUGGESTED THAT WE COULD CONTINUE THE DIALOGUE THROUGH DIGITAL VIDEO CONFERENCES BETWEEN MOSCOW AND WASHINGTON. TOPICS COULD INCLUDE A REVIEW OF THE LEGISLATION AND HISTORY OF THE STRUGGLE IN THE U.S., INCREASING PUBLIC AWARENESS OF THE ISSUE, AND SUPPORT FOR NGOS.

7. WE WELCOME THE EMBASSY'S VIEWS ON ADDITIONAL ACTIVITIES WE COULD UNDERTAKE TO CONTINUE THE STRONG COOPERATION WE HAVE ESTABLISHED WITH THE GOR ON THIS IMPORTANT ISSUE.
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The Nature of the Russian Transformation

by James H. Billington
The Librarian of Congress

James A. Baker III Institute for Public Policy
Rice University

March 26, 1998

Nothing produces deeper hostility in human relationships than the feeling that you are simultaneously being humiliated and ignored by someone you feel close to. Crimes of passion between individuals classically arise out of unrequited love. Ineradicable divisions classically open up when a group defines itself by simultaneously both insulting another group and patronizing them as if they were little children. No wars are more bitter than civil wars.

Nothing would probably surprise most Americans more than the five propositions I want to put before you today: (1) America is now the model that most Russians seek to emulate; (2) America is, at the same time, widely perceived in Russia today as having arrogated to itself the master role in an essentially master-slave relationship with Russia; (3) the compensating gestures that we sincerely make to reassure them of our friendship serve largely to deepen their over-all sense of being humiliated and patronized.

It might not be important to linger over these complicated and disturbing matters if it were not for two other factors about Russia that are also not currently on the American radar screen: (4) There is a real risk that Russia could produce in the next few years an authoritarian regime with many fascistic features that could lead in significant parts of the former Soviet Union to the kind of explosive violence we have seen in Yugoslavia; and

(5) there is, at the same time, an extraordinary opportunity that Russia could become a major ally and trading partner with America in a far more intimate and mutually profitable way than anyone currently seems to think possible.

None of these propositions, of course, is part of what passes for conventional wisdom in America today -- which is, more or less, that Russia is likely to bumble on without being either a real menace or a real partner. Russia is seen as basically a third-world economy that will take many decades to be stable enough for long-term investment. Our only real concern is seen as preventing their export of dangerous weapons to other unfriendly states; and the only real story there is thought to be who is doing what to whom in the Kremlin.

Rarely stated but underlying this conventional wisdom is the unspoken consensus among major geopolitical thinkers that Russia is an inherently authoritarian country anyhow -- because of something that happened under either the Mongols or Ivan the Terrible or perhaps some unfortunate genetic flaw.

The most sophisticated new attempt at a post-Cold War geopolitical view of the world, Samuel Huntington's *Clash of Civilizations*, views Russia's Orthodox Christian civilization as one of those that are inherently predisposed to hostility with the West along with the Muslim world and the Confucian-based world of East Asia. Those of us who argue that Russia is essentially part of the European world and contains great potential for good are generally either ignored or dismissed as Russophiles.

The fact that none of the five propositions I have outlined above is part of the conventional wisdom in America today should -- I would perversely contend -- make them at least worthy of consideration precisely because the conventional wisdom about Russia has been

so consistently wrong in the past. The controlling elements of the thinking class in the West basically believed that Russia was progressive under Stalin, that the Soviet system would more or less last forever under his heirs, and that Russia is likely now to bumble along on the back burner of geopolitics and not merit much attention.

It is precisely geopolitics, however, that should make it imperative that Russia be taken more seriously today. America has fought five wars in the 20th century — all to prevent authoritarian power from consolidating power over the Eurasian heartland, the dominant land mass of the planet, and marginalizing the free and entrepreneurial societies in America and on the maritime periphery of Eurasia. If a centralized authoritarian state were to replace Russia's present fumbling experiment at democracy and a market economy, democratic politics and market-oriented economies might suffer more than anyone currently thinks possible.

The first likely result of an authoritarian nationalist regime in Russia would be the immediate radicalization of some, if not most, of the new, presently moderate Islamic states that have been carved out of the southern part of what used to be the U.S.S.R. This could, in turn, radically destabilize the balance of power in the Middle East and create a far larger cohort of hostile states there. Meanwhile, the unchecked growth of power and self-confidence of the Chinese will almost certainly lead to their increased involvement in Siberia. The Chinese have irredentist claims as well as more than 2.5 million guest workers in Siberia, which has a population of only 12 million Russians.

The probability that the authority of either radical Islam or Communist China will grow at the expense of Russia in Eurasia should put the strengthening of a democratic Russia on the front burner of Western policy. Whether a neo-authoritarian Russia ends up in conflict

with or in subordination to China or radical Islam, the result would be disastrous for the West.

But there is a positive reason for giving higher priority to Russia in our foreign policy. The great interior heartland of Russia still controls by far the world's largest and most varied supply of unused natural resources. It is quite incomprehensible that the raw geopolitical importance of the world's last frontier in interior Russia is not taken more seriously by either the analysts of our economy or the prophets of our geopolitics. Both groups seem more interested these days in dealing with genuinely authoritarian police states in Kazakhstan and Azerbaijan.

If we are to take seriously the five propositions I set forth at the beginning, we should ask two tough questions of each: What is the main argument against each proposition? and How, if at all, can the outside world play a constructive role?

(1) The main argument against the proposition that the USA is Russia's main model is that Russian history is totally different from America's, and Russians have been nurtured for most of this century on anti-Americanism. But **psychologically**, the Russians have always tended to use their very different Western adversary as a model for emulation. They took their religion and art from Byzantium in the 10th and 11th centuries, their first modern government structures from the Swedes in the early 18th century, and their forms of economic organization from the Germans in the early 20th century — all after or during prolonged combat with those nations. America has long been the secret and is now the open model also for practical reasons. The USA is quite simply the closest parallel and most successful example of what the post-Communist leaders are trying to create: a continent-wide federal democracy and market

economy in resource-rich, multi-cultural, largely open expanses on the periphery of European civilization.

(2) The main argument against the suggestion that Russians are developing an increasingly negative image of America today is that this has not clearly shown up either in the polling data or in the elite dialogue between Russian and American leaders. The hard fact is that polling data does not reveal the deep interior feelings of Russians who have a tendency to put up with humiliations for a long period of time and then suddenly to explode with resentment and hostility which surprise even themselves. Americans simply have no idea of the extent to which Russians have suffered and been humiliated over the years. People with deep, impacted resentments have an explosive potential that is unlikely to be easily measured by superficial and overrated questionnaire techniques.

The leadership groups that Americans have contact with often feel almost frighteningly dependent on outside reassurance. They are unlikely directly to confront American and other western leaders with the smoldering hostility that exist inside their own people and even themselves. The Russian leaders that American leaders tend to feel most comfortable with -- such as Gorbachev and Chernomyrdin — often have very little popularity or even legitimacy in the eyes of most Russians. The camaraderie and toasts offered by Russians seeking to gain short-term economic and political advantage from their American contacts are no more reliable indicators of long-term direction of mass politics in Russia than was the friendliness of the Shah to the American elite in the mid-1970s.

(3) The main argument against the proposition that our compensating gestures of friendship are seen as patronizing is provided by the undoubted fact that individual Russians

and small groups are usually genuinely fond of, and grateful for the particular things that their American contacts do.

But America as a nation is doing very little. Russians believe that in overthrowing Communism themselves and repudiating in effect 80 years of their own history and self-deception, they have accomplished something rather remarkable. They use the word *podvig* or "heroic deed" to describe their "something big." They have accepted as their basic model their erstwhile Cold War enemy, the United States, and they like the sense of openness and passion for extroverted bigness which they have generally admired in Americans and found lacking in Europeans.

If they see themselves as having done something big, they see America as having done a lot of "small deeds," *malye dela*. Russians are instinctively inclined to believe that people who talk big but do little are somehow conspiring eventually to do something profoundly hostile. In a large country without natural borders and with ethnic hostilities on almost every border region, this pattern of Western behavior is seen as basically reflecting a desire to carve up Russia. When leading geopoliticians in America publicly suggest further political subdivisions in a Russia that has already released fifteen ethnic republics, Russians find new plausibility to the old propaganda that "certain circles" are secretly conspiring to destroy not just Communism as an ideology and the Soviet Union as an empire but also Russia as a nation.

The little deeds that America has so far performed simply have not yet been seen as serious by ordinary Russians or invalidated for most thinking Russians the classic image of a Western foreign foe using small gestures to mask a big hostility.

(4) There are two powerful arguments against assuming that there is any real danger of an authoritarian dictatorship in Russia: (a) A whole new political generation has arisen that is profoundly hostile to Russia's authoritarian tradition and (b) Russians are fatigued with social violence in the name of some remote goals or revolutionary change that has plagued so much of their past.

The short-term difficulty is, however, that this very sense that something profoundly new is coming into being has produced a state of escalating panic not only among the large numbers of people who profited from the Soviet power structure and have felt disoriented since, but also among large numbers of ordinary people who are bitterly resentful at the conspicuous consumption, hedonism, and extreme inequalities that have been produced by the peculiar form that early capitalism has taken in Russia.

Although there is no well organized fascist movement in Russia, the *de facto* Red/Brown alliance between old Communists and new ultra-nationalists dominates the Russian parliament and increasingly influences the entire rhetoric of mass politics. In the absence of organized political parties to back up the reform impulses of the new Russian generation, the Communist party remains the only nationally organized party, and extreme nationalism the only ideology with wide national appeal.

The early, crude attempt to recreate Islam and the West as external enemies by the extreme nationalist Zhirinovsky did not entirely succeed nor did the attempt to work out one's hostilities by crushing the Chechens. But that may not be the last form that inter-ethnic violence will take on the territory of the former Soviet Union. Almost any further drift into

authoritarian nationalism by Russia will likely lead to some of the kind of violence among groups with long historical resentments of the kind that we have seen in Yugoslavia.

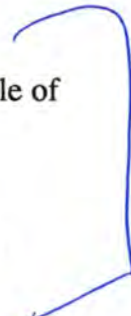
The new law restricting religions with foreign connections in Russia represents a major victory for the Red/Brown anti-democratic coalition. The attempt to destroy the growing pluralism of religious belief by, in effect, reinstituting a reactionary version of Russian Orthodoxy as a virtual state religion is both a concession of political weakness on the part of the democratic reformers who were unable to prevent it and, at the same time, a boon for the authoritarian nationalists by providing them with a cloak of national religious legitimacy that they have not yet had. Finally, the eastward expansion of NATO lends, for the first time, a measure of credibility to the Russian nationalist argument that the West does, indeed, view Russia more as a potential enemy rather than as a serious partner.

(5) The major argument against seeing in Russia a land of vast opportunity arises precisely from an awareness of the political risks and dangers just alluded to. One could also argue against the likelihood that democracy will ever work in Russia by reflecting on the eventual outcome of previous times of troubles in Russian history.

In the past, Russia has always tended after a period of chaos and failed reform to produce an authoritarianism that proves even worse than the one which led to the crisis in the first place. So there is every reason, it can be plausibly argued, to assume that Russia will end up with some form of authoritarianism that will be more menacing and unpleasant than the more-or-less stable spectacle of Communism in decline but in relative stability with the outside world under Gorbachev.

However, just as Soviet totalitarianism was unlike previous monarchies, so Russia's present post-totalitarian situation differs profoundly from all past Russian times of troubles. First and foremost, there really is no external enemy. Everyone of consequence in the world except for the more radical Middle Eastern regimes and the aging Chinese Communist leadership wishes the Russian experiment in democracy and market economy to succeed. Second, the younger generation in Russia has a totally different vision of themselves and their own country's nature and destiny than has ever been possible before, thanks to widespread education and modern means of communication. Third, the fundamental vehicle has been created for a new democratic legitimacy, even if the political parties -- institutions are not yet fully functioning at the national level; and fourth, the fundamental economic basis for long-range economic growth has also been created by a largely successful privatization of most of the economy except for agriculture and a few major monopolies.

What is missing, politically, is the effective and accountable constitutional rule of law and, economically, the major capital investment needed to make a free economy prosperous by jump starting the development of Russia's enormous natural and human resources.



It is precisely in these two areas that America has the experience and resources to be of enormous help to the Russians. And it is precisely because we are the model for Russians in their current transformative stage of development that we face both the opportunity of a love affair and the dangers of unrequited love if we prolong in our present irresolution as to whether or not to do anything of true significance with the Russians. By now, they have sustained in their reform path more a decade since it was launched under Gorbachev; but the

unpleasant fact is that **nothing America has yet done has signaled to the Russian people that we even notice them any more.**

For people who have endured as much humiliation, confusion and decline in living standards as the Russians have, the likelihood of some irrational authoritarian turn is greater than it might seem. The Red/Brown opposition realizes that time is not on their side and that, if there is not an authoritarian reversal soon, they will face provincial governors and other young figures who are rebuilding the economy and producing a sense of participation at the local level rather than just the largely unpopular figure currently playing musical chairs in the macro politics of Moscow.

Yeltsin himself sought legitimation in this rising new cohort of political leaders when he brought in Boris Nemtsov from Nizhny Novgorod, the leading area of provincial reform, and chose his 35-year old colleague to be his acting prime minister after dismissing Chernomyrdin and his cabinet.

America has, on the whole, conveyed a general sense of sympathy and regard for the Russian people, and President Clinton has been wise in maintaining a consistently cordial relationship with Yeltsin which has minimized their sense of embarrassment and humiliation. But simple human friendship at the top and rhetoric about partnerships for peace are not enough without some major substantive American commitment to break through the smoldering resentment and assertive nationalism that is increasingly dominating the Russian political agenda.

What then can America do? We should, first of all, recognize that there is both a geopolitical necessity and a rational political and economic opportunity for the United States to

put Russia on the front rather than the back burner of its policy agenda. It is clearly in the long run far more important that there be a friendly government with good prospects for the future than that Russia please us on all policy matters in the short run. Russia is unlikely to go back to a Communist regime, but an authoritarian nationalist dictatorship could pose even more serious problems for the United States than the declining Communism of the late Soviet era.

It is wrong to assume that not much can be done simply because it would require too much money. Of course, to Russians and to much of the outside world, this argument seems strange at a time of prosperity in America — a prosperity brought about in no small measure by the end of the Cold War itself. The fact, however, is that government-to-government money is not what is either wanted or required. Only a scant one-and-one half percent of the Marshall Plan was spent on bringing young Germans over after World War II to see for themselves how our kind of society works. This proved to be far more important than many of the more expensive activities of the Marshall Plan. It allowed a whole new generation of Germans not just to see for themselves how a free society works but to adopt our experience to their situation. They became interpreters and advocates within their culture on how to apply the essentials of the American model to their different society. The result in Germany has been one of the most successfully functioning federated democracies in the world. We have never made a comparable investment in bringing young Russians over to America. Up until the last few years, there were more Chinese coming every year to America than there had been Russians since World War II.

