

**REPAIRING U.S.-RUSSIAN RELATIONS:
A LONG ROAD AHEAD**

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EXECUTIVE SUMMARY

At the end of the Bush administration, relations between the United States and Russia had reached their lowest point since the Cold War. The promise of a new direction in U.S.-Russian relations since President Barak Obama's London meeting with President Dmitry Medvedev has led to expectations on both sides of the Atlantic that bilateral ties will improve substantially. Such a change would be highly desirable, for it would enhance the odds of success for many U.S. initiatives from the Middle East and Southwest Asia to the Far East and the Pacific. But that improvement will not come easily or quickly. It took years to reach the current nadir in the relationship between Washington and Moscow, and there are still questions remaining on their diverging values and competing interests that have to be resolved.

The August 2008 Russian-Georgian war was a watershed because it ended the chance of the United States and Europe reaching a broad partnership with Russia, an idea that influenced Western relations since the Cold War. Its purpose was forging a trans-Atlantic security arrangement based on shared values and common interests with Russia as its easternmost pillar. Its essential ingredients were admitting Russia in the Group of Eight and expanding NATO as the source of stability, security, and standards. It was expected that Moscow would become an active partner on emerging from its post-Soviet transition. But instead Russia insisted that any European security arrangement be based on a balance of interests. Firmly opposed to NATO expansion, Moscow has laid claim to the territory of the former Soviet Union as its privileged sphere. The events of August 2008 served as a warning to Georgia and Ukraine, as well as other neighboring states, to pay attention to Russian preferences. And it was a reminder to Washington, Brussels, and other European capitals that Moscow was ready to act forcefully in defense of its interests.

The United States and Europe must now devise a new formula for their relations with Russia. There is much at stake. For America, Russia is the other major nuclear power, the indispensable actor in the campaign against nuclear proliferation from Iran to North Korea, an important actor in the Middle East, a major force in energy markets, and a nation that by virtue of its position astride the Eurasian landmass controls key lines of communication across the Continent. The task of establishing a reliable, flexible logistics network to sustain operations in Afghanistan alone underscores the importance of Russia as the gateway to the heart of Eurasia.

Russia is a major commercial partner of Europe, an indispensable and irreplaceable source of natural gas as well as oil. It also shares the same continent and has deep cultural and historical ties with European nations. America and Europe cannot afford to either ignore or isolate Russia. As a consequence, the Allies face difficult choices. They cannot abandon the core principles that have guided Europe since the Cold War vis-à-vis Russian actions. But they cannot proceed as they have done over the last two decades. Either choice is bound to trigger a profound, even fatal split within NATO, whose most recent members feel exposed by their proximity to Russia. Moreover, the oldest European members of the Alliance have a more sanguine view of the challenge posed by Moscow at present and want to protect their long-standing equities in Russia.

One way around this impasse is accepting the Russian proposal for a new East-West dialogue on European security. While ill defined beyond general propositions that move from Cold War blocs toward an interest-based European system, the proposal offers an opportunity for the Allies to engage in a conversation on managing disagreements about Russia's role in its

neighborhood. Such a dialogue would offer a chance to persuade Moscow to commit to the core principles of European security enshrined in the Helsinki Accords in 1975. Most importantly, it could induce a much-needed exchange between the Alliance and Russia on the future of Europe that includes the states of the former Soviet Union, a conversation that has never taken place.

The Alliance should continue engaging with Georgia, Ukraine and other neighboring states as this dialogue plays out. But it should intensify and re-focus this engagement, especially with Georgia and Ukraine. The NATO Ministerial Meeting in December 2008 made it clear their membership in the organization was a distant prospect, as well as a divisive issue within the Alliance. To offer Georgia and Ukraine a path toward security and a legitimate place in Europe, the European Union should indicate that both of them are eligible for membership if they undertake the transformation necessary for accession. The United States and Europe should assist and support that modernization as they pursue EU membership, which would lead to a more productive type of engagement by all concerned. In addition to a dialogue on security with Russia, this effort may help defuse the tensions that have arisen in the wake of the Russian-Georgian war.

Washington has a strong interest in gaining the cooperation of Moscow on the matter of Iran. Russia does not want Iran acquire nuclear weapons, but that problem does not have the same urgency for Russians as it does for Americans. Moscow has a special relationship with Tehran as a function of complex historical, political, and economic interests, and does not appear willing to risk them to accommodate U.S. concerns. Moreover, the ability of Russia to influence Iran, despite the special relationship, is quite limited. The best course of action for Washington in this regard is engaging Moscow while stressing the benefits of a change in Iran's nuclear ambitions. However the impetus to such a change is more likely to come from Iran than Russia.

The conflict in Georgia underscored the urgency for the United States and Europe to develop a new relationship with Russia. The Allies should keep in mind that although Russia has been stabilized after the turmoil of the 1990s, it remains a nation that is evolving and still faces the task of modernization, a process that has been exacerbated by the current world economic crisis. In seeking a new approach to its relationship with Moscow, a broad partnership remains the most attractive option for the Alliance. But the core principles that have guided the sixty-year history of NATO must be safeguarded. To become a partner, Russia must accede on the basis of shared values and common interests. Only Russia can take the steps to reach that decision.

This report is a product of a series of seminars conducted by the Working Group on U.S. Policy toward Russia between May-October, 2008. A joint project of the Institute for National Strategic Studies, National Defense University and the Center for Eurasian, Russian, and East European Studies, Georgetown University, the Working Group was made possible by a grant from the Carnegie Corporation of New York and support from the NDU Foundation. Members of the Working Group included experts on Russia, U.S.-Russian relations, and other aspects of U.S. foreign policy from Washington-area think tanks, universities and private sector institutions. The report is not a consensus document. Its authors bear sole responsibility for its contents.

INTRODUCTION

This report “Repairing U.S.-Russian Relations: The Long Road Ahead” readily acknowledges that the most pressing crisis facing the United States is economic in nature. Foreign policy has been eclipsed by imploding financial markets in America and other developed countries to an extent not experienced since the 1930s. The major issues for the United States on the international front remain the wars in Iraq and Afghanistan and the nuclear ambitions of Iran. Almost all other issues yield precedence to these conflicts. That includes U.S.-Russian relations. Russia could paradoxically be an important factor in resolving many of the problems facing the United States were it not near the top of the list itself. The reason is twofold: the retrenchment of Russia in the international arena following the breakup of the Soviet Union and the significant deterioration in bilateral relations to their lowest point since the Cold War.

The fact that U.S.-Russian relations are at a low point at the start of a new U.S. administration is not new. The administrations of presidents William Jefferson Clinton and George W. Bush were unhappy with the state of U.S.-Russian relations upon entering office and were determined to steer the relationship in a more productive channel. Both had their moments of high hopes, as well as disappointments, associated with Russia. The Obama Administration, despite its best intentions, may follow the same pattern in its dealings with Moscow. However, it is launching its Russia policy after a major turning point in U.S.-Russian relations, one that has rendered many long-standing U.S. assumptions about Russia obsolete and calls for a fundamentally new framework for dealing with that country. That turning point was the Russian-Georgian war.

The war in Georgia marked the end of one phase in U.S.-Russian relations, which began with the advent of *perestroika*, gained momentum with the fall of the Berlin Wall, survived the Yeltsin years, assumed new vitality early in the Bush-Putin era, and then waned in August 2008. The administrations of George H.W. Bush, William Jefferson Clinton, and George W. Bush each sought to integrate Russia into Western political and security circles as a partner that eventually and through internal reform would embrace democratic values and common interests. However it became clear after the beginning of the second terms of then-presidents Vladimir Putin and George W. Bush that Moscow’s interest in integration was flagging and that its policies were being defined increasingly in opposition to the West. Thus the events in Georgia were the culmination of a long-brewing situation.

Underlying U.S.-Russian relations after the collapse of the Soviet Union was the expectation that Moscow would over time adopt basic democratic norms, free market principles, and respect for the sovereignty of neighboring countries as well as international law in general. This process of convergence would lead to a Europe that was whole, free, and at peace, with Russia emerging as the Eastern pillar of the new security arrangement. The war in Georgia removed this prospect for the foreseeable future. Russia has left no doubt whatsoever that it will follow its own vision of international affairs, one that does not include the convergence of values but instead seeks to balance its relations with the United States. It has served notice that it is prepared to use force to prevent what it considers illegitimate Western forays into its privileged neighborhood.

With Russia willing and for the first time capable of acting forcefully to defend its interests, the United States has no choice but to seek a new approach to bilateral relations, which rests on existing realities rather than unrealistic expectations. After the conflict in Georgia, Moscow has

made it clear that it must be included as a major voice in decisions on European security and in resolving territorial disputes in its neighborhood. The job of developing such an approach has fallen to the new administration in Washington. A difficult undertaking in its own right, given the complexity of relations with Russia, it will be compounded by two added factors. The first is the expectation here and abroad of a significant readjustment in U.S. foreign policy, including its priorities and approach to key challenges in the world, from terrorism and China to dealing with its Allies and friends. The task of refocusing U.S. policy toward Russia cannot occur in isolation from that an overall reassessment of foreign policy and must be an integral part of it. The second complicating factor is that the United States must redefine its approach to the world in the midst of an economic crisis that is sapping resources and diverting attention from security issues.

