

Schlesinger Working Group on Strategic Surprise
Spring 2009 Series
Scope Paper
“Russia Resurgent? Challenges and Consequences
of Shifting Geopolitical Dynamics in Eurasia”
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Introduction:

This spring the Schlesinger Working Group on Strategic Surprise will examine possible scenarios that may arise as a result of shifting political and economic conditions in Russia. During the first meeting on February 23, 2009, participants will focus on the political and economic conditions within Russia and explore how these factors could affect Moscow’s relationships with its neighbors in the ‘near abroad’ and beyond. The session will examine the interplay of internal and external factors driving Russian policy and seek to identify potential surprise scenarios of significance for Russia’s relations with western nations. The second session, on April 27, will focus on a selection of these scenarios and discuss their implications for U.S.-Russian relations and American policy.

Russia Resurgent:

Today Russia is a more potent geopolitical actor than it was in the immediate post-Cold War years with a stronger central authority enjoying considerable domestic consensus, far clearer doctrines and policies and a more robust resource base with which to project diplomatic and military influence. Though far from a superpower, Russia is a regional power endowed with a heady mixture of nostalgia for past greatness and ambition to actively to shape its strategic environment. Angered by the West’s encroachment on its perceived near abroad, Moscow’s foreign policy objective is now the recovery of at least some of the geostrategic assets it lost with the breakup of the Soviet Union. Cleverly operating around Article V of NATO, Russia has used every tool in its box to regain influence and leverage in its near-abroad. The brief Russian military campaign in Georgia this past August and the more recent natural gas standoff with Ukraine, which was in part aimed at punishing and destabilizing Ukraine for seeking membership in NATO, are two examples of Moscow reasserting its regional position. In the aftermath of the war with Georgia, President Medvedev outlined Russian foreign policy, suggesting that the ground rules of international diplomacy should be shifted to recognize Russia’s “privileged interests” in countries where NATO’s interference is not welcome. Mr. Medvedev set forth five basic principles of Russian foreign policy:¹

1. First, Russia recognizes the primacy of the fundamental principles of international law, which define the relations between civilized peoples. We will build our relations with other countries within the framework of these principles and this concept of international law.
2. Second, the world should be multi-polar. A single-pole world is unacceptable. Domination is something we cannot allow. We cannot accept a world order in which one country makes all the decisions, even as serious and influential a country as the United States of America. Such a world is unstable and threatened by conflict.

¹ Known as the “Medvedev Doctrine,” these five points were first articulated in a speech by Russian President Dimitri Medvedev on August 31, 2008 in Sochi.

3. Third, Russia does not want confrontation with any other country. Russia has no intention of isolating itself. We will develop friendly relations with Europe, the United States, and other countries, as much as is possible.
4. Fourth, protecting the lives and dignity of our citizens, wherever they may be, is an unquestionable priority for our country. Our foreign policy decisions will be based on this need. We will also protect the interests of our business community abroad. It should be clear to all that we will respond to any aggressive acts committed against us.
5. Finally, fifth, as is the case of other countries, there are regions in which Russia has privileged interests. These regions are home to countries with which we share special historical relations and are bound together as friends and good neighbors. We will pay particular attention to our work in these regions and build friendly ties with these countries, our close neighbors.

In a bid to display global reach, Russia has focused on developing close ties with Latin American countries such as Venezuela, Cuba, and Nicaragua. In classic quid pro pro style, President Medvedev implicitly presented this policy as a response to Washington's support for Russian neighbors such as Georgia and the Ukraine.

Given these developments it is clear that Russia is engaged in a general quest to redefine the regional and global system. Many experts agree that the Russian state (armed with a treasure chest of oil wealth, albeit a declining one) is convinced that the high-water mark of U.S. influence in Eurasia is over, and Moscow is eager to actively and systematically consolidate that reality. According to Dimitri Trenin, "The Russians see the U.S. as having passed its prime in global dominance, and discount the relevance of the U.S.'s overextended military might in this age of asymmetrical warfare and continued nuclear deterrence."²

Russia's Economic Situation:

The Russian government's power and legitimacy is buttressed by economic growth and stability. Putin, and now Medvedev, built and enjoyed genuine popular support because the combination of high energy prices and prudent fiscal policy assured remarkable growth in living standards. Even under a regime dominated by former K.G.B. officials, Russia is now freer than at any time in its history, other than the mid-1990s. But, a number of ingredients are combining that threaten the continuation of this trend.

First, Russia's actions in the Caucasus region contributed to a sharp decline in its stock market. According to reports, the RTS index is down 70% from its peak in May (wiping out \$700bn in value). After the war foreign investors withdrew about \$74bn of capital, \$16bn alone in the week of the invasion. The Russo-Georgian crisis exposed vulnerabilities in the Russian financial system and caused a squeeze on the availability and cost of credit.

Second, further compounding the situation, the global financial crisis has led to sharply falling energy and commodity prices. According to Leon Aron, "Russia faces a particularly nasty version of the global recession (at a minimum), and perhaps an

² Dimitri Trenin, "Thinking Strategically About Russia," Policy Brief, Carnegie Endowment for International Peace, December 2008

economic "perfect storm."³ The ruble is steadily depreciating, reaching an all-time low against the euro despite the Russian central bank spending \$161 billion on its defense since mid-September. Continued depreciations may result in a panic driven flight from the ruble. Moreover, the price of a barrel of oil has slid below \$40 and shares of Gazprom fell 76 percent in 2008. Minimal growth, or even economic contraction are possibilities, and both could result in a growing level of popular discontent. Thus, beneath the façade of normalcy, social and political tensions may begin to brew in Russia.

