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White House Press Release

To Students Of Moscow State University

The White House
Office of the Press Secretary
(Moscow, Russia)

For Immediate Release May 10, 1995

Remarks By The President
To Students Of Moscow State University

Main Hall
Moscow State University
Moscow, Russia

6:12 P.M. (L)

The President: Thank you very much, Rector Sadovnichy, Mrs. Sadovnichy. To the faculty, and most of all, to the students of Moscow State University, I am deeply honored to be here and to be here just a few years after my predecessor, President Reagan, also spoke to the students.

I can think of no better place than a great seat of learning like Moscow State University to speak about the past and future of Russia. In this spirit, Mikhail Lomonosov lives on, for just as he modernized your ancient language for the Russian people two centuries ago, today you must take the lead in shaping a new language -- a language of democracy that will help all Russia to chart a new course for your ancient land.

Here you openly debate the pressing issues of the day. And though you can only hear echoes of your nation's history, you are living it and making it as you ponder and prepare for what is yet to come.

Yesterday, all of Russia and much of the entire world paused to remember the end of World War II, and the terrible, almost unimaginable price the peoples of the Soviet Union paid for survival and for victory. Because our alliance
with y~u was shattered at the war's end by the onset of the Cold War, Americans never fully appreciated, until yesterday, the true extent of your sacrifice and its contribution to our common victory. And the Russian people were denied the full promise of that victory in World War II -- a victory that bought the West five decades of freedom and prosperity.

Now the Cold War is over. Democracy has triumphed through decades of Western resolve, but that victory was also yours -- through the determination of the peoples Russia, the other former Soviet republics, and the countries of Central and Eastern Europe to be free and to move into the 21st century as a part of, not apart from, the global movement toward greater democracy, prosperity and common security.

Your decision for democracy and cooperation has given us the opportunity to work together to fulfill the promise of our common victory over forces of fascism 50 years ago. I know that it was not an easy decision to make, and that it is not always an easy decision to stay with. I know what you in Russia will have to chart your own democratic course based on your own traditions and culture, as well as on the common challenges we face.

We Americans have now spent over 200 years setting our own course. Along the way we have endured deep divisions and one Civil War. We have made mistakes at home and in our relations with other people. At times we have fallen short of our own ideals. Our system can sometimes seem unnecessarily burdened by divisions and constraint.

But as Winston Churchill once said, "Democracy is the worst system of government, except for all the others." It has produced more prosperity, more security and more opportunity for self-fulfillment than all of its competitors in the entire world in the last 200 years.

The United States supports the forces of democracy and reform here in Russia, because it is in our national interest to do so. I have worked hard to make this post-Cold War world a safer and more hopeful place for the American people. As President, that is my job. That is every president's job. But I have had the opportunity, unlike my recent predecessors, to work with Russia instead of being in opposition to Russia. And I want to keep it that way.

I am proud that for the first time since the dawn of the nuclear age, no Russian missiles are pointed at the children of America. And now that I am here, I might paraphrase what your Foreign Minister told me in Washington last month -- I am also proud that no American missiles are pointed at you or me for the first time since the dawn of the nuclear age. (Applause.)

Both our nations are destroying thousands of nuclear weapons at a faster rate than our treaties require. We have removed the last nuclear weapons from Kazakhstan. And Ukraine and Belarus will soon follow. We are cooperating with you to prevent nuclear weapons and bomb-making materials from falling into the hands of terrorists and smugglers. We are working together to extend indefinitely the Nuclear Nonproliferation
Treaty, the cornerstone of our efforts to stop the spread of nuclear weapons.

Your progress on the economic front is also important. I have seen reports that more than 60 percent of your economy is now in private hands. Inflation is dropping, and your government is taking sensible steps to control its budget deficit. Managers work to satisfy customers and to make profits. Employees, more and more, search for the best jobs at the highest wages. And every day, despite hardship and uncertainty, more and more Russian people are able to make decisions in free markets rather than having their choices dictated to them.

We have supported these reforms. They are good for you, but they are also good for the United States and for the rest of the world, for they bring us together and move us forward.

I know there are severe problems. There are severe problems in your transition to a market economy. I know, too, that in anywhere free markets exist, they do not solve all social problems. They require policies that can ensure economic fairness and basic human decency to those who need and deserve help.

Finally, I know that all democracies, the United States included, face new challenges, from the emergence of the global economy and the information age, as well as from the threats posed by the proliferation of weapons of mass destruction, by organized crime, and by terrorism.

But the answer is not to back away from democracy or to go back to isolation. The answer is not to go back to defining your national interest in terms that make others less secure. The answer is to stay on this course, to reap the full benefits of democracy, and to work on these problems with those of us who have a stake in your success, because your success makes us safer and more prosperous as well.

That success, I believe, depends upon three things: First, continuing to strengthen your democracy; second, improving your economy and reducing social and economic problems; and third, establishing your role in the world in a way that enhances your economic and national security interest -- not at the expense of your friends and neighbors, but in cooperation with them.

First, the work of building democracy never ends. The democratic system can never be perfected, because human beings are not perfect. In America today, we are engaged in a renewed debate over which decision should be made by our national government and which ones should be made locally or by private citizens on their own, unimpeded by government.

We argue today over the proper roles of the different branches of government, and we argue over how we can be strengthened, not weakened by the great diversity in our society. These are enduring challenges that all democracies face.

But no element among them is more fundamental than
the holding of free elections. In our meetings today, President
Yeltsin once again pledged to keep on schedule, both a new round
of parliamentary elections in December and the presidential
election last -- next June. He has shown that he understands
what has often been said about a new democracy: The second
elections are even more important than the first, for the second
elections establish a pattern of peaceful transition of power.

Therefore, I urge all Russians who have the right to
vote to exercise that vote this year and next year. Many people
sacrificed so that you could have this power. I address that
plea especially to the young people in this room and throughout
your great nation.

Your future is fully before you. And these
elections will shape that future. Do not fall into the trap that
I hear even in my own country of believing that your vote does
not count. It does count. It will count if you cast it. And if
you do not count -- cast it, that will count for something, too.
So I urge you to exercise the vote.

But the heart of a democracy does not lie in the
ballot box alone. That is why it is also important that your
generation continues to demand and support a free and independent
press. Again, this can be a difficult, even dangerous, process,
as the people in your press know all too well.

Dmitri Kholodov and Vladislav Listyev were murdered
in pursuit of the truth, victims of their vigorous belief in the
public's right to know. You must not allow those assassins who
targeted them to steal from your people one of the essential
freedoms of democracy, the freedom of the press.

There is another challenge, a challenge of building
tolerance, for tolerance, too, lies at the heart of any
democracy. Few nations on earth can rival Russia's vast human
and natural resources, or her diversity. Within your borders
live more than 100 different ethnic groups. Scores of literary,
cultural and artistic traditions thrive among your people. And
in the last few years, millions have returned to their faiths,
seeking refuge in their stability and finding hope in their
teachings. These are vital signs of democracy taking root.

Given your nation's great diversity, it would have
been easy along this path to surrender to the cries of
extremists, who in the name of patriotism have tried to rally
support by stirring up fear among different peoples. But you
have embraced, instead, the cause of tolerance. The vast
majority of Russians have rejected those poisonous arguments and
bolster your young, fragile democracy.

When Americans and others in the West look back on
the events of the last four years, we are struck by the
remarkably peaceful nature of your revolutionary transition, your
accomplishment to go through a massive social and political
upheaval, and the breakup of an empire with so little brutality
and bloodshed has few precedents in history. Your restraint was
a critical factor in paving the way for Russia to take its place
in the global community, a modern state at peace with itself and
its neighbors.
Now it is against this backdrop, this great achievement, that we Americans have viewed the tragedy in Chechnya. As I told President Yeltsin earlier today, this terrible tragedy must be brought to a rapid and peaceful conclusion. Continued fighting in that region can only spill more blood and further erode support for Russia among her neighbors around the world.

Holding free elections, ensuring a free and independent press, promoting tolerance of diversity -- these are some of the difficult tasks of building a democracy. They are all important.

But these efforts also depend upon your economic reforms. Your efforts on the political front will benefit from efforts on the economic front that generate prosperity and give people a greater stake in a democratic future.

To too many people in this country, I know that economic reform has come to mean hardship, uncertainty, crime and corruption. Profitable enterprises, once owned by the state, have been moved into private hands, sometimes under allegedly questionable circumstances. The demands of extortionists have stopped some would-be entrepreneurs from even going into business. And when the heavy hand of totalitarianism was lifted from your society, many structures necessary for a free market to take shape were not there and organized crime was able to move into the vacuum.

These are real and urgent concerns. They demand a all-out battle to create a market based on law, not lawlessness; a market that rewards merit, not malice. Economic reform must not be an excuse for the privilege and the strong to prey upon the weak.

To help your government break the power of those criminals, our Federal Bureau of Investigation has opened an office here in Moscow. And we are cooperating with your government's attempts to strengthen the integrity of your markets.

Pressures in the market economy are also leaving some people behind, people whose needs are not being met and who are not able to compete and win, while some of the richest are said to pay no taxes at all. Those Russians who lose their jobs or who live in poverty deserve an economic and social safety net that is strong enough to break their fall and keep them going until they can get back on their feet.

Finally, market economies require discipline. Cutting inflation helps families struggling to become members of the new Russian middle class so they need not fear the future. Continuing your country's recent record of more realistic budgets is vital to achieving long-term economic stability.

I say this from experience. From the beginning of my administration I have pursued these goals, because even though they require some sacrifice in the short-term, they promise lasting economic growth that will benefit all of our people and yours as well. The transition to a more honest and open market economy requires time. New problems will appear as your economy
gains ground:

But in the midst of the pain, I would urge you also to see the promise. Countries that were in economic ruin at the end of World War II, today rank among the world's most dynamic nations because they have made a market economy and democracy work.

Finally, Russia's success at political and economic reform at home requires an approach to the world that reinforces your progress and enhances your security. Russia and the United States must work together in this regard. We must work for our common security.

