Heritage Special Report

SR-49
MARCH 27, 2009

Published by The Heritage Foundation

A Realistic Policy Agenda for the Obama Administration

Ariel Cohen, Ph.D., Editor

The Heritage Foundation
LEADERSHIP FOR AMERICA

214 Massachusetts Avenue, NE | Washington, DC 20002 | (202) 546-4400 | heritage.org

Russia and Eurasia

A Realistic Policy Agenda for the Obama Administration

Ariel Cohen, Ph.D., Editor

The Russian and Eurasian Policy Project

214 Massachusetts Avenue, NE
Washington, DC 20002–4999
(202) 546-4400 • heritage.org

This paper, in its entirety, can be found at:
www.heritage.org/Research/RussiaandEurasia/sr0049.cfm

About the Authors

Stephen Blank, Ph.D.

Dr. Stephen J. Blank is Research Professor of National Security Affairs at the Strategic Studies Institute at the U.S. Army War College. Dr. Blank has served as the Strategic Studies Institute's expert on the Soviet bloc and the post-Soviet world since 1989. Prior to that, he was Associate Professor of Soviet Studies at the Center for Aerospace Doctrine, Research, and Education at Maxwell Air Force Base, and he taught at the University of Texas, San Antonio, and at the University of California, Riverside. His two most recent books are *Russo–Chinese Energy Relations: Politics in Command* (2006) and *Natural Allies? Regional Security in Asia and Prospects for Indo–American Strategic Cooperation* (2005). Dr. Blank holds a B.A. in history from the University of Pennsylvania and an M.A. and Ph.D. in history from the University of Chicago. His most recent study, "Towards a New Russia Policy," is available on the Strategic Studies Institute's Web site.[1]

Janusz Bugajski

Janusz Bugajski is Director of the New European Democracies Project at the Center for Strategic and International Studies and Senior Fellow with the CSIS Europe Program. He previously served as a Senior Research Analyst for Radio Free Europe in Munich and as a consultant on Central–East European affairs for the U.S. Agency for International Development, the U.S. Department of Defense, the International Republican Institute, the Free Trade Union Institute (of the AFL–CIO), the International Research and Exchange Board, and the BBC. His recent publications include *Atlantic Bridges: America's New European Allies* (2007) with Ilona Teleki; *Kosova Rising: From Occupation to Independence* (2006); and *Cold Peace: Russia's New Imperialism* (2004). Bugajski holds an M.Phil. in social anthropology from the London School of Economics and Political Science.

Ariel Cohen, Ph.D.

Dr. Ariel Cohen is Senior Research Fellow for Russian and Eurasian Studies and International Energy Security in the Kathryn and Shelby Cullom Davis Institute for International Studies at The Heritage Foundation. Dr. Cohen brings firsthand knowledge of the former Soviet Union and the Middle East through a wide range of studies, covering issues such as economic development and political reform in the former Soviet republics, U.S. energy security, the global war on terrorism, and the continuing conflict in the Middle East. He earned his doctorate at the Fletcher School of Law and Diplomacy at Tufts University and is a member of the Council of Foreign Relations, International Institute of Strategic Studies in London, and Association for the Study of Nationalities. Dr. Cohen is the author of *Kazakhstan: The Road to Independence* (2008); *Eurasia in Balance* (2005); and *Russian Imperialism: Development and Crisis* (1998).

Svante E. Cornell, Ph.D.

Dr. Svante E. Cornell is Research Director of the Central Asia–Caucasus Institute and Silk Road Studies Joint Center and Associate Professor (Docent) in Government at Uppsala University and Assistant Research Professor at Johns Hopkins University's Paul H. Nitze School of Advanced International Studies. His main areas of expertise are security issues, state-building, and transnational crime in Southwest and Central Asia, with a specific focus on the Caucasus. He is editor of the *Central Asia–Caucasus Analyst*, the Joint Center's biweekly publication, and the Joint Center's *Silk Road Papers* series of occasional papers. He has authored four books, including *Small Nations and Great Powers* (2001), the first comprehensive study of the post-Soviet conflicts in the Caucasus. Cornell holds a Ph.D. in Peace and Conflict Studies from Uppsala University; a B.Sc. with high honor in international relations from the Middle East Technical University in Ankara, Turkey; and an honorary doctoral degree from the Behmenyar Institute of Law and Philosophy of the National Academy of Sciences of Azerbaijan. He is a member of the Swedish Royal Academy of Military Science.

---

1. Stephen J. Blank, "Towards a New Russia Policy," Strategic Studies Institute, February 2008, at *http://www.strategicstudiesinstitute.army.mil/pdffiles/PUB833.pdf* (March 2, 2009)

Fritz W. Ermarth

Fritz W. Ermarth was Director of National Security Programs at the Nixon Center. He is also a part-time Senior Analyst in the Strategies Group of Science Applications International Corporation. He served several tours on the U.S. National Security Council staff and served as Chairman of the National Intelligence Council (1988–1993). He retired from the CIA in 1998.

Robert O. Freedman, Ph.D.

Dr. Robert O. Freedman is Visiting Professor of Political Science at Johns Hopkins University and Peggy Meyerhoff Pearlstone Professor of Political Science at Baltimore Hebrew University. A past president of the Association for Israel Studies, he has been a commentator on National Public Radio, the BBC, and the Voice of America and is a consultant to the U.S. State Department and the CIA. Dr. Freedman has authored four books on Soviet foreign policy, including *Soviet Policy Toward the Middle East Since 1970* (1982); *Moscow and the Middle East: Soviet Policy Since the Invasion of Afghanistan* (1991); and *Soviet–Israeli Relations Under Gorbachev* (1991).

Marshall I. Goldman, Ph.D.

Dr. Marshall I. Goldman is Kathryn Davis Professor of Russian Economics, Emeritus, at Wellesley College and Senior Scholar at the Davis Center for Russian Studies at Harvard University. Until he retired, he was the Associate Director of the Davis Center. He has authored more than a dozen books on the former Soviet Union and Russia, the most recent of which is *Petrostate: Putin, Power, and the New Russia* (2008). Professor Goldman is a 1952 graduate of the Wharton School of the University of Pennsylvania and received M.A. and Ph.D. degrees in Russian studies and economics from Harvard University in 1956 and 1961, respectively. In 1985, he was awarded an honorary Doctor of Laws degree from the University of Massachusetts, Amherst.

Donald N. Jensen, Ph.D.

Dr. Donald N. Jensen is Resident Fellow at the Center for Transatlantic Relations in the Paul H. Nitze School of Advanced International Studies at Johns Hopkins University. From 2002 to 2008, he was Director of Research and Analysis at Radio Free Europe/Radio Liberty in Washington, D.C., where he oversaw international news organizations' analytical publications. He was a Foreign Service officer from 1985 to 1996, including a two-year assignment in Moscow as Deputy Chief of the U.S. Embassy's Political/Internal Section. Dr. Jensen has been an Adjunct Professor of Comparative Politics at George Washington University. He has also taught at Harvard, Stanford, and Cornell.

Contents

Introduction

Ariel Cohen, Ph.D.

The Russian and Eurasian Policy Project was inaugurated to assist policymakers in the legislative and executive branches who will formulate U.S. policies toward Russia and Eurasia. The project's task force is composed of leading experts on Russia and Eurasia who have extensive policy experience in Russian and Eurasian affairs and national security in both Republican and Democratic Administrations. This task force report is intended to be both prescriptive and descriptive in recommending policies that are realistic, possible to implement, and balanced.

The international security challenges confronting the Obama Administration are vast. In the coming years, President Barack Obama will need to deal with the troop redeployment from Iraq; an Iran that is opaque, unpredictable, and attempting to acquire nuclear weapons; a precarious and deteriorating Afghanistan; and an increasingly chaotic Pakistan.

Yet another geostrategic headache—resurgent Russia—will plague President Obama and probably his successor. Russia is seeking to find a new place in the global architecture. In recent years under the leadership of Vladimir Putin, Russia has pursued an increasingly assertive, if not aggressive, foreign policy. Until Russia invaded Georgia in August 2008, the U.S. government largely attempted to ignore Russia's frustration and increasingly bold anti-American diplomatic and economic moves.

The guns of August provided the wake-up call. On August 8, Russia decided to rewrite the rules of post–World War II European security by challenging the very norms on which it is built. It repudiated the Helsinki Pact of 1975, which recognized the inviolability and sanctity of borders in Europe, and violated the sovereignty and territorial integrity of NATO aspirant Georgia. While Georgia's troops did launch an attack in South Ossetia on the preceding day in response to the growing military provocations by Russia's South Ossetian proxies, Russia mobilized troops and armor on Georgia's borders and inside South Ossetia. Yet Russia's war with Georgia was as much about preventing additional oil and gas pipelines from being built outside of Russian control as Moscow's plans to annex South Ossetia and Abkhazia.

This war and Russian President Dmitry Medvedev's August 31 statement on national television of Russia's new foreign policy principles were intended to send clear signals to multiple audiences. The message to the world was that Russia has a "zone of privileged influence" and that it holds the veto over the aspirations of the people living in it; that initiating democratic reforms or pursuing a pro-Western policy in Russia's backyard is dangerous; and that Moscow can disrupt at will the flow of energy and goods through the east–west corridor.

The message to reform-minded persons in Russia was to close ranks behind Medvedev and Putin and unite against the common enemy: Georgia and by implication the United States. Russia reinforced this message by shutting off the flow of natural gas to Ukraine and the European Union (EU) in January 2009. While Ukraine is not without blemish in this dispute, Moscow is sending the message that this is the price that Ukraine must pay for pursuing a pro-Western path toward NATO membership. Russia is demanding that Ukraine abandon its bid to join NATO and the EU and allow Russia to continue basing its Black Sea Fleet in the Crimea.

The Kremlin has benefited from rising oil prices since 1999. In 2003–2005, the Russian state dismantled and nationalized Yukos, the most transparent and Western-oriented publicly traded oil company in Russia. Its owners, Mikhail Khodorkovsky and Platon Lebedev, were imprisoned without a fair, impartial court hearing, and in the spring of 2009, they were put on trial again on trumped-up charges, with a real possibility of a combined 30-year sentence.

Putin's popularity has soared during this time, and the Kremlin's international rhetoric and actions have been pronounced and even bold. However, Russia's economic fortunes began to reverse with Putin's shakedown of the Mechel Corporation, the fallout from the fight for control of the TNK–BP oil joint venture, and the August war with Georgia. These events caused international investors to reel, the Russian stock market to plunge, and capital to flee, sending shock waves through the Russian leadership.

The Kremlin has tried to keep a stiff upper lip in the face of adversity. This was evident in the president's orders to law enforcement authorities to "crush" any unrest stemming from the financial crisis and the subsequent crackdown in Vladivostok, the rewriting of the Russian constitution to extend the president's term from four years to six years, and the draft of the country's new treason law. With oil prices at new lows, the challenge for U.S. policymakers is to understand how the economic downturn will influence Russia's foreign and domestic policies.

Understanding Russia

To meet these challenges in a systematic manner, Fritz W. Ermarth suggests the need for greater knowledge of contemporary Russia. The United States needs to devote more attention and effort to understanding Russia as a country, as a political and economic system, and as a military and energy power. This will require collecting and analyzing information by the intelligence community, think tanks, and academia.

Today, the U.S. does not devote the level of attention and analysis to Russia that is merited by its importance. To raise the level of attention and further the effort necessary to understand Russia, the U.S. government should take at least three steps:

- The Office of the Director of National Intelligence (DNI) should direct a deep inquiry into the adequacy of the U.S. national intelligence effort on Russia, including the adequacy of the surrounding analytical environment in think tanks, intelligence contractors, and academia.
- Congress should undertake an inquiry into whether American area studies are adequate to manage the U.S. role in the world in this era of globalization. Congress should consider a new National Defense Education Act.
- Relevant entities of the executive branch and Congress should examine whether current laws, regulations, and processes governing interactions of private U.S. citizens with foreign actors (e.g., foreign governments and government-controlled nongovernment entities) need to be updated.

Rethinking the U.S.–Russian Military Agenda

In light of Russia's invasion of Georgia, Professor Stephen Blank recommends that the Obama Administration rethink the U.S.–Russian military agenda and Russian military defense policy. According to Dr. Blank, the invasion revealed many important lessons, not least of which is that the very structure of the Russian regime is inclined toward military adventurism. The Obama Administration needs to be alert to the possibility that Russia may use military forces (including cyberattacks) in the Commonwealth of Independent States and beyond.

However, unless bilateral relations further deteriorate, the U.S. may not yet need to view Russia as a peer competitor and global challenger to American defense policy. To safeguard America's vital interests, prevent a conventional and nuclear arms buildup, and preserve prospects for serious engagement, if not aspects of partnership, the Obama Administration should:

- Condition future arms control negotiations on Russia's fulfilling the terms of the August 2008 cease-fire in Georgia. Specifically, Russian forces must return to their prewar positions, the peacekeeping mission in South Ossetia and Abkhazia must be internationalized, and Russia must recognize Georgia's territorial integrity and the rights of its democratically elected government.

- Respond favorably to Russian calls for a new treaty on strategic nuclear arms, provided that Russia meets the conditions of the cease-fire in Georgia.
- Condition Russia's initiatives to globalize the Intermediate Nuclear Forces (INF) treaty on Moscow's successfully persuading China to join.
- Continue building missile defenses in Poland and the Czech Republic.
- Resist Russia's efforts to scuttle the Treaty on Conventional Armed Forces in Europe (CFE). The U.S. should uphold the original treaty and negotiate Russia's return to it.

U.S.–Russian–European Relations

The Obama Administration also needs to be aware that Russia is reasserting its global reach by seeking to contain and even reverse expansion of the Euro–Atlantic zone and to weaken the global role of the United States. Dr. Janusz Bugajski analyzes the uneasy triangle of the U.S., Russia, and Europe and makes recommendations to boost the transatlantic relationship, protect the NATO Alliance, and recognize Europe's energy needs.

The Georgia war and the January 2009 gas conflict have clearly shown that NATO and the EU lack a coherent strategy toward resurgent Russia, and this is having detrimental consequences. Several EU members remain apprehensive about provoking disputes with the authoritarian government in Moscow and are willing to overlook troubling trends and transgressions in Russia's domestic and foreign policies.

To defend common, long-range Western interests and reinvigorate NATO, the Obama Administration should:

- Strengthen the transatlantic alliance. The Obama Administration needs to underscore that an effective transatlantic alliance is in America's national interests and serves NATO members' long-range strategic goals.
- Expand alliance security. The most effective tool in neutralizing Russia's attempts to increase its leverage would be a united Allied strategy to consolidate and enlarge the zone of democratic security.
- Implement an effective European and transatlantic energy strategy that provides mechanisms for coordinating policies and strategies to stabilize and support states that face supply disruptions.
- Engage Russia in the areas of mutual interests, such as Afghanistan. An effective and realistic long-range strategy toward Russia would consist of a combination of practical engagement and strategic assertiveness.

Georgia and the Caucasus

Dr. Svante Cornell takes a close look at the regional implications of the recent war in Georgia, Moscow's foreign policy objectives, the causes behind the war, and the implications for U.S. interests. Russia has called Georgia's statehood into question. Russia has persistently and systematically violated Georgia's territorial integrity and sovereignty, and the war may have dealt a mortal blow. From the perspective of other former Soviet states, Russia was able to invade and dismember Georgia with little cost being imposed by the West.

Since the collapse of the Soviet Union, Washington has made the independence, sovereignty, and democratic development of the Soviet successor states a cornerstone of its foreign policy. All of these have now been directly challenged, with Moscow demanding a sphere of privileged interests that implicitly denies these countries meaningful sovereignty and makes true democracy impossible.

To address these serious consequences for regional governments and U.S. interests, the Obama Administration should:

- Fulfill U.S. commitments to support Georgia's economy and gradually assist in rebuilding its military forces, using the January 2009 Strategic Partnership Charter between Georgia and U.S. and Partnership for Peace programs;

- Support NATO Membership Action Plans for Georgia and Ukraine in addition to the bilateral strategic partnership charters;
- Continue to express strong U.S. support for Georgia's territorial integrity, focusing on attaching costs to Russian annexation policies;
- Launch a renewed strategic dialogue with Azerbaijan, raising this to a higher level and rebuilding trust in Baku for its Western foreign policy orientation;
- Work to resolve the Armenian–Azerbaijani conflict over Nagorno-Karabakh by providing a special U.S. negotiator;
- Rekindle the strategic dialogue with Ankara on the South Caucasus; and
- Shore up the energy and transportation corridor through Georgia to make future projects like the Nabucco gas pipeline a reality.

Russia and Eurasia Energy Integration

In examining Russia and Eurasia energy integration, Dr. Ariel Cohen observes that Russia's resurgence in Eurasia has progressed steadily since Putin came to power in 2000 and may continue, subject to budgetary constraints. This revival of Russia's influence in the region, particularly in Central Asia, should be considered along four dimensions that explain Moscow's interests:

- Intervention in the internal politics of the New Independent States,
- Economic integration,
- Military and security cooperation, and
- Energy development, including control of pipelines.

Russia is pursuing a policy of multilateral integration in the new states of Eurasia through the international bodies that it dominates: the Commonwealth of Independent States (CIS), the CIS Collective Security Treaty Organization (CSTO), and the Eurasian Economic Community (EurAsEC). Moreover, when its energy resources or infrastructure assets (e.g., pipelines and refineries) are involved, Russia usually tries to deal with its CIS partners in Central Asia from a position of strength and control of the region's access to foreign markets.

The Obama Administration should assess how energy issues fit into wider U.S. strategic interests in the region and develop balanced and nuanced policies that enable the U.S. to remain engaged in the region. To achieve these ends, the U.S. should:

- Support projects to increase and diversify non-Russian energy transit routes for Central Asian oil and gas;
- Further develop ties with Central Asian states to expand trade and security relations with the U.S.;
- Continue to encourage good governance, development of modern institutions, and legislative reforms in Central Asia; and
- Adopt an approach that allows security and energy cooperation, even if there are disagreements on democratic values and governance.

Russia in the Far East

Russian elites and leaders insist that Russia is and should be recognized as an important actor in Northeast Asia. In examining Russia in the Far East and U.S. policy, Dr. Stephen Blank observes that Washington should take these aspirations into account when framing future policies for Russia and Asia. Russia hopes to use its location, vast nat-

ural resources in eastern Siberia and Russian Asia, and reviving defense forces to create partnerships with key Asian states and then to leverage those assets into an enduring Russian role in the region. Commodities and proceeds from their sale are to provide the key to unlocking the development of the region's economy and infrastructure, thus enabling Russia to play a great-power role in Asia.

For the U.S., the paramount need is to forestall a full-fledged Russo–Chinese alliance and to avoid a blowup between China and Japan. To achieve a dynamic stability amid a fast-changing Asia, the U.S. needs to:

- Preserve American leadership and military predominance in Asia. Continued American leadership provides an umbrella that allows other powers to contribute to regional prosperity without permitting regional rivalries to spin out of control.
- Globalize the strategic nuclear arms control process after ratification of a new treaty with Russia. This should permit the U.S. to gain some measure of regulation over China's strategic nuclear and missile modernization.
- Explore opportunities for enhancing energy cooperation with all of Asia's major energy consumers.
- Encourage a resolution of Russo–Japanese differences, particularly over the four Kurile Islands, both so that Russia has options in Asia other than China and so that Japanese–Russian energy cooperation can go forward.

Russia in the Middle East

Under Putin, Russia has pursued a much more active, if not aggressive, policy in the Middle East than it did under President Boris Yeltsin.[1] It has constructed the Bushehr nuclear reactor for Iran. Russian leaders have conducted a dialogue with Hamas, a Palestinian terrorist organization, and have provided it with a modicum of diplomatic legitimacy by inviting its leader to Moscow, despite its call for the destruction of Israel. Russia has also provided sophisticated and destabilizing arms to Syria, some of which were transferred to Hezbollah, a Lebanese terrorist organization that also calls for the destruction of Israel. In addition, neither Hamas nor Hezbollah is on Russia's list of terrorist organizations.