So the first step we could take which would have a practical impact in jump-starting the learning process on the functioning of an open and accountable society would be to bring over a genuinely large number of Russians — say, 25,000 — in one summer for exposure to the rich variety of institutions and regional experiences that make up our continent-wide democracy and particularly our civil society. We are still at the stages of tokenism in our exchange programs and in our largely short-term and modest economic transactions. But small-scale activities have given us a set of models that could be rapidly expanded and developed.

Bringing large numbers of Russians over both avoids the patronizing syndrome of sending Americans over there to tell them how to lead their lives -- and would, at the same time, provide that *podvig* or imaginative, heroic deed that would indicate to the Russian people the genuine human interest of Americans and the strength that lies at the grass-roots level. There are all kinds of ways this could be organized with state governors, sister cities, and major industrial enterprises taking the lead. A young Texas entrepreneur Jeff Sandefer launched such a program in the summer of 1993, and there are many other models to build on. It would not take much expense to draft the programs that could have a genuinely dramatic impact on the young generation in Russia and help diffuse their drift into a dangerous nationalist isolationism of their own.

It is very important that key younger people particularly in provincial centers have some such exposure before the all-important parliamentary elections in 1999 and the Russian presidential election in 2000.

In the economic sphere, there is a tremendous need to generate some dramatic growth in the free economy so that Russians in their current stage of early capitalist development do not continue to feel a nostalgia for the giant Soviet factories that were little more than non-productive welfare organizations or for their collective farms that represent in effect a form of rural slavery. No one would feel the nostalgia that is increasing these days for such economically unproductive units of the Soviet era if they had some more dynamic and inspiring examples of capitalist development within their country.

As it is, Americans are investing at least ten times more money in China than they are in Russia which makes no pretense at building democracy, which is making efforts to do so.

What is needed is massive amounts of capital investment. There are things we could do more actively to help them develop contract law, a rational and consistent taxable system, and institutions which would guarantee better protection against the kind of corruption and crime which perplexes and drives away many potential investors. But the Russian stock market has been a profitable investment in recent times in spite of all the difficulties. And I believe the time is right -- and the need is great -- to develop a really major investment strategy -- a strategy could at the same time address the psychological and geopolitical problems that are the most serious.

I would propose a major joint American-Russian effort to develop the world's last great economic frontier in Siberia. Siberia has great imaginative appeal as the last great repository of untouched natural resources on the earth. America has both the capital and the

skills to develop it if we are willing to make the massive long-term investment that would be needed.

The Library of Congress has been digitizing the treasures of America and getting them to American school and libraries all over the country with amazing effect. We are getting the story of America back into the classroom and helping in the audiovisually attuned generation back into thinking and reading in order to answer questions that are raised by Civil War maps and photographs, early Edison movies, political cartoons, and the writings of founding fathers in their original hand. We have proposed for the Russians -- and they are enthusiastically responding -- that we do digitization projects on the parallel opening of the two frontiers of European civilization, the Russian and American, met in Russian Alaska and even at Fort Ross just north of San Francisco: the farthest southern outpost of Russia's eastern frontier as it met America's western frontier at the beginning of the 19th century.

Focusing Russia's attention on the eastern frontier and their internal development needs would help them overcome their fixation with the shrinking of their national borders and the eastward expansion of NATO. At the same time it would fortify a country that has reasserted its religious roots and is committed to developing democracy against the incursion that most Russians themselves feel will eventually come from a China which permits neither religion nor democracy and still has irridentist claims to much of southern Siberia. A massive, American-led investment program in Siberia would show for the first time (and in a way that does not insult the Chinese) that we are going to balance our economic investments a little more in the favor of those committed to democracy. A major national U. S. investment in Siberia could undercut the emotional appeal of the authoritarian nationalists in Russia, who

argue that they alone are fighting to preserve the pristine integrity of Russia from predatory foreign invaders and developers. Such a plan would be for genuine bi-national or multi-national teams and would integrate ecological concerns with developmental ones right from the beginning.

I traveled to Siberia with a group of senators two years ago, and we found a young group of Americans and Russians working together to develop such a plan for the Baikal Lake region. The late Soviet effort to reverse the flow of rivers of Siberia and change its entire ecology as well as the policy of dumping atomic wastes in various areas of Siberia that enraged and energized Russian conservatives into advocating breaking Russia itself away from the Soviet Union. If America would appear now not only as a partner in economic development but as a partner in integrating from the beginning ecological considerations with developmental ones, we could set a new model up for ourselves and for the world in general — and it would have great imaginative appeal for the Russians who have an almost mystical feeling for nature.

Massive plans are already in the files of many American campuses from the spate of assertive, speculative planning that they undertook in the early 1970's when it first looked like the Russian market might be opening up. Probably some initial government guarantees against political risk would be needed at the outset. A small government guarantee may be a model for such development in the giant project for developing the oil potential of Sakhalin Island.

A new dynamic leadership is emerging in places like Novgorod, Vologda, and Sararov. Russia is coming alive both organizationally and politically. But the combination of economic strain and psychological sense of cultural humiliation will give us a continuing risk for the near future of an authoritarian takeover in Russia through any of a variety of scenarios.

Whether Russia were to produce a semi-fascist authoritarian or a Yugoslav-type anarchy in the heart of Eurasia — either way the consequences would be dangerous and could be disastrous.

The only thing that would be certain about an authoritarian takeover is that the resentment would be greatest against America. We have no excuse for not averting a danger and realizing the opportunity that lies before us with our erstwhile enemy. It would be a glorious thing to close the books on the last great conflict of this second millennium by a major gesture which in fact would be a good investment. It would make possible the emergence in the other half of the northern hemisphere of a new land that could be -- that wants to be -- very much like our own. Together the G-7 nations and Russia could provide an example as well as reassurance to the rest of the world that a more responsible cooperative model of international activity is being crafted for the coming millennium.

CHARLES STEWART
MOTT FOUNDATION

file
Russia

(R)

WILLIAM S. WHITE
PRESIDENT

September 2, 1999

The Honorable Melanne Verveer
Assistant to the President and
Chief of Staff to the First Lady
The White House
Washington, DC 20500

Dear Melanne:

Let me cover three items:

1. Attached to this letter is a report from Sharon Tennison, President of the Center for Citizen Initiatives in San Francisco. Perhaps you know Sharon. She has been to Russia over 70 times and has been the brainchild behind quite a few of the microenterprise programs the U.S. government has funded and which I believe the First Lady may have visited. She is one of the most enthusiastic go-getters I have ever met in my life and, more importantly, she is ordinary folk. Her report provides a little glimmer of light amongst all the dark clouds regarding Russia. It is easy to scan and, in dealing with Russia, at times you need encouragement.
2. Elan Garonzik, our Mott program officer in the Civil Society area, and Marilyn LeFeber, our Vice President-Communications, are working with Malcolm Richardson, of the White House Millennium Council, on providing some telelink services for the October 2nd White House Conference on Philanthropy.

The Honorable Melanne Verveer

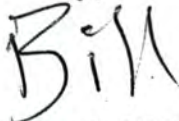
September 2, 1999

Page 2

3. I am looking at my schedule to see whether I can make it over to Warsaw to hear about the last ten years of transition. I know the First Lady is scheduled to be there.

All in all, I hope you had a good summer.

Sincerely,

A handwritten signature in dark ink, appearing to read "Bill", written over the printed name.

William S. White

WSW:aco

Attachment



Productivity Enhancement Program

A BUSINESS MANAGEMENT TRAINING PROGRAM FOR RUSSIA
FUNDED BY THE UNITED STATES INFORMATION AGENCY
AMERICAN CIVIC CLUBS & VOLUNTEERS
& RUSSIAN ENTREPRENEURS

TO: PEP Coordinators, Trainers and Hosts
Friends of Center for Citizen Initiatives

FROM: Sharon Tennison, President

SUBJECT: PEP Evaluations in Russia—Spring 1999 & CCI mid-year letter

July 10, 1999

My dear friends and supporters,

I began writing this letter in Russia, where six CCI staff members and volunteers conducted hundreds of evaluations with the Russian entrepreneurs hosted by your communities in 1998. For nearly two months we interviewed them in St. Petersburg, Moscow, Yekaterinburg, Rostov-on-Don, Volgograd, Voronezh, Dubna and Sergiev Posad. We traveled to Bryansk and Kazan for the first time to evaluate new enclaves of PEP participants.

Fellows came from as far as eight hours away (they hail from 69 Russian cities) for one-hour interviews and to fill out an 87 question survey on Russia's economic and political situation. It was inspiring to hear how they've rebounded from near economic disasters. The information we gathered is voluminous—and more encouraging than we anticipated.

As a "Russia-watcher" for the past sixteen years with more than 70 trips to the region, I've been privileged to watch history in the making. This spring I crisscrossed thousands of miles in Russia traveling primarily by rail and car, looking for signs of deterioration and/or renewal—registering minutia which is often unnoticed, uninteresting and unimportant to others. This trip produced a fascinating mosaic—and gives a sense of where this "enigmatic" country is headed.

Aspects of Russia, no doubt, are dying. **Simultaneously, the inconspicuous Russian grassroots private sector is rapidly gaining momentum and taking hold across the country.** Western media focuses only on Russia's dying macro-economy and the dispossessed, totally missing the dramatic birth and growth of Russia's micro-economy.

I want you to grasp the excitement of what's going on in Russia today, despite its massive problems. More importantly, I want you to understand the vital role you've played by giving PEP entrepreneurs the skills and strategies to survive.

The following topic headings will direct you to those areas in this letter that interest you most.

- The importance of your training and hosting
- Western media misinterprets what's happening in Russia
- Russia—Spring 1999—does not have the appearance of a country in crisis
- The August '98 financial crisis: an inevitable crisis—with a silver lining
- Political and economic predictions for Russia for the next one to five years
- The courage, strength and resilience of Russian entrepreneurs
- Russian entrepreneurs take responsibility for society's less fortunate
- Rotary Clubs, Kiwanis Clubs and Professional Associations in Russia
- The most vital, viable economic sector in Russia today
- The Russian soul and spirit is alive and well in Russian entrepreneurs
- It's so good that they don't know...
- International politics and the impact of Russian-American relations

THE IMPORTANCE OF YOUR TRAINING AND HOSTING

How can we explain the transformation experienced by the Russians who came to American communities? It's difficult and borders on a psychological metamorphosis. Here's how they struggled to articulate it themselves: "I saw my future in America"; "It was like walking into a new world of new possibilities"; "After the internship, I experienced a 'splash of ideas' and I understood how I must proceed—and I haven't stopped since"; "During the crisis the information from the US saved my business"; "I knew I had to change my company's direction as soon as I came back to Russia"; "The American experience confirmed for me that my direction was right"; "I made human connections with Americans I'd never thought possible"; on and on and on...

Why are the US internships so powerful? The following thoughts offer possible explanations:

- Russians haven't observed workplace efficiency and high productivity—these were nonexistent under Socialism. They say the single most transferable information they received in the US was "the organization of labor". By this they mean the methods for getting the most benefit out of the company's time and money. They were shocked to observe that, "Every detail in US companies is organized for maximizing time and high productivity."
- Personnel Management, as practiced in the US, is still unknown in Russia. Russian bosses still give all the orders. Workers often follow orders, but retaliate with passive aggressive work behaviors (dawdling, drinking and theft). The Soviet contract between boss and worker was, "The State pretends to pay us; we pretend to work." Many Russian workers have this mentality even today, making it tough for new business owners to stimulate production. Personnel Management is the second most immediately transferable skill PEP Fellows take back to Russia. They watched how you interacted with your work teams. Upon return to Russia, numbers of them called their employees together and told them that administration and production would be "reorganized along American lines."

Routine concepts like job descriptions, weekly work plans, work teams, employee contracts, etc., were explained to these Russian entrepreneurs for the first time in your companies. Scores of them carried back written materials, translated them and then implemented them directly in their businesses. A Fellow remarked, "I worked for a week figuring out how I could delegate and create work teams, then I instituted it. After a few hard months, it's working." Another, "I now pay minimum salary. If they work hard, they earn good monthly bonuses. If they don't, I show them the door. When I rehire I use job descriptions and a three-month examination (probation) period, like in the US. Now workers know I'm serious." One other said, "Since returning from the US, I reduced the number of my employees and we turn out more production now!" You trained them well. Many Russian enterprises are now organized successfully along the lines of your companies.

- Russians grew up with limited visual stimulation during the Soviet era. Furniture, clothes, fabric, cars, apartments, food, architecture all looked very much the same. The plethora of American designs and product diversification astounded Fellows. Citing the Russian adage, "One see is worth a thousand hears," they say that after seeing the range of new products possible, they can copy them fairly easily. I asked how much they learned from their eyes—and how much from their ears during US training. Responses indicated that 50% was learned from 'visual osmosis.'
- Russians, accustomed to Soviet conditioning, grew up without free access to information or contacts, (both conferred position and power in the USSR). The fact that you took them into your businesses, without hesitation shared your business experience and financials with them—and answered every question they asked, was unbelievable, even shocking to most of them. Many marveled, "Americans told us all of their business secrets!"
- Russian citizens have always held Americans in high esteem. Being taken into your companies as dignitaries and told the details of your businesses, in addition to being welcomed into your homes as honored guests, was an extraordinary confidence builder.
- Russians, like Americans, have a deep imprint in their psyches as a result of the 45-year Cold War. While Russians admired us from afar, they simultaneously were indoctrinated to have a deep fear of us. Many were initially apprehensive about trip to the US. Coming to America and finding warmth and welcome in your communities broke down decades of negative conditioning—and replaced it with relief and affection.

You, dear PEP Friends, offered Russians a glimpse of what they can become in the future... you showed them how to organize and manage their businesses in ways which they had never dreamed... and most important of all, they sensed that you really CARED whether or not they succeed.

WESTERN MEDIA MISINTERPRETS WHAT'S HAPPENING IN RUSSIA

After this trip I am even more frustrated with western media which constantly monitors the failures of Russia, while ignoring the progress being made. Americans assume, after reading our press, that Russia is on its knees, crawling along, rife with mafia, and on the verge of collapse. Given where Russia has come from in the last ten years, and the magnitude of the transition they are going through, Russia is doing incredibly well. It's unfair for us (with our 200 years of developing a democracy and market economy) to compare Russia (with only ten years of experience) to the US. Russia needs to be compared to where it was ten years ago, not to where America or Europe is today.

RUSSIA—SPRING 1999—DOES NOT HAVE THE APPEARANCE OF A COUNTRY IN CRISIS

To the contrary, Russia looks better than it has anytime since 1983.

Russia is evolving: The eight Russian cities I'd visited previously looked cleaner and healthier this spring than last year—and far better than five or ten years ago. They showed unmistakable signs of new business development and renewed civic pride. How they've done it, I don't know—with the ravages of the Aug '98 crisis, etc.—but I trust my eyes.

