Thank you, Mr. Chairman. I want to commend you

for holding this hearing. I would like to commend my good friend

from Iowa, who is conducting important hearings on the Russian

banking system with his customary integrity and objectivity.

I would like to take a bit of an historic view of where Russia is

in 1999.

I first made my visit to the Soviet Union in the summer of 1956,

Mr. Chairman, and my last visit to Russia was last month, in September.

I must say that while I certainly see probably as many

problems as difficulties in Russia, as any of us in Congress and any

of our witnesses, I also believe it is absolutely critical to put Russia

in 1999 in some kind of historic perspective.

Russia is still enjoying a free press. Russia is looking forward to

free and democratic elections for the Duma in a few months, and

to a free Presidential election next year. Every Russian has a passport.

Russians are eager for American investment, for American

tourism, and the dialogue between American academic institutions

and Russian academic institutions, between our Library of Congress

and their libraries, are full and fruitful and flourishing.

Since I suspect these hearings have somewhat of a partisan

angle, as your opening remarks clearly indicated, let me remind

you, Mr. Chairman, that the historic change in the Soviet Union

came in the period 1989 through 1991. The dramatic opportunity

the West had in that period took place during an earlier Administration,

if I am not mistaken, the Bush Administration. So if we

are to explore seriously what has gone wrong in Russia, it is extremely

important to realize who was in charge when the cataclysmic

changes in the Soviet Union unfolded. It was not this Administration.

Let me also say that it was one of the tragedies of the West that

there were no great political giants in power in any of the western

countries at the time of this historic moment. There was no Adenauer,

no Jean Monet, no Churchill, no Paul Anrespok, no Archita

deGustery. The great leaders at the end of the Second World War

in the West created a framework and we played the pivotal role in

that framework, the Marshall Plan, NATO. One would have hoped

that when the Third World War of this century ended, which we

label the Cold War, there would be equally farsighted vision and

creativity and courage on the part of western leadership to deal

with this historically incredible new opportunity.

That, clearly, did not happen. The responses were timid, halfhearted,

puny, and unimpressive.

The Russians had high expectations of working with us closely.

When we had a bipartisan leadership delegation go to Moscow, as

you may recall, 2 weeks after Yeltsin and President Clinton had

their first meeting in Vancouver, British Columbia, we were greeted

with tremendous enthusiasm and great expectations. Every subsequent

visit was greeted with much less enthusiasm, much less

excitement, and much lower levels of expectation.

Nevertheless, the Russians have cooperated with us and are cooperating

with us in Bosnia; they have been pivotal in bringing to

a close the Kosovo military engagement, and our relations with

them are far better than anyone had any right to expect in the fall

of 1999. I had a long session with the Foreign Minister of Russia,

Mr. Ivanov, less than a month ago, and there is no doubt in my

mind that the Russians are still hoping of building a constructive,

cooperative and useful relationship.

Now, I also would like to make one final point if I may, Mr.

Chairman. You were highly critical of our government’s treatment

of Boris Yeltsin. Allow me to remind you that there are many Boris

Yeltsins. The first Boris Yeltsin that we got to know was the man

who was the first democratically elected President of Russia in

1,000 years. Well, it is not unreasonable that we dealt with him.

It is not unreasonable that the Government of the United States

established as best it could relations with the first democratically

elected President of Russia. It is not unreasonable that Vice President

Gore was designated as our point man with the Prime Minister

of Russia, Mr. Chrnomyrdin for a period of 5 years to work

on a horrendous range of issues. You should read, Mr. Chairman,

if you haven’t yet, the agendas of the Gore-Chrnomyrdin Commission

and the very constructive and positive and many-splendored

results of the Gore-Chrnomyrdin Commission.

Now, it is obvious that Yeltsin has undergone a major change

mentally, physically, and in many other ways during the course of

the last few years, but it is still important to realize that our alternatives

were the lunatic fascist Zhirinovsky or the equally evil

Communist leader Girgonov, or perhaps the would-be military dictator

Lebed. So I think it is important to realize that when we are

so highly critical of having dealt with Yeltsin and his government,

our alternatives were not Mother Teresa. Our alternatives were

singularly less desirable counterparts who, by the way, were not

elected President of Russia.

I look forward with great pleasure to hearing our witnesses, both

today and tomorrow, but I think it is important if we are to make

good use of these hearings that we shy away from partisan political

denunciations of this Administration, because the new Russia unfolded

under the Bush and Clinton Administrations and the great

historic moment was in 1989–1991, not in 1999. Not in 1999.

Second, we take a balanced view of the achievements and of the

failures that our governments under the Republican and the Democratic

Administrations may have committed. Thank you, Mr. Chairman.

Thank you, Mr. Chairman.

