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## **Clinton Presidential Records Mandatory Declassification Review**

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1.4c, 3.5c

**Boris Grigor'yevich FEDOROV**  
(Phonetic: FYOHduruff)

**RUSSIA**

*Deputy Premier (since December 1992);  
Minister of Finance (since  
26 March 1993)*

*Addressed as: Mr. Minister*



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Brought into the government in order to balance the appointment of a premier without an economics background, Boris Fedorov—a longtime proponent of market reform—now stands at the center of Russia's battle over the pace and scope of economic reform. Ideally qualified to serve as deputy premier for economics and finance, Fedorov's duties were expanded during Yel'tsin's latest confrontation with the legislature to include the portfolio of Finance Minister—a post that strengthens Fedorov's control over monetary and fiscal policy.

[Redacted] 1.4c, 1.4d

[Redacted] One of Russia's top financial experts, Fedorov has a strong grounding in market economics and practical experience in Soviet and Western financial institutions.

[Redacted] 1.4c, 1.4d

[Redacted] he remarked in early February 1993 that "the government has a maximum of one or two months to start acting resolutely" to avert an economic catastrophe.

[Redacted] 3.5c

Fedorov has repeatedly stressed that Russia must pursue a tight monetary policy to avoid hyperinflation. He notes that the country's underdeveloped money market is not up to this task, requiring the government instead to restrict the amount of credit it extends. Fedorov acknowledges that some support to industry will continue but says the government must formulate a comprehensive policy approach to identify priority sectors and

***Pressing for Focused, Visible Aid***

*Fedorov believes the West should concentrate its technical assistance on concrete projects that would have immediate political and economic impact.*

[Redacted] 1.4c, 1.4d

*He urged the United States to focus on large-scale, highly visible programs, particularly in the area of training and exchanges, and to use its influence to help design multilateral as well as bilateral programs. Fedorov also argued that the West needs to do more to strengthen Russia's social safety net. As Russia's envoy to the mid-March meeting of representatives of the Group of Seven nations, Fedorov suggested that a social fund be created for Russia's unemployed if tight credit policies are instituted. He also suggested developing a program to encourage the growth of small businesses in order to create jobs.*

[Redacted] 3.5c

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[Redacted] 1.4c, 3.5c

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1.4c, 3.5c

regions. As part of this effort, he intends to establish controls to monitor the amount of credits and subsidies that are issued and to verify that they are put toward their intended use. Fedorov also chairs a new credit policy commission that will approve credits for specific industries. 3.5c

1.4c, 1.4d

A graduate of the Moscow Financial Institute—the top Soviet school for banking and finance specialists—he reportedly earned his doctorate in economic sciences in record time from Moscow State University. His classmates there probably included former Acting Premier Yegor Gaydar and members of Gaydar's inner circle. 1.4c, 1.4d

1.4c, 1.4d, 3.5c

Fedorov's dissertation on the investment capital market in Western economies showed a firm grasp of theoretical and practical applications. During 1980-87, Fedorov worked at the Currency-Economic Administration of the Soviet State Bank (Gosbank); press reports say the bank recruited him after he delivered a speech in the West that was critical of Soviet bankers. While at Gosbank, Fedorov monitored the efforts of then Prime Minister Margaret Thatcher to deregulate Britain's economy. He then became a research associate at the Institute of World Economics and International Relations, publishing several noteworthy articles on ruble convertibility and credit policy. 3.5c

Fedorov's subsequent positions strengthened his experience, contacts, and exposure to the West. According to press reports, during the early years of *perestroika* he tried to establish a commercial bank, an attempt thwarted by the bureaucracy. Fedorov was a visiting researcher at Glasgow University in early 1989; 1.4c, 1.4d he learned a great deal about a market economy just by being on his own in the West and seeing how the system worked. 3.5c

In a recent interview noted in the Western press, Fedorov joked, "Either you send sailors to occupy the Central Bank," (referring to Lenin's use of force to break up Russia's Constituent Assembly in 1918) "or the bank should probably assume all responsibility for the economy and run it. Then we shall see how they stimulate long-term investment at low interest rates with inflation at 1,000 percent." Although Fedorov had earlier hoped to find common ground with Gerashchenko, at a late March press briefing he openly called for Gerashchenko's removal, asserting that three months of negotiations have been rebuffed by the bank, which, according to Fedorov, is "actively sabotaging" economic reform, IMF talks, and ruble-zone discipline. 3.5c

After returning to Moscow, Fedorov worked at the Communist Party Central Committee Socioeconomic Department, where he became acquainted with many senior leaders. In July 1990, Yel'tsin tapped Fedorov to be the Russian Republic's Finance Minister; cabinet colleagues included then Deputy Premier Grigoriy Yavlinskiy, an original author of the 500 Days reform program. Fedorov resigned his post at the end of the year to protest lax monetary policy and because his

