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U.S.-RUSSIA RELATIONS:  
RECOMMENDATIONS FOR THE NEXT ADMINISTRATION

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### Overview

Russia may no longer be a superpower, but its vast size alone—the country stretches across eight time zones—makes it a regional actor in European, Central Asian, and Far Eastern affairs. It is also one of the world's most important energy producers. Russia's petroleum exports are second only to Saudi Arabia. It is the leading supplier of natural gas to global markets, notably Europe. At the same time, Russia still boasts a nuclear arsenal in excess of 5,000 strategic and tactical warheads. Not least, Russia is positioned—in international forums like the United Nations Security Council and in countries around its periphery—to cause mischief to U.S. interests and initiatives.

Relations between Washington and Moscow have fallen to their post-Cold War nadir in the wake of the Russo-Georgian war of August 2008. Your administration will not find dealing with Moscow easy. Our interests diverge, sometimes sharply, on a number of key issues. But you can—and should—take steps to halt the deterioration in relations and identify areas of common interest. We recommend that you:

1. Put U.S.–Russian relations on a businesslike footing
2. Reduce public criticism of the Russian regime
3. Go slow with NATO expansion
4. Reassess Eastern European missile defense
5. Offer Russia NATO membership
6. Begin a new round of nuclear arms reductions talks
7. Neutralize Russian obstruction over Iran by directly engaging Tehran in talks
8. Support European efforts to diversify its natural gas supply
9. Encourage Russian hydrocarbon production

### Background

Russia holds an anomalous position in the global system. It is not a status quo power, like the United States and its allies in Western Europe and East Asia, with a direct stake in existing formal and informal international arrangements. It is not an emerging power, like China or India, with populations and growth rates that guarantee them an ever more important role in world affairs. Nor is it a “rogue state,” like Iran or North Korea, largely isolated from the international system. Russia is, in many ways, *sui generis*.

While it has recovered from the economic collapse and political chaos of the 1990s, Russia remains a shadow of the old Soviet Union. It has lost its empire in Eastern Europe, the Caucasus, and Central Asia. It no longer constitutes a major conventional military threat to NATO. Moscow cannot count, as it once did, on the unqualified support of an array of client states in Central America, Africa, and the Middle East. And, with the collapse of communism, it no longer represents a viable ideological alternative to democratic capitalism. In broad historic terms, Russia remains a power in relative decline.

Still, it would be a mistake to discount Russia. This was brought home with a vengeance by the Russo-Georgian war of August 2008. Though of short duration (five days) and modest geographic scope—fighting was largely limited to the breakaway Georgian region of South Ossetia and areas contiguous to it—the international impact of the conflict was dramatic.

The Russo-Georgian dispute is only one of a long list of differences between Washington and Moscow. Many center on U.S. policy in former Warsaw Pact countries and the newly independent states of the Caucasus and Central Asia. (Russia refers to the latter as its “Near Abroad.”) Moscow continues to object to NATO expansion to countries like Ukraine and Georgia. It is no less vociferous in its opposition to our plans to deploy a missile defense system in the Czech Republic and Poland. It is tolerant, but only that, of Washington’s attempts to expand military cooperation with other states in Central Asia. And it remains concerned by U.S. support for oil and gas pipeline routes in the regions that bypass Russia. (Washington extended

extensive diplomatic and financial support to the Baku–Tbilisi–Ceyhan petroleum pipeline that went into operation in 2005.)

Moscow has been unsurprisingly dismissive of Washington’s criticism of its human rights policies. The Russian government has been blunt in pointing out what it calls the hypocrisy of the Bush administration—with its record of rendition, torture, and detention without charge—in presuming to lecture anyone on human rights. In the broader international arena, Moscow has played a largely obstructionist role in U.S.-led efforts, at the United Nations and elsewhere, to compel Iran’s cessation of its nuclear weapons program. And anti-American rhetoric is increasingly a staple of Russian government pronouncements.