More than anything else, that is what my meeting with President Yeltsin today was all about, and we made progress in many areas. I would like to report them to you. First, Russia agreed to implement its Partnership for Peace with Nato. And I agreed now to press Nato to begin talks on a special relationship with Russia.

The United States has made it clear that we favor a strong continuing Nato that any admission of new members be based on the principles we have articulated, along with our partners. It must be gradual and deliberate and open, and consistent with the security interests of all of our partners for peace, including Russia.

My goal since I became President has been to use the fact that the Cold War is over to unify Europe for the first time in its history, and that is what we must all be working for. President Yeltsin's decision to join the Partnership for Peace will support that move toward security and unity.

Second, the United States strongly believes that there should be no future nuclear cooperation with Iran. We believe that is in Russia's interest. Today, President Yeltsin said that Russia would not sell enrichment technology or training to Iran because that could clearly be used to develop a nuclear capacity. And that should be more important to you than to us because you are closer to Iran than we are.

I gave President Yeltsin some intelligence that the United States government has that we believe supports the proposition that no nuclear cooperation in the future, not even the light water reactors, should proceed. And the two of us agreed to ask the special commission headed by Prime Minister Chernomyrdin and Vice President Gore to look into this matter further.

On the outstanding issues of arm sales to Iran, we reached agreement with Russia which will now permit Russia, your country, to be one of the founding members of the so-called post-Cocom regime, an agreement among nations to limit the sales of all dangerous weapons around the world in ways that will increase your security and ours.

Next, we agreed to immediately work to see if we could get our respective parliamentary bodies to ratify the Start II Treaty this year so that we could continue to reduce our
nuclear arsenals; and after Start I is ratified, to consider further reductions in the nuclear arsenals of the United States and Russia to make your future safer. We also agreed to a statement of principles on one of the most difficult issues in our security relationship -- how we define so-called theatre missile defenses in the context of our Anti-ballistic Missile Treaty designed, again, to make us both safer.

Next, we agreed to begin visits to our biological weapons installations this August as a part of our continued commitment to reduce the threat of biological and chemical weapons proliferation throughout the world. And if you consider what recently happened -- the terrible incident in the subway in Japan -- our future security and your future security is threatened not only by nuclear weapons, but by the potential of biological and chemical weapons falling into the wrong hands as well.

And finally, in the wake of all those incidents, the problems in Russia with organized crime and the awful tragedy that we had in our country in Oklahoma City, the United States and Russia agreed that we must work much harder in sharing information, sharing technology, sharing research in the areas of combating terrorism and organized crime.

This meeting was a success because every one of those decisions will give you and your counterparts in the United States a safer future, and we need to do more of this kind of work together.

As we close the door on this 20th century, the bloodiest century in the history of the world, I am convinced that the next century and your most productive years will be the most exciting time -- the time most full of possibility in all history. The global economy, the explosion of information, the incredible advances in technology, the ability of people to move rapidly across large spaces -- all of these trends are bringing us into a more integrated world. But we must all realize that these forces of integration have a dark underside.

In the 21st century, we will face new and different security threats. In the 21st century, I predict to you, there will be no world war to write about between nations fighting over territory. I predict to you that there will not be a new great colossus killing tens of millions of its own citizens to maintain control.

I believe the battles of the 21st century will be against the organized forces of destruction that can cross national lines or threaten us from within our borders. We see these forces in the bombing of the World Trade Center, in the terrible tragedy in Oklahoma City, in the United States. We see it in the bombings on the streets in Israel, designed to kill the peace process in the Middle East. We see it in that terrible gas attack in the Tokyo subway. We see it in the problems that you and so many other nations have with organized crime.

The more open and flexible our societies are, the more our people are able to move freely without restraint, the greater we are exposed to those kinds of threats. And so we must
become more and more vigilant. We must work together to defeat these new security threats, for in this new century, the world wants and needs strong democratic countries where people are truly free and secure. And this world needs a strong and democratic Russia to help meet these challenges.

It is in that context that I have pledged to President Yeltsin, we will continue to work on all the issues between us. And it is in that context that I urged the President to have no future nuclear cooperation with Iran.

Think about the future that we have together. We have already witnessed what Russia can do on the world's stage when it is completely engaged and committed to democracy. From the Near East to as far away as El Salvador, America and the world have been made more secure by Russian leadership and cooperation. As Russia takes her rightful place, we believe that the trends toward democracy and economic freedom and tolerance must and will continue.

Yesterday, your nation looked back at 50 years and paid homage to the heroes of World War II. Today, let us look ahead 50 years to the next century when your children and your grandchildren will recall those who stood against the coups, who voted in free elections, who claimed their basic human rights and liberties, which had been so long denied; those who made Russia a full partner in the global march toward freedom and prosperity and security. They will look back and they will be grateful.

I know there are some in this country who do not favor this course. And believe me, there are some people in my country who do not believe that you will follow this course. They predict that, instead, you will repeat the patterns of the past. Well, of course the outcome is not assured -- nothing in human affairs is certain. But I believe those negative voices are mistaken.

All sensible people understand the enormous challenges you face, but if there is one constant element in your history, it is the strength and resilience of the Russian people. You have survived in this century devastating losses and two world wars that would have broken weaker spirits. You succeeded in bringing an end to a communist system and to a Cold War that had dominated human affairs for decades. You have ushered in a new era of freedom. And you can go the rest of the way.

In the future, your progress may well be measured not by glorious victories but by gradual improvements. And therefore, in your efforts, you will need time and patience, two virtues that Leo Tolstoy called the strongest of all warriors.

You must know in this endeavor that you will not be alone, for Russians and Americans share this bond. We both must learn from our past and we both must find the courage to change to make the future that our children deserve.

For the sake of your generation and generations to come, I believe we will all rise to the challenge.

Thank you very much. (Applause.)
White House Press Release

At Dedication Ceremonies Of The Central Museum Of The Great Patriotic War

The White House

Office of the Press Secretary
(Moscow, Russia)

For Immediate Release May 9, 1995

Remarks By The President
At Dedication Ceremonies Of
The Central Museum Of The Great Patriotic War

Poklonnaya Gora
Moscow, Russia

1:55 P.M. (L)

The President: President Yeltsin, Mr. Prime
Minister, Prime Minister Major -- (Gap In Tape) -- Shevardnadze,
Mr. Mayor -- (Gap In Tape) -- the veterans of the Great Patriotic
War. We come together today as friends to celebrate our shared
victory over fascism, to remember the sacrifice of those of you
who made it possible, and to fulfill the promise of an enduring
peace that shown so brightly, but all too briefly, 50 years ago
today.

Brave men and women from our nations fought a common
enemy with uncommon valor. Theirs was a partnership forged in
battle, strengthened by sacrifice, cemented by blood. Their
extraordinary effort speaks to us, still, of all that is possible
when our people are joined in a just cause.

With me today is an American veteran of the Great
War, Lieutenant William Robertson. As the war entered its final
days, Lieutenant Robertson's patrol sighted troops led by
Lieutenant Aleksander Sylvashko across the Elba River. Crawling
toward each other on the girders of a wrecked bridge, these two
officers met a the mid-point and embraced in triumph. They
exchanged photographs of wives, children, loved ones, whose
freedom they had defended, whose future they would secure. The
Americans did not speak Russian and the Russians did not speak
English, but they shared a language of joy.
The Americans at the Elba remember how their new Russian friends danced that night, but how their jubilation turned solemn, because each of them had lost someone -- a family member, a loved one, a friend. One out of every eight Soviet citizens was killed. Soldiers in battle, prisoners; by disease or starvation, innocent children who could find no refuge. In all of the 27 million people who lost their lives to the war, there were Russians and Belarusians, Uzbekhs and Jews, Ukrainians, Armenians, Georgians and more. These numbers numb the mind and defy comprehension.

I say to you, President Yeltsin, and to all the people of Russia and the other Republics of the Former Soviet Union, the Cold War obscured our ability to fully appreciate what your people had suffered and how your extraordinary courage helped to hasten the victory we all celebrate today.

Now we must all say you wrote some of the greatest chapters in the history of heroism -- at Leningrad, in the Battle for Moscow, in the defense of Stalingrad, and in the assault on Berlin, where your country lost 300,000 casualties in only 14 days.

I have come here today on behalf of all the people of the United States to express our deep gratitude for all that you gave and all that you lost, to defeat the forces of fascism. In victory's afterglow, the dream of peace soon gave way to the reality of the Cold War, but now Russia has opened itself to new freedoms. We have an opportunity and an obligation to rededicate ourselves today to the promise of that moment 50 years ago when Europe's guns fell silent.

Just as Russians and Americans fought together 50 years ago against the common evil, so today we must fight for the common good. We must work for an end to the awful savagery of war and the senseless violence of terrorism. We must work for the creation of a united, prosperous Europe. We must work for the freedom of all of our people, to live up to their God-given potential. These are our most sacred tasks and our most solemn obligations.

This is what we owe to the brave veterans who brought tears to our eyes when they marched together with such pride and courage in Red Square today. And this is what we owe to the generations of our children still to be born. Let us do our duty as the veterans of World War II did theirs.

Thank you. (Applause.)

End 2:10 P.M. (L)
Remarks By The President
At State Dinner For Visiting Leaders

The President: President Yeltsin, President Mitterrand, Prime Minister Major, Chancellor Kohl, Mr. Secretary General, ladies and gentlemen.

Tonight we gather to recall one victory, and the countless millions of sacrifices that produced it. It is fitting for all of us that we recall that day here in Russia, where virtually every family had a loss to mourn and a hero to remember.

A crowded 50 years separates us today from that moment. Yet it is still near in so many ways, woven with the entire war into the living memory of our civilization. Each of us has been touched by that war, even those who were born after its end.