The nature of global events prevents the United States from either taking a time out to rethink and reset its policies or considering them sequentially. Every task will have to be accomplished more or less simultaneously. To be successful U.S. policy with respect to Europe and the NATO Alliance must take into account developments in U.S.-Russian relations and vice versa.

Notwithstanding the range of challenges facing the United States, the expectation and indeed likelihood of major changes in U.S. foreign policy holds out the possibility of a new beginning. There are opportunities for bold initiatives and new approaches. But there is the possibility that such initiatives will be rebuffed. However, given the high stakes involved, a new attempt to channel U.S.-Russian relations in a more constructive direction should be pursued.

In addition to considering outstanding differences in relations between the United States and Russia and addressing current sources of tension, this report attempts to refocus American policy toward Russia through a sustainable approach to a country that represents one of a handful of key U.S. relationships. It is a collaborative effort produced by a group of mainly Washington-based experts on Russia, U.S.-Russian relations, American foreign policy, and European affairs, as well as energy, economics, proliferation, and trade (a list of seminar participants is found on page 26). The group was non-partisan, and although its deliberations occurred against the backdrop of the presidential campaign in 2008, and its report is intended for the new administration as well as the public, its findings were not tailored to any political agenda. The group met over the course of six months on a regular basis to discuss various aspects of U.S.-Russian relations and hear presentations by experts from many disciplines. This present report, however, is *not* a consensus document. The authors endeavored to incorporate the breadth and depth of presentations and discussions that took place during the course of the seminar series and acknowledge the work of the group, but emphasize that as the authors they bear full responsibility for the report's contents.

The working group received generous support from the Carnegie Corporation of New York. In addition, the authors are grateful for the help of their respective institutions: the Institute for National Strategic Studies at National Defense University and the Center for Eurasian, Russian and East European Studies in the School of Foreign Service at Georgetown University. They are also indebted to the National Defense University Foundation for its support. Moreover, the task of organizing the seminars was made possible by the able work of Sarah Dixon Klump. Finally, the authors are grateful to Robert A. Silano for editing the final version of the report.

The war in Georgia represented a turning point in U.S.-Russian relations that took many observers by surprise, but in retrospect it was the culmination of a chain of events. Although this report is intended to offer forward-looking recommendations, it is important to understand how it

arrived at them. Thus the report begins by presenting a retrospective on U.S.-Russian relations and the key drivers and obstacles in bilateral relations in the last two decades. This is followed by an assessment of the prospects for Russia over the next four years. After examining the state of Russia and its outlook, the report examines American interests and policy toward Russia as well as how those interests coincide with those of its partners in the Atlantic Alliance. Finally, the report makes some recommendations for protecting and advancing those interests.

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THE LEGACY OF THE NINETIES

The Russian-Georgian war, though long predicted by many observers, was still unexpected when it broke out. The brief conflict marked a major turning point in European security affairs as well as U.S.-Russian relations. Since the accepted view prior to August was that the consequences of such military action would be devastating for Russia, especially its prospect for integration in the West, it took most people by surprise. In retrospect, the war looks more like the logical conclusion of a series of events than a radical shift by Moscow to international relations and dealing with its neighbors. It represents the unfinished business of the collapse of the Soviet Union, issues that were swept under the carpet instead of being confronted directly in the chaotic days after 1991, namely how Russia and a post-Cold War West would relate to the former Soviet states.

Russian and foreign commentators have proffered a number of explanations for the war in Georgia, including Russian frustrations with U.S. and European indifference to Russian objections to the settlement of the permanent status of Kosovo, and the promise of NATO membership for Georgia and Ukraine. Perhaps but looking back over the last two decades it appears that the Russian rationale for the conflict was deeper and began in the initial post-Cold War period as fundamental decisions on European security arrangements were made by the Allies.

Long before the Kosovo crisis and the pledge of NATO membership to Georgia and Ukraine, Russian dissatisfaction with the direction of European security arrangements manifested itself in an unwavering opposition to the expansion of the Alliance. Few international developments over the last two decades elicited as much opprobrium on the part of Moscow as NATO enlargement. For many Russians no other action symbolized the fact that they had lost the Cold War and were being forced to accept the terms of the victors than the initiative to expand the Alliance eastward. While the Allies portrayed enlargement as a way of bringing the Continent together and helping to heal old divisions, that rationale for the policy failed to gain support in Moscow.

The American paradigm for international relations after the failure of communism was rooted in the belief of the triumph of liberal democracy and rise of global markets. Accordingly, Russia did not lose the Cold War, communism did; and America did not win, democratic capitalism did. Moreover, one of the fundamental tenets of liberal internationalism was that democracies create more peaceful and productive relations with each other than more authoritarian states.

The view from Moscow was cast in stark geopolitical terms. Russia had lost the Cold War and its outer sphere of influence together with its empire. Even worse, post-Soviet Russia was struggling to hold on to far-flung provinces. In the eyes of many Russians, the Cold War ended with the defeat of a major power. As many neighbors of Russia turned to the West in an effort to leave Russia behind, Americans and Europeans hoped that geopolitics and spheres of influence would become less important. In fact, they continued to matter a great deal to Moscow.

The defeat of the Soviet Union—in the eyes of many Russians—led to the marginalization of Moscow in European affairs. Gorbachev and his lieutenants believed that, in return for Russian consent to the unification of Germany and its membership in the Atlantic Alliance, the West had promised to include the Soviet Union in a new security system to replace NATO and the Warsaw Pact, which never happened. The Allies assumed that any new system would champion shared values, which Russia would come to embrace as the result of its post-Soviet democratic transformation. A new construct for Europe—expanded European Union and NATO—as proposed by the Allies and

accepted by most former Soviet satellites would give full voice in European security affairs to all nations that shared those values. But this arrangement did not necessarily extend to Russia. The question of its path to future membership in those institutions was left unresolved.

It was hardly the intent of American policymakers to treat Russia as the defeated party in the matter of new European security arrangements. But it is hard to escape the fact that Moscow had little to say about what would happen, and that decisions about a new security arrangement were made by the victors who, while not considering themselves as such, represented the winning set of ideas. In reality the Allies controlled the agenda and Russia had to respond to it.

Although it may be tempting to apportion blame for failing to develop a more comprehensive security arrangement after the Cold War or not being much more aware of Russian sensitivities, the Allies had no good way out of the predicament. On one hand their only choice was opening membership in the Atlantic Community to newly independent nations anxious to escape their legacy of Soviet domination and not to exist in a no-man's land. On the other, the Allies understood the charges that NATO was growing bigger while doing little to assuage lingering Russian suspicions by offering Moscow a seat at the European table commensurate with its formidable size, traditions, and ambitions.

The proponents of NATO enlargement maintain that it was intended to serve as a vehicle for promoting shared values, peace, and stability along the Russian borders and filling a potentially dangerous security vacuum in Central Europe. This made all the more sense since Russia itself was expected to act similarly and realize that enlargement was good for its interests.

Hostility to NATO expansion and wariness over former Russian satellites being admitted to the European Union on the part of Moscow was motivated by a belief that the West was pushing its sphere of influence to the East while Russia remained weak. This zero-sum view by Moscow had long been regarded in the West as a legacy of the Cold War. Western policymakers thought Russia would overcome this suspicion as domestic stability and prosperity returned, and realized that its true interests would be found in partnership with the West. Membership in the Group of Eight, NATO-Russia Council, the Council of Europe and EU-Russia Partnership and Cooperation Agreement were not simply consolation prizes, but ways of encouraging Russian integration. But the war in Georgia shattered those expectations and rendered the intentions of Allied policy toward Russia obsolete, leaving the America and Europe in search of a new approach to East-West relations.

RUSSIA REDUX

From the American vantage point, dealing with Russia has become more difficult since its recovery following the devastating financial crisis of 1998. Russia regained much of its strength while continuing to suffer from many long-term weaknesses, which are addressed in a later section of this report. Its recovery at home has been followed by the resumption of a more assertive international role, especially around the periphery of the nation where because of geography, history, and economic ties elites have long felt the most important Russian interests were concentrated.

Thus, contrary to earlier expectations of American and other Western policymakers, a change in the economic fortunes of Russia has not been accompanied by more accommodating policies. Russian displeasure with NATO enlargement and a security arrangement designed by the United States and Europe became more pronounced with its return to stability and prosperity than a decade or so earlier, when Moscow was preoccupied with internal troubles. After nearly ten years of strong economic performance and domestic political consolidation, Russia demanded to be dealt with on terms that it considered acceptable instead of the Alliance. The notion that domestic stability and a measure of prosperity would lead Russia to embrace Western values and a new non-zero sum approach to international relations was obviously mistaken. Instead, Russia returned to a more traditional, confrontational pattern of interaction with the outside world.