Given these policies, Dr. Robert O. Freedman asks whether Russia could be a genuine partner for the United States in the Middle East. He concludes that Moscow would need to make a number of major policy changes—including declaring that Hamas and Hezbollah are terrorist organizations and participating in effective sanctions against the Iranian nuclear program—to facilitate such a partnership with the United States. Only if Moscow makes these changes should the United States then:

- Agree to hold a Middle East peace conference in Moscow,
- Repeal the Jackson–Vanik Amendment, and
- Facilitate Moscow's entry into the World Trade Organization.

The U.S.–Russian Business Agenda

While "hard" security and geopolitics remain the highest-priority agenda items in U.S.–Russian relations, the U.S.–Russian business agenda remains important in bilateral relations. Both the U.S. and the Russian economies have been affected by the world financial crisis, but in many ways, Russia has suffered more.

1. For a discussion of Yeltsin's Middle East policies, see Robert O. Freedman, "Russian Policy Toward the Middle East Since the Collapse of the Soviet Union: The Yeltsin Legacy and the Challenge for Putin," University of Washington, Henry M. Jackson School of International Studies, Herbert J. Ellison Center for Russian, East European and Central Asian Studies *Donald W. Treadgold Paper* No. 33, 2001.

According to Dr. Marshall I. Goldman, part of Russia's problem is that it has had less experience than the U.S. in dealing with financial crises and implementing remedial measures to correct such problems. This helps to explain why many Russians are convinced that the U.S. intentionally created the current crisis. Despite these suspicions, U.S. government officials have ample opportunity to work with their Russian counterparts to seek remedies for the current crisis while helping each other's economies. Specifically, the Obama Administration should:

- Convene high-level meetings that include a variety of government and nongovernmental bodies to share the U.S.'s long experience in dealing with economic downturns and inflation, both of which are major concerns in Russia;
- Organize similar meetings between U.S. and Russian energy officials to explore the exchange of economic experience and technical expertise;
- Increase exchanges and interaction between U.S. and Russian business executives;
- Encourage U.S. firms and Russian businesses to establish similar year-long exchanges for Russian executives;
- Take advantage of the common concern over East African piracy to invite Russia to participate in joint efforts to secure water routes; and
- Encourage the Fulbright Fellowship Program to increase the number of business-oriented students and faculty moving between U.S. and Russian business schools.

Flawed Energy Superpower

Russia is a major player in global energy markets and aspires to leverage its resources to become a global energy superpower. It is the largest supplier of natural gas to the European Union and is using this dependence as a foreign policy tool to drive wedges between European capitals and between Europe and the United States. The Kremlin's strategy seeks to increase dependence by locking in demand with energy importers, consolidating the oil and gas supply under Russian control by signing long-term contracts with Central Asian energy producers, and securing control of strategic energy infrastructure in Europe, Eurasia, and North Africa. Russia's strategy also involves extending the Gazprom monopoly to create an OPEC-style gas cartel and increasing cooperation with OPEC.

Russia's recent war with Georgia was as much about asserting "privileged spheres of interests" as it was about preventing the creation of alternative energy routes outside of Russian control. The January gas conflict with Ukraine and Europe demonstrated the extent of Europe's strategic dependence on Russian energy. Europeans are nervous about Russia's ability to meet its export commitments because Russian gas production is in decline and Moscow's energy policies are discouraging much-needed domestic and foreign investment. Dr. Ariel Cohen argues that, to advance U.S. interests and to increase Euro–Atlantic alliance cohesion, the Obama Administration should:

- Demonstrate American leadership in energy diplomacy in the Caspian and Central Asian regions. The U.S. should specifically support construction of the Nabucco pipeline.
- Encourage Europe to construct more liquefied natural gas terminals and increase its use of coal, nuclear power, and competitive renewables as sources of affordable electricity.
- Remove restrictions on energy exploration throughout the United States and open its vast onshore and offshore natural gas resources to further development.
- Work with EU members, Japan, China, India, and others to develop a clear global policy to limit cartelization of the gas sector.
- Implement President George W. Bush's 2009 policy directive on the Arctic while coordinating the Departments of Defense, State, Interior, and Energy and the Coast Guard in developing the overall U.S. policy toward the region.

- Provide the U.S. Coast Guard with a sufficient operations and maintenance budget to support an increased, regular, and influential U.S. presence in the Arctic.
- Accelerate the acquisition of U.S. icebreakers to support the timely mapping of the Arctic Outer Continental Shelf and the Arctic in general.

The Rise of Authoritarianism

Shifting to Russia's internal political dynamic, Dr. Donald N. Jensen examines Russia's ruling class; the rise of authoritarianism and decline of democracy; and the outlook for human rights, political life, and press freedom in Russia. Since the demise of the Soviet Union in 1991, Russia has at best made erratic progress toward democracy and the rule of law, but this progress was reversed under Putin. Although Russia formally has democratic institutions, it is run in practice by an authoritarian and corrupt oligarchy that controls much of the political space and the most lucrative sectors of the economy. Following the carefully orchestrated 2008 presidential transition, the country's direction has not changed significantly, although much is in flux. Indeed, the hostilities in Georgia appear to have hardened Russia's authoritarian course.

In this climate of deteriorating U.S. relations with Moscow and global financial turmoil, the Obama Administration faces the challenge of finding a mix of policies that will constructively engage Russia on issues of mutual interest while still promoting development of a more democratic Russia that would be a more reliable partner. These policies include a mix of positive and negative incentives. The U.S. government should:

- Expand and make more effective use of the instruments of soft power such as cultural exchanges and international broadcasting;
- Eliminate barriers to legitimate economic interaction such as the Jackson–Vanik amendment;
- Promote economic integration through trade and mutual investment, but make it clear that such interaction must be subject to the rule of law and greater transparency;
- Support programs designed to improve Russian corporate governance practices;
- Improve scrutiny of business deals with Russian companies, especially those that are controlled by the Russian state or by businessmen closely linked to the Kremlin, through the newly adopted rules of the Committee on Foreign Investment in the United States (CFIUS);
- Call for strong responses, such as expulsion of Russia from the G-8, if Russia continues to use its state-dominated business entities as foreign policy tools;
- Vigorously enforce U.S. laws on money laundering, as well as other financial and business crimes, against Russian businesses in the United States; and
- Seek to further personal and professional contacts with a broader range of Russian elites and with human rights activists and media elites.

Conclusion

The Obama Administration is trying to push the "reset" button on U.S. relations with Moscow. Yet in foreign affairs, haste is the enemy of wisdom.

According to *The New York Times*, in February 2009, President Obama sent a secret, hand-delivered letter to President Dmitry Medvedev. The letter reportedly suggested that, if Russia cooperated with the United States in preventing Iran from developing long-range nuclear-missile capabilities, the need for a new missile defense system in Europe would be eliminated—a *quid pro quo* that President Obama has denied. The letter proposed a "united front" to achieve this goal.[2]

Responding to the letter, Medvedev appeared to reject the offer and stated that the Kremlin was "working very closely with our U.S. colleagues on the issue of Iran's nuclear program," but not in the context of the new missile defense system in Europe. He stated that "no one links these issues to any exchange, especially on the Iran issue." Nevertheless, Medvedev welcomed the overture as a positive signal from the Obama Administration.[3] So far, Moscow is refusing to play ball—or is at least taking a hardball approach to negotiations.

As this report illustrates, Russia poses multiple challenges to the U.S. The Kremlin is calling for a new European security architecture and for replacing the post–Bretton Woods economic architecture. It rejects the dominant role of the World Bank and the International Monetary Fund and is calling for their replacement by regional institutions. It is also seeking to use energy, weapons sales, and investment opportunities in the Russian market as tools to drive wedges between European capitals and between Europe and the United States.

Russian President Medvedev put this practice into stark relief when, the day after the U.S. presidential elections, he directly challenged President-elect Obama by threatening to deploy nuclear-capable missiles on the border of a prominent NATO ally. Such threats underscore the importance of designing a comprehensive U.S. foreign policy toward Russia.

The purpose of this project is to offer perspectives on the current challenges and to inform that policymaking process.

2. Peter Baker, "Obama Offered Deal to Russia in Secret Letter," *The New York Times*, March 2, 2009, at *http://www.nytimes.com/2009/03/03/washington/03prexy.html* (March 3, 2009), and Associated Press, "Russian President to Face Questions over US letter," *International Herald Tribune*, March 3, 2009, at *http://www.iht.com/articles/ap/2009/03/03/europe/EU-Spain-Medvedev.php* (March 3, 2009).
3. Peter Baker, "Russian President Reacts to U.S. Offer on Iran," *The New York Times*, March 3, 2009, at *http://www.nytimes.com/2009/03/04/washington/04russia.html* (March 3, 2009).

Chapter 1

Understanding Russia: The Need for Strategic Intelligence and Knowledge

Fritz W. Ermarth

Russia has returned—with a bang—to the center stage of the international system. The United States needs to raise the level of attention and effort that it devotes to understanding Russia as a country, a political and economic system, and a military and energy power. This needs to occur in official intelligence analysis, in think tanks, and in academia. Today, that level of attention and analysis is below what is required by Russia's many dimensions of importance.

During the Cold War, starting in the late 1940s and accelerating through the following decade, the U.S. created a robust knowledge infrastructure on the USSR in government institutions, think tanks, academia, and even journalism. This deeply echeloned knowledge system was vital to managing the Cold War successfully.

Most important, U.S. strategic intelligence, supported by the surrounding knowledge base, permitted the U.S. to survive and win the Cold War without a thermonuclear catastrophe. It did this by making the military dimension of the Cold War competition largely transparent, denying the adversary high-leverage surprise options, enforcing caution and risk aversion, permitting arms control, and allowing both sides to confront uncertain dangers without overreacting or underreacting. It helped the United States, unlike the USSR, to do this without breaking the U.S. economy or erecting a police state. U.S. strategic intelligence, surrounded by a robust knowledge system, performed exceptionally well against the Soviet challenge. The popular charge that it somehow missed the decline and fall of the USSR is utterly fallacious.

After the end of the Cold War and the demise of Communist rule in Russia and the Soviet bloc, the attention paid to Russia fell off sharply, especially within the U.S. intelligence community. This was inevitable to some degree. Budgets and work forces were cut sharply. Attention to Russia was devalued among intelligence community managers and congressional overseers as something of a Cold War hangover.

Post–Cold War Russia

Equally important, the post–Cold War environment quickly became turbulent and rich with a diversity and multiplicity of new (and newly important old) challenges: proliferation, terrorism, energy geopolitics, regional security crises, and newly important countries. The downsized U.S. intelligence community was spread thin and increasingly overwhelmed by the tasks of current intelligence and operational support (e.g., to the military) at the cost of collecting and analyzing intelligence to gain a deep understanding of many problems.

Meanwhile, in think tanks and academia, attention and funding moved away from area studies—which focused on real people, countries, and societies—toward the newly compelling and fashionable phenomenologies of national security studies: terrorism, proliferation, migration, and globalization. Some area studies, such as Middle East and China studies, fared better than others. Russia studies suffered acutely.

This falloff of serious intelligence and academic analytic attention to Russia needs to be redressed. Although a strictly quantitative comparison is not really possible, understanding Russia today is as important as understanding the USSR was during the Cold War—fortunately, in very different ways.

The great strategic and ideological confrontation of the Cold War has disappeared, but Russia still possesses strategic nuclear forces that could incinerate the U.S. within an hour. Russia's leaders also appear determined to maintain that capability as a security deterrent and to maintain Russia's strategic standing in the world. Leaders of all parties on both sides appear to agree that the U.S. and Russia can and should further reduce their nuclear arsenals in codified and verifiable ways. More can be done to further remove the dangers of accident, surprise, and miscalculation from this lingering deterrent relationship.

The task of preventing the Cold War legacy of technology and weapons of mass destruction (WMD) from escaping to exacerbate the threats of proliferation and terrorism remains on the Russian–American agenda. Managing this legacy is probably the most cooperative sector of U.S.–Russian relations. Yet technical problems aside, it is still encumbered by political and institutional obstacles on the Russian side. They need to be better understood. The Russians protest that this applies also to the U.S., but that is their problem of understanding.

For more than a decade, Russia's leadership has declared its intent to restore Russian military power by reforming and modernizing the general-purpose forces and by shifting to a somewhat downsized, largely volunteer force equipped with world-class technology. With windfall revenues from energy sales, official spending on Russia's military has increased dramatically, producing some visible results, but it remains far below Soviet levels.

What, then, do most military commentators and civilian critics say is required for Russia to achieve the declared objectives? How real are these objectives, and if real, how achievable are they given the inefficiencies (e.g., corruption) of the system and the decrepitude of the military–industrial complex?

U.S. Director of National Intelligence Michael McConnell recently testified, "The Russian military has begun to reverse a long, deep deterioration in its capabilities that started before the collapse of the Soviet Union."[4] However, a significant array of U.S. and Russian experts say that this is not really happening. Clearly, we need deeper analysis and understanding in this area. The Georgian war of August 2008 intensified concern that Russian military modernization will focus increasingly on supporting the reassertion of Russian hegemony in much of the former Soviet Union. Yet the current financial and economic crisis has raised new uncertainties about Russia's ability to accomplish any of this.

Russia is an energy power, buoyed by rich natural endowments and hugely propitious market conditions. Russia's leaders appear determined to make Russia an energy superpower, with oil and gas imparting the strategic and political clout once ascribed to the Soviet army and navy. This has led Russia to seek long-term dependencies in both supply and demand. So far, despite setbacks and resistance, these Russian efforts have been more successful than not. However, although all observers agree that meeting customer demand and exploiting dependence abroad while also meeting increasing domestic demand because of reindustrialization at home requires that Russia systematically increase its ability to supply oil and gas, Russia does not appear to be investing discretionary resources into new extraction, transportation, and processing.

Current financial and economic crises raise new questions about Russian ability to invest at home or abroad. Russia has continued to engage in power plays in the energy sector (e.g., the 2004 crackdown on Yukos and the 2008 struggle over the control of TNK–BP) which inhibit long-term foreign investment that would bring needed skills, technology, and capital.

What is really going on here? We need to develop a deeper understanding based on the work of dispassionate and disinterested institutions, not merely on the admittedly great expertise of Russian and Western energy actors that have deep stakes in the picture presented.

During the Cold War era, the Soviet Union's outreach to the world and the U.S. took many forms: official diplomacy; intelligence and espionage; white, grey, and black propaganda; influence operations; and active mea-

4. J. Michael McConnell, "Annual Threat Assessment of the Intelligence Community," statement before the Committee on Armed Services, U.S. Senate, February 27, 2008, at *http://armed-services.senate.gov/statemnt/2008/February/McConnell%2002-27-08.pdf* (February 27, 2009).

sures. Today, Russia's outreach is hardly less energetic. It uses old and new talents from the intelligence realm. It rides on the tides of globalization and Russia's energy role. It is also more complex and harder to track because of the quasi-state and non-state actors involved on the Russian side in addition to the usual state actors and because of the many legitimate (and not so legitimate) dimensions of cooperation, especially in business. Russia's outreach involves a host of new U.S. and Western collaborators in legal representation, academic and scientific pursuits, and cultural institutions.

To understand Russia's interests and behaviors, and especially to distinguish the legitimate and constructive ones from those that threaten or might threaten U.S. security and interests, all dimensions of this much more diversified outreach need to be observed and understood, especially by top U.S. policymakers. This requires an effort by the U.S. national intelligence collection, counterintelligence, and analytic establishment, which is not now taking place for lack of priority resources and expertise. Fortunately, this is an effort that can rely largely on open and readily accessible sources of information.

Russia's character as a state, polity, country, and society must be better understood. To paraphrase the title of Professor Merle Fainsod's influential book on the Soviet Union, the question is: How is Russia ruled? The modern equivalent of that book is not available today, but it could be. Russia's system under Putin and now under Putin and Medvedev has been described as Russia Incorporated, Kremlin Incorporated, state capitalism, mafia state, financial feudalism, and clan politics. Russia is not a law-governed democracy, but it has some of the ingredients, aspirations, and potential needed to become one. According to its own leaders, Russia is afflicted by massive corruption and business criminality, but that is not all there is to Russia.

What are the real prospects of overcoming these pathologies? Russia is more authoritarian than it was under Yeltsin or even late Gorbachev, but it is still a weak authoritarianism that leaves many political, economic, intellectual, and personal zones of freedom.

Understanding the character of the Russian state or polity is vital because this character shapes most of the interests and behaviors of Russia that concern us, from diplomacy and statecraft to military strength (or weakness) to business and energy strategy to propaganda and influence activities. Of course, this character is central to our most important interest or equity in Russia in the long run: the prospect for law-governed democracy. Usefully encouraging this prospect will require a profound and largely agreed understanding of Russia as a country. The really good news is that a true and fair understanding of Russia's character as a state and polity can be constructed because it is such an open country, despite its weak authoritarianism.

What the U.S. Should Do

To raise the level of attention and effort devoted to understanding Russia, the U.S. government should take at least three steps:

- **The Office of the Director of National Intelligence (DNI) should direct a deep inquiry into the adequacy of U.S. national intelligence effort on Russia**, including the adequacy of the surrounding analytical environment of think tanks, contractors, and academia. The DNI should order any required corrections within the intelligence community and request assistance from Congress, foundations, and universities as required.
- **Congress should undertake an inquiry into whether the state of area studies in the U.S. is adequate to manage the U.S. role in the world in this era of globalization.** Does the U.S. need a new National Defense Education Act, which more than a half-century ago mobilized and trained talent for understanding the USSR? Today, such an effort could mobilize large numbers of young people who grew up with immigrant parents; know the country and the language; or immigrated to the U.S. already knowing the languages, countries, and regions of concern. These people may now be waiting tables, writing computer programs, or launching start-up companies.

- **The relevant entities of the executive branch and Congress should examine U.S. laws, regulations, and processes that govern interactions of American citizens with foreign actors outside of government**, such as the Foreign Agent Registration Act. These require updating to ensure the transparency required by national security, law enforcement, and protection of markets while still striking an appropriate balance with American national values and the need to develop business relations in the era of globalization.

Chapter 2

The U.S.–Russian Military Agenda: The Past as Prologue

Stephen Blank, Ph.D.[1]

In light of Russia's invasion of Georgia in August 2008, the Obama Administration needs to rethink the U.S. view of Russia's military defense policy. This invasion revealed many important lessons.

- First, it demonstrated the success of Russian military reforms in 2003–2006, which allowed the Kremlin to rapidly airlift a division of paratroopers from the center of the country to its periphery within 24 hours.
- Second, it displayed the General Staff's ability to organize command and control of a combined arms effort of land, sea, and air forces in mounting effective and rapid operations.
- Third, it again revealed Russia's intention of using cyberwarfare to prepare for war, similar to what it did in Estonia, and to integrate it successfully with combat operations.
- Fourth, Russia is capable of achieving strategic surprise, as Georgia expected an attack in Abkhazia.
- Fifth, Russia remains by far the strongest military power in the Commonwealth of Independent States (CIS), and its willingness to use military force in defense of its interests cannot be doubted.
- Sixth—and this is fundamental for the future—the very structure of the regime inclines it toward military adventurism, as previously shown by the two Chechen wars and the Pristina (Kosovo) operation of 1999 and confirmed by this war.
- Seventh, the war has led to continuing policies for a major recapitalization of both the conventional and nuclear forces through 2020.

