SECTION I

A Critical Juncture

New Presidents, New Start

For the first four decades after World War II, the Soviet Union was the principal enemy of the United States. The combination of Soviet military power and communist ideology presented a serious threat to the security of the United States and its allies around the world—a threat to which the United States rightly responded with a policy of containment. With perestroika, glasnost, and then the breakup of the Soviet Union, all that changed. The power, ideology, intentions, and interests of a newly independent Russia were dramatically different from those of the Soviet Union. The hope arose in the United States in the early 1990s that Russia could move quickly from foe to friend. Building on the foundations established by the Bush administration, the Clinton administration engaged Russian President Boris Yeltsin on many fronts. President Clinton and his aides spoke grandly about Russia becoming a strategic partner of the United States.

Throughout the 1990s, U.S.-Russian relations were fundamentally different, and better, than before. Yet the path was rocky and seemed to get rockier as the decade ended. Russia's efforts to move rapidly toward a market economy and a democratic political system ran into frequent obstacles, highlighted late in the decade by the Russian financial crisis of 1998, the decline of Yeltsin's governance, and his resignation leading to the arrival to power of President Vladimir Putin, a former KGB colonel of uncertain democratic character. Though the United States and Russia developed important cooperation on some issues in nuclear security, the two nations were unable to make significant progress on reducing their nuclear arsenals beyond the second Strategic Arms Reduction Treaty (START II) or on moving past a strategic relationship rooted in mutual nuclear deterrence. Other U.S. interests and actions—such as the expansion of NATO and intervention in Kosovo—intruded with regularity onto the agenda of U.S.-Russian relations, reminding the Russians that they no longer had a guaranteed top place in the overall U.S. policy framework.

By the end of the decade a sense of discouragement and doubt had set in on both sides. Talk of a strategic partnership was long past; the theme of debates in the United States was often instead the catchy but misleading question, "Who

lost Russia?" In Russia, politicians and commentators played up the idea of a new Russian drive to resist American hegemony. The American presidential campaign shed heat but little light on the subject. U.S.-Russian relations fell into the maw of partisan, campaign-driven debates; exaggerated attacks on the Clinton administration's policies were met with overstated defenses.

With the U.S. presidential election now past, a new juncture is at hand. In the months ahead a new U.S. president and a Russian president in office for less than a year will seek to develop a relationship. One cannot talk of a "clean slate" in U.S.-Russian relations. The slate is deeply etched with the legacy of events, mindsets, and misunderstandings from recent years and earlier times as well. Nonetheless, the new juncture is real and the incoming U.S. administration will face important choices about the structure and substance of U.S.-Russian relations.

In making these framework choices, the new administration must avoid two mistakes. First, it must not shift to a conception of Russia, and U.S.-Russian relations, as a mere bundle of security problems. Resorting to "black-box" thinking about other countries—a near-exclusive focus on their external behavior—is perhaps an understandable reaction to the complexities and frequent disappointments of the post–Cold War era. Yet it is an incorrect, unrewarding approach, above all with Russia. The United States has manifold security issues and interests at stake with Russia, but these must be addressed as part of a policy based on a broader vision of Russia's domestic transformation and integration with the West.

Second, the new administration must not simply continue the policy of recent years, either out of an unwillingness to reflect critically on the recent past or a reluctance to devote the time and energy to find better policies. Many of the specific elements of U.S. policy toward Russia, from efforts to promote market economics to attempts to reduce nuclear weapons, have been based on ideas and assumptions that do not necessarily hold up in this new context. Updating these ideas and assumptions is critical to finding the right way forward.

The Russian Context and Perspective

Throughout the 1990s, Western observers projected manifold hopes, fears, expectations, and judgments on Russia, often obscuring the real Russia from view. This tendency first took shape with the early, enthusiastic American view of Russia as a fertile ground for rapid Westernization, in effect a chance for America to remake Russia in its own image. As contrary, often murky Russian realities reasserted themselves, the Western commentary on Russia diversified but still

reflected a tendency to talk about Russia in terms of what Westerners think it should be rather than what it is. We do not attempt here a comprehensive assessment of post–Cold War Russia's first ten years, but we outline briefly where Russia is today and where President Putin appears to be trying to take his country.