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1.4c, 3.5c

1.4c, 3.5c

authority had been overruled. From February 1991 until October 1992 he headed the department for Soviet (later Russian) affairs at the European Bank for Reconstruction and Development in London. According to the Western press, while working in London, he sent advice to the reformist Russian government in the form of *Notes From Afar*, a humorous reference to Lenin's commentaries on the revolution, which began without him in 1917. Fedorov was appointed Russia's executive director to the World Bank in the fall of 1992;

1.4c, 1.4d, 3.5c

**Personal Notes**

Fedorov was born on 13 February 1958 in Moscow.

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Fedorov speaks excellent English.

Married, he has two children.

3.5c

29 March 1993

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THE SECRETARY OF DEFENSE

WASHINGTON, THE DISTRICT OF COLUMBIA

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MEMORANDUM FOR THE PRESIDENT

31 MAR 1993

SUBJECT: Thickening Our Defense Relationship With The Russian Armed Forces

At our meeting earlier today, you asked for more information on our effort to intensify defense cooperation with Russia. As you observed, the Russian military is the single most important hinge on which the future of Russian reform will swing. If the military leadership there had supported the 1991 coup attempt, we would be dealing now with a very different Russia, with all that would mean for your efforts to concentrate on our domestic economy, reduce the defense budget, and bring down the deficit. As I said in my budget presentation to the Congress, the future of Russia represents the dominant variable in defining US defense requirements for the this decade and beyond. Russia's military is the institution whose acquiescence in reform is a necessary condition for continuation, whose skepticism about alternatives is the most powerful deterrent.

This memorandum begins by trying to give you a sense of the state of mind of the senior leadership of the Russian Armed Forces. It then describes the general strategy we at DOD are pursuing to engage this critical constituency; outlines the specific activities we now have underway in this regard; and suggests further steps we might take. I have attached talking points on this subject that you might use with President Yeltsin.

1. Where is the Russian Army today? Russian officers are very unhappy campers. They spent nearly all of their professional lives in the communist system which in their eyes gave them the noble mission of defending the motherland; offered them prestige within the society; and provided a comfortable standard of living for them and their families. That world has collapsed. Their empire was lost. Their country was dismembered. Their old political and economic systems were condemned and transformed. Their military profession became reviled. And now they are forced to struggle to keep their families fed, clothed, and housed.

At the same time, it has become a major challenge for them to practice their military craft. Massive downsizing is occurring with little planning and less thought. Political support for the Armed Forces is low. Conscription is failing. Readiness has disintegrated. Tens of thousands of Russian officers are without housing. Many local commanders have trouble feeding the troops. Discipline in the ranks is breaking down. Command and control is weakening. Corruption within the military is endemic. Inflation has made their pensions worthless. (At the official exchange rate, a US Colonel's salary exceeds that of the cumulative salaries of a Russian motorized rifle battalion). Ukraine threatens to become a nuclear weapons state. Civil wars rage on Russia's borders. And America crows that it won

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the Cold War. Little wonder that Yeltsin worries that these officers will become so fed up that they will put an end to Russia's fledgling democratic experiment.

2. What is our strategy? Engaging senior Russian military leadership in ways that create for them real stakes in a cooperative US-Russian relationship is a principal strategic objective of your Pentagon. We seek to build on the military-to-military contacts of recent years towards a real partnership between our two defense establishments at all levels. We want to win their hearts, minds, and guts. Central truths we want them to feel in their bones: (1) the US recognizes and respects Russia as a great nation and great power (we are anti-Communist but pro-Russian); (2) we do not regard them as our enemy and don't want them to think of us as an enemy; (3) we genuinely want them to succeed and are eager to cooperate with them to that end; and (4) cooperation with the US offers their best/only hope for reconstruction of a Russia of which they can be proud patriots.

As you would expect, the Cold War habits of the Russian Armed Services are not easy to break and the process will be a long one. On January 21, I sent a letter to Grachev reiterating an invitation for him to visit the US. His Commander in Chief, Russian Ground Forces, spent a week with Army Chief of Staff Sullivan in February. At the end of his visit General Semynov summarized his impressions in a phrase: "We want to be like you." At the professional-to-professional level Russia's military see their American counterparts as the model of success. These are examples of a strategy of "bonding." We want a thick substantive relationship in which we really get to know the top two dozen Russian general officers, then the top hundred, then the top thousand up and comers. We want to extend from intense personal engagement to ongoing joint activity like joint exercises in peacekeeping and other "new-world missions" as Chairman Powell says. This activity can both help them define rewarding roles for themselves and create continuing equities in cooperation. And we want to complement high-level relationships with much larger numbers of mid-level officers of all Russian services, who represent the future of the Russian military and whose orientations are also of great importance to our future defense relationship.