Thus, the Obama Administration needs to be alert to the real chance that Russia might use military forces (including cyberattacks) in the CIS, particularly against Ukraine, and beyond. "Justifying" the August war in terms of defending supposed Russian citizens (in Abkhazia and South Ossetia) was a page out of Adolf Hitler's playbook and could similarly provide a potential *casus belli* against Ukraine, Kazakhstan, the Baltic States, or other CIS members. In addition, the Administration should anticipate that Moscow will forcefully intervene if another "color revolution" breaks out in the CIS, and it needs to understand the possibility for a renewed nuclear arms race.

Other new features of Russian defense policy should arouse the concern of the Obama Administration. The forthcoming new defense doctrine explicitly invokes America and NATO as Russia's number one enemies. Second, Moscow clearly intends to retain the capability to intimidate Europe as a condition of its own security, as the January gas conflict has shown. It wants to retain the mutual-hostage relationship of the Cold War based on mutual deterrence and an inherent presupposition of hostility and conflict with the West. Thus, it is building nuclear cruise missiles (the Iskander-K) that are not regulated by any international agreement or regime. It also

1. The views expressed here do not represent those of the U.S. Army, the Department of Defense, or the U.S. government.

refuses to disarm its tactical or nonstrategic nuclear weapons that threaten Europe. Finally, it may be violating the Presidential Nuclear Instructions by Presidents George H. W. Bush and Boris Yeltsin that such weapons would not be carried on board ships.[2]

Russia's comprehensive military modernization presents challenges for the Obama Administration, but it need not lead to a renewed nuclear or conventional arms race unless bilateral relations deteriorate considerably. Still, the Administration should remember that Moscow regards the U.S. and NATO as its main enemies and configures its forces accordingly, primarily to deter a large-scale conventional attack backed by nuclear threats. Yet this does not oblige the U.S. to imitate Russia and pursue an arms race with Moscow that can only distract the U.S. from other more urgent and visible defense threats, such as China's rise or global proliferation.

This asymmetry of threat perception allows the Obama Administration considerable leeway in fashioning its defense strategy toward Russia. However, simultaneously reinvigorating NATO and continuing to pay attention to both theater conventional and cyberwar scenarios is warranted.

Russia's Military Challenge and Its Consequences

Russian official defense spending was about $40 billion in 2008 and is projected to grow about 28 percent in 2009, increasing in subsequent years by up to 9 percent annually, economic crisis allowing. The current program is a large-scale modernization of conventional and nuclear weapons that should consume some 7 trillion rubles (approximately $300 billion) by the end of 2015.[3]

This buildup has several goals: restoration of Moscow's great-power status; overcoming years of neglect since the end of the Soviet Union; solidifying military support for the regime; and defense against perceived threats, mainly NATO enlargement, U.S. unilateralism, and missile defenses in Poland, the Czech Republic, and Asia. It manifests itself in greatly increased training; Russia's unilateral planting of its flag and buildup in the Arctic; reforms to facilitate the execution of joint operations and power-projection missions to Central and East Asia; increasingly aggressive air patrols over the Atlantic, Pacific, and Arctic Oceans and in the European periphery; high-visibility naval maneuvers in the Caribbean and returning to permanent naval bases in the Mediterranean; modernization of land-based and sea-based nuclear deterrents; and the suspension of Russia's obligations under the Treaty on Conventional Armed Forces in Europe (CFE).

Much of this military activity—e.g., long-range bomber patrols in the Arctic, the Atlantic, and the Pacific and renewed electronic reconnaissance, naval, and strategic bomber presence in Venezuela and Cuba—is also intended both to show that Russia is back as a major military power and to harass the United States.

Nevertheless, this military modernization program is plagued with shortcomings and shortfalls. Russian press reports demonstrate that the defense sector cannot produce either enough weapons or sufficiently high-quality weapons to meet the needs of the armed forces or even of Russia's foreign clients. There have been scandals with both Algeria and India over exports of defective MiG fighter airplanes and naval ships.

Several reasons account for this failure, including pervasive and massive corruption.

First, according to Alexander Golts, a leading defense journalist, 40–50 percent of the defense budget was stolen as of 2006.[4] An adviser to the defense minister confirmed approximately the same range of graft.[5]

---

2. Paul O'Mahony, "Bildt Plays Down Russian Nuclear Threat," *The Local*, August 18, 2008, at *http://www.thelocal.se/13780/20080818* (February 18, 2009), and Mark Franchetti, "Russia's New Nuclear Challenge to Europe," *The Sunday Times* (London), August 17, 2008, at *http://www.timesonline.co.uk/tol/news/world/europe/article4547883.ece* (February 18, 2009).
3. Currency conversions are based on the exchange rate in fall 2008 (approximately $1 = 24 rubles). Since then, the ruble has depreciated by 50 percent against the U.S. dollar.
4. Stephen Blank, Eugene Rumer, Mikhail Tsypkin, and Alexander Golts, remarks at panel on "The Russian Military: Modernization and the Future," The Heritage Foundation, audio file, April 8, 2008, at *http://www.heritage.org/press/events/ev040808a.cfm* (February 18, 2009).
5. Russian official, interviewed by author, Moscow, 2008. The source requested anonymity.

Second, the global inflation in commodities and metals prices is also increasing production costs, creating bottlenecks and failures to produce in sufficient volumes on time and on budget.

Third, Russia's military–industrial complex still suffers from underinvestment, an aging work force, a shortage of skilled professionals, and—perhaps most of all—state intervention to take it over and restore what appears to be a 21st century version of the Soviet Ministry of Defense Industry under the control of Putin's friends. This last trend mirrors the general retreat from market economics and overall liberalization that characterizes Putin's Russia and represents the continuation of the neo-Czarist and heavily statist political–economic paradigm.[6]

Fourth, on many occasions, Moscow's refusal to complete the reform of its armed forces, end conscription, and institute a genuinely professional military leads to an armed force composed of uneducated soldiers who are physically, morally, and mentally unfit. Widespread brutality and corruption militates against an army that, except for certain specialized forces, can use high-tech weaponry effectively.

Fifth, through 2007, the regime has spent even more money on its domestic forces in the Ministry of Interior than on the regular army. This reflects the wars in Chechnya and the North Caucasus, but it also reflects the regime's awareness that the real threats to its survival are internal, not external. Thus, the Obama Administration should understand that Russia's defense spending reflects a domestic security paradigm that closely resembles that of Third World countries, where the main threats are also internal.[7]

The system's inherent inefficiencies mean that the fundamental problems of the Russian military are political. Until the regime is comprehensively reformed, its military and economy will not be reformed. They will be inherently sub-optimal performers and will constitute threats to European and Eurasian security.

The Russian military will remain by far the strongest power in the CIS and in Europe east of Germany. Its nuclear arsenal allows it to maintain an enduring challenge to security throughout Eurasia. Consequently, there is no inherent equilibrium in Europe without a vigorous American political and military balance to redress the strategic inequality. The New World must still balance the Old World as a condition of its security. Therefore, it is of vital importance that NATO not be allowed to fall into irrelevance. Furthermore, NATO must be ready to expand to defend CIS members that freely wish to join and that meet its criteria for membership.

This is particularly the case with regard to nuclear weapons. Russia's newly developed weapons, including the Iskander-K cruise missile and tactical nuclear weapons, are openly aimed at intimidating Europe. The U.S. must therefore be alert to the possibility that Russia will also withdraw from the INF and CFE treaties,[8] opening the door to conventional and/or nuclear arms races in Europe.

Because its defense and foreign policy postures are driven by its domestic pathologies, Russia regards the U.S. and NATO as its main enemies and configures its forces for large-scale conventional theater operations or even (in order to deter such contingencies) first-strike nuclear replies to them. Moscow also apparently has lowered its threshold for such first strikes, planning to use tactical nuclear weapons in Europe if confronted with a purely conventional threat. In other words, Moscow, like the USSR, sees itself confronting linked internal and external threats and seeks to raise self-sufficient military forces to counter them across the entire spectrum of conflict.

Thus, while its forces are maladapted to counterinsurgency and counterterrorism operations, Moscow wants to prepare them for joint operations and long-range power-projection missions to East or Central Asia. Essentially,

---

6. Stephen Blank, "The Political Economy of the Russian Defense Sector," in Jan Leijhonhielm and Frederik Westerlund, eds., *Russian Power Structures: Present and Future Roles in Russian Politics* (Stockholm: Swedish Defense Research Agency, 2008), pp. 97–128.
7. Julian Cooper, "The Funding of the Power Agencies of the Russian State," *The Journal of Power Institutions in Post-Soviet Societies*, Nos. 6–7 (2007), at *http://www.pipss.org/index562.html* (February 18, 2009); Mohammad Ayoob, "From Regional System to Regional Society: Exploring Key Variables in the Construction of Regional Order," *Australian Journal of International Affairs*, Vol. 53, No. 3 (November 1999), pp. 247–260; Mohammad Ayoob, "Inequality and Theorizing in International Relations: The Case for Subaltern Realism," *International Studies Review,* Vol. 4, No. 3 (December 2002), pp. 27–48, and the works cited therein; Mikhail Alekseev, "Regionalism of Russia's Foreign Policy in the 1990s: A Case of 'Reversed Anarchy,'" University of Washington, Henry M. Jackson School of International Studies, Herbert J. Ellison Center for Russian, East European and Central Asian Studies *Donald W. Treadgold Paper* No. 37, 2003, p. 12; and Amitav Acharya, "Human Security and Asian Regionalism: A Strategy of Localization," in Amitav Acharya and Evelyn Goh, eds., *Reassessing Security Cooperation in the Asia–Pacific: Competition, Congruence, and Transformation* (Cambridge, Mass.: MIT Press, 2007), p. 241.
8. Moscow suspended its membership in the CFE but did not formally withdraw.

Russia is creating two armies, one for rapid power-projection missions to the CIS and another for defense of the homeland and internal security.

Challenges for the Obama Administration

At best, Russia will be able to conduct regional conventional operations around its peripheries, as the Georgian war shows. Hence, we need not yet see it as a global challenger to American defense policy unless bilateral relations further deteriorate. In that case, which has become more likely since the Georgian war, we may see a conventional and nuclear arms buildup driven by Russia's enduring and self-serving sense of encirclement by perennially hostile forces.

In addition to maintaining American conventional and nuclear superiority and to prevent that outcome and safeguard America's vital interests, the Obama Administration should therefore:

- **Condition future arms control negotiations on Russia's obeying the terms of the August 2008 cease-fire in Georgia.** Specifically, Russia must return the Russian military to its prewar positions before August 7, internationalize the peacekeeping mission in South Ossetia and Abkhazia, and recognize Georgia's territorial integrity and the rights of its democratically elected government. If Russia can be persuaded to do so—which is admittedly quite unlikely in today's environment—such actions would be a basis for returning to arms control talks. Otherwise, the CFE treaty will soon die, and Russia will probably retreat further into unilateralism by also withdrawing from the INF treaty.
- **Respond favorably to Russian calls for a new START treaty, provided that Russia meets the cease-fire conditions in Georgia.** A strategic arms reduction treaty should contain rigorous bilateral verification protocols. Russia regards itself as being in a deterrence relationship with America, and nothing the U.S. says will prevent Russia from perceiving the relationship in that way. A START treaty would help to mitigate the intrinsic mutual hostility of that relationship. It would also reduce Russia's ability and need to rely on nuclear weapons against America and its allies, reduce a whole class of weapons that we do not intend to use anyway, and demonstrate mutual trust and confidence along with a resolve to take Russia seriously.

  Such a treaty would also seriously reduce global proliferation pressures by reducing the importance of nuclear weapons and would be a credible sign of compliance with the Nonproliferation Treaty's disarmament clauses. This would win the U.S. more support for its nonproliferation initiatives against the most serious threats and the proliferation of weapons of mass destruction. Moreover, this treaty should be globalized to include China, France, and Great Britain, enabling the U.S. to address the modernization of Chinese nuclear forces and reduce the potential threat to the U.S., its allies, and Russia.
- **Condition Russia's initiatives to globalize the INF treaty on Moscow's successfully persuading China to join.** Russian withdrawal due to the proliferation of intermediate-range ballistic missiles in China and Iran (allegedly Russia's friends) would only encourage European and Asian arms races in both ballistic and cruise missiles, which are not regulated by any international regime and thus are inherently more dangerous, while doing nothing to curb those threats. If Russia feels seriously threatened by these trends, it should join with America to ensure that Iran cannot obtain nuclear weapons and to curtail, if not scale back, its missile programs. Russia should also support globalization of the START process. Indeed, these proposals could serve as a grand bargain to reduce nuclear and proliferation threats, especially Iran's and China's threats from their nuclear and missile programs, while ameliorating East–West relations.
- **Continue to build missile defenses in Poland and the Czech Republic** because they are aimed exclusively at Iran and command NATO support. If anything, this is mandated both by Russian threats against them and by the Georgian war, and Poland's signature on the agreement to host missile defenses in August 2008 reflects its apprehensions about Russia and about NATO security guarantees.

- **Resist Russia's efforts to scuttle the CFE treaty.** Along with NATO, the U.S. should uphold the original treaty and Russia's return to it. Moscow knows that NATO poses no military threat. Otherwise, it would not have suspended its participation in a treaty restricting European capabilities. If anything, NATO urgently needs to revitalize and unify around resisting Russia's efforts to reunite the CIS by force and fraud and to intimidate Europe in the process.

  In this context, the Obama Administration needs to continue U.S. support for Ukraine and Georgia to join NATO, but it also needs to make it crystal clear to all parties that this is conditioned on serious moves by these governments to improve democratic governance, reform their militaries, and create the conditions for stable governance and democracy. This is particularly necessary in view of Ukraine's endemic crises. While granting Georgia and Ukraine Membership Action Plans has become a more pressing consideration because of the war in Georgia, it is only on this basis that the U.S. can obtain European support for doing so—a point that European governments have repeatedly made to Ukraine and Georgia.

Conclusion

These proposals would safeguard U.S. interests and the interests of U.S. allies. They respond to Russian concerns where they are justified and hold out prospects for serious engagement, if not aspects of partnership. However, they do not compromise essential objectives, such as a Europe whole and free, the sanctity of existing arms control treaties, and prevention of WMD proliferation. These proposals would also allow the Obama Administration to proceed with Russia on the basis of a secure and functioning domestic and allied consensus on security in Europe and Asia.

Chapter 3

U.S.–Europe–Russia: The Uneasy Triangle

Janusz Bugajski

In the aftermath of the Georgia war and the January 2009 gas conflict, it is clear that the NATO Alliance and the European Union lack a coherent strategy toward a resurgent Russia. Several EU members remain apprehensive about provoking disputes with the authoritarian government in Moscow and are willing to overlook troubling trends and transgressions in Russia's domestic and foreign policies. The more assertive approaches of EU newcomers—such as Poland, Lithuania, and Estonia—are resisted by some older members, including Germany and France, where commercial pragmatism and efforts to renew the EU–Russia Partnership and Cooperation Agreement prevail over an effective long-range approach.

The aftermath of the Russia–Georgia war over the separatist South Ossetia and Abkhaz regions is a test case for unity between the EU and NATO and for their effectiveness in dealing with a major crisis in wider Europe. An inability to emplace an international peacekeeping mission in the disputed territories or to restore Georgia's territorial integrity will send a negative signal to all nearby states threatened by Russia's expansionism, especially to Ukraine and Moldova.

The absence of an effective strategy toward Russia has several detrimental consequences.

- It allows Moscow to compound EU and NATO disunity by bilateralizing relations with individual states and manipulating different EU capitals against each other,
- It generates disputes between member states and undermines the development of unified policies on a broader range of strategic issues,
- It restricts further NATO enlargement because some capitals fear antagonizing Russia, and
- It unsettles the reformist prospects of EU and NATO aspirants in the Black Sea region.

European divisions also disable the pursuit of a common transatlantic strategy toward Russia.

Russia Resurgent: Weakening America and Sidelining NATO

Moscow's foreign policy doctrine operates on the principle that Russia and America are embroiled in a strategic competition for global influence. In Moscow's estimation, the U.S. has passed its zenith as a world power. This is allegedly evident in America's snowballing economic problems at home and precarious military missions abroad. Any deterioration in U.S. economic and military capabilities provides a valuable opportunity for a resurgent Russia to construct a rival "strategic pole" by extending its influences in the Black Sea, Caspian, and Caucasian regions and building a firewall against further NATO enlargement.

Russia also seeks to undermine the political stability and pro-American commitments of the new NATO members through a range of measures including energy entrapment, intelligence penetration, and political subversion. Additionally, Moscow entices West European politicians and businessmen into lucrative business contracts that can neutralize government opposition to Russia's policy.

Putin's strategy, pursued by Russian President Dmitry Medvedev, is focused on increasing Moscow's economic and political leverage throughout Europe; driving a wedge between Europe and the U.S.; and obstructing the development of unified, democratic, and pro-NATO states along its borders. The conflict over Georgia is an important illustration of Kremlin intentions, while the West's ineffective response in protecting Georgia is an incentive for Russia to pursue broader ambitions.

Russia Resurgent: Dividing Europe

Moscow has adopted a "national approach" to the EU. This entails developing strong bilateral ties with accommodating states to undermine the emergence of a more unified and potentially assertive EU strategy. It simultaneously pursues a "grand bargain" with the EU that is intended to culminate in the emergence of a "strategic partnership" with Russia.

President Medvedev claims that Atlanticism as a historical principle has expired and that NATO has failed to give new purpose to its existence. At the same time, he appeals to EU governments by proposing the creation of a pan-European security pact that would sideline NATO and diminish American influence. Such developments would assign the "post-Soviet space" to Russia's orbit while curtailing Western influence and reducing the U.S. role.

Several NATO and new EU members are adamantly opposed to any strategic bargain or institutional partnership that legitimizes Moscow's neo-imperialist policies. They argue that such approaches would turn the EU and NATO into weak political organizations devoid of any meaningful security capabilities. Central European capitals also remain wary of EU compromises with the Kremlin that could weaken the U.S. position in European affairs and endanger their own security interests.

In the absence of unified European institutions with a decisive security strategy toward Russia, the U.S., supported by central European states, remains the most credible protector against growing Russian political aspirations toward any part of the continent. Specifically, the Obama Administration should:

- **Revive transatlanticism.** Reviving transatlantic ties is a strategic imperative. The Obama Administration must underscore that an effective transatlantic alliance is in America's national interests and serves NATO members' long-range strategic goals.

  Strengthening the broader multinational alliance to include those post-Soviet states that are willing and able to join NATO would help to expand and consolidate democratic systems, open new markets, promote the rule of law, restrict Russia's "divide and rule" policies and corrupt business practices, and increase the range of U.S. allies willing to participate in resolving international crises outside the European theater. One important component of a revived Alliance would focus on developing a mechanism for regular consultation on Russia policy with coordinated initiatives toward regional conflicts, institutional enlargement, conventional weapons control, and energy policy.

- **Expand alliance security.** The most effective tool in neutralizing Russia's attempts to increase its leverage is a united Allied strategy to consolidate and enlarge the zone of democratic security. NATO must devise a more coherent and long-range approach to the aspirant countries in Eastern Europe and the Black Sea region in their progress toward NATO membership. This would also entail more intensive efforts to reintegrate the fractured Moldovan and Georgian states and provide NATO Membership Action Plans to Ukraine and Georgia. Aspirant capitals that fulfill the key criteria for NATO inclusion, including democratic rule and security sector reform, need to obtain clear tracks for accession.

  At the same time, NATO must strengthen the security of new members that are apprehensive about Russia's strategy. A more coordinated approach is needed to provide military assistance, security trainers, and U.S. bases to countries that are most exposed to Russian pressures.

  The agreement between Washington and Warsaw on the ballistic missile defense system and the provision of Patriot missiles to Poland buttresses the security of our new allies. Additional security measures

could include increasing members' military budgets to at least 2 percent of gross domestic product, military modernization, enhancing air defense capabilities, transferring NATO and U.S. infrastructure from Western to Central Europe, basing a NATO rapid reaction force in Central and Eastern Europe, and rebuilding the territorial defense forces of NATO's newest members. In addition, each NATO state must obtain a comprehensive defense plan from the Alliance to confirm U.S. intentions to honor the Article 5 defense guarantees.