World War II left us lessons, not for an evening, but for a lifetime. We would be remiss not to mention two of them tonight. The first is the extraordinary power of men and women who joined together to fight for a just cause; the heroism of those who confronted and defeated tyranny; the alliance of Soviets, British, French, Chinese, Canadians, Yugoslavs, Poles, Americans, and so many more will forever remind people of the strength that is found in common purpose.
It inspires us here today. One-time opponents are now valued and trusting friends. And with Russia's turn to democracy, the alliance for freedom stands on the verge of great new possibility.

Together, we can face vistas of promise, which separately we could never even imagine. And together we can face the challenges to our humanity in this age -- terrorism, the proliferation of weapons of mass destruction, and the continued lust for killing based on ethnic, religious or tribal differences.

As we look to new horizons in the new century, let us remember also another lesson of the great war -- the resilience of hope. Our nations prevailed because they never lost hope. It is the touchstone of our humanity.

Let us renew that hope tonight. And let us remember the words of Olga Burgoltz, the poet of "The Awful Siege of Leningrad." She said, "Again from the black dust, from the place of death and ashes, will arise the garden as before. So it will be, I firmly believe in miracles."

The resolve of her city, the perseverance of its people in the face of unspeakable horror, gave her that belief in miracles. Fortified by the wonders we have seen in just the last six years, that belief surely lives on with us today.

And so, ladies and gentlemen, I propose a toast tonight to the heroism of 50 years ago; to the honor of the Russian people and the other Soviet peoples in the awful losses they suffered and what they gave to us; and most of all, to the hope that will carry us onward to miraculous new days ahead.

Thank you very much. (Applause.)
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S/S Officer: ______________________________
A DEMOCRATIC AND UNDIVIDED EUROPE IN OUR TIME

ADDRESS

BY SECRETARY OF STATE WARREN CHRISTOPHER

Cerin Palace
Prague, Czech Republic

Prime Minister Klaus, Foreign Minister Zieleniec, Distinguished Foreign Ministers: I would like to speak with you today about what we must do to fulfill the promise of our time: an undivided Europe of free nations, stretching from Russia in the east, to the Atlantic in the west, with this beautiful Czech capital once again at its heart.

Yesterday I was flying to Prague from Kiev and I was reminded of this region's painful past of conquest and shifting frontiers. Below me, I could see towns and villages that in this century alone have been Russian, Austrian, Soviet, German, Czechoslovak, Polish and now Ukrainian, Slovak and Czech. These borderlands have been battlegrounds and burial grounds for Europe's great powers. It was here that this century's two great wars, and the Cold War, began. And today, it is here in this region that the greatest threats to European security must be faced.

Yet it is also here that our century's most inspiring victories for freedom have unfolded. These hopeful events also have roots in the history of this region. They are part of a tradition that includes the Polish Constitution of 1791, Europe's first written constitution. They harken back to the Ukrainian Rada of 1917, the first representative voice of an independent Ukraine. They have strong roots right here in Prague where democracy flourished after World War I, as fascism rose in the west, and where freedom flickered briefly after World War II as Stalinism was imposed from east.

That era in Prague was epitomized by Thomas Masaryk, the elected President who believed that "for all the evils that may arise from political liberty, there is one tried remedy: more liberty." It also produced a Czech woman who learned to cherish freedom in her youth and who now defends it as America's Ambassador to the United Nations: Madeleine Korbel Albright.
That democratic spirit endured the demoralizing years of communism. It inspired the Prague Spring and the Velvet Revolution. It animated coal miners and students, playwrights and electricians from the Berlin Wall to the walls of the Kremlin, and it gave them the power to overcome a totalitarian system that some thought could never be changed from within. Now, thanks to elected leaders like Vaclav Klaus and his counterparts, this region is home to the fastest growing economies in Europe. Many nations are resolving old ethnic and border disputes. All now have their first real chance to enjoy independence and stability at the same time.

Europe's fears and hopes have met in the former Yugoslavia. From the first shots that rang out in Sarajevo, to the destruction of Vukovar, to the killing fields of Srebrenica, Europe relived the worst horrors of the First and Second World Wars. But if we look at Bosnia today, we will see something that has never been seen before: soldiers from the United States and Russia, from Poland and Lithuania, from the Czech Republic and Germany, and from 26 other countries joined together in a mission of peace, justice, and reconciliation. This broad participation in IFOR is taking NATO's Partnership for Peace to new heights. It is showing the world how far the nations of central and eastern Europe have come, and how much they have to contribute as our partners to European security.

Europe's future will be shaped by one of two very different paths: either by the divisive intolerance that left Bosnia in ruins or by the democratic integration to which most nations in this region aspire. For the right choice to prevail, there is a challenge you must meet, a challenge the United States must meet, and a challenge we must meet together.

The first challenge is that each nation in this region must take responsibility for building democratic stability from within. Free elections and free markets are only the first steps. Building a true democratic culture requires not just tolerance but respect for human rights and minority views and a willingness to come to terms with painful episodes from the past. It requires a free press, free trade unions and a network of private organizations outside government control. Likewise, sustaining economic growth requires completing market reforms. It calls for privatization and a stable legal framework for investment. It requires accountable institutions that effectively confront problems like poverty, corruption, crime, and environmental damage.

This first challenge falls to a new generation in the new democracies, to the students, the young entrepreneurs, the young mayors, the young teachers who are building their nations anew. Their parents and grandparents struggled for many years to give them this opportunity. With the power to control their destiny, they have a responsibility to safeguard freedom and to use it with wisdom and justice for the common good.

The second challenge is for the United States: we must continue to engage and to lead in Europe. The Cold War may be over, but American leadership is still critical to transatlantic peace, security, and democracy. America's efforts helped make possible the smooth unification of Germany, the withdrawal of Russian troops from the Baltics, Ukraine's decision to give up nuclear weapons, and now the end of the war in Bosnia. There are isolationists in my country
who would weaken our vital historic ties to the continent, but we will not heed them. It is a central lesson of this century that America must remain a European power.

The United States has a particular interest in assuring the success of Europe's new democracies. We have an interest in your liberty, because when you won your freedom, we were liberated from the Cold War. We have an interest in your security, because we wish to avoid the instability that drew over 5 million Americans to fight in two world wars in Europe. We have an interest in your prosperity, because our own prosperity depends upon a Europe that is open to our exports, our investment, and our ideas.

We know we have an interest in your success, because standing here in Prague, we cannot fail to remember history. In 1938, as Hitler threatened to conquer Czechoslovakia, many Americans saw his aggression as a European problem. Yet no European state would intervene in what Neville Chamberlain dismissed as "a quarrel in a far-away country between people of whom we know nothing." The world paid the price for that dangerous shortsightedness.

A half century later, a war in Bosnia threatened peace and security throughout Europe. And again, it was the United States working together with Europe that made peace possible. President Clinton understood that only America, the leader of NATO, could make a decisive difference.

That is why we went all out for peace at Dayton. That is why I was in Bosnia at D+45, the 45th day of the NATO enforcement mission, and that is why I met with the three Balkan leaders this week in Geneva. Yesterday was D+90, and it is clear that our troops have met their first critical challenge. The killing has ended. The armies have withdrawn. And in Geneva, the parties agreed to a series of concrete steps to pave the way for our next critical test: holding free elections this summer. Our work in Geneva provides the foundation for our Contact Group Ministerial on Saturday in Moscow. This series of meetings reflects the fact that much remains to be done, that we have to stay with this process day in and day out to achieve lasting peace.

In this region, the United States will remain a leader in support of democracy and free markets. Total American assistance to central Europe has already topped $10 billion. Our twelve enterprise funds have capitalized thousands of small businesses. We have helped rewrite commercial codes, as we did in Latvia, to create stock exchanges, as we did in Hungary, and to prepare the way for foreign investment throughout the region.

And we are ready to meet a third challenge, the one we must meet together. That challenge is to reunite this continent, to erase the outdated boundaries of the Cold War. At long last, we must become equal partners, with equal responsibilities.

Fifty years ago, when we emerged from World War II, the United States forged a permanent alliance with Europe's democratic states. Together, we created institutions that gave the West a half century of peace and prosperity. That alliance kept Soviet armies at bay. It also brought France and Germany together. It integrated Italy and eventually Spain into our
community of democracies. It gave shattered economies confidence to recover. It remains a force for transatlantic unity.

Today, our goal is to extend eastward the same structure of values and institutions that enabled Western Europe to overcome its own legacy of conflict and division. These institutions, NATO and the European Union among them, are not ends in themselves. But history teaches that they create the conditions that allow democracy and free markets to flourish.

For Europe’s new democracies, integration will bring a new era. With the struggle for independence won, we are now able to work together to meet the responsibilities that Western nations share. That is what we are doing now in Bosnia, and what many of you will ultimately do as full members of NATO and the EU.

Together, we can build lasting security. We can build a true transatlantic marketplace that will deepen America’s ties with a broader Europe. We can fight terrorism, organized crime and proliferation and we can protect the environment. We can work together in peacekeeping missions. We can speak and act together in support of freedom around the world, just as others stood with you during the long years of communist rule.

We are determined to keep faith with the nations of this region, to open the door that Stalin shut when he said no to the Marshall Plan. No nation in Europe should ever again be consigned to a buffer zone between great powers, or relegated to another nation’s sphere of influence.

To achieve that end, President Clinton has advanced a broad-ranging strategy for European security. It includes a revitalized NATO, ready for the missions and roles of the next century. It includes support for deeper and broader European integration. It includes a strong and productive relationship with Russia.

The President’s approach is comprehensive. It is far-sighted. And it is working.

We began to put this strategy into place two years ago when President Clinton proposed the Partnership for Peace. The Partnership has been an extraordinary success. It has established habits of cooperation that made IFOR possible. It will remain a permanent feature of security cooperation in Europe and we are determined to strengthen it further.

Last week, I visited NATO’s supreme headquarters in Mons. In a building where the Allies once planned to defend Berlin against Soviet attack, Russian officers now work alongside NATO’s members, alongside former neutral countries, and alongside the nations of central and eastern Europe. In the main hall, forty-three flags fly in alphabetical order, recognizing no artificial distinctions. That is our vision for the new Europe come to life.

