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After the G-8: The Future Orbit of U.S.–Russian Relations

David Kramer, Ariel Cohen, Ph.D., Andrew Kuchins, Ph.D., and Angela Stent, Ph.D.

Edited by Ariel Cohen, Ph.D. and Conway Irwin

On July 19, 2006, The Heritage Foundation presented a panel discussion on the G-8 Summit held in St. Petersburg, Russia, earlier that month.

In recent years, Russia has regained some of its former status, primarily through becoming a global energy and raw materials supplier and boasting a sustained economic growth rate of over 6 percent a year since 2000. Along with its elevated status, Russia has also begun to display some of its former Soviet-era hostility toward the West in general and the United States in particular, which may lead to unnecessary frictions and confrontations in the future. The moderator and the expert panelists assessed what the outcomes of the G-8 summit reveal about U.S.–Russian relations, as well as the future challenges and the opportunities for cooperation between the two countries. Although each speaker had distinct ideas as to the nature of U.S.–Russia relations, all four seemed in agreement that the best option for the U.S. and Russia is a pragmatic and realistic relationship based on the cooperative pursuit of common interests. Their presentations are summarized below.

Russia Cannot Be Isolated

David Kramer

There has been a loud debate for months about U.S.–Russian policy on concerns of democracy backsliding, the problems encountered by NGOs, worrying internal trends, and Russian policy towards its neighbors. These concerns are balanced with Russia's potential as a partner with the United States and Europe, as

Talking Points

- “Russia cannot be ignored or isolated or treated as an adversary.”
—David Kramer
- “For two years running, the G-8 Summit has been derailed by terrorist attacks. This indicates that the G-8 must turn its attention to fighting terrorism on a security level, an economic development level, and a level of ideas.”
—Ariel Cohen
- “The G-8 summit emphasized that we are in a moment of transition in international relations from a unipolar world to a multipolar world and an erosion of the era of Western predominance.”
—Andrew Kuchins
- “[The U.S. and Russia] should continue our cooperation on counter-proliferation, counter-narcotics and counter-terrorism, the issues that have engaged us since 9/11. But we should be realistic about the limits of our common interests and of our influence.”
—Angela Stent

This paper, in its entirety, can be found at:
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well as Asia, in dealing with a whole host of challenges from Iran to the Middle East to North Korea.

The promise of strategic partnership post-9/11 has not been fulfilled, but important work has been accomplished between our two countries and our two governments.

We feel that Russia cannot be ignored or isolated or treated as an adversary. On the contrary, we seek to work with Russia on the many areas where we share common interests and to push back, strongly if necessary, on issues where we disagree. What we have with the Russians is a realistic partnership and relationship.

President Bush has stressed the importance he places on keeping lines of communication open with President Putin, and went to St. Petersburg a day early last week so he could spend more time with President Putin, both formally and informally, in advance of the full G-8 program. The President used those opportunities to promote our interests and express our concerns, including over the trajectory of Russian democracy and civil society and its relations with its neighbors. The President also discussed ways we can work together on many problems that require our cooperation.

We feel we made significant progress on some areas but of course less than hoped for in other areas, and in particular on the WTO bilateral negotiations. In addition to the various G-8 agreements on energy security, health, and education, President Bush and President Putin announced the extremely important Global Initiatives to Combat Nuclear Terrorism, an important step in our counter-terrorism cooperation with Russia that has been a pillar of our relationship since 9/11.

Through this initiative, we join together to prevent terrorists and dangerous regimes from threatening us with the world's most deadly weapons. Our cooperation will include the physical protection of nuclear materials, suppressing illicit trafficking of those materials, responding and mitigating the consequences of any acts of nuclear terrorism, and cooperating on the development of the technical means to combat nuclear terrorism, denying safe haven to terrorists, and strengthening our national legal frameworks to ensure the prosecution of such terrorists and their supporters.

The two presidents also announced new initiatives on the peaceful uses of nuclear energy and countering nuclear proliferation, expanding on initiatives that were already underway and which will include other nations.

There are areas where our two presidents don't see eye to eye, including on Russia's democratic development. President Bush has a regular dialogue with President Putin on the internal dynamics in Russia. Promoting civil society in Russia is key and will over the long run help transform Russia into a country where our values converge, which will make it easier and more productive for us to work together.

We know that nations that share values also share interests. A Russia that embraces pluralistic political institutions, personal liberty, and a transparent, empowering economic approach would be a Russia that shares European and American—and I believe universal—values.