- We noticed an increase in modern buildings in cities other than Moscow and St. Petersburg (it's expected in the capital cities).
- In many cases, first floors of aging Soviet apartment buildings have been divided and sold to small businesses. The businesses have constructed attractive new exteriors for their sections (by knocking out windows, installing doors, replastering and painting facades, adding awnings and tasteful signs). Passersby are drawn to the shiny new businesses, not to the upper apartments (which are still in various stages of disrepair).
- Red (or white) brick, two to four-story private homes now cover the landscape in every direction we traveled. The architecture is better than those houses built even three years ago. Russians put their earnings into bricks and mortar. They finish their houses slowly, as more money becomes available. When the house is complete, it's paid for. There are virtually no home loans in Russia.
- Russian streets are in better repair in all cities except St. Petersburg. The latter also has less building renovation than other cities.
- Transportation: automobiles, mostly Russian, zip around the streets in all the cities. New European-style gasoline stations are appearing all over the cities and in between (these didn't exist before). The ubiquitous yellow city buses of Soviet years have been replaced by modern, brightly colored European-style buses—even in Bryansk and Kazan (cities well off the beaten path).
- Parks are noticeably cleaner this year with trees pruned, flower gardens planted, grass cut, and benches repaired and painted (parks have been ignored for several years). "Keep our city clean" signs are scattered about.
- Russians in the streets look chic; clothes are trendy, heads are held high, and strides are brisk. Gone are the days when babushkas in scarves dominated the sidewalks.
- Cell phones were prevalent and frequently interrupted interviews. Russia is touted to be the fastest growing email user in the world. Fellows have their share of new email addresses!
- The countryside was tilled from Moscow all the way out to Yekaterinburg (three time zones away)—and from St. Petersburg south to Rostov-on-Don.
- There is a noticeable increase in privately-owned livestock over the last year in the regions we traveled through by train. Ownership of private animals was strictly forbidden in the Soviet era, and it has been slow to emerge again.
- PEP Fellows reported a significant improvement in "business mentality" among Russian entrepreneurs over the last 12 to 18 months. It's easier to do business amongst themselves and inter-regionally, since world-standard business principles are now taking hold across the regions.
- PEP Fellows estimated that small and medium-size private business owners and employees now comprise 10% or more of the Russian population. Toynbee said it takes 7% of a "committed minority" to shift societies in new directions. Certainly these entrepreneurs are far more intelligent and more committed than other sectors of the Russian population.
- PEP Fellows are even more confident in 1999 that their businesses and Russia will make it through to a democracy and a market economy—they say it's only a matter of time and people getting more information.

Russia is still devolving in a number of spheres: State medical care is in wretched shape—with no state funds for doctors or hospitals. Some PEP entrepreneurs pay doctors' salaries in exchange for paying their taxes. The same is true for education. Fellows reported paying teachers salaries in lieu of taxes. Private medical care and schools are available, but affordable only to those in the new upper and middle classes and to local officials whose income is often augmented by bribes. Older Russians are dying off at an unprecedented rate. Pensions are \$30 or less a month, barely enough to purchase tea and bread. Elders with younger family members are, of course, taken care of. Those without, suffer. Far fewer elderly people are seen on Russian streets these days. Another ominous sign—I saw only ONE pregnant woman in all ten cities and saw no prams on the street. The August '98 financial crisis may have resulted in more women choosing abortions.

Anti-Americanism: We traveled on public transport, walked the city streets, shopped at Russian grocery stores and kiosks, and didn't experience any anti-Americanism. Knowing grievances were building about Yugoslavia while we were there, we asked Fellows' about their views on Kosovo. They were stunned and disillusioned about America's involvement. I inquired if they were aware of Serbia's history or Milosevic's atrocities. Yes, they were aware and loathe Milosevic. In essence they responded, "With all the 'special services' available, getting rid of one man would be more humane than killing thousands of innocent people and destroying a European capital." Many compared the NATO response to Russia's war in Chechnya, which they bitterly opposed. Bombing occupies a special horror in Russian mentality. Memories of World War II are still kept alive—bombs strike terror in the heart of every Russian. They instinctively identify with the victims. For the first time since the Cold War, there is anti-US government sentiment in Russia—but none directed toward American citizens. Russian people have, through their tortuous history, made clear distinctions between citizens and governmental actions.

Anti-Semitism: Some PEP Fellows said that it's on the rise among the disenfranchised populations who are looking for someone to blame. Often they dismissed it as a fringe phenomenon, saying that it is perpetrated by those with poor upbringings. PEP Fellows who are Jewish concurred that there is a recent increase but that they aren't threatened by it. They remarked that whenever economic times are tough in Russia, anti-Semitism crops up. We noticed swastikas were painted on Moscow and Voronezh buildings and we heard of anti-Semitic graffiti in apartment elevators in Moscow. No doubt this is not the whole story.

THE AUGUST '98 FINANCIAL CRISIS: AN INEVITABLE CRISIS—WITH A SILVER LINING

PEP entrepreneurs said the first couple of months were devastating. They didn't know how deep the crisis would be—or how long it would last. The ruble crashed, ultimately losing three-quarters of its value. Russian bank accounts were frozen, and everyone halted spending until the situation was better understood. Our Russian friends had no revenues for September or October, yet had to continue to pay salaries and run their businesses. By December sales were coming back and domestic product was moving. By January Fellows in manufacturing were doing pretty well. The few PEP Fellows in import distribution went bankrupt and redirected their businesses. We interviewed only one PEP Fellow whose business had failed and hadn't come back. (Later we learned that he is under treatment for alcoholism.) Fortunately, for "rainy day insurance," most Russian entrepreneurs keep a hidden stash of dollars. Some say there is as much as \$35 billion in millions of Russian homes across the country.

Many Russian domestic manufacturers, including PEP Fellows, have benefited from the crisis. Immediately after the crisis, imported products became prohibitively expensive and were no longer shipped to Russia. In the absence of imported goods, Russian made products began selling like hot cakes. Businesses involved with agriculture and food processing began doing well, in addition to manufacturers of clothing, plastics and building materials. Insurance got a shot in the arm, since *"Russians with money don't trust banks, so insurance has become a safer investment for their profits."* Legal firms began prospering *"because businessmen who survived the crisis knew they needed legal counsel."* Advertising firms made significant gains and became more necessary than ever.

In Russia manufacturing is finally "IN"! *"As result of the crisis, everyone wants to get into manufacturing,"* reported a young Kazan PEP Fellow. Even two years ago, most Russians would say, *"We in Russia will never manufacture. We will import what we need and buy and sell."* We at CCI constantly challenged this notion, saying that an economy of Russia's size cannot survive on buying and selling alone. This change in mentality will go a long way to strengthen the country's economy.

The "silver lining" of the Aug '98 crisis is at least six-fold: 1) it chased imports away, thus giving the domestic producers an opportunity to increase and sell their products; 2) it showed Russian consumers that Russian products are as good as most imports; 3) it made domestic production at last, profitable (thus encouraging investments and

more producers to start manufacturing); 4) it exposed the Russia's fantasy stock market and the Moscow high rollers who propped up Russia's bogus macro-economy; 5) it legitimized private entrepreneurs in the minds of Russian citizens, since they are producing much needed commodities; and 6) it's forcing the country to begin reorganizing its infrastructure and legislation based on world standards. The latter will take time, at last it's happening.

POLITICAL AND ECONOMIC PREDICTIONS FOR RUSSIA FOR THE NEXT ONE TO FIVE YEARS

Only fools and little old ladies in tennis shoes (hopefully I am only the latter) make predictions about Russia. Based on what we learned in the nine regions, the following are my predictions:

- Luzhkov, Mayor of Moscow, will win the 2000 election next June and be Russia's next president. He's not perfect but is, by far, the best choice. He's committed to business, has changed the face of Moscow, and strongly supports small and medium-size private businesses. We hear that Moscow now has 350,000 small businesses as a result of his innovations and influence. A large percentage of the PEP Fellows said Luzhkov will be the next president and that they will vote for him, but many said their favorite candidate is Grigoriy Yavlinsky, leader of the pro-reform Yabloko Party (they also said he doesn't have enough clout to win).
- Luzhkov will provide a psychological boost for Russia. His energy is contagious, and the energy of the country will jump into cadence with his MO. Entrepreneurs will at last have support from the top. Fortunately, the challenges of the past (including widespread communist power) are fading into the history of the transition. Luzhkov will operate in a more favorable environment than Gorbachev or Yeltsin. He is independent, healthy, and gregarious and should get along well with Europeans and Americans.
- Political blocs will continue to unite to promote reform-minded candidates in the 2000 federal election. "Right Cause," the Nemtsov/Khakamada bloc is particularly interesting at the moment. If Kirienko and Yavlinsky join, the results could be promising. This is the first time in Russia that there has been a decent group of young, intelligent, forward thinking, globally minded politicians in the wings.
- Domestic production in Russia will make a leap in the next year due to the changes already mentioned. Look for a "Buy Russia!" campaign. Russia is a huge untapped market for domestic producers and service providers.
- Russia will make more economic and political progress in the next five years than it has in the last fifteen years. (Gorbachev came to power in 1985.)

THE COURAGE, STRENGTH AND RESILIENCE OF RUSSIAN ENTREPRENEURS

Can you imagine running your business, paying salaries to fifty employees, being forced to give bribes to local officials at every turn, securing raw materials without industry directories, covering up actual revenues to avoid 85% taxation, keeping up with a five-tier barter arrangement because clients don't have currency— and all this without using a bank or having a supportive legal structure? Does this prospect stagger your imagination? It does mine. I asked a thousand questions in the last two months about HOW they keep up with it all, how they operate without a bank, how and where they store their money, and how they work with corrupt municipal officials who are endemic in every region. Their answers were classic. In the end, they would say something like, *"What are our choices? This is Russia... we are the first stage of real business here. It just has to be endured."* NOT A ONE OF THEM DOUBTED THAT THEY—OR RUSSIA'S BUSINESS SECTOR—WILL SUCCEED.

After a long day of interviews, we were psychologically exhilarated and felt we'd been with modern day heroes. Although the Fellows' 1998 losses were significant, their perseverance and belief in their futures were unshaken. We can't wait to do year 2000 evaluations to clock their progress!

RUSSIAN ENTREPRENEURS TAKE RESPONSIBILITY FOR SOCIETY'S LESS FORTUNATE

About 80% of PEP Fellows are making direct contributions to Russia's neediest citizens. You would be proud of them! Many report that they were greatly influenced by the example of business people taking care of social needs in Rotary Clubs, Kiwanis Clubs and other US business associations.

When we asked, "At what point might your company start a modest amount of charity work?" Invariably, the answers would come back—*"My company already gives sausages every week to the kindergarten down the street";... "We*

make clothes for the children at the orphanage in our district"; ... "My company purchased soccer uniforms for the school team and we donate money"... "We give money to keep our local museum open"; ... "My firm makes repairs at the secondary school in our district." On and on.... Dentists give dental care. Bakers give bread. Whatever the product of service, most of them share in some way with those less fortunate. On the last day of interviews one young PEP Fellow said, "There's nobody else to help these poor people but us businessmen. It's our natural function."

We kept hearing about "purpose money". Upon asking its exact nature, we were told that it's the term now used for money set aside by Russian companies to take care of charitable requests. One PEP Fellow in Rostov reported, *"As General Director, I have the right to say how much company money we give to charity cases. Of course I tell my employees how much we give... they are proud of our policy."* When asked if Russian legislation will ever provide tax incentives for "purpose money," they brushed this idea off as unlikely and irrelevant.

Of course there aren't enough Russian business people to meet Russia's overwhelming social needs. Whatever they give, it's never enough. But the fact that they consider it their responsibility, even when they face so many challenges from the government, is remarkable.

ROTARY CLUBS, KIWANIS CLUBS AND PROFESSIONAL ASSOCIATIONS IN RUSSIA

Rotary: We attended the meetings of three newly registered Rotary Clubs (Volgograd, Yekaterinburg and St. Petersburg [the 4th Rotary in StP]), all formed by PEP Fellows after being hosted by American clubs. It felt like being in the US—same banners, same gavel, the same wonderful camaraderie! Other cities inquired about how they could start their own Rotary Clubs. We referred them to the Volgograd Rotary Club, which has existed the longest. All three Rotary Clubs visited had already begun impressive service projects.

Kiwanis: There is one Kiwanis Club in St. Petersburg. We hope that Kiwanis will be hosting more PEP delegations, thereby increasing their presence in the 69 Russian cities where PEP Fellows live.

Professional Associations: While in the US, many PEP participants were introduced to US dental associations, auditors associations, home builders associations, etc. They had many questions about how professional associations work, their benefits, member credit unions, establishment of industry standards, etc. Some Fellows have started small group meetings within their sector, but they don't fully understand how to make meetings meaningful. All agree that they will only join associations which are organized from the bottom up. There is an aversion to the locally-run Russian "Chambers of Commerce" and other "top-down" associations led by municipally-appointed bureaucrats.

THE MOST VITAL, VIABLE ECONOMIC SECTOR IN RUSSIA TODAY

The most vital population in Russia today is the breed of Russian entrepreneurs from which PEP draws its candidates. Typically ages 30 to 45, they received excellent educations during the Soviet years. Their minds were young and flexible when the Soviet system fell apart. They converted their professional knowledge into some type of business, and have succeeded the hard way—by trial and error. This new breed of seasoned, "inconspicuous" entrepreneurs are moral and ethical, unlike the "New Russians" (Russia's first businessmen who got rich from privatization schemes and selling Russia's natural resources abroad). Proof of the PEP prototype's viability is the fact that they were the business people least impacted by the August '98 crisis—and in many cases they've done better for the reasons outlined above. Lastly, they are better prepared than any other group in Russia to apply training concepts to their businesses immediately. A minimum of 10,000 Russians from this sector needs "out-of-country" training, in order to establish a critical mass of knowledgeable business people in cities across the Russia.

THE RUSSIAN SOUL AND SPIRIT IS ALIVE AND WELL IN RUSSIAN ENTREPRENEURS

We were deeply concerned in the early '90s about whether the Russian culture and spirit would survive the harsh transition to a market economy. Our worries were for naught. Russian entrepreneurs are embodying the Russian soul and moving it into its rightful place along side Russian capitalism. PEP Fellows' answers during their interviews were rich with philosophic Russian proverbs. Even farmers and furniture makers quoted their classical authors and poets while making a point about a business question! They are steeped in their great history and proudly showed us local museums and newly renovated monasteries.

IT'S GOOD THAT THEY DON'T KNOW...

By the end of the trip I was relieved that Russian entrepreneurs don't know what's being said about them by the foreign media. It would be disheartening to them. As it is, they are going about their business, fighting their battles

with municipal and regional officials (whom they call the "institutionalized" mafia), grasping every new opportunity or scrap of information, dealing with setbacks, and trying to build a new Russia—all with a sense of pride in their small accomplishments. Many times I thought to myself, thank God they don't measure themselves by western journalists' yardsticks.

INTERNATIONAL POLITICS AND THE IMPACT ON RUSSIAN-AMERICAN RELATIONS

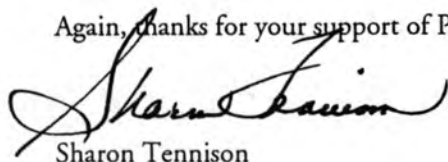
US-Russia relations, at the highest levels, are still wary and precarious. We've all been made aware in the past few months of how fragile these relations are. What a pity it would be if some international conflict should derail the progress made in US-Russia relations over the past ten years.