I find the two testimonies remarkably different. As I read yours,

Mr. Swartz, it seems to me that you express almost pathological

hatred for Strobe Talbott, and that is your privilege, but that really

is not helpful in understanding our policy toward Russia. You talk

about Mr. Talbott being a self-proclaimed expert on Russia. Unless

I am mistaken, he is the translator of Khrushchev’s memoirs, he

is the author with Presidential historian Michael Beschloss of a

brilliant book called ‘‘In the Highest Places,’’ which is a discussion

of U.S.-Soviet relations during the last years; he has devoted much

of his life to understanding Russian literature, culture, history,

government, politics, and is one of the few high-ranking American

officials with a very deep understanding of Russian society.

So this is not a self-proclaimed illusion; this is the product of a

lifetime study of Russia, and it rarely happens that people high in

the policymaking apparatus have the degree of scholarly understanding

that Mr. Talbott has so clearly exhibited. Now, you are

still free to hate him, but I don’t think that is helpful in our understanding

of what has gone on.

I find Mr. Ermarth’s observations more analytical; and allow me

to agree with some of them. You are suggesting several things with

which I agree. You are suggesting, for instance, that in the early

period, 1992, 1993—and I was in Russia in that period several

sian people for the United States, the American people. You are absolutely

correct that this has been largely dissipated. The reason

is the profound, perhaps naive disappointment and disillusionment

on the part of the Russian people in expecting western aid to lubricate

this historic transformation.

When I was in Russia in 1992 and in 1993 and in 1994, as probably

you were, you probably recall that they had high expectations

of what the West will do for them in lubricating their transformation

from a totally totalitarian police state and a dysfunctional

economy into a democratic society with a functional economy.

This hasn’t happened. It hasn’t happened for many reasons, but let

me tell you what in my view is perhaps the single most important

reason, and I apologize for using statistics.

When Germany was unified, the 17 million people of East Germany

every single year received $100 billion in transfusion from

West Germany. The 150 million Russian people received approximately

$1 billion in transfusion. Now, I am not recommending it

should have been 100 times that or 50 times that, but I simply

think that it is wholly unrealistic to look away from the economic

realities. The West hoped that they could facilitate the transformation

of Russia from a totalitarian police state with a dysfunctional

economy into a vibrant democracy with a functional capitalistic

economy, without any help. This was an incredibly naive,

childish, ludicrous view, and to a very large extent, we are now

paying the price of having, finally, come face to face with this new

reality.

I also think you are correct, Mr. Ermarth, in deploring, if I may

quote you, the great weakness of the rule of law in Russia. You are

totally correct. Wee were not running Russia in the last 8 or 9

years. We were not in charge of the Kremlin. It is a very naive assumption

to say that we could have created a system of laws which

are transparent, respected, universally applicable, admired, which

would have created, I fully agree with you, an infinitely more likely

framework for the transition.

But, unlike the Second World War where we defeated Germany

and defeated Japan, we ran those two countries with our military

occupation forces, Lucius Clay and Douglas MacArthur, and what

we said happened. We did not defeat Russia in the Cold War, in

a military sense. This was a Russian government horrendously

flawed, horrendously incompetent, horrendously corrupt, but it was

not our government. To blame the lawlessness of the Russian system,

which is so self-evident, on us is an absurdity. We were not

in charge in the Kremlin, and everybody in this room who has the

slightest understanding of who called the shots clearly knows that.

Finally, whatever leverage we did have, and we did have considerable

leverage at the time of the collapse of the Soviet empire in

the Bush Administration, vanished when the Russians became

aware of the fact that they were getting nothing from the West.

They got minimal assistance, minimal assistance from the West,

not only from us but from our western allies and Japan. So our leverage,

whatever it was in 1990, 1991—and it was considerable—

it vanished when the Russian people and the Russian Government

understood that they were getting very little from us.

As a matter of fact, one of the most dangerous consequences of

our reduced leverage was that when we quite properly attempted

to stop the flow of high-tech weaponry to countries like Iran, they

told us to go fly a kite. They told us to go fly a kite because we

had no leverage with them. Their high expectations of 1989, 1990,

1991, and 1992 went up in smoke.

So while you are perfectly correct in saying it is a largely lawless

society, it is a largely lawless society because given the realities of

Russia’s chaotic political criminal system, respect for laws, transparency

of laws was not going to be forthcoming and it hasn’t been

forthcoming. That is why we are confronting a lawless society.

Thank you, Mr. Chairman.

I will be happy to have them answer, Mr. Rohrabacher,

if the Chairman is gracious enough.

You didn’t use the word ‘‘point person’’; you said

‘‘self-proclaimed expert.’’ Well, if you are an expert, you are not a

self-proclaimed expert. If you have spent a lifetime studying Russia,

then it is not unreasonable that people look at you as one of

the many experts.

You state that it is self-proclaimed.