Yet, to many Russians, democracy is a discredited concept because it unfortunately is associated with the chaos and weakness of the 1990s. The collapse of the state in the 1990s under Yeltsin and now the reemergence of the state under President Putin reflect the Kremlin's tendency toward a pendulum approach in the way it exercises control.

Because promoting democracy is central to the foreign policy of the Bush Administration, the President has raised it with President Putin in private meetings, which we believe is the most effective approach. Where necessary, we speak out publicly on this issue, but we do so as a friend who raises concerns in a way designed to steer development in Russia in a positive direction.

The President underscored our concern by meeting with a diverse, outspoken group of Russian civil society activists representing the democracy, human rights, environmental, and health communities in Russia. The President's meeting came after a meeting that was called "Other Russia" in Moscow that Assistant Secretaries Daniel Fried and Barry Lowenkron attended for the U.S. government.

A vibrant civil society also requires a vibrant entrepreneurial sector rooted in the rule of law, which can contribute to the modernization of the

Russian economy. And to support one of the underpinnings of democracy—a strong and independent middle class—the President announced our intention to create the “U.S.–Russia Foundation for Economic Advancement and the Rule of Law,” which stands as a successor to the successful U.S.–Russia Investment Fund, known as TUSRIF, which was established in 1995 to promote the growth of the Russian independent entrepreneurship and improve the climate for private investment.

But I won’t pretend that we achieved all that we could. Concluding a bilateral WTO accession agreement was a high priority for President Bush. U.S. Trade Representative Susan Schwab and her team negotiated around the clock last week in an attempt to close on such an agreement. They were not successful, but only because they insisted on an agreement that would be commercially viable and pass muster with Congress. We will continue to work toward the goal of completing bilateral negotiations with the Russians and hope to do so in the coming months.

Now that the G-8 leaders have departed St. Petersburg, Russia will focus its attention on upcoming elections for the Duma and for the new President in 2007 and 2008, respectively. Democracies, of course, consist of more than just good elections, but the run-up to these elections—including the state of independent media and equal access for all parties and candidates to the press, as well as a level playing field and the help of civil society during that period—all of this will be a telling gauge by which we can measure Russia’s democratic progress.

We will continue to encourage Russia to take the steps necessary to become a strong, democratic, and prosperous member of the international community, and we will press for healthy, constructive relations between Russia and Russia’s neighbors.

Working with Russia is not always easy, but it requires a long-term approach. Through increased engagement including expanded people-to-people exchanges, we can build a foundation for better understanding for the years ahead, which will pay dividends for our broader, long-term relations.

We hope that Russia will define its role in the world in a way that allows us the possibility of gen-

uine partnership, and not retreat into a world view defined by balance of power strategies and checking U.S. moves wherever possible. The U.S. is not Russia’s problem, and a democratic West and democratic neighbors are not a threat.

Our two countries and the entire world are safer as a result of our working together, and we would welcome even more the cooperation with Russia with whom our shared values would open the way to a complete and fruitful strategic partnership.

—David Kramer is Deputy Assistant Secretary for European and Eurasian Affairs, U.S. Department of State, and former Associate Director for the Russian/Eurasian Program at the Carnegie Endowment for International Peace.

Hezbollah Hijacked the G-8 Summit

Ariel Cohen, Ph.D.

The G-8 event overall went well. Russia handled the management and public communications aspects of the summit very professionally. It had high-level representation from the G-8 countries, as well as from India, Brazil, China, and Kazakhstan. It also had a “Youth G-8,” in which President Putin met with young Russians and foreigners to hear their concerns, and a “Civil G-8,” where representatives from Amnesty International, Oxfam, and other organizations engaged in a real dialogue with President Putin on public policy. This is the “Clintonization of Vladimir Putin.” He charmed the leaders of these NGOs into having tea with him in his dacha, held four press conferences in St. Petersburg, and the agenda that the Russia side formulated—energy security, education, infectious diseases—was front and center.

Unfortunately, for the second year in a row, the G-8 Summit was hijacked by terrorists. Last year, in Gleneagles, it was al-Qaeda; this year, it was Hezbollah. Realizing the sophistication of Hezbollah’s leadership and their tight coordination with the Iranian leadership—their founders, funders, trainers, and suppliers—I cannot exclude the possibility that they were well aware that killing and kidnapping Israeli soldiers would lead to retaliation and escalation, diverting attention from the G-8 agenda.