American citizens' role in keeping US-Russia relations strong:

- We can become more active in nurturing the relationships between ourselves and our Russian friends.
Please consider writing a letter, fax or email to assure your Russian friends that their heroic efforts to create a democracy and a private sector in Russia are important to you and to the world. Consider making a telephone call to your Russian counterpart. So many times their faces lit up like Christmas trees when recounting their telephone calls from America and their email connections with you.
- Write your congressional representatives and ask them to support positive relations with this former "enemy."
Explain to them why it's critical that we work with Russian citizens despite what their transient leaders are doing or saying. (We would be happy to provide you with your representatives' addresses and/or with a sample letter.) If you write them, please send us a copy.
- Consider taking a trip to visit your Russian counterparts. Many of the PEP Fellows wistfully remarked that maybe their new American friends would come to visit them next year. Don't miss the opportunity! CCI doesn't have a travel program, but if it would encourage you to make the trip, we could put together trips with travel guides. Drop a note if you are interested.
- Bring another PEP delegation to your area! Continue supporting these brave entrepreneurs as they rebuild Russia. CCI is striving to develop a critical mass of US-trained Russian business owners in the ten cities where we are focused. These are among the largest and most strategic cities in Russia. Together, with your help, our impact can be enormous!

Dear friends, please forgive the wordiness. The impressions of the trip are still so fresh in the mind that this report came tumbling out—I hope it gives you an informal look at Russia, mid-year 1999. Next, we will publish a more sophisticated, glossy publication with statistics.

Again, thanks for your support of PEP, CCI, and Russia!



Sharon Tennison

PS: The cost of this mailing to 10,000 of you PEP volunteers is paid for by the "Friends of CCI (FOCCI)". If you are interested in joining FOCCI and receiving insider's reports throughout the year, please send us a note and we will mail you an application.

Dear Russia Watcher or
Current Resident,
Please read to find out the
latest about Russia.

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Productivity Enhancement Program

*Surprising News About
Russia Inside!*



Women & Business in Russia

8, Zaozernaya st., St.Petersburg 196084, Russia

Phone: +7 812 110 1191. Fax: +7 812 316 2733 E-mail: ludmila@wbr.spb.ru

History

It has become obvious for the progressively minded women, that they more and more need support from each other - that is how our activity was born. The perestroyka, announced in Russia, and privatization have forced many women to start looking for the new role in the society. The most active women have left their boring cabinets in the state research institutes, factories and shops, and have decided to take a risk to create their own business. At that time most of the women were inspired with romantic ideas, not spent energy, enthusiasm, desire to change life. They had a strong desire to achieve new heights in their professional work.

With such intents Mrs.Valentina Belogur, Mrs.Natalia Ledneva, Mrs.Marina Rosanova, Mrs.Larisa Prokopova, Mrs.Olga Gridasova, Mrs.Galina Vertshinina, etc. created their companies.

Liudmila Tchubatuk was one of those women. She created the company in 1991 on her own from the very beginning. She did realize what difficulties she will collide as business woman. And then she decided to create Association in order to help women to enter into just engendering business in Russia, to create own business, being able to exchange experience, preserving each other from mistakes. So in 1991 the Association "Women and Business in Russia" was created. Liudmila Tchubatuk has become President of WBR. Nowadays being the Association President and spending lots of energy for its development, Liudmila Tchubatiuk is also the General Director of «DEMETRA» - big construction company. The company business is growing every year, bringing new construction and insulation technologies to St.-Petersburg and Russian market.

Years passed. Association activities made an emphasis at information work. Experience - this is the main treasure of Association, and Association members generously shared it. For the newcomers there were special seminars, advisories, courses organized. Many newcomers needed financial support to start their business. In this aspect Association had not much possibilities, but we managed to solve these problems also. Association membership was growing. The outstanding and interesting women, who started their business in trade, industry, construction etc., such as Mrs.Galina Pfortunatova, Mrs.Inna Iurkova, Mrs.Irina Samsonova, Mrs.Tatiana Sourkova joined the Association.

All these years the Association develops, remaining completely adequate to the new demands which are constantly put forward by our complicated economy. Our purpose - consolidation of women entrepreneurs.

The influence of Association gets stronger not only in St.-Petersburg and in Russia, but also abroad. The Association has branches in Moscow, Norilsk, Montchegorsk. In 1995 Association had been accepted to become member of the World Association of Women Entrepreneurs FCEM which acts under patronage of the United Nations and EC. Since 1998 we have the right of a casting vote in FCEM. For our Association it is a great honor, as FCEM consolidates women from 43 countries of the world, women who are well known and famous, who have direct influence to the economy and politics of their countries. The level of our Association is much more modest, though we also learning from our western friends, trying to participate and influence on our society on the political level proving our political leaders and authorities the importance of women participation in business activities of our country.

Today.

The economic reforms develop in our country not so successfully, as it would be desirable for the women entrepreneurs. The crises constantly shake Russia. The reliance on tomorrow's day is weak. And from middle 90s members of Association are worried not only about prosperity of their companies, but about possibility to hold on, to withstand, to protect what is already created.

Today Association consists of 200 women from different regions of Russia and 30 women from St.-Petersburg - entrepreneurs and state officials. Spheres of their activity are sewing enterprises, restaurant and cafe business, trade, education, pharmacy and medicine, computerization, medical services for animals, construction business. The members of St.-Petersburg Association provide 1035 workplaces for the city. The majority of companies, Association members, participate in the charity campaigns.

Tasks.

Thus, in the Association activities there are strong traits which we are improving and weak traits which we aspire to liquidate.

Strengths.

- 9-year's history and reputation of Association "Women and Business in Russia "
- The international support of the World Association FCEM
- Leaders of a high level, who have access to the regional administration and government
- Energy and creativity ability of the Association members, being a source of courageous and bright new ideas
- Rather wide spectrum of scope for many economy sectors
- Using the best models of cooperation and mutual assistance for business development

- The model of Association creation in other cities

The weak traits

The Association members consider that the Association " Women and Business in Russia " requires more steadfast attention from the local and state authorities, and also - in granting. The weak traits are:

- Shortage of financial sources
- Lack of the governmental support programs (related to the difficult situation in Russia)
- Weak regional policy concerning women, shortage of representation at all administrative levels and business, specially in bank structures

The program summary

In order to become the organization whose vote would be valuable and seriously considered at all levels the Association has to:

1. To develop the detailed strategic plan with the precisely defined tasks, purposes and temporary diagram of execution.
2. To develop the universal purpose of Association, which would cover theoretical abilities and practical achievements of each Association member.
3. To develop strategy of financial development, including strategy of sponsors engaging, mutually advantageous cooperation with financial organizations.
4. To develop strategy oriented to the increase of the membership number of Association to become more powerful and influential organization in St.-Petersburg and in NORTHWEST region.
5. To develop business possibilities of the Association members by means of acquaintance to business communities of city, access to the Internet network, information flow.



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July 12, 2000

Ms. Melanne Verveer
Chief of Staff
Office of the First Lady
The White House
1600 Pennsylvania Avenue, N. W.
Washington, D. C. 20500

By Fax: 202-456-6244

Dear Ms. Verveer:

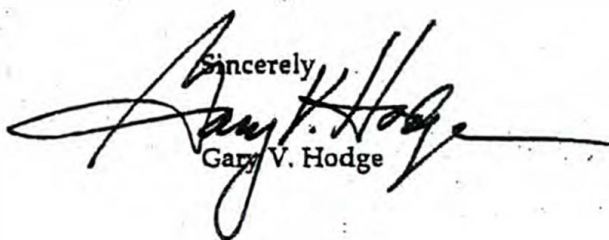
It was a pleasure to talk with you yesterday about the program for the delegation of Russian officials who will be visiting the United States on the subject of Domestic Violence. The delegation includes two members of the Russian Duma and the Deputy Minister of Justice, Deputy Minister of Labor and Social Development, and Deputy Minister of Health, and their biographical sketches are enclosed. There will be a total of 10 people in our group, including interpreters and American coordinators. Accompanying me will be Sandra Bostian. The Russians will be advised to bring their passports, and dates of birth are attached.

As we discussed, the program will include a luncheon meeting at The White House on Monday, July 24. I have tentatively allocated two hours for this meeting, from 12:00 noon to 2:00 p.m. You agreed to coordinate with the President's Interagency Council on Women to secure their participation in the meeting. I did receive a call back from Maureen O'Reilly there and told her that your office would be calling them.

Please let me know the exact location of our meeting, the entrance we should use, and any other instructions I should follow on July 24. Also, a list of the people the Russians will be meeting would allow me to put their names on the program they receive when they arrive.

Thank you very much for your enthusiastic response to our request for assistance. I am sure that the delegation's visit to The White House will be a highlight of their trip.

Sincerely,



Gary V. Hodge

Enclosures

Russian Leadership Program 2000

Women's Issues/Domestic Violence

(July 23-30)

Alevtina Viktorovna Aparina, 59, is in her third term and was elected to the Duma on the Communist Party of the Russian Federation party list.* She is a member of the Committee on Labor and Social Policy.

Ms. Aparina is a graduate of Rostov University with a degree in philosophy and the Higher Party School. She has held various positions at local collective farms and party organizations. Ms. Aparina has also taught Russian language. In 1983 she became the First Secretary of the Communist Party of the Soviet Union's (CPSU) District Committee in the city of Volgograd. In 1991 she assumed the duties of First Secretary of the Volgograd Oblast Party Committee. She has also served as the President of the Lenin and Fatherland Society. Ms. Aparina was the Chair of the Committee on Women's, Family and Youth Issues in the previous session of the Duma. Ms. Aparina is a member of the presidium of the Central Committee of the Communist Party of the Russian Federation. She is the Chair of the "Women of Russia" public movement.



Galina Nikolayevna Karelova, 50, is a Deputy Minister in the Ministry of Labor and Social Development. She is the President of the Confederation of Business Women of Russia and a member of the public political Women's Movement.

Sergei Ivanovich Neverov, 39, represents electoral district No. 90 (Novokuznetsk) in Kemerovo Oblast. He is a member of the People's Deputy group in the Duma. Mr. Neverov is a Deputy Chair of the Committee on Labor and Social Policy.

Mr. Neverov is a graduate of the Tashtagolsky Mining Technical School and the Siberian Mining Institute. Until his election as Chair of the mine labor committee in 1989, Mr. Neverov worked as a miner in several positions in the Yesaulsky mines in Novokuznetsk. In 1998 he was elected Chair of the Regional Board of Coal-Mining Organizations and Deputy Chair of the Russian Union of Independent Coal-Miners. Mr. Neverov also served as the Director of the Council of Coal Trade Unions for the Kuzbass area until his election to the Duma.

Olga Viktorovna Sharapova, 41, is a Deputy Minister in the Ministry of Health. She previously worked as the Minister of Health in the Chuvash Republic. Ms. Sharapova has published two books and 68 articles on medicine and psychology.

Yevgeny Nikolayevich Sidorenko, 54, is a Deputy Minister in the Ministry of Justice. His professional interests include law enforcement, rule of law, and social services. He has published 20 articles on legal issues.

Natalie Clarkson and **Ola Schechter** are professional interpreters.

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U.S. AGENCY FOR
INTERNATIONAL
DEVELOPMENT

December 12, 1994

*file under
foreign assistance*

The Deputy
Administrator

MEMORANDUM FOR MELANNE VERVEER
DEPUTY ASSISTANT TO THE PRESIDENT
DEPUTY CHIEF OF STAFF TO THE FIRST LADY

FROM: Carol Lancaster

SUBJECT: Public and Private Sector Initiatives on Maternal
and Child Health in Russia

Thank you for your memorandum suggesting a health initiative for women and children in Russia. Maternal and child health is clearly a problem in Russia with the virtual collapse of the health system there and the recent increases in childhood mortality. It is also clear that the limitations on our resources and the resources of other U.S. government agencies make a generous response to these problems difficult. However, as you rightly observe, there is often a willingness among U.S. corporations and non-governmental organizations to help the Russians address their urgent health needs when those needs are known. Help from private organizations in the U.S. can complement and extend the impact of our public assistance programs in meeting Russian health needs.

You have suggested a meeting of government agencies, prominent foundations and corporate philanthropic organizations active in Russia to review health problems there and consider the establishment of a mechanism to act as a clearinghouse for information and a focus for organizing and coordinating responses by U.S. organizations to health needs in Russia. The creation of such a mechanism would be an excellent way to launch a new initiative in this important area.

I would like to suggest several steps to position ourselves to call a meeting of the kind you suggest. We should begin by convening a small, interagency meeting (to include ourselves, HHS, State and the NSC) to consider several important issues:

--the substantive scope of the initiative. You have suggested the focus be on the health of women and children in

Russia. There are severe problems facing these two vulnerable groups. However, the major setback in health thus far appears to be among adults, especially adult males. (See attached material for some recent data.) The life expectancy of males has plummeted over the past several years and the gap between male and female life expectancy is larger (by 12 years) than anywhere else in the world. A second problem which must be of concern to Americans as well as Russians is the diphtheria and polio epidemics spreading through Russia (and affecting adults primarily since children are still inoculated against these diseases). You may decide not to extend the initiative to these and other pressing problems but it would be worth considering the question first.

--the geographical scope of the initiative. We hear more about health problems in Russia perhaps because we focus more on those problems. But health problems are severe in other countries of the former Soviet Union. It may make sense to consider at least whether and/or when the scope of the initiative might be extended beyond the borders of Russia, to include other NIS countries with severe health problems. It may be worth including a briefing on the health problems in the NIS at the interagency meeting.

--the extent of activities and linkages between U.S. and Russian public and private institutions in the area of health. It would be useful to have a picture of the scope of current activities and where key gaps exist before proceeding too much further. This could be part of the information shared at the interagency meeting. I know HHS has been collecting information in the scope of U.S.-Russian health linkages. USAID also has information in this area.

--an agreement among us on what kind of mechanism might be useful to act as a clearinghouse-coordinator-funnel of information on U.S.-Russian health linkages and identification of possible organizations that might fill that role. My staff has surfaced two suggestions of institutions already in place (working as contractors to USAID) which might be the type of organization we are thinking about. There are undoubtedly other existing organizations whose functions might be extended to provide the services we seek or we may decide that an entirely new one should be created.

--links between the initiative proposed here and other U.S. government initiatives in the area of Russian health. How should this initiative link to the Gore-Chernomyrdin commission on health? How should it link to ongoing USAID financed activities in Russia? The initiative could reinforce these activities but we should consider best how to accomplish that.

--funding for the public-private meeting you envision and for the functions an organization would provide to achieve the goals you suggest. We first need estimates of costs and then possible sources of funding. Clearly, if the costs are modest, the funding question should not be an impossible one to resolve, even given the terrible budgetary environment in which we live.