The economic situation has led to confusion among Russian policymakers. According to Clifford Kupchan, "The Russian elite mind-set right now is a residue of petro-confidence slamming into the financial crisis."⁴ Domestically, there is little expectation that crisis will lead to liberal reforms. As Dimitri Simes argues, "In Russia, hard times normally produce hard lines, and while Medvedev has a number of advisers with liberal reputations on key policy issues, whether of conviction or convenience, he sounds very much like Putin, projecting an image of toughness and determination."⁵ That said, there is a growing understanding among Russia's elite that, like it or not, a conflict, or even the perception of a conflict, with the United States would be detrimental to investor confidence in Russia.

As far as Russian foreign policy is concerned, the economic downturn has largely put an end to the triumphant mood after the August victory against Georgia. The war once again highlighted the European dilemma over energy security, though Europe's leaders remain divided on relations with Russia: France, Germany and Italy are keen to bring relations back to normal, while others such as the U.K., Lithuania and Poland are opposed to sending a positive signal to Moscow so soon after the invasion of Georgia.

U.S. – Russia Relations:

The bilateral relationship is unstable and replete with misperceptions between Moscow and Washington. According to Dimitri Trenin, "Relations between America and Russia are indeed very bad – and potentially dangerous."⁶ With a GDP a dozen times smaller, a comparatively miniscule defense budget and no natural allies, Russia is seen by many in the West as a one-dimensional petro-power whose resurgence is based on global energy prices and the inheritance of the Soviet nuclear weapons arsenal. On the other hand, Russia is convinced that the age of U.S. global hegemony has passed and that America can no longer use its might to harass others into compliance. When both Russian and U.S. hardliners see each other in this light, there is a potential risk of creating a negative cycle of responses and reactions. This dynamic is troubling given the bilateral history and the nuclear dimension of the U.S.-Russian bilateral relationship. Another factor that creates risk in the bilateral relationship is what Trenin describes as a general "absence of rules for the relationship." Successive U.S. administrations forfeited previous openings to develop positive relations and build a mutually beneficial

³ Leon Aron, "Russia's Woes Spell Trouble for the U.S.," *The Wall Street Journal*, December 31, 2008

⁴ David Jolly and Andrew Kramer, "Ukraine says Russia Shuts Down All Gas Supplies to Europe," *The New York Times*, January 8, 2009

⁵ Dimitri Simes, "Uncertainty in Moscow," *The National Interest Subjective Evaluation Blog*, December 22, 2008, available at: <http://www.nationalinterest.org/BlogSE.aspx?id=20466>

⁶ Dimitri Trenin, "Thinking Strategically About Russia," Policy Brief, Carnegie Endowment for International Peace, December 2008

partnership with Russia that was sensitive to Moscow's interests. Today, there are no institutions or procedures designed to ameliorate tensions in the bilateral relationship. Moreover, there is an implicit danger when both sides inherently reach for their Cold War toolbox to push forward their security agendas.

Within the U.S. foreign policy community there are two major opinions on the direction of U.S.-Russian relations. First, there are those experts that believe that the domestic ramifications of the global financial crisis will drive Russia towards rabid anti-Americanism. These experts believe that should Russia find itself facing internal dissent, the regime of Medvedev/Putin will opt for retrenchment and nationalism. Some believe this is already underway with the recent agreement to lengthen the presidential term to six years, along with the passage of a new law eliminating jury trials for "crimes against the state." In terms of Russian foreign policy under this scenario, should domestic reaction advance, many believe that Moscow will continue its aggressive foreign policy toward the West in part to distract from and justify internal repression.

On the other hand, others including Henry Kissinger offer a more hopeful view that the global financial crisis could lead to "an age of compatible interests." The logic of this argument is simple – a cash strapped Russia would need Western money and technology to develop its energy fields. Similarly, the U.S. has real interests in wanting to work cooperatively with Russia: America needs help curtailing Iran's nuclear ambitions; NATO needs more supply routes to Afghanistan and there is room to compromise on expansion to Ukraine and Georgia as well as the plan to station missile-defense facilities in Poland and the Czech Republic. Arms control is another concern where compatible interests may drive cooperation. The Strategic Arms Reduction Treaty is set to expire in 2009 and both sides have a stake in extending the treaty or developing a successor agreement. In theory, one area of cooperation may create momentum that could spill over to others, setting new precedents and patterns of cooperation in the bilateral relationship. However, it will take imagination and sustained comprehensive engagement from both sides to make this possibility a reality.

How We will Proceed on February 23: Identifying Surprise:

Clearly, there is a range of key bilateral issues and questions on the table that could be affected by Russia's own dynamics and the way these interact with American views and actions. These issues include: NATO enlargement, missile defense, nuclear arms control, Ukraine, energy security in Europe, Iran, Afghanistan, and the place of Russia's internal system and behavior in U.S.-Russian relations.

The potential for a game-changing event or trend (either internal or external) that would further alter the bilateral relationship is real, especially given the absence of defined rules of engagement. Furthermore, the financial crisis has limited the ability of both the U.S. and Russian governments to mitigate cascading consequences of a triggering event (even a predictable one like the destabilization of Ukraine). Add to this mix the possibility of an overzealous hard-line response from either Washington or Moscow and the chances for a geopolitical "perfect storm" increase substantially.

Key Questions for February 23^d Meeting:

1. What role will Russian domestic politics play in altering the geopolitical dynamics of the Eurasian region and the bilateral relationship with the United States?

2. What impact will the economic crisis have on Russian domestic and external policies and how will new economic constraints be translated into political consequences?
3. How will Russia's emerging political dynamics impact its foreign policy priorities and choices? What internal factors will make Russia more or less amenable to cooperative efforts with western nations?