

COUNCIL *on* FOREIGN RELATIONS

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Session One: Russia' Economic and Political Outlook

Maria Lipman, Editor of the Carnegie Moscow Center's journal *Pro et Contra*, opened the discussion by addressing the risks currently posed by the economic crisis to cohesion among Russia's elites. Calling the regime an "oil-greased autocracy," she predicted the drop in energy prices will complicate the Kremlin's ability to buy loyalty through deals and contracts. The opacity of decision making, she said, "raises suspicion... [and] probably challenges the loyalty of the elites because they suffer." Timothy Colton, director of Harvard University's Davis Center for Russian and Eurasian Studies, agreed, adding that the instability of the top levels of government increased the potential for fractures among the elite. No one knows what political arrangements were agreed to between Putin and Medvedev in the winter of 2007/2008, Colton said. As Putin's future plans are open to question and there exists the unnatural arrangement of the duumvirate, with the dominant politician holds the junior position, "the possibility of cracks appearing is there, and they may even be starting to appear now." The frequent shuffling of prime ministers in 1998 and 1999 is not an option for Medvedev unless he truly wants to depose his patron. "But I can tell you, I think this is something we should be thinking about, because many Russians are starting to think that it's conceivable -- not tomorrow, but before the 2012 election." Lipman also said that the general risk-averse mind-set of the elite may change, making possible a different direction for Russia's development. Previously content to remain "unrepresented... [and to live] at the mercy of the government," they are, in her view, the likeliest source for change in the Russian political system.

Beyond the elite, the Kremlin's relations with society may be under great strain. Maria Lipman asserted that the "non-participation pact" between the government and society is in jeopardy. During Putin's rule, Russia's leaders have been able to use the promise of continued economic growth to secure non-interference from the public. Colton continued on this theme, dubbing the regime a "developmental autocracy." To benefit the people, he said, the regime uses economic development to justify its control for the next one or two decades until the system no longer requires a "hands-on" approach. As this is all premised on continued growth, a long recession may severely test public patience with the leadership. Lipman added that Russia's current middle class is different from that which underwent the 1998 financial crisis. It was smaller and younger, and thus able to recover quickly. As for today's middle class, "they too will be tuned to adjustment." For now, according to Lipman, polling shows the public strongly favors the current system over Western or past Soviet models – partially because Kremlin "spinmeisters" have muted any possible "reasonable, relevant political alternative."

This is in contrast to Ukraine, Lipman said, as that country is split between Russia and the West, necessitating political compromise.

The Kremlin may seek to alter its current model of development. Timothy Colton felt that “the idea that growth will resume in Russia is not an outrageous one,” but the form in which it can be sustained may differ from that during Putin’s tenure as president, which involved “extreme reliance on hydrocarbons... with enormous price volatility.” “And so my guess,” Colton predicted, “is that in order to get back to those higher growth rates... some features of the model are going to have to be modified and modernized and opened up.” They certainly will put the “wilder schemes” for military expenses “in a very deep freeze.” According to Lipman, the government may be unable to “scrap the current model [of economic development] and start a new one.” Both panelists agreed that Russia’s widespread admiration of Joseph Stalin as a state builder helps explain the public’s acquiescence to the heavy involvement of the government in the economy and control of political life. Timothy Colton described the past decade as partly a story of “the return of the state.” Lipman agreed: Stalin is depicted as the embodiment of Russian statehood from a time when Russia “held sway of over half the world.” Putin similarly embodies the state today.

The public’s attitude toward Russia’s mass media was also featured in the panel. Timothy Colton brought up polling data indicating that Russians are starting to trust the country’s state-controlled media less and less. Almost half of those polled expressed the sentiment that the true situation of Russia’s economy was not being accurately reported. Two-thirds of these thought journalists are forced to censor reporting on this theme. “The low-circulation Russian press,” Maria Lipman said, “would give an entirely different story of the crisis” when compared to state-run television, including analysis and “constructive critique.” Television, on the other hand, has obscured the impact of the crisis while portraying Russia’s leaders as the good caretakers of the public. This has helped maintain high approval ratings for both Putin and Medvedev. Lipman added, “pollsters have shown... Russian attitudes are a projection of the message of federal television.” Colton added that the management of news will be extremely important for the regime. The Russians will put up with hard times for a couple of years, he said, without “revolutionary consequences.” The widespread idea that the situation is getting out of control could, however, result in an Orange Revolution scenario – although this would not be the most likely situation. In the case of the Soviet Union, it lost its grip on power “partly because people had started to disbelieve the official media.”