We had hoped to sign a Memorandum of Understanding that you and President Yeltsin could announce at Vancouver authorizing more than a dozen areas of cooperation between our two Defense Departments and militaries. On Monday in Brussels Grachev told Bill Perry he would not be attending the Summit because he and Yeltsin could not be out of the country at the same time. He proposed that the MOU should therefore be signed when Grachev makes an official visit to the United States in June. Nevertheless, we are pressing ahead with attempts to arrange joint peacekeeping exercises, search and rescue exercises, visits here by senior Russian generals, joint staff talks, staff talks between the respective services, and a variety of officer exchanges, including young cadets from the service academies. And I am trying to arrange an informal meeting with Grachev in the next six weeks to see if I can forge a personal relationship with him in order to

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make all these steps easier on the Russian side.

As for the future, we need to do more -- a lot more. We have \$9 million this fiscal year in Nunn-Lugar funds to use for this purpose and plan to send two or three times that much next year in order to thicken the defense-defense relationship between the US and Russia. In addition to increasing the frequency and intensity of the initiatives listed above, subjects we need to pursue with the Russian military leadership in a systematic way include problems in force structure downsizing; trade-offs between procurement and readiness; military doctrine; defense conversion; nuclear dismantlement and the future of nuclear weapons; dealing with violent ethnic disputes; UN peacekeeping; the future of European security institutions and especially NATO; the proliferation of weapons of mass destruction; and the dangers of Islamic extremism. The vehicles for this would be regular and frequent conversations between the Defense Ministers, Chairmen, Service Chiefs, senior OSD officials, as well as the staff talks mentioned above.

In addition, we could help much more substantially than is now planned for the Vancouver summit to assist with construction of housing for Russian officers; take part in training their personnel who are leaving the military including those who wish to become farmers; and provide loans especially directed at Russian officers who seek to get a start in the private sector. Finally, we need to get more US non-governmental organizations such as universities and think tanks to mount their own programs to increase interaction with the Russian military.

One caution concerns how we package our efforts at cooperation. The Russian military is a proud organization with a long history. They will not accept charity -- or what they perceive as charity -- from the United States. We need to present our proposals in ways that do not insult or damage the tenuous ego and self-esteem of the Russian officer corps. We want to emphasize joint programs, joint activities, and a true cooperative partnership.

None of this will be easy. The Russian military leadership is living through Hurricane Andrew every day. It is very hard to get their attention and keep it long enough to accomplish anything. They have many misperceptions about the United States that have to be overcome. But we must try to engage them with purpose, focus, energy and stamina. For if we do not, we will increase the chances that one day, they will go over to the other side in the ongoing Russian revolution.

Attachment  
as stated

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THE PRESIDENT HAS SEEN 4/3/93

THE WHITE HOUSE  
WASHINGTON

April 1, 1993

INFORMATION

MEMORANDUM FOR THE PRESIDENT

FROM: ANTHONY LAKE

SUBJECT; Your Meeting with Russian President Boris Yeltsin

Your summit meeting with President Yeltsin will include a bilateral meeting with Prime Minister Mulroney, a trilateral lunch, a one-on-one meeting with President Yeltsin, a working dinner, a bilateral meeting on Sunday, and a joint press conference. This briefing package contains:

MUST READ ITEMS:

Scenesetters

- NSC Scope Paper
- Memorandum from Secretary Christopher
- Memorandum from Secretary Aspin
- Summary of Key Points for Summit

Summit Schedule

- Contingency Arrival Statement

Bilateral Meeting with Prime Minister Mulroney

- Scope Paper
- Talking Points

Trilateral Lunch

- Scope Paper
- Talking Points

One-on-One Meeting with President Yeltsin (Bilateral Issues)

- Scope Paper
- Talking Points

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2/27/2017 KBH

Working Dinner (Economic Issues)

- Scope Paper
- Assistance Package Background
- Talking Points
- Dinner Toast

Sunday Bilateral Meeting (Security Issues and Foreign Policy)

- Scope Paper
- Talking Points

Press Background

- Press Statement for Sunday
- Joint Statement (Vancouver Declaration)

Press Q's and A's

ADDITIONAL BACKGROUND MATERIALS:

Congressional Letters

Background Papers

- Bilateral Issues
- Economic Issues
- Security Issues
- Foreign Policy Issues
- Canadian Views on Summit Issues and Bilateral Issues
- Fact Sheets to be Released to the Press

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