How did U.S.-Russian relations come to this point? In June 2001, President George W. Bush famously looked into Russian President Vladimir Putin’s soul and saw a statesman with whom he could work. A year later, Washington and Moscow signed the Strategic Offensive Reductions Treaty, which dramatically cut the number of strategic weapons deployed by each side. In 2002–2003, Russia, unlike traditional U.S. allies France and Germany, remained largely immune from Bush administration criticism for its opposition to the U.S. invasion of Iraq.

Why the change? On one level, the answer is easy: energy prices.

Both petroleum and natural gas prices rose five-fold between early 2002 and their 2008 peaks. This led to a giant financial windfall for Russia, which depends heavily upon energy exports for both economic growth and government revenue. High hydrocarbon prices have permitted President (and later Prime Minister) Putin to consolidate his political position at home and bolster Russia’s status abroad. A brief cut-off of gas supplies to Ukraine in 2006 raised concerns in European capitals and Washington that Moscow stood prepared to use energy as a blunt instrument of its foreign policy.

But more than rising energy prices have played into deteriorating U.S.-Russian relations. The seeds of the current situation date back to the end of the Cold War and collapse of the Soviet Union. Washington welcomed Moscow’s new democratic government, offering both (fulsome)

diplomatic and (modest) economic support for President Boris Yeltsin. But Washington also moved, beginning under President George H.W. Bush and continuing under presidents Bill Clinton and George W. Bush, to expand NATO into Eastern Europe. At the same time, Washington increased its diplomatic, economic and, in some cases, military presence in the Caucasus and Central Asia. We did so for any number of reasons: to hedge against the possible return of Russian expansionism; to consolidate the political and economic transformation of former Warsaw Pact countries like the Czech Republic and Poland; to bolster the sovereignty of fledgling states in Russia's "Near Abroad"; and, at least in part, to appease domestic constituencies, notably Americans of Eastern European descent.

Whatever Washington's motives—and they assuredly have been mixed and at times contradictory—the fact remains that the United States has pushed our sphere of influence right up the borders of Russia. It is hard to imagine any Russian regime, whether democratic or authoritarian, gracefully acceding to this state of affairs. But Russia—plunged into economic crisis and political chaos for much of the 1990s—was in no position to do much more than complain. With the ascendance of Vladimir Putin in 1999 and the rise in energy prices, that changed.

Nor should we forget Russian history. Complex attitudes toward the West long predate Putin's rise. They reach, in fact, back to the emergence of modern Russia in the seventeenth century. The West has prompted both admiration and fear over the course of the country's history. Both reactions are understandable. Russia has lagged behind Western Europe in economic development for hundreds of years. And it has routinely felt victimized by European powers: Sweden in the eighteenth century, France and Britain during the Crimean War, Germany during World Wars I and II. We need not overdraw the case. But there is no doubt that Russia has historically been the scene of conflict between those who look to the West with optimism and those who view it with suspicion. However the conflict is cast—as Westerners vs. Easterners, as liberals vs. nationalists, as internationalists vs. imperialists—Russia remains a country with highly ambiguous views of the West in general and the United States in particular.

The election of Putin's hand-picked successor, Dimitry Medvedev, as president has left now-Prime Minister Putin still very much in control of the apparatus of government; he might well run for the presidency again when Medvedev's term expires in 2012 (or earlier, should Medvedev, perhaps at Putin's behest, resign). But there may be storm clouds ahead for Putin and for Russia.

The recent decline in energy prices, if sustained, will deal a heavy blow to Russian economic growth and its government's fiscal position. Moreover, the world financial crisis has wreaked havoc in Russian markets and increased pressure on the ruble as investors flee to less risky currencies, notably the dollar. The Russian government has built up hard currency reserves of over \$500 billion against such an emergency to avoid a repetition of the collapse of the ruble in 1998. But whether half a trillion dollars will be sufficient is doubtful. Any last-ditch defense of the ruble will almost certainly require interest rates so high as to cripple domestic investment and, therefore, Russian growth.