Session Two: Russian Foreign Policy

The panel began with a discussion on the Ukraine-Russia gas dispute and its implications for Russian foreign policy. According to Fedor Lukyanov, editor-in-chief for the journal *Russia in Global Affairs*, the conflict in January differed from previous gas crises. President Yushchenko of Ukraine initiated this dispute, hoping to show that Ukraine is as “necessary for Gazprom and Russia” as Gazprom is for European energy. Although Ukraine expected that Russia would be blamed for the dispute, the reputation of both sides suffered in the West, though more seriously with Gazprom. Stephen Sestanovich, senior fellow at the Council on Foreign Relations, placed the Russian-Ukrainian conflict in two different contexts. First of all, “the Russians, for a couple of years, have been feeling that their position in the international pecking order has been going up,” but now the price of their main asset – energy supplies – has severely declined. The question remains how this affects their behavior. Second, he continued, the confrontation with Ukraine takes place in an environment where Moscow considers Kiev “guilty of all kinds of crimes against Russia because of their support for Georgia.” Despite the negative results of the conflict, Lukyanov said, one positive development was that Ukraine and Russia were moving toward a new formula for pricing gas deliveries to Ukraine that is based on the market and not politics.

Russia’s relations with its neighbors, Stephen Sestanovich noted, has become a central part of Russia’s relations with the United States and “even more strikingly with Europe.” Both presidencies in the past six months – under France and now the Czech Republic – have had high profile dealings with Russia, first with the war in Georgia and then January’s gas crisis. Even with NATO, “the effort to define a big and productive cooperative relationship has generally given way to friction over... the lands between.” Both panelists agreed that tensions between Georgia and Ukraine with Russia could reignite again. According to Fedor Lukyanov, president of Georgia Mikhail Saakashvili and president of Ukraine Viktor Yushchenko tried, and failed, to “project their power on fields where Russia felt it was unacceptable.” New leadership in Georgia and Ukraine, Lukyanov asserted, would lessen friction with Russia – especially the departure of Saakashvili. Russia also prefers the pragmatic Prime Minister Yulia Timoshenko to Yushchenko. Both panelists addressed the added dimension created by the global financial crisis to Russia’s relations with its neighbors. Although Russia may scale back involvement in places like Venezuela, Lukyanov said, Europe and Eurasia will remain a priority for Moscow. Yet dwindling resources may cause tension, according to Sestanovich. For example, Russia may have trouble undertaking the expensive relocation of its Black Sea Fleet. Lukyanov added that other states may be looking for Russian help in their declining economies, although Kiev fears bankrupted enterprises will be bought cheaply by Russian businesses.

The panel discussed Russia’s broader foreign policy and the constraints arising from its economic situation. “There’s no doubt that Russian economic decline in economic standing is going to produce a decline in political status,” said Stephen Sestanovich. He believes Russia will likely adopt more protectionist measures and demure from international cooperation, as many states will have “a much more sharp-elbowed set of economic policies.” In this environment, Russia may not appear to be such a troublemaker. If Russia continues to decline economically, Lukyanov said, “we can learn from the experience of the George Bush administration [that] if you don’t pay attention to Russia at all, as they did a significant part of their terms, it will end badly.” One opportunity, Sestanovich mentioned, was that some of Russia’s budget planners may seek deep cuts in nuclear and conventional forces, paving the way for arms control agreements. Russia’s investment policy may be changed in favor of foreign companies. “A liberal technocrat policy... [would not] bail everybody out just to avoid having foreigners get a larger share of major Russian companies,” said Sestanovich, adding that so far, aversion to foreign control of Russian businesses has been successfully used to secure bailouts.

Moderator Celeste Wallander of American University prompted both speakers to address President Medvedev’s call for a new Eurasian security architecture, as well as Russia’s complaints about OSCE and NATO. Fedor Lukyanov stated that the creation of a security system that all sides trusted will be the main

question for many years. In the past, plans for security and economic integration have been separated; given the dearth in trust, both security and economic interactions are often driven by political motivations. Instead, these two halves must be joined in one system that will re-legitimize the principles of the Helsinki accord. Stephen Sestanovich agreed that Medvedev's ideas held potential, but the current Russian proposal for a new European security conference seem to box in NATO as an institution – “a real non-starter.” Ignoring other principles embodied in the Cold War settlement, such as democratic reform and transparency, add to the obstacles that could “short circuit” negotiations, despite “an intriguing potential.” Regarding the OSCE and election monitoring, Sestanovich said people ought to think about OSCE reports in the coming election cycle in 2011 and 2012, and the possibility of division among the elites and greater media access for groups seeking to criticize the government. If Medvedev keeps to his promises for greater openness, others may be able to exploit such information in a new environment. Lukyanov added that the OSCE monitoring system was in “conceptual decline,” as it was not planned for the “geopolitical competition of a post-Soviet era.” This is why Russia tends to suspect monitors of political biases in addition to question the OSCE's right to assess its internal political development.

Addressing a question on Iran's nuclear development program, Fedor Lukyanov asserted that the prevailing Russian view is that Tehran is seeking to become a regional superpower. Once it achieves nuclear status, it “will be ready to engage in deals and negotiations,” setting the Russian view very much apart from that of Israel or the United States. The idea that Russia holds great leverage over Iran, however, is an illusion – the United States is the main driver of the situation, and if the Obama administration offers a new approach on relations with Iran, the Russian position will adapt to this. The Russians, added Stephen Sestanovich, prefer a non-nuclear Iran, but the question remains how far they are willing to go in order to achieve that preference. They want to reach a resolution while preserving good relations with Tehran and certainly do not want to become Iran's enemy in an unsuccessful attempt to end its nuclear weapon program.