Moscow also felt marginalized by the practical implications of the new security arrangement. It viewed the way that the crisis in Kosovo was handled as illegitimate, which deeply influenced its attitudes toward NATO and the European Union. Allied military action in Serbia was undertaken over the objections of Russia because it was too weak to intervene, in its own eyes.

Both the Rose Revolution in Georgia and the Orange Revolution in Ukraine were deemed by Russia as interference by the United States and European Union in order to impose their values in countries where Russia had much bigger stakes. Thus action by the West was regarded as a threat to Russian interests and even to its internal stability.

Moreover, the Allies did not anticipate the rise of Russia as an energy superpower that would use natural resources for political leverage, something the Soviet Union did not resort to during the Cold War. Georgia and Ukraine, whose leaders have sought NATO membership, saw energy prices increase dramatically and experienced periodic disruptions in fuel supplies coming from Russia. Moscow has suspended gas deliveries to Ukraine during the winter on two occasions since 2005 after failing to conclude price agreements. Besides demonstrating Russian ability to use energy as a political weapon, these actions revealed Moscow's disregard for its commitments to European customers beyond the transit states. The January 2009 disruptions caused major problems in Bulgaria, an EU and NATO member, since 80% of Russian gas is exported to Europe via Ukraine. Other neighboring states that incurred the wrath of Russia have been subjected to various punishments ranging from trade sanctions to cyber attacks.

Addressing a security conference in Munich in February 2007, then-President Vladimir Putin warned Western policymakers and analysts that further plans to expand NATO without regard for Russian interests would lead to a new Cold War. Georgia and Ukraine—the next presumed candidates for NATO membership—represent a new frontier for the Alliance, which thus far has not admitted any bona fide former Soviet state (the Alliance never recognized Soviet annexation

of the Baltic nations). As a result Georgia and Ukraine have emerged as battleground states for Moscow, which has insisted that NATO stay out of its traditional sphere of influence.

Russia emerged from a period of weakness with a different outlook on the world, its place in it, and the nature of its relationships with key partners—positions at variance with what had been expected at the outset of the post-Soviet era. In the prevailing Russian view, great powers today are bound to play roles similar to those of nineteenth century Concert of Europe. The international system in this world view is organized around a group of great powers that balance their interests with one another and serve as gravitational poles for smaller and less important states, which revolve around them like satellites in orbit. As Putin described it in 2007, “there are only a handful of truly sovereign states in the world—Russia, China, the United States and India.”

The top Russian foreign policy objective is to be regarded as a major, system-forming power responsible along with America, Europe, China, and perhaps other regional actors for managing the international order. Related to that objective are the efforts by Russia to secure an exclusive sphere of influence on its periphery where Russian interests would not be challenged by other major powers. This notion has gradually emerged in foreign policy discussions by Moscow over several years, but was most clearly articulated after the war in Georgia by Medvedev in defining a sphere of privileged interests that should not to be tampered with by outsiders.

It is hard to mistake the war in Georgia for anything other than a blunt message by Moscow to its neighbors and the West that its warnings should be taken seriously and that Russia should not be treated as a transitional entity but rather recognized for its role in the international system. Russia had made it plain that it would not accede to a Western-designed, values-based European security arrangement. Instead, it wants to assume a significant role in shaping it.

DIVERGING VALUES, COMPETING INTERESTS

At the heart of the current tensions between the United States and Russia is the role of values in international affairs. Democratic values are prominent on U.S. foreign policy agenda, while interests predominate in Russia. Russian attitudes to foreign policy are based on Realpolitik, which has never been regarded by Americans as an appropriate way of conducting international relations. According to Russian policymakers, interest plays the dominant role in foreign policy, and relations among states must be founded on balancing interests. Speaking in Berlin in 2008, Medvedev proposed a security arrangement for Europe built on “naked” national interests.

Having withdrawn from parts of Europe and Asia after the Cold War, Russian policymakers view security interests in concrete terms rather than ideas and values. For Moscow, membership by two of its former possessions—Georgia and Ukraine—in a coalition in which it has no voice—NATO—would lead to a further retreat and a blow to its image as a great power. It could also, in Moscow’s eyes, be a potential security risk. Hence, some Russian officials now describe NATO expansion to Russia’s borders as an “existential threat.” But disagreements that juxtapose values against interests are not the only obstacles to improving bilateral relations. The United States and Russia define their interests differently because their respective understanding of their interests is based on different value systems.

The dividing line between democratic values and U.S. interests is virtually imperceptible for most Americans. Promoting values abroad is commonly assumed to be a fundamental interest of the United States. Many Russians, however, have a different view. The years of *perestroika* had shattered the myth of communism. The Russian experiment with democracy and markets found the country limping from one crisis to another, inflicting untold suffering on millions of average citizens, who became disillusioned with the Russian version of democratic liberalism and market capitalism. The stability and prosperity gained in the last decade, as well as the pronounced turn in a more authoritarian direction, are associated by many Russians with Mr. Putin.

For most Russians, the authoritarian turn of the government and reduction in space for independent social and political action has not infringed on the personal freedoms that the middle class has enjoyed in recent years. The growing power of the state has been disproportionately felt by rather small segments of the population, including political opposition groups and some religious minorities. Today most Russians fear the consequences of political instability more as a threat to their well-being than the authoritarian trend initiated by Putin and continued by Medvedev. They think that renewed efforts at democratization are likely to bring chaos similar to the 1990s rather than prosperity and freedom. And quite a few believe the alternatives to the Putin system could be even more authoritarian and nationalistic.

While such attitudes are influenced by the global economic crisis, the longer-term domestic consequences of the crisis cannot be predicted. Russian officials, including Putin and Medvedev, have blamed the United States for this crisis. This allegation, as well as charges by the media that America instigated the Georgian attack on South Ossetia, has featured prominently in Russian propaganda, which promotes a hostile image of the United States and by extension its support for democracy, including by advocates in Russia who promote more democratic form of government. Opinion polls suggest that this propaganda has been successful with the Russian public.

If Russian domestic politics became more democratic in the near term it would be unlikely to trigger significant foreign policy changes. Russia's economic prosperity and resurgence as a major power are a product of several factors. These include the continued role of the state as the principal driver of economic policy and major player in economic life; the symbiotic relationship between political and economic elites and the fact that those charged with managing affairs of state also manage some major state assets; the emergence of Russia as an economic powerhouse in Eurasia built on vast energy resources as well as metallurgy and manufacturing, making Russia the economic center of nations from the eastern members of the European Union to China and the northern Middle East; the rejuvenation of industrial sectors, including nuclear power and defense, based on rent from the energy sector and increased sales around the world; and the use of sovereign wealth funds to transform the economy and extend influence. The current political leadership and its domestic economic allies broadly support the re-emergence of Russia on the world stage.

Moreover, both elites and the public in Russia share a broad consensus with respect to issues such as NATO expansion in Eastern Europe, the special role of Russia in former Soviet states, the use of energy as a political instrument, and the urgency of the Iranian nuclear challenge. The strength of this consensus holds little promise for a change in the Russian position or for an easier path to cooperation between the United States and Russia.

Russian views conflict with U.S. preferences for multiple sources and supply routes for Eurasian energy that bypass Russia; attempts to isolate countries that the United States believes pose a threat to the international system and deny them access to advanced weapons and technology; or the desire to encourage the reorientation of former Soviet states away from dependence on Russia toward the Euro-Atlantic community. With the notable exception of Iran, these are regional tensions that for the most part are centered on the periphery of Russia and rarely rise to the top of U.S. foreign policy concerns. By virtue of their proximity to Russia, issues such as Caspian energy resources or the nature of the Belarusian regime have much greater significance for Russia than for the United States.

Several issues matter to the United States much more than they do to Russia. These are core interests to which they do not always assign the same priority. Preventing another terrorist attack at home is a principal American concern, which turns counterterrorism into a key preoccupation. Although Russia contributed to the rout of the Taliban in 2001, and despite the fact that Washington and Moscow continue to emphasize counterterrorism as an area of cooperation, they have different perceptions of the threat. While Russia focuses on the North Caucasus and is not a target of international jihadist groups, Washington considers Russian relations with Hamas and Hizbollah (via Syria) detrimental to its agenda. Interference with American access to Central Asia impedes U.S. operations in Afghanistan and raises questions about Russian goals.

Counterproliferation is directly linked to counterterrorism but it is viewed differently from Moscow and Washington. Both nations consider preventing nuclear weapons and materials from getting into the hands of terrorists as an important challenge to the international system, but they clearly assign a different priority to the threat with the United States describing it as existential and Russia as one security challenge among others. While America defines a number of states as major threats to the international order because they might be contemplating the development of a nuclear capability, Russia does not appear to be especially concerned about them.