I am leaving Monday, December 12 for the Gore-Chernomyrdin talks in Moscow and then joining Tony Lake for a short trip to several African countries. I will be back in the office on December 23. I suggest that given the absence of so many of our colleagues during the period between now and the New Year, that we plan to convene an interagency meeting during the first week of January. You might wish to convene such a meeting on behalf of the First Lady. It would also be very useful to be able to discuss some of these issues with her at an early point. Alternatively, I would be willing to convene such a meeting myself or together with colleagues from HHS. I am at your disposal. *

Attachment: a/s

RUSSIAN FEDERATION
BASIC DEMOGRAPHIC DATA[†]
(1993)

Population: 148,673,000

Crude Birth Rate: 9.4/1000

Crude Death Rate: 14.5/1000

Crude Rate of Natural Decrease: -5.1/1000

[†]/ Source: Goskomstat

RUSSIAN FEDERATION

BASIC INDICATORS OF HEALTH STATUS[†]

	<i>Russia ('93)</i>	<i>OECD Avg. ('91)</i>
Infant Mortality Rate (per 1,000 births)	19.9	9.4
Life Expectancy at Birth (years)		
Male	59	72.9
Female	74	79.2

[†]/ Source: Goskomstat; Schieber, et al (Health Affairs, 1994)

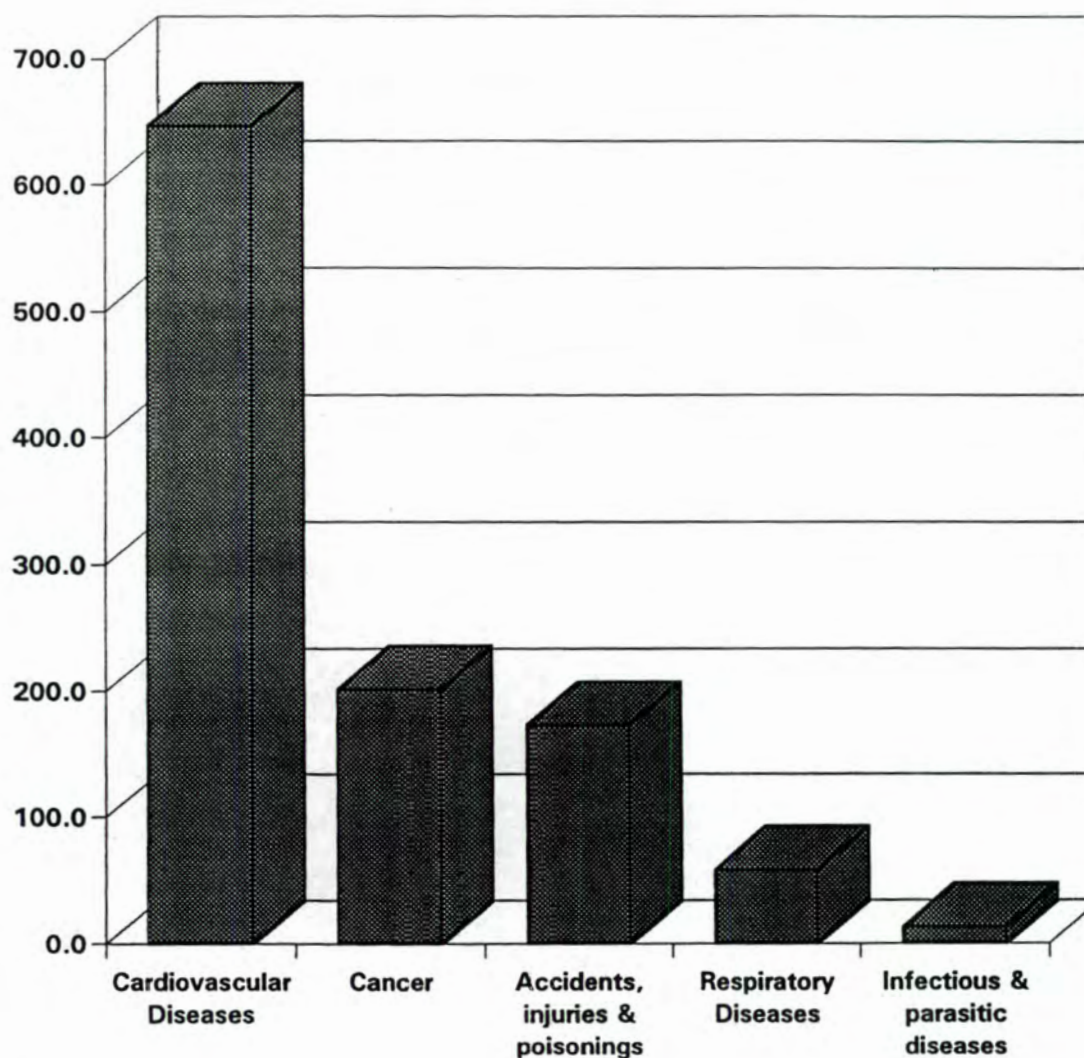
RUSSIAN FEDERATION WOMEN'S HEALTH[†]

- In 1993, the maternal mortality ratio was 52 deaths per 100,000 live births; this is 5-10 times as high as in other industrialized countries.
- In Russia, there are more than 2 abortions for every live birth. By contrast, in the U.S., there are about 3 births for every abortion.

[†]/ Source: Ministry of Health Statistics

RUSSIAN FEDERATION

MORTALITY RATES FOR SELECTED CAUSES OF DEATH[†] (1992)



Per 100,000 Population

[†]/ Source: Goskomstat

RUSSIAN FEDERATION
PER CAPITA SPENDING ON
HEALTH CARE[†] (US\$)

U.S., 1992	3,094
OECD Average, 1992	1,374
Russia, 1993 (estimate)	30 - 50

[†]/ Source: Schieber, et al (Health Affairs, Fall 1994); World Bank estimates.

RUSSIAN FEDERATION
FUNCTIONAL ALLOCATION OF
HEALTH RESOURCES (1990)

Public Health	3
Hospitals	71
Ambulatory Clinics	9
Other Facilities	8
Education/Research	6
Other	<u>3</u>
	100

RUSSIAN FEDERATION

COMPARATIVE DATA ON THE AVAILABILITY AND USE OF HEALTH SERVICES[†]

	<i>Russia (1993)</i>	<i>U.S. (1990)</i>	<i>OECD Avg. (1991)</i>
Hospital Beds (per 1,000 population)	12.2	4.7	8.4
Average Length of Stay (days)	17.0	9.1	14.4
Physicians (per 1,000 population)	3.9	2.2	2.5

[†]/ Source: Smolensk regional health authority; Schieber, et al (Health Affairs, Fall 1994)

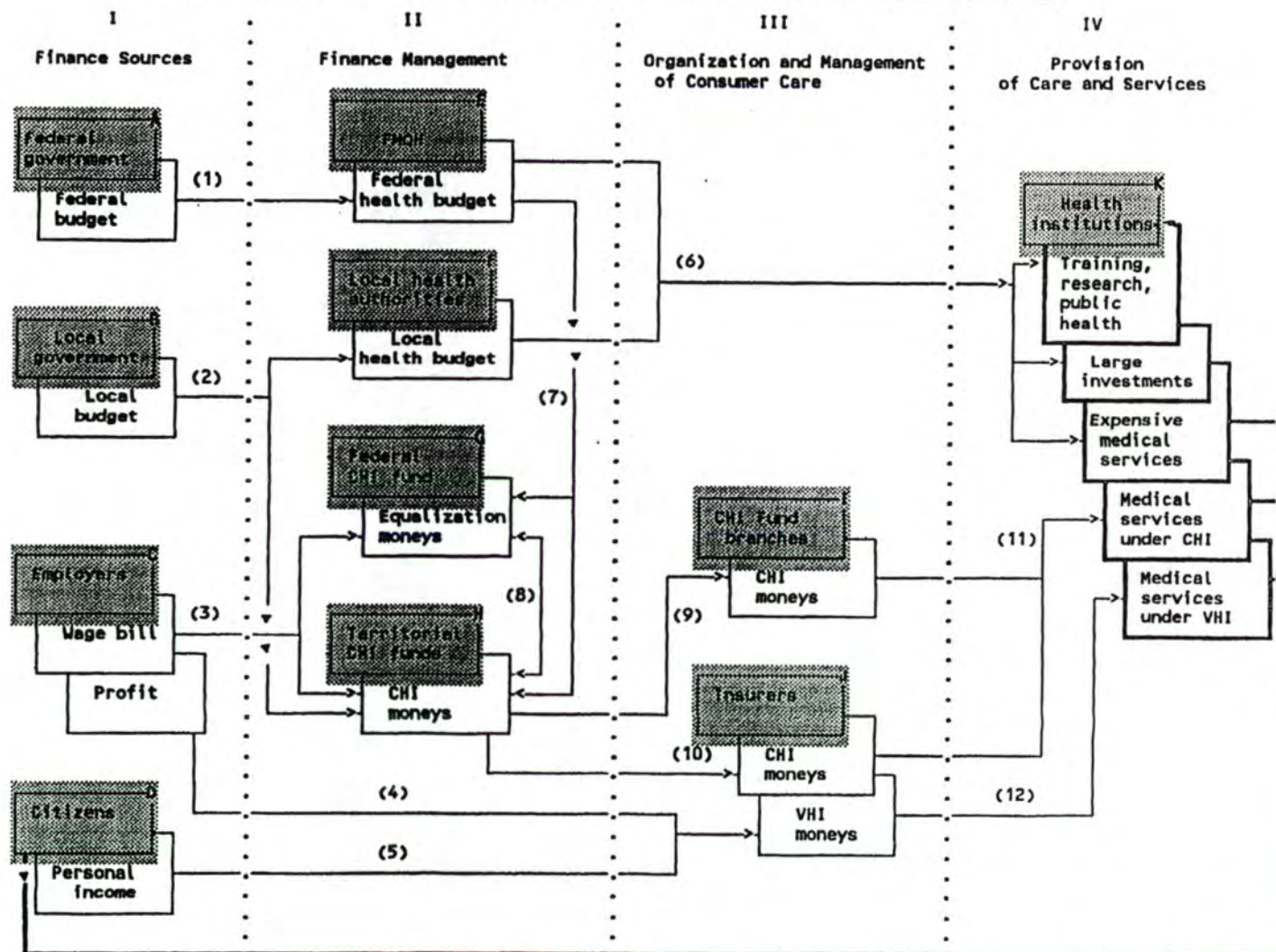
RUSSIAN FEDERATION PROBLEMS

- **The form of finance will have an effect on resource allocation;**

but,
 - **Neither state funded centrally directed systems nor the reformed systems address public health well;**
 - **Competition will not spontaneously produce satisfactory public health services;**
 - **Without clearly defined priorities, public health will be neglected in the face of falling revenues.**
-

RUSSIAN FEDERATION

SCHEMATIC ILLUSTRATION OF HEALTH INSURANCE LEGISLATION



RUSSIAN FEDERATION HEALTH SECTOR REFORM PROJECT

Project Cost: \$120 Million
World Bank Loan: \$100 Million

Regional Components

	Tver	Kaluga	Smolensk
MCH/FP	X	X	X
General/Family Practice		X	X
Health Promotion	X		X
Provider Payment	X	X	X

Federal Components

- **Health Promotion**
- **Medical Education**

Project Focus

- **Demonstrate Replicable Reforms**
 - **Emphasize PHC and Health Promotion**
 - **Introduce Financial Incentives**
 - **Reduce Emphasis on Specialization**
-

RUSSIAN FEDERATION

CRITICAL MEDICAL EQUIPMENT PROJECT

Project Cost: \$330 Million
World Bank Loan: \$300 Million

**Would Provide Medical Equipment,
and Related Consumables to:**

- **Polyclinics**
- **Women's Consultations**
- **Rayon Hospitals**
- **Maternity Homes**

Precursor to Facilities Rationalization Oblast by Oblast

Project Focus

- **Primary Health Care**
 - **Local Hospitals**
-

R U S S I A N F E D E R A T I O N

S O C I A L E X P E N D I T U R E P R O J E C T

Project Cost: \$ 700 Million
World Bank Loan: \$ 500 Million
Health Component: \$ 125 Million

**Would Finance "Essential" Medical Expenditures and
Repair/Winterization of Facilities**

Project Focus

- **Maintenance/Restoration of Budgets for Social Services**
 - **Introduction of Matching Grant Mechanism to Support More Efficient Allocation of Resources**
-

RUSSIAN FEDERATION

COMMUNITY SOCIAL INFRASTRUCTURE PROJECT

Project Cost: \$250 Million
World Bank Loan: \$150 Million
Health Component: \$ 50 Million

**Would Rehabilitate and/or Reorganize
Health Care Facilities**

Project Focus

- **Rationalization of Social Expenditures**
 - **Improved Targeting of Social Programs**
-

file Russia

Health, Population and Security; Implications for the West

July 25, 1997

Summary

The Kennan Institute of the Woodrow Wilson Center, in collaboration with the Institute for Health Policy Analysis, proposes a meeting to convene a group of persons expert in health and demographic conditions in the Russian Federation together with individuals concerned with the political and economic transition in Russia. The purpose is to explore linkages between population trends and health status, on the one hand, and determinants of political stability and civil society in the transition economies on the other. Ultimately, the outcome of the conference will be a series of principles to guide Western private and governmental policies and programs favoring the evolution of a civil democratic society in the former Soviet republics.

The conference participants are to be drawn from a group of distinguished international experts in the fields of health, demography, social sciences and international security. All are recognized for their scholarly contributions and for their knowledge of the challenges of the transition economies. They are to be joined by a group of distinguished policy makers -- from the West and the East. The product of this exercise is to be a direct translation to practical and implementable recommendations from the body of knowledge brought to the conference.

Background

Toward the end of the 19th century, German Chancellor Otto von Bismarck proceeded to put in place a series of social safety net arrangements including a provision for universal financial coverage for medical care. Bismarck's introduction of compulsory "sickness insurance" in 1883 was motivated by a number of factors principal among which was preservation of social stability and avoidance of social unrest.

A commentator writing on the subject of international security recently observed: "A fundamental national security obligation of governments is providing and assuring the safety and well-being of their citizens. To the extent authorities lapse in these duties, unmitigated health burdens will add to discontent, conflict, and the desire for political change."¹

A substantial amount of bilateral and multilateral technical assistance for the former Soviet Union has been directed at economic reform of institutions, translation from state owned enterprises to private ones and to the development of the instruments important in sustaining the rule of law. Attention to social safety net issues, and in particular, to health, has been marked by a lesser degree of consistency.

