

EYES ONLY

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March 21, 1994

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WOODCLIFF LAKE, NEW JERSEY

1
Dear Mr. President,

I am sending this report to you directly rather than through State Department channels because I learned during my years in the White House that the best decisions I made, such as the one to go to China in 1972, were made over the objections of or without the approval of most foreign service officers. If you have not already done so, you will find that foreign service officers are seldom ignorant, but almost always arrogant. When they see a report from an outsider, they invariably react by saying, "We knew that. There's nothing new in it." Or, at the other extreme, "This is interesting, but we want to study it" ... which they proceed to do until it is forgotten. I would urge you always to remember that foreign service officers get to the top by not getting into trouble. They are therefore more interested in covering their asses than in protecting yours. In that spirit, I submit the following conclusions after my trip to Russia, Ukraine, Germany, and London.

First, the good news. Everyone I talked to in the four countries I visited spoke with great respect for you, and in Kohl's case, with genuine affection. Not one mentioned Whitewater. Some of the America media tried to get me to make a statement on it, but I turned them all off by stating that I never commented on domestic issues when I am travelling abroad. I went on to say that what was most important is that we not allow that issue or any other domestic issue to divert attention from our major foreign policy priority -- the survival of political and economic freedom in Russia. I emphasized that on this issue there should still be continued strong bi-partisan support for the President's leadership.

As one of Yeltsin's first supporters in this country and as one who continues to admire him for

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his leadership in the past, I have reluctantly concluded that his situation has rapidly deteriorated since the elections in December, and that the days of his unquestioned leadership of Russia are numbered. Kohl is the only one I met who disagrees with this view. This speaks more for Kohl's loyalty to an old friend than it does to his usually brilliant political judgment.

Since the December elections, Yeltsin is a changed man. His drinking bouts are longer and his periods of depression are more frequent. Most troublesome, he can no longer deliver on his commitments to you and other Western leaders in an increasingly anti-American environment in the Duma and in the country. I expected this among opposition leaders like Zhirinovskiy, Rutskoi, and Zuganov, but I found the same attitude among middle-of-the-road and liberal supporters of Yeltsin's economic and political reforms. He is still the elected head of our most important strategic partner. But those who rely on his commitments will soon find that he no longer has the political strength to deliver.

Even Pickering, who is one of our top-ranked ambassadors, underestimates the danger. He told me, for example, that John Major found that Yeltsin was in good shape when he saw him on his visit to Moscow. To paraphrase George Bush, this is not deep doo-doo, it is bullshit. Major was deeply concerned about Yeltsin's conduct during their meetings. All of the British leaders that I talked to in London, from the Chancellor of the Exchequer on down, believe that Yeltsin has had it, and sharply disagreed with me when I gave my own more optimistic evaluation -- insisting that I was looking through rose-tinted glasses.

A year ago, Kravchuk told me that Yeltsin was better for Ukrainian-Russian relations than any of his potential opponents. This is no longer true. I asked him bluntly whether Yeltsin could survive. He said categorically and quickly, "Nyet." He predicted he soon would be out of power. I asked him, "How -- by coup or by election?" He said, "Neither. The Russian power brokers will surround him and elevate him into a highly ceremonial post as the Tunisians did with Bourguiba." I asked him when he had reached this conclusion. He replied, "Right after the December elections." He said that he used

to talk to Yeltsin on the phone a couple of times a week. He has been unable to reach him at all on the phone since the elections.

All this means not that you should discontinue the positive "Boris-Bill relationship," which has been widely reported in the media, but that you recognize that Yeltsin plays an increasingly weak hand and that it is necessary to reach out to others who have some power now and may have all of the power sooner than we might like.

Bush made a mistake in sticking too long to Gorbachev because of his close personal relationship. You must avoid making that same mistake in your very good personal relationship with Yeltsin.

Understandably, you might have reservations about any criticism of your Administration in the Wall Street Journal. However, the article on foreign aid to which you referred in our telephone conversation is unfortunately on target. The entire foreign aid program to Russia is a mess. This ranges from the IMF's stubbornness and stupidity in continuing to treat Russia like Upper Volta (which no longer exists, incidentally). American and Russian businessmen are ripping off the aid programs shamelessly. In the past two years, Russians have sent over \$25 billion to Switzerland and other safe havens. This money will not come back until there is a better climate for investment in Russia. The quick answer from those like Jeffrey Sachs that what is needed is an increase in government aid is irrelevant. Politically, the overreaction to the Ames case indicates that the Congress is looking for any excuse to vote against Russian aid. This will be doubly true during the election year. What is needed is better targeting and better administering of those programs we already have and an entirely new approach with regard to investment from abroad.

As you know, China has by far the highest growth rate of any major country in the world. This has been accomplished with hardly any government foreign aid whatsoever. We face the ironic fact that a communist capitalist economy in China is more attractive for foreign investment than a democratic capitalist economy in Russia.

This brings me to a very painful

recommendation. As I am sure you know, I share your respect and affection for Strobe Talbott. This goes back to the time when I totally supported his then controversial view about Israeli-Arab relations. He is an outstanding political officer. His strong suit, however, is not economics. What we need now is a new program, such as the one we had during the Marshall Plan, where aid is administered by a top-flight businessman reporting directly to the President. Strobe has to be big enough to accept this idea and not to insist that everything go through him and his staff.