For some nations, the Partnership will also prepare the way for NATO membership. NATO enlargement is not a step we will take lightly. It involves the most solemn commitments that one nation can make to another. New allies will be full members of NATO, with all the
benefits that entails. But they must be ready to assume the full risks, costs, and responsibilities as well.

This year NATO has entered the second phase of a process that has been gradual, deliberate, and transparent. NATO has begun intensive consultations with interested partners to determine what they must do, and what NATO must do, to prepare for enlargement. Based on the results, we will decide on next steps in December. We are determined to move forward. NATO has made a commitment to take in new members and it must not and will not keep new democracies in the waiting room forever. NATO enlargement is on track and it will happen.

By extending NATO's guarantees to strong, new democracies, we will extend the area where conflicts are deterred. This will make it less likely that we will ever again have to send American troops to fight in this region. Enlargement will help us erase a Cold-War dividing line drawn solely by the accident of where the Red Army stopped in 1945. The prospect of enlargement has also given every potential member an incentive to maintain democracy and good relations with their neighbors. In this way, enlargement will benefit members and non-members alike.

Indeed, by encouraging the peaceful resolution of disputes between countries like Hungary and Slovakia, NATO has already become a force for conflict prevention in this region. The United States and every NATO ally looks forward to Slovakia's ratification of its treaty with Hungary, and we hope that Hungary and Romania will reach a similar agreement soon.

NATO is the linchpin of European security, but other institutions are also critical. The OSCE is vital because true stability depends on the standards it promotes: respect for an open society and for the rule of law. This year, the OSCE will test its new operational role as it supervises elections in Bosnia.

The enlargement of the EU is just as critical to the future of central and eastern Europe as the enlargement of NATO. It will tear down what Lech Walesa called the "Silk Curtain," the artificial economic barrier that still divides Europe between east and west. The standards the EU establishes will lock in democratic and market reforms and give this region's courageous entrepreneurs a fair chance to compete in a single European market. The EU must maintain its momentum toward enlargement.

Let me make one final, critical point about our strategy of integration. The process will be inclusive. It will not build new walls across this continent. It will not recognize any fundamental divide among the Catholic, Orthodox and Islamic parts of Europe. That kind of thinking fueled the killing in the former Yugoslavia and it must have no place in the Europe we are building.

The enlargement of Western institutions will naturally begin with the strongest candidates for membership -- if it did not start with them, it would not start at all. But our goal is not to help these nations "escape" from central and eastern Europe at the expense of their neighbors. Those who are first have an obligation to ensure their membership keeps the door open for others.
Ukraine’s integration is especially important to stability and security in this region. That is why we value Ukraine’s participation in the Partnership for Peace, why we want NATO and Ukraine to build a strong relationship, and why we will participate in a major military exercise in Ukraine this summer. Yesterday in Kiev, I reaffirmed America’s commitment to Ukraine’s freedom, independence, and prosperity.

It is also critical that Russia take its rightful place in the new Europe. Nowhere is it more important that democracy take root. Russia’s reform efforts are under strain and success is not assured. But we support reform because in the long run, its success benefits not only the Russian people but Europe and America as well.

One of the central issues in the future of Europe will be Russia’s relationship with its newly independent neighbors. Last week, we were confronted with a dark vision of that future when the Russian Duma voted in favor of reconstituting the U.S.S.R. But history must not be reversed. Five years ago, millions of former Soviet citizens freely chose independence and the United States will continue to support their right and determination to keep it. I applaud President Yeltsin for opposing the Duma resolution. He and most Russians understand that Russia’s interests lie in treating all its neighbors as equal, sovereign partners in an integrated Europe.

On Friday, I will be meeting with President Yeltsin and Foreign Minister Primakov in Moscow. We will discuss our common interest in the safety of nuclear weapons and nuclear reactors to prepare for the April nuclear summit. We will review our efforts on arms control, including our goal of a comprehensive nuclear test ban. And we will discuss the positive contribution Russia can make to European security. Russia can and should develop a cooperative relationship with NATO, in and beyond the Partnership for Peace, building on our cooperation in Bosnia.

We must avoid the danger of three Europes: a prosperous, stable west, a center on its way to NATO and the EU, and an east consigned to isolation and crisis. Central Europe’s integration will neither determine, nor be determined, by events in Russia. But we have an equal interest in integrating, not isolating, Russia.

Of course, Russia must not isolate itself. Its integration, like that of central Europe, will depend on the choices its leaders and its people make. Integration depends on adherence to international norms at home and abroad.

Today, every nation in this region can make the choices that lead to an undivided Europe: a Europe whose eastern frontiers are determined by shared values, not by geography or history. As President Clinton said in Prague: “Freedom’s boundaries now should be defined by new behavior, not old history.” The West itself must be open to open societies and open markets everywhere.

Europe’s new democracies were born in a peaceful struggle for dignity. That struggle committed millions of Czechs, Slovaks, Poles, Romanians, Russians and others to the highest
standards of solidarity, civility and courage. It created a generation that, in the words of Pope John Paul II, "called good and evil by their name, and did not blur the picture."

That special history gives you a special role to play, in partnership with the United States, in Europe's future. For each of us, that role must live up to what President Havel has called "the politics of responsibility." We must accept the responsibility to uphold the ideals that set us free.

So let us re dedicate ourselves to an old goal. Let us build a Europe of sovereign, equal democracies, united with each other and America by shared values and institutions. Let us build a Europe where you can always count on us and we can always count on you. Let us make this vision a reality in our time, not in our children's time.

Thank you very much.

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Text as prepared for delivery

U.S. Support for Russia:
The Results To Date—The Road Ahead
Remarks by
Lawrence H. Summers
Deputy Secretary of the Treasury
U.S.-Russia Business Council
February 29, 1996
New York City

Introduction

It has been a full year since I last spoke before this Council. Then, I told you Russia stood at a “critical juncture.” We had seen the brutal autumn collapse of the ruble. Rollercoaster swings in inflation and the ruble exchange rate told us that monetary and fiscal policy were not yet under control.

Today, the situation is radically different. Inflation has been wrestled down, the ruble has held tightly within its corridor, and Russia seems poised for economic growth. But as often happens after Russia takes two steps forward, new and ominous sources of uncertainty have arisen — this time political. The recent Duma elections, the dismissal of senior economic officials, and the upcoming Presidential vote have all eyes focused on Russia. It seems like Russia’s fate is to go from critical juncture to critical juncture until change is anchored and reform complete.

Four Years of Change

With the political uncertainty in Russia today, people tend to worry about where Russia is going. Before speaking about that, I think it’s worth taking a step back and thinking about just how far Russia has come.

(MORE)

RR-905
Four years ago the streets of Moscow were filled with the talk of mass starvation. The failing communist system couldn't deliver food from the countryside to the city. Subsidized bread was cheap -- and available in only 1/5 of Russia's bakeries. Waiting in line for basic necessities wasted an estimated 5 percent of GDP alone.

Today, shops are sprouting up on every street -- and they're filled with goods. Key sectors such as plastic, metals and steel are growing. The government estimates that some 900,000 new small businesses have been created, and with them, 14 million new jobs.

Think about how business has changed. Four years ago, state enterprises looked to Moscow for handouts. The state was happy to oblige with credits that sent Russia's currency into a nosedive every few months. Today, with an estimated 70 percent of Russian industry in private hands, the debate is not about whether to allow private business, but how to fix the legal and tax systems so that business can function and prosper.

Most important, people's lives are beginning to improve in real ways.

... such as growth of average monthly wages, which rose from $80 last January to $140 this January...

...or real consumption in Russia, which by some estimates is about 20 percent higher than it was in 1992 -- thanks largely to the emergence of a shadow economy that some believe boosts GDP by 60 percent, as well as a sizeable drop in defense spending from an estimated 20 to 5 percent of GDP. And if you factor in the fact that old GDP measured shoddy, communist-era products that nobody wanted, then the true increase in GDP is probably much much higher than the numbers indicate.

United States Leadership

Of course, the credit for what Russia has accomplished through discipline and tough decisions must go to Russia. But if Russia's economy is transforming rapidly, then U.S. engagement in support of Russia has helped keep the process on track and moving ahead.

For three years the United States has led an international effort premised on a basic precept. We would make sure that money to support reform in Russia would be there. But we would also structure our support in such a way that money would only be there for Russia if reform proceeded apace. We were going to insist on seeing Russia move ahead with the concrete steps -- not words -- but deeds needed to build a strong macroeconomic foundation for change, and set markets in motion.

That was the premise on which the IMF extended $3 billion to Russia from 1993 to 1994, and negotiated a $6.5 billion standby agreement last year. That was the premise on which the World Bank has lent some $1.5 billion, and has approved an additional $3 billion in lending to rebuild the basic physical and institutional infrastructure that Russia needs to get its economy moving -- everything from building roads to creating a modern tax system and
financial markets. And of course, that is the premise on which Russia and the IMF recently agreed upon a new $10 billion program.

Success in 1995

If one wants evidence that our policy of strong but conditional support was the right approach, then last year provided it. Think back to late 1994. The ruble had plummeted on Black Tuesday in October. The fiscal spigots had been loosened. Russian inflation was surging again. Some in Russia flirted with the idea of getting the state back into the business of running business -- especially the oil and gas sectors. Many in Russia thought there would be an end to reform.

Then, we backed the IMF in its negotiation of a $6.5 billion standby agreement. The agreement was unprecedented, in that it was the first IMF agreement ever to require monthly monitoring of Russia's success in meeting stringent economic criteria.

What followed was a degree of success in 1995 that gave us clear, solid proof that our policy helped sustain reform. Russia accomplished something that few other borrowers ever have -- and that none have ever accomplished under the microscope of month by month monitoring. Russia met every single one of the performance tests to which it committed itself under the agreement. That included a halving of Russia's fiscal deficit, and strict monetary targets.

The result?