Yet, there is evidence to suggest that consideration of social safety net issues - particularly health - concurrently with promoting economic reform, is important in sustaining the political will toward the full achievement of democratic institutions and a civil society. U.S. Vice-President Gore, in a series of three speeches in 1995 on Russia, asserted that in 1991, "...Russians awoke to the promise of a new day, but the euphoria was short lived, because before them was an immense organizational and spiritual void of unmet social needs."² Both Western and Russian observers

have commented on the importance of considering health and other social factors during the period of economic and political transition. Harvard economics professor Jeffrey Sachs, in his original proposal for economic reform, included an \$8 billion Social Expenditure Program for Russia of which nearly a quarter was to have been devoted to health.³ A former spokesman for Mikhail Gorbachev, wrote in the *New York Times*,

“Post-Communist Russia is being built with the bricks of capitalism...free enterprise, private property, convertible currency. But we have neglected the mortar of social programs that help hold the bricks together. The resulting structure is shaky and in danger of collapse.”⁴

By now, most all have taken note of the dismal and declining indicia of health in the Russian Federation and, indeed, in the republics of the former Soviet Union. A thorough review of the data reflecting excess morbidity and mortality, the quality of those data and policy implications of them was published recently by the U.S. National Academy of Sciences.⁵ By the early 1960's, the Soviet Union had been catching up to the record of the Western industrialized world when reported life expectancy at birth trailed that in the United States and in Western Europe by only a couple of years. Yet these trends of steadily increasing health status abruptly began to reverse in the mid- to late 1960's and further accelerated downward in the past five years⁶ (sometimes called the “East-West public health divide.”⁷ } While many age groups are adversely affected in the Russian Federation, the major impacts have been on adult males.⁸ Life expectancy at birth for males was 64 years in 1989. By 1993, it had declined to 59 years and

currently is estimated to be 57 years. The gap between male and female life expectancy is around 14 years, the largest in the world. Principal contributors to this record are cardiovascular disease, cerebrovascular disease, respiratory disease and the consequences of various forms of violence -- injury, poisonings, homicides and suicides. Behind much of this pattern is a combination of social habits, violent behavior, despairing outlook by members of the citizenry and inadequate medical care.

This record of excess morbidity and mortality, with particular impact on adult ill-health, corresponds to the general burden of adult ill-health in essentially all of the non-market or transition economies described by Richard Feachem et al.⁹. Further, the pattern of excess mortality in Russia has combined with a second trend -- a sharply reduced birth rate. This latter, since 1992, has resulted in a striking net decrease (*negative* "natural increase") in population. As a consequence, the nation, in transition to a market economy, and where the West is promoting democracy, can't replace itself but is declining at a rate of approximately 0.4 to 0.6 percent per year. These two trends raise both humanitarian and foreign policy concerns¹⁰, which have become the substance of an increasing number of recent political commentaries in both the Russian press^{11,12} and the Western press^{13,14}, and inquiries within the Russian Duma concerning the linkage, if any, between health and national well-being, on the one hand and national security.¹⁵⁻¹⁸ It was this same common concern over reduced fertility and high mortality which, several months back, provoked a headline in a Moscow newspaper entitled, "It is Easier to Die than to Live in Russia."¹⁹

The principal objective of this conference will be to inquire into the relationships between the state of health and population trends, on the one hand, and social and political stability on the other for Russia (and eventually) the other republics of the former Soviet Union. The conference will bring together a distinguished group of international scholars and policy makers in a setting where they can focus in depth on both the existing data and on the implications of those data for principal future policy directions. An outcome is expected to be a better informed and coherent strategy comprehending the issues of health and medicine, economic development, security and strategic interests.

In pursuing this inquiry, the conference participants will examine a series of key questions, such as the following:

1. *What is the state of health in the NIS and what are the major contributors to that picture?*
What are the current trends in fertility and demographic changes?

Fortunately, a series of recent reviews of mortality and morbidity in the New Independent States have provided a substantial body of data to inform this subject as well as a critical appraisal of those data for their quality and validity.⁴ The exercise would take account of those reviews and not attempt to re-develop that record.

The health record of the former socialist economies (Soviet republics and Central Europe) reflects not a homogeneous group of countries but a series of states that may be divided into three groups: Central Asia, a northern group (Baltics, Russia, Belarus, Moldova, Czech republic,

Hungary, Poland and Ukraine) and a southern group (Bulgaria, former Yugoslavia, Armenia, Georgia and Rumania). In the Russian Federation, representative of the northern tier, adult male mortality is markedly higher than expected, relative to per capita income and child mortality. Major contributors are cardiovascular disease, injury and lung cancer. Thus, life expectancy changes in Western Europe or the U.S., and in Russia, for example, since the late 1960's have moved in the opposite direction. While some of this trend may be laid to quality of data issues or statistical artifacts, the main generalizations persist.²⁰

This record of excess or premature mortality in Russia has combined with a second important trend - a sharply reduced birth rate. Since the mid-1980's, Russian birth rates have fallen by as much as two-thirds in some areas. Overall, in 1980-1984, the birth rate was 16.6/1000. In 1994, it was 9.5/1000.

2. What is the character and technical capacity of the medical care system?

The adequacy of medical care is one among several factors which contribute to health and well-being. The present medical care system in Russia evolved from a rigid, centralized, hierarchial state system, inefficient and top-heavy with both institutions (hospitals and clinics) and professionals - including physicians. The physician community has been isolated from the advances in medical science in the West for the past 70 years. Financial resources available to the health care structure, less than adequate since the late 1960's, have decreased dramatically during the current period of economic and political restructuring. Whereas the United States expends roughly 14-15 percent of its gross domestic product on health, the current estimates are that

Russia's health care expenditures barely reach 3 percent of a declining GDP. Both capital and operating budgets are inadequate and there are marked shortages of basic supplies of pharmaceutical products and medical equipment.

3. To what extent is it important to deal with social safety net issues, such as health, concurrently with promoting economic reform?

In the course of economic development, concern for social safety net issues has traditionally often been treated as an afterthought or adjunctive to the "harder" course of pure economic concerns. An alternate point of view argues that investing in social safety net matters is not "...merely charity...but an investment [itself] in the economic reform of particular countries and in their long-term political stability and responsibility on the international stage."²¹ According to that point of view, absent attention to health and other social safety net components, economic transition is delayed. Additionally, according to some, achievement of economic betterment by itself does not guarantee national well being. A key question is, in striving for successful economic transition, how to establish a proper balance between the instruments of economic development and support for social welfare (including health) during the transition period.

4. What are the social costs of the transition to economic reform?

The U.S. National Academy of Sciences explored, through a series of workshops, a large number of issues involved in economic and social transformation in the transition economies of the former Soviet republics and Eastern and Central Europe.²²⁻²⁶ Among the many observations

made during the course of these reviews was a sharp contrast between the transition experience in Russia and that in the Eastern European neighbors. As one commentator noted, "Russia's failure to embrace a stringent reform program led to several years of ravaging inflation, which wiped out the savings of pensioners (and most others) and brought great hardship for millions of ordinary citizens. Moreover, the Russian economy remains in steep decline long after the East-Central European economies had resumed growing. This factor, combined with the unusually poor system of tax collection in Russia, deprived the central government of funds needed for social programs."²⁷

In the particular case of health, the Duma, in 1991, replaced the state budget support of medical care in Russia with an obligatory medical insurance arrangement and a regional system of funding derived principally from a payroll tax at the enterprise level combined with oblast government funds. Implementation thus far of this "Territorial Health Insurance" system has been highly uneven among oblasts against a general economic depression, resulting in a minimal and uneven provision of health care funding and, hence, medical care.

5. Are there positive effects of attending to the social safety net issues - principally health - on the pace of economic reform?

Carol Graham, in her work, Safety Nets, Politics and the Poor, is persuaded that explicit concerns for matters such as health and health care during the period of political and economic transition, are vital to the sustaining of political support for the structural reforms and, themselves accelerate the process of reform.²⁸

6. *To what extent is the state of health and well-being of importance as a strategic issue?*

What is the proper response from the West and from the U.S.?

By now, a number of observers have commented on the sharp turns to the political left or right in recent elections in Russia (as well as in Eastern Europe) and have linked these, in part, to neglect of social conditions and social safety net issues. More than one has spoken of “state desertion” of these matters²⁹ and heightened probability of a Weimar Russia.^{”21,30} What conclusions should one draw from this brief experience for future policy-making?

7. *What should be the posture of Western democracies and of the U.S.?*

One issue here may be availability of a critical mass of financial resources to be devoted to this matter. Another, however, perhaps at least as important, is a coherent strategy. As one recent writer put it, “One of the greatest handicaps to the effective exercise of U.S. diplomacy and aid for democracy promotion has been inconsistency across different policy centers.”²¹

There exists currently a mosaic of Western contribution - public and private - directed toward health, humanitarian assistance, and social welfare needs in the NIS, representing a rather broad spectrum of quality and maturation. Examples include international financial institutions such as the World Bank and the European Bank of Reconstruction and Development, bilateral assistance from other governments, U.S. Agency for International Development, complementary programs for business development and for defense conversion, the private pharmaceutical sector,

a large number of church groups, philanthropic groups and NGO's, plus a plethora of private entrepreneurs whose interests run from health care management and medical insurance to pharmaceutical products. The aggregate of public and private efforts in this sector represents a highly diffused picture. To the extent that attention to social safety net matters generally and health in particular are important during the period of economic and political transformation, what is the proper role of Western nations in furtherance of those goals? What is the appropriate posture of the West in the face of anxious perceptions on the part of Russians?

In line with the other components of U.S. foreign policy (including foreign assistance), there is a compelling need to craft an overall, coherent strategy for U.S. and Western contributions to the health and social safety net sector for the New Independent States. In preparation for this, systematic account should be taken of the various needs and opportunities, of the spread of existing projects and programs aimed at the health sector, the potential of various parties to contribute to this subject and all of this in relation to broader, foreign policy goals.

The Program

The conference on Health, Population and Security will assemble a distinguished group of both scholarly experts from both Russia and the West and persons immediately responsible for policy making. The conference participants will immerse themselves systematically in the existing body of knowledge concerning the health status, demographic trends and principal contributors to these trends in the Russia.* Through a successive series of presentations and background papers, the participants will consider the place of health and health care among the other factors believed important in the course of economic and political transition. Then attention will turn to the negative consequences, particularly political ones, of not attending adequately to the social safety net factors during the course of transition.

Adequate time will be devoted to the development of practical policies and programs flowing from these deliberations. What is in the self-interest of both the foreign policy of the Western nations and the domestic interest of the transition economies? The product of this conference will be a series of specific, practical guidelines and policies reflecting the major findings and conclusions of the participants.

* While some account will be taken of all of the experience in several of the former Soviet republics, the majority of the attention will be devoted to conditions in the Russian Federation.

The conference agenda, divided into 5 parts, will include one or more formal presentations in each part, followed in each case by discussion led by identified discussants. Presenters will be asked to prepare papers for circulation to the attendees in advance.

The final section, devoted to recommendations and policies, will, by design, reflect the prior presentations and discussions.

Tentative agenda

I. Review of health status and demographic trends in the New Independent States.

What do the vital data indicate? What trends are evident? What is the quality of the data and with what qualifications should they be accepted?

A. Epidemiological transitions in the former Soviet republics. Major contributors to excess morbidity and mortality and trends.

Christopher L. Murray

Richard Feacham

Frank Vinocor

B. Demographic trends and relative contributions to those trends from among births, deaths and emigration. Projections for the future.

Vladimir M. Shkolnikov

or, Alain Blum

or, France Meslé

C. Implications of the present demographic trends for labor supplies, dependency ratios, education, and other national institutions and elements.

Judith Shapiro

II. Character and capacity of the medical care system.

A. Present state of the resources of the medical care system

B. Financial support of the system

C. Principal needs

Michael Ryan

Mark Field

Liudmilla I. Pronina

or, Nikolai Gerasimenko

Vladimir Krichiagin

III. Concern for health and health care during the course of economic and political transformation.

Social safety net is a phrase which comprises a number of components -- pensions, employment security, wage guarantees and health. How important is it to national well being to support or promote health and physical well being? What interactions are there between health or mortality and the other facets of economic transition?

Carol Graham

IV. Health and welfare as a strategic issue. What does history suggest about the relationships among health and demographic trends, on the one hand, and civil unrest on the other?

Jack C. Chow

Larry Diamond

Alan Zelicoff

V. Development of recommendations for constructive action. What should be the role of the West? What constructive contributions can be made toward the present complex in the Russian federation?

Jeffrey Sachs

Jack Matlock, Jr.

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File
Russia

William F. Haddad

DETERMINED TO BE AN
ADMINISTRATIVE MARKING
INITIALS: W DATE: 7/21/2014

WEDNESDAY, NOVEMBER 2, 1994

~~CONFIDENTIAL~~ MEMO

FOR:

DICK MORNINGSTAR/RUTH HARKIN

OPIC

FROM:

BILL HADDAD

MIR PHARMACEUTICAL

VOICE MAIL: 914-878-7029; PRIVATE FAX: 914-878-8015

RE:

HEALTH ISSUES FOR YOUR FORTHCOMING TRIP TO RUSSIA

I received a message on my voice mail while in Russia that Dick wanted me to provide some background on health issues for your forthcoming trip to Moscow. Since he is in the Middle East, I am taking the liberty of forwarding this to you. As usual, I am rather opinionated, outspoken and I trust this candid memo will not be circulated. Please recall that I am a former investigative journalist with both political and long time Soviet/Russian experience and my views, while stark and blunt, can be backed up with facts. From my point of view (and that of what the media would call "independent observers") you personally and your office, remains the one effective voice/program in the maze of muddled N.I.S. assistance policies. Not flattery, but fact.

STATUS

Health care in Russia (and the former Soviet Union) has not improved since I wrote my first report for Bush-Baker two years ago. In fact, the situation has deteriorated seriously with its greatest impact still hidden from public view by the inaccessibility of accurate statistics. Either the President or Mrs. Clinton were moved to action (through Leon) by a report on the

dramatic deteriorating circumstances of childrens health in St. Petersburg. I was asked by Leon to check the facts, to determine if they were universal and to make recommendations. They were and I did.

Ironically, U.S.-directed solutions could pragmatically change conditions by establishing highly visible comparative circumstances. The health social net does not exist in the wake of the change from state-subsidized health to private sector dependence.

Let me bore you with my view of Russia today as compared to the former Soviet Union where there was a small, powerful, arrogant, self-absorbed ruling class with everyone else fitting into a secure lower middle class (as compared to the Tsar) or an upper poverty class, depending on where you lived, but a class that had adjusted to a sardonic, cynical reality and found personal solutions to the hardships around them, some by innovation, some by cooperation, some by connections, some by corruption. Today Russia is divided into a small, powerful, cynical, uncaring ruling capitalistic class of the Robber Barons era (with a reported 61 percent of new wealth belonging to former communist leaders), a large insecure lower middle class, and a growing class of abject and unseen or ignored poverty which has vanished from the screen. The "new rich," as my father used to say, don't have "the class" to understand that their survival depends as much on image as substance. The new rich have created many of the political issues which undermine Yeltsin and reform by their style. The Rockefeller-Vanderbilt-Whitney social conscience has yet to emerge. The emerging small business class is being strangled by the Mafia's universal (don't let anyone fool you, it is universal) 15 percent tariff on sales; coupled with the 27 percent plus tax, this does not leave much room for capital expansion. The fear is that if you do well, the Mafia will move in and take over the business. My own view of corrupt Russia is the Robber Barons, Teapot Dome, Chicago of the twenties and Tammany of the fifties (Title I land scandals) all wrapped into one time frame. We spaced our corruption.