It has been my experience that foreign service officers are very good on political issues but economics is not their strong suit. Like most politicians, they know very little about economics and much of what they do know is wrong. I would suggest a heavyweight like Dwayne Andreas, but he would be rejected because of conflict of interest. Another possibility might be Hank Greenberg, an enormously successful international businessman and financier who, incidentally, is not only very good on Russia but is outstanding on China. What you must avoid is a situation where some Congressional committees begin holding hearings on the Administration's foreign aid program. They will bring out a lot of horror stories which will lead Congress to cut the already inadequate amounts being appropriated for aid. You should beat them to the punch by naming a new administrator with instructions to clean up the mess and to concentrate not primarily on government-to-government aid but on how Russia can -- on a crash basis -- develop the protections and incentives for private investments from abroad, similar to those which have led to the Chinese economic miracle.

As I am sure you agree after meeting with Kravchuk, the situation in Ukraine is highly explosive. If it is allowed to get out of control, it will make Bosnia look like a PTA garden party. Our emphasis has understandably been on the nuclear weapons issue. We should be concentrating more on what could lead to the use of arms rather than just controlling their numbers. Some increase in government aid, which you have already approved, will be helpful. But like Russia, the major challenge here is for the Ukrainian Parliament, which is even worse than the Russian Duma, to provide incentives for private investment. Ukraine

is an enormously wealthy country and could take off. The problem is illustrated by the fact that with all of Russia's difficulties, thirty-five to forty percent of the Russian economy has been privatized. Only two to five percent of Ukraine's has been privatized.

The political situation is unpredictable. Kravchuk's approval numbers are far lower than Yeltsin's, but he should never be underestimated because he is probably the most skillful politician in all of the former Soviet Union. He is unusually honest for a politician! I do not refer to financial honesty but to political honesty. When I asked him in 1991, when he was still a Gorbachev-supporting loyal communist, whether he could be elected president, he said categorically "Nyet." He says the same thing now. But he still has no one in Ukraine who is even in his league.

Because of the importance of Ukraine, I reluctantly urge that you immediately strengthen our diplomatic representation in Kiev. I asked a top American businessman, who is strongly for Ukraine and pro-American, for his evaluation of our embassy. He said, "piss-poor." With expletives deleted, I would say that based on conversations I have had with other businessmen that our representation is pathetic. The embassy is understaffed and inadequately led. One of the difficulties is that our foreign service types love to be sent to cushy posts in London or Paris or Rome where we have overstaffed embassies. We have to get more of them into combat zones like Ukraine, where even the brightest and the best may fail but where we have to give it our best try.

You will be urged to scatter the available aid money all over the former Soviet Union. This would be a mistake. You have very limited funds. All the other nations in the near abroad are important. But Ukraine is in a different class -- it is indispensable.

There is still no one who is in Yeltsin's class as a potential leader in Russia. But several have the capability to be outstanding presidents or prime ministers. The Prime Minister - Chernomyrdin; Yavlinski, who next to Yeltsin is the most popular politician in Russia; Shahrail, Minister of Nationalities; and Shokhin, the Economics Minister -

- all except for Chernomyrdin are in their thirties or early forties, should be cultivated and others like them evaluated and discreetly encouraged.

Your instincts in approving my decision to see all the opposition leaders, including Zhirinovskiy and Rutskoi, proved to be right. Zhirinovskiy is a powerful political personality. I can best sum up his political astuteness by observing that while anti-Semitism for Hitler was a faith, for him it is a tactic. This may make him even more dangerous. However, when I asked Kravchuk whether he thought Zhirinovskiy could be elected President, he flatly said no. On the other hand, he said that "the Zhirinovskiy phenomenon" could produce a credible candidate for President -- one who did not have Zhirinovskiy's baggage of being perceived as a total opportunist and sometimes even as a clown. The Russians are serious people. One of the reasons Khrushchev was put on the shelf back in 1964 is that the proud Russians became ashamed of his crude antics at the U.N. and in other international forums.

This brings me to the tactic I would urge that we follow in dealing with Zhirinovskiy. Expose him rather than suppress him. Let people see what a fraud he is. And above all, divide his support rather than unite it. Letting Rutskoi out of prison actually helps Yeltsin and all the other responsible leaders. He will cut sharply into Zhirinovskiy's support. This will be particularly true among the military, who Zhirinovskiy claims voted for him 90%. Rutskoi will get over 50% of them as well as many of Zhirinovskiy's other supporters who want to restore the former Soviet empire. The third reactionary force is the communist-agrarian coalition. Zuganov is a tough-minded, able communist leader. He told me that he did not want to go back to communism -- that "we cannot cross the same river twice." That, of course, is only for public consumption. Communism has been completely discredited. If there is one thing I would bet on at the present time, it is that God is alive in Russia; communism is dead.

Our overall policy, therefore, should be to keep the bad guys -- Zhirinovskiy, Rutskoi, and the communists -- divided, and to try to get the good guys -- Chernomyrdin, Yavlinski, Shahrail, Travkin -- to coalesce if possible in a united front for responsible reform.

I had not met Kohl, and was enormously impressed by him. I can see why you rate him as by far the best leader in Europe. From our media, I had the impression that he was a provincial clod. I found that he exudes political strength and charisma. Very few give him a chance to win. I believe, however, if he is able to keep his party together and if the opposition starts quarreling among themselves as they usually do, he has a shot. It is certainly in our interest that he survive.

In sum, political and economic freedom may survive in Russia, even with our help. It will certainly fail without our help. I wish you the very best as you continue to provide the leadership we need on the most important foreign policy issue the nation will face for the balance of this century.

Sincerely,

A handwritten signature in black ink, appearing to be 'W. Clinton', written in a cursive style.

The Honorable William J. Clinton
The White House
Washington, D.C. 20500