Russia finally broke the back of inflation -- it's come down sharply from 18% monthly in January 1995 to 3% by the end of the year.

Financial markets responded with a vote of confidence. Russia enjoyed a $10 billion inflow of foreign exchange last year. The ruble has appreciated sharply -- 15 percent this past spring. It remains 7 percent above its April 1995 level, and well within its corridor. Rates on 6 month T-bills are at record lows. Government securities markets have flourished, allowing the government to cover 2/3 of its deficit through securities sales, about 2 and 1/2 times what it was able to do the year before, as a proportion of GDP.

U.S. Policy Looking Forward

Of course, given the political situation in Russia today, we are asking what U.S. policy should be looking forward.

Some, viewing the insecurity surrounding the upcoming election and possible retreat from reform, want the United States itself to pull back. They argue that now is no time to be putting money into Russia. They say our policies have been misguided -- too dependent on
helping one leader, or one party, or one point of view.

Make no mistake. United States leadership of international efforts to support Russian transition have not been premised on one man, or one party, or even one narrowly defined worldview of those in power. As I said, from day one of the Clinton Administration, our policies have been premised on Russia's taking the clear, definable steps needed to anchor economic transition. We knew that the road would be long. But we have gauged the success of our efforts in terms of macroeconomic stability, monetary and fiscal targets, and clear measures of private sector development.

That is why the new $10 billion IMF program is so ambitious, and so critical to Russia's success. The reform targets are stringent. The IMF will measure how Russia is doing month by month, providing new funding as Russia meets its targets, pulling back if Russian discipline lapses. That is the single most effective lever that the United States and international community have for encouraging whoever is in power in Russia to stick with reform. Those who warn us to retreat from our support of reform ask that we abandon this critical lever for change.

Helping Russia on the path to progress is perhaps the most important international economic task that we face -- for the sake of our security, for the sake of our own economy, and for the sake of opportunities enjoyed by businesses like yours. The United States cannot, and will not shirk from this task.

* * *

The question for Russia is what steps it should take in the year ahead to further economic change, and satisfy its peoples' aspirations.

You can probably guess what I think the right answer should be. But first, let me talk about two answers that I am certain are the wrong answers.

Retreat is No Answer

Many Russians are calling for a halt to reform. It would be tragic for Russia to retreat, right after such a successful year, and right as Russia is on the verge of even greater success.

Consider Poland's experience. On January 1, 1990, Poland began a bold and ambitious reform program. Output fell by nearly 19 percent over the first two years. Unemployment shot up to 16 percent. Most Poles experienced dislocation, and worried about their futures. In December of 1991 a new government entered power espousing a radical reversal of course. Fortunately, the prospect of losing IMF loans and debt deals restrained the new government's urge to pull back.
What Poles did not know at the time, and what dislocation brought on by reform had obscured, was the fact that the base had already been built for economic takeoff. By the end of 1992, annual growth had reached 2.6 percent, picking up to 3.8 the year after. Since then, Poland has averaged a solid 6 percent annual growth. Now, most Poles see that the country is headed in the right direction. Many have gained substantially.

Of course, Russia's is a larger and more complicated economy than Poland's, with a different political heritage. Still, it would be tragic and ironic were Russia to make the fatal error that Poland avoided, and retreat from the challenge of change just as the economy appears poised for growth.

A Meddling Oligarchy Is No Answer

Some in Russia would just as soon forget about the invisible hand; they yearn instead for a strong and visible foot to guide the economy. The "wild west" atmosphere weighs hard on ordinary Russians. They've seen too many cases of elites milking the system. They've read too many news stories that suggest that the only people helped by Russian-style nascent capitalism are people with connections. Even Russians who may be making it today fear for their futures in a sea of insecurity and change.

The temptation for Russians is to think longingly back to the days when a strong leader held all the levers of the state machinery. This second, just as dangerous answer to the question of what Russia should do now even tempts some foreign business people. I understand what motivates this impulse. I know many of the people in this room have had difficult experiences doing business in Russia. You've seen the red-tape and the corruption. You've suffered from broken guarantees that have reversed deals, and cost you real money. Maybe you remember the days when a visit the Kremlin was at least a guarantee that things would be done a certain way.

I understand that kind of security might be better for some of your businesses than what exists in Russia today. But I am convinced the gains could prove illusory. A strong leader can help some big players -- a handful of major multinationals that want to cut discrete deals. But he will not help the thousands of smaller investors, entrepreneurs, and businesspeople doing everyday business spread across Russia's eleven time zones. A strongman can make sure that discrete segments of the economy work -- maybe a mine, or an oil well. But that kind of system cannot work for any business venture that relies more on operating within a functioning economy -- a business that has to hire workers, rely on a secure chain of supply, manufacture intermediate goods, and needs bank financing.

Your businesses are in Russia for the long haul. I know that you would rather work in an economy that is difficult today, but has an enormous upside from which you will reap the benefits tomorrow.
For Russians, any retreat from reform would be misguided. Anyone who lived through the dark days of Argentina in the 1980s understands the risks that Russia faces if reforms ground to a halt and the present mixed system ossifies. Argentina had an economy that was partly private and partly public, an elite that looked out for itself above all, finances that gyrated wildly, and rules that changed day to day. Even with a strong leader, such a system slowly becomes untenable, and disintegrates into chaos.

The Reform Path is the Answer

The interests of the Russian people, the Russian economy, and of foreign investors all lie elsewhere. They lie in forging ahead with the development of an open, pluralistic, and modern society and pushing forward with the creation of a market economy -- one where there are open and transparent rules for all, where all businesses are free to profit, and where all entrepreneurs are free to flourish. They lie with persevering with reforms that have sent dollar wages climbing, lifted production of consumer goods, and led to increased production of automobiles, and houses -- an 11 percent increase in housing construction over the first nine months of last year, compared to the same period the year before.

Of course, there are those who are suffering under change. Pensioners have seen the value of their payments whither -- if they are paid at all. The elderly and unskilled fear for their futures. They saw the number of people living below the subsistence level grow from 1991 to 1994 -- even if it has now started to turn around. Inequality is at levels similar to those in the Philippines. Two-thirds of the poor live in families where the head of the household works -- but still does not make enough to lift them out of poverty.

As Russia continues with progress on fiscal discipline, it is important for Russia to remember one lesson. The quality of deficit reduction is just as important as the quantity of deficit reduction. Budgets that look to be in balance, while failing to invest in Russia's most important asset -- its people -- through health, education, and other basic social spending -- doom Russia's economy to failure just as surely as does unsustainable spending. Policies that allow some sectors of the economy to avoid paying their fair share, or that direct resources to inefficient firms, distort economic development just as surely as does centralization. Favored treatment of elites and their enterprises must cease. There is much more Russia can and must do to help its people, if prosperity is to be inclusive and sustainable.

President Yeltsin recently called for Russia's government to honor the financial commitments that it has made to ordinary Russians. The Russian government should care enough about its people not commit to wage and pension payments and then fall into arrears. Russia must do more to target those suffering the brunt of change.
Building the Institutions of the Market

Of course, reform is not just about austerity. Consider this. Average monthly wages in Russia are about $140. And yet Moscow was the single most expensive city in the world for business travelers last year -- more expensive than Tokyo, or London, or New York, or scores of cities far wealthier than Moscow. That is just one of a million examples of how a ridiculous array of regulations and controls, inconsistent and unreliable tax systems, capricious land ownership regimes, and other landmines of uncertainty continue to distort the Russian economy.

Here is another example. Oil, gas and mineral giants with some of the world's largest reserves make up some 80 percent of the market capitalization of Russia's top 200 firms. They produce ten percent of the world's oil, and possess nearly one-third of its gas. And yet these top 200 firms are valued at only about $20 billion -- on a par with the Gillette corporation. Put another way, the market capitalizes a billion barrels of Russian oil reserves at only $30 million, while the same billion barrels just about anywhere else on the planet would be worth $2.5 billion.

That speaks volumes about the fact that investors still don't view Russian securities as conveying true economic ownership. They fear that financial chaos, new taxes, corruption, or inadequate protection of property rights will deprive them of their returns. It is essential for Russia to get its securities system, contract laws, and property regime in order, if Russia's financial markets are to work as true engines for growth.

There is an enormous amount that Russia can and must do to set the institutions of the market in place. That has nothing to do with austerity. And that can only help, not hurt Russia's vulnerable citizens.

On that score, let me say that I understand how many American businesses suffer every single day from the vagaries and uncertainties of the present Russian business climate. I know that foreign oil joint-ventures have put their money into high-cost fields and face problems making ends meet in the face of exorbitant tax rates. Your minimum rating on excise taxes should be preserved, because you can't have sound macroeconomics without sound microeconomics.

I know that the Production Sharing Agreement has muddied the legal waters and made it difficult to codify the investment and tax protections that would allow you to make large-volume energy investments. You struggled through two years of Russian efforts to keep some form of excess wage tax alive -- even though the tax shipped jobs overseas that could have gone to Russians.

Now, Russia is using the implausible claim that U.S. chicken doesn't meet Russian health and sanitation standards to disguise blatant protectionism. This step away from openness to world markets and back towards the insularity of the past cannot stand. We in
the Administration are deeply engaged to make sure that it doesn't.

Not a week goes by when officials at Treasury and elsewhere do not hear about the kinds of difficulties you face, and that keep you from putting your skills and money to work helping Russia make it through reform. I assure you that it is a top priority at Treasury to work both bilaterally and through the international financial institutions to address both specific business problems and the broader issues that underlie them.

* * *

Crime from Too Much Government

Finally, I think there is a particular set of problems that Russia must address if economic reform is to be secure: the problem of crime. It helps to discuss crime by dividing it into three types.

First, there is the type of crime that is caused by too much government. Think about the ways in which a complex tax code with as many as 34 different taxes and total marginal rates approaching 100 percent opens up avenues for payments to organized criminals for "protection from taxes," or drives potentially legitimate business activities underground. Consider the opportunities that high export and import tariffs with widespread exemptions open up for smugglers. Imagine the opportunities for corruption as long as significant productive assets remain in the hands of government bureaucrats.