On its face, such a situation would suggest a weakening of Putin's position at home and Russian assertiveness abroad. But it might have the contrary effect. Faced with an economic emergency, Putin could seize the opportunity to further broaden the scope of his domestic powers. There is evidence, for instance, that the Russian government may be using the current crisis to expand its role in the country's mining and industrial sectors. More dangerously from our point of view, Putin might resort to foreign saber rattling to rally flagging support among economically hard-pressed Russians. It is important to recall that Russian weakness does not necessarily translate into stronger neighbors along its borders. They, too, will be hurt by the global economic slowdown. The oil exporters among them—notably Azerbaijan and Kazakhstan—must face declining petroleum prices without Russia's huge foreign currency reserves. At a minimum, you should not assume that Moscow's economic woes will reduce the imperative of crafting an effective policy towards Russia.

## Recommendations

1. **Put U.S-Russian relations on a businesslike footing.** Under the outgoing Bush administration, U.S. policy toward Russia has seemed sometimes to suffer from bipolar disorder, careening from breathless optimism to angry disenchantment. Putin is a hard-nosed realist. You will need to be a hard-nosed realist in dealing with him. But that does not mean we should forgo opportunities for common action where U.S. and Russian interests converge. Combating terrorism is clearly one of them. So is avoiding a Taliban victory in Afghanistan. Creating a high-level dialogue with Putin and President Medvedev is an important first step. A critical element of any dialogue is listening. And, at least when it comes to Russia, the Bush administration has often seemed deaf. Moscow made very clear, for instance, that it would consider Kosovar independence a definitive precedent for the Georgian regions of South Ossetia and Abkhazia. Perhaps this should not have dissuaded us from recognizing Kosovo. But Washington should not have been surprised at heightened tensions between Moscow and Tbilisi, nor Russian recognition of South Ossetia and Abkhazia.
2. **Reduce public criticism of the Russian regime.** There is admittedly much to deplore in Putin's Russia: the erosion of freedom of the press and other liberties, the lack of a viable political opposition, the reassertion of direct and indirect government control of major parts of the economy; and centralization of authority in one individual. Russia may be far from the totalitarian state of the Soviet era, but it comes nowhere close to a liberal democracy. However, constant criticism by Washington is at best, ineffective, and, at worst, counterproductive. For the moment, Putin's regime remains immensely popular among Russians. More U.S. criticism may only play into his hands. It is not hard to imagine Putin whipping up nationalist sentiment at a time when an economic downturn is undermining his domestic legitimacy. This does not mean that human rights and rule of law need disappear from the U.S.-Russian bilateral agenda. But public criticism should be minimized. At the very least, prompt movement to reverse Bush administration policies in such areas as torture and detention without trial will make our criticisms, even if muted, carry much more weight.

3. **Go slow with NATO expansion.** The Russo-Georgian war illustrates the huge risks of over-hasty expansion of NATO. Moscow's actions may have been both illegal and disproportionate. But the proximate cause of the bloodshed was Georgian president Mikheil Saakashvili's impetuous attempt to seize South Ossetia. Some argue that NATO membership would prevent Russian military action against Georgia in the future. Perhaps. But it might well prompt even more reckless action by the Georgian government in an attempt to secure NATO military support in its efforts to re-occupy South Ossetia and Abkhazia. Article 5 of the North Atlantic Treaty—which declares that an attack on one member country will be considered an attack on all—is a solemn pledge of mutual defense. To extend that pledge to Georgia at the current time means that you should be prepared to dispatch American combat troops if the Russo-Georgian dispute descended again into violence. Needless to say, this is not an appealing prospect, even if our military were not already heavily committed in Iraq and Afghanistan.