Although intensive speculation continues inside and outside Russia as to Putin's intentions and capabilities, a complex dualism is already evident in his rule: on the political side he is centralizing power and even reversing democratic reforms, while on the economic side he is reenergizing reforms. On the political front, Putin has not ruptured the basic democratic constitutional framework that governs Russian political life nor engaged in wholesale abridgments of rights and liberties. Yet his dubious attachment to democratic norms is now evident, and he has set about weakening all major sources of power independent of the executive branch. This rollback is evident in his taking back of power from the regional governors, his attacks on independent media, and his challenges to Russia's business oligarchs.

Putin is not only following his own instincts in this political quest, he is responding to the strongly felt desire of many Russians for a greater degree of order and coherence in Russian public life. If Russia was a wobbly democracy under President Yeltsin, it is now in the gray zone between democracy and authoritarianism. The timing and likely direction of its exit from this gray zone will become evident only once Putin makes clear what political lines he will draw and what lines he will cross in his effort to build a strong state and a state of law. And of course, the uncertain actual capacity of President Putin and the state apparatus he commands to effect the changes he seeks is also a factor.

On the economic front Putin has surprised many observers. He has assembled the most pro-reform team in the government since the early 1990s. This team already has some accomplishments, including a major tax reform package and a balanced budget. By early 2000 the economy was starting to recover from the 1998 financial crisis, with the devaluation of the ruble and higher oil prices greatly ameliorating Russia's fiscal situation. The new set of reform measures may give further strength to this recovery. Economic growth for 2000 is projected at 7 percent.

Even with these encouraging developments, Russia's economic weakness is still manifest. Although difficult to measure accurately, the Russian economy, according to World Bank figures, is approximately the size of Switzerland's when

Russian Realities

Life expectancy (1999)	*59.8 years (m)* *72.0 years (f)*
Percentage of non-ethnic Russians in population	*18.5%*
Literacy	*99.5%*
Unemployment rate	*12.4%*
Percentage of economy in private hands	*70%*
Russian proportion of world oil production	*8-9%*
U.S. aid to Russia (2000)	*$178 million*
Military spending (1999)	*$6 billion (approximate)*

Population growth rate	*-0.3%*
Number of NGOs (registered with the Justice Ministry)	*237,935*
Personal computers per 1,000 people	*41*
Percentage of population below poverty line	*40%*
External debt as proportion of GDP (1999)	*87.1%*
Number of international tourists (1998)	*15,805,000*
International aid to Russia, per capita (1998)	*$7*
Military spending as proportion of central government expenditure (1997)	*30.9%*

Attitudes to "political system before perestroika"

Positive	*71%*
Neutral	*7%*
Negative	*22%*

Attitudes to "present system of government"

Positive	*38%*
Neutral	*14%*
Negative	*48%*

Responses to proposition that "Our country ought to be democratic"

Completely agree	*45%*
Agree more than disagree	*22%*
Yes and no	*13%*
Disagree more than agree	*6%*
Completely disagree	*4%*
Had difficulty responding	*10%*

measured in dollar terms, and the entire Russian national budget this year is less than 2 percent of the American budget. Critical areas of the economy, particularly the oil and gas sector and the banking system, remain highly resistant to reform and freighted with corruption. Moreover, years of sustained economic growth will be required before many Russians recover even the low standard of living they had ten years ago. And the ability of the Russian state to manage basic functions in health, education, and social welfare remains terribly frayed.

In the domain of foreign and security policy, Putin has projected a level of interest and energy unseen for much of the Yeltsin period. The early months of Putin's presidency saw a whirlwind of diplomatic initiatives. His controversial but intriguing visit to North Korea as well as his successful trips to Great Britain, France, Germany, Japan, China, and Spain signal that this president wants to reassert Russia as a major international player. He pushed through the Russian parliament's ratification of the Comprehensive Test Ban Treaty and of START II, a treaty that had languished in the Duma for years. His counterproposals on missile defenses won praise in Europe and China.

But the core challenges for Putin, and for Russia, in this domain are daunting. Above all, Russia's military is a deeply troubled institution. The recent debates in Russian defense circles over the relative priority of nuclear and conventional forces obscure the fact that Russia can afford neither the nuclear nor the conventional forces it has and that both are in an alarming state of decay. Chechnya remains a bleeding sore on the Russian national territory, one that shows little sign it can heal in the near future and has the potential to get worse. New security challenges are emerging close to Russia's southeastern border in Central Asia, where Islamic fundamentalist groups are openly challenging the existing order.