The United States has acted as a global power in the international arena since the Cold War with commensurate interests and responsibilities, and especially after September 11, 2001, with respect to threats to its homeland. Accordingly it has followed policies that have enabled it to act without impediment and gain access to various geographic regions and assets around the world. In response, Moscow adopted a set of policies intended to restrict American global access and constrain its freedom of action, to check U.S. dominance and advance Russian interests.

Russia and the United States, thus disagree over their respective national interests, security threats, and strategic priorities. Although the ideological rivalry of the Cold War is gone, and Russia has embraced capitalism of a sort, and its leaders purport largely with the popular consent to adhere to their special brand of democracy, profound differences remain between the United States and Russia.

The challenge of formulating a comprehensive policy toward Russia that both reflects the values and advances the interests of America certainly is not unique or new. Each administration since the days of *perestroika* has tried to achieve that task while finding the efforts of its predecessor wanting. The administration of President Barak Obama appears to be settling into this pattern. The theme of resetting U.S.-Russian relationship has emerged prominently in the statements of administration officials and was reiterated at the Obama-Medvedev meeting. But despite their apparent determination to find the right tone and focus on substance, their task is likely to be no easier than that experienced by their predecessors.

There are many reasons for this situation. The economic crisis is taking a heavy toll on American resources and limits the time that senior policymakers in Washington can devote to other issues. But the crisis also deals a blow to the reputation of the United States as the guiding force behind economic and political development that it enjoyed worldwide since the Cold War, and the credibility and influence of America to shape international affairs have suffered.

The primacy of the United States in matters of political and economic development has been unchallenged since the end of the Cold War. The so-called “Washington consensus” with an emphasis on free markets, deregulation, privatization, and fiscal restraint, served as the recipe for economic success and the blueprint for economic development around the world. America set the agenda for nations transitioning from communism, as well as others embarking on the path of political and economic reform. U.S. supremacy in such matters was evident during the economic crisis of 1997-98, in the course of which overseas markets tumbled, while the American economy roared ahead as Washington advised foreign officials on how to save their economies.

The situation looks radically different today. The American banking sector, once the envy of the world, survives on life support. U.S. officials are struggling to contain uncontrolled bleeding of the financial system with its global consequences and urgently requesting help from overseas. Their inability to stem the seemingly endless stream of bad economic news has raised fears about the long-term prospects for the American economy and doubts about its ability to set and manage the economic agenda for the world. The ability of the United States to set that agenda appears to be based at least as much on the size of its troubles and their impact on the global economy as it is on international confidence in American helmsmanship.

None of this has been lost on Moscow. Many Russians have long been suspicious of advice offered by America and blamed it for the many troubles that their economy sustained during the

1990s. The current crisis is giving commentators and analysts in Russia new reasons to blame the United States for their economic troubles because [as they would have it] the contagion spreading in financial markets and international trade originates in the United States. Therefore, not only has America lost its position of global leadership in economic development, but many Russians blame their current difficulty on U.S. policies. Anti-Americanism has increasingly become a signal domestic element of Russian foreign policy, using a hostile image of the United States to deflect attention from the country's own economic and social problems.

RUSSIA'S UNCERTAIN RECOVERY

If the world was taken by surprise by the emergence of Russia as a significant international power, its domestic transformation too has defied most expectations. By many measures, economic development under Putin was nothing short of spectacular. The results were all the more impressive against the backdrop of the dire circumstances in which Russia found itself throughout the 1990s.

Socio-Economic Dynamics From 1999 to 2008 the gross domestic product (GDP) of Russia increased from \$200 billion to \$2.2 trillion. In 2008, it grew by six percent. At the same time per capita GDP quadrupled to almost \$16,000. Moreover, Russia had the third largest currency reserves in the world after Japan and China in 2008, well in excess of \$500 billion. But the economic crisis that is roiling the United States, Europe, and Asia is taking its toll on Russia. Despite statements to the contrary, Russia is part of a global economy, not a haven insulated from shifting currents while being poised to reap the benefits of integration. After a decade of spectacular growth, the Russian economy is hitting the brakes and projected to shrink by more than two percent in 2009. The shock of this unanticipated reversal of fortunes is presenting Moscow with a host of unpleasant prospects, political and economic, even though the country is better equipped to handle financial turbulence than it was a decade ago during the Asian meltdown. Nevertheless, the economic situation had taken the Russian leadership by surprise and its full extent still remains unknown.

Toward the end of Putin's tenure as president of the Russian Federation, his government had drafted a bold program for re-invigorating the national economy and turning it into a twenty-first century powerhouse over the next decade. The plan called for massive, state-directed spending on technology, infrastructure, health, and education. On one hand, it revealed that Russia was aware of the causes of its underlying economy weakness—obsolescence, lack of diversification, and dependence on raw material, especially hydrocarbon exports. On the other, the plan appears to be in serious jeopardy because of the economic crisis, precipitated in the case of Russia by the steep drop in the price of oil and its devastating impact on Russian government spending.

If the Russian addiction to oil and gas was not a serious problem in its own right, the country is facing challenges posed by the declining production of both oil and gas from existing sources. The task of developing new fields calls for vast amounts of investment and expertise that Russia does not have.

Compounding those challenges is the steady population decline for over a decade that is projected to fall to below 130 million by 2025. Life expectancy for Russian males is still below sixty, the country is threatened with an epidemic of HIV-AIDS and drug-resistant TB, alcoholism is rampant, drug use is growing, and despite improvements in birth rates and a downturn in infant mortality, no credible demographer inside or outside of Russia will predict when the country will see that trend turn around.

This situation bears on Russian economic performance, which beyond the present crisis will depend on importing labor from neighboring countries. Prior to the economic crisis, Russian had relied on migrant workers mainly from former Soviet states. It is a practice that may be resumed on a larger scale if it is to revive economic growth and pursue the government's ambitious plans. Effective labor and immigration policies have presented many nations with short- and long-term political, social, and economic challenges, which Russia will also have to confront.

Military Capabilities The Russian military has improved significantly over the last decade. Its morale was lifted by the victory in Georgia. By all accounts the Russian military is doing better, but if the benchmark is performance over the previous decade, the standard is low. Moreover, victory over Georgia with population 4.6 million and armed forces of less than 30,000 men is hardly a major accomplishment for a country of 140 million with a military establishment of more than one million. Discussions among Russian military professionals in the wake of the war in Georgia suggest that Russian forces experienced major shortcomings, including a lack of some types of equipment and effective organization and command, control, and communications. Russian analysts have complained that the industrial base does not meet defense requirements and the government is spending scarce rubles on acquiring obsolete and unnecessary systems.

With a manpower pool that is insufficient to meet recruiting goals, the Ministry of Defense faces difficult choices. A number of analysts have concluded that the present one million-man strong army is demographically unsustainable. The lack of resources has undercut efforts to build both a smaller and more efficient force and expand the ranks of contract soldiers instead of relying on conscripts. The ambitious reforms that were announced by Defense Minister Anatoliy Serdyukov in late 2008 are in doubt as a result of the current economic crisis.

In the territories of the former USSR, Russia remains a potent military force capable of overwhelming any of its neighbors, with the notable exception of China. These are significant assets that will probably shape the security environment in much of Europe and Asia in the years ahead. But it is also likely to be the limit of Russian military reach in the foreseeable future.

Domestic Affairs The Putin presidency transformed domestic politics at least as much as the economic sector. Both Putin and Medvedev have enjoyed high personal approval ratings while the opposition has been intimidated and marginalized, and few Russians seemed to object to the Kremlin's imposition of its own political system described as managed or sovereign democracy. But just as the underlying strength of the Russian economy is being tested by the current crisis, the country's domestic political scene is revealing signs of troublesome developments.

Domestic politics is not quite the picture of calm that strong approval ratings for Putin and Medvedev might suggest. Russia in the early twenty-first century is not the Soviet Union of the late twentieth century. Millions of Russians travel abroad. They have largely unimpeded access to the Internet and read Western literature and press on developments in Russia and elsewhere in the world. They also enjoy a significant measure of freedom to express themselves, according to a lively Russian-language blogosphere. Public opinion describes a country that is alienated from the ruling elite, but accepts certain restrictions on personal freedoms in exchange for stability and economic security, which stands in stark contrast with the despair and turmoil of the last decade. But absent further growth, things could become difficult for the ruling elite to control.

Despite the semblance of a well-managed transfer of authority from Putin to Medvedev, the arrangement between them reveals signs of strain. Persistent reports of tension between camps, criticism by Medvedev of positions taken by Putin, and the imbalance in the power of the prime minister versus that of the president, raise questions about the status quo in the Kremlin.

Few challenges facing Russia are new, though most have been exacerbated by the economic crisis. Taken separately, each may be manageable with patience, common sense, good will, and some luck. But their cumulative effect has yet to be fully grasped by policymakers and analysts both at home and abroad, and only recently emerged as a topic of serious discussions.

Russia has recovered from the slump in the 1990s, but it occurred not against the status quo in surrounding regions of Eurasia and the world in general, but against the backdrop of rapid economic and social change. The context of Russian recovery and return to international activism includes the rise of China, India, and Europe, all of which dwarf Russia economically, demographically, and strategically. For the first time in modern history the position of Russia in Eurasia is framed by larger and more dynamic powers, which have brighter prospects.