By one estimate, as much as 90 percent of all private sector production, profits, and sales filters through Russia's underground economy.

It has been said that the repeal of prohibition in the United States was the single most important step ever taken in our country to stamp out organized crime. I think that story holds important lessons for Russia, and the many things Russia has yet to do to remove the shackles on business and private enterprise that spawn, rather than prevent ferocious crime.

Crime from Too Little Government

It is too facile to say that all crime in Russia results from too much government. There are other types of crimes that result from too little government.

It is one of the great ironies of successful capitalism that the invisible hand depends on a steady arm. Only governments can keep streets safe. And only government can provide the wide variety of public goods — from consistent tax rules to reliable courts of law — without which capitalism cannot function.

A simple, transparent tax code with reasonable rates is the most efficient way to fight tax evasion, and bring underground business up to sunlight. Clear, enforceable contract rights give business people security, so that assets can be used efficiently. Rapid, transparent
and effective privatization will help get the assets into the hands of those who will make decisions based on economics, not political favors.

Crime and Poor Governance

There is a third pot of soil from which crime springs -- poor governance. There can be no substitute for effective governance. The example must be set at the top.

Economic and legal reform alone may not stamp crime out altogether. They must be matched by bolstered enforcement and institutional efforts -- and a commitment by Russia's leadership to stamp out corruption, from the top to the bottom. Firing hundreds of low-level bureaucrats may stop petty bribery. But it does little to cut the roots of corruption, when elites feel free to milk the system for personal gain. We look to Russia's government to set an example and a standard for behavior. They must move clearly and resolutely to stamp out the plague of corruption and crime -- to restore Russian people's faith in the nascent system.

Conclusion

Let me conclude where I began. Russia has changed immensely over the past four years. Finally, in 1995, stabilization began to hold.

The bridges back to communism have been burned. There is no turning back. The choice ahead is whether to stay the course or wander in the desert.

Russia is increasingly integrated into the world economy. The market is working. As stabilization took hold, it rewarded Russia with capital inflows and increased trade. If Russia falters, the markets can just as quickly punish bad policies. Any effort to go back to the old system would spawn capital flight, inflation, depreciation, protectionism, and shortages. In short, retreat would throw Russia back into autarky, poverty, and inefficiency -- the very conditions that Communism foisted on Russia's people for three quarters of a century.

The United States can have no more important foreign economic and political goal than helping Russia make a successful transition to market-based capitalism. We will continue our longstanding policy of steady support for reform -- a policy that is working, as Russia's performance in 1995 showed, and as the new agreement with the IMF revealed. You too must play your part, by bringing your investment, your know-how, and your entrepreneurship to the opportunities that Russia offers.

Ultimately, the task of reform is up to Russia's government, and Russia's people. If they continue to choose wisely -- as I believe they will -- then when I speak before you next year, we'll be talking not about how to get Russian growth moving, but how to keep growth rolling along. Thank you.
ENGAGING RUSSIA: THE IMPORTANCE OF ECONOMIC AND COMMERCIAL COOPERATION

(DRAFT REMARKS FOR THE COMMONWEALTH CLUB)

It is a pleasure to join you today at the Commonwealth Club............(tailor introduction to audience).

History has demonstrated that the ability to conquer new frontiers has been the defining point of great nations. Those which have tamed the unknown have been launched into prosperity. And in so doing they have found an internal peace amidst the dynamic of change. This is the peace of prosperity.

Nations which have shrunk from the challenges of the new remain shackled in the past. Their destiny is dictated by fear and uncertainty.

It is appropriate that we discuss today, in San Francisco, the challenge of frontiers. For it was the courage and fortitude of western pioneers that launched America into a century of unprecedented prosperity. We became secure in our borders. We developed awe and respect for the vast riches that became our endowment. We were not daunted by the unknown and the unfamiliar.

Today, I wish to talk with you about two new frontiers that will profoundly shape the nature of the twenty-first century.

The first is across the Pacific and lies in the Russian psyche. For the Russian people are challenged to reconceive the foundations of their society, to adapt from the precepts of authoritarian control, to a world based on freedom and choice. Nowhere is the challenge greater and more poignant than in the emergence of the market place.

The second frontier lies at America's edge of the Pacific. Our victory in the Cold War requires that we, too, rethink the organizing principles of world politics and economics. We must re-examine our preconceptions of Russia and consider the prospect of our former enemy turned partner and ally. We must face the challenge of cooperation with a great people. A people, to be sure, recovering from the bankruptcy of communism. But a people whose history and pride -- along with Russia's vast resources -- will again make Russia into a global power.

I will leave you with three messages.
First, Russia is poised for economic take off. Far faster than most anticipated -- even if slower than the Russian people may have hoped -- Russia is transforming the shattered remains of a command system into a viable and growing market economy. Investors and traders who get there first will face the greatest risks and, if they succeed, profit most. They will help shape Russia's economic future.

Second, the emergence of open and competitive markets in Russia is good for Russia and it is good for the United States. American business thrives on competition. We seek no special favors but only a level playing field that allows the quality and value of America products to speak for themselves. For Russia, open markets will attract the foreign capital it needs to create jobs and transform an antiquated industrial structure. Equally important, Russia's economic security will help stifle the dangerous and destructive appeal of nationalism.

Third, the changes that occur in Russia in the coming years will fundamentally shape the nature of economic and commercial relationships with the region well into the next century. Today's decisions will determine the nature of rules, laws, institutions and standards that affect America's access to and competitiveness in an untapped Russian market spanning 11 time zones and 150 million people.

Reflect on the nature of the collapsing Soviet Union just five short years ago, and consider the speed of change transforming the region. In 1991, the Soviet Union had no history of entrepreneurship. The state was all -- it owned everything. Private property was an alien concept, associated with "capitalist evils and exploitation." The state controlled all transportation and distribution systems, creating a complex web of commercial ties that never recognized that the consumer should be their endpoint. The corner bakery, the local butcher shop, the barber shop and beauty salon -- even these were under state control.

Much was produced, little was wanted. Exploitation kept the system alive. Gas and oil fields, forests, gold and diamond mines, precious minerals. All were wasted as though infinite and free. In the end, the system collapsed. But in the course of its demise, the Soviet Union left a legacy of bankruptcy and decay. The people of today's Russia -- indeed, of all the newly independent states -- face a painful transition. But the pain is not rooted in reform. It stems from the past, an unconscionably exploitative past that could not be sustained. Today's reforms are the necessary purging of a seven-decade experiment that led, simply, to nowhere.

Consider, too, the nature of political change. Not so long ago political activism may have constituted whispered secrets ventured around a kitchen table. Civil society had no meaning or depth. "Participation" was not a means to
affect one's destiny, but a code word for forced activism in state structures. Elections were held regularly. Everyone participated. And, amazingly, the "right" candidates always won. No wonder people grew cynical. Not only did they witness their own demise under communism. They were told they voted for it.

Remember, finally, our technical rivalry with Russia. Indeed there was rivalry in space. But the race of technology was fundamentally a competition toward destruction. The peace was kept by the assurance that aggression would lead instantaneously to the other's demise. The best, most innovative minds in our countries devoted their talent to creating lethal arsenals. We were fortunate. We allowed our markets to spin these technologies into civil innovations. Yet still we lived under threat: every day, every night.

This Administration has presided over a changed world. We have nurtured, supported and endorsed a reforming Russia. To be sure, change has unleashed new challenges and problems -- most alarmingly, ethnic tensions once suppressed by authoritarian states. Yet the potential benefits for the United States, and for global peace and prosperity, are enormous. Even a decade ago we could not have contemplated them. They will be realized solely through engagement, through the courage to face and tame a new frontier.

The Russian frontier is changing rapidly. The private sector now produces over 60 percent of the nation's income. Small shops, retail outlets and restaurants are almost exclusively in private hands. Nearly all prices have been freed from control. Industrial decline hit bottom late in 1994. Growth is occurring in firms responsive to consumer demand in the market environment. Next year could mark a turnaround toward positive national output.

Many people, especially the young, have realized the prospect of a brighter future. They are proving that the market is not the breeding ground for organized crime. Crime is indeed a problem as a new rule of law seeks to replace the old authoritarianism. But make no mistake; the spirit of entrepreneurship is alive and thriving. Every day people demonstrate that they can take the future into their hands through hard work and ingenuity. And while official statistics claim unabated poverty and destitution, household surveys tell a different story. Incomes have started to grow. People are finding new jobs. Despite real problems with inadequate pensions and transitional unemployment, the predicted tragedies of mass starvation never materialized. The market is taking root.

Equally important, Russia's leaders are becoming sophisticated in managing for a market economy. Exactly a year ago, on what became known as "Black Tuesday," the ruble dropped so precipitously that many feared economic collapse. Instead, Russia tightened its fiscal and monetary policies. It learned
from mistakes. This year it avoided the dangerous budgetary excesses that sparked last year's panic on Black Tuesday. Today the ruble is traded freely and has even grown in value against major currencies.

The changing world order has also made us more secure. Russian nuclear warheads are no longer pointed at American soil. Nuclear rivalry is giving way to technical cooperation. In June, Prime Minister Chernomyrdin and I witnessed the previously unimaginable: the American space shuttle Atlantis docked at Russia's Mir Space Station, making real the dream of international space cooperation. Americans and Russians are working together, on earth and in space, on technologies that will produce a safer, more prosperous world.

This progress is not the product of isolationism. It is the victory of engagement. It is the victory of prudently invested foreign assistance dollars. It is the victory of private American entrepreneurs and thousands of non-governmental organizations. It is the victory of ardent diplomacy. It is the victory of strategic support for Russia's reformers as they have courageously changed the foundations of their society.