- **Implement an effective energy strategy.** Manipulating energy resources has become Russia's predominant "soft power" stratagem against Europe. Russia's growing control of crude oil and natural gas supplies, on which Europe increasingly depends, enables it to make economic inroads and exercise political influence in selected states and pressure incumbent governments to acquiesce to Kremlin policy. The January gas war in Europe amply demonstrated this trend.

  Russia's control of energy routes and the dependence of transit countries and consumer states will undermine American interests from the Caspian to the Mediterranean while enhancing Moscow's regional leverage. One intended consequence of Russia's military intervention in Georgia is to diminish political and business support for alternative transit routes from the Caspian Basin among energy-producing and transit countries.

  An effective EU energy strategy will require several components, including the diversification of supply sources, routes, and downstream marketing; liberalization of Europe's energy industries; unbundling of national utilities by separating energy production from distribution; expansion of gas storage facilities; construction of more interconnected pipelines and power lines; and greater investment in liquefied natural gas terminals. Such steps would lessen the dangers of supply interruptions, transportation disruptions, and political blackmail. The U.S. and EU members must also improve coordination in energy policy as part of a common security strategy to stabilize and defend states that face potential supply disruptions.

- **Engage Russia practically while practicing strategic assertiveness.** An effective and realistic long-range strategy toward Russia would combine practical engagement and strategic assertiveness. Practical engagement subject to Moscow's fulfillment of the Russia–France–U.S. agreement on Georgia involves pursuing cooperative relations where Western and Russian interests coincide—for example, in countering international terrorism and the proliferation of weapons of mass destruction. It would also need to include specific incentives for the Kremlin to adopt constructive approaches where Western interests are paramount, whether in energy security or in arms control. For instance, arrangements could be made to resolve standoffs in various arms control regimes, including the Treaty on Conventional Forces in Europe, and to enmesh Russia's energy companies in a competitive and transparent business environment.

  If Russia is unwilling to make adjustments in these areas, the Western powers will need to assert their interests regardless of Moscow's opposition—for example, by investigating Russian state-owned corporate assets in Europe and the U.S. and prohibiting the operations of opaque intermediary companies. NATO and the EU should develop a coordinated approach to Russia that is focused on the anti-Western trends in Kremlin policy.

  Above all, the two most important Western organizations must not compromise fundamental principles by arranging any agreements with Russia that sacrifice one important security interest to gain Kremlin acquiescence on another security issue. For instance, the necessity of NATO enlargement and military effectiveness should not be bargained away for pledges of Russian assistance in resolving any regional crises, such as curtailing Iran's nuclear program. Russia also needs to be held strictly accountable to international legal commitments and regulations in a range of areas from human rights and energy contracts to arms control, peacekeeping, and military deployments.

Conclusion

The post–Cold War era is over, and the West and Russia are entangled in a new strategic confrontation. Russia is reasserting its global reach by seeking to contain and reverse the further expansion of the Western or Euro–Atlantic zone and to weaken the global role of the United States. Europe occupies a pivotal position in this struggle for strategic influence. To defend common and long-range Western interests, the Obama Administration needs to reinvigorate NATO, focusing on the expansion and consolidation of democratic security throughout wider Europe.

Chapter 4

The Caucasus and the Obama Administration's Foreign Policy

Svante E. Cornell, Ph.D.

Russia's invasion of Georgia in August 2008 was a watershed event for several reasons. Foremost, it constituted a direct challenge to the very norms upon which European security is built, because it suggested that military aggression by one member of the Organization for Security and Co-operation in Europe and the Council of Europe against another member could become a reality. The clearly premeditated character of Russia's invasion made matters worse.

Much media attention has focused on the Georgian leadership's decision to intervene militarily on August 7 against South Ossetian separatists, but there is little question that this was a response—possibly ill-conceived—to the growing military provocations by Russian-controlled South Ossetian proxies and the mounting Russian mobilization of troops and armor both on Georgia's borders and inside South Ossetia. Substantial evidence indicates that Moscow had been planning for a military adventure in Georgia for months if not years, and the final decision was likely made in spring 2008. The invasion's premeditated nature is also borne out by Moscow's rapid escalation to full-scale war, especially the entirely unprovoked opening of a second front in Abkhazia and deployment of more than 4,000 troops by sea within 48 hours of the beginning of hostilities.

Russia's invasion of Georgia fulfilled a broader purpose: to ensure the restoration of an exclusive Russian sphere of influence, specifically in the South Caucasus and more broadly in the former Soviet states. This entails most serious implications for U.S. national security interests and compels the Obama Administration to increase the attention given to the Caucasus in its foreign policy formulation. This is no longer only about Georgia or the South Caucasus, but about American credibility and the limits to Russian aggressive foreign policies.

Moscow's war goals went far beyond South Ossetia and Abkhazia and appear to have included undermining the democratically elected Georgian government—and possibly "regime change." Russian official spokesmen said as much. Both U.S. Secretary of State Condoleezza Rice and French Foreign Minister Bernard Kouchner have alluded to Moscow's goal of overthrowing the democratically elected Georgian government. French official sources even pointed to the Russian leadership's determination to physically eliminate Georgian President Mikheil Saakashvili. This was prevented mainly by French diplomacy; President George W. Bush's strong statements on August 12; and the heads of state of Estonia, Latvia, Lithuania, Poland, and Ukraine, who traveled to Tbilisi to show solidarity with Georgia.

Moscow's declared foreign policy objective is to divide Europe into spheres of influence, with all former Soviet states reserved for itself as a "zone of privileged influence," irrespective of the wishes and aspirations of their peoples and leaders. Beyond that, after the Georgia war, Russia began to vociferously demand a revision of security arrangements in Europe, effectively calling for the disbanding of NATO.

Regional Implications

The regional implications of the war are already being felt. Georgia's statehood has been called into question. For a long time, Russia has systematically violated Georgia's territorial integrity and sovereignty. Russia may have dealt it a mortal blow by effectively annexing Abkhazia and South Ossetia under the cover of recognizing of their independence. From the vantage point of other former Soviet states, Russia was able to invade and dismember Georgia with little cost being attached to it by the West. Across Eurasia, the assumptions underlying the delicate balance guiding foreign policies of states from Moldova to Tajikistan are being revised, as demonstrated by the decision of the president of Kyrgyzstan to close the U.S.-operated Manas Air Base in Bishkek and to deploy the Collective Security Treaty Organization's Rapid Reaction Force there.

Governments in the region have been driven to several conclusions.

- Russia is both willing and able to use outright military force to accomplish its foreign policy objectives;
- No one, particularly not the West, is willing or able to prevent such behavior;
- The West is therefore not a reliable partner in the issue that matters most to post-Soviet states: independence, security, and sovereignty; and
- Initiating democratic reforms in Russia's backyard is very dangerous.

Indeed, a consensus is emerging among Caucasus watchers that one reason Russia targeted Georgia was its impressive move toward democracy and a pro-American orientation. The Kremlin sought to roll back the democratic revolutions in Georgia and Ukraine because democratic governments are much more difficult to control and manipulate than authoritarian ones and, more important, because it fears that democratic sentiments could spread to Russia from its neighbors, endangering the power of its increasingly insulated and corrupt ruling elite.

The most exposed countries in the aftermath of the Georgia war are perhaps Ukraine and Azerbaijan. Ukraine shares many of Georgia's attributes: democratic reforms and a pro-Western leadership seeking NATO membership. Ukraine is therefore likely to face growing Russian pressure, although that may not mean use of military force. Indeed, Russia used force in Georgia partly because all other options had failed to influence Tbilisi.

Given the divided political spectrum in Ukraine, Moscow has many more levers to use there than it has in Georgia. Russia can be expected to meddle more aggressively in Ukrainian internal affairs, such as interfering in domestic political rivalries and stirring up pro-Russian sentiments in the Crimea and eastern Ukraine.

Azerbaijan has oriented its foreign policy toward the West and is dependent upon transit routes through Georgia for its income from oil and gas. While Baku supported Georgia logistically and in other practical ways during the conflict, the Azerbaijani leadership has kept a very low political profile. Clearly, no one in Baku expects to receive support from the West if it becomes Moscow's next target. Baku is already hedging its bets by increasing oil transits through Russia and Iran, sending a clear message to the West that it is waiting for concrete measures to shore up regional security.

The fallout of the war threatens the West's main achievement in the region during the past decade: the viability of the east–west energy and transportation corridor. While Russia did not conclusively destroy the corridor with its network of pipelines, roads, and railways, it demonstrated its ability to do so at any time by bombing the main east–west bridge across Georgian territory at Kaspy and by leaving behind a mine on the main railroad export route, which blew up a train carrying oil from Azerbaijan to the Black Sea coast. The message to investors and Central Asian governments pondering a western export route was clear: Moscow can hit the transportation infrastructure at will and with impunity.

Implications for U.S. Interests

All of these developments carry momentous implications for American interests. Since the collapse of the USSR, Washington has made the independence, sovereignty, and democratic development of the Soviet successor states a cornerstone of its foreign policy. Russia has now directly challenged all of these goals, demanding a sphere of priv-

ileged influence that implicitly denies these countries meaningful sovereignty while also making true democracy impossible.

However, the implications for U.S. interests go far beyond the South Caucasus. Indeed, no country in the former Soviet Union has received more bipartisan U.S. support than Georgia has. Washington drew up successive and publicly stated red lines for Russian designs on Georgia—red lines that Moscow's tanks sped right across without incurring any tangible cost. This is all the more tragic because this was a preventable war, made possible in part by the Bush Administration's lack of attention to the South Caucasus during its last six months in office. The Charter of U.S.–Georgia Strategic Cooperation therefore becomes a vessel that the Obama Administration will need to fill.

With Russia overtly threatening to retaliate for Kosovo in Georgia and vowing to prevent Georgian NATO membership by all means available, the proverbial writing was on the wall. For months, Georgian leaders warned of Russia's intention to wage war. Yet Washington, mired in Iraq, Afghanistan, and elsewhere, did not act decisively, stopping like its European partners at declarative measures. A more forceful reaction might have averted this war. Instead, Moscow was allowed to get away with its designs.

What the Administration Should Do

To address the resulting serious consequences for U.S. interests, several measures are in order, some of which are already being considered or being implemented. Specifically, the Obama Administration should:

- **Follow through on U.S. commitments to support Georgia's economy** and gradually rebuild its military forces.
- **Support Membership Action Plans (MAPs) for Georgia and Ukraine at NATO's ministerial meetings.** If European countries such as Germany continue to refuse to grant a MAP to Georgia, the U.S. should use the Strategic Partnership Charter and Partnership for Peace to expand reform activities and training programs with the Georgian and Ukrainian militaries, explicitly stating that this is not an alternative to, but a temporary measure ahead of, NATO membership.
- **Continue to express strong U.S. support for Georgia's territorial integrity**, focusing on attaching costs to Russian annexation policies. Impose targeted sanctions against Russian businesses investing in the two territories without Georgian approval and limit entry visas to South Ossetian and Abkhazian officials.
- **Launch a renewed strategic dialogue with Azerbaijan**, raising this to a higher level and rebuilding trust and support in Baku for its Western foreign policy orientation.
- **Bring about a resolution to the Armenian–Azerbaijani conflict over Nagorno-Karabakh.** This will require appointing a senior diplomat as special U.S. negotiator, reporting directly to the President and the Secretary of State.
- **Rekindle the strategic dialogue with Ankara on the South Caucasus.** This was in place in the early 2000s but languished following the Iraq war and the pursuit of more anti-American policies by the ruling AK Party. Turkey launched its own set of initiatives in August 2008 that include Russia, but not the West, and that keep the U.S. out of the Caucasus. Washington must seek to engage Turkey to ensure that Turkish and American policies in the Caucasus are complementary rather than contradictory.
- **Shore up the energy and transportation corridor through Georgia** to make future projects like the Nabucco gas pipeline a reality. Using lessons learned from supporting the successful Baku–Tbilisi–Ceyhan Main Export Oil Pipeline of the early 2000s, Washington should cooperate with its European allies in developing diplomatic and security support for the Nabucco pipeline project.

Conclusion

In Russia, the South Caucasus, Eastern Europe, and beyond, the war in Georgia is correctly perceived to be as much directed against the United States as against Georgia. As a result, America's regional and international prestige has taken a significant hit, leading to America's credibility as an ally being questioned not only in the immediate region, but as far away as Israel and Japan. The Obama Administration needs to reverse this dangerous trend.

Chapter 5

Russia and Eurasia: Integration or Domination

Ariel Cohen, Ph.D.

Russia's resurgence in Eurasia has been progressing steadily since Vladimir Putin came to power in 2000. This revival of Russia's influence in the region, particularly in Central Asia, should be considered along four dimensions that explain Moscow's interests:

- Intervention in the internal politics of the New Independent States to prevent the emergence of democratic models with pro-Western and pro-U.S. orientation;
- Economic integration with Russia;
- A Warsaw Pact–style military and security cooperation under the Collective Security Treaty Organization (CSTO); and
- Russian-controlled energy production and transit development, including controlling pipelines.

Russia is pursuing a policy of multilateral integration in the former Soviet states through Moscow-dominated international bodies, such as the Commonwealth of Independent States (CIS), the CIS Collective Security Treaty Organization, and the Eurasian Economic Community (EurAsEC). Moreover, when energy resources or infrastructure assets such as pipelines and refineries are involved, Russia usually aims to deal with its CIS partners in Central Asia from a position of strength in an effort to control the region's access to foreign markets.

It is important to consider the objectives inspiring the Kremlin's strategy toward Eurasia and to address the underpinnings of Moscow's political interventionism in the former Soviet states. Soviet and Russian political tradition views geopolitics as a zero-sum game in which Russia is playing against the United States, which is perceived as weakened. Russia views the current period as an opportunity to squeeze America out of the "post-Soviet space" and weaken it globally.

In 2005, Gleb Pavlovsky, a top political strategist for the Kremlin, outlined the main priorities characterizing Russia's new policy toward the post-Soviet space. Pavlovsky stated that the Russian government's first foreign policy goal is to make Russia a world power and went on to connect Russia's rise as a world power with the expansion of its influence in the post-Soviet space. Acknowledging that the Kremlin was working on a new policy toward the former empire and "the mechanisms of its implementation," Pavlovsky stated that "any country [that would] promote the doctrine of Russia's rollback will certainly create a conflict in the relations with this country. This must be clearly understood." This no doubt applied to U.S. promotion of democracy and military cooperation, as well as the NATO membership aspirations of Ukraine, Georgia, Uzbekistan, and other countries.[1]

1. Gleb Pavlovsky, quoted in Vladimir Socor, "Kremlin Redefining Policy in 'Post-Soviet Space,'" *Eurasia Daily Monitor*, February 7, 2005, at *http://www.jamestown.org/single/?no_cache=1&tx_ttnews[tt_news]=27502* (February 27, 2009).

Pavlovsky also noted that Russia reserved the right to have relations not just with the governments of the countries in the post-Soviet space, but also with the political opposition and other social forces. This policy posture by Putin's government justifies Moscow's intervention in the politics of former Soviet republics, as in Ukraine in 2004–2009 and Georgia in 2007.

Economic Integration

The second dimension of the Russian policy is economic integration. The Eurasian Economic Community is a Russia-centered imitation of the European Union and its process of European integration. It is also a tool of Russia's attempted economic integration of the region. Its founding treaty was signed in October 2000, and its members include Russia, Kazakhstan, Kyrgyzstan, Tajikistan, and Uzbekistan.

Because of its size and economic power, Russia is EurAsEC's dominant member. This organization's customs union is scheduled to begin to operate in 2010. According to a 2008 agreement, EurAsEC's member states will establish a customs union, a common economic space, and an energy market.[2] Additional goals are the establishment of a common transportation space and joint management of Central Asia's energy resources and water. Due to the rivalries between the members, especially between Uzbekistan and its neighbors, the progress of integration has been slow.

Another international integrative body created under Moscow's auspices is the Common Economic Space, which was established in September 2003. Its members are Russia, Belarus, Kazakhstan, and Ukraine, but this body seems to be on the back burner compared with EurAsEC.

Military and Security Cooperation

Moscow-guided geopolitical cooperation, especially aimed against the United States, has been more successful than economic interaction. The CSTO is a Moscow-based military alliance, also known as the Tashkent Treaty, that includes Armenia, Belarus, Kazakhstan, Kyrgyzstan, Russia, Tajikistan, and Uzbekistan.

After the 2008 Russian–Georgian war, President Dmitry Medvedev assembled the CSTO heads of state and announced that Russia would enforce discipline and closer cooperation among the bloc's members. In February 2009, the CSTO Air and Missile Defense System was further consolidated, and the Rapid Deployment Force was expanded to include the Russian 98th Airborne Division, the 31st Storm Guards Brigade, and additional battalions from member states, bringing its strength up to 15,000 troops.[3] It cannot be ruled out that this force could be used to prop up a pro-Moscow regime in Central Asia—for example, during a post-Karimov (Uzbekistan) or post-Nazarbayev (Kazakhstan) succession.

The Kremlin is indeed rebuilding its military influence in Eurasia through the military cooperation programs of the Shanghai Cooperation Organization (SCO) and CSTO. In 2007, the SCO and the Russian-dominated CSTO formally agreed to cooperate. The largest-scale CSTO military exercise to date was Rubezh 2008 in Armenia. The maneuvers included 4,000 troops from all seven CSTO member countries conducting operational, strategic, and tactical training focused on interoperability.[4]

Russia aims to maintain a strong military presence in the former Soviet space and beyond, particularly in the Caucasus and Central Asia. It maintains or is planning three military bases in Abkhazia; two in South Ossetia;[5] and addi-

2. Sergei Blagov, "Moscow Signs Series of Agreements Within Eurasian Economic Community Framework," *Eurasia Daily Monitor*, Vol. 5, Issue 22 (February 5, 2008), at *http://www.jamestown.org/single/?no_cache=1&tx_ttnews%5Btt_news%5D=33353* (March 5, 2009). See also Eurasian Economic Community, "Delovoi sovyet EVRAZES" (Work of the EurAsEC Council), unofficial translation to English, at *http://www.evrazes.com/files/bpage/1/e_evrazes.pdf* (March 6, 2009).
3. Alexei Nikolsky and Marina Tsvetkova, "Blok na osnove divizii" (A bloc based on a division), *Vedomosti* (Moscow), February 5, 2009, at *http://www.vedomosti.ru/newspaper/article.shtml?2009/02/05/180263* (February 18, 2009).
4. Partnership for Peace Information Management System, "'Rubezh 2008': The First Large-Scale CSTO Military Exercise," at *http://www.pims.org/news/2008/08/06/rubezh-2008-the-first-large-scale-csto-military-exercise* (January 18, 2009).

Russia's Expanding Military Presence in Eurasia

With the pending closure of a second U.S. base in Eurasia, Russia will further expand its military clout in the region. Russia is considering proposals to construct several new bases in Georgia.

Source: The Heritage Foundation.

Map 1 • SR 49 heritage.org

tional bases in Armenia, Kyrgyzstan, Tajikistan, Ukraine, and Uzbekistan. It has signed bilateral military and security agreements with other Central Asian states. Moscow is also planning naval presences in Libya, Syria, and Yemen, a strategic posture that could threaten the Suez Canal and is reminiscent of Soviet naval deployments.

The SCO is an important organization that serves as a basis for economic, security, and defense cooperation. It was originally established in 1996 by Russia, China, Kazakhstan, Kyrgyzstan, and Tajikistan to settle border disputes among Russia, the Central Asian member states, and China. Today the SCO also includes Uzbekistan, and Mongolia, Iran, India, and Pakistan have observer status. Russia has been attempting to boost the SCO's energy, security, and defense roles, primarily to counter U.S. influence in Eurasia. Iran is interested in joining as a full member, which would transform the SCO into an anti-American force multiplier.