Under these circumstances, children and the elderly, obviously, are the most impacted and healthy persons survive by waiting for the problem to cure on its own and trusted herbal medicines (which seems to work in many cases). But the long term impact is already visible to professionals. On several occasions I have worked on rather secret projects with the CDC in Atlanta concerning the consequences of unreported or poorly reported epidemic conditions requiring emergency help from the U.S. Childrens immune systems are down. AIDS is being spread by businessmen who travel through Thailand to Moscow (and others), and is given lip service...the Duma wants to test everyone coming to Russia for AIDS. Russian masculine macho makes abortion the control of choice and in the villages the midwives are curtailing use of contraception by spreading the rumors of cancer.

The KGB, Gazprom and a few other institutions are moving into some of the social welfare business. Some former KGB executives (who first realized the former Soviet Union was going down the drain) and some people profiting (profiteering?) from oil, for example, are creating a model, western style clinic for average Russians and Gazprom has created a Mayo-type clinic. The Kremlin Hospital system continues to service the elite (both government and non-government), some of whom pay western rates and some who receive the health care the way Congress does. As you know, there is also a growing western-style, high priced system of medical services but if you have the money, you fly out of the country (Chernomydrin is being secretly treated in Germany and I have contacted some Boston specialists on his behalf; when one of his top assistants had a heart condition, I got Georgetown to provide the second opinion).

Medical insurance is mandatory but covers little. Insurance companies, however, are planning to expand coverage.

POLITICS AND MEDICINE

As you know, the Ministry of Health is being run, military style, by former General Eduard Netchaev and three former military officers. Everyone in the health establishment hates him, but I honestly can not report that they are entirely correct. The Ministry needed to be cleaned out, but what has replaced it is driven, like almost everything else in establishment Russia today, by personal needs. Netchaev, who is under attack, is very sensitive about his status and he recently canceled a DIA/FDA long planned meeting in St. Petersburg and wrote an incredibly undiplomatic letter to Mary Pendergast, who, like you, is one of the few bright lights in Russia. (As of this writing, Ambassador Pickering's decision... after meeting with Netchaev this week... to postpone the meeting, may be reversed...and in this context, you must be alert to the fact that HHS doesn't have a clue as to what is happening). He also refused to attend some international meetings when someone on the program was not to his liking. In Vienna recently, he attacked one of the principal organizers who was from Russia. SO, IN DEALING WITH NETCHAEV, YOU MUST KEEP HIM INFORMED, STROKE HIM, MAKE HIM FEEL IMPORTANT, INCLUDE HIM, BUT PLEASE, PLEASE DON'T LET HIM GET IN THE POSITION OF DICTATING POLICY AND/OR PROGRAM. What will happen is that the rewards of such an action will go to the heavily subsidized, inefficient, somewhat corrupt institutions under his control, many of which must declare bankruptcy under the Chernomydrin plan.

Although I have a very good relationship with Netchaev, there is an element of corruption involved in many of the private deals. Please accept this as fact.

As you know, pharmaceutical purchasing was centralized under

a rather corrupt system and in recent years used EEC and World Bank credits. It was run by Alexander D. Apazov. There is a public media/Duma war between Apazov and Netchaev with the outcome uncertain since each has a position of power. Apazov has somewhat privatized and runs the largest pharmaceutical distribution system in Russia with monopolistic pricing; at one point, Netchaev canceled all Apazov's EEC contracts and someone is now leaking stories to the press about the poor and unsafe quality of the medicines purchased (we did our own checks and the stories are accurate). There was a recent meeting of the two men and they may have worked out an agreement, but I am not sure. In short, stay clear of commitments to either side whenever possible.

I know Netchaev has created an institution to which he can jump; for a time he was allowed to keep his position as head of military medicine along with the state job, but under pressure he had to reluctantly give up the security of the military position.

One secret: Netchaev admires President Kennedy! Once he stopped a conversation we were having, when he learned I had worked for the President, and said: "I knew Kennedy's doctor in Afghanistan; he told me all about him. Kennedy was one of the great men of history. When I went to Washington, I went by myself to stand alongside his grave. Such dignity." And he loved Jackie, too, seeking out her picture in the White House. If you are in his office, look over at his desk. Either there or in his drawer is a picture I gave him of Kennedy on the eve of the election. Strange world we live in.

MEDICAL PROGRAMS: HOSPITALS

I still consider the best of the USAID programs, the hospital exchange programs. There is some back-biting going on, but I have visited a number of them and they work. They help to upgrade the Russian staffs and create a constituency in key states for the US assistance program. If we can find a private sector way to match hospital-to-hospital, including the full range of services and training, that would be an area worth exploring. Some of the massive new health care institutions might consider this a new market and some are exploring. But like all the rest of us, they need some "risk reduction" and some "courting."

Modern medical equipment which is desperately needed in Russia is sitting unused in our warehouses having been donated (for tax reasons) to humanitarian organizations. With some skill, intelligence and creativity, this equipment can be moved to Russian hospitals. One woman, a pediatrician who gave up her practice to work in Russia, later got a U.S. manufacturer of this equipment to retrofit it, provide spare parts and training for the hospital in which she worked. Then she took the trained Russian technicians and created a company to retrofit this equipment. That's the kind of

creative program which we should be helping. This is, of course, only one of the ideas which are out there but with no one person with talent (such as Dick or people on your staff) to help to create "eye-of-the dragon" entrepreneurial businesses, very little happens.

MEDICAL PROGRAMS: PHARMACEUTICAL: GOOD NEWS

As you know, the NATO-State Department pharmaceutical evaluation team which visited a majority of the pharmaceutical plants in the former Soviet Union, concluded that none of them could be retrofitted to modern standards and from a business point of view, many were potential Bopals due to the lack of environmental controls. No one knows what is owed to these companies or what they owe or for that matter, who owns the plant or the land (the usual battle between local, federal, the workers and the managing director). To start a new business, two thirds of the personnel would have to be let go into a system without a social safety net. These plants survive through subsidies and allocations of raw material from Natchaev (provided on a political and not on a medical need basis; the "old boy" network). When an American company enters into negotiations with these companies, generally the first concern is how you plan to take care of the managing director in the future but requiring some good faith, up front, pre-negotiation "goodies"; later negotiations have often followed the Soviet style of intimidations, threat, etc. Some companies have had bitter experiences in other joint ventures.

Historically, the former Soviet Union contracted out its pharmaceutical production to the satellites of Eastern Europe, financed them and provided guaranteed purchases. The Soviet system was starved and is thirty/forty years out of date in equipment, management style and technology. In short, you can't get to modern Russia from there.

Netchaev, on occasion, can be flexible if you have the stamina for a "OK Corral" showdown. In one key conversation with Netchaev, when he wanted to pick a partner for me, I said that was unacceptable and he had to make a choice between triage third world medicine or world class medicine. He leaned back in his chair, looked me in the eyes and took a calculated few minutes to answer, (lucky for me, he didn't see that I had my fingers crossed). He finally said: "You're right." In return, we agreed to run a GMP training school for his people.

The good news is that the pharmaceutical personnel are superb. They can be trained to western standards and want to be trained to western standards.

And thanks to Gore, you, Atwood and Dine, we have a handle on the pharmaceutical production program. Five companies have responded to the tender: Merck/Lilly, Searle, Bristol Myers Squibb,

and MIR. Although the USAID tender lacked understanding, we were all able to respond creating the beachhead for modernizing pharmaceutical production in Russia. If we are treated fairly, and get started, another five or six will follow. Between us we will produce vaccines (although not provided for in the tender), insulin, childrens injectables and the full range of off patent essential life-saving drugs (MIR). Until now, only one U.S. company maintains a plant there (BM/Squibb) with only one product. We all have Russian partners, but not those pushed/recommended by the Ministry.

This can be a significant announcement and can be coupled with MIR/OPIC signing to up the amount of money involved in the U.S. transaction.

HERE'S HOW YOU CAN REALLY HELP:

The USAID tender is divided into two parts: a small amount of money after the initial reviews in the field (completed last month) and the full grant after "due diligence." Now, in some confused interpretation of possibilities, USAID is allegedly holding up on the initial approval until the Gore-Chernomydrin meeting in mid-December. That's foolish. They should announce their initial selections immediately and complete the due diligence by mid-December (we're all substantial companies with records). If necessary, they can sign a MIR-OPIC type agreement which sounds good but only awards after you pass scrutiny in the usual way. That way what will be announced is substantial, not tentative. The Russians don't want any more "ifs."

We've got Chernomydrin energized. I am part of a small group providing suggestions for "incentives" to be announced for the pharmaceutical industry when Gore does his thing. Our argument is that Chernomydrin has been promising these concessions to all businesses and here is a starting point. We are using as a stipulation (our own) that whatever he does, does not come "out of pocket." We've designed a series of tax holidays, etc., based on his previous statements and a document they have in the mill. We are also addressing the out-of-control registration process, which was to have been simplified by the FDA agreement (if it is approved in the U.S., it is approved in Russia) but has become a money-maker for the Russians and created a process which, in effect, delays the process (unless you are willing to go around end either directly or by hiring an intermediary). Not nice.

Finally, you can help with a meeting I am trying to set up between three pharmaceutical companies and the VP's office. These companies, all willing to risk new investment under the Dine tender, are owned monies from Russia and they need some real answers. Upjohn is owned \$19 million; Searle \$12 million; and I understand BM Squibb also has an outstanding balance (I have not talked to them). We are talking to the Russians about this as part

of the Chernomydrin initiative, but we need a "rabbi" on this side of the ocean. The companies understand they can not trigger a universal precedent, but in light of the tender we have a nitch.

RESEARCH AND SCIENTISTS

I don't think this falls into OPIC's authority, but two issues are very important to keeping Russia a world class scientific power. The first is the "brain drain." I need not tell you the institutions are all on their own, very little subsidy, and they are deteriorating rapidly and significantly, losing scientific initiative and scientists. In one category are those who are departing for substantial salaries in France (which I consider a potential cover for Iran, Iraq and Libya). In the other category are the scientists and their science lost to the world. We could selectively keep them in place for very little money. Top salaries are \$500 a month.

Every city had prominent institutions of science, culture and art. On the science level, from what I have been told, the scientists gave up some twenty years ago having banged their heads with ideas against the Moscow nomenclature (who could care less) and retreated into their soft, secure, relatively nice life, taking the grants and keeping their findings quiet. For example, I am convinced the Russians are ahead of us in biotechnology. I held a meeting of the so-called secret cities and learned that, for starters, they have cloned every one of our biotech products and from that platform they continued their own science.

Aside from what these persons can contribute to science (in one report from a U.S. pharmaceutical company, they predicted that Obolensk, the center for their biological warfare, had the clues to produce the next generation of vaccines, one shot protection), I don't think it is in our national interest to allow Russia to become a third rate power through loss of their scientific base. We can penetrate that base, secure it, protect them and ourselves.

If we had someone creative and business oriented think about this problem we could come up with some solutions in rather short order. I remember, when I did my work in the poverty program, and I tried to get the National Association of Manufacturers involved, Dick Cornuelle, their executive vice president, gave me very good advise. "What you need to do," he said, "is to harness greed." I think any program we develop could harness the greed of the pharmaceutical industry (and there is enough to go around) to help solve this problem and provide the commercial science.

We need N.I.H. to get involved looking at some of the Russian medicines. In cancer, I know of something called "blue blood" that a Ukrainian Pasteur Institute has developed and tested in animals that looks good on paper, but U.S. pharmaceutical companies are not going to touch this or several other products I have located

because they can not be sure of ownership or patent protection. I helped to create the Orphan Drug Act for a similar problem in the States. With some creativity we can do the same for Russia.

Someone on an independent level needs to systematically survey the Russian institutes for their ideas. For example, one Institute whose scientists were trained by GE, showed me a MRI run by personal computer software which comes in at a third less than the market price (the prototypes are being built in Boston). Another breakthrough is a process to cut raw material use in a product by up to ninety percent (Ted Sorenson is their lawyer). Another system uses an iron based product (which we volunteered to manufacture at no cost) which they claim surrounds the smallest of cancer cells and can be detected on an MRI.

In short, we need some initiative to harness and save Russian science bringing some of these to the commercial level through investigation and legislation.

FDA

FDA is one of the best things that ever happened for Russia. They are with one action, moving Russia from third world to first world. FDA has ideas, programs, etc., but they are out of the main stream and don't like to get involved in politics, here or there. Mary Pendergast has spearheaded this work out of personal conviction and she has the respect of both U.S. industry and key Russians. She is trusted. A good start. How can we make their programs work? And how can we get Jerry Halpern, who runs USP, more deeply involved?

CONCLUSION

Russia and the former Soviet Union are in a bad way in science and health. It is going to get worse. We are creating the problems of the future because children are falling further and further behind. We know how things can be done. We also know how to work around the Russian system. Pharmaceuticals were a start.

My simplistic solution is to give the problems to one person: Mark Novitch, formerly Acting Director of the FDA, worked with Califano, heads up USP, was vice chairman of Upjohn. He's a physician who knows how to get things to work. He's also worked in Russia.

I know this is more than you needed.



327 Clock Tower Commons
Brewster, New York 10509
Tele. 914-278-8800
Fax. 914-278-8893

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*Peer
Gore
Chernomyrdin*

Ms. Melanne Verveer
Deputy Assistant to the President and
Deputy Chief of Staff to the First Lady
The White House
Washington, D.C.

Dear Ms. Verveer:

This is a follow-up to our discussion during the visit of Ms. Yeltsin at Georgetown Hospital. I indicated that over the last two years I have spent more than a week a month in the former Soviet Union, first as head of a Bush-Baker humanitarian effort and later as the CEO of a multinational pharmaceutical company attempting to "jump start" a generic pharmaceutical industry there adhering to FDA standards. Every few months I wrote a blunt (sometimes angry) not-to-be-circulated "ground zero" memo to several leaders (bi-partisan) in Congress and to the Vice President (with whom I have worked over the years). You indicated Ms. Clinton would like to see the memos.

The memos are not always friendly to the Administration. Until the Yeltsin visit to Vancouver, we really had no coherent policy for the former Soviet Union. While the economic situation has artificially stabilized, the political situation has deteriorated dramatically. Most Russians opt out, keep their head low, try to survive. The Mafia, if defined as a criminal element, is perhaps the strongest force in Russia today. For the Russians, however, the Mafia is an all-inclusive term encompassing organized crime, institutions, government and at the top of the list, politicians, business leaders and the new rich who play the role center stage. A recent survey reported that 61 percent of the new rich are former communist leaders. An artist in St. Petersburg has a portrait resembling those that hang in American corporations, a man in a dark suit, white shirt, red tie, hands clasped on his lap, except this portrait has a classic ruling apparat face. The title sums up Russia today: "Former Communist." What is happening in the N.I.S. now is a composite of Robber Barons, Teapot Dome, Chicago in the twenties and Tammany Hall at its zenith of power condensed into one time frame. As is the case in many of the countries I visit, "none of the above" would be the leading candidate in any election.