Relations with China and the United States also featured in the Q and A. Stephen Sestanovich stressed “big institutional interests in Russia... that see China as an important market,” particularly those involved in energy, nuclear power, and arms exports. With sales in China declining, pressure could mount in Moscow to sell Beijing more sophisticated weapons that have previously been off the menu. Fedor Lukyanov thought the Kremlin was hesitant to increase Chinese military power, and though the current “political relationship is absolutely excellent,” in a decade or so Moscow will “face a very serious dilemma – how to keep political parity with China.” The need to balance against China may lead the Russian leadership to cooperate with the United States, he predicted. Sestanovich pointed out two things worth watching in the coming months in Russian-American relations – arms control, especially ballistic missile systems in Central Europe, and relations with NATO. If they want to defuse the confrontation on missile defense, he said, the Russians have to find a way to reposition themselves for a better relationship with the alliance. Some statements, on the other hand, indicate they expect “the United States and NATO to back down totally.”

Session Three: U.S.-Russian Relations

In the last session, the panelists addressed the challenges facing both administrations in Washington and Moscow. Moderator Carla Robbins, deputy editorial page editor of the *New York Times*, pressed the speakers on whether a fundamentally different approach from the Obama administration could change Russia's behavior. Igor Yurgens of the Institute for Contemporary Development in Moscow spoke of a very enthusiastic reception from the majority of politically aware Russians. In addition, he says the Kremlin does not see the new administration as weak – and Russia's leaders have not ignored Obama's recent gestures on Iraq and Guantanamo, seeing such moves positively. The panelists also addressed how both administrations should move forward in their bilateral relations. Yurgens described a group around President Medvedev that recommends taking the lead on initiatives like missile defense and Iran; these bargaining chips could lead to a new and positive agenda. Richard Burt of McLarty Associates divided U.S. foreign policy options into three "buckets": internal issues like human rights and democracy; issues related to Russia's neighbors in the "near abroad;" and issues of global importance such as arms control, energy cooperation, and counterterrorism. He emphasized this last "bucket," especially the need for work on strategic arms reductions this year. Stephen Biegun, Vice President of International Government Affairs for the Ford Motor Company, suggested "deliverables" like getting Russia into the WTO. Both sides must broaden their relations by building "from the bottom up," in addition to a personal relationship at the top level.

There was greater disagreement on whether the Obama administration should emphasize Russia's internal political developments in its Russia policy. Stephen Biegun felt that the new administration had to find a way to engage Russia on democracy and human rights issues without hectoring. Russia's domestic environment, he argued, provides the context in which policies are generated. "And to the extent that those policies are anti-American," he added, "we should have a deep concern that there's not a full societal debate happening." Yurgens stressed that each side needs to figure out what they can and cannot do together in spite of Russia's relative incompatibility with Western values. He was not as sanguine on Russia's potential for democratic reform, saying that Russia historically lags behind the West in this area. "The only problem is that if Obama is put in Kremlin tomorrow," Yurgens said, "he will end up probably by Putin in eight years' time." Burt agreed that the emergence of a fully democratic Russia was improbable, despite President Medvedev's promising rhetoric. "I think the key point is that," Burt asserted, "it was unrealistic to ever believe... that [full democratization] was going to happen in five years, 10 years or 20 years after the collapse of the Soviet Union." The United States lacks influence in this sphere, while "lectures" from Washington increasingly annoy Moscow.

All the panelists agreed that there was a significant difference in the way each side perceives the other. Both Russians and Americans view the 1990s differently, according to Richard Burt. While the United States had excessively high expectations for political change in Russia, the Russians hoped to be more fully embraced by the West. Now, many Russians see the 1990s as a period of weakness, in contrast to the successes of President Putin's tenure. Stephen Biegun highlighted a contradiction between how some groups in Washington blame George Bush for "having acquiesced too much too Russia," while many Russians portray the last eight years as being "nearly intolerable for Russia." In that period, said Biegun, "to an extent that's unhealthy," Russia played a secondary role in the policy considerations of the United States, while the United States occupied far too overriding a role in Moscow's. Looking forward, Yurgens predicted Russians' negative attitudes toward the United States would improve in six months, although this "really depends on the American position."

Addressing a question on the possibility of Russian accession to NATO, the panelists agreed that this would be a mistake for the alliance. Yurgens did affirm that this may have been a long-term possibility early in Putin's tenure, but no longer. Both Burt and Biegun concluded that the inclusion of Russia would fundamentally change the alliance; Burt stated that NATO should first review its core mission, while Biegun asserted that "we have thrust too much into NATO for resolving not just our very specific defensive military needs, but the

broader political-military considerations of Europe.” Instead, issues of shared importance should be addressed by other institutions outside NATO. The topic of NATO naturally included a conversation on accession for Ukraine and Georgia. Pushing for their inclusion, according to Richard Burt, is counterproductive. The United States should be careful to avoid an intra-alliance quarrel over Ukraine and Georgia. “The criteria [are], is it good for the new member, is it good for the alliance, and is it good for regional security?” NATO should, however, work closely with these states and with the EU.