The G-8 rose to the occasion and published a joint statement on the Middle East which included the following:

The immediate crisis results from efforts by extremist forces to destabilize the region and to frustrate the aspirations of Palestinian, Israeli and Lebanese people for democracy and peace. In Gaza, elements of Hamas launched rocket attacks against Israeli territory and abducted an Israeli soldier. In Lebanon, Hezbollah, in violation of the “Blue Line,” attacked Israel from Lebanese territory, killed and captured Israeli soldiers, reversing the positive trends that began with the Syrian withdrawal in 2005 and undermined the democratically elected government of Prime Minister Fouad Seniora.

The G-8 leaders demanded:

The return of the Israeli soldiers in Gaza and Lebanon unharmed, the end of the shelling of Israeli territory, the end to Israeli military operations, and the early withdrawal of Israeli forces from Gaza after the soldier is released....

And they continued:

We extend to the government of Lebanon the full support in asserting sovereign authority over all its territory in fulfillment of UN SCR 1559.

United Nations Security Council Resolution 1559 is a resolution that demands the disarmament of Hezbollah and the deployment of Lebanese armed forces to all parts of the country, in particular the south, for the disarming of militias.

The flare-up in the Middle East derailed an agenda which had Iran front and center as a joint diplomatic effort of the State Department, the NSC (National Security Council), Russia, the E-3 (Great Britain, France, and Germany), the International Atomic Energy Agency, and the Security Council. The challenge for the U.S., Russia, the E-3, China, India, and the rest, is to make sure that the Middle Eastern crisis does not divert our attention from the real threat to the Middle East and the whole world today—the Iranian nuclear program.

During the escalation of hostilities, Saudi Arabia, Egypt, and Jordan came out, for the first time, squarely against Hezbollah and its Iranian sponsors. They recognize that a nuclear-armed Iran will threaten the very fabric of nation-states in the Middle East. Radical Islam, whether Sunni or Shi’a, does not recognize national borders. It seeks a Caliphate, a sectarian-based trans-border entity. We can see the effects of sectarian-based violence in Iraq today.

The Middle East is in a process that goes way beyond the Israel–Hezbollah confrontation. Radicalization by Sunni extremists, such as al-Qaeda, and Shi’a extremists, including those in the Iranian government, are polarizing the Middle East, threatening not just the state of Israel but the moderate regimes of Saudi Arabia, of the Gulf States, Jordan, and Egypt. The G-8 countries need to address this trend in the future, building coalitions with moderate Arab regimes and other nations, including Israel, India, and Turkey.

An unstable Middle East threatens our survival both economically, as the region produces more than 40 percent of the oil the world consumes, and geopolitically and geostrategically, with the potential for a nuclear arms race triggered by Iran. This is not a Middle East that is in our national interests, or the international interests of any of the G-8 countries, including Russia.

The summit ended with a sense of foreboding. For two years running, the G-8 Summit has been derailed by terrorist attacks. This indicates that the G-8 must turn its attention to fighting terrorism on a security level, an economic development level, and a level of ideas. It must engage the world, especially the Muslim world, in the realm of hearts and minds and public diplomacy.

The G-8 format today may not be sufficient, and may need to seek further engagement with India, China, Brazil, and perhaps South Africa or Nigeria. An expanded format for the G-8 may be the key to providing truly global solutions to truly global challenges. A solid and productive U.S.–Russian relationship is needed to underpin such an enlargement.

—Ariel Cohen, Ph.D., is Senior Research Fellow in Russian and Eurasian Studies and International Energy Security in the Douglas and Sarah Allison Center for

Foreign Policy Studies, a division of the Kathryn and Shelby Cullom Davis Institute for International Studies, at The Heritage Foundation.

“Vladimir the Lucky”

Andrew Kuchins, Ph.D.

The history of Russia and East Central Europe is replete with colorful figures with catchy titles like “Vladimir the Apostle,” “Sviatopolk the Accursed,” “Vlad the Impaler,” and “Ivan the Terrible.”

The current Vladimir in the Kremlin is neither terrible nor saintly, and we have no grounds to conclude that Vladimir Putin is accursed. On the contrary, he may be the luckiest guy in the world today, and I do hereby anoint him “Vladimir the Lucky.” Mr. Putin is lucky because he happened to become president of Russia when oil prices were rising and then skyrocketed, and this has been the main factor behind Russia’s macro-economic “miracle” and its resurgence as a great power.

Only eight years ago, in 1998, the ruble collapsed. Russia defaulted on much of its debt and was virtually bankrupt. With oil at less than \$15.00 a barrel, Russia received less than \$40 billion a year in revenue from oil and gas sales, the most important source of economic growth. By 2000, when Mr. Putin took office, the average crude price was about \$28.00 a barrel and Russia brought in about \$75 billion. This year the U.S. Energy Information Administration projects that crude will average \$61.00 a barrel, and Russia’s revenue from oil and gas sales may exceed \$200 billion. Furthermore, Russia has more than \$250 billion in reserves and a stabilization fund projected to reach close to \$100 billion by the end of the year.