Russia has the advantage of a unique geographic position astride Eurasia, and could become indispensable on the Continent in terms of trade, transportation, and economic development. But to assume that role it must overcome a range of infrastructure and communication problems, as well as an unattractive investment climate. These deficits combined leave vast and diverse areas of Russia at the mercy of more dynamic centers of economic and political gravity with China in the East and Europe in the West. The question remains what will hold the country together over time as it is pulled in at least two different directions with little domestic resistance.

The challenge facing Putin and Medvedev over the next four years is more difficult than that of the last four or eight years. The challenge is no longer stabilization but modernization—becoming a twenty-first century state—and it has to be tackled under conditions of the global economic crisis that have substantially re-written many rules that have dominated international economics, global finance, business dealings, and international commerce in ways that have yet to be fully appreciated and understood.

The United States and Europe have a powerful interest in seeing Russia succeed. Regardless of political ideology and foreign policy, a strong and confident Russia is a preferable interlocutor to a weak and insecure one. But unlike the 1990s, the Allies are observers rather than actors in the unfolding Russian drama. The prevailing consensus inside the country favors deciding its fate without advice and involvement by foreign partners, no matter how well intentioned.

If any country has what it takes to navigate through turbulent waters, Russia has the wealth, resources, talent, heritage, and ambition to do so. But given the nature of the challenges at home and abroad, one should not take anything for granted about the future course, prospects for success, and ultimate survival of the Russian nation as a great international power.

PLUMBING AMERICAN INTERESTS

Regardless of its future course, Russia will remain a key country for the United States, no matter how strong or weak it becomes. This is simply a matter of diverse and important interests that America has in Russia. Some of these interests are shared by Russia while others are not, and even interests that both countries have in common often occupy different places on their policy agendas. Nonetheless, there are few major U.S. foreign policy issues that are not affected by Russian positions or actions, and Moscow has an almost unique ability among nations to either facilitate or complicate things for Washington in its pursuit of major foreign policy objectives.

Nuclear Weapons As the second-largest nuclear power, Russia remains uniquely relevant to the American interests because of the untold destructive potential of its weaponry. It also enjoys a special place together with the United States as a pillar of the global non-proliferation regime. In addition, NATO derives tremendous benefit from the continuing stable and predictable nature of U.S.-Russian nuclear relations. The stakes for Washington in the constructive participation of Moscow in the non-proliferation area are hard to overestimate. Russia occupies a singular place on U.S. defense and foreign policy agenda, which is unmatched by any other country.

Iran Russia plays an important role in Allied efforts to dissuade Iran from pursuing nuclear weapons. As a permanent member of the Security Council and major trading partner of Iran, which supplies Tehran with the technology that is claimed to be used only for a civilian nuclear program, Russia has emerged as an important actor in this arena whose support is required by the West to achieve its goals vis-à-vis Iran. Without Russia on board with the initiatives of Alliance, the task of persuading Iran to abandon its nuclear program is bound to be more difficult.

Geography Eurasia remains the center of gravity in the world in demographic, political, economic, and military terms. Its weight is likely to grow as three nascent superpowers continue to evolve, namely China, India, and Europe. Eurasia is the home to more people, more nuclear capabilities, more economic muscle, more energy, and more conflict than any other area on Earth. Militarily, there is no greater challenge for the United States than securing its interests in Eurasia. From Iraq and Afghanistan to Pakistan, China, and Russia in the Caucasus, Central Asia, and Eastern Europe, the greatest challenges to U.S. interests are found in Eurasia.

Unlike the Soviet Union, Russia is not the dominant actor in Eurasian affairs. It is no longer possible to simply negotiate with the Kremlin to secure peace in the Middle East or resolve the problem of terrorism as happened in the Cold War. But it is necessary to secure the cooperation, or at least non-interference, of Moscow for Washington to pursue important issues on its foreign policy agenda, most of which are rooted geographically in Eurasia. The war in Afghanistan and difficulties in gaining access to that landlocked country were a reminder of Russian importance to the United States because of its geography. As with other challenges facing the United States, this problem will be more manageable with the cooperation of Moscow than without it.

Russia's Neighborhood The expansion of the Euro-Atlantic security framework further east had a geopolitical dimension that served the American and European interest in hedging against the hostility of a resurgent Russia. The new tier of both NATO and EU members that separate Old Europe from Russia add a measure of security for those two institutions.

This policy has always possessed a counter-Russian aspect, because Moscow has long sought a special sphere of influence in its neighborhood and viewed Western presence with resentment.

But U.S. policymakers have argued that they could pursue their vision while maintaining good ties with Russia and without jeopardizing American interests elsewhere. The war in Georgia was the latest reminder that Moscow remains a formidable presence in its neighborhood and that the Allies cannot pursue goals among Russia's neighbors without regard to its sensitivities.

The spotlight in the future is likely to remain on Georgia, as well as another key neighbor of Russia, namely Ukraine. With so much political and moral capital at stake, the United States has compelling political, moral, and geopolitical reasons for remaining engaged with both countries. American credibility as a global power will suffer if it abandons active relationship with either, and its commitment to the Alliance is certain to be questioned throughout Europe. Georgia also demonstrated that so-called frozen conflicts in the former Soviet Union can thaw in dangerous and unpredictable ways that exceed their relatively small geographic confines. There are strong U.S. interests in avoiding escalation of such conflicts because of their consequences.

Balancer of China When it comes to Eurasia, the Russian role cannot be reduced to that of an aspiring hegemon of the former Soviet space and regional challenger. U.S. interests are not limited to secure access in Central Asia or expanding the frontiers of democracy and markets in Eastern Europe. In the years ahead, more than in previous decades, America will be confronted by the challenge of rising China, its maturing foreign policy, and the expansion of its footprint in the international arena. Russia is bound to be an important factor in this context as well.

Russian-Chinese relations have been the subject of concern in the West as Moscow emerged as an arms supplier to Beijing, forged an alliance with China in Central Asia, and conducted joint exercises with the Chinese military. These developments prompted speculation about a Russian-Chinese anti-U.S. condominium in Eurasia and regret over the decline of American global power and influence. Most experts agree that this is an exaggeration and the Russia-China relationship constitutes an *axis of convenience* whose longevity may well be limited by China's rise.

The United States and Russia share the same challenge—if not the same goals—with respect to China: dealing with a rising superpower while avoiding conflict and protecting their interests. However there are asymmetries in this relationship. China is a more important economic partner for America while Russia continues to regard the United States as its major international partner. Russian concern about growing Chinese influence from Central Asia to the Far East is becoming more pronounced. Russian policymakers are preoccupied with the challenge of China like their American counterparts. But that challenge poses difficult issues for Moscow, many of domestic origin, namely developing the Russian provinces in the Far East, protecting Russian sovereignty and taking advantage of economic cooperation with China in the Far East, and facilitating access to Chinese markets without becoming hostage to Chinese economic dynamism and, eventually, influence.

There will also be foreign policy challenges for Russia with respect to China. For example, Moscow, aware of the growing strength of the Chinese, is likely to be more wary of an exclusive partnership with Beijing, which would leave Russia isolated from the United States and Europe. By the same token, Russian foreign policy is likely to seek opportunities for balancing China in Japan, Korea, and Southeast Asia. American interests would not be well served by deteriorating Russian-Chinese relations, let alone an outright competition between them. However, in the long run, the United States could benefit from a constructive engagement with Russia in this matter that would act as a counterweight to the influence of China in Asia and the Pacific.

Although Russian resurgence has been generally viewed in the United States as detrimental to its interests, a weakened Russia would also hurt those interests. That would make Russia less suited to be the geopolitical balancer of China and pose the risk of it becoming the junior partner. Such a turn of events could lead to adverse consequences for the United States—from a Russian-Chinese anti-U.S. condominium in Central Asia and destabilization in the Far East to a Chinese-Russian bloc in the Security Council. These and other as yet poorly understood but potentially far-reaching consequences of poor U.S.-Russian relations must be taken into account in weighing U.S. equities and policies in Eurasia in general and toward Russia in particular.

Beyond Russia's Neighborhood As important as Russia remains in its own neighborhood, its geopolitical heft quickly decreases beyond its frontiers and the reach of its pipelines. Russian presence is limited in comparison to Soviet-era power projection capabilities. However, despite its diminished presence and capabilities, Russia remains a factor in the politics of many regions, most notably the Middle East. That status is attributable to its role as a weapons supplier; as a permanent member of the Security Council and thus a key voice, as well as potential veto in international and regional issues, be it an Israeli-Palestinian settlement, sanctions against Iran, or the crisis in the Sudan; and as a major power that is unencumbered by moral considerations and political correctness able to deal with isolated pariah regimes and insurgent groups.