Russian Bases in the Middle East

Source: The Heritage Foundation

Map 2 • SR 49 heritage.org

With a population of 1.5 billion people, the SCO has also been considered an anti-American group and an "energy club" because of the vast energy resources of Russia, Kazakhstan, Turkmenistan, and Uzbekistan. At the SCO summit in Bishkek, Kazakhstani President Nursultan Nazarbayev proposed forming an energy market among the organization's member states, based on the network of gas and oil pipelines left over from the Soviet period. However, no major initiative has come to fruition in this area, probably because such an entity might wind up selling Russian and Central Asian energy resources to China at below-market prices, something that Moscow is not inclined to do because it seeks to control the export outlets of the region's gas and oil in order to maximize revenue.

With regard to integration through security cooperation, Russia is attempting to develop the military components of the Shanghai Cooperation Organization. Even though the SCO is a tool for Russia to strengthen military cooperation and strategic ties with China, it is also a conduit for reinforcing its influence over the Central Asian republics in defense and security. In this regard, the Russian goal behind the Peace Mission 2007 maneuvers was to improve the level of military cooperation among SCO member states.[6] The maneuvers were a classic, World War II–style combined operation that had little to do with its proclaimed anti-terrorist goals.

Like many Russian institutions and companies, the Commonwealth of Independent States received a top manager from the ranks of senior Russian intelligence officers. In 2007, General Sergey Lebedev, director of Russia's Foreign Security Service, was appointed chairman of the CIS Executive Committee. In light of General Lebedev's resume, this is an attempt by the Kremlin to increase Russia's influence over the CIS, to oppose any Western-inspired

5. Ariel Cohen, "Swords and Shields: Russia's Abkhaz Base Plan," United Press International, February 3, 2009, at *http://www.upi.com/Security_Industry/2009/02/03/Swords_and_Shields_Russias_Abkhaz_base_plan/UPI-94331233703942* (February 5, 2009).
6. Heda Bayron, "Shanghai Cooperation Organiz[ation] Holds Biggest War Games Ahead of Leaders Summit," GlobalSecurity.org, at *http://www.globalsecurity.org/military/library/news/2007/08/mil-070807-voa02.htm* (February 18, 2009).

"color revolution" that would attempt to topple any of the authoritarian regimes, and to deal with the neighbors as espionage and active-measures targets.

Energy Integration

The final dimension of the extension of Russia's influence in Eurasia and beyond is the geostrategic use of energy. After 2000, the main factor defining energy security in the Caspian was the competition between the West (Europe and the U.S.) and Russia. For instance, the EU and the U.S. have politically supported the Baku–Tbilisi–Ceyhan main export pipeline and would like to build a trans-Caspian gas pipeline from Turkmenistan to Azerbaijan to supply the proposed Nabucco gas pipeline.

They would also like to see a trans-Caspian oil pipeline from Kazakhstan. Russia strongly objects, insisting on controlling Turkmen gas exports and proposing instead the Caspian Coastal (Prikaspiiskaya) gas pipeline and the South Stream pipeline, which would run through the Black Sea to Bulgaria and then on to Central Europe and Italy.

Russia, along with Kazakhstan and Turkmenistan, has agreed to upgrade and extend the existing Soviet-era Central Asia–Center (CAC) pipeline system, which is already operating at capacity. Modernization and expansion of the CAC system, including the Caspian Coastal pipeline, would increase exports of Central Asian gas to Russia from 60 billion cubic meters (bcm) per year to 90 bcm per year.[7] The agreement between Russia and two former Soviet Central Asian republics has enhanced the already pivotal role that Russia's pipeline system plays in the European energy sector. Putin signed agreements with Kazakhstan, Uzbekistan, and Turkmenistan to buy more than 40 bcm of gas per year until 2011, mostly for domestic consumption and export substitution.

Turkmen President Gourbangouli Berdimoukhamedov is capitalizing on Turkmenistan's strategic location and abundance of energy resources to play the competing powers (Russia, China, Iran, and the West) against each other to enhance the country's geopolitical position. Turkmenistan's leader hints that he might pursue future pipelines based on new discoveries that would bypass Russia. Turkmenistan's isolation seems to be coming to an end as the country enters the new geopolitical great game. Russia's recent gas deals with Turkmenistan and Kazakhstan have left limited the gas available to the West through the proposed trans-Caspian pipeline and to China through the Turkmenistan–Uzbekistan–Kazakhstan pipeline.

Electricity is also an important Russian tool of energy integration. Already, Central Asia's power sector is under Russian control through the state electricity monopoly Unified Energy Systems of Russia (UES), the World Bank–fostered privatization of Central Asia's electricity sector having allowed UES to become the region's lead foreign investor. Since 2003, the electricity sectors of the CIS member states have been running as an integrated electric power net, coordinated by the CIS Electric Energy Council and managed by UES.[8]

Finally, Moscow has ambitious goals in the natural gas area beyond Eurasian pipelines and transit. Russia, Iran, and Qatar announced the creation of a "gas OPEC" in 2008, and a charter for the proposed International Association of National Nongovernmental Gas Organizations (MANNGO) was introduced at the April 2008 EurAsEC parliamentary meeting under the auspices of Gazprom's principal lobbying group, the Russian Natural Gas Society. MANNGO will be headquartered in Moscow and initially will operate only in the former Soviet states of Uzbekistan, Kazakhstan, and Tajikistan.

The Obama Administration should conduct a comprehensive assessment, analyzing political, diplomatic, geo-economic, military, security, and energy factors in Eurasia. It should examine how they fit into wider U.S. strategic interests in the region, and the Administration should develop balanced and nuanced policies that allow the U.S. to stay engaged in the region. To achieve these ends, the U.S. should:

---

7. Nadia Rodova, "Russia Wins Backing for Caspian Gas Line; Turkmenistan, Kazakhstan Agree to Support New Export Line via Russia," *Platts Oilgram News*, May 15, 2007.
8. Theresa Sabonis-Helf, "The Unified Energy Systems of Russia (RAO-UES) in Central Asia and the Caucasus: Nets of Interdependence," *Demokratizatsiya*, Vol. 15, No. 4 (Fall 2007), at *http://www.demokratizatsiya.org/Dem%20Archives/DEM%2015-4%20Sabonis-Helf.pdf* (February 18, 2009).

- **Support projects to increase and diversify non-Russian energy transit routes for Central Asian oil and gas.** Washington should encourage multinational corporations to diversify energy transit routes in Eurasia to mitigate risk and should provide diplomatic support to such projects, including public diplomacy.
- **Further develop political, military and security, and trade and investment ties with Central Asian states.** The U.S. Department of State (including the Millennium Challenge Corporation), U.S. Agency for International Development, nongovernmental organizations, and private-sector companies with a stake in the region should assist in implementing economic and legal reforms, including institutional development of market economies, to attract and protect foreign investors and spur economic growth.
- **Adopt a nuanced approach to regimes that are not currently on good terms with the United States.** The U.S. should emphasize common security interests, especially geopolitical balance, fighting Islamist terrorism, and cooperation in supplying NATO troops in Afghanistan. The U.S. should also pursue military-to-military and security cooperation and promote energy security.

Conclusion

Under the Obama Administration, the U.S. should maintain and expand its multifaceted presence in Central Asia. The benefits of such U.S. involvement accrue to both sides. The U.S. can protect its security, military, and geopolitical interests, such as resupplying the military contingent in Afghanistan and securing U.S. energy access, while helping to promote economic development, good government, and civil society in Eurasia. With American support, the developing nations of Eurasia can gain access to global markets, much-needed U.S. investment, and security assistance—above and beyond what Russia or China can offer them.

Chapter 6

Russia in the Far East and U.S. Policy

Stephen Blank, Ph.D.

Russian elites and leaders insist that Russia is and should be recognized as an important actor in Northeast Asia. Washington, in framing future policies for Russia and Asia, should take these aspirations into account.

Russia hopes to use its location, vast natural resources in eastern Siberia and Russian Asia, and reviving defense forces to create partnerships with key Asian states and then leverage those assets into an enduring Russian role in the region. Commodities and the funds accrued through their sale are to provide the key to developing the region's economy and infrastructure so that Russia can support its ambitions to play a great-power role in Asia. Russia already participates in the six-party Korean process and is chairing the working group on a multilateral structure for Asia, which is called for in the six-party agreements of February 2007—implementing Russia's intention to play a great-power role and securing the other actors' partial acceptance of its claims.

Thus, Russian policy in Asia has two aspects. The first is economic and military: Russia is using the income from commodities sales to develop its economic and infrastructural base and its armed forces so that they can credibly uphold Moscow's great-power aspirations in Asia over the long term. The second is diplomatic: Russia has created and is trying to consolidate and extend "strategic partnerships" with key Asian states, particularly China and, earlier, North Korea, to induce other actors such as Japan and the United States to take it seriously and include it in all major regional security processes. Russia has adhered to this line of action for two reasons.

First, friendship with China is a *sine qua non* of any Russian government's Asian policy because China can sever the connections between European Russia and the Far East at any time.

Second, partnership with China has grown in importance to Russia because it allows both states to compel the U.S. and other states to take each of them seriously as regional and global actors. This partnership is the only means available to them that has any chance of successfully blunting what they consider to be U.S. geopolitical and ideological threats to their interests.

For Russia, partnership with China became necessary because of its weakness in Europe and Asia in the 1990s. Russia quickly discerned that it would otherwise be marginalized on key issues such as Korean nuclearization and regional security structures. Nevertheless, while Moscow will never admit it in public, its security in Asia, where it remains a relatively weak player, depends on preserving a balance—if not friction—between a rising China and the U.S. alliance system.

While the Russo–Chinese partnership has serious global implications in which both states collaborate to restrain and impede U.S. policy, it also has serious regional implications—e.g., both governments' virtually identical positions during the six-party talks on Korean nuclearization and their shared approach to countering U.S. missile defenses in Asia. Another facet of this partnership has been the large-scale transfer of Russian weapons and technologies to China, which has qualitatively aided China's defense buildup. A third aspect (apart from cooperation in Central Asia through the Shanghai Cooperation Organization against America) has been a common attack on U.S. foreign policy and the ideology of democracy promotion. While Russo–Chinese energy relations have been difficult, reconciling these issues would lay the groundwork for a full-fledged alliance, in reality if not in name.[1]

For these reasons, many scholars and analysts have warned that perhaps the greatest possible strategic threat that the U.S. could face is a Russo–Chinese alliance that combines Russian military technology and energy with China's rising power.[2] Some other observers fear that such an alliance has already been consummated or that Asia could develop into opposing bipolar blocs.[3]

If such an alliance came into being, it would be aimed directly against America and would occur as a result of a U.S. policy that ignored the Nixon–Kissinger principle that the goal of U.S. policy toward these states should be to ensure that the U.S. has closer relations with them than they do with each other. The neglect and overturning of that principle remains a distinct possibility, and preventing the realization of such an alliance should be a fundamental U.S. strategic goal of the Obama Administration.

The Obama Administration should keep this analysis in mind as it formulates and implements its Russian and Asian policies. To achieve a dynamic stability amid a fast-changing Asia, it needs to:

- **Preserve a balance between the United States and China that favors U.S. superiority over China but does not allow a strategic bipolarity to develop in Asia.** Thus, Russia should be included in the Korean six-party process and encouraged to provide North Korea with energy, if necessary subsidized by Japan, the Republic of Korea (ROK), and the United States.

  The U.S. also must recognize that, as a consequence of earlier agreements among the six parties, an economic and political competition for influence over the destiny of North Korea and, thus, the Korean peninsula has begun. The key rivals for the U.S. on the peninsula will be North Korea and China, possibly backed by Russia. Nonetheless, most signs suggest that Pyongyang would prefer to have a productive relationship with America over all others. Therefore, while encouraging Russia to provide energy to Pyongyang, the U.S. should do its best, together with its allies, to draw North Korea toward them and the U.S. rather than toward a Russo–Chinese alliance.

  In that context, the U.S. should encourage U.S. allies such as Japan and the ROK to pay for that energy so as to stimulate the long-standing Russo–Chinese rivalry for influence over North Korea. Whoever pays for that energy will have greater influence in Pyongyang. If China subsidizes Russian energy transfers, it gains that influence. If the ROK, Japan, or the U.S does, the same principle holds true, because whichever state holds North Korea's energy balance gains leverage over the country.

- **Globalize the strategic arms control process** following ratification of a new treaty with Russia to bring China into the process. This would give the U.S. some measure of influence over China's nuclear and missile modernization. Such a multilateral arms control treaty would reduce regional and global tensions, pressures to proliferate, the chances of nuclear weapons use, and the Sino–Russian perception that missile defenses threaten them. This process would also reduce the potential threat posed by Chinese missiles to Russia, although nobody will say so publicly.

- **Explore opportunities to enhance energy cooperation with all of Asia's major energy consumers**—China, India, Japan, and the ROK—to create countervailing pressures to reduce energy prices and to disseminate best practices and new technologies for saving energy and for alternative energy sources. In effect, this should include measures to bring China and India into closer cooperation with, if not membership in, the International Energy Agency. In conjunction with arms control policies sketched above,

---

1. Stephen Blank, *Russo–Chinese Energy Relations: Politics in Command* (London: Global Markets Briefing, 2006).
2. Robert Jervis, "U.S. Grand Strategy: Mission Impossible," *Naval War College Review*, Vol. 11, No. 3 (Summer 1998), pp. 22–36; Richard K. Betts, "Power, Prospects, and Priorities: Choices for Strategic Change," *Naval War College Review*, Vol. 10, No. 1 (Winter 1997), pp. 9–22; John C. Gannon, "Intelligence Challenges Through 2015," remarks to the Columbus Council on World Affairs, April 27, 2000, at *https://www.cia.gov/news-information/speeches-testimony/2000/gannon_speech_05022000.html* (February 18, 2009); and Lyle Goldstein and Vitaly Kozyrev, "China, Japan and the Scramble for Siberia," *Survival*, Vol. 48, No. 1 (Spring 2006), pp. 175–176.
3. David Kerr, "The Sino–Russian Partnership and U.S. Policy Toward North Korea: From Hegemony to Concert in Northeast Asia," *International Studies Quarterly*, Vol. 49, No. 3 (September 2005), pp. 411–437; Constantine C. Menges, *China: The Gathering Threat* (Nashville, Tenn.: Nelson Current Publishers, 2005); and Kim Young-hie, "The Relevance of Central Asia," *JoongAng Ilbo* (Seoul), July 10, 2005, at *http://joongangdaily.joins.com/article/view.asp?aid=2592024* (February 19, 2009).

this would also reduce China's and other states' need for Russian energy and pressure Russia to follow more transparent and marketized practices in Asia.

Essentially, this program would exploit the troubled energy ties between China and Russia, the Achilles' heel of their relationship, to bring China closer to the U.S. Such a policy would also reduce the threat that China feels is posed by the U.S. Navy's potential to close off its energy shipments through the Strait of Malacca. If Russia wants to sell energy in Asia as it professes to, then it will have to do so through more transparent actions than has hitherto been the case. This would also force it to develop Siberia and the Far East (if it can) through more transparent methods.

- **Encourage a resolution of Russo–Japanese differences**, particularly differences over the four Kurile Islands, so that Russia has options in Asia other than China and so that Japanese–Russian energy cooperation can go forward. If the U.S. can foster such cooperation while creating pressure on Russia to reform its energy policies through a consumer-oriented multilateral energy policy, Moscow will obtain a guaranteed customer and source of investment, Japan and South Korea will gain a nearby energy source, and Russian dependence on China as a market will be somewhat mitigated.

Conclusion

Such moves would contribute to developing and maintaining an overall stable but dynamic balance in East Asia, which is and should remain the fundamental geostrategic objective of the United States for the foreseeable future. The critical point here is to follow policies that do not force Asian states to choose sides but that prevent China from establishing a network of clients and friends on which it can rely to counter the U.S. position in Asia.

The paramount need is to forestall a full-fledged Russo–Chinese alliance or a blowup between China and Japan. Equally important is the need to continue progress toward North Korea's denuclearization and/or peaceful integration into a regional balance without allowing China to dominate that process. Finally, and as a precondition for the above, the U.S. needs to strengthen its alliances with Japan and South Korea as well as the alliance between them.

Chapter 7

Russia and the Middle East: A Possible U.S. Partner for Peace?

Robert O. Freedman, Ph.D.

The heavy-handed policy demonstrated by Prime Minister Vladimir Putin in his August 2008 invasion of Georgia should have come as no surprise to anyone following Russia's foreign policy in the Middle East over the past three years. This policy has clearly displayed Russia's aggressiveness and anti-Americanism. Putin's cultivation of the anti-American terrorist organizations Hamas and Hezbollah and his military and diplomatic support for anti-American "rogue states," such as Syria and Iran, raised serious questions even before the invasion of Georgia as to whether Putin's Russia could ever be a serious U.S. partner in the Middle East.

Nonetheless, on the outside chance that the negative repercussions of the invasion of Georgia might convince Putin that a change in Russian policy is needed, Russia could demonstrate its renewed interest in cooperating with the United States in the Middle East.

The Putin Era

In recent years under Putin's leadership, Russia has pursued a much more active, if not aggressive, policy in the Middle East than it did under President Boris Yeltsin.[1] It has constructed the Bushehr nuclear reactor for Iran despite Iran's call for the destruction of Israel. Russia has *de facto* recognized Hamas, a Palestinian terrorist organization, and provided it with a modicum of diplomatic legitimacy by inviting its leader to Moscow despite Hamas's call for the destruction of Israel. Unlike the U.S. and Israel, Moscow has refused to declare Hamas a terrorist organization. Russia has also provided sophisticated and destabilizing arms to Syria, some of which were transferred to Hezbollah, a Lebanese terrorist organization that also calls for the destruction of Israel. In addition, neither Hamas nor Hezbollah is on Russia's list of terrorist organizations.

Given these policies, can Russia be a genuine partner in the Middle East? The prospects appear highly doubtful, especially after the Russian invasion of Georgia in August 2008. Yet a review of Russian policy in the Middle East in 1991–2008 suggests several ways in which the United States might be able to persuade Russia to play a more positive role in the Middle East, provided that Russian foreign policy evolves.

When Putin became president of Russia in 2000, a major preoccupation was the second war with Chechnya, which continued during his eight years as president. He had begun it as prime minister in August 1999 after a series of provocations by the Chechen rebels. In addition to seeking to end outside aid to the Chechens, he also moved quickly to improve the coordination of Russian foreign policy and to consolidate his domestic power base. Putin

1. For a discussion of Yeltsin's Middle East policies, see Robert O. Freedman, "Russian Policy Toward the Middle East Since the Collapse of the Soviet Union: The Yeltsin Legacy and the Challenge for Putin," University of Washington, Henry M. Jackson School of International Studies, Herbert J. Ellison Center for Russian, East European and Central Asian Studies *Donald W. Treadgold Paper* No. 33, 2001.

brought Russian arms sales under the control of one agency, Rosoboronoexport. He also brought down the once politically powerful Russian oligarchs, consolidating his political power and control of the national mass media.

Putin's foreign policy, like Yeltsin's, was initially defensive and cautious. With oil below $20 per barrel, capital flight was plaguing Russia. The one exception in Putin's foreign policy was with regard to Iran. Putin unilaterally abrogated the 1995 agreement between U.S. Vice President Al Gore and Russian Prime Minister Victor Chernomyrdin, in which Russia promised to end all arms exports to Iran when existing contracts ran out in 1999, and in March 2001 invited then-President of Iran Mohamed Khatami for a state visit to Russia.