Vladimir’s good fortune extends beyond his petro-luck. On the eve of the G-8 Summit, Russian’s enemy no. 1, Shamil Basayev, was blown up preparing for a terrorist attack that might have spoiled Vladimir’s party in St. Petersburg. It’s likely that Mr. Putin created some of this luck for himself when his colleagues in the secret police finally took out the elusive Mr. Basayev just in time to burnish his reputation as a partner in the war on terror. Accidents don’t really happen accidentally in that part of the world.

Nevertheless, Vlad’s luck continued when hostilities broke out in Lebanon, diverting attention from the question about Russia’s fitness to host the G-8. The Middle East crisis ensured that Putin would be less isolated from his other “summiteers” than if the Iranian nuclear program had dominated the agenda. On Iran, Vladimir finds himself at odds with the Americans and the Europeans, whereas on Lebanon, Mr. Putin’s position is closer to that of his European colleagues. Overall, the G-8 Summit went well for Vladimir Putin. I don’t think that he wanted it to ever end.

In the bilateral meetings between Presidents Bush and Putin, both men certainly wanted to smooth out some of the differences in the U.S.–Russian relationship, but tensions were nonetheless on display.

The positive results of these meetings included two nuclear agreements: one to negotiate for cooperation on civilian nuclear technology, and one to extend the Proliferation Security Initiative to establish a global initiative to combat nuclear terrorism. These are both areas where Russia has capabilities to bring to the table and where we can cooperate.

But there was failure on the WTO agreement, which both presidents definitely wanted and worked very hard to reach. This failure reflects several things. On the U.S. side, Russia will have to come up for PNTR (Permanent Normal Trade Relations) status and the Senate must approve whatever agreement is reached. It may have been calculated that with the current negative attitude toward Russia in Congress, it would be worse for Mr. Bush, Mr. Putin, and the U.S.–Russian relationship if the bilateral agreement on WTO were reached this past weekend and then got shot down in Congress. Failure to reach an agreement also may reflect President Bush’s lessened authority, even within his party.

On the Russian side, there may have been a miscalculation in negotiating strategy. The Russians may have expected that they would not have to make the kinds of concessions and agreements that they needed to on the core technical issues that were blocking the agreement, thinking that the U.S. really wanted this deal. They had advised the U.S. that the decision about the Shtokman gas field and the selection of partners for Shtokman were

being held up by the WTO agreement and another large commercial transaction, the Boeing deal.

Right now, Russia has a very cynical attitude toward democracy and toward our efforts to promote democracy around the world. We do believe that democratic governments are more capable and more effective and, as I wrote in a letter to Mr. Putin that was published in *Kommersant* last week, implementing the institutions of democracy will make Russia more sovereign, but that is not how the Russians see it for a variety of reasons, including the legacy of the 1990s and current oil prices. Petro-states don't typically undertake democracy campaigns when oil prices are very high.

And on the democracy question, Mr. Cheney's comments in Vilnius, combined with President Ilham Aliyev's visit from Azerbaijan to Washington the week before and Mr. Cheney's subsequent trips to Kazakhstan to meet with President Nursultan Nazarbayev, where the issues of democracy, civil society, and human rights were not on the public agenda, gives Russians the impression that democracy promotion is just a fig leaf for expansion of American hegemony and regime change in favor of pro-American forces.

We too easily believe that countries that share values and are democracies are going to agree with us on major foreign policy issues. Two of the most mature democracies and two of our oldest allies, France and Germany, did not agree with us about Iraq. I am very skeptical that if Russia were a mature democracy today that it would reach much of a different conclusion about Iran.

The G-8 summit emphasized that we are in a moment of transition in international relations from a unipolar world to a multipolar world and an erosion of the era of Western predominance. Mr. Putin and the Russians are thinking this right now. It was very telling that Mr. Putin met with the Chinese and the Indians, among others, after the formal G-8 meeting, and he expressed his most open support for their joining the G-8 in the future.

I predict that within five years, the G-8 will either expand or cease to exist as it looks more and more like an anachronism. In the 1970s, when the G-7 was formed, those seven economies commanded over 60 percent of the world's GDP. Today, including

Russia, the G-8 commands less than 45 percent of world GDP, and that percentage will probably fall in the coming years as large emerging market economies grow faster than the G-8 economies.