Improved economic circumstances have made it possible for Russian companies, in some instances firms linked to the government, to pursue investment opportunities abroad. While still relatively small by comparison with the Western corporate presence in global markets, these new commercial interests can significantly impact on Russian policies. However, their prospects will remain uncertain as Russia deals with the consequences of the current economic crisis.

The United States may have to face competitive, market-savvy, and agile Russian activities that pose commercial and even geopolitical challenges to Washington. U.S. policymakers may encounter such challenges anywhere from Cuba to Indonesia. The recent upgrading of economic and military ties by Russia with Venezuela could emerge as a security threat to the United States. The combination of petrowealth and the sale of military hardware to Venezuela by Russia could turn Chavez into a more aggressive player in Colombia against American interests. In the event of a Russian-Venezuelan pact, the relationship would be asymmetrical with Venezuela sitting in the driver's seat and Russia becoming the would-be counterweight to the United States.

Thus, despite its diminished global presence and power projection capabilities in comparison with the Soviet era, Russia in the future could cast a long shadow over U.S. interests in various parts of the world, including America's backyard. Where Russian interests and actions might not be decisive or sufficient enough to determine the outcome of crises or prevent them, they could precipitate them, while Russian cooperation or non-interference could prove necessary to resolve them. Russian geopolitical weight may be felt primarily around its periphery, but its influence, albeit limited, will extend beyond that, with significant consequences for U.S. interests.

Energy Resources No discussion of U.S. interests can escape the issue of energy resources. While America does not depend on Russian imports, the role of Russia as a major supplier of gas to Europe, as well as major producer of oil, second only to Saudi Arabia, make it a crucial actor in global energy markets and a factor in U.S. energy security and economic development. The ability of Russia to sustain this output has global significance, which is a multi-faceted problem for the United States. On the one hand, oil and gas resources have made it possible for Russia to transform

itself into an active player and challenge American interests in Eurasia and elsewhere. On the other hand, without Russian oil and gas, U.S. economic interests would suffer as the price of oil would likely rise even higher. Furthermore, energy represents both the backbone and the Achilles heel of the Russian economy, which suffers from lack of diversification. An excessive reliance on petrowealth, combined with lagging investment in the sector and depleting reserves, leaves Russia and its trading partners vulnerable to shortages and supply disruptions.

While benefiting consumers, a major protracted decline in oil prices would once again create adverse conditions for exporting nations as it did in the 1990s. Without diversified economies they would find themselves particularly vulnerable. Although this seems to be a distant prospect at the moment, since Russia has the financial resources and the know-how to cushion the impact of a significant downturn in the oil market, the impact of such a turn of events on its economy and domestic politics cannot be overlooked. If the past is an accurate indicator, the ability of experts to predict future energy markets is modest at best, and prudent U.S. planning in this area should take into account various outcomes as well as the impact on American interests.

In addition to vast hydrocarbon reserves, Russia is bound to have a major international role in developing nuclear power. As a supplier of civilian nuclear technology and fuel, it possesses the potential to emerge as a key interlocutor for America in regard to commercial development and non-proliferation issues. The cooperation of Moscow could prove essential to several initiatives made by Washington in this area, while its absence could render them largely futile.

Finance and Trade American economic relations with and interests in Russia are limited by comparison with its other trading partners. Despite growing U.S. investment, international trade with Russia occupies a relatively small part of the American economy. However the recovery of the Russian economy could have unforeseen consequences for relations with the United States. A rebound in oil prices could again make Russia a holder of large reserves of dollar-denominated currency. Should that occur, management of those reserves by Moscow and actions by Russian corporate interests could become matters of concern for policymakers in Washington.

With the Russian economy part of the global economic landscape, nobody can guarantee that a contagion originating in the Russia will not spread to financial markets in America or Europe. The Russian collapse in 1998 triggered significant setbacks in the U.S. stock market and brought about the collapse of a major hedge fund with losses that, absent prompt action by the Federal Reserve Bank, could have amounted to hundreds of billions of dollars, reverberating throughout the financial system. By the same token Russia has been unable to insulate itself from economic turbulence that affects the international community. The nature of the global financial system creates vulnerabilities for the American and Russian economies, which could manifest itself in unpredictable ways with unforeseen consequences for both of them, as well as other countries. Alternatively, the longer-term result of the crisis and Russia's realization that it is inevitably part of the global system could provide opportunities for cooperation and coordination.

A U.S.-EUROPEAN-RUSSIAN SPECIAL RELATIONSHIP

The war in Georgia highlighted the importance of U.S.-European dialogue on Russia and its neighbors. That conflict raised tensions between Russia and the West and also revealed divisions among the Allies, reminding Washington that many NATO members do not share its approach to Moscow. Thus, the American interest in a sustainable, working relationship with Russia is also a factor in U.S.-European relations and impacts American interests in Europe.

While Europe was concerned about the prospect of war in the neighborhood that it shared with Russia and agreed with the American position that they could not do business as usual with Moscow as long as it occupied parts of Georgia, European response differed significantly from that of the United States. The immediate response from Europe called for pursuing dialogues with both Russia and Georgia. President Nicolas Sarkozy of France, who held the rotating EU presidency, negotiated two cease-fire accords with Russia and Georgia. Moreover, the European Union met in emergency session and agreed to suspend discussions with Moscow on the new Partnership and Cooperation Agreement until the Russians fulfilled the withdrawal agreement.

Economic sanctions were nevertheless rejected and most leaders called for an intensification of engagement with Russia. The EU-Russia Partnership negotiations were eventually resumed. Similarly, while agreeing to establish a NATO-Georgia Council as a sign of their support, the Allies continued to disagree on a timetable for the Membership Action Plans to be offered to Georgia and Ukraine. The official American statements on Russia and much of the media reaction in the United States initially contained significantly harsher comments than what came out of major European capitals. The narrative of the Russian-Georgian war changed over time in the United States to include questions about the role of American diplomacy in the Caucasus before the war and Georgian actions immediately prior to the outbreak and during early stages of the conflict. But the criticism of Russian actions remained the dominant theme in the U.S. media and public debate. The issues involving Russia and its neighborhood will remain serious concerns for the trans-Atlantic relationship. The implication of these issues for a broader set of American interests, ranging from nuclear proliferation to regional conflicts, will make them a top priority on U.S. agenda in the future.

Different Perspectives on Russia Until the nuclear age Russia was a distant concern for America. By contrast for Europe, Russia is a large, sometimes awkward and difficult neighbor, with whom they have been fated to coexist for centuries. Neither the isolation, nor neo-containment of Russia, nor even selective partnership, was an option for Europe, where most leaders and the majority of the public favor policies that avoid irritating Moscow. Russia is much more central to European nations because they have mainly regional as opposed to global interests.

The European Union has included the term *strategic partnership* in its lexicon with reference to Russia as have most European nations, but it is not part of the U.S.-Russian discourse. It is an admittedly protean term, with the implied anticipation of cooperative relations across a range of issues and the belief that it is possible to engage Russia more productively. Moreover, because Europe and Russia occupy the same continent, European nations are directly affected by various non-military security threats from Russia and the neighborhood that only indirectly impact on the American security interests, including organized crime and smuggling, corruption and money-laundering accompanying businesses from Russia and the Commonwealth of Independent States,

trafficking in drugs and humans, and serious health and environmental problems. These issues necessitate active involvement with Russia, despite the tensions over Georgia.

The European Stake in Russia The relationship between the United States and Russia was often described by observers in late 2008 as at its lowest point since the Cold War. The number of American and Russian stakeholders in bilateral relations declined to minimalist proportions. Even before high-level political and economic negotiations were frozen in the wake of the war in the Caucasus, there was little bilateral contact except for the Strategic Dialogue and the Bilateral Economic Commission, which met once. Although there were some enthusiastic stakeholders in the American and Russian private sectors, both parties were unmistakably aware that the political environment could easily jeopardize commercial ties between the two countries.

The contrast with Europe could not be more striking. Most of its old and new nations include networks of relations with Russia as do Russians with Europe. Russia is its key energy supplier, providing nations like Finland and the Baltic states with hundred percent of their natural gas and significant amounts of their oil. It is also a leading trading partner for Europe, which provides fifty-seven percent of Russian imports. There is an extensive network of European citizens who have close ties with Russia, including more than half a million Russian-speakers who are living in Britain, France, Germany, and Spain. Many nations in Europe have made considerable efforts to foster civil society networks and exchanges with Russia. Most major EU member-nations have promoted sustained high-level government-to-government contacts with Moscow.

There is no consistent European view of Russia, which for the United States complicates the task of coordinating policies with the Alliance. The fact that some Allies, particularly the Baltic states and Poland, have a more skeptical view of Russia than does, say, Germany, has produced closer alignment with them and enabled America to sidestep differences with nations that favor closer engagement with Russia. Germany is the key European partner of Russia and the chief advocate of closer ties by the European Union and NATO with Moscow. It embraced the view that through a strategic partnership Russia can be modernized and ultimately become a reliable and predictable stakeholder in European institutions. Although Germany has criticized the actions of Moscow both at home and abroad, its political class and much of its population believe Russia to be on the right path and that it will eventually develop into a liberal society through engagement. Some Germans have expressed the view that Washington has an “empathy deficit disorder” in dealing with Moscow and may be unwilling or unable to understand the Russian view on issues such as post-Soviet space.