After 9/11, Putin actively cooperated with the United States. After all, al-Qaeda, the Taliban and their allies, and the Islamic Movement of Uzbekistan were also threats to Russia's soft underbelly in Central Asia, and Moscow not only provided useful intelligence to the United States, but also raised no objections to the establishment of U.S. bases in Central Asia to fight the Taliban.[2]

In 2003–2004, U.S.–Russian relations began to chill. The biggest problem was Iraq, with Russia first trying to weaken the sanctions regime against Saddam Hussein and ultimately opposing U.S. plans to depose Saddam. During this period, however, Putin remained preoccupied with the war in Chechnya, and the rebel seizure of a Moscow theater in 2002 reinforced this concern.

Indeed, when an al-Qaeda group attacked Saudi Arabia in May 2003, Putin was quick to compare that attack to the Chechen rebel attacks against Russia, and he invited the Saudi crown prince to Moscow several months later and persuaded him to support Ahmed Kadyrov, Putin's hand-picked Chechen leader. Putin's tactic of comparing the Chechen and al-Qaeda attacks was similar to his earlier statement to a visiting Israeli delegation after the start of the al-Aksa Intifadah in 2000 that the terrorism the Israelis faced in Gaza and the West Bank at the hands of Hamas and Fatah was exactly what Moscow faced in Chechnya.[3]

Following the Iraq War in 2003, U.S.–Russian relations deteriorated sharply. Putin made common cause with France and Germany, which also opposed the invasion, hoping to drive a wedge into the NATO Alliance.

Nonetheless, following the rapid U.S. seizure of Baghdad and perhaps fearing that the U.S. would then move on Iran, Putin was willing to press Iran to reveal information about the secret nuclear installations that had come to light in December 2002. Accordingly, he backed the European Union negotiations with Iran, which offered the Islamic Republic major economic benefits if it halted its nuclear enrichment program. This was a policy that the United States also followed, albeit reluctantly. As a possible signal of cooperation with the European Union, Russia also postponed the date for completing the Bushehr nuclear reactor and delayed signing an agreement to send nuclear fuel to Iran for the reactor.[4]

By 2004, having been overwhelmingly reelected to a second presidential term and with his domestic political opponents under control, the Russian economy improving, and oil prices rapidly rising, Putin decided to formulate a new strategy for Russia in the Middle East, a region where the United States' position was rapidly weakening due to the growing insurgency in Iraq and the revival of the Taliban in Afghanistan. Seeking to exploit the deteriorating U.S. position, Putin moved first to court the region's leading anti-American rogue states and movements: Syria, Iran, Hamas, and Hezbollah. Subsequently, he also courted the leading Sunni powers in the Middle East: Saudi Arabia, Jordan, Egypt, and the United Arab Emirates.

Putin's first move was to improve relations with Syria, which was isolated because of its heavy-handed policies in Lebanon. In January 2005, Moscow waived 90 percent of Syria's debt to the former Soviet Union and sold Damascus surface-to-air and anti-tank missiles. Syria transferred some of these advanced weapons to Hezbollah, which used them in its summer 2006 war against Israel. Then, after Syria was accused of involvement in the assassination

2. For a detailed discussion of Russian–Iranian relations from 1991 to 2006, see Robert O. Freedman, "Russia, Iran and the Nuclear Question: The Putin Record," U.S. Army War College, Strategic Studies Institute, November 2006, at *http://www.strategicstudiesinstitute.army.mil/pdffiles/PUB737.pdf* (February 19, 2009).
3. See Robert O. Freedman, "Can Russia Be a Partner for the United States in the Middle East?" in Aurel Braun, ed., *NATO–Russian Relations in the 21st Century* (New York: Routledge, 2008), pp. 126–127.
4. Freedman, "Russia, Iran and the Nuclear Question," pp. 25–27.

of former Lebanese President Rafiq Hariri, Moscow did its best to prevent the imposition of sanctions against Damascus, something that brought it into conflict with both France and the United States.

Next, Russia further cemented relations with Iran by approving the long-delayed agreement to supply nuclear fuel to the Bushehr reactor. After newly elected Iranian President Mahmoud Ahmadinejad broke off talks with the European Union over Iran's nuclear program in August 2005, Moscow succeeded in delaying even a discussion of sanctions against Iran in the U.N. Security Council, even though Iran refused to provide the International Atomic Energy Agency with information about its nuclear programs.

Making matters worse, Ahmadinejad called for "wiping Israel off the map" and denied the existence of the Holocaust. Despite such declarations, Moscow, seeing Iran as its key anti-American actor in the Middle East, signed an agreement with Tehran in November 2005 to provide it with sophisticated TOR-M1 short-range surface-to-air missiles to protect its nuclear installations against a possible Israeli or American attack.[5]

Putin called Hamas's victory in the January 2006 Palestine Legislative Council elections "a major event in democratic development of the Palestinian society" and "a very serious blow" to American diplomacy in the Middle East. Almost immediately thereafter, noting that Hamas was not on Russia's terrorist list, he invited a Hamas delegation to Moscow, giving the terrorist organization a modicum of diplomatic legitimacy and breaking the policy of the diplomatic quartet (Russia, the U.S., the U.N., and the EU) that called for isolating Hamas.[6]

Six months later, when war broke out between Israel and Hezbollah, Russia openly opposed sanctions against Syria, Hezbollah's main sponsor, at a meeting of the G-8 and criticized Israel for overreacting. In the aftermath of the war, Russia sent a group of engineers to Lebanon to rebuild bridges destroyed in the conflict, but it did not offer troops to expand the U.N. Interim Force in Lebanon (UNIFIL) contingent, which is tasked—at least in theory—with disarming Hezbollah in southern Lebanon.

However, Russia's backing for Syria, Hamas, Hezbollah, and Iran soon came into conflict with Putin's goal of improving ties with the Sunni states of the Arab world, especially Saudi Arabia and the other Gulf Arab states, Jordan, and Egypt, which were deeply suspicious of Iran and its Syrian, Hamas, and Hezbollah allies. Consequently, as a sop to the Sunni Arabs, prior to Putin's February 2007 visit to Saudi Arabia, Qatar, and Jordan, Russia finally agreed to limited U.N. Security Council sanctions against Iran in December 2006, and in March 2007, following the Putin trip, Moscow agreed to a few more limited sanctions.

During his visit to the Gulf, Putin sought major investments in Russia's banking and space industries, weapons sales, and joint investment projects in oil and natural gas. (He had similar goals during a visit to Libya in 2008.) The energy deals are especially important to Moscow because Russia is a high-cost producer of oil and gas. During the spring and summer of 2007, as part of Putin's plan to court the Sunni Arabs, Russia conspicuously delayed sending the promised nuclear fuel to Iran, claiming that the oil-rich Persian Gulf country had not made the necessary payments.

When the December 2007 U.S. National Intelligence Estimate on Iran erroneously argued that Iran had given up its nuclear weapons program and therefore was not an immediate threat, Moscow went ahead with the sale of the nuclear fuel, perceiving diminished pressure from both the Gulf states and the United States. The shipments to Iran were completed by February 2008. Ironically, even as Moscow was helping Iran to develop its nuclear capability, Putin was offering to build nuclear reactors for Saudi Arabia and Egypt as the Arab states sought to keep up with Iran.[7]

An evaluation of Putin's policies in the Middle East before the Russian invasion of Georgia clearly shows that he has made Russia an active player in the region again, although how influential a player is an open question. Moscow has improved ties with Iran and Syria; has helped to limit Arab aid to the Chechen rebels; and has made some important business deals with Jordan, Libya, and the Gulf states. Yet in both the Iraqi conflict and the Arab–Israeli conflict,

5. *Ibid.*, pp. 35–36.
6. Freedman, "Can Russia Be A Partner for the United States in the Middle East?" p. 129.
7. See Robert O. Freedman, "The Putin Visit to Saudi Arabia, Qatar and Jordan: Business Promotion or Great Power Maneuvering?" Johnson's Russia List, February 15, 2007, at *http://www.cdi.org/russia/johnson/2007-39-39.cfm* (February 19, 2009).

Moscow has achieved little influence. The dominant Shia in Iraq still resent Moscow's close ties to Saddam Hussein, and the government in Baghdad has deprived Russia of its lucrative West Qurna oil concession. By backing Syria, Hamas, Hezbollah, and Iran so strongly, Putin has lost influence with Israel.

Can Russia Be a More Positive Actor in the Middle East?

Given Putin's efforts to rebuild Russian influence in the Middle East by supporting anti-American rogue states, as well as the Russian invasion of Georgia, how likely is it that Putin will reverse Russia's course and be more supportive of U.S. policy in the Middle East? Such a turn seems highly unlikely unless Putin decides that the economic crisis and the negative impact of the invasion of Georgia require a major change in Russian policy. Given Russia's oil-based economic boom, the United States had relatively few levers of influence until recently, but the U.S. could take several measures if a genuine turn in Russian policy becomes evident.

First, because restoration of Russian prestige is one of Putin's major goals, he is interested in hosting a Middle East peace summit in Moscow, something that Russian Foreign Minister Sergei Lavrov's March 2008 visit to the region was aimed at preparing. The U.S. and its NATO allies are currently rather cool to the idea of a Moscow summit, but they might embrace the idea if Russia made significant changes in its Middle East policies. The first policy changes could include genuine pressure on Hamas to recognize Israel and previous Israeli–Palestinian agreements and to cease terrorism and incitement, with Russia threatening to cut off support for the Palestinian organization if it fails to do so.

Second, Russia should delay arms shipments to Syria and exercise far tighter control over the transfer of arms to Hezbollah. Indeed, Russia could threaten to stop all arms sales to Syria if there is further evidence of such arms transfers. In addition, now that Syria and Israel have held peace talks, albeit indirect ones, Russia could pressure Syria to be more forthcoming by moving rapidly to direct negotiations; agreeing to end its support of Hezbollah; and establishing full diplomatic, economic, and cultural relations with Israel.

Third, Russia could cooperate with the United States in regard to Iran. While Russia has completed the Bushehr reactor and supplied the nuclear fuel, Iran still depends on Moscow for the bulk of its sophisticated weapons. In particular, Iran needs the SAM-300 anti-aircraft system to provide long-range defense for its nuclear installations against a possible U.S. or Israeli attack. Reportedly, negotiations to supply these weapons systems have been completed.[8] Moscow could help the United States by denying these weapons to Iran, thus making the Islamist regime more vulnerable and possibly more willing to limit its support for Hamas and Hezbollah and stop its program of uranium enrichment.

As an incentive for Moscow to play a more constructive role in the Middle East, the U.S. could actively support Russia's entry into the World Trade Organization (WTO), provided Moscow meets the WTO criteria. Russia's entry into the WTO is currently on hold because of the invasion of Georgia. Given the economic challenges still facing Russia and the Kremlin's efforts to move Russia to a high-tech, non-resource-based economy, entry into the WTO would clearly be a boon for Russia.

In addition, the U.S. Congress could repeal the obsolete Jackson–Vanik Amendment, which denies Russia Permanent Normal Trade Relations status, leaving the President to waive the amendment each year in the absence of a congressional vote. While such a move is currently off the table because of the invasion of Georgia,[9] it could be restored if Russia demonstrates a genuine change in policy. An agreement to hold a Middle East peace conference in Moscow, support of Russia's admission to the WTO, and repeal of the Jackson–Vanik Amendment could be important incentives for Russia to change its policy in the Middle East, especially its policy toward Iran.

8. Ariel Cohen, "The Russia–Iran S-300 Air Defense Systems Deal: Beware of Russians Bearing Gifts," Heritage Foundation *WebMemo* No. 2350, March 20, 2009, at *http://www.heritage.org/Research/RussiaandEurasia/wm2350.cfm*.
9. Mikhail Sergeyev, "West Makes the Most of Conflict," *Nezavizimaya Gazeta*, August 24, 2008.

Required Changes in Russia's Middle East Policy

If Moscow demonstrates a major change in its foreign policy, especially in the Middle East, then that policy transformation should be rewarded by the United States. Specifically, Moscow must:

- **Pressure Hamas to recognize Israel and cease terrorism** by threatening to cut off Moscow's diplomatic support if it fails to do so,
- **Delay the supply of destabilizing arms to Syria** and end all supplies if arms are transferred to Hezbollah,
- **Pressure Syria to immediately enter into direct peace talks with Israel** aimed at establishing full diplomatic relations, and
- **Stop the proposed sale of SAM-300 surface-to-air missiles** and other destabilizing systems to Iran.

Possible Incentives from the U.S.

If Moscow agrees to make these changes in its Middle East policies, the United States should:

- Agree to a Middle East peace conference in Moscow,
- Repeal the Jackson–Vanik Amendment, and
- Facilitate Moscow's entry into the World Trade Organization.

Conclusion

Of course, whether such incentives would promote the desired changes in Russian policy in the Middle East—especially following the invasion of Georgia—is an open question. Nonetheless, if the Putin–Medvedev administration demonstrates a genuine change in policy and is willing to cooperate with the United States, reinforcing such a Russian policy change by giving Moscow these incentives is well worth considering.

Chapter 8

The Russian Economy and the U.S.–Russian Business Agenda

Marshall I. Goldman, Ph.D.

While "hard" security and geopolitics remain the highest-priority agenda items in U.S.–Russian relations, business ties also remain important. Economic relations are affected by the health of the U.S. and Russian economies and by the concern of both countries with the problem of lawlessness.

Until the onset of the worldwide financial upheaval, Russia seemed to be financially more prosperous than at any time in its history, czarist or Soviet. By summer 2008, the Russian treasury had accumulated close to $600 billion in a reserve stabilization fund, a remarkable improvement over its near bankruptcy only a decade earlier in 1998. So successful was this policy that President Vladimir Putin began to insist that the ruble should be included as a world standard currency reserve along with the dollar, euro, and yen. However, this was all predicated on the very strong ruble created by the demand for high-priced Russian oil, which hit a high of $147 per barrel in May 2008. With Russian Urals oil selling for less than $45 at the time of this writing, the situation looks different.

The world financial crisis has affected both the U.S. and Russia. In many ways, Russia has suffered more than the U.S. While a smaller percentage of Russians own stock than their U.S. peers, those that do have been hit particularly hard because capital market prices have fallen even farther in Russia than in the U.S. For example, the Russian RTS index is down more than 78 percent from its peak in May 2008. Similarly, more banks have collapsed in Russia than in the U.S.

Part of Russia's problem is that it has had less experience than the U.S. with financial crises and the remedial measures that are required to correct such problems. This helps to explain why many Russians are convinced that the U.S. intentionally created the current crisis. Crazy as it may sound, as they see it, the U.S. orchestrated the drop in energy prices to weaken Russia (one of the world's largest producers of natural gas and petroleum) to prevent it from resuming its status as a superpower.

Despite these suspicions, U.S. government officials have ample opportunity to work with their Russian counterparts to seek remedies for the current crisis while helping each other's economies. At the same time, both countries and business communities should seek ways to increase their understanding of each other's economic institutions.

Background

Russia is the world's largest producer of natural gas, and it alternates with Saudi Arabia as the largest producer of petroleum. Russia has sought additional technical help from Western partners in developing its energy resources in the Arctic region, especially in deep-water drilling.

Russia has a well-developed metals industry, both ferrous and nonferrous, and its new affluence as an energy exporter has helped several Russian companies to acquire ownership of a significant number of U.S. metal compa-

nies. For example, Severstal, Russia's largest steelmaker, bought several U.S. companies and in the process, according to *The Moscow Times*, has become one of the largest U.S. steel producers. Buying up plants from what used to be Bethlehem Steel and U.S. Steel, Severstal now owns River Rouge in Dearborn, Michigan; WCI Steel in Warren, Ohio; Sparrows Point in Baltimore, Maryland; and several other specialized steel firms.

This influx of Russian investment and technological experience has helped to prop up U.S. steel factories that might otherwise have been forced to close. While some in the U.S. will undoubtedly be uncomfortable with Russian companies buying up what have been strategic U.S. companies, that worry should be offset by the fact that not only are the Russians helping to keep open factories that otherwise might have closed, but these Russian oligarchs are using their technological skills to upgrade U.S. manufacturing facilities, reversing the technology flow of just a few decades ago. In addition, from a strategic point of view, investments of this sort provide the U.S. with a potential chess piece for a retaliation if the Russian government ever decides to seize or nationalize U.S. companies operating in Russia.

On a smaller scale, at least compared to Russian investment in the U.S., much the same cross investment is taking place in the energy sector, although in this case not only have Russian companies invested in the U.S., but U.S. companies have invested in Russia. For example, Exxon–Mobil, Conoco Phillips, BP, and Shell have invested in oil field operations in Russia, while Lukoil has purchased the filling stations network that once belonged to Getty Oil and numerous Exxon and Chevron gas stations.

Although the Russians have seized assets—particularly oil and gas assets—from U.S. and European direct investments on too many occasions, arbitrarily and without proper compensation, these Western investments in the Russian energy sector for the most part have increased world energy production, which in turn has increased and diversified the number of suppliers to the U.S. and Europe from sources outside the Middle East.

Because of Russia's heavy dependence on energy exports, President and now Prime Minister Putin has tried to increase Russia's development of a manufacturing sector, especially in high technology. To that end, he supported formation of RUSNANO, a state-owned nanotechnology group led by Anatoly Chubais, the controversial architect of Russian opaque privatization. After all, just as the U.S. and Russia cooperate in space exploration, they could also support a joint U.S.–Russian effort in high technology.

With the installation of Dmitri Medvedev as president, Russia may be more open to outside efforts to enhance the rule of law. Medvedev recently complained that Russia has become plagued by what he called "legal nihilism."[1] Trained as a lawyer (as was President Barack Obama), Medvedev is clearly disturbed by the lawlessness that characterizes Russia today. While the U.S. and Russia have had several exchanges of senior state and federal judges, sponsored by the American Bar Association, there clearly is room for more such exchanges as Medvedev seeks to institute a more rigorous adherence to law, especially in business practices.

The fact that both presidents have been trained in and have practiced law suggests that they share something in common that rarely if ever existed between U.S. and Russian leaders in the past, and this should enhance the prospects for a common approach at future U.S.–Russian summit meetings.

The new Obama Administration should build on these developments. Specifically, the Administration should:

- **Convene high-level meetings between senior U.S. and Russian presidential advisers**, such as the U.S. President's Council of Economic Advisers, senior officials in the Federal Reserve Board, captains of industry, and their counterparts in the Kremlin and the Russian business sector. The purpose is to share the U.S.'s long experience in dealing with economic downturns and inflation, both of which are major concerns in Russia.
- **Organize similar meetings between U.S. and Russian energy officials to explore the exchange of economic experience and technical expertise.** While such meetings have been held in the past, it is important that representatives from the new administrations in both countries resume such a dialogue.

1. Associated Press, "Medvedev Calls for Strengthened Fight Against Corruption in Russia," *International Herald Tribune*, January 22, 2008, at *http://www.iht.com/articles/ap/2008/01/22/europe/EU-POL-Russia-Medvedev.php* (March 3, 2009).

- **Increase exchanges and interaction between U.S. and Russian business executives**, specifically encouraging U.S. firms to establish year-long exchanges for young Russian executives similar to the Alfa Bank executive fellowships. To provide a better understanding of Russian business and culture, Alfa Bank established a fellowship program that selects and finances approximately a dozen early-career and mid-career American executives for a year-long exchange as trainees in Russian companies. This provides the U.S. executives with hands-on and on-site experience with their Russian counterparts. At the same time, the Russian companies benefit from exposing their own staffs to junior U.S. executives with U.S. business orientation and insight.