—Andrew Kuchins, Ph.D., is Senior Associate and Director of the Russian and Eurasian Program at the Carnegie Endowment for International Peace and former director of the Carnegie Endowment's Moscow Center.

Russia Is Back on the World Stage

Angela Stent, Ph.D.

I regard the G-8 as a success both for the United States and for Russia. Despite the crisis in the Middle East, it played out as expected. I would also agree that Russia achieved much of what it wanted to at the G-8. The stakes for Russia were quite high, and it showed that after 15 years of political turbulence and instability Russia is back on the world stage. It is a major player, a stable, influential country reaping the benefits of high energy prices. Its economy has enjoyed a 6.1 percent average GDP growth rate since 2001 and it has a booming consumer market in which Americans and Europeans want to invest. Moreover, President Putin enjoys a 79 percent approval rate that his other G-8 colleagues can only envy.

How should we characterize this newly self-confident Russia? Let me quote from Defense Minister Sergei Ivanov. In last Friday's *Izvestiia* he referred to Russia as an "energy superpower" and this is how he defined it: Russia is "a reliable and predictable partner who efficiently carries out the obligations assumed, especially in Europe." However, "energy superpower" is an elusive and imprecise concept. When Western commentators talk about Russia as an energy superpower, they imply that it uses energy supplies as a form of political leverage, that it seeks to achieve with oil and gas what it once sought to achieve with nuclear weapons, namely greater global influence. On the other hand we usually refer to energy as "soft" as opposed to "hard power," further confusing the metaphors. The real issue is where you draw the line between politics and business in Russia in a system characterized by a symbiotic nexus between political and economic elites and presence of the heads of the major energy companies in the Kremlin.

Last January's gas dispute between Ukraine and Russia illustrates the complexity of these issues. In addition to the political factors involved, there were also economic elements, particularly the price Ukrainians were paying. The other geographical fact of life is Russia's control of the transit routes in Eurasia. 80 percent of Russian gas that goes to Europe passes through Ukraine.

Despite its new self-confidence, Russia faces major challenges including a shrinking population. In 20 years time, where will the people come from to man the armed forces, to provide the labor for the economy? Moreover, one day energy prices will fall, as they inevitably do and if Russia hasn't diversified its economy and invested more in its oil and gas sector, it will not be able to fill the new Asian pipelines it plans to construct. Moreover, the failure to tackle problems of corruption will also have a corrosive effect on the economy and society.

What is the U.S.–Russian agenda beyond the G-8? We should continue our cooperation on counter-proliferation, counter-narcotics and counter-terrorism, the issues that have engaged us since 9/11. But we should be realistic about the limits of our common interests and of our influence. Public criticism of Russia's domestic system has not produced the results that we would have liked to have seen and therefore the conversation about democracy is best pursued out of the public eye.

During the next two years, succession issues will have a major impact on our relationship. In the United States, we may not know who will succeed President Bush, but we know the rules of the game for a presidential election. In Russia, however, the succession process is not predictable. The Kremlin is still defining the rules of the game and this means that Russia may become a more inward-looking and challenging partner.

The other major challenge in the next two years, one that cries out for more intense dialogue be-

tween Washington and Moscow is Russia's neighborhood. Russia views "colored" revolutions as a Western effort to interfere in its rightful sphere of influence and seeks to minimize our influence there as we have seen in Central Asia. We need to engage in a more direct discussion of what both sides view as their legitimate interests in Eurasia. We have to try to convince Moscow that it would be better off with stable, prosperous, independent states on its borders, even if they don't share the same domestic system as Russia, and even if at some point they aspire to membership in the European Union or even NATO.

Over the next two years, we need to stay involved with Russia on every level—with civil society, with trying to promote the middle class, bringing more students and young politicians and young leaders here. The amount of anti-Americanism among the young in Russia is growing exponentially, and we have to try and do whatever we can to counter that. We have to work with civil society there, to the extent that we're able to, given the NGO legislation—we have to take the long term view of this, we have to understand that this process of transformation in Russia is a matter of decades. We had an unrealistic timetable in the 1990s for how long it would take for Russia to democratize, so we have to be engaged for the long haul. If we do not take the long-term view, then we will face the prospect of the U.S. and Russian orbits moving further apart and I don't think that's in anyone's interest.

—*Angela Stent, Ph.D., is Professor and Director of the Center for Eurasian, Russian and East European Studies at Georgetown University and the former National Intelligence Officer for Russia and Eurasia.*

—*Co-editor Conway Irwin is a 2005 graduate of the School for Advanced International Studies of Johns Hopkins University in Washington, D.C.*