In 1993, Prime Minister Chernomyrdin and I launched a commission to expand the potential for economic, space, scientific and environmental cooperation. We have met five times under the auspices of the commission. We have had our differences, but mostly we have had successes. We have moved major American investment projects forward, including several multi-billion dollar energy deals. We continue to work on pipeline access for our joint ventures in the oil sector, to identify opportunities for U.S. firms in defense conversion, and to tackle barriers to American products such as automobiles and aircraft. Most important, the Prime Minister and I have set a tone for government-to-government relations: bury the past, solve today's problems.

Americans have worked shoulder-to-shoulder with Russians as they have created their market economy. U.S. foreign assistance in Russia is not a handout. Rather, it has financed the best America has to offer -- talent and experience in economics, democracy and the rule of law -- to help Russia create its own vision for a democratic and market-oriented state.

We have targeted support for reform and reformers at all levels. Two-thirds of our assistance has gone to entities other than the central government. It has sparked the creation of small businesses, legal associations and independent media. American equipment and expertise, for example, helped create an independent television station that has given viewers their only objective account of events in Chechnya. Organizations such as the Center for Citizens Initiatives, based here in San Francisco, have trained budding entrepreneurs in the skills of the market place. Well over ten thousand Russians
have come to the United States, acquiring skills and a familiarity with our society that will motivate change today and solidify friendships for the future.

Assistance which has benefited central government has been earmarked for programs that directly support democracy and market reform such as election assistance, privatization, rationalizing tax policy, and strengthening the rule of law. The privatization of over 17,000 medium and large Russian enterprises and 80,000 small businesses stemmed directly from American support. Assistance through the American Bar Association made possible the reintroduction of jury trials into the Russian legal system. For the first time since 1917, ordinary citizens again have a role in economic and political life.

We have relentlessly encouraged private sector linkages with Russia. We recognize that trade and investment, not assistance, should be the basis for our long-term relationship. With the cooperation of the Congress, the Administration secured the repeal of most legal barriers to trade and investment. We have negotiated trade, investment and tax treaties -- some operative, some awaiting ratification -- that will normalize economic relations. We actively support Russia's accession to the World Trade Organization.

These measures are good for Russia. Russia's engagement with the international marketplace will demonstrate that it must deepen reform to remain competitive, to attract capital, to improve the well-being of its people. These measures are good for American business. They fight against unfair tariffs and trade practices. They create mechanisms to resolve disputes. They help engender openness, honesty and "transparency" in the market place.

Anyone who has done business with Russia also knows that the economic transformation is far from complete. Contracts have no sanctity. Corruption is widespread. The banking system is weak. Many quarters of society do not support change. They are fearful of the future and long for the past, not recognizing that it was the very legacy of communism that created their current misery.

The next stage of economic change involves the creation of the laws, institutions, and regulations that make a market economy work. The creation of capitalistic jungles -- an unfettered and unregulated marketplace -- is not our goal. Even Adam Smith, often regarded as the greatest theorist of laissez faire economics, celebrated the market, but condemned predatory business behavior. Some would say that Russia completed the "easy" part of its transformation -- the destruction of the old. Now Russia must create, in a few years, norms for market behavior that evolved over decades in the west.

Continued support for the organs of democracy -- an independent judiciary, civil society, a free press, free and fair elections -- must be part of this
process. Russia is recovering from Soviet authoritarianism. People must learn to believe that participation will produce accountability. Politicians must learn that accountability means responsibility. Forging these linkages in the political process are critical for Russia's nascent market place. They are the basis for long-term change, for history has proven that market economies offer nations the best prospect for meeting the aspirations of their people.

Tax reform, enactment of commercial laws, and the creation of sound and efficient capital markets must move in tandem with Russia's political evolution. Every state knows that excessive taxes and their capricious enforcement are the fastest ways to stifle investment. In some cases, complying with Russia's tax laws would drive legitimate entrepreneurs out of business. Investors -- Russian and foreign -- need a tax structure they can understand and afford to pay. They need a legal structure that affirms the sanctity of a contract and provides for its enforcement. They need capital markets that allow them to invest with security.

Reform in these areas has become the cornerstone of our economic and commercial cooperation with Russia. Repeatedly I have emphasized to Prime Minister Chernomyrdin that commercial relationships cannot prosper on the basis of our personal intervention. Committed as we may be, we cannot oversee each transaction, breaking bottlenecks when they occur.

Commerce must become a normal part of life. Today, American advisors are working side-by-side with Russian counterparts to create the laws and institutions -- from tax codes, to intellectual property rights, to a Russian Federal Securities Commission -- that allow it to thrive. Such engagement is in our interest today, and it will pay even greater dividends well into the next century.

Let us also acknowledge that we will face setbacks. Remember that early this year a short-lived Russian privatization minister threatened to reverse hard won gains; even today factions of the parliament threaten to declare privatization illegal. We have differences over Bosnia and Iran. But these difficult issues only reinforce the importance of our economic and commercial ties, and the importance of communication.

Russia understands the real and tangible benefits of access to western markets, know-how and investment. Our engagement gives us leverage. Isolate Russia and we strengthen only the hands of those who advocate nationalism and the resurgence of empire.

American businesses also know the value of engagement. Russia is a country of well educated people, relatively low labor costs and high technology. Resources are vast. Potential profits are enormous. And effective commercial engagement will bring jobs back to the United States as markets evolve for American products.
We must also be clear about American self-interest in Russia's economic prosperity. America has a stake in the independence and sovereignty of all the newly independent states of the former Soviet Union. It is in our interest that they become democratic, market economies that cooperate with the west. Let us not deceive ourselves about Russia's influence over their future. An insecure and faltering Russia would become prey to simplistic political appeals for expansionism as the remedy for internal problems. We must help Russia's reformers preempt such regressive forces.

Today's frontiers are the possibilities offered by a world free of the vestiges of the Cold War. The past was characterized by separation, aggression, and threats to each other's security. The future could be based on partnership, peace, and prosperity. Engagement is our tool to tame this frontier. We must educate those in our country who would retreat into isolationism.

What we seek and what Russia seeks is not so dissimilar: a world that offers greater security, greater opportunity to our children and to future generations. Now is the time to move from a world dominated by fear and from the untenable threats of mutually assured destruction. Shrink not from this new frontier. The peace of prosperity is within our grasp.
Prime Minister Klaus, Foreign Minister Zieleniec, Distinguished Foreign Ministers: I would like to speak with you today about what we must do to fulfill the promise of our time: an undivided Europe of free nations, stretching from Russia in the east, to the Atlantic in the west, with this beautiful Czech capital once again at its heart.

Yesterday I was flying to Prague from Kiev and I was reminded of this region’s painful past of conquest and shifting frontiers. Below me, I could see towns and villages that in this century alone have been Russian, Austrian, Soviet, German, Czechoslovak, Polish and now Ukrainian, Slovak and Czech. These borderlands have been battlegrounds and burial grounds for Europe’s great powers. It was here that this century’s two great wars, and the Cold War, began. And today, it is here in this region that the greatest threats to European security must be faced.

Yet it is also here that our century’s most inspiring victories for freedom have unfolded. These hopeful events also have roots in the history of this region: They are part of a tradition that includes the Polish Constitution of 1791, Europe’s first written constitution. They harken back to the Ukrainian Rada of 1917, the first representative voice of an independent Ukraine. They have strong roots right here in Prague where democracy flourished after World War I, as fascism rose in the west, and where freedom flickered briefly after World War II as Stalinism was imposed from east.

That era in Prague was epitomized by Thomas Masaryk, the elected President who believed that “for all the evils that may arise from political liberty, there is one tried remedy: more liberty.” It also produced a Czech woman who learned to cherish freedom in her youth and who now defends it as America’s Ambassador to the United Nations: Madeleine Korbel Albright.
That democratic spirit endured the demoralizing years of communism. It inspired the Prague Spring and the Velvet Revolution. It animated coal miners and students, playwrights and electricians from the Berlin Wall to the walls of the Kremlin, and it gave them the power to overcome a totalitarian system that some thought could never be changed from within. Now, thanks to elected leaders like Vaclav Klaus and his counterparts, this region is home to the fastest growing economies in Europe. Many nations are resolving old ethnic and border disputes. All now have their first real chance to enjoy independence and stability at the same time.

Europe's fears and hopes have met in the former Yugoslavia. From the first shots that rang out in Sarajevo, to the destruction of Vukovar, to the killing fields of Srebrenica, Europe relived the worst horrors of the First and Second World Wars. But if we look at Bosnia today, we will see something that has never been seen before: soldiers from the United States and Russia, from Poland and Lithuania, from the Czech Republic and Germany, and from 26 other countries joined together in a mission of peace, justice, and reconciliation. This broad participation in IFOR is taking NATO's Partnership for Peace to new heights. It is showing the world how far the nations of central and eastern Europe have come, and how much they have to contribute as our partners to European security.

Europe's future will be shaped by one of two very different paths: either by the divisive intolerance that left Bosnia in ruins or by the democratic integration to which most nations in this region aspire. For the right choice to prevail, there is a challenge you must meet, a challenge the United States must meet, and a challenge we must meet together.

The first challenge is that each nation in this region must take responsibility for building democratic stability from within. Free elections and free markets are only the first steps. Building a true democratic culture requires not just tolerance but respect for human rights and minority views and a willingness to come to terms with painful episodes from the past. It requires a free press, free trade unions and a network of private organizations outside government control. Likewise, sustaining economic growth requires completing market reforms. It calls for privatization and a stable legal framework for investment. It requires accountable institutions that effectively confront problems like poverty, corruption, crime, and environmental damage.

This first challenge falls to a new generation in the new democracies, to the students, the young entrepreneurs, the young mayors, the young teachers who are building their nations anew. Their parents and grandparents struggled for many years to give them this opportunity. With the power to control their destiny, they have a responsibility to safeguard freedom and to use it with wisdom and justice for the common good.

