



JAMES A. BAKER III INSTITUTE FOR PUBLIC POLICY  
RICE UNIVERSITY

LUNCHEON REMARKS AT THE CONFERENCE  
“RUSSIA AND THE CASPIAN STATES  
IN THE GLOBAL ENERGY BALANCE”

BY

HIS EXCELLENCY ALEXANDER A. BESSMERTNYKH

PRESIDENT  
FOREIGN POLICY ASSOCIATION

MARCH 20, 2009

THE RITZ-CARLTON HOTEL  
MOSCOW, RUSSIAN FEDERATION

**Luncheon Remarks: “Russia and the Caspian States in the Global Energy Balance”**

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## **Luncheon Remarks: “Russia and the Caspian States in the Global Energy Balance”**

I feel privileged to share some of my thoughts with such a fine group of people who are here today.

Jim’s presentation was excellent in all respects — deep, analytical, perceptive and pragmatic. I am not surprised by that. We have been working together as hard as one can do at the time of closing down the Cold War. One of Russian historians later wrote that “Baker-Bessmertnykh tandem was more productive than some of the previous ones.”

I am proud of that hard working partnership during a very critical period in history. I am proud because finally both of our nations were winners, looking down together at the exhausted body of the Cold War.

After almost 2 decades filled with initially boundless enthusiasm (when young democracy in Russia was viewed as a panacea and protector of smooth and friendly ties between U.S. and Russia), and disillusionment caused by incidents of a painful and unexpected return to the world scene of more traditional misunderstandings, suspicions and mistrust. Our two nations were caught in these gusts of cool and smoggy winds.

But the relations survived and have pretty reliable perspectives of moving to the solid ground of interdependent and strong ties.

Can we look at these perspectives as hopeful and practical ones?

I would say “yes.” For a number of reasons.

First, we have new, intelligent and good-willing leadership in both capitals. They can afford to start again, to produce fresh ideas and sound decisions.

Second, our public opinion, which was strongly disoriented within the last decade about the intentions of the other side, is prepared and willing to accept a positive change in our relationship.

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Third, Russia is no more ideologically oriented, as the Soviet Union was, and in that sense Russian and American strategies are almost equally pragmatic which allows us more freedom to merge our negotiating positions.

Fourth. Threats to U.S. and Russian national security — with certain exceptions — are almost coinciding. So we can work together even in that sensitive area.

And fifth, U.S.-Russian relations are no more overshadowing the global processes. Therefore they should not invite usual suspicions, jealousies and hidden resistance from other states. So if we manage to produce a good example of constructing well-balanced ties, it would be an indicative moment for others to follow.

The current global financial and economic crisis is paradoxically helpful for strengthening our mutual willingness to work closer together. This crisis is an ocean in storm. And centuries old maritime traditions demand that we do our best to help each other.

Still, the task is not easy.

It became modish recently to talk about resetting Russian-American relations. In my view, that term limits the array of options for our bilateral developments.

The reset agenda which is now discussed is basically good, but still a reincarnation of the past one. It is still good but not exhaustive enough: same prints nuclear arms control, non-proliferation, anti-missile defense in Europe, Iran, Afghanistan, NATO expansion.

It does not reflect the fact, as President Medvedev said, that “we live in a new reality.” Or, as President Obama said, a reconsideration of foreign policy priorities is needed.

Yes, we have to deal with a nuclear threat. Twenty-three thousand nuclear weapons belonging to nine countries are still programmed to launch in minutes.

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And we have to deal with that — but with more imagination. We have to move to eliminate all nuclear weapons worldwide. I hope our presidents meeting soon in London would tackle to that issue.

The 21st century is going to be an energy age. Better conditions for production and distribution of energy will have to be a central program of our agenda. The idea is to avoid turning it into another conflicting area dividing nations into counteracting groups or so called camps. There are certain plans in the works which are intended to restrict Russian natural gas and oil reaching markets in Europe and elsewhere. Energy resources like water have to be a privileged consumption item for all. Pipelines are feeding tubes for economic development of many nations. Therefore there should be an international understanding about the necessity to secure, to protect energy networks not only from a damaging abuse, but also from using those as a political or economic weapon against either producers or users. It is probably a special area for cooperation between U.S., Europe, Russia, Central Asia, China, India, Japan and the rest of the world.

When we look at the decades old U.S.-Russia agenda, we see that an enormously important item is still absent there. The item which tops the agendas of U.S.-China, U.S.-India, U.S.-Europe and other American relationship. But in the case of U.S. and Russia there is a huge gap which explains vibrational character of our contacts, with so many ups and downs there. What I mean is a low level of our economic markets interaction, although lately there was a certain upsurge but definitely inadequate.

It was due to market activities, which produce a powerful magnetic effect, that Washington, Beijing and Delhi found themselves embraced in a tight semi-allied political brotherhood. (I say that with a slight exaggeration — just to make the point.)

An absence of this kind of strong ties between the U.S. and the Soviet Union was understandable — there were ideological and structural incompatibility. But now when Russia is a democratic country with a market economy it is really a tragic omission or a mistake.

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The global financial and economic crises and its probable consequences clearly indicate – we are moving into a new world. We shall probably need to raise from national level of thinking to global thinking about global issues.

That would require that we reform our minds, enabling them to absorb the depth and the scale of those issues, their interactions.

The new age needs new theories in politics, economics and geostrategies. Like in physics. When at the beginning of the 20th century experiments went beyond classical mechanics, a new theory of quantum physics emerged.

The current economic chaos shows that the theory of probability (which is basic for modern economic thinking) is no more valid in economic analysis.

We have to stop running around the same circles decades after decades, always resetting ourselves to start that running again.

We need to get out of the matrix which paralyses our wisdom and courage to reconstruct the global system in a way that would allow all nations, U.S. and Russia included, to rechannel global developments to a higher level of peace and prosperity, which we all deserve.