Despite these problems, Russia still has unique military assets and geostrategic positions of consequence. Although the weakness of Russian maintenance of and control over its nuclear forces is a much greater threat to the United States than the possible use of those forces, Russia remains the only potentially hostile country in the world capable of launching a massive nuclear attack against the United States. This will remain true even as Russia's nuclear arsenal declines in the years ahead. Russia is also a regional hegemon. Because many of the states surrounding it are small, unstable, and weak, Russia will be the dominant military and economic power in the region for years to come. Compared to American

forces, Russia's military looks weak. Compared to Georgian or even Ukrainian military capabilities, however, Russian military might is still impressive. The same regional asymmetries hold for economic matters. Compared to Western corporations, Russian companies look small and uncompetitive. Compared to Uzbek telecommunications outfits, Ukrainian electricity companies, or even Baltic banks, Russia's economic actors still look powerful, and sometimes even imperial.

Not only does Russia embody an extraordinarily complex, often contradictory set of positive and negative characteristics, but Russians' perceptions of their country and their relationship with the United States are often at odds with Americans' understanding. Whereas American observers automatically assume democracy and market economics to be good things, these terms ring false to many Russians. Uncritical talk of "reforms," "democracy," "markets," and "capitalism" in Russia provokes disgust among many Russians, based on the punishing realities around them—powerful elites who seem to run the country only for their own benefit, rising inequality throughout the society, increased crime, social instability, and economic hardship for many ordinary people.

Similarly, the assumption of many Americans that U.S. intentions and actions vis-à-vis Russia are benign or even positive is alien to many Russians. NATO's simultaneous expansion of membership (into Central Europe) and extension of mission (into Kosovo) fueled suspicion among Russian policy makers about American intentions. Most of Russia's foreign policy elite still view international politics through a narrow lens of zero-sum *realpolitik;* NATO's gains are perceived as Russian losses. American and other Western criticisms of Russian actions in Chechnya anger and bewilder many Russians. The mutual gains of cooperation that American policy makers frequently trumpet are often not apparent to the Russian eye. Some Russians even question the motives behind U.S. aid to Russia, believing that its real aim is to weaken their country.

Despite these clashing perceptions, underlying Russian interests broadly point toward the need for and value of a cooperative, productive relationship with the United States. Given the inevitable continued decline of Russia's nuclear and conventional military forces, the Putin government would obviously prefer that the Russian reductions occur in the context of friendly relations with the United States and a U.S. willingness to carry out nuclear arms reductions as well. Although it is tempting for some policy makers on both sides to view U.S.-Russian relations in Central Asia and the Caucasus as a reflexive competition for power and influence, Russia's growing concerns in both regions would benefit from the exploration of cooperation rather than the pursuit of rivalry. Russia has long since

stopped expecting the United States or the West to solve its economic woes, but the Putin government recognizes the need for increased trade with and investment from the West.

The Agenda for Renewal

The challenge for the new U.S. administration is to take advantage of the current juncture to renew U.S.-Russian relations in a manner that is both realistic and forward-looking. This renewal has to be built on three assumptions that derive from the sobering experience of U.S.-Russian relations of recent years. First, at present Russia is neither an enemy nor an ally of the United States. As much as Americans may prefer to divide up the world into black and white categories, Russia cannot be so pigeonholed. Real cooperation is possible between the United States and Russia, but the relationship must not be driven by exaggerated expectations of either a positive or negative variety. Second, Russia remains a powerful country in certain ways, but it is Russia's weaknesses—in the capacity of its state, the coherence of its internal policies, and the control of its nuclear forces—that pose the greatest dangers to the United States. And third, the basis for productive U.S.-Russian relations going forward is the confluence of American and Russian interests, not a confluence of American and Russian perceptions or attitudes.

With respect to the extensive security issues at the heart of the U.S.-Russian relationship, the central element of renewal is the need, once and for all, to recognize that the Cold War is really over and to act accordingly. As set out in the next section of this report, this recognition entails a new approach to nuclear security, a broader vision of NATO, and a recalibration of U.S. policy in Central Asia and the Caucasus.