Many views of Germany are shared by France. Moreover, it was clear from the involvement of President Nicolas Sarkozy in the conflict in Georgia that he desired to maintain good relations with Russia even it meant compromising on the issue of Georgian territorial integrity.

British relations with Moscow are more complex. And yet the United Kingdom remains home to Russian oligarchs, the venue for initial public offerings by Russian firms, and the academic destination of choice for children of the Russian elite. While political ties are strained, economic ties flourish. Thus the most important partners of the United States in Europe are reluctant to endorse policies toward Russia that jeopardize their relations with Moscow.

Even new members of the European Union, who are wary and critical of Russian domestic and foreign policies, skeptical of attempts to engage Russia, and support NATO aspirations of both

Georgia and Ukraine, have no choice but to maintain economic ties with Moscow and thus remain dependent on Russian energy supplies. Their skepticism, however, does not represent a majority view of members of the European Union, which does not have a common policy toward Russia. Moreover, many nations of “Old” Europe are wary of being eventually dragged by their neighbors to the East into confrontation with Russia.

Opportunities and Obstacles to Cooperation There are many areas where the United States and Europe agree on common interests with Russia. Cooperation on counter-terrorism is one such area, although opportunities for the West to work with Russia on counter-terrorism are limited, in part because of different views of what constitutes terrorism and who is identified as a terrorist. While the threat for Americans and Europeans is global al Qaeda, it is homegrown terrorism for Russians in the North Caucasus. However, the United States, Europe, and Russia share concerns about transnational challenges such as narcotics, human trafficking, and infectious diseases, which are promising areas for future cooperation with Moscow.

Nuclear proliferation remains another common interest shared by the United States, Europe, and Russia. America and Europe have worked closely on non-proliferation issues with Moscow in the post-Cold War era and provided extensive assistance to consolidate and secure the nuclear legacy it inherited from the Soviet Union in both Russia and other former Soviet states.

The United States, Europe, and Russia have cooperated in an effort to persuade Iran to forego its nuclear ambitions. They have a strong common interest in halting Iranian programs that could lead to the acquisition of nuclear weapons. But despite that shared interest, there are significant differences among them. While Europe and the United States consider it as perhaps the most serious threat facing the world community, they disagree on the possibility of a military option to stop Iran. Russian position appears closer to Europe’s. The United States and Europe do agree, however, on the importance of Russian assent for more effective sanctions.

Despite skepticism on the part of some Alliance members about the plans for deploying U.S. missile defense components in the Czech Republic and Poland, NATO supported the United States at the Bucharest Summit in 2008. The pledge by the Obama administration to review this issue has been welcomed by many Europeans.

Many European countries have sponsored civil society, rule of law, economic reform, and democracy programs that complement American efforts in Russia and other states of the former Soviet Union. The Alliance is agreed on promoting a more open, rule-based society in Russia even if it entertains different approaches to this goal.

The Allies acknowledge the dependence of Europe on Russian energy supplies. They agree on the need to remedy this situation, although the Europeans argue that there are few alternatives to Russian gas. Russia does not share this Euro-Atlantic concern and would like to secure its hold on European markets. But here too there are differences within the Alliance. For many Europeans this issue is seen as mutual dependency: Europe needs Russian gas and Russia needs European cash. The positions of nations like Germany are shaped by long-standing bilateral energy agreements, which predate the concern over cohesion of the European Union vis-à-vis Russia. This position reflects a realization that there is no alternative to the dependence on Russian energy supplies and thus emphasizes developing ways to better manage the situation.

American positions on European energy supplies reflect a more activist approach, designed to dilute the Russian impact on European energy markets. Thus Washington has been a proponent of the Baku-Tbilisi-Ceyhan oil pipeline, and more recently the Nabucco gas pipeline.

Americans and Europeans have a shared interest in preventing disagreements over policy toward Russia from generating more divisions within the Alliance. For Washington NATO represents its most important set of relationships in the world. The United States has no closer partnership with shared values and common interests than it does with Europe. For those partners the U.S. commitment to European security is indispensable and remains a major source of stability and security on the Continent, for which there is still no substitute even two decades after the Cold War. The parties on both sides of the Atlantic have a strong interest in sustaining the Alliance and ensuring its cohesion in the face of challenges, including Russia.

IMPLICATIONS FOR U.S. FOREIGN POLICY

Two decades after the Cold War U.S.–Russian relations are brittle, unpredictable, and lacking in effective mechanisms for cooperation. Both countries have a number of similar interests and have collaborated on international problems with tangible results. But they have distinct approaches to foreign policy, define interests differently, and even when their interests coincide often assign different priorities to them. This is not to suggest that U.S.–Russian relations should not occupy a central place on the American foreign policy agenda. But the task of making these bilateral relations more productive will require sustained efforts by senior American policymakers. Russian cannot be ignored, but U.S. policy toward that country must be refocused. The war in Georgia has made it clear that a broad, strategic partnership with Russia based on shared values and common interests is a distant prospect at best.

Toward Post-Post-Cold War Europe The most important issue facing the Allies in relation to Russia is its insistence on securing a sphere of privileged interests throughout former Soviet territory. The notion of a sphere of influence runs counter to the principles of the post-Cold War order in Europe and the vision of Europe whole and free that has guided American and European policy on the Continent. Neither America nor Europe can afford to yield to Russia on this issue. However, neither appears willing to confront Russia over the fate of its neighbors. The Alliance has avoided dealing with this thorny issue in the hope that a transformed Russia would render it moot. The war in Georgia has proved otherwise, and the future of Russia's neighbors has emerged as the most difficult problem on the European security agenda. To resolve it, the Allies must engage Russia in a dialogue on the future of Europe, including post-Soviet space. America and Europe have been unable to engage Russia and other interested parties in a systematic dialogue. NATO will need patience, determination, and a clear sense of its goals and priorities. This in turn will require an active debate in the Alliance.

The Allies do not have much time to debate this issue. Moscow has advanced its own, albeit vague proposal for a new security arrangement in Europe. The only clear aspects of the proposal is its rejection of both the prevailing European security arrangement with NATO at its core and the notion that values such as human rights play any role in international relations. The Medvedev proposal could be easily dismissed if it was not being targeted at Europe where attitudes toward Russia are different, and there was not a desire to patch up relations with Moscow in the wake of the war in Georgia. The lack of specificity in the proposal offers an opportunity to shape the dialogue with Russia. At its most positive, a dialogue on Euro-Atlantic security would serve as an important way for all parties to resolve issues made more urgent by the war in Georgia. Ideally, engagement and any resulting agreements may improve the fragile state of Russian relations with the West and also ensure that Moscow becomes a stakeholder in European stability and security in the future, without compromising the independence of its immediate neighbors.

A discussion on a viable framework for a new Euro-Atlantic security arrangement could also demonstrate the U.S. commitment to strengthening its relations with Allies that generally look to Washington for leadership in negotiating with Moscow. The prospect of a serious dialogue by the United States and Europe with Russia would have the added benefit of forcing the Alliance to consider how to both define and prioritize Western interests in the post-Soviet space.

If a new treaty convinced Russia that the West was treating it as an equal, and not unilaterally setting the agenda, then it could lead to a more productive relationship with Europe and the United

States and diminish the strength of the Russian narrative that the West has ignored its interests in Europe since the collapse of the Soviet Union. Arguments in favor of a new treaty focus on the need to provide Moscow with a chance to show that if appropriately engaged it can become a responsible stakeholder and develop a more cooperative relationship with the United States and Europe. Not engaging seriously with the Kremlin on its initiatives would be irresponsible.

Georgia and Ukraine Besides the challenge of establishing a new security arrangement in the post-post-Cold War period, the Alliance must decide what to do about Georgia and Ukraine. Both countries have been identified by Moscow as integral to its sphere of privileged interests. The prospect of them becoming committed to some NATO members is probably the most neuralgic issue on agendas in the West and Russia. Yet the Alliance has day admitting Georgia and Ukraine to the organization and it is not in a position to retreat from that pledge.

After the NATO Ministerial Meeting in December 2008, Alliance membership does not seem to be in the cards for Georgia or Ukraine in the foreseeable future. This situation underscores the urgent need to enable them to find a place within the European system to pursue their aspirations of security, stability, and prosperity. But the task of engaging Georgia and Ukraine cannot be separated from the task of devising a new *modus vivendi* for dealing with Russia.

The Alliance confronts a difficult choice. On one hand, pressing on with NATO membership plans for Georgia and Ukraine is unacceptable for some members, notably Germany, because of concern over its impact on relations with Russia and the effectiveness of the Alliance. Moreover, it would likely expose them to renewed Russian pressures, in which case America and Europe are unlikely to be willing or able to protect them without risk of a major confrontation. On the other hand, having reiterated their commitment to an open door policy on numerous occasions, and having promised at Bucharest in April 2008 that Georgia and Ukraine would one day join NATO, the Allies cannot turn their backs on them.