I am including a memo on health that I prepared for Ruth Harkin for her current visit; a memo a close friend of the

President asked me to write for Vancouver; and a memo I wrote after Zhirinovsky won. The Vancouver memo is still, in large measure, relevant. The key policy position for the N.I.S. is still open (I assume you saw the Gephardt/Michel confidential memo which accurately ripped apart our assistance policies). The Gore-Chernomyrdin Commission is one of the few effective operations we have for dealing with Russia. Bill Atwood and Tom Dine are working hard against the tide but they need help. Given the election results, we need to immediately buttress the bi-partisan approach for our dealings with Russia. Nunn and Lugar and the Gephardt/Michel's teams worked very well together, but with the new leadership I think US assistance to the N.I.S. can create another D'Amato/like show.

I am also including a bio so you don't think I am off the wall. I was an investigative reporter/editor for the New York Post and the Herald Tribune; was both an assistant to Robert and Jack Kennedy; was Shriver's deputy in setting up the Peace Corps and the poverty program; was Cuomo's campaign manager the first time around; I am of that dying breed of Kennedy liberals. I got into pharmaceuticals when I picked up where my former boss, Senator Estes Kefauver left off; my first trip to the USSR was in 1955. I was CEO or Chairman of our trade association for a decade. I have worked closely with Al Gore over the years and I currently share my views with Leon Fuerth et al. Al put me on the delegation for the signing of the treaty in Cairo and I stay involved there. My company was recently asked into South Africa by the ANC to build a black-owned factory which could supply quality low cost pharmaceutical products for black Africa.

Thanks for the opportunity to share my views. As a former journalist, I yearn to write, but I can't run a company and write without running into major conflicts.

Sincerely,

Bill Haddad

William F. Haddad
Chairman/CEO
MIR Pharmaceutical, Inc.

Voice Mail: 914-878-7029; Best Fax: 914-878-8015

MARCH 26, 1993

Senator....

As requested, here are some suggestions for the forthcoming Clinton-Yeltsin meeting. I hope you are successful in getting them to the Clinton White House team. Although, for obvious reasons, this is more restrained than my usual "ground zero" reports, the anger which I feel remains.

Succinctly, since the coup, U.S. policy towards the former Soviet Union has lacked direction, leadership, commitment and financing. During the campaign and the transition, that was understandable. Now is the time for Clinton to assert himself, provide the direction and neatly targeted, focused projects. Plus financing and oversight. To date, what little monies have been available have, to a large extent, been ineffectively used...at least in the political and economic sense.

The U.S. assistance program is being driven by outside consultants who are re-writing projects A.I.D. has previously financed in the Third World. The collapse of the Soviet Union is historically unique. In the ruins are an educated, talented population, deprived of the rewards of a democratic society (which is not just "free speech"). What is needed is a creative, pragmatic, real time approach.

Their expectations of what the West can accomplish are unrealistic, but the Russians (and the new Republics) long for something tangible, something that touches their lives, a living proof that, albeit the classic melancholy Russian cynicism (honed by seventyfive years of dictatorship) gives them hope...something to fill the vacuum left by the collapse. The situation reminds me of a flood, with little streams of water slipping over the dam and filling the river. I am worried about those little streams which we do not either influence or control. I've seen some of the ethnic, nationalistic strife during my humanitarian work.

As I wrote earlier, we can thank the good Lord that Perot doesn't live in Russia and that a voice like his does not have access to television. Russians have gone back to their communist reactions: they survive and function below the level of authority. The Mafia is growing bolder each day. Under the communists, it was the tolerated "alternative economy"; under democracy it may soon become the dominant economy. The rape of Russia is classic "robber baron, Teapot Dome, Chicago and Tammany Hall" all wrapped into one. The old communist bosses use the old system to buy product at an

unrealistic low price, sell it at market value and bank the monies offshore. In the U.S., it took the Mafia decades to understand that they could move their money into industry (and I know of what I speak...remember I was Kefauver's assistant as a reporter went after the mob and its influence on politics); in Russia it is happening overnight. No small business survives without the 15 percent of gross kick-back to the local Mafia boss (and although the city is peacefully divided into zones, and each "ethnic clan" has their territory, there will be inevitable conflict as foreign monies pour into the society).

For almost a year now it has been verifiable that the Russian people have distanced themselves from both politics and Yeltsin. In one sense, the Kremlin and the Duma have become a distant Imperial Court whose animated characters move across a stage in an empty theater. Yeltsin needs and the Russian people expect some of the rewards of democratic change and a free market; to date, they have received only pain. Like most voters, perhaps their expectations exceeded the possibilities. Yeltsin benefits from the fact that the Russian people dislike their Duma even more than Americans dislike the Congress (sorry).

What do I worry about? Failure is already realized, soon-to-be-discovered and with consequences which will quickly transcend the assistance arena. We will pay the price in a less cooperative Russian foreign policy (in an effort to feed nationalism and pride because all else has failed).

What can we do starting the week after next?

First, my recommendation which predates the inaugural, find a Shriver-like Czar to run the program. Someone who can cut through the ring of consultants who run the program. Tough, smart, connected, successful. Someone who is not going some place at least not in government; someone who has arrived, achieved. Someone who the "hill" will appreciate (these consultants know the ropes: for every contract they hire a few minorities, a few women, and use these unsuspecting constituencies when someone complains...evokes thought of crumbs off the table. It is a resume game; they solicit resumes of so-called experienced people and often never use them (no one ever checks). Shriver, even now.

Essentially, we should look at the areas in which communism has failed (e.g., housing, consumer, agriculture, pharmaceutical, democratic institutions, small business, etc.) and target almost all of our assistance in these areas USING WHEREVER POSSIBLE THE U.S. PRIVATE SECTOR. We should create "replicable models" in each of these areas, models which can be replicated by average Russians, not a team of experts from the outside. The model should "work out the bugs" in a program, create a model you can visit and touch and refine the procedures for assistance.

Most importantly, we must create visible, tangible demonstrations of democracy. I understand the need of grand scheme economics (although I am not a fan of what is now taking place under the leadership of U.S. academics...they are going to get the Russians and the U.S. government in serious trouble). What we need, I think, is "political economics", a balance with reality. Remember, these persons are going to run for office in a short time and they will need to demonstrate that democracy works for those who were excluded from the privileged class of communism and which, along with an unbalanced expenditure of monies, caused the house that Stalin built to collapse.

A series of real and bureaucratic hurdles have all but crippled serious private sector investment. The forthcoming meeting between Presidents Clinton and Yeltsin provide an opportune forum to rectify past omissions.

Our very strong recommendation is that during the summit the propositions placed on the table be private sector oriented, rapidly possible, offer high visibility and address a serious problem. This assistance should be focused and targeted. The recommendations include:

(1) Poor housing has characterized the communist state almost from its onset. The United States has several companies which can establish factories to rapidly produce affordable modular prefab housing. While the Russian factories are being constructed, Russians can use American manufactured product to begin the program. Several significant proposals are before the U.S. government for help.

(2) Agriculture and the distribution of agricultural production remain a major concern. The marriage of U.S. corporate farms and large cooperatives is possible and a program is already being developed by Karen Volker in Ambassador Armitage's office (but whatever we do, please, please do not farm it out to a so-called non-profit).

This program can be enhanced by two creative concepts:

(a) American corporate farms use sophisticated technological methods to enhance productivity. One American company has now combined these functions into a mobile van which could not only service corporate farms but entire farm districts;

(b) The U.S. canning industry went through a major technological upheaval several years ago. Equipment and personnel were sidelined. A former McNamara whiz kid, now retired from industry, has suggested moving the idle equipment and displaced executives onto cooperative farms and create localized canning companies. Food which never reaches the urban markets can be preserved and made ready for year-round shipment.

(3) One of the most critical shortages in Russia is pharmaceuticals. There are virtually no cancer drugs, no pain killers, no heart drugs, little insulin and few vaccines. One office at AID, headed by Ross Anthony and Jerry Norris has actively recruited U.S. pharmaceutical companies to manufacture in the former Soviet Union. Many of those ambitious high visibility projects are currently stalled for correctable reasons. The current level of U.S. interest is such that a partnership to restore productive capacity to the pharmaceutical industries in Russia is possible and the concept has already been staffed out by the aforementioned office. Further, there exists in Russia specialized talent, some of it in the military sector, for the development of a new generation of childhood vaccines. Combined these concepts of using U.S. help to rebuild the pharmaceutical industry (which is 30/40 years out of date) and using Russian scientists to expand the scientific horizons of worldwide children's vaccines is precisely the balanced project which could be offered to Yeltsin.

(a) American-Russian Partners for Childhood Vaccine Development

To save costs, improve efficiency and to reach a larger population of children, a one single shot multiple vaccine product is needed. Is the science there? Dr. Maurice Helleman, Director of Merck's Institute for Therapeutic Research (and the world famous inventor of many of the vaccines we use today) believes it can be found in places like Novosibirsk and Obolensk where Chemical-Biological Warfare projects were developed for mass destruction of human life. Properly handled this project can convert that destructive talent into saving human lives, hold scientists in place and give the Russian people a much needed sense of pride.

(b) A Partnership to Restore Russia's Pharmaceutical Industry

Merck, Lederle and Lilly are stalled in their attempts to create vaccine and insulin factories in Russia. Upjohn and Pfizer have worked for years to open up plants in Russia. Smith Kline Bristol and Baxter International have manufacturing operations in Russia. A consortium of international generic companies, including three American companies, plans to "jump start" a low cost pharmaceutical industry in Russia to produce the essential pharmaceuticals which are off patent in Europe and the United States (my project). Several other U.S. pharmaceutical manufacturers are considering investing in Russia (J and J; Schering-Plough). With some encouragement, others would follow.

All plan operations meeting FDA standards in both plant and product. To enable these companies to begin production immediately, the U.S. government can use a system of credits to enable the Russians to purchase products from these facilities. This would provide the missing linkage for fast acceleration of the activities of these U.S. companies.

(Senator, I have not gone soft on the brand name companies...remember Pfizer hired private detectives to follow me and tapped my phone...but the situation is so dramatic, and the consequences so significant, that we need everyone's help...and the branded companies have a lot to offer Russia).

(4) The command leadership of the Russian nuclear Navy came to Washington a year ago requesting assistance in dismantling their nuclear submarines. They maintain they did not have the technology to proceed safely. Although the House and Senate Armed Services Committees heard them, their efforts were blocked by State and Defense. Monies exist in current legislation for this project. They should be released.

The Admirals also wanted to sell the titanium from the submarines to construct a modular housing factory which would both employ discharged officers and provide them housing.

Since that time, the Russian military has decided, we understand, to use such recovered monies for housing and other projects to assist discharged officers and men.

(6) The Oil and Gas Framework agreement, which will release monies for a number of key oil operations and which could serve as a model for other industries, has been stalled for almost a year by the Russians. A little here can create highly visible developments quickly.

(7) Mobile Oil and others have calculated the enormous increase in oil production which can occur from the simple replacement of pumps and other minor apparatus in currently producing Russian oil fields. A Kuwait-like operation in which the equipment can be replaced and in which short-term skilled (and currently unemployed) oil workers can be moved for a short period of time, can reduce in radical increases in not only oil but hard currency. The oil companies are not jumping up and down to do this...their focus is on undiscovered oil...but I am sure we could mount the effort described above.

(8) Many U.S. projects are stalled in the process. The creation of an Ombudsman to discover the causes and find the remedies would be of enormous assistance to American companies seeking to operate in Russia. This concept can be expanded into a "one stop" shopping center for American companies interested in establishing operations there. This should be modeled after the operations which exist in most state governments in which an "expeditor" who can speak in the Governor's name to agencies is assigned to companies seeking to establish operations in the State.

Here are just two examples of "stuck projects;"

(a) Ryland, one of the nation's top construction companies,

has allocated \$35 million to build a factory in Siberia to manufacture modular homes. Only one Russian signature delays implementation of this high visibility project;

(b) Merck will build a vaccine factory in Obolensk (a CBW site) a U.S. decision delays its development. Former CBW scientists will be hired, a top U.S. priority.

(9) A special team of American businessmen (some with government experience) should form a creative board to review proposals from American companies and not only evaluate their potential but link them with other projects under consideration. Too many creative ideas are falling through the cracks.

Obviously there are general categories (improve the banking system, establishing the essential social net, targeted technical assistance in the private industry use of the phrase, exchange programs, trade adjustments, etc.) which need to be considered along with the long term exchanges, but Yeltsin, in April, must take home projects that the Russian people can reach out and touch. If he doesn't, the summit might be successful to the experienced diplomats, but it will be a failure to the Russian people. And right now Yeltsin needs the Russian people.

FIRST LADY HILLARY RODHAM CLINTON
REMARKS FOR 500th HUMANITARIAN AIRLIFT SEND-OFF
ANDREWS AIR FORCE BASE
JUNE 17, 1997

I am delighted to join all of you in celebrating the 500th airlift of Operation Provide Hope, this wonderful partnership between the Departments of State and Defense, private industry and voluntary organizations to bring much-needed medical supplies, food, clothing, and most all, hope, to the people of the former Soviet Union.

For more than five years, Operation Provide Hope has been quietly and efficiently delivering some \$1.8 billion worth of humanitarian assistance to hospitals in the New Independent States. This 500th airlift, which will carry \$7 million of donated medicine to Uzbekistan, demonstrates America's continuing commitment to strengthening our world's newest democracies and to securing the well-being of their children and families.

I have seen firsthand the difference Operation Provide Hope has already made in the New Independent States. More than three years ago, I was on hand at Children's Hospital #4 in Minsk, Belarus when Operation Provide Hope delivered shipments of medical supplies, equipment, beds and linens. At the Savior's Hospital for Peace and Charity in Moscow, I visited a pediatric ward equipped with beds donated by Operation Provide Hope. In 1995, at the Left Bank Center for Maternal and Child Health Care in Kiev, I had the honor of announcing Operation Provide Hope initiatives to upgrade a hospital in Donetsk and to bring insulin, antibiotics and other medicines to the people of the Ukraine. And just last year, I hosted a ceremony at the White House to commemorate the 10th anniversary of the Chernobyl disaster and recognize the efforts of the American relief community, including Operation Provide Hope's airlift mission to aid the Chernobyl victims of Ukraine, Belarus and Moldova.

At each hospital I visited, I saw the extraordinary work being done by health care professionals under extremely trying circumstances. Doctors and nurses told me of chronic shortages of medicine and supplies -- everything from syringes and simple antibiotics to chemotherapy medications and MRI machines.

So I am extremely proud that America could come together to help meet these needs. Private companies and relief organizations have provided 80 percent of the medicine and supplies sent abroad. Military planes have carried these supplies around the world to the New Independent States. Relief workers based in these new countries have worked to make sure the supplies reach the people who need them most. Through the American International Health Alliance, American hospitals have formed partnerships with hospitals in the New Independent States, offering them training and technical assistance. Today's airlift also begins Operation Provide Hope's 12th hospital upgrade project. The Department of Defense will send \$15 million in medical equipment and hospital supplies, as well as a 35-member team to install the new machines and train the staff at 16 hospitals in Uzbekistan.

Operation Provide Hope represents the best of what the United States can do in the world.