The second challenge is for the United States: we must continue to engage and to lead in Europe. The Cold War may be over, but American leadership is still critical to transatlantic peace, security, and democracy. America's efforts helped make possible the smooth unification of Germany, the withdrawal of Russian troops from the Baltics, Ukraine's decision to give up nuclear weapons, and now the end of the war in Bosnia. There are isolationists in my country
who would weaken our vital historic ties to the continent, but we will not heed them. It is a central lesson of this century that America must remain a European power.

The United States has a particular interest in assuring the success of Europe’s new democracies. We have an interest in your liberty, because when you won your freedom, we were liberated from the Cold War. We have an interest in your security, because we wish to avoid the instability that drew over 5 million Americans to fight in two world wars in Europe. We have an interest in your prosperity, because our own prosperity depends upon a Europe that is open to our exports, our investment, and our ideas.

We know we have an interest in your success, because standing here in Prague, we cannot fail to remember history. In 1938, as Hitler threatened to conquer Czechoslovakia, many Americans saw his aggression as a European problem. Yet no European state would intervene in what Neville Chamberlain dismissed as “a quarrel in a far-away country between people of whom we know nothing.” The world paid the price for that dangerous shortsightedness.

A half century later, a war in Bosnia threatened peace and security throughout Europe. And again, it was the United States working together with Europe that made peace possible. President Clinton understood that only America, the leader of NATO, could make a decisive difference.

That is why we went all out for peace at Dayton. That is why I was in Bosnia at D+45, the 45th day of the NATO enforcement mission, and that is why I met with the three Balkan leaders this week in Geneva. Yesterday was D+90, and it is clear that our troops have met their first critical challenge. The killing has ended. The armies have withdrawn. And in Geneva, the parties agreed to a series of concrete steps to pave the way for our next critical test: holding free elections this summer. Our work in Geneva provides the foundation for our Contact Group Ministerial on Saturday in Moscow. This series of meetings reflects the fact that much remains to be done, that we have to stay with this process day in and day out to achieve lasting peace.

In this region, the United States will remain a leader in support of democracy and free markets. Total American assistance to central Europe has already topped $10 billion. Our twelve enterprise funds have capitalized thousands of small businesses. We have helped rewrite commercial codes, as we did in Latvia, to create stock exchanges, as we did in Hungary, and to prepare the way for foreign investment throughout the region.

And we are ready to meet a third challenge, the one we must meet together. That challenge is to reunite this continent, to erase the outdated boundaries of the Cold War. At long last, we must become equal partners, with equal responsibilities.

Fifty years ago, when we emerged from World War II, the United States forged a permanent alliance with Europe’s democratic states. Together, we created institutions that gave the West a half century of peace and prosperity. That alliance kept Soviet armies at bay. It also brought France and Germany together. It integrated Italy and eventually Spain into our
community of democracies. It gave shattered economies confidence to recover. It remains a force for transatlantic unity.

Today, our goal is to extend eastward the same structure of values and institutions that enabled Western Europe to overcome its own legacy of conflict and division. These institutions, NATO and the European Union among them, are not ends in themselves. But history teaches that they create the conditions that allow democracy and free markets to flourish.

For Europe's new democracies, integration will bring a new era. With the struggle for independence won, we are now able to work together to meet the responsibilities that Western nations share. That is what we are doing now in Bosnia, and what many of you will ultimately do as full members of NATO and the EU.

Together, we can build lasting security. We can build a true transatlantic marketplace that will deepen America's ties with a broader Europe. We can fight terrorism, organized crime and proliferation and we can protect the environment. We can work together in peacekeeping missions. We can speak and act together in support of freedom around the world, just as others stood with you during the long years of communist rule.

We are determined to keep faith with the nations of this region, to open the door that Stalin shut when he said no to the Marshall Plan. No nation in Europe should ever again be consigned to a buffer zone between great powers, or relegated to another nation's sphere of influence.

To achieve that end, President Clinton has advanced a broad-ranging strategy for European security. It includes a revitalized NATO, ready for the missions and roles of the next century. It includes support for deeper and broader European integration. It includes a strong and productive relationship with Russia.

The President's approach is comprehensive. It is far-sighted. And it is working.

We began to put this strategy into place two years ago when President Clinton proposed the Partnership for Peace. The Partnership has been an extraordinary success. It has established habits of cooperation that made IFOR possible. It will remain a permanent feature of security cooperation in Europe and we are determined to strengthen it further.

Last week, I visited NATO's supreme headquarters in Mons. In a building where the Allies once planned to defend Berlin against Soviet attack, Russian officers now work alongside NATO's members, alongside former neutral countries, and alongside the nations of central and eastern Europe. In the main hall, forty-three flags fly in alphabetical order, recognizing no artificial distinctions. That is our vision for the new Europe come to life.

For some nations, the Partnership will also prepare the way for NATO membership. NATO enlargement is not a step we will take lightly. It involves the most solemn commitments that one nation can make to another. New allies will be full members of NATO, with all the
benefits that entails. But they must be ready to assume the full risks, costs, and responsibilities as well.

This year NATO has entered the second phase of a process that has been gradual, deliberate, and transparent. NATO has begun intensive consultations with interested partners to determine what they must do, and what NATO must do, to prepare for enlargement. Based on the results, we will decide on next steps in December. We are determined to move forward. NATO has made a commitment to take in new members and it must not and will not keep new democracies in the waiting room forever. NATO enlargement is on track and it will happen.

By extending NATO’s guarantees to strong, new democracies, we will extend the area where conflicts are deterred. This will make it less likely that we will ever again have to send American troops to fight in this region. Enlargement will help us erase a Cold-War dividing line drawn solely by the accident of where the Red Army stopped in 1945. The prospect of enlargement has also given every potential member an incentive to maintain democracy and good relations with their neighbors. In this way, enlargement will benefit members and non-members alike.

Indeed, by encouraging the peaceful resolution of disputes between countries like Hungary and Slovakia, NATO has already become a force for conflict prevention in this region. The United States and every NATO ally looks forward to Slovakia’s ratification of its treaty with Hungary, and we hope that Hungary and Romania will reach a similar agreement soon.

NATO is the linchpin of European security, but other institutions are also critical. The OSCE is vital because true stability depends on the standards it promotes: respect for an open society and for the rule of law. This year, the OSCE will test its new operational role as it supervises elections in Bosnia.

The enlargement of the EU is just as critical to the future of central and eastern Europe as the enlargement of NATO. It will tear down what Lech Walesa called the “Silk Curtain,” the artificial economic barrier that still divides Europe between east and west. The standards the EU establishes will lock in democratic and market reforms and give this region’s courageous entrepreneurs a fair chance to compete in a single European market. The EU must maintain its momentum toward enlargement.

Let me make one final, critical point about our strategy of integration. The process will be inclusive. It will not build new walls across this continent. It will not recognize any fundamental divide among the Catholic, Orthodox and Islamic parts of Europe. That kind of thinking fueled the killing in the former Yugoslavia and it must have no place in the Europe we are building.

The enlargement of Western institutions will naturally begin with the strongest candidates for membership -- if it did not start with them, it would not start at all. But our goal is not to help these nations “escape” from central and eastern Europe at the expense of their neighbors. Those who are first have an obligation to ensure their membership keeps the door open for others.
Ukraine’s integration is especially important to stability and security in this region. That is why we value Ukraine’s participation in the Partnership for Peace, why we want NATO and Ukraine to build a strong relationship, and why we will participate in a major military exercise in Ukraine this summer. Yesterday in Kiev, I reaffirmed America’s commitment to Ukraine’s freedom, independence, and prosperity.

It is also critical that Russia take its rightful place in the new Europe. Nowhere is it more important that democracy take root. Russia’s reform efforts are under strain and success is not assured. But we support reform because in the long run, its success benefits not only the Russian people but Europe and America as well.

One of the central issues in the future of Europe will be Russia’s relationship with its newly independent neighbors. Last week, we were confronted with a dark vision of that future when the Russian Duma voted in favor of reconstituting the U.S.S.R. But history must not be reversed. Five years ago, millions of former Soviet citizens freely chose independence and the United States will continue to support their right and determination to keep it. I applaud President Yeltsin for opposing the Duma resolution. He and most Russians understand that Russia’s interests lie in treating all its neighbors as equal, sovereign partners in an integrated Europe.

On Friday, I will be meeting with President Yeltsin and Foreign Minister Primakov in Moscow. We will discuss our common interest in the safety of nuclear weapons and nuclear reactors to prepare for the April nuclear summit. We will review our efforts on arms control, including our goal of a comprehensive nuclear test ban. And we will discuss the positive contribution Russia can make to European security. Russia can and should develop a cooperative relationship with NATO, in and beyond the Partnership for Peace, building on our cooperation in Bosnia.

We must avoid the danger of three Europes: a prosperous, stable west, a center on its way to NATO and the EU, and an east consigned to isolation and crisis. Central Europe’s integration will neither determine, nor be determined, by events in Russia. But we have an equal interest in integrating, not isolating, Russia.

Of course, Russia must not isolate itself. Its integration, like that of central Europe, will depend on the choices its leaders and its people make. Integration depends on adherence to international norms at home and abroad.

Today, every nation in this region can make the choices that lead to an undivided Europe: a Europe whose eastern frontiers are determined by shared values, not by geography or history. As President Clinton said in Prague: “Freedom’s boundaries now should be defined by new behavior, not old history.” The West itself must be open to open societies and open markets everywhere.

Europe’s new democracies were born in a peaceful struggle for dignity. That struggle committed millions of Czechs, Slovaks, Poles, Romanians, Russians and others to the highest
standards of solidarity, civility and courage. It created a generation that, in the words of Pope John Paul II, "called good and evil by their name, and did not blur the picture."

That special history gives you a special role to play, in partnership with the United States, in Europe's future. For each of us, that role must live up to what President Havel has called "the politics of responsibility." We must accept the responsibility to uphold the ideals that set us free.

So let us rededicate ourselves to an old goal. Let us build a Europe of sovereign, equal democracies, united with each other and America by shared values and institutions. Let us build a Europe where you can always count on us and we can always count on you. Let us make this vision a reality in our time, not in our children's time.

Thank you very much.

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