

by 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 crack down 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 natural 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. 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.

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 cartel-ization 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.

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. 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.

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