As president, you simply cannot allow the “tail to wag the dog” in places like Georgia and Ukraine. While humanitarian support for Georgia is appropriate, prudence demands that we carefully assess the risks and benefits of supporting early NATO membership. Other NATO members, especially Germany, are very wary of being drawn into the Russo-Georgian conflict. The NATO ministerial meeting of early December 2008 called for further cooperation with Georgia and Ukraine but stopped short of endorsing fast-track membership for either. It is a sensible compromise. The Roman injunction *festina lente* (“make haste slowly”) should be the motto of your administration's approach to expanding NATO.

4. **Reassess Eastern European missile defense.** The Bush administration's public rationale for providing missile defense to Eastern Europe—to protect Europe from a strike from Iran or North Korea—is disingenuous on its face. North Korea does not have a missile that can reach Europe. Iran does not have nuclear weapons; it is, moreover, unclear if and when Tehran will acquire them. While Iran has an established missile program, actually developing a deliverable nuclear warhead is an additional and daunting challenge. Even assuming that the purpose of the shield is to protect against Russian attack, deployment

still makes no sense. If, for whatever far-fetched reason, Moscow did want to launch a nuclear strike on Eastern Europe, it possesses enough missiles to overwhelm any shield. Eastern European missile defense, in short, is a solution in search of a problem. It provides false security to the Eastern Europeans; it unnecessarily irritates the Russians. Given existing U.S. commitments to Poland and the Czech Republic, it may prove impossible to abandon deployment of the shield in the short term. But any expansion should be deferred and removal should be considered as a bargaining chip in any new strategic talks with Moscow.

5. **Offer Russia NATO membership.** The idea of offering Moscow NATO membership is not new. It has been proposed by various observers, off and on, since the collapse of the Soviet Union. But it has never gained traction. And it has lost most of whatever appeal it may have had in the wake of Russia's more assertive foreign policy in the 2000s. But you should give it serious consideration. What purpose would an offer of membership serve? Today, Russia does not meet any number of formal and informal criteria for NATO membership. Its behavior falls far short in such areas as human rights, rule of law, and respect for international borders. Moreover, Putin's government would almost certainly reject any conditional offer. But outlining a path for eventual NATO membership would serve two important purposes. In the short term, it would help to shift the terms of debate on NATO expansion away from containing Russia and towards Eurasian collective security. In the longer term, it would create a plausible path by which a post-Putin regime could more closely integrate itself with the West on terms of equality.
6. **Begin a new round of nuclear arms reductions talks.** The Strategic Arms Reduction Treaty (START) expires in 2009. This provides an occasion for negotiations aimed at further reductions in U.S. and Russian arsenals. The sheer size of those arsenals—each capable of destroying much of the world—defies reason. Talks with Moscow could mark a first step toward an effort to reduce nuclear weapons worldwide. Whether this effort should include a formal endorsement of the zero nuclear weapons proposal of former Georgia Senator Sam Nunn, former Defense Secretary William Perry, and former Secretary of State Henry Kissinger is, perhaps, debatable. But there is no doubt that the

number of nuclear weapons worldwide exceeds any plausible strategic justification. A successor to START is a first and critical step in reducing their numbers.

7. **Neutralize Russian obstruction over Iran by directly engaging Tehran in talks.** You have already indicated your willingness to expand the scope of direct negotiations with Iran on its nuclear program and other issues of concern to the United States. Whether such talks will lead to greater transparency in Tehran's nuclear program is unclear; even less clear is whether negotiations could ultimately lead to a "grand bargain," under which full U.S. recognition of Tehran would be traded for Iranian concessions in its nuclear program and in its support for radical groups such as Hizbollah and Hamas. At a minimum, a good faith U.S. offer to negotiate without precondition places Tehran and, by extension, Moscow on the diplomatic defensive. At best, progress in U.S.–Iranian talks could render Russian obstruction at the United Nations moot.

Interestingly, improved relations with Tehran could include an end to U.S. opposition to oil and gas pipelines from Central Asia to the Persian Gulf through Iran. Such routes would lessen the dependence of Central Asian countries on Russia for transportation of their hydrocarbons. We should recall that Russia and Iran are energy competitors—both in terms of production and as potential pipeline routes. The current Moscow–Tehran entente is an artifact based on common opposition to Washington's policies. It should not be construed as permanent. Indeed, improved U.S.–Iranian relations would seriously undermine it.

