

The IMF-Russian Negotiations and Proliferation of Nuclear Weapons

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The continuing standoff between the Russian government and the IMF threatens the nuclear non-proliferation regime. Dialogue with the Russian government, the Cooperative Threat Reduction program (also known as Nunn-Lugar), sanctions against Russian firms suspected of cooperation with Iran, even an agreement to allow national missile defense all could be invalidated if the Primakov government does not reach an agreement with the IMF.

US nuclear non-proliferation policy is predicated on the assumption that the Russian government (like its Soviet predecessor) supports the regime as a fundamental Russian interest. According to this view, one needs only to keep the Russian government in line, deflect domestic pressures for cooperation with Iran and India, stop illicit transfers of technology, and ensure that no fissile materials are stolen.

However, what if Russian support is more fragile and the next Russian government does not support the nuclear non-proliferation regime? What if it decides that the whole international system is so unacceptable to Russia that the Non-Proliferation Treaty (NPT) is no longer in its interests? Without active Russian cooperation, the regime will collapse: there is essentially nothing the United States can do unilaterally to counter a massive breakdown of the NPT. The importance of the Russian government's cooperation is not fully appreciated.

The essence of the looming crisis is simple. Facing criticism of its past performance, the IMF has apparently decided to become tough with Russia and insist on an economically sound budget. Its bargaining position is very strong: Russia cannot make payments on its debts in 1999 if the IMF does not refinance the debt, and the only alternative is default. The Primakov government is reluctant to accept the IMF demands because they are almost certain to increase social tension even further and--at least in the view of government economists--would mean the complete and irreversible demise of Russian industry.

The problem with the IMF stance is that the prospect of default is powerful leverage only as long as it remains a threat. Leverage will disappear once the threat is implemented. Russia's response is likely to proceed from the following:

- The ongoing economic crisis is firmly associated with the West. The perception that the West (and the United States in particular) is trying to "bury" Russia is furthered by NATO enlargement, disagreements over Bosnia and Kosovo, and looming conflict in the Southern Caucasus--which are all viewed as immediate military threats. The post-Cold War international system has turned out to be a very inhospitable environment for Russia.
- The semblance of normalcy in economic relations between Russia and the West--primarily the continuing hope that debt payments will be refinanced--is about the last thread tying Russia to the existing international system and network of international regimes, including the NPT. Default, which includes the seizure of Russian assets abroad, will effectively eliminate Russia's remaining stakes in "normal" relations.
- Default will cause an immediate and severe government crisis. Two generations of political leaders, who for various reasons were committed to the fundamental elements of the existing international system, will disappear from the scene: liberal internationalists (Yeltsin, Gaidar, Chubais), and great-power traditionalists (Primakov, Masluykov). In their place, the new generation will be extreme nationalists and revisionists more prone to initiating a radical shift in foreign policy.

The central principle of Russia's new policy will be "it can't get worse." If Russia cannot survive under the existing rules of the game, it must change the rules. The NPT is the Achilles heel of the international system, and thus might be the first to go. The United States is far more vulnerable than Russia to the loss of the NPT regime: few states in the world threaten Russia with nuclear weapons, but plenty of states and political groups desire capability to threaten the United States.

Russia would undoubtedly face major problems some five or ten years after nuclear proliferation were to occur. This realization is one of the reasons why Russia continues to support the non-proliferation regime today. However, under current conditions, loss of the NPT would hold few immediate negative consequences for Russia, while the West stands to lose the most. In fact, Russia might even realize short-term benefits: revitalization of its defense industry; nuclear weapons might again become a usable policy instrument; and diversion of the West's attention to other threats, providing a temporary relief for Russia. After default, the West will no longer have leverage over Russian policy, and Russia's nuclear arsenal will prohibit "punishment" with military force.

The solution to this doomsday scenario is keeping the Primakov government in place, which requires debt relief in 1999. There is no need for the US to go further and underwrite his economic policy. In any event, it is not reasonable to commit significant resources just prior to the parliamentary and presidential elections, the outcome of which is uncertain. Rather, it is vital to avoid a situation where possible economic collapse and default are associated with the West. If Primakov fails, this should be his responsibility. If he succeeds, the West can claim a role in this success.

Debt relief could be provided in many ways. One option that the Russian government is currently trying to push is a credit to cover a significant portion (about half) of this year's payments. Another option that might limit cost is a one-year moratorium on debt payments. The West might take more seriously the idea of forgiving or suspending Soviet-era debt.

Furthermore, rather than dealing with Russian debt as an integrated whole, it would be wiser to de-link different portions of the package where possible. At the moment, everything depends on the outcome of the Russian-IMF talks. For example, Germany recently announced that it could consider restructuring part of Russia's debt only after it solves all outstanding issues with the IMF. Although this linkage is official G-7 policy, this approach only makes default more likely and could worsen its consequences. When weighing the financial costs of these or other courses of action, it is absolutely crucial to keep in mind the potential costs of nuclear proliferation.

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