  To some extent, this is already done spontaneously by U.S. companies that hire Russians who receive MBA degrees from U.S. business schools. For example, each year, the Harvard Business School accepts more than a dozen students from Russia, who often work during the summer or for one or two years after graduation for a U.S. company before returning to Russia. Russian business schools should be encouraged to recruit U.S. students and expose them to similar efforts and operations. A few years ago, such exchanges between New York Stock Exchange executives and their Moscow counterparts proved successful. Along these lines, U.S. firms should establish a counterpart to the Russian Alfa Bank's executive fellowship program.
- **Take advantage of common concern about Somali pirates** operating in the Gulf of Aden off the coast of East Africa. Russia should be invited to participate in joint efforts to secure the water routes for tankers and freighters carrying cargo and passengers between Europe and Asia.
- **Encourage the Fulbright Fellowship Program to increase the number of business school students and faculty moving between U.S. and Russian business schools.** Traditionally, the emphasis has been on liberal arts exchanges. Without reducing the present number of liberal arts exchanges, both countries would benefit from increased exchanges of business school students and faculty.

Conclusion

In summary, despite some continuing political differences and attitudes—many left over from the Cold War—the U.S. and Russia have many common economic and business interests and concerns that offer the opportunity for close collaboration. Such efforts can help to create a basis for better understanding, increased economic interaction, and ultimately a more harmonious political relationship.

Chapter 9

Russia: The Flawed Energy Superpower

Ariel Cohen, Ph.D.

Russia is a major player in the global energy markets and aspires to leverage its resources to become a global energy superpower. It is the largest supplier of natural gas to the European Union and, as the January 2009 conflict involving the EU members and Ukraine demonstrated, is using this dependence as a foreign policy tool to drive wedges between European capitals and Kyiv and between Europe and the United States. The Kremlin assumes that, as Europe recognizes its dependence on Russian and Eurasian gas, it will accept Moscow's foreign policy and security agenda, including a freeze on missile defense deployment in Central Europe and blocking NATO membership for Ukraine and Georgia. Beyond that, Moscow will attempt to Finlandize[1] Europe, causing the decades-long transatlantic security cooperation to wither.

The Kremlin's strategy seeks to increase the West's dependence by locking in demand with energy importers; consolidating the supply of oil and gas by signing long-term contracts with Central Asian energy producers; and securing control of strategic energy infrastructure in Europe, Eurasia, and North Africa. This includes extending the Gazprom monopoly and attempting to create a global OPEC-style gas cartel. Despite these grand ambitions, Russian oil and gas production is stagnant and showing signs of decline, while the financial crisis and the steep drop in energy prices have demonstrated that Russia's economy is highly vulnerable to global economic performance and, specifically, to price fluctuations in commodity markets.

Domestic Consolidation

In a conscious effort to use natural resources to reassert itself on the world stage, the Kremlin has conducted a sustained campaign against private enterprise and the rule of law, beginning with the takeover of the Russian oil company Yukos in 2003 and the jailing of its owner, Mikhail Khodorkovsky. At the time of this writing, Khodorkovsky is facing another trial on trumped-up charges and, if convicted, a combined sentence of 30 years.

Under the rationale of having been "exploited" by the West and its own "oligarchs," the ruling class has been renationalizing much of Russia's natural resources and other "strategic" sectors of the economy. It has forced Western energy companies to pull out of massive exploration and development projects in Siberia and the Far East, pressured BP to sell a major stake in a large Siberian gas field to Gazprom, and diluted the Royal Dutch Shell ownership in a giant Sakhalin Island project. More recently, influential factions within the Russian government were involved in the dispute between BP and Russian TNK—the largest oil venture in Russia that was partially controlled by foreigners, diluting BP's control.

State control of oil and gas assets increases Moscow's options to use energy as a foreign policy tool. The strategic sectors of oil and gas and the big corporations that dominate these sectors—Gazprom, Rosneft, and

1. During the Cold War, Finland was a neutral buffer state between Russia and NATO. The situation generated the term "Finlandization"—turning a country into a neutral, non-aligned state.

Lukoil—constitute one of the pillars of the Russian state, along with the other principal institutions of power: the military, intelligence services, police and law enforcement agencies, and government bureaucracy.[2] Russian energy firms occupy an important place among the "national champions" of the Russian economy: the state-owned, state-controlled, or privately owned corporations that are subservient to the government's strategic agenda. Through these energy goliaths, Moscow exercises economic and political influence over countries that depend on Russia's energy resources.

European Energy Dependence

Many Europeans look to Russia because Europe's own domestic gas production is in steep decline, while demand will likely rise for another decade. In this supply-and-demand dynamic, Russia has the natural leverage, geologically and geographically. Russia boasts the largest proven natural gas reserves (1,688 trillion cubic feet) and the seventh-largest proven oil reserves (60.0 billion to 74.4 billion barrels) in the world, and large areas of eastern Siberia and the Arctic are still unexplored.[3]

Having consolidated control over much of its domestic energy market, the Kremlin has been deploying its resources abroad and has Europe "over a barrel." In 2007, EU demand for natural gas was 524 billion cubic meters (bcm) per year,[4] with Russia providing EU members with over one-quarter of their gas (approximately 120–140 bcm).[5] Demand within Europe is expected to rise to 700–800 bcm a year by 2020,[6] which indicates that Europe's dependence on Russian energy will continue to grow.

Germany depends on Russia for nearly 40 percent of its gas, and this share is expected to rise to 60 percent by 2020. Slovakia, Finland, Bulgaria, Greece, Serbia, Montenegro, and Macedonia depend almost entirely (80 percent to 100 percent) on Russian gas.[7] Southeastern Europe suffered the most in January 2009. The Baltic States (e.g., Lithuania) and some Commonwealth of Independent States (e.g., Belarus and Armenia) are also 80 percent to 100 percent dependent on Russian gas. The January 2009 gas crisis—the worst since the Arab oil embargo of 1973—demonstrated that Europe's dependence on Russian gas, when mismanaged, could cause a humanitarian catastrophe.

Many Europeans are nervous about Russia's ability to meet its export commitments. The bulk of Russia's gas production comes from its "super giant" west Siberian fields, which are in steep decline. Gazprom's ability to meet its European supply contracts will depend on developing the Yamal Peninsula gas fields and on continuing to import Central Asian gas, notably from Turkmenistan. While Russia has stated that Yamal field will come online by 2010, independent assessments place the date closer to 2015.[8]

One expert assessment in 2008 found that an annual investment of $4 billion to $5 billion would be needed to maintain Russian gas output from 2008 to 2015, but the current rate of investment is only $1 billion.[9] This

2. Ariel Cohen and Lajos F. Szaszdi, "Russia's Drive for Global Economic Power: A Challenge for the Obama Administration," Heritage Foundation *Backgrounder* No. 2235, January 30, 2009, at *http://www.heritage.org/Research/RussiaandEurasia/bg2235.cfm*.
3. *Ibid*. and U.S. Department of Energy, Energy Information Administration, "World Proved Reserves of Oil and Natural Gas, Most Recent Estimates," January 9, 2007, at *http://www.eia.doe.gov/emeu/international/reserves.html* (August 20, 2007).
4. Adam Palin and Clive Evans, "Physical Gas Flows Across Europe in 2007," U.K. Department for Business Enterprise and Regulatory Reform, December 2008, at *http://www.berr.gov.uk/files/file49485.pdf* (January 7, 2009).
5. *Ibid.*
6. F. Wallace Hays, "The Nabucco Pipeline: A Sober Assessment," Center for European Policy Analysis, November 2008, p. 4, at *http://cepa.org/Nabucco%20Pipeline%20Final.pdf* (January 1, 2009).
7. U.S. Department of Energy, Energy Information Administration, "Russia: Natural Gas," *Country Analysis Brief*, May 2008, at *http://www.eia.doe.gov/cabs/Russia/NaturalGas.html* (January 9, 2009).
8. Pierre Noel, "Beyond Dependence: How to Deal With Russian Gas," European Council on Foreign Relations *Policy Brief*, November 2008, at *http://ecfr.3cdn.net/c2ab0bed62962b5479_ggm6banc4.pdf* (January 2, 2009).
9. Phillip Hanson, "State-Led, Oil-Fueled Development: Is That Good for Russia's Future?" *CESifo Forum*, February 2008, p. 25, at *http://www.cesifo-group.de/pls/guestci/download/CESifo%20Forum%202008/CESifo%20Forum%202/2008/forum2-08-focus4.pdf* (January 6, 2009).

investment discrepancy is large and especially troubling in light of the decline in Russian oil export revenues due to lower oil prices. Russia's financial outlook for 2009 will likely limit the country's ability to make the necessary investments.

Russia's own domestic demand for natural gas has also been rising in part because of its antiquated gas-intensive economy. While domestic prices for gas inside Russia are being raised, the current industrial gas price is still only about one-third of the European price, encouraging inefficient use and rising demand.[10] Of course, with the global economic downturn, Russian industrial production and domestic gas consumption are in decline.

With Russia's domestic hydrocarbon sector stagnating and domestic demand rising until the recent economic crisis, the Kremlin places a high premium on securing control of Central Asian, Caspian, and North African supplies and transit. The Kremlin looks to these sources to preserve its market share.

The Kremlin uses its neighbors' energy dependence as a foreign policy tool to pressure states that would adopt policies against Russia's national interests.[11] Moscow uses this tool deftly and has cut off supplies to numerous countries over the past seven years. Most recently, Russia shut off gas to Ukraine in part over a pricing dispute, severely disrupting the supply of 16 European countries.[12] Russia escalated the gas crisis not only because of the price dispute, but also to prove to the Ukrainian people that President Victor Yushchenko and Prime Minister Yulia Timoshenko are discredited leaders who caused energy shortages in the middle of a harsh winter. While Ukraine is not without blemish, Moscow is sending the message that this is the high price that Ukraine must pay for pursuing a pro-Western path toward NATO membership.

Russia escalated the January crisis only a few days after Kyiv and Washington signed the Charter on Strategic Cooperation. Moscow demands that Ukraine abandon its road to NATO and EU membership and allow Russia to continue to base its Black Sea fleet in Sevastopol after the current agreement expires in 2017. Notably, while Gazprom has raised the price of gas to most of its customers in the former Soviet Union in recent years, allies such as Armenia continue to pay lower rates while "problem" states such as Georgia pay full price.

Energy Encirclement of Europe

Already geographically and commercially well-placed, the Kremlin wants to tighten its grip on its energy network and to expand it, preventing new outside competition such as the proposed Nabucco and Trans-Caspian Gas Pipeline (TCP). The core of the Kremlin's extensive network is the old Soviet oil and gas infrastructure that was created specifically to integrate the periphery (Central Asia and Eastern Europe) with the center (Russia).

To maintain its dominant position as supplier to Europe, Gazprom is deftly conducting what some analysts have called a "pincer" pipeline attack on Europe, moving to dominate the supply routes to Northern Europe via Nord Stream and supply routes to Southern Europe via South Stream.[13] Gazprom is also looking at a cross-Mediterranean route via Libya and Algeria in North Africa. In Libya, Moscow has already successfully used debt forgiveness and arms sales to accelerate this effort to "lock in" supply.[14] Russia already controls most of Central Asia's export routes to Europe. If Moscow succeeds in North Africa, Europe will be geopolitically surrounded.

---

10. *Ibid.*
11. Ariel Cohen, "Europe's Strategic Dependence on Russian Energy," Heritage Foundation *Backgrounder* No. 2083, November 5, 2007, at *http://www.heritage.org/Research/Europe/bg2083.cfm.*
12. Ariel Cohen and Owen Graham, "European Security and Russia's Natural Gas Supply Disruption," Heritage Foundation *WebMemo* No. 2194, January 8, 2009, at *http://www.heritage.org/Research/RussiaandEurasia/wm2194.cfm.*
13. Nord Stream is a proposed pipeline that would transport gas from Vyborg, Russia, along the Baltic seabed to Greifswald, Germany. South Stream is a proposed and expensive pipeline that will cross the Black Sea to Varna, Bulgaria, with one branch running south to Italy via Greece and the other running north to Austria via Serbia and Hungary.
14. Ariel Cohen, "The Real World: Putin in Libya," *Middle East Times*, April 18, 2008, at *http://www.metimes.com/Politics/2008/04/18/the_real_world_putin_in_libya/2760* (February 19, 2009).

Primary Russian Oil and Gas Pipelines to Europe

Source: U.S. Department of Energy, Energy Information Administration, "Russia," *Country Analysis Brief,* May 2008, p. 11, at *http://www.eia.doe.gov/emeu/cabs/Russia/pdf.pdf* (March 6, 2009).

Map 3 • SR 49 heritage.org

Gas OPEC

Russia's approach to the formation of the cartel has been gradual and stealthy.[15] A "gas OPEC" emerged from the Gas Exporting Countries' Forum (GECF), with Russia, Qatar, and Iran forming the core of the nascent gas cartel. The Group of Three (the "troika") will meet quarterly to coordinate and exercise control over nearly two-thirds of the world's natural gas reserves and a quarter of all gas production.[16] This cartel may eventually include the world's other major gas producers in Latin America and the Middle East and will seek to coordinate and control the price and output of gas.

The cartel's clout will apply specifically to liquefied natural gas (LNG), which is a global commodity, unlike the regionally priced and piped natural gas. The cartel claims power to dictate the scope of gas projects and direction of gas pipelines, negatively affecting smaller producers, such as Azerbaijan and Turkmenistan. Moreover, the troika shares a democracy deficit. Just like OPEC, this cartel will be a formidable economic force that could be used to challenge and possibly weaken market democracies.[17]

The EU's partial dependence on such a cartel will diminish its ability to deal bilaterally with gas-exporting countries to bypass Russia, will challenge its energy liberalization and gas deregulation policy, and may have dire foreign policy consequences.

In addition to the gas OPEC, Russia has increased its cooperation with OPEC. In September 2008, a high-level Russian delegation headed by the energy czar Deputy Prime Minister Igor Sechin traveled to Vienna and proposed "extensive cooperation" with the cartel.[18] Together, OPEC and Russia supply more than 50 percent of the world's oil. In October 2008, OPEC Secretary General Abdullah al-Badri visited Moscow for the first time to discuss expanding ties with Russia, including joint production cuts.[19] Because Russia is a high-cost oil producer, such cooperation with OPEC has become more urgent as oil prices have fallen.

Arctic Energy

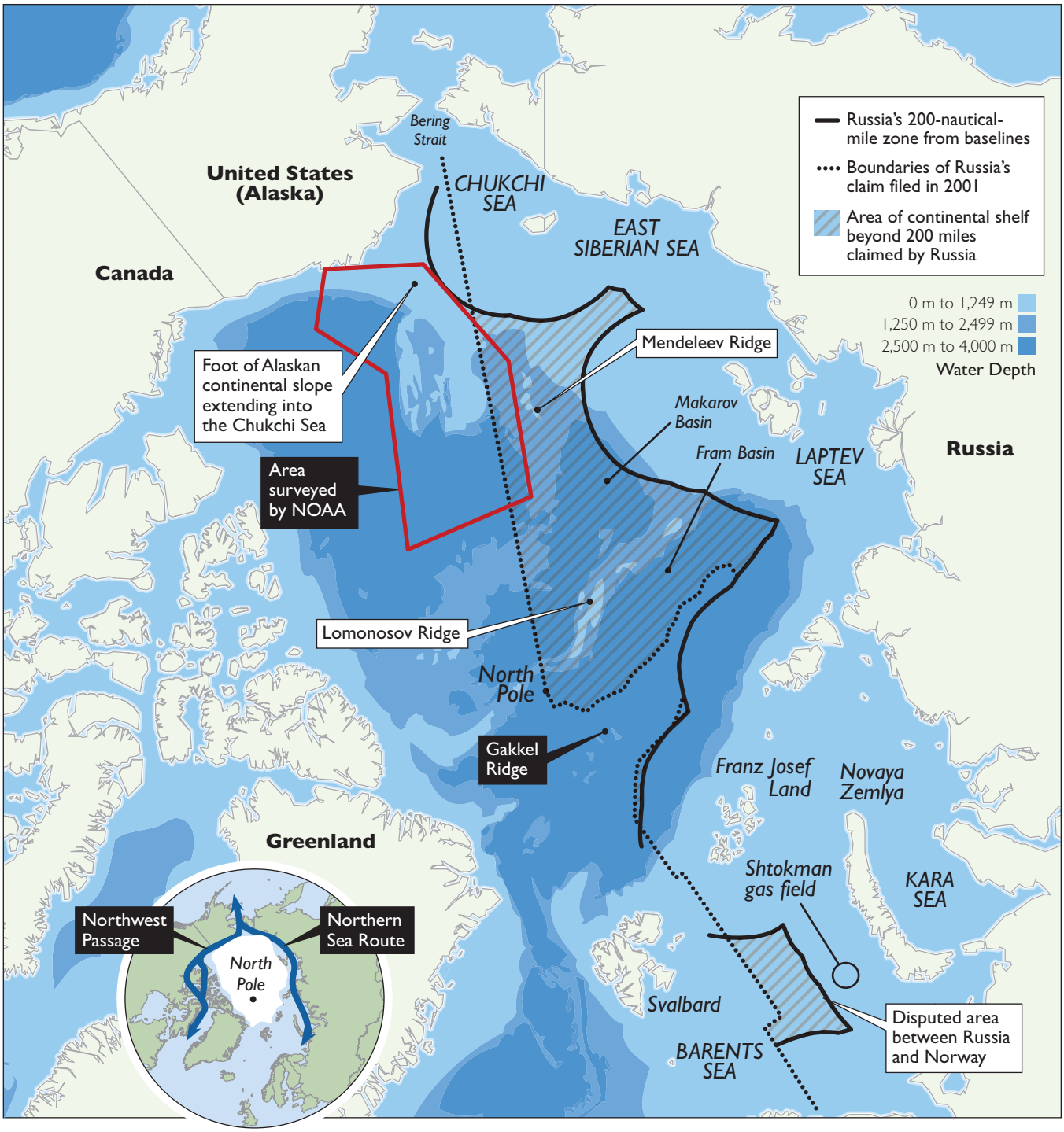
If the development of a gas cartel was stealthy, Russia's August 2007 planting of its flag on the Arctic seabed was overt. In early 2007, President Vladimir Putin urged greater efforts to secure Russia's "strategic, economic, scientific and defense interests" in the Arctic.[20] Moscow's claims on the Arctic continental shelf equal the combined area of France, Germany, and Italy combined.

Geologists believe that the Arctic seabed may contain nearly 25 percent of the world's hydrocarbon deposits. As the ice cap melts, these resources will become more accessible, and a new sea passage along the northern coast of Eurasia may provide a transportation route. The exploration of polar petroleum reserves may be the opportunity that allows Russia to become an energy superpower.

---

15. Ariel Cohen, "Gas OPEC: A Stealthy Cartel Emerges," Heritage Foundation *WebMemo* No. 1423, April 12, 2007, at *http://www.heritage.org/Research/EnergyandEnvironment/wm1423.cfm* (July 17, 2008).
16. Ariel Cohen, "OPEC Redux: Responding to Russian–Iranian Gas Cartel," Heritage Foundation *WebMemo* No. 2118, October 27, 2008, at *http://www.heritage.org/research/energyandenvironment/wm2118.cfm*.
17. *Ibid.*, p. 2.
18. Neil King, Jr., Spencer Swartz, and Anna Raff, "Russia's Bid to Strengthen OPEC Ties May Sow Unease," *The Wall Street Journal*, September 10, 2008, p. A7.
19. Reuters, "Russia and OPEC to Seek Closer Ties," *The Gulf Times*, October 21, 2008, at *http://www.gulf-times.com/site/topics/article.asp?cu_no=2&item_no=249328&version=1* (November 26, 2008).
20. Ariel Cohen, "Russia's Race for the Arctic," Heritage Foundation *WebMemo* No. 1582, August 6, 2007, at *http://www.heritage.org/Research/RussiaandEurasia/wm1582.cfm*.

U.S. and Russian Interests in the Arctic



Source: Jeannette J. Lee, "New Seafloor Maps May Bolster U.S. Arctic Claims," *National Geographic News*, February 12, 2008, at *http://news.nationalgeographic.com/news/2008/02/080212-AP-arctic-grab.html* (March 6, 2009).