8. **Support European efforts to diversify its natural gas supply.** Russia's four-day cutoff of gas to Ukraine in 2006 sent shock waves throughout Europe, which remains heavily dependent on Russian gas for electrical power generation. Whatever its reasons—and they are more complex than much of the Western news coverage suggested—the suspension has backfired. European countries, East and West, are seeking to diversify their sources of supply. Should natural gas enter a sustained period of depressed prices, Russia's leverage could further decline. Given the broader economic problems likely to beset Russia, Moscow will be less prone to ruffle its commercial relations with

dependable customers, especially Germany. True, Russia can inflict significant damage on European economies. But it can only do so by damaging its own. Energy dependence on Russia is essentially a European problem. And Europeans are the best judges of the risks associated with it. We should, however, be prepared to offer diplomatic—and in the case of the Eastern Europeans, financial—support for ongoing efforts at diversification.

9. **Encourage Russian hydrocarbon production.** The current economic downturn and decline in oil and gas prices make investment in future Russian production unattractive. But in the long term, increased Russian oil—and, we should not forget, natural gas—production will be critical in meeting world energy demand. Whatever the duration of the current global recession, economic growth will eventually return and, with it, rising demand for oil and gas. This is particularly true of China, where petroleum imports will rise as automobile use expands. Ironically, the current downturn may brighten the prospects for U.S. private involvement in Russia's hydrocarbon sector. Moscow has long been resistant to production-sharing agreements, under which foreign investors receive a share of production as payment. This opposition may ease in an environment of lower prices and higher borrowing costs.

Should the U.S. government encourage increased natural gas and, especially, oil production? You are committed to addressing global climate change. And a key element of reducing greenhouse gas emissions is increasing the cost of hydrocarbons to consumers. But it is surely better to do so by a carbon tax or cap-and-trade system than by allowing oil and gas prices to rise again because of inadequate production. In the former instance, windfall profits will accrue to the U.S. government to be returned to consumers through tax rebates or invested in clean technologies; in the latter, those windfalls accrue to energy producers. In short, increased hydrocarbon production—in Russia and elsewhere—is consistent with efforts to reduce greenhouse gas emissions.

## **Conclusion**

You assume the presidency at a time of extraordinary international challenges.

Your administration must move quickly to coordinate a response to the most severe global financial crisis since the Great Depression and a world recession of unknown severity, scope, and duration. Two costly wars—in Iraq and Afghanistan—will demand immediate attention. In the wake of November’s terrorist attack in Mumbai, averting Indo-Pakistani conflict has moved to the top of the U.S. foreign policy agenda. Addressing the nuclear ambitions of North Korea and, especially, Iran is simply too urgent to defer, even for a few months. And the Arab–Israeli dispute—that graveyard of failed American diplomatic initiatives—continues to simmer.

These, it must be stressed, are merely the most immediate of the major foreign policy challenges confronting your administration. Others include sustaining multilateral efforts to combat terrorism, rebuilding frayed ties to traditional American allies, engaging an ever more assertive China on a range of bilateral and regional issues, reviving moribund talks on trade and investment, and, not least, coordinating a global response to climate change at a time when most countries will be focused on short-term economic recovery rather than the long-term effects of rising atmospheric temperatures.

Then, of course, there will be the inevitable surprises. When asked what represented the greatest challenge confronting a statesman, British Prime Minister Harold MacMillan memorably replied: “Events, my dear boy, events.” As president, you too will be faced by “events.” It is all too easy to imagine them: a major terrorist attack against the United States or its allies; another round of U.S.–Chinese tensions over Taiwan; or severe political instability in countries like Egypt, Saudi Arabia, or Pakistan.

The last thing your administration will want to do is expend time and political capital on managing U.S.–Russian relations.

But you will have no choice.