Concerning Russia's domestic transformation, it is now clear that democracy and a well-functioning market economy are feasible goals for Russia, but the path there will be long and bumpy. Here, renewal of the U.S. policy requires affirming that the United States can and will play a positive role in that transition, but that role will have to be crafted to fit current realities. Above all this means an emphasis on engaging more broadly with Russian society beyond the Russian government and seeking areas of cooperation where American values match with Russian desires and interests.

These two parts of U.S. policy toward Russia—the security agenda and helping advance Russia's domestic transformation—require different types of attention and action. They are often addressed by different parts of the U.S. policy bureaucracy, using different resources and tools. Yet properly conceived, U.S. policy toward Russia requires an integration of vision and purpose between these two parts. The security issues are of undeniable urgency and consequence. And the ability of the United States to affect Russia's economic and political life is modest compared to the U.S. interests at stake. Yet in the years ahead, America's many security concerns with respect to Russia will find real resolution only to the extent Russia achieves a healthy, well-functioning economy and stable, deep-rooted democracy. An economically failing or politically decaying Russia would present the United States with genuinely threatening security challenges.

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As an additional element of a policy of renewal, the new U.S. administration should affirm a long-term commitment to integrating Russia into all Western political, economic, and even military institutions. Russian entry into the World Trade Organization (WTO) should be a near-term agenda item, while the long-term prospect of Russian membership in NATO and the more near-term goal of greater Russian involvement in the Partnership for Peace should be part of U.S.-Russian security discussions. If President Putin can talk openly about the possibility of Russian membership in NATO, as he did during his visit to Great Britain in the spring of 2000, then the new American president should be able to entertain the idea as well.

Pursuing a vision of Russian integration into the Western community does not mean excusing Russian missteps or lowering standards. Throughout the last decade, Russian leaders occasionally appeared to believe that they played by special rules and enjoyed unique privileges in dealing with Western institutions. And at times, that was true. The International Monetary Fund (IMF) relaxed its conditions for extending loans to Russia. American leaders broadened their definitions of democracy to make room for Russian transgressions. And Western lead-

ers collaborated to assign Russia a great power status that "the facts on the ground" did not support. To join Western institutions or enjoy the privileges of membership, Russia must meet the same standards as other states. Failure to hold Russia to such standards undermines American credibility and weakens the norms that allow these institutions to work effectively.

Renewing a positive agenda of U.S.-Russian relations in the new political and diplomatic juncture at hand will require significant American leadership, engagement, and initiative. And this must occur at a time when issues of great importance from many regions also call for attention, including the need to keep pushing for peace in the Middle East, to foster greater economic and political reforms in China, and to find solutions to the wars and humanitarian crises in Africa. Yet with Russia the stakes are high, not just because of the manifold issues of nuclear security but because Russia is the linchpin of an entire region that connects Europe to Asia.

A policy of renewal will also require not only a sustained vision of the long-term goal but a clear sense of the priorities along the way. The agenda of U.S.-Russian relations is so multifaceted that the different parts of it will always be moving at varying speeds and often in inconsistent directions. The core security agenda is obviously crucial. Yet U.S. policy makers must devise a way to give attention to that agenda without sacrificing resources and commitment to the longer-term U.S. commitment to facilitate Russia's domestic transition. Additionally, when irritations arise on security issues outside the core agenda, whether on Caspian oil, military sales to Iran, or Russia's political machinations on its borders, the United States must respond appropriately but not lose a sense of the overall nature and value of the relationship.

One additional change of approach needed in the U.S. policy community is a rediscovery of bipartisanship on policy toward Russia. Despite the inevitably divisive presidential campaign of the past year and the atmosphere of harsh partisanship that marked most of the second half of the 1990s in Washington, most of the major areas of U.S. foreign policy—notably toward China, the Middle East, and Latin America—were approached in bipartisan fashion. Yet Russia policy was constantly the subject of unhelpful and unnecessary partisan charges and countercharges. Ending Cold War attitudes between Russia and the United States once and for all has proved harder and slower than expected; unfortunately, it seems to grow out of the difficulty of ending still persistent Cold War reflexes regarding Russia among Democrats and Republicans at home.