Map 4 • SR 49 ☎ heritage.org

What the U.S. Should Do

The Kremlin derives leverage from its control of gas production and supply networks and from Europe's dependence on Russian gas exports. This dependence increases Europe's "continental drift" away from the U.S. by limiting the foreign policy options available to America's European allies and by forcing them to choose between an affordable energy supply and supporting the U.S. and NATO on key strategic issues, such as missile defense or opposing Russia's treatment of Georgia. Europe and the United States need to take steps to mitigate this by strengthening transatlantic cooperation and partnership wherever possible. Otherwise, Russia will apply the ancient Roman principle of *divide et impera* (divide and rule) to energy geopolitics.

In light of these considerations, the U.S. should:

- **Demonstrate American leadership in energy diplomacy in the Caspian and Central Asian regions.** Specifically, the U.S. should support the construction of the Nabucco and Trans-Caspian Pipelines, which would bring gas from the Caspian basin to Europe via Azerbaijan and Georgia. The U.S. should oppose any excessive dependence of its allies on Russian energy exports and should encourage application of the European anti-trust legislation against Gazprom. Washington should encourage European capitals to develop and implement a joint policy in their energy dealings with Moscow.
- **Encourage European countries to construct more LNG terminals.** Importing gas from Qatar, Algeria, and Nigeria would diversify their sources of natural gas. Moreover, Germany, Italy, and other countries should be encouraged to develop coal, nuclear power, and competitive renewables as sources of affordable electricity.
- **Remove restrictions on energy exploration throughout the United States and open its vast natural gas resources, both onshore and offshore, to further development.** The U.S. should also encourage its neighbors Canada, Mexico, and the Caribbean countries to implement similar policies to increase supply and reduce marginal energy prices.
- **Work with EU members, Japan, China, India, and other countries to develop a clear global policy to limit cartelization of the gas sector.** This could be accomplished through the International Energy Agency, which China and India should be invited to join.[21] The U.S. should also work with GECF members (e.g., Azerbaijan, Canada, the Netherlands, and Norway) that oppose Russian–Iranian domination to prevent cartelization of natural gas.
- **Implement the U.S. Arctic policy formulated in the 2009 Presidential Directive on the Arctic**,[22] bringing together the Departments of Defense, State, Interior, and Energy.[23] The U.S. will need to reach out to Canada, Norway, Denmark, and—wherever possible—Russia. Diplomacy and cooperation with Canada and European allies will serve U.S. interests in the region.
- **Provide the U.S. Coast Guard with a sufficient operations and maintenance budget to support an increased, regular, and influential presence in the Arctic.**
- **Accelerate the acquisition of U.S. icebreakers** to support the timely mapping of the Arctic Outer Continental Shelf and the Arctic in general to advance U.S. national interests.

21. The IEA is an agency of the Organisation for Economic Co-operation and Development (OECD). India and China are not OECD members. However, they consume more energy than many OECD members, and their membership in the IEA would therefore be most advisable.
22. George W. Bush, "Arctic Region Policy," National Security Presidential Directive NSPD–66 and Homeland Security Presidential Directive HSPD–25, January 9, 2009, at *http://www.fas.org/irp/offdocs/nspd/nspd-66.htm* (March 2, 2009).
23. Juliet Eilperin and Spencer S. Hsu, "White House Directive Guides Policy on Arctic," *The Washington Post*, January 18, 2009, p. A2, at *http://www.washingtonpost.com/wp-dyn/content/article/2009/01/18/AR2009011802085.html* (February 8, 2009).

Conclusion

Russia is challenging the United States and the West on several fronts of energy security. Its behavior and intentions are revisionist and anti-market. Yet to reassure its European customers that it will meet its export commitments and act as a responsible partner, Russia needs to allow increased foreign investment, make its tax laws more transparent and apply them uniformly, raise domestic gas prices, strengthen the rule of law, and stop using energy as a weapon.

Chapter 10

Russian Democracy in Crisis: The Outlook for Human Rights, Political Liberties, and Press Freedom

Donald N. Jensen, Ph.D.

Russian President Dmitry Medvedev leads a country that has moved fitfully toward democracy and the rule of law since the end of the Soviet Union in 1991. Although Russia formally has many democratic institutions, it is run in practice by an authoritarian, highly corrupt oligarchy that controls much of the political space and the most lucrative sectors of the economy.

Russia was more pluralist, though far from a democracy, under President Boris Yeltsin's administration (1992–1999). His successor, Vladimir Putin, sought to centralize power, manipulate electoral outcomes, reduce media freedom, and tighten constraints on nongovernmental organizations.[1] Russia is certainly freer than it was during the Soviet era and is in no danger of reverting to communism, but by most measures of democratic governance, it lags behind the former Soviet satellites in East Central Europe and several of the newly independent states of the old Soviet Union.

Ironically, until now, the population at large has greeted these restrictions with few complaints. Putin's personal popularity remains very high, and many Russians view the curtailment of key personal liberties as a small price to pay for their increased standard of living under Putin. This and the end of the perceived chaos of the Yeltsin era are largely the result of Russia's immense energy wealth and Putin's centralizing rule, as is the more assertive role their country has played in the world. Yet as the economic crisis worsens, the Russian ruling class may find itself in uncharted waters.

The prospect of a presidential transition in 2008—the constitution limited Putin to two terms—threatened the power and property that the elites had accumulated during the previous eight years. As a result, after considerable infighting, the leadership settled on a carefully orchestrated succession. First, the Kremlin manipulated the December 2007 State Duma elections to produce a compliant constitutional majority. Second, Putin designated Medvedev—his long-time protégé, chief of staff, and first deputy prime minister—as his preferred successor. Third, Putin announced that he intended to stay on as prime minister, a move designed to ensure continuity, protect his own political and business interests, and reassure Medvedev's Kremlin opponents. In this controlled political landscape, Medvedev garnered more than 70 percent of the votes in the March 2008 presidential election.

In its first few months, Medvedev's presidency has been dominated by four issues:

- Sorting out the power, personal, and property relationships required for the Medvedev and Putin teams to function;

1. Freedom House, *Nations in Transit 2008* (Lanham, Md.: Rowman & Littlefield Publishers, 2008), p. 496, at *http://www.freedomhouse.org/template.cfm?page=17&year=2008* (February 19, 2009).

- Determining whether Medvedev's somewhat liberal rhetoric in the past will lead to a loosening in the very system that brought him to the presidency;
- The conflict in the Caucasus; and
- Responding to the global financial crisis, which hit Russia severely.

For now, the country's direction has remained largely unchanged, but much is in flux. Indeed, the hostilities in Georgia appear to have hardened Russia's authoritarian course, while the financial crisis has increased the state's role in the economy.

In this climate marked by deteriorating U.S. relations with Moscow and global financial turmoil, the Obama Administration faces the challenge of finding a mix of policies that will constructively engage Russia on issues of mutual interest even as the U.S. seeks to promote a more democratic Russia that will be a positive, reliable partner.

Going Backward and Sideways

Russia's political system, which Kremlin ideological czar Vladislav Surkov calls "sovereign democracy," represents an authoritarian model of modernization that resembles the regimes in China and Central and East Asia more closely than it resembles Western democracies. In its essence, the system is patrimonial: The elites behave as though they own the nation, its property, and its inhabitants. The distinction between power and property—separated in the West by the rule of law—is blurred. The elites manipulate the formal institutions copied from the West—the courts, parliament, law enforcement agencies, and regional governments—for their material and political benefit. The enforcement of individual rights is often subject to the whim of the authorities. This model has deep roots in a thousand years of Russian history.

Since the legal protection of property ownership is so weak, a fundamental issue for elites is the distribution of property, which is constantly being divided and redivided. Putin, like Yeltsin, presided over an enormous transfer of property during his presidency. Another redistribution has already begun under Medvedev. Moreover, the weak enforcement of property rights means that control of money flows is more important than actual ownership.

Despite the close relationship between Medvedev and Putin, the cross-cutting, continually shifting alliances of bureaucrats, businessmen, and security officials backing each man have different commercial and political interests. One camp, generally associated with Medvedev, leans toward closer economic integration with the West and market-oriented economic policies. The other, which prefers Putin, generally favors more autarchic development for Russia. All realize that at least some exposure to Western political and commercial influence is unavoidable.

However, leadership infighting is endemic in the system. Under both Yeltsin and Putin, the president was the arbiter among the various clans and often maneuvered among them to secure his political base. Medvedev has not yet come to play this role in the Kremlin's tandem sharing of power; Putin still keeps this important balance-of-power function.

Without a free media, independent political parties, or an effective judiciary, the elites are largely unaccountable to public opinion. While the authorities sometimes justify isolated public grievances, any sign of serious, organized popular opposition is crushed. Nonetheless, the Kremlin needs passive popular acquiescence to legitimate its status, power, and privileges. It does this by ensuring the material well-being of Russia's growing middle class and by manipulating images. However, the economic crisis might change this with the Russian stock market plunging by more than 70 percent, the ruble dropping by 36 percent against the dollar, economic growth slumping, and unemployment rising.

The leadership and its policies are lavishly praised by the government-controlled media. Either Russia's serious problems (e.g., corruption, inflation, and demographic decline) are ignored or the Kremlin's masters are portrayed as vigorously working to solve them. The regime trumpets the country's reentry into the ranks of the world's Great Powers and curries popular support by demonizing foreign states, especially the U.S., which it claims are undermining Russia's security.

These measures have succeeded in projecting an image of regime stability, both at home and abroad. However, the regime is brittle, with little ability to react flexibly and constructively to social change.[2] Its very existence depends on the continued passivity of a Russian population whose values and aspirations it incompletely understands. Moreover, the elites are constantly uneasy, fearing that the pressure from below that toppled unpopular regimes in Ukraine and Georgia in recent years could erupt beneath them.

There are signs that some people in the Kremlin believe that the country's political system is inadequate to the challenges of modernization that Russia faces. In the summer of 2008, a think tank close to Medvedev commissioned a report based on in-depth interviews with leading intellectuals, politicians, and businessmen that argued that Russia's political situation is analogous to those in Taiwan or South Korea. The report suggested that the current period of authoritarian national modernization should give way, as it did in those countries, to a more universal model of democratic rule with independent political parties, a free media, a fully formed civil society, and durable political institutions.

The report's conclusions ignited a fierce debate among Russia's leaders, but any hopes that a Medvedev presidency would lead to democratic reforms were dashed by the conflict in Georgia. The war united all factions of the elite behind the Medvedev–Putin tandem, which appeared to direct the campaign in harmony. It also galvanized popular opinion against a common external enemy: Georgia and, by implication, the United States.

At the same time, the conflict and the economic crisis have demonstrated Russia's vulnerability to the international financial system. Russian debt and equity markets suffered sharp declines after the war began on August 8, and the country's foreign currency reserves experienced one of the largest weekly drops in 10 years. The financial blow from the war came on the heels of a substantial decline in the Russian stock market in 2008, due in part to the controversy over the BP–TNK energy deal and leadership squabbling over Mechel, a large coal conglomerate. Throughout the Georgia crisis, the media outlets controlled by one of the Kremlin oligarchs quietly emphasized the high potential costs to Russia's economy of alienating the West.[3]

The meltdown of the Russian stock market in September 2008, a result of the global liquidity crisis, introduced volatility into a political system that until then had derived stability and legitimacy from consistent economic growth. The crisis produced a major shakeup of Russia's oligarch ranks and reshaped the relationship between the Kremlin and the business sector. If the crisis leads to a prolonged economic decline and spreads beyond the elite, it will likely increase public discontent.

However, the potential for anti-government sentiment to coalesce will depend significantly on the emergence of a more coherent opposition, which thus far has been split among ultranationalists, communists, and left-leaning and right-leaning centrists and democrats. The opposition has been marginalized and has little popular support.

Implications for U.S. Policy

Events in recent years have shown that Russia is not necessarily in transition to a more democratic future. The levers available to the United States to shape Russian domestic developments are weak and often lead to unintended consequences. Resentment at perceived U.S. meddling in the 1990s has fueled the rise of anti-American hard-liners among the security and political elites, including in the Kremlin. U.S. policy sometimes has also sent mixed messages, especially when it has sought to ensure outcomes that it preferred even if it meant overriding the preferences of most Russians or short-circuiting democratic procedures.

At the same time, promoting democracy abroad is a core element of U.S. foreign policy. This is something that Russia needs to accept as an unavoidable reality in dealing with the United States.[4] In particular, the U.S. has a strong national interest in Russia's eventual transformation into a liberal, free-market democracy. Democracies are more

2. *Ibid.*
3. Charles Clover, "Investors Pull out of Russia Amid Crisis," *Financial Times*, August 22, 2008, at *http://www.ft.com/cms/s/0/043d10ec-6fe1-11dd-986f-0000779fd18c.html* (February 19, 2009).
4. Thomas Graham, "US–Russia Relations: Facing Reality Pragmatically," Center for Strategic and International Studies, July 2008, p. 12, at *http://www.csis.org/media/csis/pubs/080717_graham_u.s.russia.pdf* (February 19, 2009).

stable, and a democratic Russia would be less likely to bully its neighbors or reflexively define its role in the world in opposition to the United States.

Therefore, initiatives to strengthen democratic values and the rule of law—especially property rights and corporate governance—should be central to U.S. democracy promotion. Democratic values and the rule of law are prerequisites for the development of democratic institutions in Russia. The United States should also make it clear that, while the U.S. respects Russian culture and traditions, it will limit its cooperation and even impose some sanctions as long as Russia continues on its current, authoritarian course.

Specifically, the U.S. government should:

- **Expand and make more effective use of the instruments of soft power**, such as cultural exchanges and international broadcasting, which promote pluralism and democratic development.
- **Eliminate barriers to legitimate economic interaction**, such as the Jackson–Vanik amendment.
- **Promote economic integration through trade and mutual investment.** However, the U.S. should make it clear that such interaction must be subject to the rule of law and greater transparency.
- **Support programs designed to improve Russian corporate governance practices.**
- **Increase close scrutiny of business deals with Russian companies**, especially companies controlled by the Russian state or closely linked to the Kremlin.
- **Call for strong sanctions if Russia continues to systematically use its business entities as a foreign policy tool**. One possible sanction would be expelling Russia from the G-8.
- **Vigorously enforce U.S. laws on money laundering and financial and business crimes** in regard to Russian businesses operating in the United States.
- **Seek to further personal and professional contacts with a broader range of the Russian elites**, especially encouraging best business practices. Contacts should also include increased interaction with the human rights community and media elites.

Conclusion

These steps should be pursued for their intrinsic value to U.S. interests rather than as a way to influence Russia's long-tem development. However, as an important byproduct, they will likely promote democracy in Russia. Finding a balance between disapproval, pressure, and continued engagement will be difficult, but excessive acquiescence to Russia's demands could be misread as weakness and lead to further bullying of its neighbors.[5]

5. "How to Contain Russia," *The Economist*, August 23, 2008, at *http://www.economist.com/opinion/displaystory.cfm?story_id=11965287* (February 19, 2009).

Conclusion

Ariel Cohen, Ph.D.

As this report illustrates, President Barack Obama and his Administration will need to tread carefully when confronting the mix of great-power anti–status quo revisionism and resentment. This is the stuff of which world wars are made. Recent symptoms include the Russian–Georgian war, energy conflicts in Europe, the Russian pressure against Ukraine, and consolidation of Russian power in Eurasia.

While Europeans possess the historical memory to remember and understand this point, American policymakers may not. In the summer and fall of 2008, the geopolitical chess match was reminiscent of the conflict that triggered the Balkan wars that preceded World War I and even of Adolf Hitler's invasion of the Sudetenland in Czechoslovakia in 1938—which occurred with Europe's acquiescence.

Yet Russia's behavior is in sync with its much older historic pattern of on-and-off cooperation and confrontation with Great Powers, such as during the Seven Years War, the three divisions of Poland under Catherine the Great, cooperation with Austria and Great Britain against Napoleon, and the clash with France and Britain in the Crimean War. Russia was the ally of Great Britain, France, and the U.S. in two world wars but their opponent in the Cold War that immediately followed.

In addition, many diplomatic practitioners and historians have disregarded an important internal dimension of Russian diplomacy: When Russia is weak or is reforming and liberalizing domestically, relations with the West tend to improve. When Russia feels strong and is domestically repressive and authoritarian, friction with the West increases unless facing existential threats, such as Napoleon, Hitler, or Islamic fundamentalism. Another constant in Russian history is that, after periods of instability and even collapse, Russia rises again as a centralized power with imperial ambitions. We may be witnessing such a resurgence under Vladimir Putin, especially in regard to Russia's post-imperial space, the "near abroad."

Today, Russia proclaims or implies that it wants to shift the global balance of power away from the United States, Finlandize Europe, revise global economic institutions, and return to highly competitive and more confrontational great-power politics of spheres of influence reminiscent of the 19th century. Despite these grand ambitions, however, the financial crisis has exposed how vulnerable Russia's economy is to price fluctuations in commodity markets and has shown that confrontation with Georgia and Ukraine will only further drive away investors and send markets plummeting.

At this point, the U.S. and its European allies should not emphasize military power to confront Russian revanchism. There is a threat of nuclear conflict, the global war on terrorism, and too much unfinished business in Iraq, Afghanistan, Pakistan, and Iran. Nor do they have sufficient troops and military hardware to conduct a massive military buildup along Russia's perimeter, especially with the Obama Administration considering deep cuts in the U.S. military budget. Furthermore, Europe has no appetite for a new confrontation with the Kremlin, and the U.S. economy is in deep recession and suffering from record government deficits and debt ($10 trillion).

Nevertheless, President Obama should take a leadership role in building a global coalition against Russian revisionist policies, expanding a strategic dialogue with the European capitals, New Delhi, and Beijing. While India and China are perfectly happy to counterbalance Moscow and Washington, the emergence of a newly aggressive Russia is not in the interests of either country.

U.S. policies toward Georgia and Ukraine have implications for all former Soviet states, especially those that would seek to protect their sovereignty and pursue independence from Moscow. Beyond that, America's ability and willingness to stand up to Russia are being watched carefully by U.S. allies around the world from Japan to Colombia.

The U.S. recently signed two historic charters on strategic cooperation and partnership with Ukraine and Georgia. Signing them signaled that America has an interest in the success of these two countries as independent states and in their transitions toward democracy. By emphasizing these aspects and deepening our bilateral relationships, Washington is sending a positive signal to other former Soviet states that they are entitled to sovereignty and freedom and that the U.S. will not leave them to the Russian "privileged" sphere of interest. This is a test both for the Obama Administration's foreign policy and for the independent nations of Eastern Europe and Eurasia.

A take-home lesson of the 2009 gas war during the cold European winter is the need for Europe to pursue alternative energy transport routes. This is also a test for London, Paris, Berlin, and Rome, as well as Brussels, on ensuring their energy independence from Russia.

The Obama Administration and U.S. Secretary of State Hillary Clinton have stressed the importance of soft power, and it clearly has a place in a U.S. diplomatic toolbox. Since the end of the Cold War, the U.S. has neglected its capabilities to wage the war of ideas, a key battlefield on which the U.S. defeated the Soviets. These capabilities are also crucial to winning the war against radical Islamist ideology. In this century, the U.S. and the West need to use their creativity and technological prowess to reach Russian, post-Soviet, and Muslim audiences despite increasing television censorship and vitriolic anti-American propaganda.

Economics is also a significant part of soft power. The Western allies could communicate to Moscow that the Russian government and state-controlled companies are endangering their unrestricted access to Western capital and commodity markets unless Russia reconsiders its aggressive foreign policy and stops using its energy and commodity resources as tools of power projection.

History has not ended, and neither has geopolitics. The Obama Administration has its work cut out for it from the Baltic Sea to the Pacific Ocean.