Since the Cold War, key members of the Alliance have adopted a one-size-fits-all policy that in effect treats NATO membership not only as a security guarantee, but as a bridge to EU membership. This formula has proven successful from the Baltics to the Balkans. Knowledge that membership in the EU represented the end of the long post-communist transition, together with demanding reforms and generous assistance, have made the process of accession manageable in political, economic, and psychological terms, and also encouraged improvements in governance. But it appears to have run its course and cannot be applied to Georgia or Ukraine. The time has arrived for the NATO-first, EU-second formula to be reversed.

Georgia and Ukraine have stated their interest in joining the European Union, but neither has been encouraged by Brussels in that regard. A clear signal that membership is likely provided that they embark on the path of domestic transformation and stay the course, along with generous assistance, could offer a realistic way out of the current impasse on this issue.

Membership in the European Union could resolve the Georgia-Ukraine-Russia problem faced by the West. Russia has never treated EU expansion with the same degree of hostility as it does NATO enlargement. The prospect of Georgia and Ukraine becoming members of the European Union would relieve the pressure to invite them to join the Alliance at a time when it is straining under the burdens of the war in Afghanistan and the challenge posed by relations with Moscow. In addition, Georgia and Ukraine are not ready for NATO membership, each for its own

reasons. What is more, the path of EU membership would assist much needed internal reforms and create more meaningful bonds to Europe than acceding to the NATO Membership Action Plan or achieving outright membership. For the Alliance to preserve its credibility, and for Europe and the United States to help Georgia and Ukraine, and for all those parties to rebuild their relations with Russia on a new and sustainable basis, a commitment to eventual EU membership for both Georgia and Ukraine must be a key component of the new trans-Atlantic bargain.

Arms Control, Non-Proliferation, Iran Arms control has lost much of its saliency since the Cold War. However, it remains critical to maintaining a transparent and stable U.S.-Russian nuclear regime that provides assurances to both parties that this dimension of their security is not in jeopardy. It is also important to the United States as a sign of its commitment to the Nuclear Non-Proliferation Treaty and nuclear disarmament obligations that sprang from it. Last but not least, bilateral strategic nuclear arms control agreements sustain productive relationships with Moscow. Given these considerations, American interests would be well served by a legally binding arms control treaty to replace the Strategic Arms Reduction Treaty (START), which will expire in December 2009.

Negotiations to conclude a new treaty are underway, and Presidents Obama and Medvedev have committed themselves to an ambitious timetable for their conclusion, although they face obstacles that reflect differences in the strategic concerns of both nations. American strategic horizons are no longer limited to a bilateral nuclear relationship and include other nuclear powers as well as non-nuclear threats. For Russia, such a nuclear relationship is a principal driver of its strategic posture. Thus Moscow's objectives in talks with Washington include limits on American capabilities that may prove difficult for the United States to accept. The search for a compromise could be lengthy and exceed the START expiration date. The practical way to resolve this impasse is to extend the provisions of the current treaty for twelve months while negotiations continue. At the same time, the U.S. interest in a transparent and predictable strategic nuclear relationship with Russia could be well served through consultations—a strategic dialogue parallel to arms control talks—on respective strategic priorities, perspectives on the global strategic environment, and ideas for managing the bilateral relationship, which has been commonly known as the balance of terror.

Russia is a major actor in international diplomacy with regard to the Iranian nuclear program, and there are few reasons to question its statements that it does not want Iran to acquire nuclear weapons. However, Moscow does not assign the same urgency to this issue as the United States or Europe. The Russian position on Iran reflects interests that differ from those of the Alliance, including geography, traditions, perceived threats, economic concerns, and expectations, as well as a worldview that is distinct from U.S. and European worldviews.

Iran is an important commercial partner of Russia, as well as a gateway to Middle East politics and the world stage. Russian analysts see Tehran's nuclear ambitions as a guarantee of its independence and sovereignty in the face of U.S. threats. From the Russian perspective, a rapprochement between Washington and Tehran could marginalize Moscow, even making the Russian-Iranian relationship competitive, as they eyed the same lucrative European energy market. Maintaining the status quo in Iranian relations with America and Europe suits Russian interests by elevating the international role that Moscow enjoys because of its special relationship with Tehran.

But the record of Russian-Iranian diplomacy suggests that Moscow is unable to move Tehran to follow its lead and accept either a Russian-devised or some other compromise that averts any further escalation of tension. Moscow's participation in resolving the U.S.-EU-Iranian dispute is probably necessary. But it is unlikely to be sufficient to bring it to a successful conclusion.

An agreement with Iran if at all possible, would seem more likely to emerge from bilateral negotiations with the United States than from a deal brokered by Russia. Recent U.S. initiatives to engage Iran directly and an apparently favorable response from Tehran represent a promising start and are likely to reverberate well in Europe, where concern over Iranian nuclear ambitions are accompanied by fear of a pre-emptive American military strike. It will be necessary to keep Russia engaged in this effort to preclude it from becoming a spoiler. Linking U.S. deployment of missile defenses in Europe to progress on this issue could serve as an incentive for Moscow. Further incentives for keeping Moscow engaged in this process could entail reviving proposals for reprocessing Iranian spent fuel at a Russian-Iranian operated facility inside Russia.

Energy Security The use of gas and oil trade by Moscow for political leverage is a major point of disagreement between Russia and the West. Despite appeals by the United States and Europe, Moscow is unlikely to voluntarily abandon using the energy weapon. Russian elites and public consider natural resources as one of their greatest assets and an important entry card to the global economy. There is little relief for this problem. American and European proposals for pipelines that by-pass Russia offer scant hope of making an appreciable difference for Europe, which gets thirty percent of its oil and a similar amount of natural gas from Russia.

One potential solution lies in developing a coordinated EU energy policy that would counter Russian dominance. This is not a new idea. Despite its appeal, it has met opposition from various EU states because of domestic political and economic conditions, and the reluctance of key European countries to risk exclusive trading agreements with Russia for the sake of EU unity. The United States cannot be more worried about Europe's dependence on Russian gas than Europe itself. Therefore, U.S. and European approach to energy security in Europe has to start from the premise that European energy dependence on Russia is here to stay, and the task is how to best manage this dependence.

The Values Gap One of the most intractable issues in the relationship between the Alliance and Russia is likely to remain the so-called values gap. The United States and Europe only have is likely to remain the so-called values gap. The United States and Europe only have a few ways of influencing events inside Russia, where there is strong opposition to involvement by any outsider in domestic politics. Many Russians think that foreign interference was largely responsible for their country's turmoil in the 1990s. Both past Russian governments and political parties that described themselves as *democratic* have been deeply unpopular, although Russian officials claim that Russia itself is a democracy.. This phenomenon can be attributed to the official propaganda of the post-Yeltsin era. But it also suggests that to the Russian public the managed or sovereign democracy model has proven effective and there is little desire to trade the stability and economic gains of the Putin era for greater personal and political freedom.

It is impossible to predict how the economic crisis may influence Russian domestic politics. It would be a mistake to assume that it will force Moscow to embrace economic and political liberalization. And it would be a greater mistake for the United States to appear to be promoting a specific course of action in the internal affairs of Russia. This is not to infer that Washington

should either mask its values or shy away from dialogue. To the contrary, U.S. engagement with Russian officials and private individuals is highly desirable in making America better understood within Russia, as well as gaining better appreciation of the situation inside Russia. Moreover, the American position must be clear: the United States is open to a partnership but it cannot abandon its core principles; the relationship between the two nations can progress without a partnership; the United States would like to sustain a relationship with Russia that is respectful and enables them to achieve shared goals, while making it possible to manage their differences.

Russian integration, as well as a partnership with the West, is desirable from the standpoint of American interests. But as the last two decades indicate, true integration and partnership would require changes in the prevailing Russian worldview, which is a long-term proposition. It is not clear that the majority of Russians are interested. The people and the government of the country will ultimately have to decide whether they want to continue to develop on a trajectory toward *sovereign* democracy that differs markedly from that of the members of the Alliance.

The Road Ahead Russia remains uniquely important to both the United States and Europe. Its geography, nuclear arsenal, natural resources, and influence over key interests of the Alliance make it an indispensable interlocutor for Washington, Warsaw, and all other capitals in between. The relations with Russia, however, fall short of a partnership and are unlikely to become closer in the future. To seek a partnership in the near term, let alone to declare it, would be unrealistic, if not counterproductive. A premature attempt to foster a partnership is fraught with serious risks of disappointment, mutual recrimination, and the prospect for further setbacks. The challenge over the next few years will involve making progress on areas of common interest, managing differences, and building the basis for what could some day lead to a real partnership. As long as the Russian leadership and the majority of the population do not seek integration with Western institutions, a far-reaching and enduring U.S.-Russian rapprochement will be difficult to achieve.

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